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70

HOUSE COMMITTEE ON STATE AFFAIRS

**RECAP OF
HJR 70**

Future US/USSR Summit in Alaska

Received January 26, 1990
by the House Special Committee on Foreign Trade

Heard February 7, 1990

Passed Out of Committee February 7, 1990
4 Do Pass

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HOUSE COMMITTEE REPORT

(7)

Date Referred: January 26, 1990

FURTHER REFERRALS:

Date of Committee Action: _____

The STATE AFFAIRS Committee considered:

HJR 70

HOUSE JOINT RESOLUTION NO. 70

FUTURE US/USSR SUMMIT IN ALASKA

Encouraging the President of the United States to select Alaska as the site for a future summit meeting between the United States and the Union of Soviet Socialist Republics.

RECOMMENDATIONS:

- [] be replaced with _____ [] the same title
[] a new title
[] have attached amendment(s)
[X] do pass
[] do not pass
[] no recommendation
[] individual recommendations
[] additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- [] fiscal impact _____
[] zero fiscal note _____
[] zero with analysis _____

- [] fiscal note(s) _____
[X] zero fiscal note(s) 1/26/90 - DCED
[] zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

Do Not Pass
No Rec
Amend

Carol Ouley
Samuel Almon
James H. Hensley
D. G. Brubaker

	Do Not Pass	No Rec	Amend

D. G. Brubaker
Chairman's Signature

cc

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Economic Dev.
 Title: Encouraging the President of the U.S. to select Alaska as the site for a future summit meeting between U.S. and
 BRU: Division of Tourism
 Sponsor: House Spec. Comm. on Foreign Trade / XXXXXXXX
 Requestor: House Spec. Comm. on Foreign Trade / the U.S.S.R.

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary) No fiscal impact for FY 90.

This resolution will have no fiscal impact on the programs of the department.

Prepared by: Linda Wild, Special Assistant Phone: 465-2500
 Division: Commissioner's Office Date: January 24, 1990
 Approved by Commissioner: Larry Merculieff Date: 24/1
 Agency: Department of Commerce & Economic Development

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

Item 3



Alaska State Legislature

House of Representatives

P.O. Box V
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Juneau, Alaska 99811
907-465-4942

Official Business

Special Committee On Foreign Trade

M E M O R A N D U M

TO; Representative Red Boucher, Chairman
House State Affairs

FROM: Representative George Jacko, Jr., Chairman
House Special Committee on Foreign Trade

DATE: January 26, 1990

SUBJECT: Request hearing for HJR 70 and HJR 71

I would like to respectfully request that you schedule House Joint Resolutions 70 and 71 for a hearing in the House State Affairs Committee at your earliest convenience. Both of these resolutions were passed out of the House Special Committee on Foreign Trade on Monday, January 22.

HJR 70 would encourage Alaska as the future site of a summit meeting between the United States and the Soviet Union. Although our resolution is not specific, it is feasible that a summit could begin in Vladivostok and then move to Anchorage to complete negotiations.

HJR 71 would request the U.S. State Department to reinstate the most favored nation status for the Soviet Union. In 1974 Congress enacted the Jackson-Vanik Amendment, which sought to expand Soviet emigration by linking U.S. trade advantages to emigration performance. This resolution would send a message to Congress and the President that Alaska supports the normalization of trade relations with the Soviet Union.

I've included background information on both these resolutions. If you have any questions please do not hesitate to contact my office.

Thanks for your prompt attention to this request.

But that era of never-ending bountiful harvest is gone. The highly-efficient fish traps, banned by the state legislature as one of its first acts, have been replaced by a network of fish hatcheries. These operations augment natural runs and also work to bolster the naturally-returning populations in rivers along thousands of miles of the state's coastline.

Macauley threw his hat in the pond

Anchorage sculptor Joe Hamilton poses with his creation, "Industrial Setting." The work is actually a set built for the film and video production company Mark Brinster & Co. Brinster used it in a Charlie Chaplinesque sequence that will lead into a longer training film about Alaska's permit system for Alyeska Pipeline. A/C PHOTO BY INRE NEMETH

in the early 1970s. With the help of user groups, he oversaw the founding of Juneau's first hatchery on

See DIPAC page 2

USSR could pose threat Unless Alaska can locate opportunities

By PAUL FUHS

Alaskans, along with the rest of the world have watched intently as breathtaking changes have taken place in Eastern Europe and the Soviet Union. One can't help but cheer as courageous social movements for human rights have prevailed against seemingly unsurmountable odds.

We also cannot help but admire the leader of perestroika in the Soviet Union; the man who encouraged and did not intervene in the East European freedom movements, the man who Time Magazine calls the Man of The Decade: President Mikhail Gorbachev.

Yet, while we are swept up in the euphoria of the moment, we must not fail to consider in very sober economic terms what these changes, especially in the USSR, will mean for the future of Alaska.

Trade potential with the Soviet Union must be considered in terms of restructuring Alaska's economy away from overdependence on oil revenues

and government spending.

For in addition to reductions in State spending, the reductions in military spending due to the easing of tensions will certainly eventually reach Alaska. The trend is already clear: the Army will be cut the most, then the Air Force. The Navy will be cut the least, but the Navy's installations in Alaska are remote, self contained units which have little impact on Alaska's economy.

