

SB

219

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST: _____

Bill Version: CSSB 219 (I.T.)

Publish Date: _____

Revision Date: _____

Agency Affected: University of Alaska Foundation

Title: Creating the Alaska Center for

BRU: _____

International Business

Sponsor: Rules

Components: _____

Requestor: Governor

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL		2500.0	0	0	0	0
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		2500.0				
FEDERAL FUNDS						
OTHER						
TOTAL		2500.0				

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

This appropriation will allow the Foundation to use the investment earnings to partially fund the operations of the Alaska Center for International Business .

Prepared by: Al Adams, Chair

Phone: 465-3706

Division: House Finance

Date: 5/18/87

Approved by Commissioner: _____

Date: _____

Agency: _____

Distribution (by preparer):

Legislative Finance

Legislative Sponsor

Requestor

Office of Management and Budget

Impacted Agency(ies)

Senate Secretary

Released from SFC
and read across 5/11/87

SENATE COMMITTEE REPORT

FURTHER:

4/24/87

DATE TURNED INTO OFFICE 5/8/87

Mr. President:

FINANCE Committee considered SB 219

creating the Alaska Center for International Business; efd.

and recommended:

replace with _____ CS FOR _____) same title
 or adopt _____ CS FOR SB 219 (I.T.)) new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted _____

Committee attached or adopted fiscal note(s)

new updated or previous
 zero fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

[Signature]
[Signature]
[Signature]
[Signature]
[Signature]

[Signature]
Chairman signature and recommendation

Committee Backup Attached

110172

B

STATE OF ALASKA 1987 LEGISLATIVE SESSION FISCAL NOTE

REQUEST: _____

Revision Date: 5B219

Title: An Act Creating the Alaska Center for International Business

Sponsor: Rules

Requestor: Governor

Bill Version: Senate 5B219

Publish Date: 3-27-87

Agency Affected: Univ. of Alaska

BRU: So. Central University and Community College

Components: Ak. Center for International Business

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		0	0	0	0	0
TRAVEL		0	0	0	0	0
CONTRACTUAL		0	0	0	0	0
SUPPLIES		0	0	0	0	0
EQUIPMENT		0	0	0	0	0
LAND & STRUCTURES		0	0	0	0	0
GRANTS, CLAIMS		0	0	0	0	0
MISCELLANEOUS		0	0	0	0	0
TOTAL OPERATING		0	0	0	0	0

CAPITAL		0	0	0	0	0
---------	--	---	---	---	---	---

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL		0	0	0	0	0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS:
 See Attached implementation plan. The University has included the ACIB in its current budget proposal. Future spending will be from the University Foundation. This additional appropriation will supplement the budget request to defray organizational costs and fund the centers staff.

Prepared by: John Halterman *John Halterman* Phone: 465-3568

Division: Audit and Management Service Date: 3/25/87

Approved by Commissioner: _____ Date: _____

Agency: _____

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

Original sponsor: Rules/Governor

1 IN THE SENATE
2 CS FOR SENATE BILL NO. 219 (I.T.)
3 IN THE LEGISLATURE OF THE STATE OF ALASKA
4 FIFTEENTH LEGISLATURE - FIRST SESSION
5 A BILL

BY THE SENATE SPECIAL COMMITTEE
ON INTERNATIONAL TRADE

6 For an Act entitled: "An Act creating the Alaska Center for International
7 Business; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. LEGISLATIVE FINDINGS. In connection with the establish-
10 ment of a center for international business in the University of Alaska,
11 the legislature finds that

12 (1) recent fluctuations in the price of crude oil have made it
13 clear that the state must take prompt and decisive action to reduce its
14 economic dependency upon oil, through the diversification of its economy;

15 (2) it is in the best interests of the state to continue to
16 promote trade with Asia, Pacific Rim nations, and other countries of the
17 world;

18 (3) the state's location and vast resource base give the state a
19 natural position as a bridge between the rest of the United States, Europe,
20 and Asia; and

21 (4) to take full advantage of the state's location and natural
22 resources, and to develop the possibilities of an aggressive state foreign
23 trade to their fullest, it is critical that the statutes formally provide
24 for establishing a center for international business at the earliest possi-
25 ble time.

26 * Sec. 2. AS 14.40 is amended by adding a new section to read:

27 Sec. 14.40.087. ALASKA CENTER FOR INTERNATIONAL BUSINESS. (a)

28 The University of Alaska shall establish an Alaska Center for Interna-
29 tional Business in an appropriate unit of the university at its

1 Anchorage campus. The Board of Regents, after consultation with the
2 governor, shall select for the center on a statewide basis an advisory
3 board consisting of seven individuals who have demonstrated a strong
4 interest in the development of business and economic relationships
5 between the state and foreign countries. The advisory board, in
6 consultation with the chancellor of the University of Alaska,
7 Anchorage, shall select an executive director.

8 (b) The center, under the direction of the executive director,

9 (1) shall conduct research, including research on market
10 information and market strategies relating to trade by businesses in
11 the state with foreign nations, and, in particular, Asian nations; the
12 research must include

13 (A) making assessments and projections of the poten-
14 tial of various markets for the state's natural resources and
15 technical and informational resources;

16 (B) identifying and analyzing the import requirements
17 of and trade barriers to current and future commodity sales in
18 other nations;

19 (C) identifying the state's trade competitors and
20 assessing the public policy and programs used by the competitors
21 to foster trade with potential markets for the state's goods and
22 services;

23 (D) developing marketing strategies relevant to the
24 state's trade policies with other countries; and

25 (E) investigating foreign investment opportunities in
26 the state;

27 (2) shall cooperate with and may enter into contracts with
28 other state, federal, and municipal agencies, and private institu-
29 tions, to maintain information relevant to the development of

1 international trade and business relationships between the state and
2 other nations of the world;

3 (3) shall encourage an understanding of culture, language,
4 political and economic systems, social and legal systems, and other
5 aspects of foreign countries, particularly in Asia;

6 (4) may charge fees for services provided by the center;
7 the president of the University of Alaska shall separately account for
8 all fees collected under this paragraph; the annual estimated balance
9 in the account may be used by the legislature to make appropriations
10 to the university to carry out the purposes of this section;

11 (5) may conduct instructional programs, publish and dis-
12 tribute public service and information materials, establish or partic-
13 ipate in programs to encourage student participation or to provide
14 benefits to students, and cooperate with other educational institu-
15 tions.

16 (c) The university shall submit an annual report to the legisla-
17 ture on the center's activities. The report must include a summary of
18 the center's revenue and expenditures during the preceding year.

