

Subcommittee
INTERNATIONAL

TRADE

JAN. - MARCH

1987



STATE OF ALASKA

HOUSE OF REPRESENTATIVES

Box V, Juneau, Alaska 99811

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REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

May 7, 1987

To: Jeanie Henry, Librarian
Legislative Reference Library

From: Rep. Cliff Davidson

Re: Tape Log for the Sub-committee on International Trade
House Labor & Commerce

1. Monday, 1/26/87 - Organizational meeting - See "Mini-Minutes."
2. Monday, 2/9/87 - Overview by Becky Bear, Information Officer for the Department of Commerce and Economic Development.
3. Monday, 2/16/87 - Dan Dixon, Director of the Office of International Trade, Department of Commerce and Economic Development.
4. Monday, 2/23/87 - Dr. John Choon Kim, Director, Alaska Center for International Business, University of Alaska, Anchorage.
5. Monday, 3/2/87 - Representative Bill Hudson and Mary Tuten - discussing ASMI - selling fish to the world.
6. Monday, 3/9/87 - David Ford gave some practical tips on networking with Alaskans on tourism with New Zealand contacts.
7. Monday, 3/16/87 - Worked on work draft resolution - New Zealand.
8. Monday, 3/23/87 - The subject is timber trade with China. Rep. Mike Davis and Frank Seymour of Commerce & Economic Development, Division of Minerals & Forest Products, showed slides of recent visits.

9. Monday, 3/30/87 A joint meeting with the Senate Special Committee on International Trade to hear John Anderson, Director of Washington State Department of Trade and Economic Development, discuss Team Washington.
10. Monday, 4/6/87 Jim Talbot and Fred Jossy of Troika, Inc. and Marine Resources Company International with offices in Seattle and Moscow, Russia. They hope to make you aware of their existence and to generate interest in planning a trade mission to the USSR in July. The purpose of the mission would be to lay the groundwork for finding and exploiting Soviet markets for Alaska products, services and technology.
11. Monday, 4/13/87 A presentation by the Director, Larrae Rocheleau, of the Mt. Edgecumbe School described their Pacific Rim Curriculum which has been in effect the past two years.

Mini-Minutes --- Subcommittee on Foreign Trade

January 26, 1987 4:35 p.m.

Davidson - (to the committee) would like to have you offer your ideas or suggestions as we go along here. Meet at least every two weeks and have speakers come in from the various areas such as international finance or trade from both the private and public sectors. We will get some cooperation from the Department of Commerce and the governor's office.

The governor made an interesting list of the areas that he's working on and I recall one comment that he said, we must become experts in the international market place, hence, the size of our committee is well justified. The more extras we have the better off we will be. I would also like to welcome visitors starting out with Becky Bear.

Becky Bear - legislative liaison/information officer for the Department of Commerce. Davidson said this committee would be a think tank. She reviewed a suggested list of resource people and discussed the meeting of the Senate Foreign Trade committee would have with Richard Lenahan and John Kim on the 5th of February. Becky discussed the AIDA proposal.

Cotten - Wants some narrative on the day to day activities of a foreign trade office to understand the functions of the office - who takes advantage of the office, who comes in the door on a daily basis.

Bear - no day in the life, but the trade offices have to prepare a report to the legislature of their activities. No report has been submitted yet. She did a synopsis of the transition report and the one on international trade was extensive. It is not an edited report - is complete.

Becky explained that personnel in the trade offices were nationals of that country because they understood how to operate there.

Koponen - said the committee should review a study of the mineral needs of other countries to see what they want to buy. Are we going to be designing our exports for specific markets, rather than production first and hoping someone will buy it? What can we do about getting joint venture companies that really will be using the most up to date technology most appropriate to the particular mineral deposits or products we are selling and to permit the greatest return in local hire.

Bear - We and the market place have become more sophisticated. Proposals that come to AIDA have to match the three C's of banking - collateral, credit-worthiness and character. We must stop thinking in terms of an extractive economy and instead a job producing economy.

Hudson - We must learn from the past - trade missions of all types - all kinds of groups - and critique the trade missions of the past.

Davis - Has there been critiques? Wants someone to tell us about the trade missions. When the various trade delegations are coming - a calender of events.

Hudson - Suggested Mary Tuten, head of ASMI and former head of the foreign trade post in the governors office. Suggested Senator Murkowski who will be here on the 13th.

Boucher - There is a body of information out there. Search before research. His daughter is Murkowski's foreign trade staff. Suggested information can be pulled together from many sources.

Davidson - do you want to break out into groups of interest? to search out the reports. working groups of two or three.

Cotter .. travel money? No.

Davis - described the Sister City recommendations between the *state of Alaska and the People's Government of Heilongjiang Providence in China.

Koponen - using the governor's list - wants to know about the trade missions - protocol - are there possibilities of three way models of trade?

Bear - we need a world view of trade.

Hudson - domestic market needs to be targeted - not enough has been done.

Discussion of working groups and specific tasks.

Koponen - committee to examine different types of joint ventures - what other possibilities could be joint ventures - how could they work better?

Ellis - Foreign Trade Zone designations, marketing study for Anchorage, aquaculture/mariculture and alternative fisheries.

Boucher - get a good writer to pull together everything - develop a history. Assemble all information in the public and private sector, both in and out of the state, use our own state library. Suggested indexing information.

Davis - Is there a catalog?

Becky - has contacted other state and has some information returned.

Rick Lauber - described trade barriers - bamboo curtains - permits.



Alaska State Legislature

House

Official Business

P.O. BOX V
State Capitol
Juneau, Alaska 99811

January 21, 1987

To: Committee Members
From: Representative Cliff Davidson
Re: Sub-committee on International Trade

The first meeting of the Foreign Trade Subcommittee will be held on Monday, January 26, 1987 at 4:30 p.m. in Capitol 17.

Members

Cliff Davidson - Chair
Mike Davis
Adelheid Herrmann
Niilo Koponen
H.A. "Red" Boucher
Johnny Ellis
Al Adams
Ramona Barnes
Bill Hudson

Ex officio Members

Dave Donley - Chair of Labor & Commerce
Sam Cotten - Co-Chair of Resources

Organization of Committee

Department of Commerce & Economic Development - Becky Bear
Office of the Governor

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Since one of the reasons for this committee is the gathering and dissemination of information on foreign trade for Alaska, please share with the committee your suggestions for the direction of the committee. Have you traveled, worked or had contact with possible trade partners? Do you know someone who has, and/or also might be a speaker? What other ideas do you have?

If you would jot down these ideas by noon on Monday and get them to Helen Fisher (2487) from my office, she will see that we have a list of your ideas with which to begin planning the work of our committee.

Thank you!

TESTIMONY ON CURRENT STATUS OF ALASKA'S
INTERNATIONAL TRADE TO THE ALASKA SENATE
SPECIAL COMMITTEE ON INTERNATIONAL TRADE

BY: RICHARD M. LENAHAN, DIRECTOR
U.S. AND FOREIGN COMMERCIAL SERVICE
INTERNATIONAL TRADE ADMINISTRATION

I wish to express my thanks to Senator Uehling and the Special/Committee on International Relations for providing airfare from Anchorage in order for me to appear here this morning. As the State of Alaska is facing budget reductions due to the price of oil in the world marketplace, my federal agency is having its budget reduced by Congressional mandate through the Budget Reduction Act of 1984. Thus, our trade promotion efforts have been substantially reduced by our inability to travel to meet the business public.

You have invited Dr. Kim and myself here this morning to talk to you about the status of international trade in Alaska. As we are all aware, for the past several years our nation's international merchandise trade deficits have been of great concern. In 1985, as Chart 1 shows, most of our trading partners registered deficit amounts in trade with us. Please notice that Japan registered a trade deficit of almost \$50 billion that year. Taiwan and South Korea, both of increasing importance to Alaska in trade matters, registered trade deficits of \$13 billion and \$5 billion respectively. Chart 2 indicates that those trade deficits grew between 1984 and 1985 and gives you the amount of that growth in dollars.

In 1986, the U.S. trade deficit is projected to reach a record amount of \$170 billion. Our trade with Japan alone is projected to reach a year-end total of nearly \$60 billion, up once again from previous record years. Deficits with Taiwan and Korea are projected at \$15 billion and \$7 billion respectively. These three nations alone account for almost half of our country's trade deficit in 1986.

Our national trade imbalance has caused great concern throughout the world. Our trading partners have shipped us manufactured goods in record amounts and have reaped rich rewards, as noted in the amounts of our deficits with most of them. For us in Alaska, this is a two-edged sword. As one of the fifty states, we share the burden of the national deficit. But as the exporter of natural resources, both renewable and

non-renewable, and in the export of our valuable services, our state can be in the position of furthering our exports by using the marketing strategy that our Asian trading partners can better their public image in the United States, and in the world by more seriously considering the purchase of Alaskan resources to satisfy several of their needs at one time. First, such purchases are usually in large amounts with large dollar values attached and cover a sustained period of time, such as the Japanese purchase of liquified natural gas from Cook Inlet over the past fifteen years, with total exports, in real dollars, in excess of \$2.3 billion. This large dollar amount can be a serious chip in their favor when trade balances are figured. Second, our stable political and labor situation guarantees supply to them on a steady basis from an area of the world far removed from the political hot spots. This allows them the advantage of another source of supply which decreases their dependence on politically volatile areas, or from areas with repeated labor disputes which prove costly and disruptive to supply schedules. This advantage increases their national security. And it means that our national security is increased too in this increasingly important north Pacific area.

As we have all heard repeatedly over the past few years, Alaska has a significant geographic position in trade with Japan and Korea, and we are seeing Taiwan beginning to emerge as an important buyer of our natural resources too. Although we have had our differences with Taiwan (among others) in the recent past over high seas interception of Alaskan-bound salmon, the recent announcement of a summer test shipment of coal to Taipower Company, a quasi-government agency, the future export of Cook Inlet royalty oil to China Oil Company, and the recent announcement of possible future purchases of natural gas to Taiwan, make that country more important to us, and these increased ties will inevitably produce other opportunities for trade between us. Hopefully this trade will take the form of increased exports.

The Alaska trade is good for them and good for us. I want to give you a picture of what we are doing now as far as our exports are concerned,

what the near future holds for us, and suggest things that need to be done if we are to broaden our export base for both natural resources and services in the future. Chart 3 gives you an indication of the major product categories exported from Alaska during the first ten months of 1986. Our statistics for the months of November and December and year-end totals are not available to us yet. However, from this chart you can see that our largest export is seafood products, an export which has been growing significantly in the past few years. Please note that these figures do not count the amount of fish sold on the high seas in the U.S. Exclusive Economic Zone.

By comparing Chart 3 with Chart 4 you can see that our total exports direct from Alaska have grown in the past three years after taking a dip in 1983. This dip is significant in that you may recall that Japan had an economic slowdown at that time, and obviously we were affected. A more careful study of the major categories exported reveals that each one was reduced from previous years in 1983. These include seafood, forest products and natural gas. This is an indication to us that where Japan's economy goes, so goes ours as far as exports are concerned. It should send us warning flags that some new markets should be explored to insulate us from this problem. If you look at Chart 5, Alaskan Exports By Country Total, you will see how significantly Japan figures in total percentage of exports. Seventy-six percent of our trade in the first ten months of 1986 went to Japan.

Although 1987 is only one month old, the immediate future looks good for us. As I already mentioned, Taiwan has made indications of their intent to purchase at least two test shipments of Alaskan coal. These two shiploads should total about 130,000 metric tons and should be exported through the Seward Coal Terminal during summer. If these shipments prove to the Taipower officials that Alaskan coal is usable in their burners, they have told us that they will purchase coal from us at least equal to the amount that we are now exporting to Korea Electric Power Company's plants at Honam. If this happens, it will

double our exports and make the production, rail transportation, stockpiling and shiploading more economical. Hopefully, these savings will be passed to the end-users and make our coal more interesting to other buyers as well. These developments could happen within the next 18 months.

Recently, Tesoro Alaskan Petroleum Company announced that it had received an export license for Cook Inlet crude oil and that it intended to sell 550,000 barrels of crude to a Korean refinery. This would be the first crude oil export since the President lifted the ban on Cook Inlet crude in 1985. This sale of crude will produce several million dollars in export sales for Alaska. The future export of state royalty crude oil to Taiwan will also occur in 1987.

Even though the fishing sector has done well, some improvement will take place. New products in the Alaskan fishing industry are being exported, and some new markets are being approached. Of course, the surimi production facilities in Kodiak and Dutch Harbor are significant to us and have produced jobs for many people. New products such as salted codfish and pollack, which is really a resurrection of an old process, are being produced and exported to markets in southern Europe. These markets are new to us, and hopefully they will produce expanded exports once the working relationships have time to iron themselves out.

The Municipality of Anchorage and the Anchorage International Airport (under the State's DOTPF) are jointly applying for Alaska's second Foreign Trade Zone. In the packets I have given you there is information about FTZ's. In this case, the two entities are cooperating to identify parcels of land and buildings that could be included in an FTZ in Anchorage. As you know, at this time there is only one FTZ in the State of Alaska located in Valdez. When Anchorage makes its formal application, which should be in March or April of this year, it will be the second application pending review in the offices of the Foreign Trade Zone Board in Washington. The other applicant is St. Paul Island.

Other parts of the state are in the process of considering FTZ's for their areas. I have provided them with the information and if they decide to apply I will assist them in their application process. However, I would like to clarify one important point. Under the Foreign Trade Zone Act one of the prerequisites for a Grant of Authority to operate an FTZ is that the area be a Customs Port of Entry. In Alaska, the only such Ports of Entry are Anchorage, Valdez and Fairbanks, Juneau, Skagway, Sitka, Wrangell, Ketchikan, and the two border ports at Dalton Cache (near Haines) and on the Alcan.

In the services sector, Alaskan exports are of increasing interest to many people. Because of the lack of capital projects in the state, architects, engineers and construction companies are exploring new markets. Some of them are looking to emerging nations for their infrastructure development. Since statehood, and especially since the oil revenues from Prudhoe Bay have flooded us, we have been involved in this same type of infrastructure development. Our service companies are uniquely qualified in remote site construction, communication from site to headquarters locale, cross cultural communication in rural Alaska, logistics of getting the construction materials to the site from far away on one barge, and other problems not unique to Alaskan construction. These skills are exportable commodities in demand in emerging nations. In addition, development of research sites in Antarctica and other cold weather areas will produce further opportunities for the export of these services.

My office assists these companies in locating projects through the publication of our Early Alert Major Project newsletter. Through this newsletter, at least one company operating in Alaska found a job building an airport in a foreign nation. This contract was worth approximately \$15 million to them. Other opportunities exist and I will continue to work with members of the industry to keep them informed.

In the telecommunications industry, we lead the world in the applied technology. I am assisting persons involved in this industry and will

continue to promote the export of this service to world markets. Time does not permit me to go into each and every service industry that has export potential and which needs further market research. However, I would like to give you an indication of what I believe the State of Alaska can do to enhance its position in international trade both for the near term and the long term.

I fully endorse the message that Governor Cowper presented to you in his State of the State speech. His fifteen points on economic development in the state were well thought out. He mentioned ten points that are of particular interest to me. Our need for market research is glaringly apparent. And not only are our local industries needing diversification, you have seen that our exports need market diversification too. Noting that seventy-six percent of our 1986 exports went to Japan, I ask the hypothetical question of what would happen to the fishing industry should the Japanese, as retaliation to protectionist measures sure to come out of the 100th Congress, decide to embargo U.S. seafood? What would we do with the extra \$500 million in fish? Which markets could handle that much?

This is why we need market researchers. That is why I fully endorse the "think tank" idea at UAA that the Governor mentioned. At this point in time there is no market research for Alaskan products. Such a "think tank" could only be an improvement.

I also endorse his idea of considering Anchorage a site for international finance. This is worth some serious study. I have given you an article I clipped from the Anchorage Times on February 3, 1987 which announced that Vancouver, B.C., was about to enter the international banking industry. International financial experts have stated that Anchorage could be an interesting site for such a service business, because of its position between European currency markets and Asian currency markets, and its geographic relationship with New York and San Francisco. In a similar vein, Mr. Kenichi Ohmae, a Managing Director of the Tokyo office of McKinsey and Company, in his book "Triad Power",

has announced what he calls the "Anchorage Perspective". He states that global companies involved in the triad markets of Western Europe, the United States and Japan must compete individually in each of these markets and will need to be equidistant from each of them in location of corporate headquarters operations for market assessment, new product development, and other needs. This idea is not too unrelated to the financial center idea. Both of them need exploring.

Too many people and organizations seem to be going in different directions when it comes to development and market research about what Alaska should do next. Besides the federal program, the state and several communities are each involved in export development and each going their own way toward the goals they have established. This is a healthy phenomenon, but perhaps a little more coordination should take place between the players. I have proposed to the State of Alaska that we organize a "Trade Center" in Anchorage which would merge the federal and state export development programs in one location, easily accessible by the Alaskan business community. In this "Trade Center" the federal export development programs and the worldwide outreach of my agency would be available to all businesses, and we would have the outreach in the State of Alaska provided by the Department of Commerce and Economic Development, the Small Business Development Centers, and other state agencies to get the message of the need for diversification of the economy, the diversification of the markets that we need to pursue, and apply the research that the UAA program has done and will do to the real world of business. The "Trade Center" would also be a place for foreign buyers to meet potential sellers from Alaska and where these foreign buyers can obtain an overall view of the state through the Export Council of Alaska's recent slide show designed for business use, and which I notified you about in my last monthly newsletter. There are other uses for the "Trade Center" too. Various economic development entities located in cities have already indicated their interest in being located in or near the "Trade Center", where the synergy of information exchange could occur. Thus, a merging of federal and state programs would benefit the end user, the business person, and the

ultimate goal of job creation through increased awareness about international markets could be met. I've included in your packets a brief and incomplete listing of things that the "Trade Center could accomplish.

It has occurred to me that you might allow me to make some suggestions to you about what I feel this Special Committee could do during the next two years in order to study and assist the export community. I have a short list of suggestions:

1. Review laws and regulations that could be changed in order to attract international investment and business to our state. If they need to be changed, change them.
2. The export finance provisions and other export oriented provisions of the AIDA bill already discussed in this Committee should be passed as soon as possible.
3. Engage in joint meetings with other Committees involved in the international trade issues and invite top experts from around the world to testify about specific subjects.
4. Take advantage of existing relationships with Alaskan foreign partners and potential partners for the promotion of trade. Become Alaskan trade emissaries.
5. Talk to communities involved in development about what they plan to do, and see if there is a way to better coordinate activities.

I believe that international trade has a very important place in our lives. Alaska was identified as the number one state in the nation for the proportion of its manufacturing output, including fish processing, that was exported to other countries. With 34.1 percent of manufacturing jobs, or about 6300 in 1981 and probably even greater today, related to exports our state needs to act now to insure our economic future.

Thank you for the opportunity of being here today.

THE WALL STREET JOURNAL

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SMALL BUSINESS

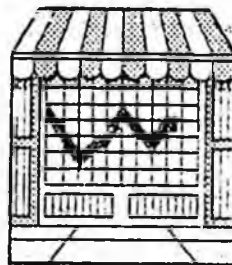
States Launch Efforts to Make Small Firms Better Exporters

By STEVEN P. GALANTE

Staff Reporter of THE WALL STREET JOURNAL

THE DOWN PAYMENT arrived last week for C.M. Magnetics Corp.'s biggest sale yet, a \$2.7 million order from China for a system that makes videotape. Already the venture capitalists are knocking on the door of the three-year-old company in Santa Fe Springs, Calif., just outside Los Angeles.

C.M. Magnetics might not even be around today, though, were it not for a California program that helps small companies finance exports. The program, operated by the state's World Trade Commission, enabled C.M. Magnetics to obtain financing last year after three banks declined to lend the company working capital to complete a \$280,000 order from Hong Kong. The agency stepped in again a few months later when C.M. Magnetics needed capital to fill a \$180,000 order from China. That sale paved the way for the current contract. "Without their help," company President J. Carlos Maciel says of the agency, "we probably wouldn't be in business today. We were struggling."



California's is one of a number of financial-aid programs popping up around the country to assist small and medium-sized companies expand their sales through exports. At least 10 states operate similar programs, and more are following suit. "Most small businesses can't get export financing from traditional sources such as banks," says Joseph Azzolina, a New Jersey assemblyman who has proposed such a program in his state. His bill is intended to help small businesses establish an exporting track record that would ease their access to commercial financing.

EXPORT FINANCING ELUDES small businesses for two reasons. Big banks generally aren't interested in making small loans. And small banks, lacking experience in export financing, are wary of the risks. Most state programs are addressing the problem through small banks. They aim to make such lenders more comfortable with export financing by guaranteeing repayment of the loans.

California, for example, guarantees 85% repayment on loans used to finance working capital or receivables related to exports. Illinois's program is slightly more ambitious. It will lend banks 90% of the funds they use to make an export-related loan. Illinois also has arranged to have the U.S. Export-Import Bank insure the state, the lender and the exporter against most losses on export sales.

The state programs have limits. California's maximum guarantee is \$350,000. Illinois caps its guarantees at \$500,000.

Since California's program started in mid-1985, the state has made 23 guarantees totaling \$3.7 million. Illinois, which launched its program last summer, so far has backed six sales totaling \$2.5 million. "None of those transactions could have occurred without our participation," says John C. Kerwitz, executive director of the Illinois Export Development Authority.

Vancouver to enter international banking

VANCOUVER, British Columbia (AP) — There won't be any new glass towers sprouting in the downtown skyline and no wave of blue-suited financiers disembarking from ileets of executive jets when Vancouver becomes an international banking center.