On the private side of the coin, the potential trade impacts on Alaska from changes in the Soviet Union can be summarized in two possible scenarios. One scene would see Alaska diversifying its economy and benefiting mutually from economic joint ventures and scientific cooperation with the Soviet Far East.

The second possible scenario would be the realization of a tremendous threat from Soviet production and Pacific Rim marketing of fish, timber, minerals and petroleum; the exact

See OPPORTUNITY page 6

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Item 4

OPPORTUNITY: Alaska depends on it

Continued from page 1

same resources Alaska's economy depends on.

The strict regulations on Soviet enterprises which kept them from being a major player in Pacific Rim Markets will be reduced or eliminated by perestroika. Although this makes it easier for them to establish joint ventures with Alaskans, it also opens the door for Japan, Korea, Western Europe, etc.

In other words, the two clear choices are between the Soviet Union as a major partner of Alaska, or as a major competitor. If we allow our markets to play us off against each other, it will be to the economic detriment of both of us.

The opportunity option

Alaska must have a well organized strategy to realize the economic benefits that changes in the Soviet Union have made possible. What are the specific opportunities for economic/scientific cooperation with the Soviet Union and what are the necessary steps to achieving them?

Although Alaska is not one of the strongest players in international trade in the Pacific, we enjoy certain advantages in the case of the Soviet Union. One factor working in our favor is the fact that Alaska and the Soviet Far East are remarkably alike. Because of this there are instant warm feelings when our people meet.

To hear Far East Soviets describe their economic situation is like hearing a broken record about Alaska's similar colonial economic status.

Minimally processed raw materials are exported from the region; the economic benefits of value added processing which is often much more profitable, go elsewhere; economic multipliers for new money entering the regional economy are much lower than national averages: transporta-

be expanded with the opening of Soviet waters to Alaskan fishermen and processors. Other economic opportunities exist in the areas of joint marketing of tourism, communications and publishing ventures, joint mining and petroleum ventures, joint mariculture projects and the husbandry, processing and use of reindeer.

The area of transportation through the establishment of regular jet service and especially the use of Soviet icebreakers offers some particularly exciting opportunities for economic development in Alaska.

The group Ports Alaska, along with the Port of Tacoma have proposed an Arctic Great Circle Route which would carry US West Coast and Alaskan products directly over the North Pole



to the European Market. This could dramatically improve the marketability of Alaskan forest, mineral and fisheries products.

Soviet icebreakers could supply and ship minerals out of the Red Dog mine on a year round basis. They could supply icebound Northern Alaskan ports with crucial fuel and other supplies.

Financial considerations

Many of these joint ventures will

has estimated Soviet gold reserves to be \$30 billion.

Soviet economist Nikolai Shmelev is now proposing that this estimate of gold reserves be used to establish a \$30 billion line of international credit to finance perestroika. Even a small portion of these funds would be a substantial Soviet contribution to the establishment of an Alaska/Soviet Far East Economic Development Bank.

Strategic considerations

Besides getting our own act together in an integrated approach to cooperative economic development with the Soviet Far East, Alaskans must get the ear of our national government to make certain regulatory/diplomatic changes to allow this trade to occur.

Of special importance to Alaska/Soviet Far East trade are the granting of Most Favored Nation Status which would reduce the current heavy tariffs (almost 100 percent on Soviet imports); renegotiating the Bilateral Maritime Treaty which would facilitate the Arctic Great Circle Route; elimination of Coast Guard requirements that Soviet vessels must request entry to an American port 14 days in advance; improvements in the handling of visas and travel documents for Soviet Far East and Alaskan travellers, designation of regular air routes between Anchorage or Fairbanks and major Soviet Far East cities; and a waiver to the Jones Act granting Soviet icebreakers the right

to carry cargo between Alaskan ports until commercial American icebreaker capacity is available.

I have proposed to the U.S. State Department and the Soviet Foreign Ministry that these issues be taken up as confidence building measures by Presidents Bush and Gorbachev during their next summit meeting. In addition to these specific proposals, Alaska should push for a U.S./Soviet economic summit in Alaska.

To succeed, these proposals must be pursued in a unified effort by the Alaska Congressional delegation, local governments, the Alaska Legislature and the Governor.

Now is the time for Alaska to move forward on the opportunities for Soviet trade. Unless we do, we will certainly be faced with the threat of serious competition from the other Arctic resource storehouse of the North Pacific: the Soviet Far East.

Gorbachev left us with some good advice during his speech on the role of the Pacific on July 28, 1986 in Vladivostok: "The present generations have inherited many difficult and painful problems. In order to reach a solution to these problems it is necessary to get rid of the burden of the past, to seek new approaches, guiding oneself by one's responsibility for the present and the future."

Realizing the potential of Alaska/Soviet Far East trade is a very practical way to achieve this.

—Fuhs is mayor of Unalaska.

FOR SALE

NIH-AR

with a broken record about similar colonial economic status.