19 (d) In this section, "center" means the Alaska Center for Inter-
20 national Business, established by the University of Alaska under (a)
21 of this section.

22 * Sec. 3. AS 14.40.087, as added by sec. 2 of this Act, is repealed
23 July 1, 1997.

24 * Sec. 4. This Act takes effect July 1, 1987.

**OSU's
President
L.L. Boger states :**

Over the recent past it has become evident that many current problems result from our greatly increased interdependence with our foreign trading partners. In Oklahoma, we have felt the consequences of falling agricultural exports, the depressed energy sector and intense foreign competition in many manufacturing industries.

To turn this situation around, we must aggressively pursue a strategy to develop and service the foreign market opportunities that accompany this interdependence.

Expanding an awareness of the need and potential for international trade is only the beginning. Focused education, research and assistance are necessary if we are to take full advantage of our opportunities. The complex "unknowns" must be answered for those new to international markets. Business, technical and cultural problems must be overcome. New products and competitive production processes must be developed.

The Oklahoma State University Center for International Trade Development has been created to focus, coordinate and make accessible university programs that support private and public efforts directed toward international trade development. With the cooperation and the combined resources of the center and other trade assistance organizations, Oklahoma producers can be aided in their efforts to grow and diversify through international trade.

**OSU
Centennial Advisory Commission:
Committee on
International Trade Development**

Warren L. Jensen
Conoco, Inc.

Frank L. Morsani
AMS Holding, Inc.

C. J. Silas
Phillips Petroleum Company

Wes Watkins
Congressman

Joseph H. Williams
The Williams Companies

**Oklahoma Trade Development
Organizations**

Oklahoma State Department
of Agriculture
Oklahoma Department of Economic
Development

U.S. Department of Commerce
(ITA District Office)

Oklahoma District Export Council
Governor's International Advisory Team

For more information, contact:

**Gerald M. Lage, Director
Center for
International Trade Development
407 Business Building
Oklahoma State University
Stillwater, Oklahoma 74078-0555
(405) 624-6256**

OKLAHOMA STATE UNIVERSITY
**Center for
International
Trade
Development**

The primary objective for the center is the development of the international trade of Oklahoma as a vital component of long-run state economic development.

It has been created for the mobilization of university programs, people and resources to support and complement state, regional and national efforts directed toward the development of Oklahoma's potential in international trade.

MANAGEMENT GUIDELINES

The following five management guidelines were approved on March 15, 1985 by the Oklahoma State University Board of Regents for the operation of the Center for International Trade Development.

1. The primary focus of the center is the development of the international trade of Oklahoma as a vital component of continuing state economic development.

2. Programs in support of international trade development will be enhanced or established for each of the missions of the land-grant university—teaching, research and extension.

3. The center will seek to develop faculty awareness of international interdependence and its implications. It will support and encourage related research, study, foreign experience and professional development.

4. The center will work to establish regional leadership in coordinating and stimulating academic programs in international trade development and in providing linkage with the national trade policy establishment, e.g. federal departments, trade policy research institutes and trade associations.

5. Programs and activities of the center will complement and support the objectives and operations of other federal, state and local public and private groups and agencies participating in the total network of Oklahoma international trade development assistance. Appropriate representation of these groups will be involved early in the planning process to ensure cooperation and limit duplication of effort.

PROGRAM THRUST AREAS

Four major program thrust areas have been established for the Oklahoma State University Center for International Trade Development:

INTERNATIONAL MARKETING AND MANAGEMENT ASSISTANCE

- * assistance to firms on the special problems and procedures of operating in international markets
- * information and analysis of market potential
- * programs to promote the products, services and locational assets of Oklahoma

PRODUCT AND PROCESS DEVELOPMENT ASSISTANCE

- * product development and production technology research
- * product adaptation for foreign needs and requirements
- * manufacturing-engineering assistance to Oklahoma firms

STRATEGY FORMULATION AND POLICY ANALYSIS

- * development of strategies for foreign market penetration of Oklahoma products and services
- * contribution toward efforts to develop strategies for state export promotion and attraction of foreign investment

- * analysis of impacts of governmental policies and programs on Oklahoma's international trade

EDUCATIONAL PROGRAMS

- * education for Oklahomans on international cultures, customs and languages
- * "internationalizing" the outlook and perspectives of campus programs
- * career education for international trade development, international business and related professions
- * encouragement of student study abroad and foreign internship experiences as well as campus enrichment activities
- * continuing education and awareness programs on understanding and functioning in the world economy

FACILITY DEVELOPMENT

A \$10 million trade center facility is being designed as a permanent site for business access to assistance services and the research, educational and promotional programs of international trade development. Attractive and functional space, along with modern telecommunications equipment, will support the work of the center and also provide a university and regional focus for international education and cultural events.



Oklahoma State University

STILLWATER, OKLAHOMA 74078-0555
BUSINESS BUILDING 407
405-624-6256

CENTER FOR INTERNATIONAL TRADE DEVELOPMENT

DATE: March 13, 1987

TO: Colleagues in International Business, Economics and Area Studies Education

FROM: Gerald M. Lage *JML*

SUBJECT: Search for Center Director

Nominations and applications are now being sought for an Executive Director of the Oklahoma State University Center for International Trade Development.

This Center is broad-based in its scope and includes contributing faculty and programs from all disciplines related to international trade development including language and culture, business growth and international business techniques, agribusiness development, economic analysis and the technical areas of engineering assistance and product development. Indeed, most of the University's colleges have identified programs related to the broad mission of enhancing economic development through international trade.

The individual sought for this position is one with strong scholarly and professional competence and experience for a faculty appointment. Demonstrated skills in communication and interaction with a wide variety of constituents are necessary as well as a broad interest in the various agricultural, manufacturing, resource and service industries important in international trade of Oklahoma and the Southwest.

In our opinion, the breadth, purpose and potential of this Center is unique among university-based programs. So, too, is the approved matching grant for a \$10 million facility that is in the beginning stages of design.

Your consideration of this position and assistance in spreading the word to those you think might be interested will be appreciated. The position announcement and other details and descriptions are attached for your added information.

attachment

POSITION ANNOUNCEMENT

Executive Director
Oklahoma State University
Center for International Trade Development

The Board of Regents for Oklahoma State University invites nominations and applications for the position of Executive Director of the OSU Center for International Trade Development (CITD).

The Center will be headquartered in a \$10 million set of facilities currently being designed by outside architects.

As a unit under the direct supervision of the President, the CITD coordinates University teaching, research, extension and public service programs, and administers technical assistance in the area of international trade development. The work of the Center is conducted by a small, full-time staff in addition to faculty and other professionals of the participating programs from OSU's Colleges of Agriculture; Arts and Sciences; Business Administration; Education; Engineering, Architecture, and Technology; Home Economics; and Veterinary Medicine.