In fact, once Parliament passes enabling legislation, Vancouverites probably won't even notice that their city has joined the likes of New York, London, Hong Kong and certain Bahamian islands as a hub of international finance.

And the designation will do little to thin the ranks of British Columbia's unemployed.

Michael Goldberg, a commerce pro-

fessor at the University of British Columbia, said the designation will create a few hundred new jobs at most.

Aside from a few technicians and tradesmen adding an office or two to facilities, plus some extra accountants and money managers to handle international transactions, foreign banks need to expend little effort.

"Of itself, an international banking center is not going to generate many jobs," says Graham Clarke, chairman of the Vancouver Board of Trade.

He and other backers prefer to talk in terms of long-term potential.

The international banking center designations for Vancouver and Montreal

will come in the form of Income Tax Act amendments that will allow banks to conduct international transactions involving foreign currencies without being subject to Canadian taxes.

International banking centers have existed for more than 20 years. The United States passed legislation in 1961 allowing individual states to set up international banking facilities. So far 24 have done so.

Canada is simply playing catch-up, says Clarke, adding: "What we're doing is creating a lure."

The convenience and security of being able to deposit and borrow

See Vancouver, page D-7

D-8 Tuesday, February 3, 1987, The Anchorage Times

Vancouver: International

Continued from page D-5

money in a Canadian tax haven is supposed to attract foreign businesses, which in turn will draw other types of activity with them and perhaps take advantage of other services offered.

Ultimately, the breaks given international banking transactions could be expanded to a wider array of services, establishing the cities as international financial centers and important contributors to the British Columbia and Quebec economies. That's where the real job and revenue prospects are, said Clarke.

Eugene Nesmith, president of

the Vancouver-based Hongkong Bank of Canada, says international finance will eventually attract other businesses traditionally drawn to capital markets, like stock brokerage firms, bond and currency trading houses and banking insurance companies.

Vancouver's position as a key Pacific port will probably enhance its trading activity, which should trigger growth in the locally based export-import and customs brokerage businesses.

Spinoffs also could benefit legal and accounting services, computer and telecommunications companies, real estate companies and clerical services, as well as the travel and hospital-

ity business, says Nesmith.

"The intention isn't to create a Bahamian haven for suitcase banks," says Clarke.

Goldberg said Canada's reputation as a secure, politically stable country will make it an attractive banking area.

And he said unlike other countries, Canada has no restrictions on movement of currency and has never frozen another country's assets.

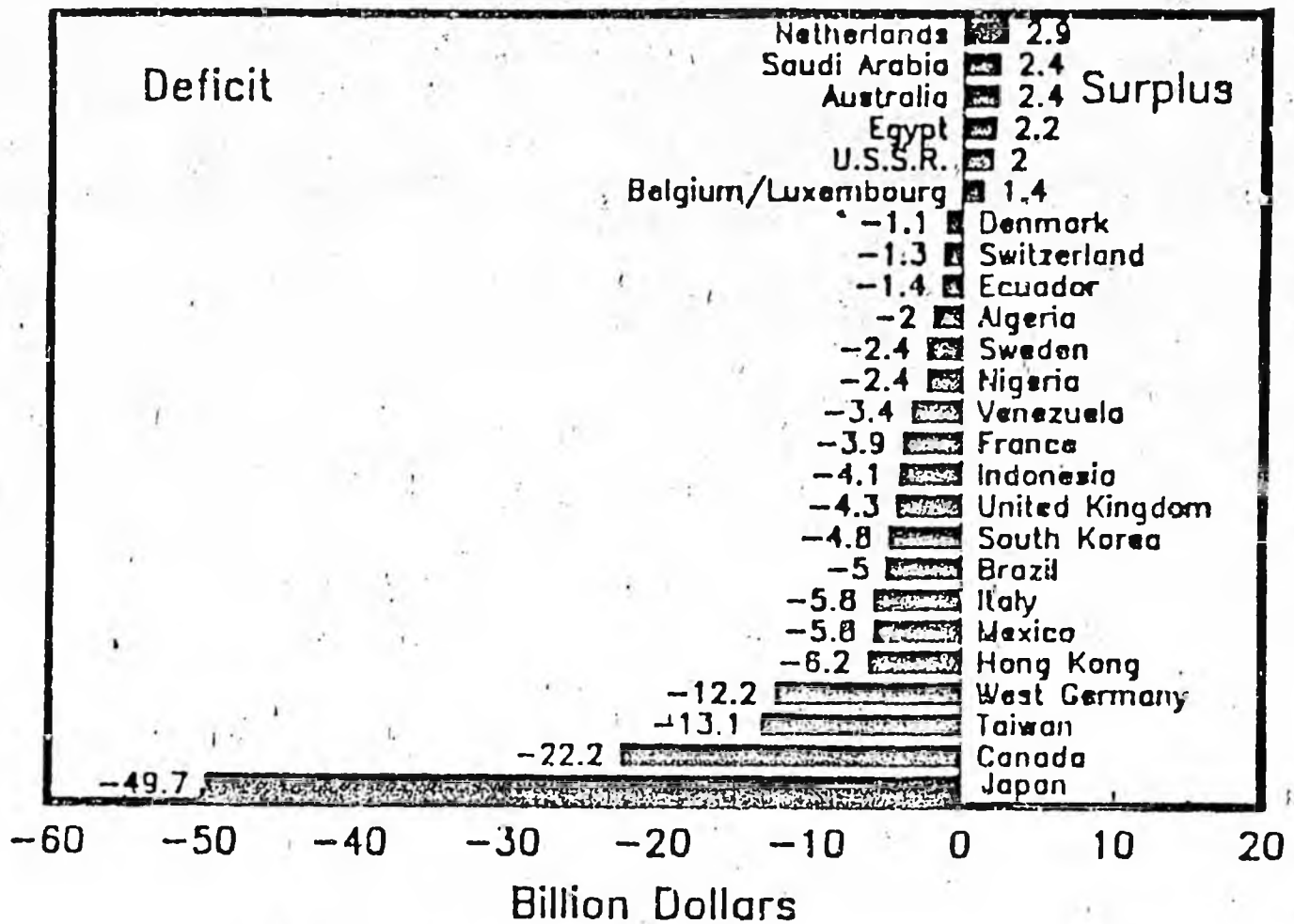
Goldberg estimated it will take as long as 10 years to fully exploit the concept but said no one loses by taking the initial step.

FUNCTIONS OF THE INTERNATIONAL TRADE ASSISTANCE CENTER

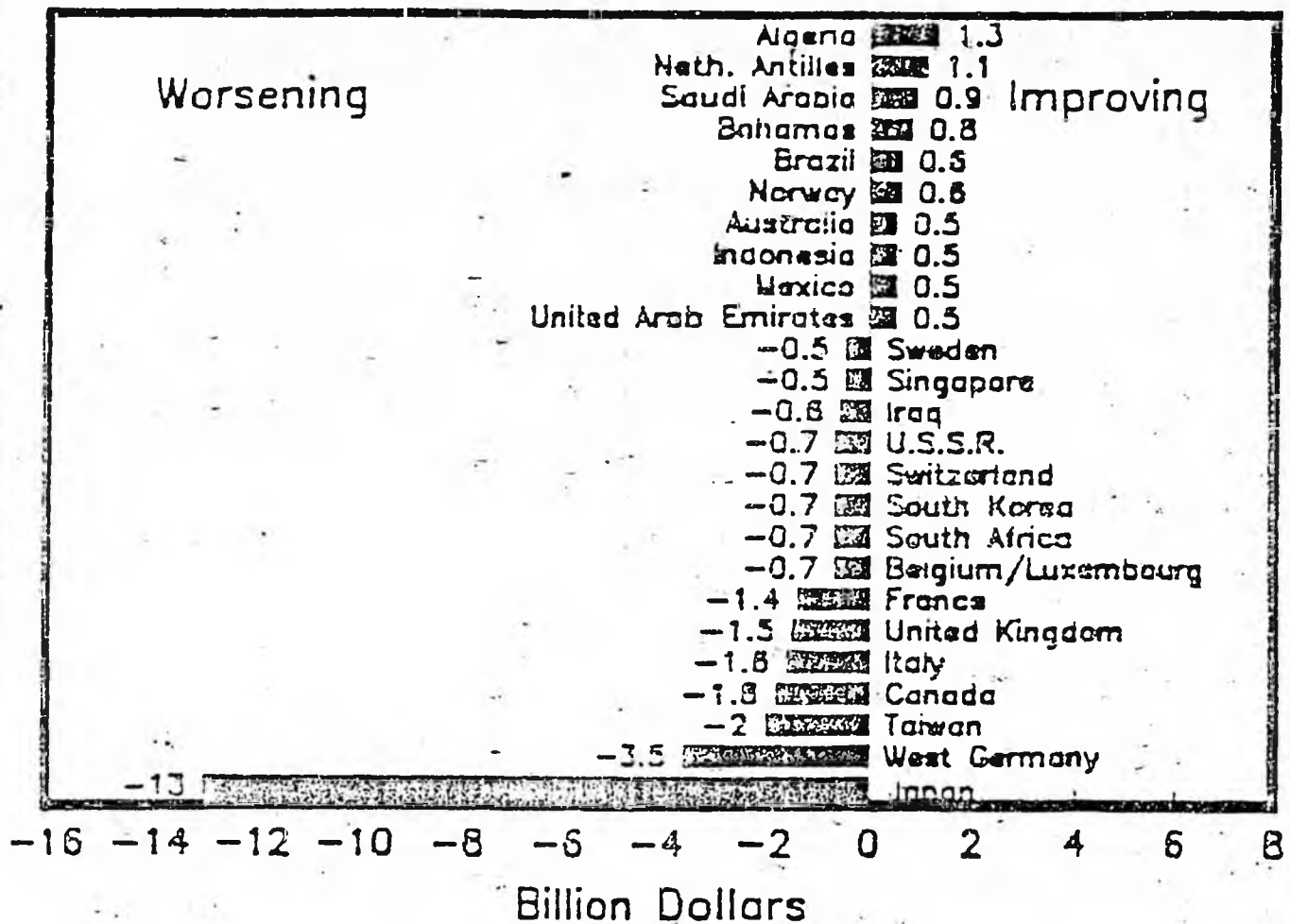
- Brings together federal and state trade development agencies
- Provides Alaskan businesses with international trade marketing information, to include:
 - * Business Trade Reference Library
 - * Country economic information
 - * Agent-Distributor Service around the world
 - * World Trader Data Report service
 - * Import-Export trade data
 - * Best Prospects for Exports
 - * Major Projects Information Service
 - * U.S. Export-Import Bank Information
 - * Country specific Marketing Plans
 - * Export Control Administration updates
 - * Export License applications & assistance
 - * Trade Complaints
 - * Foreign Direct Investment information
 - * Foreign Buyer Information program
 - * Trade Opportunities Program
 - * International Business Communication Program
 - * "First Friday" Trade Seminars
 - * Trade Show Opportunities
 - * Access to USG sponsored Trade Missions

LARGEST SURPLUS AND DEFICIT BILATERAL U.S. TRADE BALANCES, 1985

Chart 1



LARGEST CHANGES IN U.S. BILATERAL TRADE BALANCES, 1984 - 1985



ALASKA EXPORTS: WORLDWIDE TOTALS*

MAJOR PRODUCTS (\$000)

<u>PRODUCT</u>	<u>1986*</u>
FOREST PRODUCTS	\$ 172,908
SEAFOOD PRODUCTS	513,703
NATURAL GAS	161,318
UREA	32,871
AMMONIA	39
COAL	25,006
FUEL OIL	<u>123,629</u>
<u>TOTAL:</u>	\$1,029,474

*Figures reflect totals through October, 1986.

Source: U.S. Department of Commerce

ALASKA EXPORTS BY COUNTRY TOTAL
CY 1985

<u>RANK</u>	<u>COUNTRY</u>	<u>\$ AMOUNT</u>	<u>% OF TOTAL</u>
1	JAPAN	883,067,608	69.95
2	KOREA	90,917,270	7.20
3	CHINA	36,907,204	2.92
4	INDIA	30,687,591	2.43
5	SINGAPORE	30,592,298	2.42
6	CANADA	26,031,787	2.06
7	SWEEN	25,215,048	1.99
8	HONG KONG	23,296,397	1.84
9	TAIWAN	21,587,625	1.71
10	TRINIDAD	15,307,263	1.21
11	AUSTRALIA	13,697,071	1.08
12	PHILLIPINES	11,792,671	.93
13	MEXICO	6,369,013	.50
14	SUDAN	4,722,394	.37
15	REP. OF S. AFRICA	4,691,195	.37
16	MALAYSIA	4,674,847	.37
17	EGYPT	3,817,843	.30
18	BANGLADESH	3,483,671	.27
19	CHILE	2,919,635	.23
20	PORTUGAL	2,405,888	.19
	TOTAL:	\$1,242,184,821	98.40

ALASKA EXPORTS: WORLDWIDE TOTALS
Major Products (\$000)

<u>PRODUCT</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
FOREST PRODUCTS	278,313.2	277,531.2	268,748.0	216,599.6	211,279.0
SEAFOOD PRODUCTS	329,106.7	350,210.8	328,522.2	287,153.3	439,510.5
NATURAL GAS	310,024.5	291,898.0	266,834.5	262,329.0	249,135.0
UREA	133,417.3	109,724.5	75,368.0	99,605.5	40,508.5
AMMONIA	0.0	19,371.4	22,727.9	38,612.8	28,836.8
COAL	0.0	0.0	0.0	0.0	24,552.5
<u>TOTAL</u>	<u>1,182,597.3</u>	<u>1,338,397.4</u>	<u>1,100,624.8</u>	<u>1,047,573.7</u>	<u>1,262,259.0</u>

SOURCE: EM 563. United States Exports of Domestic and Foreign Merchandise
U.S. Department of Commerce, Bureau of the Census, Foreign Trade
Division, Washington, D. C. 20230

ALASKAN EXPORTS BY COUNTRY TOTAL

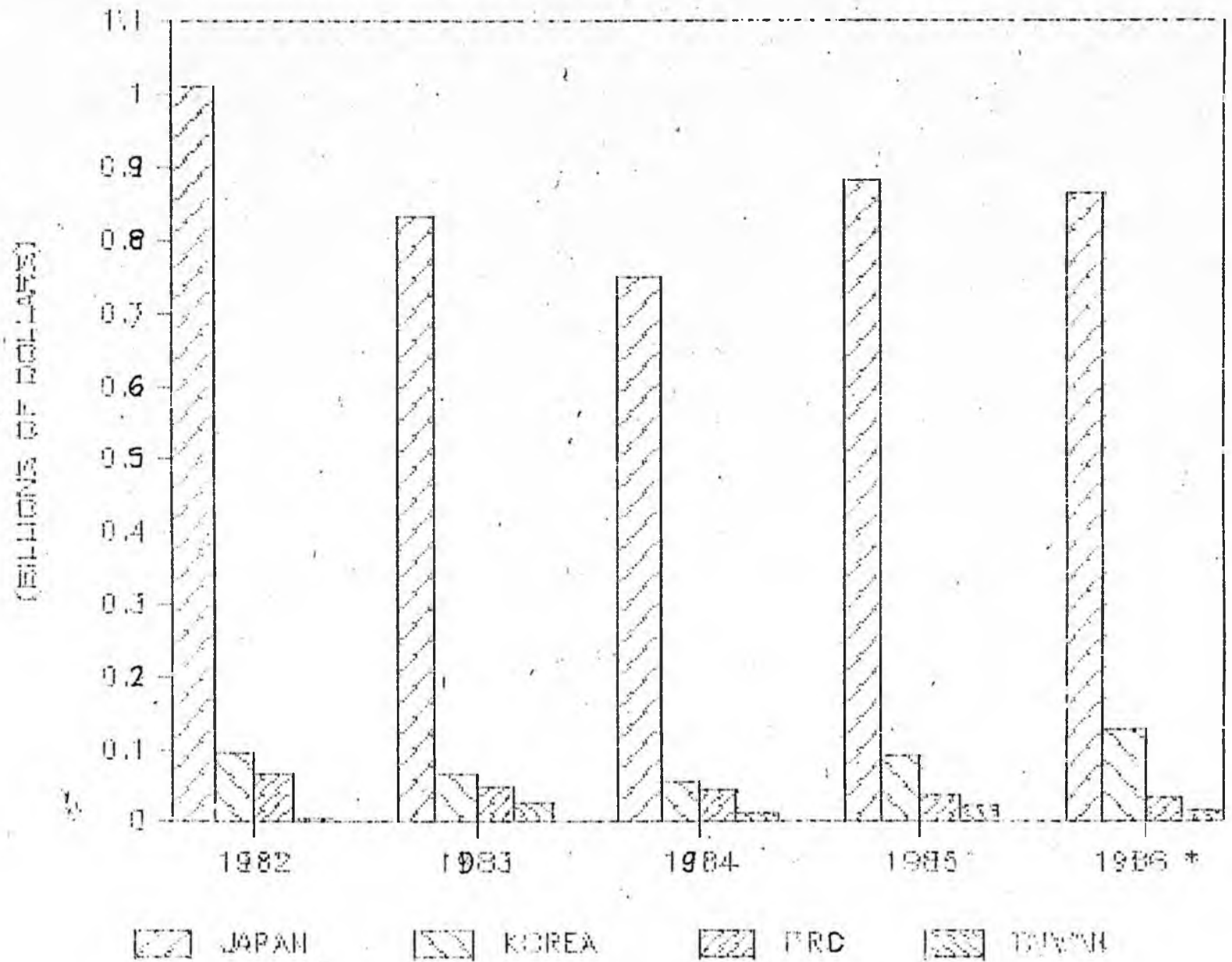
<u>RANK</u>	<u>COUNTRY</u>	<u>THRU 10/86</u>	<u>YEAR END 1985</u>
1	JAPAN	\$ 863,938,248	\$ 883,067,608
2	KOREA	128,030,860	90,917,270
3	PRC	33,633,388	36,907,204
4	INDIA	7,061,421	30,687,591
5	SINGAPORE	12,540,246	30,592,298
6	CANADA	27,798,674	26,031,787
7	SWEDEN	522,412	25,215,048
8	HONG KONG	3,873,950	23,296,397
9	TAIWAN	15,384,479	21,587,625
10	TRINIDAD	16,454,633	15,307,265
11	AUSTRALIA	2,834,942	13,697,071
12	PHILLIPINES	4,131,523	11,792,671
13	MEXICO	0	6,369,013
14	SUDAN	0	4,722,894
15	S. AFRICA	0	4,691,195
16	MALAYSIA	674,143	4,674,847
17	EGYPT	3,949,885	3,817,843
18	BANGLADESH	0	3,483,671
19	CHILI	5,688,598	2,919,635
20	PORTUGAL	<u>644,473</u>	<u>2,405,888</u>
	SUBTOTAL:	\$1,127,181,875	\$1,242,184,821

TOTAL EXPORTS* \$1,160,599,501 97%

*10-Month Total

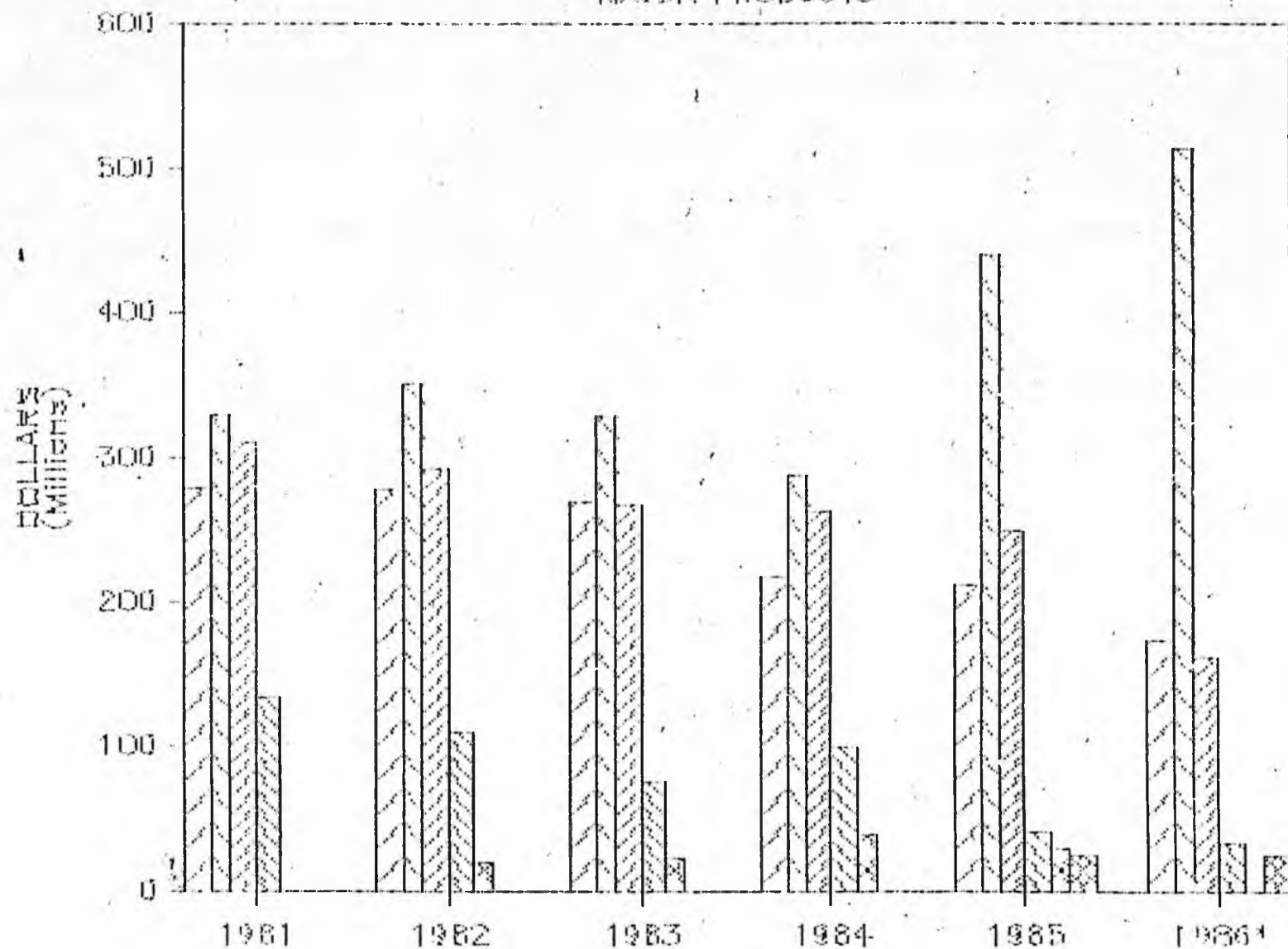
Source: U.S. Department of Commerce

ALASKA EXPORTS



ALASKA EXPORTS: WORLDWIDE TOTALS

MAJOR PRODUCTS



WOOD

FISH

LNG

UREA

AMMONIA

COAL

MEMORANDUM

State of Alaska

TO: Honorable Steve Cowper
Governor, State of Alaska

DATE: February 02, 1987

FILE NO:

TELEPHONE NO: 562-2728

FROM: Dan D. Dixon, Director
Office of International Trade

SUBJECT: Trip Report: Japan/Korea
1/08-1/21/87

GENERAL OVERVIEW

I have made it my policy over the last 22 months to travel on a quarterly basis to the Pacific Rim, particularly Japan and Korea. These trips provide me with the opportunity to manage our offices in Tokyo and Seoul in person. In each office, we review production for the previous quarter and set additional goals and objectives.