Minimally processed raw materials are exported from the region; the economic benefits of value added processing which is often much more profitable, go elsewhere; economic multipliers for new money entering the regional economy are much lower than national averages; transportation costs on incoming consumer goods are high; political decisions concerning resource development are made far away from the region in the national center of power.

As a result, Far East Soviets are very interested in joint ventures in the areas of resource production. And these joint ventures can be quite large. The joint venture fishery based out of Dutch Harbor along with associated local retail sales totalled more than \$24 million in 1988.

These fisheries joint ventures can

fisheries products.

Soviet icebreakers could supply and ship minerals out of the Red Dog mine on a year round basis. They could supply icebound Northern Alaskan ports with crucial fuel and other supplies.

Financial considerations

Many of these joint ventures will require substantial financing. A regional economic development bank could be organized utilizing the Alaska Industrial Development and Export Authority, Alaskan, domestic and international institutions operating in the area and Soviet development funds.

Where will the Soviet funds come from? It is interesting that the Soviet Union is stepping onto the international economic stage from a zero international debt basis. In addition, the US Central Intelligence Agency

WETLANDS: Regulations

Continued from page 4

ment is inconsistent with these agencies existing regulations.

For example, existing regulations call for offsite mitigation only where losses are "specifically identifiable, reasonably likely to occur and of importance to the human or aquatic environment." In contrast, the agreement potentially calls for across-the-board compensatory mitigation. As another example, the existing regulations require the agencies to conduct a "public interest" review that takes into account economic and social factors surrounding a proposed project as well as the environmental factors. The agreement rejects factors such as need, societal value or investment and focuses instead on the value and functions of wetlands. The agreement seems to assume that all wetlands have high value to the ecosystem, but this assumption is inconsistent with a previous United States Fish and Wildlife Service policy recognizing that some wetlands

When an agency chooses to depart from its past practice and previously issued regulations, it must generally issue new regulations in conformity with the federal Administrative Procedure Act. That means there must be public notice and an opportunity for the public to comment on the new rules. In the lawsuits that have been filed, developers have argued that the Corps and EPA have violated the Administrative Procedure Act by effecting a substantive change in their operations by means of an agreement.

Developers can also be expected to argue that the agreement violates an executive order issued by President Reagan in 1988. The executive order, as applied to the compensatory mitigation requirement, requires not only that compensatory mitigation must substantially advance the public interest in preserving wetlands but that it must also be proportionate to the extent to which a project contributes to the overall loss of wetlands.

The public interest in preserving wetlands is defined, in part, by look-

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Item 5

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ALASKA/SOVIET FAR EAST TRADE AND COOPERATION

DIPLOMATIC OPTIONS FOR SUMMITT CONSIDERATIONS:

BACKGROUND:

There is a substantial and growing trade initiative between Alaskan companies and enterprises of the Soviet Far East. This trade is good economic development both for Alaska and the Soviet Far East. These joint ventures and cultural exchanges can be important confidence building measures between the US and USSR. (details of these joint ventures are described in the attached paper.)

In the context of the upcoming summits, there has been discussion of "economic cooperation" as an item for discussion. The Soviets are publicly calling for proposals in this area.

Both governments still maintain punitive restrictions on trade which are an obstacle to economic cooperation. If President Bush and President Gorbachev can agree to eliminate them, it would be seen by everybody as a positive economic step.

Listed below are some specific options for diplomatic consideration:

- 1) Renegotiate a Bi-lateral Maritime Treaty which would allow cross trade transportation agreements. (See attached letter from the American Association of Port Authorities.)
- 2) Negotiate air routes for Alaska/Soviet Far East tourism and business travel. *negotiate brokers for customs/immigration*
- 3) Negotiate visa free travel for aboriginal people.
- 4) Identify Alaska and the Soviet Far East as a special economic cooperation zone where restrictive policies can be eased as a pilot program.
- 5) Identify ports of call for commercial vessels.
- 6) Granting of Favored Nation Status to the Soviet Union to reduce prohibitive tariff structures.

(A) (S)

7) Grant a Jones Act waiver to Soviet cargo icebreakers servicing Alaska until the US has commercial icebreaking capacity.

8) Eliminate 14 day advance notice requirement for Soviet vessels calling on American ports.

9) Streamline US and Soviet customs and immigrations procedures to facilitate business and cultural travel.

10) Agree to an "economic cooperation summit" to be held in the summer of 1991. President Gorbachev and President Bush could meet in Vladivostok, then fly together to Anchorage to finish their meeting. The summer of 1991 marks the 250 year anniversary of Vitus Bering's sailing to Alaska. "Rediscovery" celebrations will be held in Soviet and Alaskan cities. There could be very strong positive symbolism between these two events.

If there is an interest in pursuing any of these proposals, they could be raised at the December summit meeting or the June meetings.

These proposals drafted by Paul Fuhs, Mayor, City of Unalaska

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(B) (A)

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American Association of Port Authorities

October 26, 1989

Erik Stromberg
President
1010 Duke Street
Alexandria, VA 22314
Tel: 703-684-5700
Fax: 703-684-8321
TWX: 710-832-9823

The Honorable James A. Baker III
Secretary
Department of State
2201 C Street, NW
Washington, D.C. 20520

Dear Secretary Baker:

I write on behalf of the U.S. members of the American Association of Port Authorities to express support for a successful and timely conclusion of the ongoing negotiations with the Union of Soviet Socialist Republics to the end of achieving a bilateral maritime treaty.