DUTIES AND RESPONSIBILITIES: As leader and coordinator of a University-wide thrust to achieve an international trade development mission that is unique in its breadth, purpose, and potential, strong and forward-looking leadership and effective two-way communications with OSU administrators, faculty and staff, and with external participants in education, business and related services of international involvement are essential. Specific responsibilities include overall management, program development, resource allocation, fund raising, and promotion of the Center.

QUALIFICATIONS: Candidates should possess a demonstrated ability to communicate clearly, to inspire others to effective and creative performance, to relate to people, and to manage funds and other resources efficiently. Minimum qualifications include an earned doctoral degree or significant other graduate degrees (e.g., an MBA or Law degree) with a record of scholarly and professional competence. It is also highly preferred that formal education, work experience, and professional interest be in a primary field related to international trade development.

SALARY: Commensurate with qualifications.

BEGINNING DATE: July 1, 1987, or as soon thereafter as possible.

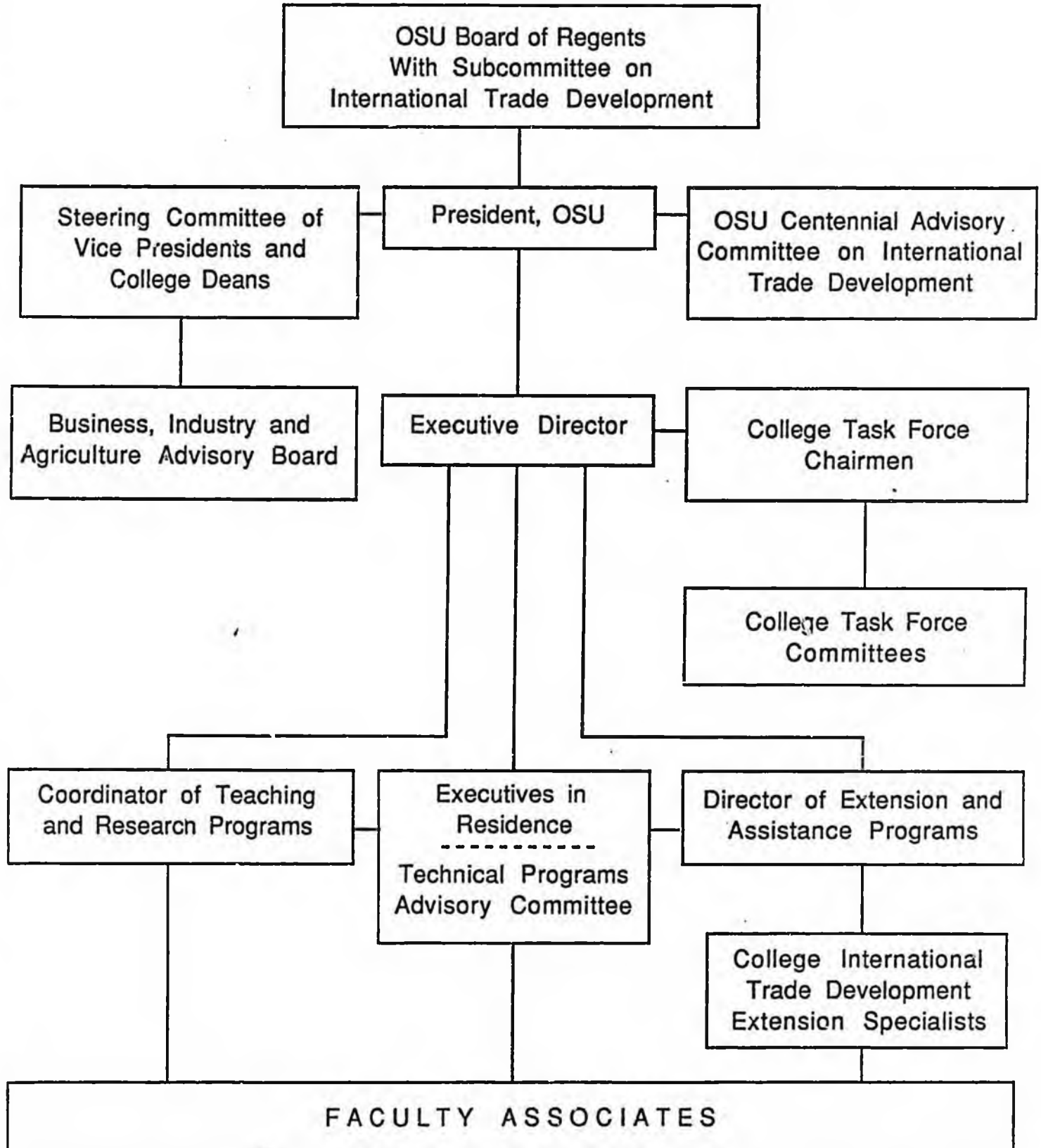
To receive full consideration, nominations and letters of application, with resume, should be postmarked no later than April 15, 1987, and submitted to:

Dr. L. L. Boger, President
Oklahoma State University
107 Whitehurst Hall
Stillwater, OK 74078

Oklahoma State University is an Equal Opportunity, Affirmative Action Employer

OKLAHOMA STATE UNIVERSITY
CENTER FOR INTERNATIONAL TRADE DEVELOPMENT

ORGANIZATIONAL STRUCTURE



1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2

SENATE BILL NO. 219

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act creating the Alaska Center for International
7 Business; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. LEGISLATIVE FINDINGS. In connection with the establish-
10 ment of a center for international business in the University of Alaska,
11 the legislature finds the following:

12 (1) recent fluctuations in the price of crude oil have made
13 it clear that Alaska must take prompt and decisive action to reduce
14 its economic dependency upon oil, through the diversification of its
15 economy;

16 (2) it is in the best interests of the state to continue to
17 promote trade with Asia, Pacific Rim nations, and other countries of
18 the world;

19 (3) Alaska's location and vast resource base gives it a
20 natural position as a bridge between the rest of the United States,
21 Europe, and Asia; and

22 (4) to take full advantage of Alaska's location and natural
23 resources, and to develop the possibilities of an aggressive Alaska
24 foreign trade to their fullest, it is critical that the statutes
25 formally provide for establishing a center for international business
26 at the earliest possible time.