These trips have also allowed the State to foster business contacts and to cement new friendships garnered by the office managers. Each opportunity for a high level government official to discuss trade issues and the promotion of Alaskan products/investments enhances the State's visibility and credibility in these countries. Of equal value is my practice of negotiating agreements with government and business leaders which facilitate trade and investment in Alaska's economy.

Meetings conducted in both Japan and Korea also serve the important function of providing a forum to dispel certain long-standing myths about the State. Across tables, in discussion, I have the opportunity of explaining that Alaska is not a resource land existing at the outer edge of the world, but rather a vibrant young state which lies at the center of a trade hemisphere that stretches from Europe to Asia, as well as to Canada and the lower 48 states. Moreover, as a youthful state interested in developing international trade, Alaska is taking an innovative approach to creating an economic environment conducive to foreign investment. I am able to describe our programs within the context of informational meetings to government and private sector leaders. These meetings have an impact which cannot be duplicated by any form of publication.

I had a three pronged rationale for scheduling this particular trip to Japan and Korea. First and foremost, I wanted to assure representatives of the public and private sectors of these nations that the Cowper administration is going to support the programs currently underway including staffing, as well as the expansion of Alaska's involvement in the international

marketplace. I believe that this part of trip was extremely successful. Japan and Korea have received glowing reports on the Governor's philosophy of trade development and representatives in these nations appear to genuinely look forward to a good working relationship with this administration.

Second, I wanted to pursue many outstanding issues and initiatives ranging from fisheries, timber, minerals and natural gas, to international banking and trade leads. And third, I wanted to investigate several new ideas which have been formulated to stimulate our economy through international development.

The following is meant to serve as summary for you. If you desire I will, of course, provide you with more detailed information about any of the items below.

KOREA

GENERAL ASSESSMENT

During the past several years Korea has taken one of the most active investment roles of any foreign nation in Alaska's economy. From joint ventures in fishing, to coal exports, to in-state construction, Korea has provided an infusion of capital which represents a good faith interest in a long term economic relationship with Alaska.

Korea sees Alaska as an ideal location for the development of a stable resource base and as a place where it can invest capital as a response to increasing pressure by the U.S. government to reduce the U.S./Korea trade deficit which is hovering in the billions. Investment in Alaska is especially attractive to the Koreans since they have the opportunity of investing in those resource industries which will benefit that nation.

Moreover, Korean construction technology is now rivaling Japan in many areas and the Korea construction industry is looking for new outlets or markets for this expertise. As Alaska continues to develop its infrastructure of port facilities and the like and as the state expands its industrial base to include new refineries and other facilities, so will Korea continue to operate in our marketplace.

KOREA TRADERS ASSOCIATION

The Korea Traders Association is the lead organization for the development of trade and investment policy for the Republic of Korea. I met on several occasions with the Association's Vice chairman, Sun Ki Lee. Mr. Lee is the former Minister of Energy and Resources for Korea and the former Secretary General of the ruling party of Korea. He is also the State's Honorary Trade Representative for Korea. I should note here that the former Prime Minister of Korea, Nam Duck Woo, is the Chairman of the Association.

Our discussions have resulted in the Association taking a leadership role in supporting the trans-Alaskan gas line. For example, discussions about the project were initiated by the Association in meetings with the minister and deputy minister of Energy and Resources during my visit. Significant work has also taken place with U.S. Embassy officials to obtain a high level American support for the project.

KOREA U.S. ECONOMIC COUNCIL, INC.

This council is considered one of the leading organizations in the area of stimulating Korea/U.S. trade. The functions of the Council are similar in some respects to those of my office. The Council organizes trade missions to and from Korea. It establishes contacts for businesses and facilitates trade by negotiating cooperative agreements. The Korean Government is also provided with advice on trade matters by the Council.

I met with a great friend of Alaska's, Kwang Won Rhim who serves as Executive Director for the Council. During our meeting we began to lay the groundwork for a large working delegation of trade and manufacturing interests which would visit Alaska to investigate investment possibilities later this year. This mission fits the new Korean government policy of promoting foreign investment in order to offset Korea's trade imbalance with the U.S. Mr. Rhim also encouraged Governor Cowper to visit Korea in late May or early June to meet appropriate government and private sector individuals to encourage participation in this trade mission.

U.S. TRADE CENTER, U.S. EMBASSY

I met with Thomas A. Rosengren who is Director of the U.S. Trade Center at the U.S. Embassy. The purpose of this visit

was to brief him on the new administration and to provide him with data on new projects that we are promoting. We also worked out the logistics for our participation in the Second Annual U.S. Trade Fair to be held in Seoul the latter part of February.

At the fair, Alaska will be promoting Alaskan resources and services for export. We will have the opportunity of connecting Korean business concerns with Alaskan suppliers. We also hope to spark Korean businessmen's interest in Alaska by describing our investment climate and our position vis-a-vis the international marketplace. We participated in this Fair last year with excellent results in the areas of furs, minerals, timber products and some interest in our tourism industry.

WOO PUNG CHEMICAL COMPANY

Over the past 18 months, this company has been seriously exploring the possibility of constructing and operating an alcohol plant in the Delta region of Alaska. K.J. Kim, the president of Woo Pung, has visited a potential site near Delta Junction and is presently developing a marketing analysis for the sale of the alcohol and its byproducts in Alaska and the lower 48 states. During my visit to Korea, I had the opportunity to provide Mr. Kim with an analysis of Alaska's market potential and a summary of the various State agencies which will assist and regulate this investment. Woo Pung hopes to make a decision on the project within the next several months.

SEO RIM TRADING COMPANY

Seo Rim Trading Company would like to purchase large quantities of Alaskan White Birch on a long term basis, beginning immediately. While still in Seoul, I was able to connect Seo Rim with several Alaskan companies which have the capacity to export this product. Importantly, great quantities of white birch are found in the interior and southcentral regions of Alaska - timber areas which have been struggling for years to establish a market for their product. Price is still the main problem facing the industry; however, the prospects appear very bright. (Note: white birch is used in the manufacture of furniture and accessories in Korea for both domestic use and export).

MINISTRY OF TRADE AND INDUSTRY--INTERNATIONAL TRADE PROMOTION BUREAU

I met with Mr. Ki-Sung Lee, Deputy Director-General of the International Trade Promotion Bureau. He has been charged with organizing the foreign investment campaign for the Korean Government. The general goal is to reduce the trade imbalance with the U.S. The Bureau has been given 1.2 billion in seed money to finance an investment fund. Korean businesses wishing to develop ventures in the U.S. can obtain capital for given projects from this fund.

The main purpose of my visit was to discover first hand how the fund will operate, what projects are considered the most desirable and to educate the Bureau about the potential of Alaskan trade. The fund is an ideal source for capital for Alaskan/Korean trade development since its emphasis will be on the creation of new sources of energy materials and strategic minerals.

On the down side, I had to work hard to dispel the Bureau's view that high wages in Alaska make it difficult for a company to competitively develop our resources. And while the Deputy Director General agreed with our perception that Alaska's geographical location is ideal for some added value manufacture, he believed that high wages may hinder investment in this area. Our goal should be to show factually that our cost of living, including wages, are not much different from those of San Francisco and New York. The Korean Office has already supplied some of these statistics to the Director General's office.

I have invited the Director General to visit Alaska and he is definitely someone that the Governor should meet during his first visit to Korea. I have started the process of sending potential projects to the attention of the Director General and we are informing our constituents about the fund.

KOREA-ALASKA COOPERATION COMMITTEE

This organization is very similar to Alaska-Kai of Japan. It is made up of many influential individuals from the leading corporations of Korea who believe that the development of a long-term economic relationship with Alaska is vital to their nation and our state. I met with M.D. Chung who is Chairman of Hyundai Corporation, one of the largest corporations in Korea, and chairman of the Korea-Alaska Cooperation Committee. The

main item of our discussion was how the Governor could most effectively utilize the Korea-Alaska Economic Cooperation Committee during his first visit to Korea. His strong suggestion was that the Governor address the organization as part of a mini-seminar on Alaska and its trade potential. We should include information on our business environment, resources, manufacture and service potential, and what the State is doing to increase our effectiveness in the international marketplace. He recommended that the Director could give a general overview of the facts along with a media presentation, while the Governor could address the broader policy issues. Following the presentation a reception could be held to allow the business and government leaders the opportunity of talking personally with the Governor. I believe that this would be the most effective way to get our message out to the most important people at the moment, and we would receive favorable media coverage for the state.

KOREA DEVELOPMENT BANK

I met with Jung-Jin Yoon who is General Manager of the International Finance Department for the Korea Development Bank. The KDB is taking an aggressive posture in finding foreign investments for the clients who make up its portfolio. This is in keeping with the government's policy of promoting foreign investment as discussed above. I have found it very useful to develop relationships with banks in this manner since their activities with their clients can promote a quicker review of potential investors than we can provide. Moreover, since banks overseas are able to generate fees in addition to lending on projects, there is an inducement for the banks to matchmake.

During our conversation I stressed potential involvement in the hotel industry, timber, fisheries, and minerals development and I also promoted the possibility of Korean financial involvement in the construction of the trans-Alaskan gas line. Our ultimate goal with this bank, since it is the main development oriented bank in Korea, is to develop a letter of protocol similar to that which promotes business with Japan through the Industrial Bank of Japan.

HANSUNG ENTERPRISE, Inc.

This organization is one of the leading fishing interests in Korea. It does most of its off shore fishing in Alaska's Bering Straits. Our discussion centered on Alaska's policy toward continued foreign fishing in our waters and the present

quota allocation system. In light of the fact that the Governor has not had an opportunity to set a policy on these important issues, I essentially followed the U.S. policy line which has been in effect in Alaska for the last several years. That is, we have every intention of Alaskanizing our waters. However, we recognize the importance of foreign financial participation in our fishing industry and thus support to some degree the current interest in joint ventures. The Koreans have stressed (as have the Japanese) the importance of fisheries to their society and that they hope we will be fair in our support for future allocations. I should note here that the Korea Deep Sea Fisheries Association is the lead quasi-government organization in these matters. We have established a solid relationship with this organization and the Governor should certainly attempt to meet with its representatives while in Korea.

DONG A TRADING COMPANY

Dong A Trading Company is a mid sized trading company. It nonetheless is a multifaceted and multinational corporation with assets of well over \$50 million. Dong A has been working with my office for several months attempting to locate scrap iron deposits in Alaska for purchase. We have successfully connected the company with two companies in Alaska (one in Fairbanks and one in Nome) which have significant inventories of scrap iron. Dong A is interested in purchasing as much scrap iron as possible on a long term basis. These purchases will be worth millions of dollars to Alaskan companies over the years. Dong A will be visiting Alaska during February, at our invitation, to investigate the potential here and to execute at least one contract during its visit. Dong A as a trading company is also interested in Alaska manufactured pulp products and we have put them in touch with Alaska Pulp Co. in Sitka and Ketchikan Pulp with the hope that those companies will open discussions for possible supply of pulp products.

JAPAN

OVERVIEW

Japan is Alaska's leading trading partner. Last year Japan purchased more than \$750 million of products from our state. Given her superheated economy and the present phenomenal strength of the Yen, (its value against the dollar is up nearly 60% since this time last year), and the fact that with her trade surplus (she has \$650 billion in reserves in the banks)

Japan should remain the focus of a great deal of our marketing activities. This cash surplus in Japan has created a great opportunity for the State of Alaska. Development projects are more attractive than they have ever been, and the Japanese are more willing than ever to throw a little creativity into their overseas financing. There is a compelling reason for the foreign investment: without it, Japan will develop the same sort of raging inflation that has driven the U.S. back from the international market place. Their money has to be invested and circulated in a bigger market. The Japan market is incapable of absorbing the type of wealth that presently exists in the Japanese economy.

INDUSTRIAL BANK OF JAPAN

I met with Shinichi Hiraki and Shuichiro Tomaki who head up the Business Development Section of the IBJ. As mentioned above, the State has a letter of protocol with the bank which promotes business with Japan by connecting the bank's clients with businesses in Alaska. In the past we have successfully connected several Alaskan businesses with Japanese counterparts in mining, tourism, development projects, real estate, fisheries and small business endeavors. We have thus constructed a solid foundation upon which to develop new enterprise.

In my meeting with IBJ I focused on four project areas that I feel are both opportune and vital to Alaska at this time. First, in light of our clouded revenue picture for governmental operations in Alaska, I proposed to the Bank that it consider working with us to refinance the State's long-term debt. Utilizing either the Yen market or the Eurobond market the State could save millions from the reduced interest rates that would be charged. Several municipal and state governments have utilized this financing with great success. Given the projected shortfall in the FY87 budget I would recommend that we also consider Japanese funding to meet the shortfall. At interest rates of 3%-5% I believe that we are required to investigate the viability of such funding. IBJ is prepared to come to Alaska to pursue this possibility with the Governor and the legislature. It is precisely this type of creative association that we should be taking advantage of during this period in Japan's economic growth.

Secondly, we had an opportunity to discuss the progress related to the possible development of a refinery in Valdez. IBJ indicated that one reason for the slow progress on the development of this project is that the parties promoting the refinery have been unable to guarantee sufficient capital and a

ready supply of crude oil. I have since discovered that Alaska Pacific Refinery (APR) has secured sufficient capital from a variety of sources and is close to a supply contract. Given the fact that IBJ is regarded as a "convener" of energy projects by most of the oil and gas associations and trading companies in Japan (and indeed the bank represents nearly all of the interests) their advice is valuable. And Japanese involvement is ideal in light of their ability to finance, construct and consume the product. However, I should point out that Korea may play a role in this project. The Koreans are certainly given a key role by the present promoters of the project.

After listening to the Bank's concern I proposed that perhaps the State could be involved in a satisfactory way for all parties. Perhaps it would be possible for the state to enter into the venture with APR and several of its partners to construct this project. APR, et al, would construct the facility and thereby have a compelling interest to guarantee a market for the product. The State's obligation could be to supply royalty oil (perhaps in consortia with other oil producers) in order to meet the facility's production demands. In this manner the State could share in the profits of the project. IBJ was very interested in this notion and would like the opportunity to pursue this further with the Governor, if he is so inclined. I emphasized during our meeting that this was my idea and that I was not speaking on behalf of either the Governor or the legislature. I recommend that we investigate this idea thoroughly.

Third, I promoted the idea of Japanese development of a first class hotel in Anchorage. This has been a goal of mine since our office was instituted. My rationale is that this hotel could serve as a hub for Japanese tourism, off which could spoke sightseeing ventures, lodges, and the other attending industries. Moreover, the equity investment by the Japanese could assist us in maintaining and even securing a larger market share of Japanese tourism. I was fortunate to have the opportunity of introducing the Bank and several of its clients to Jack White Realtors who are the brokers for perhaps the most ideal undeveloped parcel available in downtown Anchorage. Negotiations should be underway in the very near future.

Fourth, on behalf of the Alaska Railroad I opened discussions regarding the possibility that IBJ could provide interim financing for the Railroad's purchase of new passenger cars which will probably be purchased from a foreign nation. The value of this purchase is in the neighborhood of \$4 million. These initial discussions have led to more detailed discussions between the Bank and the Railroad.

ALASKA KAI

This organization was formed by the leading Japanese industry and government leaders to promote expanded economic and cultural ties between Alaska and Japan. Its membership is literally a who's who of Japan. The Chairman is Mr. Ikura who is Chairman of the Industrial Bank of Japan. Its Executive Director is Mr. Yamanouchi who is a renowned former banker and trader. Our discussion was similar to that which took place with the Korea-Alaska Cooperation Committee described above. Alaska Kai would like to assure the greatest possible success for the Governor during his first trip to Japan. We are recommending the same approach in Japan as recommended for Korea. The Governor should make a significant policy address setting his general goals of international trade and economic development as well as his specific plans with respect to expanding our relationship with Japan. The Governor's staff could provide short briefings on Alaska in addition to a media presentation. Ideally, the Governor would unveil a well planned agenda for the next four years in these areas.

FOREIGN MINISTRY OF JAPAN

I met with the Ministry in order to lay the groundwork for the Governor's visit in the Spring. I specifically was interested in making certain that the Governor will have the opportunity of meeting with Prime Minister Nakasone during his visit.

NIPPON KOKAN

This firm is one of the largest steel manufacturers in the world. For some time we have been working with its Vice President, Hr. Hirayama, to explore the possibility of the company opening an office in Alaska with the ultimate goal of perhaps providing some value added manufacture here. In light of the extreme competition in the steel industry, costs of shipping and tight quotas in the U.S. for foreign imports of steel, Nippon Kokan remains keenly interested in Alaska as a possible staging site.

SANWA BANK

I met with Sanwa Bank to discuss with its representatives two of the topics discussed with IBJ, namely, refinancing of our long-term debt and promotion of a Japanese owned hotel in

Anchorage. Sanwa Bank is the 5th largest bank in the world and a terrific bank with which to associate. Sanwa is very interested in pursuing both of these possibilities, particularly the refinancing notion.

I also discussed the possibility of Alaska becoming more of a financial center for trade, commodities and securities exchanges. Sanwa was intrigued by this notion and would like to investigate it further with us. Some preliminary thoughts were that we would need to develop an Offshore Banking Center which would include incentives in the area of tax, visas, stamp duties, reserve costs and banking inspections. They cited the Bahamas as an example of the type of route we might consider taking.

SANSEI DEVELOPMENT CORPORATION

Sansei Corp, is a mid-sized development company by Japanese standards. However, it has significant assets and an impressive track record for recent development projects in the U.S. For example, it recently opened a major shopping and sports complex in Atlanta which is one of the largest of its kind in the Southeast. Sansei is interested in the development of the tourist industry in Alaska. With this in mind, I met with them to promote the Anchorage hotel project and general investment in Alaska's economy. Sansei has visited Alaska once, during last October. The president plans to visit Alaska during the next several months to further investigate the hotel possibility.

OVERSEAS FISHERIES COOPERATION FOUNDATION

This is the leading fisheries organization charged with promoting fisheries policy and development along quasi-governmental lines.

Mr. Ohba, the Director General of OFCF will be meeting with Governor Cowper in Juneau in early February. Our discussions in Tokyo centered on the agenda for this meeting including a detailed discussion about the State's cooperative agreement with OFCF to promote fisheries education in Alaska for the development of potential new industries - Surimi and Mariculture. OFCF also intends to express their continued interest in developing a relationship with Alaska which embodies the needs of Alaska and Japan. That is, the organization will lobby for a means to preserve a quota system for Japanese fishing interests for Alaskan waters.

IDEMITSU KOSAN

This company is one of the largest energy companies in the world. It manufactures and stores energy products for Japan and other nations around the Pacific Rim. I have been working with Idemitsu for over one year to promote and facilitate their development of a large coal field in the Matanuska Valley. Idemitsu has recently entered into a joint venture with a Colorado firm to develop this coal field. Idemitsu's intention is to complete exploration this coming summer and to begin prep work as soon as possible. The company will export at least 1 million metric tons of coal annually and will begin the project in the summer of 1988. Idemitsu's hope is that it can obtain leases on adjoining land in order to expand its production even further. This development will create hundreds of jobs in construction, mining and shipping for Alaska. I consider this agreement to be one of our greatest accomplishments during the past 22 months.

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF ADMINISTRATIVE SERVICES

STEVE COWPER, GOVERNOR

POUCH D
JUNEAU, ALASKA 99811
PHONE: (907) 465-2505

January 26, 1987

Honorable Cliff Davidson
Alaska House of Representatives
P.O. Box V
Juneau, AK 99811

Dear Representative Davidson:

Pursuant to our previous conversation, here are suggestions of persons who would be helpful for your committee to invite.