The American Association of Port Authorities (AAPA), founded in 1944, represents virtually all public port authorities and agencies in the United States. AAPA members are public entities and mandated by law to serve public purposes, primarily the facilitation of waterborne commerce and the consequent generation of local and regional economic growth.

As you are aware, the previous U.S./Soviet maritime treaty was abrogated in 1980 by President Carter in response to the Soviet invasion of Afghanistan. Reestablishing a bilateral maritime treaty with the USSR would significantly increase trade volumes between the two countries. Currently, many countries in this hemisphere other than the United States maintain a commercial relationship with the USSR, and Soviet-flag vessels call regularly at their ports. As a result, cargo destined for the Soviet Union from the U.S., or from the Soviet Union to the U.S., is bypassing U.S. ports. Clearly, many U.S. ports stand to gain from the successful conclusion of a U.S./Soviet maritime treaty, and these benefits would flow to local and regional economies.

AAPA understands that these talks have been underway, but not actively pursued, for over a year. Therefore, we encourage renewed efforts to achieve the successful culmination of negotiations and the ratification of a treaty that is, of course, fair and consistent with U.S. foreign policy.

Sincerely,
Erik Stromberg
Erik Stromberg

RES/fal

OCT 30 1989

PORT OF ANCHORAGE

OPPORTUNITIES FOR TRADE, SCIENTIFIC COOPERATION AND CULTURAL EXCHANGE BETWEEN THE SOVIET FAR EAST AND ALASKA

By Paul Fuhs, Mayor
City of Unalaska/Dutch Harbor

The following pinions on potential for cooperation between the Soviet Far East and Alaska are based on Unalaska's past 8 years experience in fisheries joint ventures with the Soviet Union, on two trade missions made to the Soviet Far East, on discussions I have had with Soviet officials visiting Alaska, and on discussions with other Alaskans who are working on joint projects with the Soviet Far East. General observations and trends will be described first, then specific opportunities.

GENERAL OBSERVATIONS ON TRADE:

Opportunities for trade between Alaska and the Soviet Far East are substantial and could go a long way towards reaching Alaska's goals of economic development and diversification. These opportunities exist in processing and marketing of fish, joint marketing of tourism, transportation systems using Soviet icebreakers, communications and publishing ventures, joint mining ventures, joint mariculture projects and the husbandry, processing and use of reindeer.

It is getting easier to do business in the Soviet Union, but you have to be creative to put a deal together. Often times you must come up with two good deals, as the Ruble does not convert to international currency and the deal must take the form of a barter. The more trade there is, the easier it will become to find barter based joint ventures that will work. The matching barter can be quite diverse. For instance Pepsi Cola takes its payment for soft drinks in the form of vodka or decommissioned Soviet military vessels which they then sell for scrap metal.

At a meeting with officials of the Soviet Federal Bank in Magadan, it was stated that the Soviets expect to have a convertible Ruble within 2 years. The big debate now is on the exchange rate as they realize this will have a strong determining effect on the exportability of Soviet products and on their developing tourist industry.

Alaska and the Soviet Far East produce many of the same materials from the same resources: fish, timber, coal and other minerals. Its obvious we won't be selling these to each other. But we do have an interest in the price we are receiving from third party countries such as Japan and Korea. To allow our markets to play us off against each other for lower prices serves neither Alaska or the Soviet Far East and reduces the value of US exports.

To hear Far East Soviets describe their economic situation is like hearing a broken record of Alaskans complaining about Alaska's colonial economic status. Minimally processed raw materials are exported from the region; the economic benefits of value added processing, which is often much more profitable, go elsewhere; economic multipliers for new money entering the regional economy are much lower than national averages; transportation costs on incoming consumer goods are high; political decisions concerning resource development are made far away from the region in the national center of power.

Because we have these conditions in common, and due to our past common history, including Alaska's role in the lend/lease program of World War II, Soviets feel very warm toward Alaskans. Alaskans can use this to take the inside track on making some mutually beneficial business deals. In addition, Far East Soviets I have met react very positively to the idea of Alaska/Soviet Far East economic cooperation as a counterbalance to the enormous economic power of Japan and Korea.

The Soviet Union is in a period of serious transition. Soviet state sponsored enterprises and independent cooperatives are being given much more latitude to negotiate international business deals. They also have the responsibility to at least meet the bottom line, and there are new incentives which reward enterprises for doing better and showing a profit especially if it results in the earning of hard international currency.

The political structure is also being transformed. A result of decentralization will be much stronger local and regional governments. Open elections for top regional and local offices will be held in the spring of 1990. Any candidate can run whether they are members of the Communist Party or not. Current public officials warn that we may be talking to a whole new set of faces following these elections.

While this democratization is very welcome, it will not come without its own set of problems. Many Soviet citizens may vote against all current officials as a way of showing their displeasure with "the system". Of course there is dead wood amongst Soviet officials, but there are also a lot of dedicated, hard working people who are yearning for the changes of the new system which would give them enough local control to really accomplish something. If they are all swept away, a new, largely inexperienced group of leaders will take awhile to get their feet on the ground and feel confident enough to negotiate international business ventures.