27 * Sec. 2. AS 14.40 is amended by adding a new section to read:

28 Sec. 14.40.087. ALASKA CENTER FOR INTERNATIONAL BUSINESS. (a)
29 The University of Alaska shall establish an Alaska Center for

1 International Business in an appropriate unit of the university at its
2 Anchorage campus. The center shall operate under the direction of an
3 advisory board consisting of seven individuals, selected by the Board
4 of Regents after consultation with the governor, who have demonstrated
5 strong interest in the development of business and economic relation-
6 ships between Alaska and foreign countries.

7 (b) The center shall conduct research, including research on
8 market information and market strategies relating to trade by Alaska
9 businesses with foreign nations, and, in particular, Asian nations.
10 The research must include the following:

11 (1) making assessments and projections of the potential of
12 various markets for Alaska natural resources and technical and infor-
13 mational resources;

14 (2) identifying and analyzing the import requirements of
15 and trade barriers to current and future commodity sales in other
16 nations;

17 (3) identifying Alaska's trade competitors and assessing
18 the public policy and programs used by those competitors to foster
19 trade with potential markets for Alaskan goods and services;

20 (4) developing marketing strategies relevant to Alaska's
21 trade policies with other countries; and

22 (5) investigating foreign investment opportunities in
23 Alaska.

24 (c) The center shall cooperate with and may enter into contracts
25 with other state, federal, and municipal agencies, and private insti-
26 tutions, to maintain information relevant to the development of inter-
27 national trade and business relationships between Alaska and other
28 nations of the world.

29 (d) The center shall provide training programs and materials for

1 teachers in the state's school districts to encourage an understanding
2 of culture, language, political and economic systems, social and legal
3 systems, and other aspects of foreign countries, particularly in Asia.

4 (e) The center may charge fees for services it provides to
5 individuals and entities other than the state. The commissioner of
6 administration shall separately account for all fees collected under
7 this subsection that the center deposits in the general fund. The
8 annual estimated balance in the account may be used by the legislature
9 to make appropriations to the center.

10 (f) The center may conduct instructional programs, publish and
11 distribute public service and information materials, establish or
12 participate in programs to encourage student participation or to
13 provide benefits to students, and cooperate and coordinate with other
14 educational institutions.

15 (g) The center shall submit an annual report to the legislature
16 on the center's activities. The report must include a summary of the
17 center's expenditures during the preceding year.

18 (h) In this section, "center" means the Alaska Center for Inter-
19 national Business, established by the University of Alaska under (a)
20 of this section.

21 * Sec. 3. AS 14.40.087, enacted by sec. 2 of this Act, is repealed
22 June 30, 1987.

23 * Sec. 4. This Act takes effect July 1, 1987.

ADVANCING ALASKA'S STRATEGIC POSITION IN
INTERNATIONAL TRADE AND FINANCE

by Yoon S. Park

Professor of Business Administration
George Washington University
Washington, D.C.

Presented to the
Resource Development Council for Alaska, Inc.

The Alaska "Great Opportunities" Conference

April 2-3, 1987
Anchorage, Alaska

ADVANCING ALASKA'S STRATEGIC POSITION IN INTERNATIONAL TRADE AND FINANCE

Introduction

The State of Alaska is currently faced with the severe economic challenges caused by sharp and prolonged oil price declines since late 1985. Alaska's total employment and personal income have declined significantly during the past year, with double-digit unemployment rates prevailing in major business centers of the State. Compared to a year ago, both building permits and authorized new housing units in Alaska have plummeted. The State's total foreign trading volume has also declined measurably and the manufacturing sector has slowed down appreciably as reflected in a precipitous fall in total manufacturing employment. And the number of bankruptcies filed in the State has risen sharply. And so the list of dismal statistics goes on and on, testifying to the severity of economic difficulties currently faced by Alaska.

However discouraging and difficult the current situation may be, the future of the Alaskan economy is also filled with promise and hope. In fact, the current economic adversity can be a blessing in disguise, when both the public and private sectors are aroused to meet the challenge and join in a renewed partnership for progress.

The famous British historian, Arnold Toynbee, has rejected the popular assumption that great civilizations emerged only when environments offer unusually hospitable conditions of life and instead has advanced an argument in favor of exactly the opposite view. He has shown us numerous instances when a creative faculty, latent in all of us alike, was evoked in a positive response to a new challenge and established great civilizations around the world. For example, the Nile Valley at the dawn of the Egyptian civilization was not the earthly paradise of fertile land nourished by a great and bountiful river as imagined by many but in fact a land of harsh environment characterized by a vast stretch of reedy swamps and marshes, snake-infested lagoons of open water, frequent floods, extreme cold of the night and the suffocating heat of the encroaching desert during the day.

The genesis of the Chinese civilization in lower valley of the Yellow River also originated in a human response

to a challenge from the harsh environment which was perhaps even more severe than the challenge of the Nile valley. The cradle of the Chinese civilization was located in the wilderness where the ordeal of marsh and bush and flood was capped by the ordeal of a temperature which varied seasonally between extremes of summer heat and winter cold. In these and other similar cases the founders of great civilizations made the virtues out of adversity.

As part of my work for the World Bank and the Asian Development Bank, I have travelled to many countries of the world. In fact early next month, as soon as the Spring semester is over, I will be again on a trip, visiting six countries in Africa and Asia during a seven-week period. During my visits to these many countries, I have witnessed again and again the reconfirmation of Toynbee's thesis. Poor countries have remained poor despite luxuriant and abundant natural resources. Economically developed countries, especially the newly industrialized countries of Asia such as Taiwan, Korea, Hong Kong and Singapore, have become successful economically despite of, perhaps because of, their lack of natural resources and surrounded by harsh environment, both natural and man made, be it constant threats from mainland China and international political isolation in the case of Taiwan, or fanatic and belligerent military threats from North Korea and consequent heavy defense burdens in the case of South Korea. These are some of the modern examples that have turned the adversity into a victory and a new economic miracle.

Yes, the State of Alaska is currently experiencing severe economic difficulties, but this adversity can be turned into a great opportunity for the future of Alaska with a positive response by the Alaskan people.

Need To Internationalize the Alaskan Economy

In this context one can easily recognize the importance of international partnership for the future of Alaska's commerce and industry, given the State's abundantly endowed natural resources and geographic and locational advantages. The relatively small population base of the State also requires the economies of scale made possible through external economic linkages. Therefore, international business should be a key part of the State's overall economic strategy, as Alaska needs foreign markets and international capital.

Fortunately for Alaska, the State is strategically located within easy reach of the dynamic economies of the Asia-Pacific region.