Richard Lenahan, Alaska District Director
U.S. Foreign and Commercial Service
U.S. Department of Commerce
271-5041

and

John Kim
University of Alaska
786-1762

They are going to be testifying before the Senate Special Committee on International Trade on February 3, they have been requested to arrive in Juneau on February 2. I would suggest that they be invited to address the February 2 meeting of the committee or that arrangements be made to hold a joint meeting of the two committees.

REGARDING INTERNATIONAL BANKING CENTER

Yoon Park
George Washington University
202-676-8215

Kenichi Ohmae
Managing Director
Tokyo Office of McKinsey & Co.
Contact through New York City Office
of McKinsey & Co.

Honorable Cliff Davidson

-2-

January 26, 1987

OVERVIEW OF STATE ECONOMIC DEVELOPMENT

Undersecretary of Commerce
Bruce Smart
202-377 -2867

International Trade for U.S.
(we probably can't get him)

Director General of U.S. Foreign Commercial Service
Alix Good
202-377-5772

Under Assistant Secretary of Commerce (definitely can get)
Woody Mefford
202-377-2867

John Anderson, Director
Washington Department of Trade and Development
206 753-0613

Bruce Babbit
Former Governor of Arizona
(and democratic presidential candidate)

TRADE DEVELOPMENT IN BASIC INDUSTRIES

Michael Kelly
202-566-8981

U.S. Negotiator with Japan and
Korea

EXPORT-IMPORT BANK

George Donegan
202-566-8981

Deputy V.P. Marketing

DOING BUSINESS IN THE WORLD

Dick Lyon
John Daley
907-276-1980

AK World Trade

OVERVIEW OF INTERNATIONAL SEAFOOD MARKETING

Bob Morgan, Pres.
(206) 281-1667

Pacific Seafood Processors

Jay Gage, former CEO
206-682-7848

Peter Pan Seafoods

Sincerely,



Becky Bear
Legislative Liaison

MEMORANDUM

State of Alaska

TO: J. Anthony Smith, Commissioner
Department of Commerce and
Economic Development

DATE: January 23, 1987

FILE NO:

TELEPHONE NO:

FROM: William J. Aberle, *WJA*
Development Specialist
Division of Minerals and
and Forest Products

SUBJECT:

Conference Invitation
for Mr. Ohmae

Having listened to and read Governor Cowper's State of the State address I would like to suggest that Mr. Kenichi Ohmae be invited to participate in the conference on international finance.

Mr. Ohmae is the Managing Director of the Tokyo office of McKinsey and Company a consulting firm, and a reknown business strategist for pathbreaking ideas on the globalization of industries and products. He is moreover the author of "Triad Power; the Coming Shape of Global Competition" a book that outlines why companies need to become "insiders" in the three major market areas of Japan, the U.S., and Western Europe if they want to participate in the coming global economy. The book has been well received by industry and got good (rave?) reviews from leading financial newspapers and business publications. Mr. Ohmae is also quoted in a special report in the current issue of Fortune Magazine entitled "The Economy Of The 1990's."

In his book Mr. Ohmae coined a concept he calls the "Anchorage perspective" which he defines as the need for corporate management to orient their thinking as if they were based in Anchorage Alaska, equidistant to the triad markets of Japan, lower 48, and Europe and target their market strategy toward all three simultaneously. I believe he could provide us with valuable insight how Alaska may best position itself to attract or develop industries in the areas of finance, distribution, product development, telecommunications and information to best serve the global marketplace.

I admit the concept of Anchorage as a financial center is a bit odd, however there are real oddities occurring in the world marketplace right now. For example, who would of thought until now that Japan would be manufacturing automobiles in the U.S. for export to Taiwan, Korea, and indeed into Japan itself. Yet according to the January 26th issue of Business Week Japanese automobile companies are planning to do just that.

I have enclosed a copy of the preface to Mr. Ohmae's Triad Power. It is a bit lengthy, however the reference to the Anchorage perspective is on the second to the last page.

Mini-Minutes --- Subcommittee on Foreign Trade

January 26, 1987 4:35 p.m.

Davidson - (to the committee) would like to have you offer your ideas or suggestions as we go along here. Meet at least every two weeks and have speakers come in from the various areas such as international finance or trade from both the private and public sectors. We will get some cooperation from the Department of Commerce and the governor's office.

The governor made an interesting list of the areas that he's working on and I recall one comment that he said, we must become experts in the international market place, hence, the size of our committee is well justified. The more extras we have the better off we will be. I would also like to welcome visitors starting out with Becky Bear.

Becky Bear - legislative liaison & information officer for the Department of Commerce. Davidson said this committee would be a think tank. She reviewed a suggested list of resource people and discussed the meeting of the Senate Foreign Trade committee would have with Richard Lenahan and John Kim on the 5th of February. Becky discussed the AIDA proposal.

Cotten - Wants some narrative on the day to day activities of a foreign trade office to understand the functions of the office - who takes advantage of the office, who comes in the door on a daily basis.

Bear - no day in the life, but the trade offices have to prepare a report to the legislature of their activities. No report has been submitted yet. She did a synopsis of the transition report and the one on international trade was extensive. It is not an edited report - is complete.

Becky explained that personnel in the trade offices were nationals of that country because they understood how to operate there.

Koponen - said the committee should review a study of the mineral needs of other countries to see what they want to buy. Are we going to be designing our exports for specific markets, rather than production first and hoping someone will buy it? What can we do about getting joint venture companies that really will be using the most most up to date technology most appropriate to the particular mineral deposits or products we are selling and to permit the greatest return in local hire.

Bear - We and the market place have become more sophisticated. Proposals that come to AIDA have to match the three C's of banking - collateral, credit-worthiness and character. We must stop thinking in terms of an extractive economy and instead a job producing economy.



STATE OF ALASKA
HOUSE OF REPRESENTATIVES
Box V, Juneau, Alaska 99811
(907) 465-2487 • 465-2498

REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

February 9, 1987

To: Committee Members
From: Representative Cliff Davidson
Re: Sub-committee on International Trade

The next meeting of the International Trade Sub-committee will be held on Monday February 9, 1987 at 4:30 p.m. in Capitol 17.

Members

Cliff Davidson - chair
Mike Davis
Adelheid Herrmann
Niilo Koponen
H.A. "Red" Boucher
Johnny Ellis
Al Adams
Ramona Barnes
Bill Hudson

Ex officio Members

Dave Donley
Sam Cotten
Curt Menard
Drue Pearce

Program

Show, Tell, and Select

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5. How can the recommendations for exchange and cooperation between the State of Alaska and the People's Government of Heilongjiang be implemented for mutual benefit.
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Future Meetings

Monday February 16 - Dan Dixon, Director of the Office of International Trade, Department of Commerce and Economic Development, has newly returned from a trip to the trade offices in Japan and Korea. He will give us a report on "a day in the life of a trade office."

Monday February 23 - Dr. John Choon Kim, Director, Alaska Center for International Business, University of Alaska, Anchorage.

Future Meeting Ideas

Representative Bill Hudson and Mary Tuten - discussing ASMI - selling fish to the world.

January 30, 1987



201, rue Lecourbe
75015 Paris
Tel. (1) 48 56 29 08 (6 lignes)
Telex : 225612 PEYR F.

PARIS NEW-YORK
LYON MILAN
LE CAIRE

PEYRAUD CONSULTANTS

Mr. Dan Dixon
Director
International Trade
Alaska Department of Commerce
and Economic Development
3601 C St. Suite 722
Anchorage, Alaska 99503

Dear Mr. Dixon,

Peyraud International Inc. is the American division of the French Company, Peyraud Group Inc. We have been in operation for twenty five years providing support and professional import and export services to enterprises in Europe, United States, the Middle East and Africa. Our strength lies in our ability to research markets, make recommendations and successfully implement those recommendations, especially between the United States and the European Economic Community. We are registered consultants to the European Economic Community and thus have a solid working relationship with its member countries. In addition to this we are also registered consultants of the World Bank, thus making our financial negotiations creative and efficient. We have fully staffed offices in Paris, Lyon, Le Caire, New York, Riad and Milan.

I am contacting you today with some urgency to explain our interest in Alaska and to seek your aid in establishing appointments for me with the appropriate people and significant groups in Alaska.

As a result of insistant urging and encouragement on the part of Ambassador Rogers here in Paris, the Department of Agriculture and the Trade Deficit, Peyraud International has developed a new enterprise, known as "The American Consortium". This consortium has been developed strictly for the successful penetration of the European market with American exports.. The concept can easily be described as one stop exporting. The consortium provides three levels of service. First, a feasibility study which includes: demographic information, evaluation of the competition in the market place, proper placement of American products, pricing, customs clearance and numbering and methods of market penetration , as well as a projection of market share. Second, assistance in establishing sales networks. Through our jobber we develop for our customers an efficient entry into the hyper and supermarkets , freezer stores and specialty stores. Because of this special consortium double exposure for the American products is commonplace, as the hyper and supermarkets have set up American sections. The third level is a complete American publicity and advertising campaign tailormade for the European market.

Here at Peyraud we believe in results. We will not take on a project unless after a cursory review we can project a successful outcome for our client.

We know that the European market always had an increasing need for whole fish, flat fish and lobsters, but recently we have seen the growth of a new market demand for fish filets. We have been reviewing the availability of raw product from the East Coast of the United States to meet the European needs.

Recently, we have become aware of the resources from the Pacific Northwest and strongly believe that working together might better serve our mutual interests.

The factors which have influenced our evaluation are:

Current dollar exchange rate

Growth of the hyper/super markets in Europe in the last five years

Demand for convenience foods

European changes in food consumption patterns

European demand for high valued species

European expenditures on fish and seafood

Decreasing sales of Pacific salmon in Europe over the past three years.

Fishing allocations in the EEC that have been cut dramatically last month, therefore processors and distributors are in search of reliable sources.

Should the state or an association of producers be interested in developing the French and other European markets, and should we determine that the products are appropriate, we would then suggest establishing a procedure for working on the penetration of the European market with Alaskan products. Our first step is to undertake a market study, if the indication is positive we then recommend the proper channels in which the Alaskan products can be marketed. The last step is that we actually market and distribute these products for you. We oversee the delivery, customs documentation, payment transfers and all the necessary steps in the completion of the export/import of the Alaskan products. These services replace the necessity for staffing a foreign office.

I hope that this letter has outlined the necessary information you might need in obtaining the necessary appointments for me in Alaska. If you have any further questions, please do not hesitate in telexing me in France or New York. My intention is to arrive in Juneau the evening of March 11th and to remain in Alaska for several days.

I look forward to meeting you in Alaska. .

Very truly yours,

A handwritten signature in cursive script, appearing to read "C. Gauthier", with a period at the end.

Carol Ann Gauthier
Vice President
American Operations



Official Business

COMMITTEE:

DATE: 2/26/87

Subject of meeting:

Sub-Committee on International Trade

SIGN-IN

NAME	ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
------	---------	-------	--------------	-------------------------

Becky Bean	DCEID	2504	DCEID	yes
Rona Aasen	Rm #124 Capitol	4942	Rep. Herrmann	NO
Mark Hanley	C-514	482.1	Sen. Uehling	NO
Paul C. Roehl	501 Lincoln St.	7-5217	Sheldon Jackson C.	Nope.
Katy McHugh	Rep Dave Donley	3892	Rep Donley	No
Jim Wasserman	Anchorage Times	586-6827	Times	No
James Esker	6645 No Douglas 9950	6-9601	Self	Observing



STATE OF ALASKA

HOUSE OF REPRESENTATIVES

Box V, Juneau, Alaska 99811

(907) 465-2487 • 465-2498

REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

February 9, 1987

To: Committee Members

From: Representative Cliff Davidson

Re: Sub-committee on International Trade

The next meeting of the International Trade Sub-committee will be held on Monday February 9, 1987 at 4:30 p.m. in Capitol 17.

Members

Cliff Davidson - chair
Mike Davis
Adelheid Herrmann
Niilo Koponen
H.A. "Red" Boucher
Johnny Ellis
Al Adams
Ramona Barnes
Bill Hudson

Ex officio Members

Dave Donley
Sam Cotten
Curt Menard
Drue Pearce

Program

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6. Should we put together a "Team Alaska" meeting? Could we persuade other established groups to help organize and foot the bill?

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8. How can we design our exports for specific world markets? Take a look at joint venture companies. What ventures permit the greatest return in local hire?

9. Fish - mariculture, aquaculture, pen rearing salmon. What markets should be targeted? How can we work on trade barriers?

10. What recommendations are needed to provide culturally compatible economic growth in the villages?

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Monday February 16 - Dan Dixon, Director of the Office of International Trade, Department of Commerce and Economic Development, has newly returned from a trip to the trade offices in Japan and Korea. He will give us a report on "a day in the life of a trade office."

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HOUSE OF REPRESENTATIVES
Box V, Juneau, Alaska 99811
(907) 465-2487 • 465-2498

REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

February 16, 1987

To: Committee Members
From: Representative Cliff Davidson
Re: Sub-committee on International Trade

The next meeting of the International Trade Sub-committee will be held on Monday February 23, 1987 at 4:30 p.m. in Capitol 17.

Members

Cliff Davidson - chair
Mike Davis
Adelheid Herrmann
Niilo Koponen
H.A. "Red" Boucher
Johnny Ellis
Al Adams
Ramona Barnes
Bill Hudson

Ex officio Members

Dave Donley
Sam Cotten
Curt Menard
Drue Pearce

Program

Select

During the meeting of February 9, the following areas were discussed and selected by the members in attendance. If you wish to change your choice or sign on to one if you didn't get a chance, now is the time to do it.

1. Zones - Foreign Trade Zone, Domestic Fishery Zone, and/or Economic Enterprise Zone. The development of a marketing plan for the international airports in Anchorage and Fairbanks.
Ellis, Pearce
2. International Trade Center in Anchorage - would it include an International Finance Center? Should Anchorage host a conference to collect data? Barnes, Ellis, Donley
3. Educating ourselves and our children on the culture and languages of future trading partners. How should a pilot educational project be designed? Would student loans be available to persons traveling for this information? What incentives could be provided to students for high school, post-secondary enrollment in language and international marketing studies.
Hudson, Davidson, Davis

4. Oil Exports - Ellis will be introducing a joint resolution calling for Congress to impose such a fee. What needs to be done to allow oil from the North Slope to be sold with more profit to Alaska? Should we work to repeal the Federal ban on oil exports from the North Slope? Could a primary treatment of oil, such as removing the sulfur, enable us to sell the oil?
Barnes

5. How can the recommendations for exchange and cooperation between the State of Alaska and the People's Government of Heilongjiang be implemented for mutual benefit. Davis, Menard

6. Should we put together a "Team Alaska" meeting? Could we persuade other established groups to help organize and foot the bill?

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8. How can we design our exports for specific world markets? Take a look at joint venture companies. What ventures permit the greatest return in local hire? Koponen,

9. Fish - mariculture, aquaculture, pen rearing salmon. What markets should be targeted? How can we work on trade barriers? Where is the off-shore processors going? Ellis, Pearce, Hudson

10. What recommendations are needed to provide culturally compatible economic growth in the villages? Davidson, Barnes, Menard

11. Resource development. Barnes, Pearce

Future Meetings

Monday February 23 - Dr. John Choon Kim, Director, Alaska Center for International Business, University of Alaska, Anchorage.

Future Meeting Ideas

Representative Bill Hudson and Mary Tuten - discussing ASMI - selling fish to the world.



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

January 21, 1987

To: Committee Members
From: Representative Cliff Davidson
Re: Sub-committee on International Trade

The first meeting of the Foreign Trade Subcommittee will be held on Monday, January 26, 1987 at 4:30 p.m. in Capitol 17.

Members

Cliff Davidson - Chair
Mike Davis
Adelheid Herrmann
Niilo Koponen
H.A. "Red" Boucher
Johnny Ellis
Al Adams — A
Ramona Barnes
Bill Hudson

Ex officio Members

Dave Donley - Chair of Labor & Commerce
Sam Cotten - Co-Chair of Resources

Organization of Committee

Department of Commerce & Economic Development - Becky Bear
Office of the Governor

.....

Since one of the reasons for this committee is the gathering and dissemination of information on foreign trade for Alaska, please share with the committee your suggestions for the direction of the committee. Have you traveled, worked or had contact with possible trade partners? Do you know someone who has, and/or also might be a speaker? What other ideas do you have?

If you would jot down these ideas by noon on Monday and get them to Helen Fisher (2487) from my office, she will see that we have a list of your ideas with which to begin planning the work of our committee.

Thank you!

STATE OF ALASKA

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

DIVISION OF ADMINISTRATIVE SERVICES

STEVE COWPER, GOVERNOR

*POUCH D
JUNEAU, ALASKA 99811
PHONE: (907) 465-2505*

January 26, 1987

Honorable Cliff Davidson
Alaska House of Representatives
P.O. Box V
Juneau, AK 99811

Dear Representative Davidson:

Pursuant to our previous conversation, here are suggestions of persons who would be helpful for your committee to invite.

Richard Lenahan, Alaska District Director
U.S. Foreign and Commercial Service
U.S. Department of Commerce
271-5041

and

John Kim
University of Alaska
786-1762

They are going to be testifying before the Senate Special Committee on International Trade on February 3, they have been requested to arrive in Juneau on February 2. I would suggest that they be invited to address the February 2 meeting of the committee or that arrangements be made to hold a joint meeting of the two committees.

REGARDING INTERNATIONAL BANKING CENTER

Yoon Park
George Washington University
202-676-8215

Kenichi Ohmae
Managing Director
Tokyo Office of McKinsey & Co.
Contact through New York City Office
of McKinsey & Co.

Honorable Cliff Davidson

-2-

January 26, 1987

OVERVIEW OF STATE ECONOMIC DEVELOPMENT

Undersecretary of Commerce
Bruce Smart
202-377-2867

International Trade for U.S.
(we probably can't get him)

Director General of U.S. Foreign Commercial Service
Alix Good
202-377-5772

Under Assistant Secretary of Commerce
Woody Mefford
202-377-2867

(definitely can get)

John Anderson, Director
Washington Department of Trade and Development
206 753-0613

Bruce Babbit
Former Governor of Arizona
(and democratic presidential candidate)

TRADE DEVELOPMENT IN BASIC INDUSTRIES

Michael Kelly
202-566-8981

U.S. Negotiator with Japan and
Korea

EXPORT-IMPORT BANK

George Donegan
202-566-8981

Deputy V.P. Marketing

DOING BUSINESS IN THE WORLD

Dick Lyon
John Daley
907-276-1980

AK World Trade

OVERVIEW OF INTERNATIONAL SEAFOOD MARKETING

Bob Morgan, Pres.
(206) 281-1667

Pacific Seafood Processors

Jay Gage, former CEO
206-682-7848

Peter Pan Seafoods

Sincerely,



Becky Bear
Legislative Liaison



Alaska State Legislature

House

Representative-elect Johnny Ellis

P.O. BOX V
State Capitol
Juneau, Alaska 99811

Official Business

MEMORANDUM

TO: Dave Donley, Chairman, Labor and Commerce Committee
FROM: Johnny Ellis, Co-chairman, HESS Committee
DATE: December 4, 1986

RE: Committee Agenda

I just wanted to take a moment to tell you how pleased I am that we will serve on each other's committees during the next session. I'm confident it will be a productive arrangement because we both realize the causal connection between employment and general economic expansion and the incidence of social problems and the need for human services. I think there is a crying need for more policy coordination between the Department of Education and both Labor and Commerce and Economic Development in terms of human resource development. I plan to encourage more of that during our oversight hearings.

Following are just a few ideas I have come up with for possible hearing before your committee:

1. Team Alaska: John Anderson, the architect of Washington's successful economic development program recently addressed the Anchorage Chamber. We should hear from him and review success stories from other states around the country.
2. Anchorage International Airport: There are good arguments why the airport should be under local control. We have very few years remaining before planes will no longer need to land here for refueling. This will be a controversial issue because local airport revenues subsidize the Fairbanks and Juneau facilities. The Transportation Committee feels this is their turf but we should take the initiative because this is a commerce issue.
3. Foreign Trade Zones: We should explore the possibilities for both the Port of Anchorage and the airport to receive FTZ status and review the Valdez experience.
4. Pacific Rim Trade: A review of the state's efforts to date is needed.
5. Economic Enterprise Zone: This is a concept I have to foster light manufacturing and seafood processing in the port area through a public/private partnership.

Paul Gus

6. Business Property Tax: If local government could develop new revenue sources and reduce this one, there would be a greater incentive to capitalize new projects.

7. Mariculture/Aquaculture: There are some exciting prospects in this area that should be explored. Commercial fishing interests will need assurance this can benefit their industry.

8. Alaska Bidder Preference: The committee should see if we can't make some progress in this area.

9. Oil Import Fee: I will be introducing a Joint Resolution calling on the Congress to impose such a fee and encourage support by other oil-producing states.

Please let me know how you feel about each of these suggestions. I'm looking forward to working with you.

2/26/87

Trade, tourism linked

By DEAN FOSDICK
The Associated Press

Alaska's chances of selling its resources to Pacific Rim nations would be greatly enhanced if it could step up tourist trade with that region, a spokesman for Japan Airlines says.

Mitsuo Kitamoto, a JAL vice president and head of the company's Anchorage office, said trade follows tourism, and Alaska is missing out on a good thing by not promoting vacation opportunities to people passing through the airport's international terminal.

"After vacations, businessmen often go back to their offices and are more receptive to (trade) offers — especially if those offers are competitive," Kitamoto said.

"Australia and Alaska have many of the same things to offer — coal, ore — and they both have good locations for the (Pacific Rim) market. But Australia changed its tourism policy about two years ago and there's been a rapid increase in the number of (Japanese) tourists there.