The new Soviet system will still be a combination of business and government. For this reason, the most successful trade delegations to the Soviet Union will be composites of government and business representatives.

While we see many opportunities for regional economic development projects with the Soviet Far East, we must remember that we are bound by the policies of our national government. Our national government has a total agenda of relationships with the Soviet Union which we are only a small part of. Although a lot of diplomatic energy has been spent on arms agreements in the European theatre, we also have the opportunity to assert the importance of confidence building measures between our nations which can be provided by international trade between Alaska and the Soviet Far East.

To realize the potential of this trade for Alaska's economy, Alaska State and Local government needs to become very active in securing certain changes to national trade policies which relate to commerce between the US and USSR.

Of special importance to Alaska/Soviet Far East trade are the granting of Most Favored Nation Status which would reduce the current heavy tariffs (almost 100%) on Soviet imports; renegotiating the Bilateral Maritime Treaty which would facilitate the Arctic Great Circle Route utilizing Soviet icebreakers to carry Alaskan products directly to the European Economic Community; elimination of Coast Guard requirements that Soviet Vessels must request entry to an American port 14 days in advance, improvements in the handling of visas and travel documents for Soviet Far East and Alaskan travellers, and designation of regular air routes between Anchorage or Fairbanks and major Soviet Far East cities.

In addition to improving ease of travel, it will be necessary to substantially upgrade communications capabilities between Alaska and the Soviet Far East. Currently, it is easier to send a Telex than it is to make a phone call. Telefax is impossible in most cases. The difference in satellite systems makes direct computer data transmissions problematic. While a communications joint venture may make very good technical and economic sense for Alaska, it may also require a positive ruling on advanced technology transfers from the US Trade Representative and the Department of Defense.

We sincerely hope our national government will see the positive benefits of making these necessary changes and that the resulting commercial and scientific ties will help contribute to regional security and peace.

I believe that trade and cultural exchange between Alaska and the Soviet Far East will receive support from Moscow - for the practical reason that these ventures will generate substantial foreign currency reserves - but also because the Soviet leadership recognizes that the Far East can be very productive and help them in economically restructuring their national economy. The Far East is kind of an economic testing ground for them - the most radical experiment being the Free Trade Zone in Vostochnoy near Nahodka.

-Secretary General Gorbachev laid out his view during a speech in Vladivostok on July 28, 1986: "The situation in the Far East as a whole, in Asia and the ocean expanses adjoining it, where we are permanent inhabitants and seafarers of long standing, is to us of a national state interest."

"The Soviet Union also shares the border with the United States in the Pacific region. It is our next-door neighbour in the literal meaning of the word, with only seven kilometres dividing us - the exact distance between the Soviet Island of Big Diomedes and the American Island of Little Diomedes."

"We recognize clearly that the United States is a great Pacific power. Primarily because a considerable part of the country's population lives on the shores of this ocean, the western part of America, gravitating towards this area, is playing a growing part in the country's development and is a dynamic force. Furthermore, the United States, undoubtedly, has important and legitimate economic and political interests in the region."

"No doubt, without the United States and its participation, it is not possible to resolve the problem of security and cooperation in the Pacific Ocean to the satisfaction of all nations in the region."

He also expressed a willingness to take a new look at the Pacific region: "The present generations have inherited many difficult and painful problems. In order to reach a solution to these problems it is necessary to get rid of the burden of the past, to seek new approaches, guiding oneself by one's responsibility for the present and the future."

Opportunities for trade with the Soviet Far East are great, but the work required to actually realize these opportunities is also great. Alaska must have a well organized strategy which coordinates government policy, research and business.

We are not seen as having a very integrated approach, but Far East Soviets openly admit that they are not very well organized either. I believe that our lack of sophistication makes the Soviets feel more secure that we will not take advantage of them - a real concern they have with the Japanese and to a lesser extent the Koreans. While this may get us through the front door, the important thing is to produce some real results, not just talk about what we are going to do.

Alaskans are demanding results in economic development from our government, but there are even greater public pressures to do so in the Soviet Union. If we are not organized enough to show positive economic results from economic cooperation with Alaska, Soviet leaders will have no alternative but to turn to the Japanese and Koreans. If this happens, Alaska will once again be left behind wringing our hands about how someone else is eating our lunch.

The Soviet Far East can either be a major resource competitor to Alaska - or it could be a major partner. This essential policy decision needs to be made in a very informed and conscious manner which involves the executive and legislative branches of State Government, local governments, research institutes and businesses in Alaska.

Hopefully the proposed Alaska-Soviet Far East commission will be established and properly funded during the next legislative session so it can begin developing a clear strategy for Alaska. This commission could present a much needed model for strategic planning in other areas of Alaskan economic development

SPECIFIC OPPORTUNITIES:

These projects should be viewed as a comprehensive group of interdependent enterprises. For instance, the establishment of an adequate communications system between Alaska and the Soviet Far East will facilitate the success of the other projects. These other projects will provide the revenue stream to support the communications system.