Alaska can greatly benefit from diversification of its economic base, turning away from overdependence on a single resource industry. International business linkages will promote the process of economic diversification through foreign trade, foreign direct investments and the influx of entrepreneurial stimulus from the dynamic Asia-Pacific region. Foreign trade will not only provide the markets for Alaska's abundant natural resources such as fishery, timber, mining and energy but also make it possible for Alaska's manufacturing industry to construct and operate optimum-size production facilities taking advantage of the economies of scale.

There are many examples of successful economic development based upon the strategy of external linkages. Some of the most successful economies of the Asia-Pacific region, such as Japan, Korea, Taiwan, Hong Kong and Singapore, have consistently emphasized foreign trade as the engine of growth. Foreign trade opens up not only new markets for domestic products but also promotes efficiency and productivity in local businesses.

Alaska's geographic proximity to Asia-Pacific region allows it a strategic advantage in accessing the region's countries which can become attractive markets for Alaska's abundant natural resource products. Especially, the fast-growing countries such as Japan and the Asian NICs (the so-called "little Japans") lack the natural resources that are richly endowed in Alaska. Thus, Alaska and these Asia-Pacific countries are natural partners in foreign trade.

Of course, development of Alaska's natural resources requires both capital and management. In addition to foreign trade, therefore, Alaska should also encourage foreign direct investments in the State. In recent years, the world debt crisis has led to increasing reluctance of both the international banking community and multinational corporations to make further financial commitments in most developing countries, which are suffering from heavy foreign debt burden. Since the world debt crisis emerged to the surface in 1982, the debt problems of developing countries have gotten worse instead of getting better. The total foreign debt of developing countries has increased from about \$600 billion in 1982 to over \$1 trillion in 1987. And there is still no prospect in sight for early resolution of this world debt crisis.

Consequently both international banks and multinational corporations will become extremely reluctant to transfer their capital resources to developing countries and instead they are likely to channel capital increasingly to politically stable, Western developed countries in search of investment opportunities. Alaska can greatly benefit in the coming years from the redirected flow of capital away from Third World countries. By developing a coherent strategy to attract this flow of capital, Alaska can become an important recipient of foreign direct investments, especially for many natural resource sectors.

Anchorage As An International Financial Center

International trade and foreign direct investments go hand in hand with international finance. An international financial center in Alaska can attract and mobilize the needed international capital for the State's economic development. It can also boost foreign trade through both abundant trade financing opportunities and collection of worldwide commercial and economic intelligence. A successful international financial center expands employment in financial and ancillary services such as legal and accounting professions and also promotes development of such infrastructure as office building, hotel, restaurant and other businesses.

During the past decade and a half, the international banking and financial markets have experienced phenomenal growth. The size of the Eurocurrency market grew from \$110 billion in 1970 to over \$3,000 billion in 1986, while the total international assets of all banking institutions rose from \$130 billion to \$3,400 billion during the same period. The development of international financial centers has paralleled the rapid expansion of international banking and Eurocurrency activities. Some of the better known offshore financial centers are playing a major role in the international financial market, as demonstrated by the size of their international assets: Bahamas (\$144 billion), Cayman Islands (\$174 billion), Singapore (\$150 billion), Hong Kong (\$130 billion), Bahrain (\$46 billion), and Panama (\$32 billion).

Development of international financial centers has been a natural response by banking institutions to benefit from economies of scale in their international operations. Modern international financial centers require sophisticated

and costly infrastructure, such as telecommunications, air transportation, and accounting and legal services. It would be cost inefficient to establish an elaborate infrastructure of international finance in each country to service just one national market. By locating most international banking and financial infrastructure in one central place, banks can spread their overhead costs in servicing clients in various countries.

Additionally, a sufficient number of banking and financial institutions must be located in one financial center to provide the critical mass needed to service international clientele effectively and efficiently. International banking requires both sophisticated financial expertise and up-to-date market information. Such knowledge cannot be generated in a vacuum; it needs constant innovation and cross-fertilization of ideas among bankers and other finance professionals. An accurate and up-to-date sense of financial markets can be obtained only through active market participation in the financial center. Further, modern international banking frequently requires teamwork among many banks in loan syndication and other credit transactions. The amount of money involved is often huge and no one bank can prudently handle such transactions alone. International banking syndication necessitates close coordination and smooth working relationships among banks. Familiarity with each other's strengths facilitates such coordination and teamwork. A financial center provides the environment for frequent interaction among bankers and other finance professionals.

Apart from syndication and risk sharing, a cluster of international banking institutions in one place is helpful for funding and investment operations. The existence of active interbank money markets leads to efficient channeling of financial resources. Banks invest surplus funds in the interbank market from which other banks obtain funding to finance their international operations. Such a market is possible only where a large number of banking institutions are clustered together in one place. Attractive international financial centers serve not only as locations for international financial communities serving clients in various countries but also as havens for international savings and pools of liquidity seeking profitable investments free from monetary and exchange control restrictions. Efficient interbank markets provide the opportunity to invest these surplus funds easily and with minimal risk.

Location economics is important for international banking. Financial centers should be easily accessible in terms of geography and time zone to both investors and borrowers. Contact with potential borrowers is essential to bankers for marketing purposes and for packaging and negotiating customer loans. Location economics in international banking implies that a financial center should be in or near countries whose economies are dynamic and industrializing quickly, and thus requiring extensive borrowing. The development stage of these economies should also be high enough to assure reasonable credit risk for banks. The availability of good air transportation to neighboring countries as well as telephone and telex communication links is essential for a financial center. It also needs liberal government regulation of banking and foreign exchange transactions, taxation, securities dealings, and work permits for expatriate staffs functioning in an environment of political and economic stability. Locally available internationally-oriented personnel in the legal, accounting, and clerical professions is also useful.

Anchorage possesses many advantages as a potential international financial center, such as political stability, convenient air transportation links with major cities in North America, Europe and the Asia-Pacific region, well-developed telecommunication facilities, and competent legal and accounting personnel. Another important advantage of Anchorage is its time zone, being conveniently linked during business hours to New York and Chicago on the one hand, and when these markets close, then to Tokyo, Hong Kong and Singapore, on the other. As international financial markets are developed into one global market place with 24-hour trading, the Anchorage financial center could play a crucial trade linkage role by taking over the trading positions of New York and Chicago at the close of their business hours and off-loading them unto Tokyo, Hong Kong and Singapore as these markets open up.

Thus, the Anchorage financial center could provide valuable services in international trading of foreign currencies, domestic and international bonds and stock, Eurocurrency deposits, financial futures and options, currency swaps and interest swaps, etc. As Anchorage develops its international financial expertise and reputation, it will also attract offshore Eurocurrency deposits, insurance and reinsurance business for the Asia-Pacific region, investment and financial counselling, commodity broking, precious metals trading, and other related business.'