"After tourism comes business," Kitamoto said.

Anchorage International Airport is the Alaska gateway for people crossing between Asia and Europe, he said.

But technology and international politics may reduce the number of people passing through the airport, Kitamoto said in an interview.

"Long-range jets are coming that can fly non-stop between Tokyo and Europe ... Paris," he said. "And already last year we started flying a polar route over Siberia.

"Businessmen are asking for more non-stops, for additional flights. And we're looking at it."

What that means for Anchorage is unclear, but it could cut into the transient traffic from Japan, which for JAL means about 4,500 passengers a year, Kitamoto said.

"There's been almost no change in the number of Anchorage-destined passengers in the last two years," he said. "A lack of promotion here has been one problem."

Kitamoto said JAL has agreed to help promote Alaska to its Japanese passengers this year. Alaska should do the same for overseas visitors, he said, an idea he has been pushing over the past several weeks during speeches before civic groups.

"The state needs some selling. We get the same questions (from Japanese) about Alaska we do about Africa. What kinds of shoes and gear are required? Is there any kind of shopping here?"

"Why should they buy in Europe when they can buy in Alaska? Why not open a corner of the (airport) duty free shop to Alaska crafts?"

"Having resources isn't enough," he said.



Official Business

Alaska State Legislature

House of Representatives

REPRESENTATIVE
RAMONA L. BARNES

DISTRICT 14

ANCHORAGE
2230 PAXSON
ANCHORAGE, ALASKA 99504
(907) 337-7904

POUCH V
JUNEAU, ALASKA 99811
(907) 485-3718

MEMORANDUM

TO: Chairman, Representative Cliff Davidson and Committee Members

FROM: Representative Ramona L. Barnes

SUBJECT: Sub-Committee on International Trade, recommendations for future action.

DATE: February 9, 1987

It was requested by Chairman Davidson that each of the members of the Sub-Committee in International Trade consider the different possibilities for international trade in Alaska, and come up with recommendations for what we thought the sub-committee should direct its focus on to promote international trade in Alaska.

Pursuant to this request I have carefully listened to testimony, talked with individuals, and read volumes of information on the issue of foreign trade in Alaska. Many different possibilities for foreign trade have been discussed and certain ideas such as the creation of foreign trade zones, passage of the AIDA Bill, and turning Anchorage into an international financial center seem to be recurring and popular ideas. While I support these ideas I will not waste the Committee's time by expanding upon them, as they appear to have received sufficient support and attention already.

One topic which has not received adequate attention, however, particularly by the Cowper Administration, is the issue of development of our natural resources for the purpose of expanding our foreign trade market. This is the topic I would like to draw the Committees attention to, and would challenge the Committee to follow up on some of the recommendations I will make in an effort to diversify and expand Alaska's export market.

Currently Alaska has only one mine which is producing and exporting to a foreign market. This is the Usibelli Coal Mine which is exporting an average of 600 thousand tons of coal to Korea each year. Anticipated to come on line in the next 5-6 years, however, is the Greens Creek Mine, Red Dog Mine and numerous coal, gold and silver mines. The principal export markets for these mines are Canada, Korea, Taiwan and Japan. Similarly, Alaska timber market is currently limited to exports to Japan, however, China and India have shown a great interest in our timber which could prove to be a tremendous boom to the Alaska timber export market.

The reason I draw your attention to the mineral and timber markets is to point out that 1- Alaska has the resources and, 2- the foreign markets are ready to import the products-but, 3- up until now very little, if anything, has been done to encourage the development or marketing of these resources. There is a tremendous potential, however.

I would challenge the members of the Sub Committee on Foreign Trade to make the development of timber, mineral, oil, and gas resources for export purposes a top priority. The reason for this is two fold.

One- Alaska's current foreign market is dominated primarily by Japan who imports 70% of our foreign exports. As Richard Lenahan pointed out in his testimony before the Joint Foreign Trade Sub-Committees last Thursday this should send us a warning flag. If Japan were to cut off foreign trade with the U.S., Alaskan foreign trade would be virtually shut down. This would indicate to me, and I'm sure you would agree, that Alaska must diversify its foreign export market so that we are not dependent on only one country to sustain our foreign trade.

The natural resources, such as timber and minerals, which I mentioned earlier have a variety of foreign markets. Timber exports go to India and China and mineral exports to Korea, Taiwan and Canada. If we encourage the development of these resources, we will by virtue of their natural markets, diversify our foreign export market. This will ultimately help create a healthy viable foreign trade economy within Alaska.

The second reason this committee should make development of our natural resources a top priority is because resource development creates an immediate economic boost within our Alaskan economy. In 1985 the timber and mineral industry employed over 6,000 Alaskans and brought over 450 million dollars into the State. With a 20 times multiplier effect for each dollar spent, that is a significant impact on Alaskas economy which we cannot afford to ignore.

For these reasons and others, I would recommend that this committee include resource development for export purposes as a top priority for committee action.

Last Friday I gave a speech on the House Floor regarding foreign trade in Alaska. In that speech I made several recommendations on actions which this Committee, the legislature and the Governor should take to encourage resource development. I have attached a copy of the speech which contains these recommendations for your review (see pages 4-7). I would encourage this Committee to follow up on some of these recommendations.

Additionally, in order to more fully understand the actions which are necessary to effectively encourage resource development I would recommend that this Committee invite speakers who are expert on resource development to address the group. People in the private or public sector who understand the problems facing resource development and foreign trade and who could make recommendations on how we as a group could help solve those problems, would be appropriate.

These are my recommendations as to where I think this committee should allocate some of its efforts. I would be happy to answer any questions and of course would appreciate any feed back on these comments.

SPEECH

2-6-87

Representative Ramona L. Barnes

SPECIAL ORDER SPEECH

FOREIGN TRADE

2-6-87

IT HAS BECOME ALMOST A CLICHE' TO RECITE THE POTENTIAL ADVANTAGE ALASKA ENJOYS BY VIRTUE OF ITS LOCATION ON THE PACIFIC RIM, ITS ABUNDANCE OF NATURAL RESOURCES, ITS RELATIVE POLITICAL STABILITY, AND EVEN ITS APCTIC LOCATION WHICH GIVES IT ACCESS TO NORTHERN EUROPEAN MARKETS.

IT IS INACCURATE , HOWEVER TO SAY THAT ALASKA IS TAKING FULL ADVANTAGE OF ALL THESE POTENTIALLY BENEFICIAL CONDITIONS. NOT ENTIRELY THROUGH ALASKA'S OWN FAULT, THE ECONOMIC PROGRESS WHICH COULD HAVE BEEN ACHIEVED IN THE LAST FEW DECADES HAS BEEN NEGLECTED, OPPORTUNITIES HAVE BEEN WASTED, AND OUR POTENTIAL FOR DIVERSIFICATION HAS BEEN IGNORED.

THROUGH SOME ECONOMIC TIMIDITY AND A GREAT DEAL OF ENVIRONMENTALIST OPPOSITION, WE HAVE LOST--PEHPAPS FOREVER--ONE OPPORTUNITY TO COMPETE IN MANY MARKETS WHICH WOULD BEEN MADE POSSIBLE BY THE ABUNDANT, LOW-COST POWER WHICH COULD HAVE COME FROM THE SUSITNA DAMS PROJECTS.

WE FALTERED AT A TIME WHEN THE PROJECT PROBABLY WAS ECONOMICALLY FEASIBLE, AND IT MIGHT NEVER AGAIN BE SO.

I DO NOT WISH TO CRY OVER SPILLED MILK. HOWEVER, THERE IS MUCH THAT CAN BE DONE TO DIVERSIFY AND DEVELOP ALASKA'S ECONOMY; THERE WILL BE NO BETTER FUTURE TIME TO DO IT, AND IT IS THE JOINT SPECIAL COMMITTEE ON FOREIGN TRADE WHICH SHOULD BE EXPLORING AND PERSUING THESE POSSIBILITIES RIGHT NOW.

FOR THE BENEFIT OF THE ENTIRE STATE, THE CITY OF ANCHORAGE MUST BE EXPLOITED AS THE "AIR CROSSROADS OF THE WORLD" IT IS. AT PRESENT THERE ARE THREATS TO THAT PRIMACY BY NO LESS A TRADING FOE THAN RUSSIA WHICH IS SEEKING TO SECURE LANDINGS IN THE SOVIET UNION OF FAR EAST/EUROPEAN FLIGHTS BY 1990. ALASKA CAN ENCOURAGE INVESTMENT BY INTERNATIONAL AIRLINES IN HOTELS AND OTHER PROJECTS TO STABILIZE THE MAJOR TRAFFIC THE CITY NOW HAS AND TO FOSTER AN INCREASE. HOUSE CONCURRENT RESOLUTION 6 WOULD URGE THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES TO PROMOTE MARKETING OF THE FACILITIES AND SERVICES AVAILABLE AT BOTH ANCHORAGE AND FAIRBANKS AIRPORTS IN THE INTERNATIONAL MARKET.

SENATE RESOLUTION 5 WOULD INITIATE THE EFFORT TO ESTABLISH FOREIGN TRADE ZONES NEAR THESE AIRPORTS, BY CREATING A SPECIAL LEGISLATIVE COMMITTEE TO STUDY ISSUES RELATING TO FOREIGN TRADE ZONES AND THEIR DEVELOPMENT.

UP UNTIL NOW THE DEVELOPMENT AND MARKETING OF MINERALS AND OTHER NATURAL RESOURCES TO FOREIGN COUNTRIES HAS BEEN VIRTUALLY IGNORED OR AT LEAST PUT ON A BACK BURNER. ALASKA CANNOT AFFORD THIS ATTITUDE ANY LONGER.

CURRENTLY THERE IS A POTENTIAL FOR A BILLION DOLLAR INDUSTRY IN HARD ROCK MINING, PLACER MINING, GAS, COAL, TIMBER AND SEAFOOD INDUSTRIES. FOR EXAMPLE, MINERAL PRODUCTION IN ALASKA FOR THE YEAR 1985 AMOUNTED TO OVER \$226 MILLION DOLLARS AND EMPLOYED AT LEAST 3,650 INDIVIDUALS. TIMBER PRODUCTION FOR EXPORT PURPOSES IN ALASKA EXCEEDED \$220 MILLION DOLLARS IN 1986 AND EMPLOYED OVER 2,300 ALASKANS. SPEAKING SPECIFICALLY OF OUR FOREIGN MARKETS, JAPAN CURRENTLY IMPORTS ALMOST 100% OF OUR TIMBER PRODUCTION. HOWEVER, WITH THE CHANGE IN CHINA'S ECONOMIC POLICY AND THE OPENING UP OF UP OF TRADE WITH THAT COUNTRY, POTENTIAL MARKETS FOR ALASKAN LUMBER PRODUCTS IN CHINA HAS GROWN TREMENDOUSLY. INDIA HAS ALSO INDICATED AN INTEREST IN OUR TIMBER AS THEIR DEMAND FOR HOUSING HAS INCREASED.

OUR EXPORT MARKET FOR MINERALS IS CURRENTLY FOCUSED ON COAL WITH THE USIBELLI COAL MINE EXPORTING OVER 600 THOUSAND TONS OF COAL TO KOREA EACH YEAR. THE NEXT 5 - 6 YEARS, HOWEVER, WILL SEE THE MINERAL EXPORT INDUSTRY EXPAND TO INCLUDE: THE GREENS CREEK MINE--WHERE 60 MILLION POUNDS OF ZINC, 25 MILLION POUNDS OF LEAD, 25 THOUSAND OUNCES OF GOLD AND 4½ MILLION OUNCES OF SILVER WILL BE EXPORTED TO CANADA, JAPAN AND OTHER PACIFIC RIM COUNTRIES ANNUALLY. THE RED DOG MINE, WHICH IS ESTIMATED TO COME ON LINE BY 1990, WILL EXPORT OVER 580,000 TONS OF ZINC CONCENTRATE, 112 TONS OF LEAD AND 4 MILLION OUNCES OF SILVER TO CANADA, JAPAN AND KOREA. OTHER MINES WHICH HAVE POTENTIAL IN THE FOREIGN MARKET PLACE ARE THE DIAMOND CHUITNA, PLACEP U.S. AND WISHBONE HILL COAL MINES, AS WELL AS THE U.S. BOPAX MINE WHICH WILL PROVIDE 13% OF THE WORLDS MALIGDENUM PRODUCTION.

AS THESE STATISTICS INDICATE ALASKA HAS THE NATURAL RESOURCES TO EXPORT AND OUR FOREIGN MARKETS ARE WILLING TO BUY THEM. IT IS NOT HARD TO UNDERSTAND THEN, THAT THE KEY TO ALASKA'S FUTURE DEPENDS ON THE CONTINUED DEVELOPMENT OF OUR NATURAL RESOURCES, AND THE STATE MUST ENCOURAGE A POSITIVE ATTITUDE TOWARDS THEIR RESPONSIBLE DEVELOPMENT

THE ECONOMIC BENEFITS OF RESOURCE DEVELOPMENT MUST BE REPRESENTED WITHIN STATE GOVERNMENT. ONE OF THE THINGS THE COWPER ADMINISTRATION NEEDS TO DO IS ENCOURAGE COMPANIES TO EXPLORE AND DEVELOP OUR RESOURCES. FOR EXAMPLE, OUR STATE GOVERNMENT NEEDS TO TAKE A POLICY STANCE THAT IT IS NOT AGAINST THE STATES INTEREST FOR THE PRIVATE SECTOR TO INFACT DEVELOP. IN THE WORDS OF OUR COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT, TONY SMITH, WE NEED TO CREATE A CLIMATE IN THE STATE AND "MAKE SOME DECISIONS WHERE WE WILL ALLOW INDUSTRY TO MOVE FORWARD AND GIVE THEM AN OPPORTUNITY TO GO FOR IT"

FOR THE PURPOSE OF ENCOURAGING THIS ATTITUDE IN STATE GOVERNMENT I MAKE THE FOLLOWING SUGGESTIONS:

1- THE LEGISLATURE STRENGTHEN AND RETAIN IN THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT THE ADVOCACY FUNCTIONS PERFORMED BY THE DIVISION OF MINERALS AND FOREST PRODUCTS AND SUPPORT THE MANAGERIAL AND REGULATORY FUNCTIONS PERFORMED BY THE DIVISION OF MINING IN THE DEPARTMENT OF NATURAL RESOURCES NECESSARY FOR THE EFFICIENT OPERATION OF THE MINING LAWS AND REGULATIONS OF ALASKA.

2- THE ALASKA LEGISLATURE SHOULD CHANGE THE STATUTORY DEFINITION OF MULTIPLE USE TO ACCOMMODATE THE GREATEST NUMBER OF USES ON STATE LANDS TO MAXIMIZE ECONOMIC AND SOCIAL OPPORTUNITIES.

3- THE GOVERNOR ESTABLISH REGULAR CABINET MEETINGS FOR THE PURPOSE OF ENCOURAGING MINERAL DEVELOPMENT, ATTRACTING MINING

INVESTMENT TO THE STATE, AND RESOLVING MINERAL DEVELOPMENT ISSUES.

4- THE GOVERNOR DIRECT THE DEPARTMENT OF NATURAL RESOURCES TO MORE STRONGLY EMPHASIZE THE ECONOMIC BENEFITS OF RESOURCE DEVELOPMENT IN ITS POLICIES AND ACTIONS.

5- THE GOVERNOR DIRECT THE DEPARTMENT OF NATURAL RESOURCES TO COORDINATE WITH DEC SO THAT THE PERMIT PROCESS IS MORE EFFICIENTLY RUN AND A "LEAD AGENCY" PRINCIPAL FOLLOW THROUGHOUT THE PERMIT PROCESS.

6- LAND MANAGEMENT PLANS BEING DEVELOPED FOR FEDERAL, STATE AND BOROUGH LANDS MUST ADDRESS TIMBER PRODUCTION GOALS, AND OPPORTUNITIES AND STRESS INTENSIVE TIMBER MANAGEMENT.

7- TO COMPLY WITH THE CONSTITUTIONAL MANDATE TO ENCOURAGE SETTLEMENT OF ALASKA LAND, A LAND DISPOSAL SYSTEM SHOULD BE INITIATED THAT WOULD ALLOW FOR PRIVATE ACQUISITION IN FEE SIMPLE FORESTRY/AGRICULTURE LANDS IN ACREAGES LARGE ENOUGH TO BE ECONOMIC.

8- ONLY 86 EXPLORATORY WELLS HAVE BEEN DRILLED IN OR OFF ALASKA IN THE PAST FIVE YEARS AS COMPARED TO 61,111 EXPLORATORY WELLS DRILLED IN THE U.S. DURING THE SAME PERIOD. CONSIDERING THE PRESENT ECONOMY AND THE HIGH RISKS ASSOCIATED WITH FRONTIER DEVELOPMENT, THIS PACE COULD SLOW FURTHER WITHOUT POSITIVE GOVERNMENT ACTION.

UNDER THE PRESENT ECONOMIC CLIMATE, I WOULD RECOMMEND THE STATE PROVIDE INCENTIVES THAT ENCOURAGE THE OIL AND GAS INDUSTRY TO CONTINUE ITS EXPLORATION AND FURTHER DEVELOP ALREADY DISCOVERED MARGINAL FIELDS.

RESOURCE AND INDUSTRIAL DEVELOPMENT IN THE PRIVATE SECTOR ALSO ENTAILS THE NEED FOR INFRASTRUCTURE AND ECONOMIC INCENTIVE, PARTICULARLY WHEN THE PURPOSE IS TO ENCOURAGE NEW AND EXISTING COMPANIES TO EXPAND THEIR MARKETS TO FOREIGN COUNTRIES. FOR THIS PURPOSE THE PASSAGE OF THE AIDA BILL IS NECESSARY. HB 60 AMENDS TITLE 44 SO THAT THE ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY WILL HAVE THE AUTHORITY, AMONG OTHER THINGS, TO GUARANTEE FUNDING FOR AN ELIGIBLE EXPORT TRANSACTION THROUGH A PARTICIPATING BANKING ORGANIZATION. THE PURPOSE OF THE LEGISLATION IS TO ENCOURAGE PRIVATE INDUSTRY TO DEVELOP MARKETABLE PRODUCTS AND ENTER THEM INTO THE EXPORT MARKET. GUARANTEED FUNDING IS THERE TO PROVIDE THE FINANCIAL BACKUP NECESSARY TO FINANCE NEW CAPITAL VENTURES.

THE MARKETING OF OUR NATURAL RESOURCES AND OTHER GOODS AND SERVICES IS ANOTHER AREA WHICH NEEDS TO BE ADDRESSED BY THE COMMITTEE. WE MAY HAVE THE BEST PRODUCTS TO OFFER THE WORLD BUT UNLESS THEY ARE ADEQUATELY MARKETED THE EFFORT IS FOR NOTHING. IN ORDER TO PROMOTE ALASKA IN OUR TARGETED FOREIGN MARKETS, TO INCREASE AWARENESS OF THE POTENTIAL IN ALASKA AND TO BE ON THE COMPETITIVE EDGE THE FOLLOWING ACTIONS NEEDS TO BE TAKEN:

1- ALASKANS SHOULD BECOME FAMILIAR WITH THE MARKETS THEY SERVE OR SEEK TO SERVE IN ORDER TO SUPPLY THE MOST PREFERRED PRODUCT. ALASKANS SHOULD ALSO LEARN THE CUSTOMS AND LANGUAGES OF THEIR MARKET COUNTRIES SO AS TO ESTABLISH LONG TERM RELATIONSHIPS AND COMMITMENTS WITH THOSE CONSUMERS.

2- TIMELY AND ACCURATE INFORMATION ON THE INTERNATIONAL MARKET AND OUR OWN EXPORT RESOURCES MUST BE SECURED AND DISTRIBUTED TO INTERESTED PARTIES. TO DO THIS THE OFFICE OF INTERNATIONAL TRADE, WITHIN THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT, IS ENCOURAGED TO CONTINUE AND EXPAND ITS INVOLVEMENT IN THE FOLLOWING AREAS:

A- TRADE LEADS, TO MATCH BUYERS WITH SELLERS VIA A WIDE NETWORK OF CONTACTS WITHIN ALASKAN AND FOREIGN BUSINESS COMMUNITIES.

B- MEDIA AND PUBLIC RELATION PROMOTIONS-- TELEVISION INTERVIEWS, NEWSPAPER ARTICLES, TRADE SHOWS AND TRADE MISSIONS SHOULD BE USED TO PROMOTE AND PUBLICIZE ALASKA'S MARKET POTENTIAL.

C- TECHNICAL MARKETING SUPPORT CURRENTLY PROVIDED BY THE OFFICE OF INTERNATIONAL TRADE SHOULD BE OFFERED TO BOTH LOCAL GOVERNMENTS AND PRIVATE ENTITIES WHO HAVE A NEED FOR TECHNICAL ADVICE ON POSITIONING THEMSELVES IN THE WORLD MARKETPLACE.

ADDITIONALLY, THIS LEGISLATURE SHOULD LOOK INTO CREATING A DATA BANK OR INTERNATIONAL TRADE CENTER WHICH WOULD PROVIDE THESE TYPES OF SERVICES BUT ON A MUCH WIDER SCALE.

A FEW OTHER AREAS ON THE TOPIC OF FOREIGN TRADE ARE WORTH MENTIONING.

1- ALASKA OCCUPIES A GEOGRAPHICALLY STRATEGIC POSITION WHICH HAS LED TO STATE OF THE ART TECHNOLOGIES SUPPORTING VARIOUS RESOURCE SECTORS. MANY SERVICES HAVE EVOLVED IN RESPONSE TO INDUSTRIAL EXPANSION AND IN MOST CASES ALASKAN PRIVATE INDUSTRY POSSESSES SCIENTIFIC AND TECHNOLOGICAL CAPABILITIES BEYOND THOSE OF THE LOWER 48 STATES OR FOREIGN COUNTRIES.