FISHERIES:

During the past 9 years the US/USSR joint venture fishery in the Bering Sea has prospered during the best and worst periods of relations between the two governments. In 1988, the value of this joint venture with US fishermen was \$24 million.

The advent of joint venture fisheries in Soviet waters opens a whole new area for economic cooperation. The model for the first joint venture fisheries in Soviet waters is: American processing, packaging and marketing technology processing fish or crab caught in the Soviet zone. The products are sold in the international market - mostly Japan and the US - and the resultant profits are divided between the US company and the partner regional fisheries enterprise (Rybprom) on the Soviet side.

The main target species are King Crab, Pollock, Salmon and Black Cod. There are also many opportunities for cooperation in mariculture research and production.

Joint protection of migratory species like salmon and joint imposition of regulations on the international waters of the Bering Sea have received substantial diplomatic attention lately. In these matters, the interests of Alaska and the Soviet Far East are identical.

COMMUNICATIONS:

This is a critical infrastructure need for the success of Alaska/Soviet Far East trade and for the success of perestroika in the Soviet Far East.

ALASCOM currently runs a microwave system from Nome, Alaska which covers a part of the Soviet Far East. They have recently been invited by the Soviet Ministry of Posts and Telecommunications, to put together a satellite based

communication system joining Alaska and the Soviet Far East. This system would utilize Soviet satellites, either the Gorzon II at 140 degrees or a new Stationar 10 satellite ideally located over the entire Pacific Rim at 172 degrees.

This would allow simultaneous television transmissions (space bridging), telephone, fax, data transmissions, etc. Without these basic business tools, it will continue to be difficult to conduct international trade in the Soviet Far East.

JOINT TOURISM MARKETING:

Summer of 1991 marks the 250th anniversary of Vitus Bering's first sailing to Alaska. A joint celebration of this common historical event could be a launching pad for Alaska/Soviet Far East tourism development. The successful conclusion of negotiations on regular air routes between Anchorage and Magadan, Khabarovsk and Vladivostok will be critical to tourism and to general business development as a whole.

Alaska Airlines and Aeroflot are currently in negotiations to make the business arrangement, and US Federal Aviation Agency officials have recently been in the Soviet Union discussing reciprocal landing rights.

The Vitus Bering Rediscovery Celebration marks a rediscovery of our past and also a rediscovery of each other - people who live close to each other and share a common environment, but who have been kept separated.

The desire for reunion is felt particularly strongly by Aleuts of the Aleutian Chain and the Soviet Komandorski Islands who have been separated for more than 70 years. Their reunion will be a part of the celebration.

Alaskans would travel to Soviet cities for celebrations there and Soviets would come to Alaskan cities, mostly by boat, for celebrations in Unalaska, Kodiak, Sitka and Anchorage. Alaskan sailing boats would sail to Petropavlovsk, meet Soviet sailing ships there and sail together to retrace the route taken by Vitus Bering. This project will need the active cooperation of the US and Soviet governments in customs, immigrations and Coast Guard requirements if it is to succeed.

ARCTIC GREAT CIRCLE ROUTE:

This proposal would call for a joint venture between a major American carrier and FESCO, the Far Eastern Shipping Company which operates hundreds of ice breaking cargo ships on the Soviet Arctic Coast.

American cargo vessels travelling the US/Asia great circle route would drop European bound cargo in Dutch Harbor, Alaska where it would be transloaded to Soviet icebreakers and taken through the arctic ice to Rotterdam, Netherlands. The cargo volumes are quite large - 5 million tons from the West Coast to Europe and 3 million tons coming back - which makes a good backhaul. (See map on page 9.) This route could eventually have more impact on Pacific/Atlantic trade than the Panama Canal.