Some might be sceptical at this point over the possibility of ever developing an international financial center in Anchorage, but the recent history of international financial centers gives us an encouragement in this regard. About ten years ago in 1975, a tiny Middle East country, called Bahrain, boldly proclaimed to the international banking community its intention to become an international financial center. At that time, the odds seemed to run heavily against Bahrain, which is located in the middle of almost nowhere literally on the sea of desert sand, with no oil, no name recognition, no industry, no international financial experience or expertise, no trained personnel, no infrastructure, and, above all, no money. It only had a dream, a hope. Ten years later today, Bahrain is an important international financial center, with close to 200 financial institutions located there and almost \$50 billion deposits, and lively financial trading activities in all sorts of financial instruments for Middle East, Europe and Asian customers.

Develop Anchorage as an international financial center? Difficult, yes; impossible, no! It all comes down to Arnold Toynbee's thesis on man's response to challenge. Today in the midst of severe economic recession in the State, I still see Alaska as the last remaining frontier of the United States. By rising up together to meet the challenge, the people of Alaska can prove Arnold Toynbee right - again. Internationalization, diversification, creative vision and bold action - through these combinations, Alaska can truly become the blooming new frontier of the 21st century. It is up to you here, the leaders of Alaskan communities, business and government, to make this dream come true. Thank you very much.



UNIVERSITY OF ALASKA, ANCHORAGE

3211 Providence Drive
Anchorage, Alaska 99508

ALASKA CENTER FOR
INTERNATIONAL BUSINESS

ORGANIZATION AND IMPLEMENTATION PLAN FOR ALASKA CENTER FOR INTERNATIONAL BUSINESS

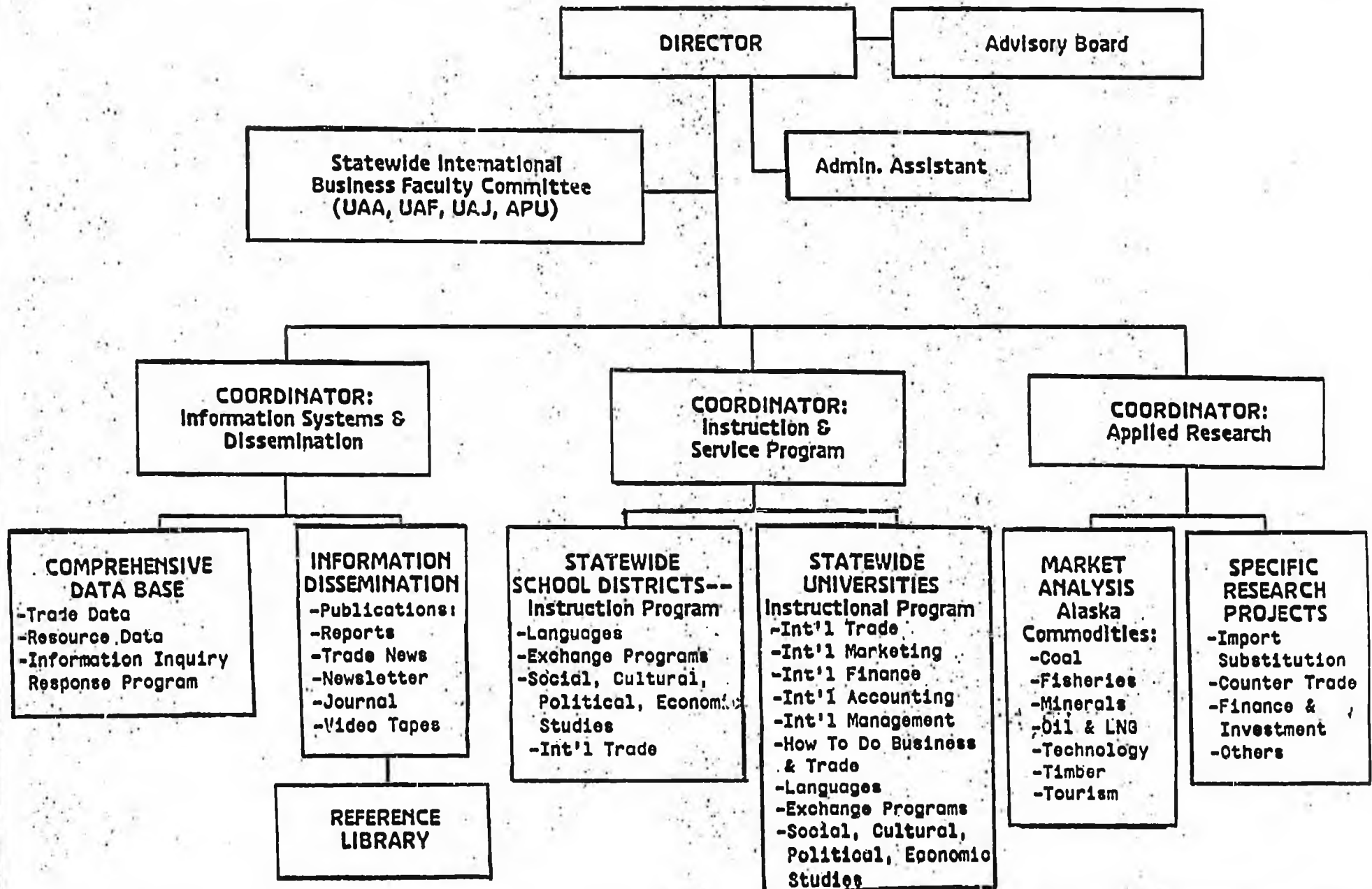
Submitted to
The Honorable Steve Cowper
Governor of the State of Alaska

by
John Choon K. Kim, Ph.D., Director
Alaska Center for International Business

March 6, 1987

UNIVERSITY OF ALASKA

ALASKA CENTER FOR INTERNATIONAL BUSINESS (ACIB)





UNIVERSITY OF ALASKA, ANCHORAGE

3211 Providence Drive
Anchorage, Alaska 99508

ALASKA CENTER FOR
INTERNATIONAL BUSINESS

UNIVERSITY OF ALASKA THE ALASKA CENTER FOR INTERNATIONAL BUSINESS (ACIB)

Mission Statement

The primary mission of the Center is to facilitate the development of sound business and economic relationships with nations of the Asia-Pacific region and other nations of the world, thus directly helping the State of Alaska to diversify its economy and to expand its economic base through international trade.