KEEPING THIS IN MIND, WE NEED TO ENCOURAGE OUR TALENTED AND TECHNICALLY ADVANCED PEOPLE TO START MARKETING THEIR TALENTS, AND TO START COMPETING IN THE WORLD MARKET FOR CONTRACTS AND PROJECTS FOR WHICH THEY ARE THE WORLDS EXPERTS.

2- THE STAFF WITHIN THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT SHOULD BE ENCOURAGED TO INCREASE ITS EXPERTISE IN THE USE OF BARTER TRADE SO THAT WE WILL BE IN A POSITION WHERE WE CAN TRADE OUR GOODS AND SERVICES WITH OTHER COUNTRIES FOR THE GOODS AND SERVICES WE NEED (I.E. TIMBER FOR JAPANESE CARS, HEAVY EQUIPMENT AND SUCH). REVERSE TRADE AND COUNTER TRADE OPPORTUNITIES SHOULD ALSO BE EXPLORED BY THE DEPARTMENT.

3- THE REPEAL OF THE FEDERAL BAN ON ALASKA NORTH SLOPE OIL EXPORTS IS A MEASURE HARDLY WORTH MENTIONING AS WE ALL UNDERSTAND THE IMMEASURABLE BENEFITS WE WOULD RECEIVE SHOULD THE BAN BE LIFTED. HJR 13-- A RESOLUTION WHICH ENCOURAGES THE U.S. CONGRESS TO LIFT THE BAN, SHOULD BE PASSED BY THIS LEGISLATURE WITHOUT DELAY.

LAST, NO SPEECH ON FOREIGN TRADE WOULD BE COMPLETE WITHOUT AT LEAST MENTIONING THE IMPORTANCE OF JAPANESE TOURISM IN OUR ECONOMY. NOT ONLY IS THERE A SHORT TERM BOOST TO OUR ECONOMY FROM THE TOURIST BUSINESS, BUT THE LONG TERM PROSPECTS FOR PACIFIC RIM BUSINESS ARE WORTH POINTING OUT.

BY SHOWING THE JAPANESE OUR STATE, AND ITS POTENTIAL FOR FUTURE TRADE, WE WILL HAVE OPENED INNUMERABLE DOORS TO FUTURE TRADE NEGOTIATIONS AND WE WILL BE ON OUR WAY TO MARKETING IN THE PACIFIC RIM AS NEVER BEFORE. TO THIS END, THE STATE TOURISM OFFICE IS ENCOURAGED TO ACTIVELY SOLICIT JAPANESE TOURISTS SO THAT WE MAY ALL BENEFIT FROM THEIR PRESENCE. ADDITIONALLY, TO ENCOURAGE OUR PACIFIC RIM TOURISTS TO TRAVEL IN ALASKA, ALL NEW AND EXISTING VISITOR FACILITIES SHOULD HAVE MULTILINGUAL SIGNS AND INTERPRETIVE TOOLS. THESE INTERPRETIVE TOOLS MUST INCLUDE ADEQUATE REPRESENTATION OF ALL ALASKA'S RESOURCE SECTORS. DEVELOPMENT INTERESTS SUCH AS THE TIMBER, FISHING, MINERAL, OIL AND GAS INDUSTRY SHOULD PROVIDE INTERPRETIVE FACILITIES AT KEY LOCATIONS AROUND THE STATE TO HELP THE VISITORS UNDERSTAND THEIR PIVOTAL ROLE IN THE ECONOMY, HISTORY AND CULTURE OF ALASKA.

THANK YOU FOR THIS OPPORTUNITY TO MAKE THESE COMMENTS ON FOREIGN TRADE TODAY. I HOPE THESE AND OTHER ISSUES WILL BE ADDRESSED BY THE HOUSE SUBCOMMITTEE ON FOREIGN TRADE, AND THIS LEGISLATURE IN THE NEAR FUTURE.

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BUSINESS CLIMATE TAX INDEX

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BUSINESS CLIMATE TAX INDEX

While state and local taxes are not a major factor in economic development, certain characteristics of state tax systems and tax policies help create a supportive environment for shared and sustainable economic development. Extensive research strongly supports the conclusion that state and local taxes are not an important influence on business investment decisions. State and local taxes are too small for interstate tax differences to have much impact on profit rates for new investment. Moreover, the small impact of different state tax bills is overwhelmed by far larger variations in other business costs.

This conclusion, however, does not mean that state governments should ignore tax policy in their efforts to further economic development. State fiscal policy helps shape the social and economic climate for businesses. It also influences how people invest in future development. Instead of luring new branch plants through lowering taxes and offering tax incentives, states can implement a tax system and tax policies that create stable and attractive conditions for enterprise. These conditions include: (1) balanced use of major taxes to prevent any single tax from becoming overly burdensome and help insulate revenues from recession and economic shocks; (2) a stable fiscal system that can support needed services while tax and spending levels fluctuate, and in which prudent fiscal controls guard against excessive spending, borrowing or deficits; (3) a fair tax system that treats all taxpayers equally and minimizes regressive aspects of different taxes; and (4) relative equal capacity of communities within a state to deliver essential services.

The business climate tax index developed by the Corporation for Enterprise Development measures how well a state's revenue mix, fiscal policies and tax laws achieve a supportive environment for shared and sustainable growth. Each of the four crucial environmental conditions is measured through a separate index. The four indices are then summed to produce a final index score and rankings. An explanation of each index and the resulting scores is presented below, followed by a brief summary of the final rankings.

Balanced Revenue Sources

A balanced revenue system that relies on a variety of taxes serves several purposes. When revenues are raised fairly equally from several different taxes, a state is unlikely to have high tax burdens for any single tax. Thus, it can avoid being perceived as a high tax state and the negative effects this perception might have on business investment or population migration. The use of balanced revenue sources also reduces a state's vulnerability to large revenue fluctuation during

recessions, sectoral decline or economic shocks. Since there is no perfect tax, a final reason for employing a good mix of taxes is to limit the inequities and inefficiencies that result from any single tax.

To measure a balanced revenue system, the share of total state and local own source revenues, i.e., all revenues exclusive of federal aid, provided by four separate taxes was evaluated. The four taxes were personal income taxes, general sales taxes, property taxes and other taxes. Personal income, sales and property taxes are used because they are the three most important taxes used by state and local governments. Other taxes were included to measure both how well states used other taxes to keep the major taxes in a moderate range and if a state was extremely dependent on another revenue source. Points were assigned based on how well each separate tax compared with a range that would result in a well balanced and diversified revenue system. Points were assigned using 1984 data from Significant Features of Fiscal Federalism 1985-1986 Edition issued by the Advisory Commission on Intergovernmental Relations (ACIR) according to the following formulas:

- o States received 40 points if personal income taxes accounted for 20% to 30% of state and local own source revenues. Two points were deducted for every percentage point below 20% and one point was deducted for every percentage point above 30%.
- o States received 30 points if general sales tax revenues accounted for 15% to 25% of state and local own source revenues. Two points were deducted for every percentage point outside this range.
- o States received 30 points if property tax revenues accounted for 15% to 25% of state and local own source revenues. Two points were deducted for every percentage point above 25% and one point was deducted for every percentage point below 15%.
- o States received 20 points if other tax revenues accounted for 10% to 20% of state and local own source revenues. One point was deducted for every percentage point outside this range.

The balanced revenue index scores show that many states have fairly well balanced revenue systems. Twenty-six scored over 100 points (out of a possible 120) while only two states scored less than 40 points. New York scored the highest with North Carolina, Ohio, Wisconsin and California fairly close behind. New Hampshire and Alaska have the least balanced system by far. New Hampshire, without a minimal personal income tax and no general sales tax, is forced to rely very heavily on property taxes and other tax sources. Alaska also lacks a personal income tax and a general sales tax and is particularly dependent on oil severance taxes, as well as interest earnings and user fees.

It is noteworthy that there is no relationship between a balanced tax system and overall tax burden. Wisconsin and Minnesota have tax burdens, measured as a % of personal income, above the national average while North and South Carolina tax below the national average. Similarly, among the lowest scorers on this index, New Hampshire is far below while Alaska is far above the national tax burden average.

Fiscal Stability

Since business investments are long term commitments to an area, an important consideration is the likelihood that the quality of services and the level of taxation will remain stable over time. States must also pay greater attention to fiscal stability with the decline in federal aid and the increased vulnerability of state economies to recession and sectoral decline. To address these fiscal shocks without resorting to tax increases and service cuts, states need to have reserve funds available. Fiscal stability is also enhanced when spending, both direct spending and tax expenditures, are subject to close scrutiny and control.

Ideally, a fiscal stability index would include a measure of the economic elasticity of a state's revenue system since a state's revenues would be more stable the less they fluctuate with economic growth and recession. However, data is not available for this elasticity measure. The fiscal stability index is based on the presence of several fiscal policies that help a state address revenue shortfalls and control spending. Using 1984 data from Significant Features of Fiscal Federalism 1985-1986 Edition, points were assigned in the following manner:

- o States received 10 points if they issue fiscal notes on the local government costs of proposed state policies.
- o States received 10 points if they have a rainy day fund, ten points if the fund is subject to automatic appropriation and 2 points for every percentage point up to 5% of general revenues in their fund.
- o States received 10 points if they require regular evaluation and sunset of programs.
- o States received 20 points if they issue a tax expenditure budget.

State performance on fiscal stability was not very strong. Over half, 30 states, scored 30 or less (out of 70 possible points) while only one state scored above fifty. Michigan, with an economy that has suffered badly in recession and is very dependent on the auto industry, has the best policies to promote fiscal stability, scoring 58. Indiana, California, and Colorado have the next best score with 46. North Dakota scored zero.

indicating it has limited policies to cushion revenue declines and control spending.

Tax Fairness

States need to be concerned with tax fairness from two perspectives: treating taxpayers in the same circumstances equally (horizontal equity) and tailoring tax burdens to the ability to pay (vertical equity). Fairness helps build political credibility for state and local governments, mitigating taxpayers perceptions that the tax system benefits others at their expense. Horizontal equity also reinforces the neutrality of the tax system by minimizing favored economic activities or certain type of taxpayers. Thus, tax fairness fosters a sound business climate by buttressing government's capacity to deliver necessary services and placing all businesses on a level playing field. Finally, a fair tax policy should reduce taxes for taxpayers with limited income and shield the working poor and moderate income families from a regressive tax system.

Five measures of tax fairness are included in our index. Points were based on 1983 data and employed the method used by John Shannon and Robert J. Kleine, of the Advisory Commission on Intergovernmental Relations, in their 1985 paper entitled Characteristics of a Balanced State-Local Tax System and information from Significant Features of Fiscal Federalism. Points were assigned on the following basis:

- o States received 10 points for exempting food, 6 points for exempting utilities and 4 points for exempting drugs or providing an income tax credit. Several states received 4 points for partial exemptions of utilities.
- o States received 20 points for a state financed circuit breaker available to all taxpayers and 10 points if relief is limited to the elderly and disabled. A state received 6 points if a state reimbursed low income homestead exemption is provided and 4 points if circuit breaker relief is provided to renters, or a state reimbursed elderly and disabled homestead exemption exists.
- o States received 35 points based on their score on the Shannon/Kleine test of property tax administration using intra-area and inter-area conformity of assessments, compliance with state law, and full assessment practices.
- o States received 10 points if tax brackets, exemptions, credits and deductions are indexed to inflation. States with partial indexing received 5 points.

- o States received 5 points if they have a zero tax bracket or use federal adjusted gross income definitions to exempt low income persons from income taxes.

Tax fairness scores indicate that states have a lot of room to improve the fairness of their tax systems. While states scored fairly well providing exemptions for necessities and property tax relief, uniform property tax administration scores were generally low and few states indexed their personal income tax. Only nine states scored 50 or higher (out of a possible 90) while 27 states scored below forty. Michigan, Maryland and Wisconsin had the fairest taxes, scoring 66, 64.1 and 62 respectively. Alabama had the lowest score of 5.8. New Hampshire with 11 points and Mississippi with 15 points also did poorly.

Fiscal Equalization

State policies to promote equal fiscal capacity among local governments are essential for a sound business climate. These policies increase the ability of all communities to provide a sufficient level and quality of services to firms and individuals. Furthermore, they reduce the opportunity for large property tax differentials between nearby communities that might influence residential and firm location choices. More importantly, equalizing state fiscal aid can alleviate financial stress and high tax burdens in urban centers that have large service needs but less taxable wealth.

Fiscal equalization was measured by the extent to which state governments financed key service costs and provided revenue sharing aid to communities. Scores were based on 1983 data and employed the method used by John Shannon and Robert J. Kleine in their 1985 paper entitled Characteristics of a Balanced State-Local Tax System:

- o States received .2 points for every percentage of total state and local welfare costs assumed by state government.
- o States received .2 points for every percentage of total state and local health and hospital costs assumed by state government.
- o States received 1 point for every percentage of total state and local education costs assumed by state government between 30% and 70%.
- o States received 1 point for each percentage point its general revenue sharing contribution exceeds the U.S. average up to a maximum score of 20 points.

States scored moderately well on fiscal equalization. Over half (26 states) scored above 50 points with 16 of these scoring above 60. General revenue sharing was the weakest fiscal equalization for most states; only 16 states received any points in this category. Alaska led the nation with a score of 90.8 followed by New Mexico scoring 85.6. Three other states were above the 75 point mark: Mississippi, Delaware and Hawaii. Nebraska scored the worst, gaining only 26.6 points. Three other states with scores under 30 did only slightly better: New Hampshire, Oregon and South Dakota. These last three states also scored fairly low on the balanced revenue index in part because they lack one or more of the three major state revenue sources. Without diversified and dependable sources of state funds, it is difficult for state governments to play a major role in equalizing local fiscal resources.

Final Index Scores

California had the best overall score of 284.9 (out of a possible 380) followed by Maryland, Wisconsin, Michigan, Maine and South Carolina. Thus, the highest scorers include states from all major regions of the nation. Similarly, these states include ones with relatively high overall taxation levels (Wisconsin and Michigan), relatively low taxes (South Carolina) and average tax burdens (Maryland). New Hampshire is the low scorer by far. Its total of 75 points was less than one-half of South Dakota -- which ranked 49th. The next four lowest scorers were Montana, Wyoming, Tennessee, and Texas. Once again, north, south, east and west are all represented. Since the six lowest states all had below average tax levels, there seems to be a correlation between low overall tax burdens and poor score on this tax index. These results may reflect the fact that states with low tax burdens are less capable of financing policies to achieve fiscal equalization and tax fairness.

BALANCED REVENUE SOURCES

STATE	PERSONAL INCOME TAX (40 POSSIBLE)	GENERAL SALES TAX (30 POSSIBLE)	PROPERTY TAX (30 POSSIBLE)	ALL OTHER TAXES (20 POSSIBLE)	TOTAL (120 POSSIBLE)
Alabama	21.4	30.0	22.2	15.5	89.1
Alaska	0.0	2.2	23.0	6.2	31.4
Arizona	19.2	30.0	30.0	20.0	99.2
Arkansas	29.6	30.0	28.6	19.6	107.8
California	35.0	30.0	30.0	20.0	115.0
Colorado	24.4	30.0	30.0	20.0	104.4
Connecticut	8.4	30.0	15.4	17.1	70.9
Delaware	40.0	0.0	23.7	12.7	76.4
Florida	0.0	30.0	30.0	17.2	77.2
Georgia	31.6	30.0	30.0	20.0	111.6
Hawaii	39.0	19.8	28.6	20.0	107.4
Idaho	32.4	30.0	30.0	20.0	112.4
Illinois	28.2	30.0	23.4	20.0	101.6
Indiana	30.4	30.0	30.0	20.0	110.4
Iowa	30.6	28.4	24.4	20.0	103.4
Kansas	25.0	26.6	29.6	20.0	101.2
Kentucky	33.8	29.6	27.6	14.7	105.7
Louisiana	10.0	30.0	24.2	15.3	79.5
Maine	28.6	30.0	24.0	20.0	102.6
Maryland	40.0	22.4	30.0	20.0	112.4
Massachusetts	40.0	22.2	24.8	20.0	107.0
Michigan	37.8	23.2	24.0	20.0	105.0
Minnesota	40.0	24.4	30.0	20.0	114.4
Mississippi	14.8	30.0	29.1	20.0	93.9
Missouri	29.8	30.0	30.0	20.0	109.8
Montana	20.2	0.0	22.6	16.6	59.4
Nebraska	20.4	28.8	25.4	20.0	94.6
Nevada	0.0	30.0	29.6	10.4	70.0
New Hampshire	3.0	0.0	0.0	12.9	15.9
New Jersey	21.8	25.6	16.8	19.1	83.3
New Mexico	4.0	30.0	20.6	19.7	74.3
New York	40.0	30.0	30.0	20.0	120.0
North Carolina	40.0	30.0	30.0	19.0	119.0
North Dakota	10.0	27.6	30.0	11.9	79.5
Ohio	39.0	30.0	30.0	20.0	119.0
Oklahoma	23.4	30.0	26.7	11.0	91.1
Oregon	40.0	0.0	22.8	20.0	82.8
Pennsylvania	34.8	26.4	30.0	14.8	106.0
Rhode Island	30.2	26.2	22.8	20.0	99.2
South Carolina	34.2	30.0	30.0	20.0	114.2
South Dakota	0.0	30.0	30.0	20.0	80.0
Tennessee	1.8	20.2	30.0	18.7	70.7
Texas	0.0	30.0	29.6	15.1	74.7
Utah	26.4	30.0	30.0	20.0	106.4
Vermont	28.8	17.6	23.2	18.0	87.6
Virginia	38.0	24.2	30.0	18.4	110.6
Washington	0.0	10.2	30.0	20.0	60.2
West Virginia	26.6	27.2	27.5	19.2	100.5
Wisconsin	40.0	28.2	30.0	20.0	118.2
Wyoming	0.0	20.2	25.4	15.2	60.8

FISCAL STABILITY

STATE	FISCAL NOTE (10 POSSIBLE)	RAINY DAY FUND INDEX (30 POSSIBLE)	PROGRAM EVALUATION & SUNSET (10 POSSIBLE)	TAX EXPENDITURE BUDGET (20 POSSIBLE)	TOTAL (70 POSSIBLE)
Alabama	10.0	0.0	10.0	0.0	20.0
Alaska	0.0	20.0	10.0	0.0	30.0
Arizona	10.0	0.0	10.0	20.0	40.0
Arkansas	10.0	0.0	0.0	0.0	10.0
California	10.0	15.0	0.0	20.0	45.0
Colorado	10.0	25.0	10.0	0.0	45.0
Connecticut	10.0	18.0	10.0	0.0	38.0
Delaware	0.0	15.0	10.0	0.0	25.0
Florida	10.0	12.0	0.0	0.0	22.0
Georgia	10.0	12.0	10.0	0.0	32.0
Hawaii	0.0	0.0	10.0	20.0	30.0
Idaho	10.0	0.0	0.0	0.0	10.0
Illinois	10.0	0.0	10.0	0.0	20.0
Indiana	10.0	25.0	10.0	0.0	45.0
Iowa	10.0	10.0	0.0	0.0	20.0
Kansas	10.0	0.0	10.0	0.0	20.0
Kentucky	10.0	10.0	0.0	0.0	20.0
Louisiana	10.0	0.0	10.0	20.0	40.0
Maine	0.0	10.0	10.0	20.0	40.0
Maryland	10.0	0.0	10.0	20.0	40.0
Massachusetts	10.0	0.0	0.0	20.0	30.0
Michigan	10.0	28.0	0.0	20.0	58.0
Minnesota	0.0	20.0	0.0	20.0	40.0
Mississippi	10.0	12.0	0.0	0.0	22.0
Missouri	10.0	0.0	0.0	20.0	30.0
Montana	10.0	0.0	10.0	0.0	20.0
Nebraska	10.0	14.0	0.0	20.0	44.0
Nevada	10.0	0.0	0.0	0.0	10.0
New Hampshire	10.0	0.0	10.0	0.0	20.0
New Jersey	10.0	0.0	0.0	0.0	10.0
New Mexico	10.0	15.0	10.0	0.0	35.0
New York	0.0	20.0	0.0	0.0	20.0
North Carolina	10.0	0.0	0.0	20.0	30.0
North Dakota	0.0	0.0	0.0	0.0	0.0
Ohio	10.0	25.0	0.0	0.0	35.0
Oklahoma	0.0	0.0	10.0	0.0	10.0
Oregon	10.0	0.0	10.0	0.0	20.0
Pennsylvania	10.0	15.0	10.0	0.0	35.0
Rhode Island	10.0	22.0	10.0	0.0	42.0
South Carolina	10.0	24.0	10.0	0.0	44.0
South Dakota	10.0	18.0	0.0	0.0	28.0
Tennessee	10.0	12.0	10.0	0.0	32.0
Texas	10.0	0.0	10.0	0.0	20.0
Utah	10.0	0.0	10.0	0.0	20.0
Vermont	0.0	0.0	10.0	0.0	10.0
Virginia	10.0	12.0	0.0	0.0	22.0
Washington	10.0	0.0	10.0	20.0	40.0
West Virginia	10.0	0.0	10.0	0.0	20.0
Wisconsin	10.0	0.0	0.0	20.0	30.0
Wyoming	10.0	20.0	10.0	0.0	40.0