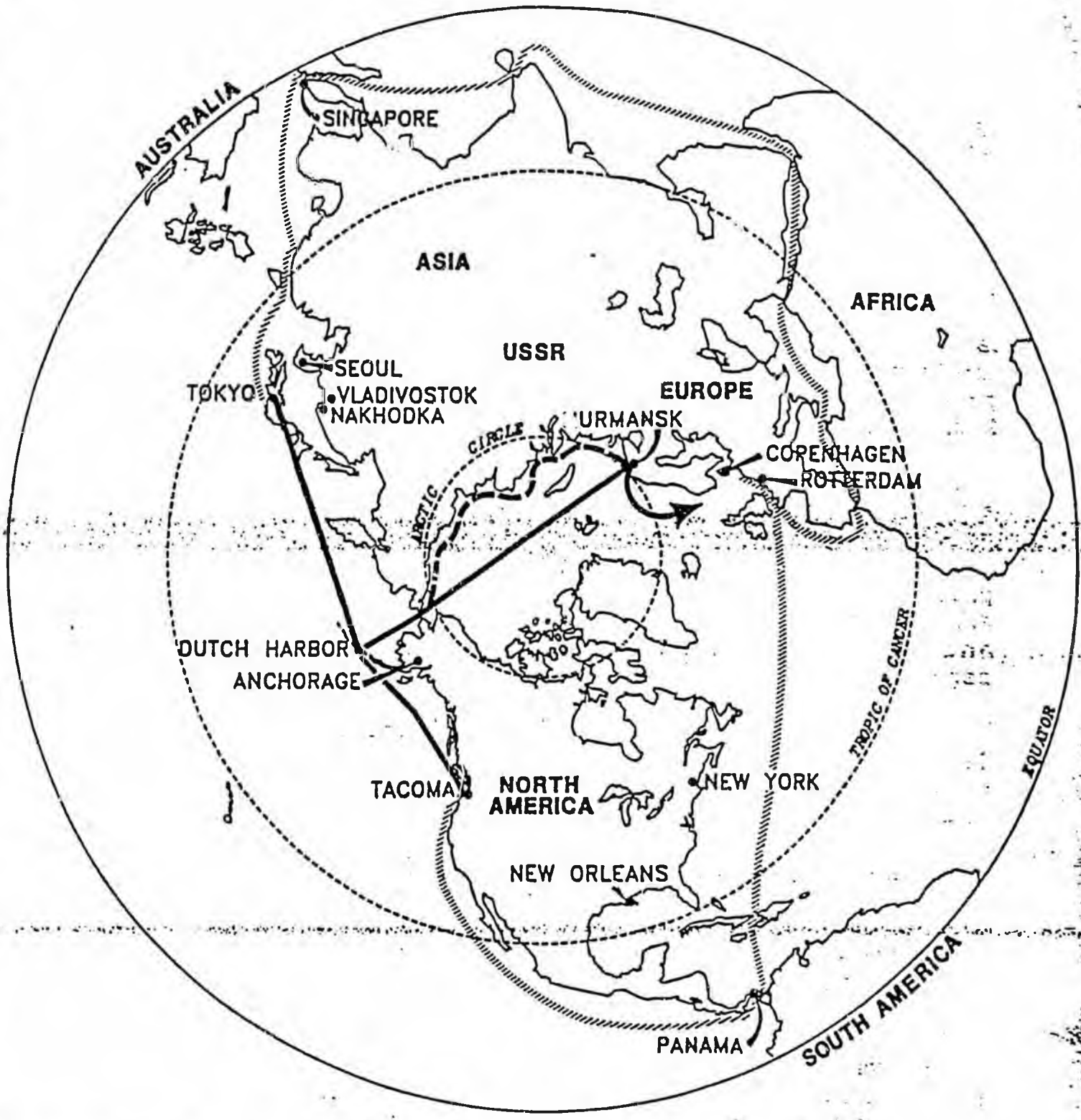
During discussions with FESCO in Vladivostok, they indicated that a necessary entry level of service would be 3 sailings a month out of Dutch Harbor. Their vessel capacity is 500 twenty foot containers or about 10 million pounds. We both agreed that this project should be looked at as a long range project, starting with existing equipment but also looking at joint ventures in the design and construction of more efficient vessels. (See prototype design on page 10)

This route would save 10 days shipping compared to the Panama Canal or Suez Canal route. And the Panama Canal is becoming less politically stable and also more expensive - \$100,000 to get through now.

Alaskan cargoes which could be carried on this route include frozen fish, salt cod, coal, timber, strategic minerals, canned fish, and fish meal for the North European mariculture industry. These industries would benefit from expanding their markets and reducing their dependence on the Japanese market.