In carrying out the mission, four objectives are identified:

1. To carry out research in both opportunities for and barriers to the development of international markets by examining issues such as the short- and long-run demand/supply projections for specific commodity groups (such as fisheries, timber, petroleum, coal, minerals, technologies, and tourism), research our Alaska competitors in the Pacific Rim to identify competitive cost structures, protective government actions, etc., and research our appropriate marketing strategies and opportunities for foreign direct investment.
2. To provide members of business and government, through instructions and training, the specific skills and techniques needed for doing business with nations in the Asia-Pacific region and other regions of the world.
3. To foster a better understanding of business and economic relationships between Alaska and Asia-Pacific nations by training teachers and students of public schools and universities throughout the State in languages, cultures, political, social and economic systems (Pacific Rim studies).
4. To establish a comprehensive computerized data base for the acquisition, analysis, and dissemination of information specifically related to international markets, Alaska resources and economic conditions.

Organization and Task Structure for the Statewide Mission

The Alaska Center for International Business (ACIB), headquartered at the Anchorage Campus of the University of Alaska, shall operate under the direction of the seven member Advisory Board appointed by the Governor and the President of the University of Alaska. Prominent international members

may be appointed to the board when it deems necessary. The Director is charged with operations of the Center.

A Statewide International Business Faculty committee (UAA, UAJ, UAF, APU, and others) shall be formed to assist the Director in developing information systems, instructional and service programs, and research programs.

In order to achieve the Center's mission and objectives, the Center is structured around three major program components: Applied Research, Instruction and Service, and Information Systems and Dissemination. A coordinator will be charged with operations of each program. Five core international business faculty members shall be primarily committed to the Center's programs.

APPLIED RESEARCH

Under the Applied Research program, the Research Coordinator will be charged with organizing a number of research teams along with the Center's core faculty members and research fellows drawn from a statewide talents pool of University of Alaska system (UAA, UAF, UAJ), Alaska Pacific University, state and federal agencies, and other research organizations. Each team, in cooperation with researchers of Pacific Rim countries, shall be assigned to conduct either market studies for Alaska's resource groups (petroleum, coal, timber, fisheries, minerals, technologies, and tourism) or a specific research project (such as counter-trade, import substitution, investment opportunities and barriers in Alaska, or opportunities for and barriers to trade development). The Coordinator will also be charged with developing research proposals for funding from state, local and federal agencies, foundations, private firms, and other countries. Research associates and/or research assistants shall be assigned to each research project. In addition to the research coordinator and the core faculty members, the applied research component will be comprised of five research associates and ten research assistants.

INSTRUCTION AND SERVICE

The instructional and service program deals with a wide range of audiences. The coordinator will be charged with developing and providing the following three major programs:

- a) Pacific Rim studies for the state's school districts
- b) Pacific Rim studies for universities and colleges
- c) Professional development and training for business people, government officials, and faculty.

In implementing the first program, the Center shall coordinate with school districts(s) and a regional university or college to offer Pacific Rim curriculum for school teachers and students training in languages (Japanese, Chinese, Korean), culture, history, social-political-economic-legal systems, and

international trade and business. A regional university or college shall be awarded funds in delivering the curriculum through regular or intensive modes and/or through a summer school program. The Center shall also provide opportunities for student and teacher exchanges between Alaska and nations in the Asia-Pacific region.

For the implementation of the second program, universities shall offer regular and/or intensive courses on international marketing, international finance and banking, international business management, international trade, international accounting, international economics, and courses in languages (Chinese, Japanese, Korean), culture, history, social-political-economic-legal systems. Programs for English as a second language shall also be strengthened by allocating more funds. Students and faculty members shall be exchanged between Alaska and nations in the Asia-Pacific region under the Governor's Pacific-Rim Fellows program and other agreements. The Center shall operate international business summer schools in Alaska and in the Asia-Pacific nations each year.

In implementing the professional training and development, the Center shall conduct workshops, seminars, symposia, and intensive courses for Alaska business and government leaders on important international trade topics and/or "How To Do Business with the Asia-Pacific Nations," and for business and government leaders of the Asia-Pacific nations on "How To Do Business in Alaska and the U.S." The Center shall also arrange faculty, business and government executive seminar exchanges between Alaska and the Asia-Pacific nations.

All these instructional and service programs shall be offered by the Center's core faculty, faculty and/or experts drawn from the statewide talents pool of the University of Alaska system, APU, state-local-federal agencies, national or international visiting fellows, and the Governor's Distinguished Fellows. The Center shall establish the Governor's Distinguished International Business Scholar-in-Residence, the Governor's Distinguished Government Executive-in-Residence, and the Governor's Distinguished Corporate Executive-in-Residence. Telecommunication systems, video-tapes, and films shall also be used for delivering instructions.

INFORMATION SYSTEMS AND DISSEMINATION

The Coordinator will be charged with developing and maintaining a comprehensive data base (acquisition and analysis) and disseminating information to state government, the business community, universities, and interested public.

Information systems contain quantitative data on commodity and nation's specific trade flows and other market information relative to Asia-Pacific nations, and information on Alaska's resources and commodities relative to potential Asia-Pacific markets, and they include information inquiry response programs.

Information shall be disseminated through publications such as reports, trade news, newsletters, journals, video-tapes and films, etc.

The Center shall also have an international trade reference library that will contain information on:

- a) Alaska resources, goods and service of potential interest to Asia-Pacific market potential
- b) Trade and market information focusing on Pacific-Rim nations' markets and business practices
- c) Reference materials focusing on international trade and business services provided by governmental agencies, businesses, and other organizations

IN SUMMARY

For the implementation of the Governor's goals and the Center's mission, the Center will be comprised of:

- a) Five core international business faculty members including the Director
- b) A number of faculty members and experts drawn from the statewide talents pool
- c) Seven research associates (two for data base and dissemination, and five for applied research)
- d) Ten to twelve research assistants (based on needs of each campus)
- e) Governor's Distinguished Fellows and other visiting fellows

The interest earnings of the \$5 million endowment may not be sufficient enough to support all the needed staff to perform the Center's tasks. The Center is committed to raise more endowment funds, to bring research funds, and to raise other funds from many sources, such as federal, state and local agencies, private firms, foundations, foreign nations, and individual contributions.