T A X F A I R N E S S

STATE	EXEMPTION FOR FOOD DRUGS & UTILITIES (20 POSSIBLE)	STATE FINANCED PROP. TAX (20 POSSIBLE)	UNIFORM PROP. TAX ASSESSMENT (35 POSSIBLE)	PERSONAL INCOME TAX INDEXING (10 POSSIBLE)	ZERO BRACKET OR FEDERAL FIG (5 POSSIBLE)	TOTAL (90 POSSIBLE)
Alabama	4	0	1.8	0	0	5.8
Alaska	0	4	26.8	0	0	30.8
Arizona	14	10	8.1	10	5	47.1
Arkansas	10	10	0	0	0	20
California	20	15	4.9	10	5	55.9
Colorado	20	10	7.4	5	5	47.4
Connecticut	20	14	10	0	0	44
Delaware	0	0	13.9	0	5	18.9
Florida	20	0	28	0	0	40
Georgia	4	0	13.9	0	5	22.9
Hawaii	10	4	10	0	5	29
Idaho	10	10	27.9	0	0	47.9
Illinois	14	10	17.2	0	5	46.2
Indiana	14	6	1.6	0	5	26.6
Iowa	14	15	24.6	0	5	59.6
Kansas	20	10	2.6	0	5	37.6
Kentucky	20	0	20.9	0	5	45.9
Louisiana	20	6	0	0	5	31
Maine	20	10	12.9	10	5	57.9
Maryland	16	20	23.1	0	5	64.1
Massachusetts	20	0	10	0	5	35
Michigan	14	20	27	0	5	66
Minnesota	10	20	8.3	10	5	53.3
Mississippi	4	6	0	0	5	15
Missouri	10	10	0	0	5	25
Montana	0	10	10.2	10	5	35.2
Nebraska	14	6	21.8	0	0	41.8
Nevada	20	10	10.3	0	0	40.3
New Hampshire	0	0	11	0	0	11
New Jersey	20	6	10	0	5	41
New Mexico	10	10	0	0	0	20
New York	20	20	0	0	5	45
North Carolina	5	0	6.3	0	0	11.3
North Dakota	20	14	1	0	0	35
Ohio	14	14	21	0	5	54
Oklahoma	10	10	0	0	0	20
Oregon	0	20	27.4	5	0	52.4
Pennsylvania	20	10	5	0	0	35
Rhode Island	20	10	9.4	0	0	39.4
South Carolina	20	4	0	10	0	34
South Dakota	4	10	8.8	0	0	22.8
Tennessee	8	11	7.7	0	0	15.7
Texas	20	0	5	0	0	25
Utah	8	10	9.4	0	0	27.4
Vermont	20	20	0	0	0	40
Virginia	10	0	31.9	0	5	46.9
Washington	20	0	23.3	0	0	43.3
West Virginia	20	10	0	0	5	35
Wisconsin	20	20	12	5	5	62
Wyoming	4	6	8.7	0	0	18.7

FISCAL EQUALIZATION

STATE	WELFARE % STATE FINANCED (20 POSSIBLE)	HEALTH & HOSPITAL % STATE FINANCED (20 POSSIBLE)	LOCAL EDUCATION % STATE FINANCED (40 POSSIBLE)	GENERAL REVENUE SHARING (20 POSSIBLE)	TOTAL (100 POSSIBLE)
Alabama	19.0	9.2	40.0	0.0	68.2
Alaska	18.8	16.6	40.0	15.4	90.8
Arizona	9.6	8.4	26.0	7.0	51.0
Arkansas	19.0	9.2	32.0	0.0	60.2
California	19.4	8.4	40.0	0.2	68.0
Colorado	20.0	10.6	19.0	0.0	49.6
Connecticut	18.2	18.4	8.0	0.0	44.6
Delaware	20.0	19.8	40.0	0.0	79.8
Florida	17.2	6.2	28.0	0.0	51.4
Georgia	19.2	4.2	39.0	0.0	56.4
Hawaii	19.2	19.4	40.0	0.0	78.6
Idaho	15.6	7.4	36.0	0.0	59.0
Illinois	19.4	10.8	12.0	0.0	42.2
Indiana	13.6	7.0	27.0	1.0	48.6
Iowa	16.4	8.4	19.0	0.0	37.8
Kansas	18.8	10.0	15.0	0.0	43.8
Kentucky	19.0	14.4	40.0	0.0	73.4
Louisiana	19.0	10.8	35.0	0.0	64.8
Maine	19.4	17.6	24.0	0.0	61.0
Maryland	20.0	17.0	19.0	1.2	51.2
Massachusetts	19.2	14.2	11.0	20.0	64.4
Michigan	18.4	9.6	6.0	2.4	36.4
Minnesota	12.2	8.2	18.0	11.8	50.2
Mississippi	18.0	5.8	39.0	17.0	79.8
Missouri	19.6	9.4	12.0	0.0	41.0
Montana	13.2	13.6	19.0	0.0	45.8
Nebraska	15.2	10.4	1.0	0.0	26.6
Nevada	15.8	3.6	19.0	10.4	48.8
New Hampshire	9.4	19.0	0.0	0.0	28.4
New Jersey	19.0	11.8	11.0	13.6	55.4
New Mexico	18.4	13.2	40.0	14.0	85.6
New York	10.4	10.4	19.0	6.6	46.4
North Carolina	10.0	11.0	38.0	0.0	59.0
North Dakota	14.6	18.6	26.0	1.4	60.6
Ohio	17.8	12.0	15.0	0.0	44.8
Oklahoma	20.0	13.8	40.0	0.0	73.8
Oregon	15.2	13.2	1.0	0.0	29.4
Pennsylvania	19.6	15.8	17.0	0.0	52.4
Rhode Island	20.0	19.8	8.0	0.0	47.8
South Carolina	19.2	9.8	37.0	0.0	66.0
South Dakota	16.0	13.0	0.0	0.0	29.0
Tennessee	17.0	7.0	23.0	0.0	47.0
Texas	18.4	8.2	22.0	0.0	48.6
Utah	19.4	16.2	27.0	0.0	62.6
Vermont	19.8	19.2	7.0	0.0	46.0
Virginia	16.2	15.2	16.0	0.0	47.4
Washington	19.8	8.0	48.0	0.0	67.8
West Virginia	19.6	10.0	38.0	0.0	67.6
Wisconsin	17.6	8.0	10.0	20.0	55.6
Wyoming	19.0	5.6	1.0	20.0	45.6

FINAL POINTS AND RANKINGS

STATE	TOTAL POINTS (380 POSSIBLE)	RANK
Alabama	183.1	41
Alaska	183.0	42
Arizona	237.3	12
Arkansas	198.0	33
California	284.9	1
Colorado	241.4	11
Connecticut	197.5	36
Delaware	201.1	37
Florida	198.6	34
Georgia	222.9	21
Hawaii	245.0	9
Idaho	229.3	16
Illinois	210.0	29
Indiana	231.6	14
Iowa	220.8	22
Kansas	202.6	32
Kentucky	245.0	10
Louisiana	215.3	26
Maine	261.5	5
Maryland	267.7	2
Massachusetts	236.4	13
Michigan	265.4	4
Minnesota	257.9	7
Mississippi	210.7	28
Missouri	205.8	31
Montana	160.4	48
Nebraska	207.0	30
Nevada	169.1	44
New Hampshire	75.3	50
New Jersey	189.7	38
New Mexico	215.9	25
New York	225.4	19
North Carolina	219.3	23
North Dakota	175.1	43
Ohio	253.8	8
Oklahoma	194.9	37
Oregon	184.6	39
Pennsylvania	229.4	15
Rhode Island	228.4	17
South Carolina	258.2	6
South Dakota	159.8	49
Tennessee	165.4	46
Texas	168.3	45
Utah	216.4	24
Vermont	183.6	40
Virginia	226.9	18
Washington	211.3	27
West Virginia	223.1	20
Wisconsin	265.8	3
Wyoming	165.1	47

FINAL POINTS AND RANKINGS

STATE	TOTAL POINTS (380 POSSIBLE)	RANK
California	284.9	1
Maryland	267.7	2
Wisconsin	265.8	3
Michigan	265.4	4
Maine	261.5	5
South Carolina	258.2	6
Minnesota	257.9	7
Ohio	253.8	8
Hawaii	245.0	9
Kentucky	245.0	10
Colorado	241.4	11
Arizona	237.3	12
Massachusetts	236.4	13
Indiana	231.6	14
Pennsylvania	229.4	15
Idaho	229.3	16
Rhode Island	228.4	17
Virginia	226.9	18
New York	225.4	19
West Virginia	223.1	20
Georgia	222.9	21
Iowa	220.8	22
North Carolina	219.3	23
Utah	216.4	24
New Mexico	215.9	25
Louisiana	215.3	26
Washington	211.3	27
Mississippi	210.7	28
Illinois	210.0	29
Nebraska	207.0	30
Missouri	205.8	31
Kansas	202.6	32
Delaware	201.1	33
Florida	198.6	34
Arkansas	198.0	35
Connecticut	197.5	36
Oklahoma	194.9	37
New Jersey	189.7	38
Oregon	184.6	39
Vermont	183.6	40
Alabama	183.1	41
Alaska	183.0	42
North Dakota	175.1	43
Nevada	169.1	44
Texas	168.3	45
Tennessee	165.4	46
Wyoming	165.1	47
Montana	160.4	48
South Dakota	159.8	49
New Hampshire	75.3	50



STATE OF ALASKA
HOUSE OF REPRESENTATIVES
Box V, Juneau, Alaska 99811
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REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

March 6, 1987

To: Committee Members
From: Representative Cliff Davidson *Cliff*
Re: Sub-committee on International Trade

The next meeting of the International Trade Sub-committee will be held on Monday March 9 at 4:30 p.m. in Capitol 17. The speaker for the next meeting will be David Ford who will give some practical tips on networking with Alaskans on tourism with New Zealand contacts.

Any committee ready to report their activities? If you need any assistance, in doing so, please ask Helen Fisher.

Members

Cliff Davidson - chair
Mike Davis
Adelheid Herrmann
Niilo Koponen
H.A. "Red" Boucher
Johnny Ellis
Al Adams
Ramona Barnes
Bill Hudson
Richard Shultz

Ex officio Members

Dave Donley
Sam Coten
Curt Menard
Drue Pearce

Program

Select and Report

During the meeting of February 9, the following areas were discussed and selected by the members in attendance. If you wish to change your choice or sign on to one if you didn't get a chance, now is the time to do it. When you are ready to schedule a discussion of your topic, please let me know.

1. Zones - Foreign Trade Zone, Domestic Fishery Zone, and/or Economic Enterprise Zone. The development of a marketing plan for the international airports in Anchorage and Fairbanks.
Ellis, Pearce, Herrmann

2. International Trade Center in Anchorage - would it include an International Finance Center? Should Anchorage host a conference to collect data? Barnes, Ellis, Donley

3. Educating ourselves and our children on the culture and languages of future trading partners. How should a pilot educational project be designed? Would student loans be available to persons traveling for this information? What incentives could be provided to students for high school, post-secondary enrollment in language and international marketing studies. Hudson, Davidson, Davis, Herrmann

4. Oil Exports - Ellis will be introducing a joint resolution calling for Congress to impose such a fee. What needs to be done to allow oil from the North Slope to be sold with more profit to Alaska? Should we work to repeal the Federal ban on oil exports from the North Slope? Could a primary treatment of oil, such as removing the sulfur, enable us to sell the oil? Barnes

5. How can the recommendations for exchange and cooperation between the State of Alaska and the People's Government of Heilongjiang be implemented for mutual benefit. Davis, Menard

6. Should we put together a "Team Alaska" meeting? Could we persuade other established groups to help organize and foot the bill?

7. Collecting and indexing all of the international trade information possible.

8. How can we design our exports for specific world markets? Take a look at joint venture companies. What ventures permit the greatest return in local hire? Koponen,

9. Fish - mariculture, aquaculture, pen rearing salmon. What markets should be targeted? How can we work on trade barriers? Where is the off-shore processors going? Ellis, Pearce, Hudson, Herrmann

10. What recommendations are needed to provide culturally compatible economic growth in the villages? Davidson, Barnes, Menard, Herrmann

11. Resource development. Barnes, Pearce

12. "Counter trade" possibilities. Herrmann

Future Meetings

Suggestions? Is there someone you would like to have speak to us?



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REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

March 16, 1987

To: Committee Members
From: Representative Cliff Davidson
Re: Sub-committee on International Trade

1. Work on work draft resolution - New Zealand.
2. Discuss lists of topics to decide when they should be presented.
Do you want a speaker from U.of A. (with suggestions from Rep. Koponen),
Dr. Olds of APU, or Larrae Rocheleau, Director of Mt. Edgecumbe School,
regarding Pacific Rim Curriculum?
3. Presentation of book.

Members

Cliff Davidson - chair
Mike Davis
Adelheid Herrmann
Niilo Koponen
H.A. "Red" Boucher
Johnny Ellis
Al Adams
Ramona Barnes
Bill Hudson
Richard Shultz

Ex officio Members

Dave Donley
Sam Cotten
Curt Menard
Drue Pearce

Program

1. Zones - Foreign Trade Zone, Domestic Fishery Zone, and/or Economic Enterprise Zone. The development of a marketing plan for the international airports in Anchorage and Fairbanks.
Ellis, Pearce, Herrmann
2. International Trade Center in Anchorage - would it include an International Finance Center? Should Anchorage host a conference to collect data? Barnes, Ellis, Donley

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11. Resource development. Barnes, Pearce

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Future Meetings

Suggestions?



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REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

March 23, 1987

To: Committee Members

From: Representative *Cliff Davidson*

Re: Sub-committee on International Trade

1. The subject today will be timber trade with China. Rep. Mike Davis and Frank Seymour of Commerce & Economic Development, Division of Minerals & Forest Products, will speak and show slides of recent visits.
2. The Labor and Commerce Committee has agreed to sponsor the New Zealand resolution. If you wish to make any changes in the resolution, please make them and return the draft to my office by Friday, March 27.
3. On Monday, March 30, members have been invited to attend a meeting of the Senate Special Committee on International Trade to hear John Anderson discuss Team Washington.

Members

Cliff Davidson - chair
Mike Davis
Adelheid Herrmann
Niilo Koponen
H.A. "Red" Boucher
Johnny Ellis
Al Adams
Ramona Barnes
Bill Hudson
Richard Shultz

Ex officio Members

Dave Donley
Sam Cotten
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Program

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Barnes

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3/16 - Ellis reported on progress in the area of mariculture and aquaculture.

10. What recommendations are needed to provide culturally compatible economic growth in the villages? Davidson, Barnes, Menard, Herrmann

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12. "Counter trade" possibilities. Herrmann

Future Meetings

It was discussed at the last meeting that a survey of educational programs with speakers involving the Pacific Rim be included in a program in April.
O.K?



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REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

March 30, 1987

To: Committee Members

From: Representative Cliff Davidson

Re: Sub-committee on International Trade

On Monday, March 30, members have been invited to attend a meeting of the Senate Special Committee on International Trade to hear John Anderson, Director of Washington State Department of Trade and Economic Development, discuss Team Washington. The meeting will be held at 3:30 pm in the Senate Finance Room.

Members

Cliff Davidson - chair
Mike Davis
Adelheid Herrmann
Niilo Koponen
H.A. "Red" Boucher
Johnny Ellis
Al Adams
Ramona Barnes
Bill Hudson
Richard Shultz

Ex officio Members

Dave Donley
Sam Cotten
Curt Menard
Drue Pearce

Program

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Future Meetings

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REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

April 3, 1987

To: Committee Members

From: Representative Cliff Davidson

Re: Sub-committee on International Trade

On Monday, April 6, members will hear Jim Talbot and Fred Jossy of Troika, Inc. and Marine Resources Company International with offices in Seattle and Moscow, Russia. They hope to make you aware of their existence and to generate interest in planning a trade mission to the USSR in July. The purpose of the mission would be to lay the groundwork for finding and exploiting Soviet markets for Alaska products, services and technology. The meeting will be held in room 17 of the Capitol Building.

On Monday, April 13, the sub-committee will hear a presentation by a representative of the Mt. Edgecumbe School describing their Pacific Rim Curriculum.

Members

Cliff Davidson - chair
Mike Davis
Adelheid Herrmann
Niilo Koponen
H.A. "Red" Boucher
Johnny Ellis
Al Adams
Ramona Barnes
Bill Hudson
Richard Shultz

Ex officio Members

Dave Donley
Sam Cotten
Curt Menard
Drue Pearce

Program

1. Zones - Foreign Trade Zone, Domestic Fishery Zone, and/or Economic Enterprise Zone. The development of a marketing plan for the international airports in Anchorage and Fairbanks.
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Hudson, Davidson, Davis, Herrmann

4. Oil Exports - What needs to be done to allow oil from the North Slope to be sold with more profit to Alaska? Should we work to repeal the Federal ban on oil exports from the North Slope? Could a primary treatment of oil, such as removing the sulfur, enable us to sell the oil?

Barnes

5. How can the recommendations for exchange and cooperation between the State of Alaska and the People's Government of Heilongjiang be implemented for mutual benefit. Davis, Menard

6. Should we put together a "Team Alaska" meeting? Could we persuade other established groups to help organize and foot the bill?

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10. What recommendations are needed to provide culturally compatible economic growth in the villages? Davidson, Barnes, Menard, Herrmann

11. Resource development. Barnes, Pearce

12. "Counter trade" possibilities. Herrmann

Future Meetings

There will be two more meeting dates in April. What would you like?



STATE OF ALASKA

HOUSE OF REPRESENTATIVES

Box V, Juneau, Alaska 99811

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REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

April 13, 1987

To: Committee Members

From: Representative Cliff Davidson

Re: Sub-committee on International Trade

On Monday, April 13, the sub-committee will hear a presentation by the Director, Larrae Rocheleau, of the Mt. Edgecumbe School describing their Pacific Rim Curriculum which has been in effect the past two years.

Members

Cliff Davidson - chair
Mike Davis
Adelheid Herrmann
Niilo Koponen
H.A. "Red" Boucher
Johnny Ellis
Al Adams
Ramona Barnes
Bill Hudson
Richard Shultz

Ex officio Members

Dave Donley
Sam Cotten
Curt Menard
Drue Pearce

Program

1. Zones - Foreign Trade Zone, Domestic Fishery Zone, and/or Economic Enterprise Zone. The development of a marketing plan for the international airports in Anchorage and Fairbanks.

Ellis, Pearce, Herrmann

2. International Trade Center in Anchorage - would it include an International Finance Center? Should Anchorage host a conference to collect data? Barnes, Ellis, Donley

3. Educating ourselves and our children on the culture and languages of future trading partners. How should a pilot educational project be designed? Would student loans be available to persons traveling for this information? What incentives could be provided to students for high school, post-secondary enrollment in language and international marketing studies.

Hudson, Davidson, Davis, Herrmann

4. Oil Exports - What needs to be done to allow oil from the North Slope to be sold with more profit to Alaska? Should we work to repeal the Federal ban on oil exports from the North Slope? Could a primary treatment of oil, such as removing the sulfur, enable us to sell the oil?

Barnes

5. How can the recommendations for exchange and cooperation between the State of Alaska and the People's Government of Heilongjiang be implemented for mutual benefit. Davis, Menard

6. Should we put together a "Team Alaska" meeting? Could we persuade other established groups to help organize and foot the bill?

7. Collecting and indexing all of the international trade information possible.

8. How can we design our exports for specific world markets? Take a look at joint venture companies. What ventures permit the greatest return in local hire? Koponen,

9. Fish - mariculture, aquaculture, pen rearing salmon. What markets should be targeted? How can we work on trade barriers? Where is the off-shore processor business going? Ellis, Pearce, Hudson, Herrmann, Davidson
3/16 - Ellis reported on progress in the area of mariculture and aquaculture.

10. What recommendations are needed to provide culturally compatible economic growth in the villages? Davidson, Barnes, Menard, Herrmann

11. Resource development. Barnes, Pearce

12. "Counter trade" possibilities. Herrmann

Future Meetings

There will be one more meeting date in April. I am trying to put together a meeting with the visiting governor from Heilongjiang, China for the last week in April.

T H E P A C I F I C R I M

PEKING

China is starting to become involved in Alaska's fisheries, including a joint venture with Alaskans in the Bering Sea.

SEOUL

The Daewoo group was awarded a \$4.1 million contract to build new passenger train cars for the Alaska Railroad.

TOKYO

The Japanese are now increasing purchases of Alaska resources: fish, timber and coal.

DUTCH HARBOR

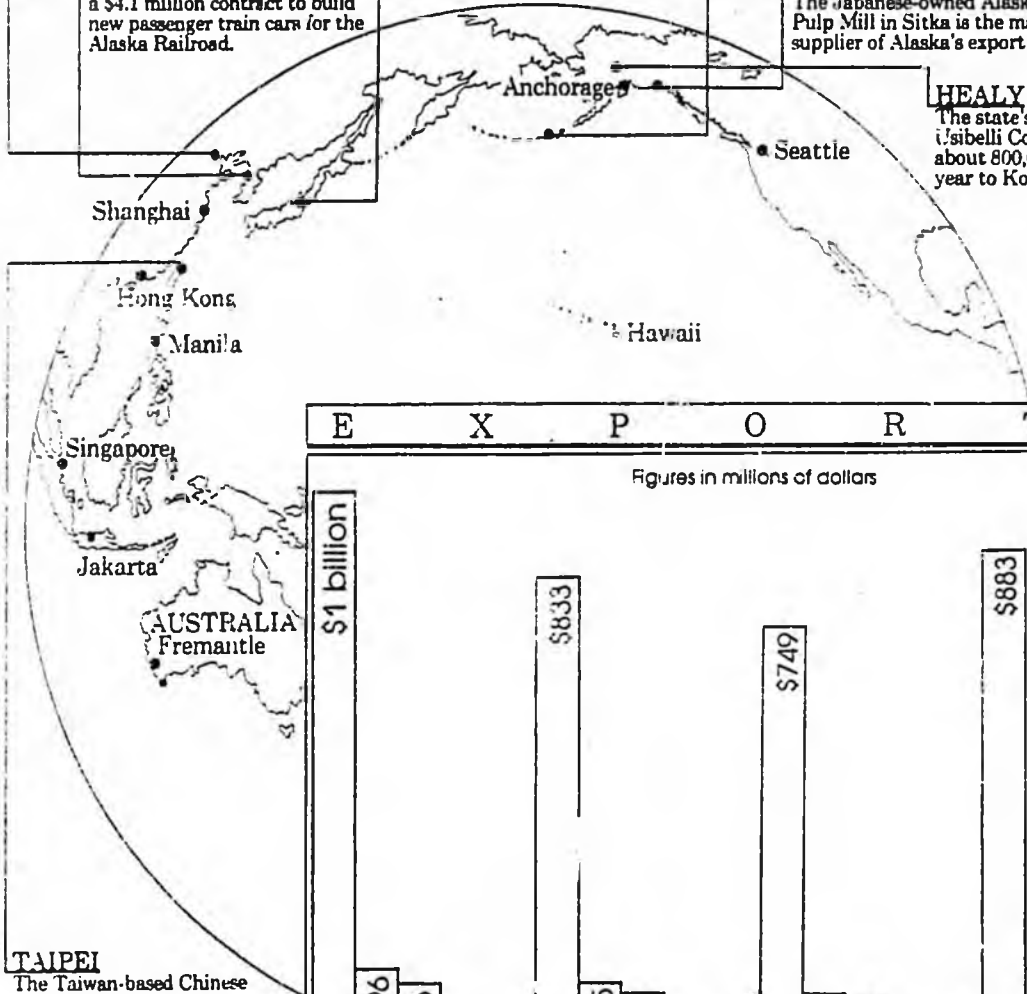
Two U.S. joint venture agreements with Japanese firms have helped open surimi plants there.

SITKA

The Japanese-owned Alaska Pulp Mill in Sitka is the major supplier of Alaska's export pulp.

HEALY

The state's largest mining firm, Healy Coal Co., is selling about 800,000 tons of coal a year to Korea.

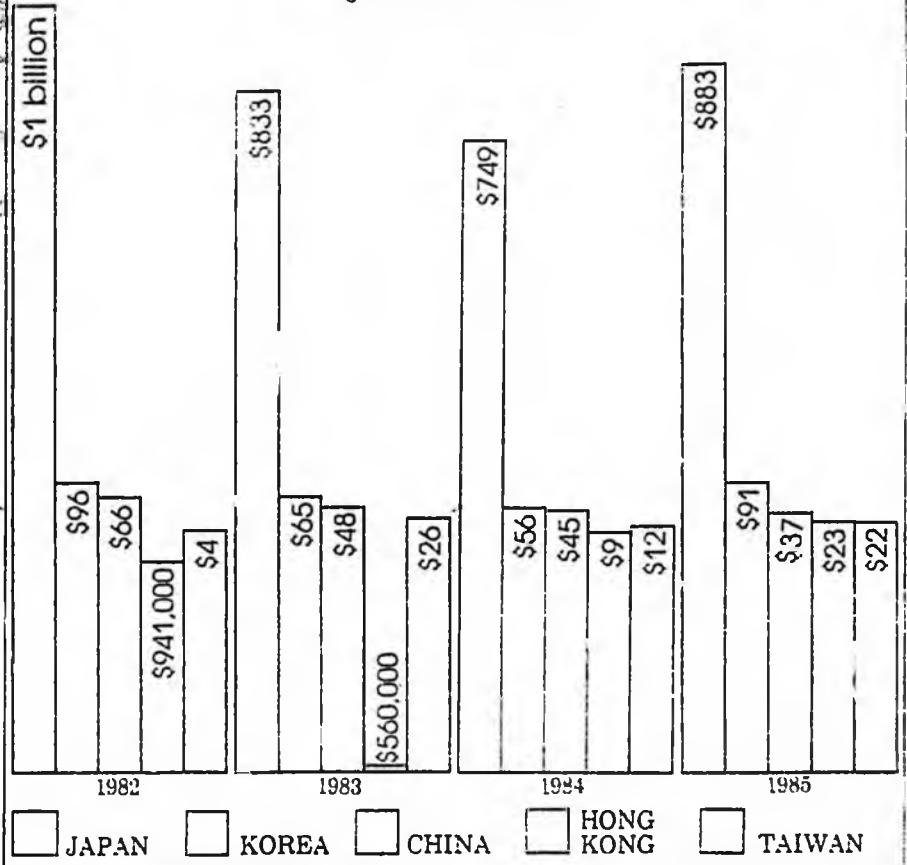


TAIPEI

The Taiwan-based Chinese Petroleum Corp. plans to purchase some 3,600 barrels per day of Cook Inlet oil.

E X P O R T S

Figures in millions of dollars



Times graphic by D. Fields

Officials seek Asian purchasers

Pacific Rim sales
continue to rise

By Chriss Swaney
Times Business Writer

It may be a sign of things to come in Alaska.

A group of state officials is expected to go to Tokyo within the next two weeks to talk business — not about another fish or timber deal, but the possible acquisition of one or more of Alaska's financially troubled banks by a Japanese financial institution.

The trip indeed is telling because at a time when the Lower 48 seems to be growing less interested in Alaska with the news of increasing real estate foreclosures and bank problems, the nations of the Pacific Rim are viewing the state as a new frontier.

Companies from Japan, Korea, China and Taiwan are not just looking at Alaska as another source of timber and fish, but instead see new investment opportunities in coal, natural gas, oil and tourism.

And many local businesspeople and state officials are hoping this growing interest will snowball into bigger and better things.

"I hope the Japanese are interested in establishing a banking presence here," says one Alaska bank president who also is interested in acquiring some of these same banks.

"If a Japanese bank sets up here, perhaps it will be willing to invest in the (proposed \$10 billion North Slope) gas pipeline, and if the Japanese own part of it, you can be sure they will import gas from Alaska," says the banker who asked not to be identified.

"I think down the road we are certainly going to see more foreign banks — particularly Pacific Rim banks — looking seriously at the Alaska market," says Tony Smith, commissioner of the state Department of Commerce and Economic Development.

See Sales, page A-8

Sales: Alaskans hope to offer more than fish and timber

Continued from page A-1

Loren Lounsbury, former commerce commissioner, claims this is the year of the Pacific Rim.

"We're seeing more interest by Alaska businessmen in the Pacific Rim, and that can only help to broaden relations with this nation's most important trade area," says Lounsbury, who recently struck a deal with a Korean trading company to operate several Seoul movie theaters that will be similar to the Alaska Experience Theatre in Anchorage.

Even though foreign investment in Alaska may only be in its infancy, the numbers are already impressive. From 1981 to 1984, foreign investment has grown from \$8.5 billion to \$13.6 billion, says international economist Ned Howenstine of the Bureau of Economic Analysis in Washington, D.C. The preliminary 1985 figures show a substantial increase, he adds.

Some of the most recent developments that include financing by Pacific Rim and other foreign investors are the \$400 million Red Dog lead-zinc mine near Kotzebue by a Canadian firm; construction of two high-tech surimi plants in Dutch Harbor by a Japanese-American joint-venture; building of a \$17 million coal facility in Seward by the Koreans; and investments totaling more than \$80 million by British-owned Amselco Minerals Inc., which owns 80 percent of the silver, gold, lead and zinc mine at Greens Creek on Admiralty Island. Another 8 percent of the project is owned by Exalas Resources, a subsidiary of Mitsubishi of Japan.

And the immediate future promises more foreign investment. Almost all the major Alaska mining projects in the near future are being backed by foreign firms. Near Ketchikan, British-owned U.S. Borax is the sole owner of the proposed \$1.5 billion Quartz Hill molybdenum mine, whose development may be delayed until the 1990s because of declining world mineral prices.

But perhaps this shouldn't be surprising as much of the state's existing resource industry already has strong foreign ties.

In timber the state's largest wood pulp mill in Sitka is wholly owned by the Japanese. More than 90 percent of Alaska's wood pulp is sold to foreign markets.

By far, Japan provides the largest market for most of Alaska's exports by purchasing an average of 76 percent of all exports here, according to the state commerce department.

Japan, for example, purchased \$402 million worth of Alaska seafood in 1985, well over 40 percent of the state's \$1 billion fish catch.

"There's certainly no better time than now for Alaska to be marketing Alaska," says Dan Dixon, director of the state's Office of International Trade.

For now, the economic consequences of a falling dollar have created a positive investment environment in Alaska, Dixon adds. As the dollar continues to lose strength against foreign currencies, Alaska products and resources will cost less for overseas buyers.

With an \$85 billion trade surplus, the Japanese are far ahead in the race for world trade and investments.

But besides having plenty of money to invest, many of these

countries have few natural resources and want long-term access to foreign supplies.

Japan and Korea import 2.5 percent of their oil, 90 percent of their natural gas and about 31 percent of their coal. Both countries are energy dependent and say they will continue to seek alternative energy suppliers because of growing instability in the Middle East.

Alaska ranks second among the U.S.'s oil-producing states with known oil reserves of 7 to 22.6 million barrels and from 36.9 to 56.3 trillion cubic feet of natural gas. Estimated coal reserves total more than 6.3 billion tons.

While attraction for the state's subterranean resources grows, some foreign suitors are finding more economic value in the state's surface beauty.

Alaska's largest ski resort — Alyeska — is owned by the Japanese-owned Seibu Corp. Seibu officials have promised to finance major improvements to the Girdwood resort to help boost Pacific Rim tourism to Alaska.

Seibu's attempt to increase the resort's visibility also is being aided by Japan Air Lines. JAL this month is ferrying eight Japanese journalists specializing in travel writing to Alaska for a state-wide tour.

"We hope to increase our trade here and have planned to offer more seats to people flying to Anchorage," said Mitsuo

Kitamoto, vice president of the Anchorage JAL operation. "The markets are here; it's just a matter of working with state officials to make them more open."

Alaska markets are not only open but come with an invitation. Gov. Steve Cowper has vowed to make Alaska more attractive to foreign investors.

In his recent inaugural address, Cowper called for creation of an International Finance Center, "a center that would be a haven for Eurocurrency deposits, foreign exchange trading, currency swaps and financial futures trading."

The governor also urged Anchorage leaders to host a conference for members of the international financial community.

Not to be outdone by the state's executive branch, some Alaska legislators are backing a bill that would give the Alaska Industrial Development Authority freedom to attract foreign investment in Alaska products. The bill would permit foreign

firms, joint venture operations or U.S. firms to borrow money to finance export of Alaska-made products, Dixon says.

But Alaska is not alone in chasing Japanese yen and Korean won. Canada and Australia also are trying to lure foreign investments for resource development.



Official Business

Alaska State Legislature
House of Representatives

Al Adams
Chairman
Committee on Finance

February 17, 1987

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Representative Cliff Davidson
Chairman
Subcommittee on International Trade
P.O. Box V
Juneau, AK 99811

Dear Representative ^{*Cliff*} Davidson:

Enclosed is a copy of a memorandum and supporting materials from Mr. Larrae Rocheleau, Director of the Mt. Edgecumbe School, regarding the Pacific Rim Curriculum which has been in effect at Mt. Edgecumbe the past two years.

Since one of the areas to be considered by the International Trade Subcommittee is the education of Alaskans--and particularly our children--in the culture, languages and business practices of our Pacific Rim neighbors, I believe there might be some merit in inviting Mr. Rocheleau to address the Subcommittee at some future date on their efforts in this regard.

I look forward to discussing this matter with you at your earliest convenience.

Sincerely,

A handwritten signature in cursive script, appearing to read "Al Adams".

Al Adams
Chairman
House Finance Committee

cc: **Mr. Larrae Rocheleau**
Mt. Edgecube School

DEPARTMENT OF EDUCATION

MT. EDGE CUMBE SCHOOL

STEVE COWPER, GOVERNOR

1297 SEWARD AVENUE

SITKA, ALASKA 99835

PHONE: (907) 968-2201

Elmer
copy to Rep.
Davidson
A

February 9, 1987

MEMO

TO: Representative Al Adams
Alaska State Legislature

FROM: Larrae Rocheleau
Director

RE: Pacific Rim curriculum

Enclosed is a description of Mt. Edgecumbe High School's Pacific Rim studies program as developed to date. We are circulating it to a number of folks we thought would be interested and who might offer comments or have suggestions for changes or improvements. After almost two years of operation the program has a good solid base. Given Mt. Edgecumbe's role as an alternative educational opportunity for Alaska high school students, Pacific Rim studies has developed into an important focus for the staff and the student body.

0215A

DEPARTMENT OF EDUCATION

MT. EDGE CUMBE SCHOOL

1297 SEWARD AVENUE

SITKA, ALASKA 99835

PHONE: (907) 966-2201

February 5, 1987

**PACIFIC RIM CURRICULUM AT MT. EDGE CUMBE HIGH SCHOOL:
A LOOK BACK AND A LOOK TO THE FUTURE**

The Dawn of a New Tradition:

Mt. Edgecumbe High School was opened as a state supported residential school in September of 1985. The State Board of Education working with the Commissioner of Education and the Director of the school instituted a program of study focusing on Pacific Rim studies. The director was charged with developing a master class schedule which would emphasize the economic and social interrelationships between Alaska and Pacific Rim countries particularly China, Japan, the Phillipines, Korea and Russia. It was recognized that the program should be structured to stimulate students to explore cultural similarities and differences between themselves and their Pacific neighbors. Classes across the curriculum focusing on Asian countries, their cultures, history and economics, including the Japanese and Mandarin Chinese languages, were scheduled for the school's 1985-86 school year.

Finding the Staff and Materials to Make It Work:

A search, which led to the consideration of over 1,000 teacher applications, ended in the selection of 15 individuals whose areas of preparation and interest supported the school's Pacific Rim program emphasis, particularly in the core curriculum areas of social studies, business, computers, foreign languages, and entrepreneurship. With staff in place the search for appropriate curriculum materials began but it was quickly realized the quest would not be easy. A central location for Pacific Rim materials was not available; world history and diplomatic history texts examined did not contain adequate information on Asia; Japanese language texts had to be purchased from Australia and it took eight months to obtain them; many materials considered had a western rather than an eastern world focus; -- these are just a few of the obstacles encountered in looking for Pacific Rim curriculum and resource materials.

While improvisation and innovation provided the teaching tools needed to begin instruction in September of 1985, the search for materials continues into the school's second year of operation. Video and tv programs such as "Japan Today," and "The Heart of the Dragon," proved helpful. Contacts with Asian and Pacific Rim university study centers, two being the Asian Study Center in New York and the Center for Teaching International Relations at the University of Denver were made and slowly materials began to come in. A computer data base to

track resources and suppliers of Pacific Rim classroom and library materials was created allowing for more efficient use of materials when they did become available. The problem was three fold: (1) find the sources, (2) obtain and review the materials, (3) and adapt the materials into appropriate curriculum. It is estimated that approximately 5% of the materials reviewed make their way to the classroom.

In the Face of Budget Cuts:

A situation which has compounded Mt. Edgecumbe High School's difficulties in developing a comprehensive Pacific Rim curriculum is budget cuts, - a total 22% reduction since the school opened. The time needed to review materials and develop curriculum has been severely curtailed by loss of teaching and support staff. Most Mt. Edgecumbe High School teaching staff teach six out of seven periods per day. They are also assigned about a dozen students as an extended family involving many evening and weekend hours. Budget cuts have also caused us to compress our school calendar to include at least one Saturday school day per month reducing on campus time for students to eight months. Some curriculum development is accomplished through extended teacher contracts before and after the regular school year.

In addition to cross-curricular Pacific Rim classroom instruction during the 1986-87 school year students and staff have:

- initiated a sister school program with Muroran, Japan and Heifei, China with the exchange of letters, videos, and photographs and developed a basis for a student and staff travel exchange program,

- developed a data base of Pacific Rim resources and educational materials,

- implemented "Edgecumbe Enterprises," the school's entrepreneurial school based import/export business for trade and barter with Japan and China,

- made plans to host, February 7, a mini-Pacific Rim workshop for students of MEHS, Sitka High School, Blatchley Middle School and Sitka community members,

- continued to host on campus Pacific Rim trade and education delegations.

Developing a school program in Pacific Rim studies is clearly not an easy task. Mt. Edgecumbe High School has launched an innovative program but reduced funding levels could cause additional loss of staff and encroach on the continued growth - and the quality - of the program.

Meeting Special Needs:

In Mt. Edgecumbe High School's first year of operation 60% of the student body scored below the 20th percentile on SRA test batteries. It was not a case of the students being unable to learn but for the most part, students lacked basic learning skills. This school year, 1986-87, students are functioning at a higher academic level and great strides have been made in many of the school's programs. We note it particularly in students who have advanced quickly and eagerly to second year Japanese and Chinese obviously enjoying the use of their foreign language skills.

Spot Light on Entrepreneurship:

During the 1985-86 school year two teachers, the academic principal and the superintendent worked to create a Pacific Rim entrepreneurial program. Classes in this program learn to start an import/export business with a Pacific Rim country setting a goal to export products from Mt. Edgecumbe's school based smoked fish enterprise and import kimonos for resale here. In this project students apply their computer, English, business and media communications skills; work with community, state and international resource people who have knowledge of business and international trade and practice their Chinese and Japanese language skills. Many of these classes are interdisciplinary and are often combined to meet the school's goal of gaining knowledge that can support Alaska's economic and cultural ties with countries of the Pacific Basin.

This program is an example of Mt. Edgecumbe High School's attempt to provide cross-curriculum instruction. Math classes consider the dollar/yen exchange rate; art classes design promotional brochures and package labels; business and computer classes develop spreadsheets to analyze costs and

project prices; Pacific Rim cultures classes consider marketing strategies based on the life styles of people in Eastern countries -- each contributing to a viable school based entrepreneurial import/export business, "Edgecumbe Enterprises" for trade and barter with Japan and China.

Looking Toward the Future:

It's exciting to see students acquire a global interest. With Alaska's exports in 1985 reaching \$1.2 billion of which 85% was with Pacific Rim nations, (the city of San Francisco does 3 billion dollars per week with Asian nations - imagine the potential for the state of Alaska!), Alaska is poised at the crossroads of East and West. In praising the accomplishments of students at Mt. Edgecumbe High School, a state official wrote: "I am encouraged by all of the developments at Mt. Edgecumbe because they set the stage for Alaska to become the key trading partner with the nations of the Pacific Rim."

The Task Force to Investigate the Role of Mt. Edgecumbe High School in Secondary Education in Alaska stated in a preliminary report:

We think that the Pacific Rim program should be broadened, better focused and thoroughly integrated in the Mt. Edgecumbe curriculum. This Pacific Rim focus should emphasize cross-cultural understanding and knowledge of the world views of the peoples of the Pacific Rim. Using the Pacific Rim focus as a basic curricular framework, Mt. Edgecumbe should prepare its students for the pursuit of education and careers in any chosen field.

We believe that the successful fulfillment of this mission would more than repay the State of Alaska for the costs of operating the school. If this mission is accomplished, the state will undoubtedly receive repayment many times over in the form of educational techniques and learning strategies of benefit to the whole state and a continuing flow of well educated students who are capable of filling needs in the state's workforce, as leaders in communities, in business, and in many other social and/or economic endeavors.

One Task Force member, for example, had gone to Japan on corporate business and felt that she could not communicate as well as she might have with her Japanese hosts because she lacked an understanding of Japanese social customs. She felt that this would not have been the case had she been exposed to the sort of high school education Mt. Edgecumbe students are currently receiving. Had she had this exposure, she felt that her corporate objectives for being there in the first place would have been more effectively realized.

For reasons of this sort, we collectively felt that the Pacific Rim focus at Mt. Edgecumbe should be continued and improved.

The strong need for citizens of the State of Alaska to prepare for economic and cultural interaction with their Pacific Rim neighbors was underscored in Governor Steve Cowper's State of the State address. His emphasis on public school curriculum to include "knowledge of our future trading partners, Japan, China, and Korea among others" recognizes the importance of Pacific Rim studies. "In the world in which they (students) will be required to compete, that kind of knowledge will be a very big advantage," Cowper stated.

The Time Has Come:

The program established at Mt. Edgecumbe High School two years ago provides students from throughout the state an opportunity to prepare themselves to be active participants in the Governor's new Alaska economy. With programs in Japanese and Chinese languages, Pacific Rim cultures, economics and history of Asia, Alaska issues, computers and entrepreneurship, Mt. Edgecumbe High School will, on a continuing basis:

- 1) become a feeder school for the educational programs associated with the University of Alaska and Alaska Pacific University's International Trade Center,
- 2) produce graduates equipped to become part of the leadership and labor force needed to support activities associated with an International Finance center, a Pacific Rim oriented foreign trade zone, or marketing campaigns to export seafood, timber products and other Alaska resources to Asian countries,
- 3) provide Alaska young people, particularly from rural areas, with the basic academic skills, computer literacy and entrepreneurial "know how" to work productively and creatively in their home communities.

(Using the Pacific Rim focus as a basic curricular framework, Mt. Edgecumbe High School can prepare Alaska students for the pursuit of education and careers to meet the challenge of the new Alaska economy, and as the report from the Mt. Edgecumbe Task Force emphasizes, "more than repay the State of Alaska for the costs of operating the school."