IMMEDIATE ACTION PLAN FACILITATING IMPLEMENTATION
OF THE GOVERNOR'S GOALS AND THE CENTER'S MISSION

1. Conducting seven one-day workshops (or brainstorming sessions) for Alaska resource commodity groups (petroleum, coal, fisheries, timber, minerals, technologies and tourism) between April and May.

a) Participants for each commodity group
(approximately 15-20)

- ~Governor's Office
- ~State agencies such as DCED, DNR, DF&G, ASMI, etc.
- ~Federal agencies
- ~Industry representatives and/or commodity owners
- ~Native village and regional corporation
- ~Universities
- ~Research organizations
- ~Experts

b) Things to accomplish:

- ~Networking and establishing a statewide talent pool
- ~Assessing the needs for trade development of a specific commodity group
- ~Identifying major needs for information, research and instructional services
- ~Prioritize programs for fulfilling the needs through participants' consensus
- ~Exploring various ways for implementation

2. Conduct a one-day workshop for information systems and dissemination (in April):

a) Participants (approximately 15-20)

- ~Governor's office
- ~State, local and federal agencies
- ~Industry representatives
- ~Data-base firms
- ~Universities and computer centers
- ~Research organizations
- ~Experts in information systems
- ~Native village and regional corporations

b) Things to accomplish:

- ~Networking and establishing a statewide talent pool
- ~Needs assessment for international trade and resource data
- ~Identifying major needs and prioritizing them through participants' consensus
- ~Exploring various ways to implement programs

3. Evaluating faculty resources in international business and trade and the current Pacific Rim programs on each campus of the University of Alaska system and Alaska Pacific University for establishing a statewide talent.

4. Establishing close working relationships between the Center and resource programs within the University of Alaska system, such as fisheries, telecommunications, mining, agriculture and other technological areas.

5. Conduct one-day workshop focusing on opportunities of rural Alaskan participation in Pacific Rim trade.

6. Conduct two one-day workshops for Pacific Rim studies curriculum development for school districts and for universities:

a) Participants:

~Each school district's curriculum development representative(s)

~Teachers and faculty members who are involved in Pacific Rim studies or are interested in the field

b) Things to accomplish:

~Networking and establishing a statewide talent pool

~Identifying major needs in each region

~Developing and prioritizing projects and activities to fulfill the needs through the participant's consensus

~Exploring the ways to implement them successfully

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 25, 1987

The Honorable Jan Faiks
President of the Senate
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Senator Faiks:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting two bills, one a substantive measure and the other an appropriation bill, to create and to fund, respectively, the Alaska Center for International Business.

The University of Alaska's existing Center for International Business is an off-shoot of the university's School of Business. The attached substantive bill establishes the center in statute. Under the bill, the center is designed primarily as a research institute to identify and develop better means of promoting trade by Alaska with foreign markets, primarily Pacific Rim nations. See the legislative findings in sec. 1 of the substantive bill.

At my request, Dr. John Choon K. Kim, director of the existing center, has prepared an initial organization and implementation plan for the center. Attached, for your reference, is a copy of this plan, which outlines in greater detail the programs and plans for the center. The substantive bill requires the center to submit annual reports to the legislature, and repeals the statute that provides for establishing the center. The repeal takes effect in 10 years so that the legislature can at that time review the center's value and future desirability. Section 3 of the bill.

Section 1 of the second measure, an appropriation bill, appropriates \$400,000 to the university for operation of the center in FY 88. Section 2 of that bill appropriates \$5,000,000 from the general fund to the University of Alaska for payment as a grant to the University of Alaska Foundation. The foundation is a private, nonprofit corporation, organized under Alaska law by private individuals. It generally handles endowments and other financial gifts to the university.

It is my hope that the center use the income from the \$5,000,000 for operations in future years, negating the need for further appropriations from the general fund. The substantive measure also provides that the center may charge fees for services it provides to those other than the state, and although these program receipts must, by law, be deposited in the general fund, I will urge future legislatures to appropriate these receipts to the center in order to guarantee sufficient funding to sustain its operations.

The Alaska Center for International Business represents one component of the state's efforts to promote economic development and international trade. The center's programs will be coordinated with those of the Department of Commerce and Economic Development (DCED) and the Office of International Trade. I am also proposing, through the budget process, to rejuvenate the economic development advocates program in DCED; to increase funding in conjunction with the affected industries for both the Alaska Seafood Marketing Institute and the division of tourism in DCED; and to enhance the programs of the Office of International Trade (Alaska Foreign Offices), as well as moving it to the Governor's Office to heighten its visibility in the international business community. We are also planning to extend the technical assistance provided by the Small Business Development Centers through the field offices of the Department of Community and Regional Affairs (DCRA), in order to reach nascent entrepreneurs throughout Alaska. In addition, Commissioner Smith, DCED, is working closely with the legislature to assure passage of SB 64, which would allow the Alaska Industrial Development Authority to offer export financing. And, finally, I will shortly be offering a proposal to initiate a pilot program of applied scientific research, which will be designed to meet the basic information needs of Alaska industries and to leverage funds available from the federal government and private sources.

The efforts of all of these entities, as well as of any other state agencies that have an interest in a particular international trade project, or unique expertise, will be integrated into a trade promotion program designated as "Trade Alaska." We are working with many Alaskans who share an interest in trade in order to devise goals and specific activities that will best meet the needs of the private sector as well as our public policy objective of broadening the state's economic base.

It should be understood that government in isolation from society can't create wealth. Creating wealth is a matter of

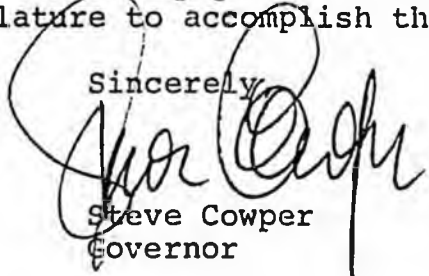
Hon. Jan Faiks

Page 3

private initiative. What government can do is make information available about opportunities, help solve technical problems through basic and applied research, identify barriers that impede our opportunities for trade and development, educate our people in order to give them the skills to compete in the international marketplace, and generally promote a social climate that is attractive to business.

I believe that the Alaska Center for International Business, as well as the other initiatives I have outlined, will help us achieve our goal of economic prosperity independent of the fluctuations of world commodity prices. I look forward to working with the legislature to accomplish this goal.

Sincerely,

A handwritten signature in black ink, appearing to read "Steve Cowper", written over the typed name and title.

Steve Cowper
Governor

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER: FINANCE

**FISCAL NOTE(S) ATTACHED Gov's FN attached **
IN ACCORDANCE WITH AS 24.08.035
(see below)

DATE TURNED INTO OFFICE _____

Mr. President:

INTERNATIONAL TRADE Committee considered SB 219

creating the Alaska Center for International Business; efd.

and recommended:

replace with CS SB 219 I.T. same title
 attached amendment(s) and new title

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

letter of intent adopted and attached

** Committee attached or adopted fiscal note(s)
 zero Gov's fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Willie Kuntz

Richard A. Kelly (DO PASS)
Chairman signature and recommendation

Gov's Committee Backup Attached