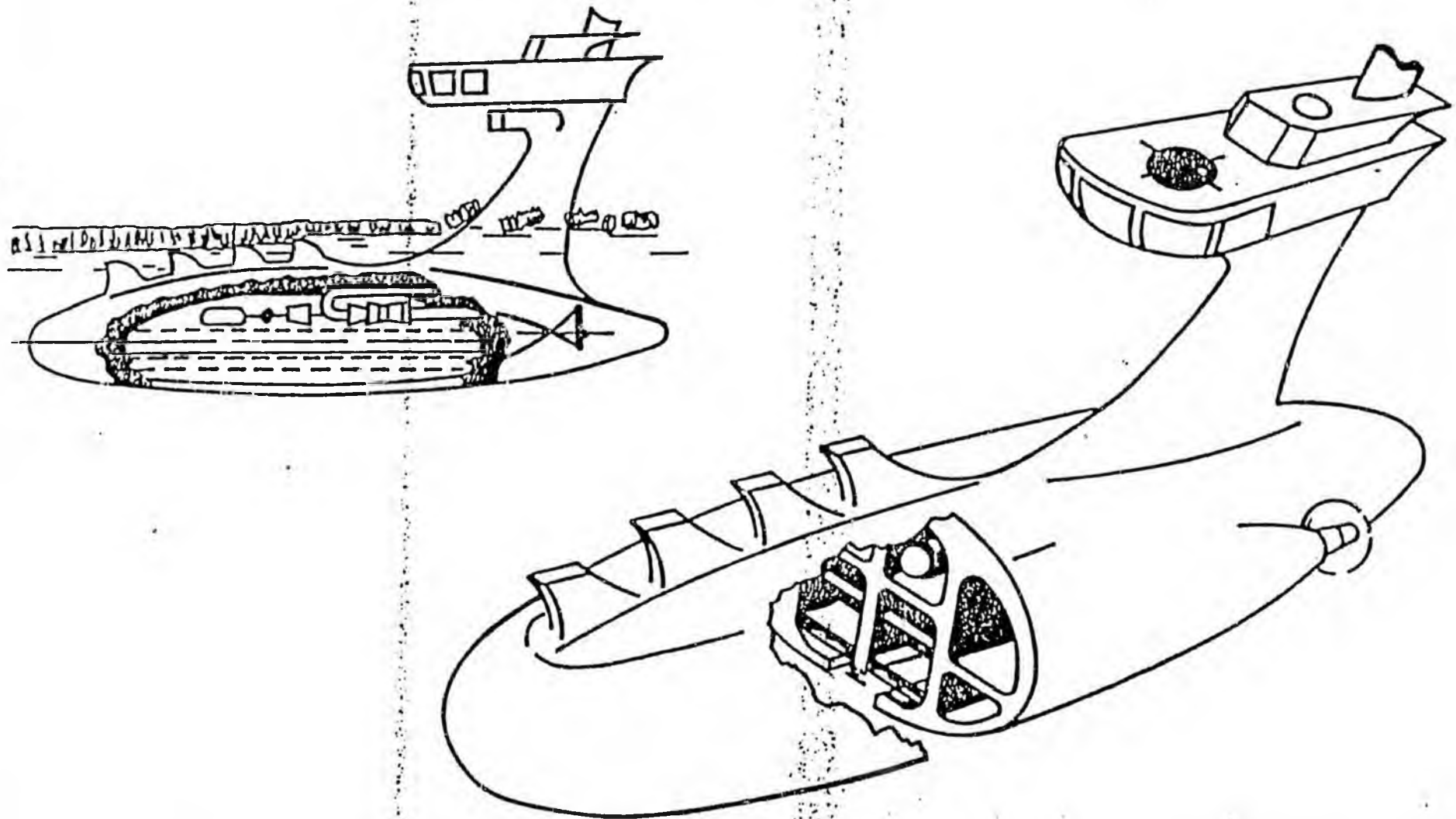
Overall, Alaskan economic development is hindered by lack of commercial icebreaking capability. Joint ventures with FESCO could provide service which would allow the Reg Dog mine to ship on a year round basis, provide support to arctic offshore island oil drilling operations, bring supplies to Alaskan Arctic communities who in the winter are totally dependent on shipments by air, etc.

Renegotiation of a Bilateral Maritime Treaty and relaxation of Coast Guard regulations requiring 14 day notice of arrival in an American port, will be necessary to allow these JV's to proceed



- ARCTIC GREAT CIRCLE TRADE ROUTE
- - - NORTHERN SEA ROUTE
- ▨ { U.S.W.C./PANAMA-NORTHERN EUROP ROUTE
- ▨ { N. ASIA/SUEZ-NORTHERN EUROPE ROUTE

Soviet Design of a Semi-Submersible Icebreaker



ENVIRONMENTAL ISSUES

This area is rich with opportunities for cooperation. The joint oil spill response treaty; negotiated last year for oil spills in the Bering and Chukchi sea is a giant step forward but now it needs to be fleshed out and implemented. Soviet and Alaskan coastal communities should be an integral part of this network.

The Soviet Academy of Sciences and the US Fish and Wildlife service have been establishing environmental base line data in the Bering Sea in a cooperative research effort on the Soviet Vessel AKADEMIK KOROLEV. The Bering Sea is relatively clean and with an ongoing monitoring program, any new sources of pollution can be identified and eliminated.

Cooperation in the research and management of marine resources in the Bering Sea is important to environmentalists and industry. There is joint work being done now, but this can be expanded. The US Arctic Research Commission has endorsed the concept of an interdisciplinary study on the Bering Sea which would include meteorology, oceanographic research and reproductive biology.

This work should be coordinated with the Soviet Union and other North Pacific fishing nations. Specifically, TINRO, the Pacific Research Institute in Vladivostok have indicated an interest in helping establish the Bering Sea Marine Institute, in Dutch Harbor, Alaska as a communications and support base for cooperative research in the Bering Sea.

Both countries have an interest in fully complying with the requirements of the MARPOL Treaty. Agreements need to be made on ports which will be available for receiving MARPOL waste. Local communities also need assistance in dealing with this additional waste which they must dispose of.

CULTURAL EXCHANGE:

Efforts must be made to simplify visiting of aboriginal peoples in Alaska and the Soviet Far East. Visa free travel, and a streamlined customs procedure would greatly assist this cultural exchange. Both Soviets and Americans are expressing support for the preservation of aboriginal cultures, so there should be an opening here for both countries to recognize the importance of this cultural exchange program

MINING:

Greatland Mining of Alaska is currently negotiating a joint venture in the manufacturing of mining equipment with a Soviet mining enterprise, FEVEROVOSTOK OZOLOTTO, in Niagadan.

Availability of transportation by Soviet icebreakers could facilitate development of the North Slope Coal Fields. This is a relatively clean coal and would be attractive to the European market.

JOINT PUBLISHING VENTURES:

Soviet publishing groups have indicated a strong interest in jointly publishing and marketing books which would commemorate the 250 year anniversary of Vitus Bering's sailing to Alaska. Besides documenting history, these publications would also focus on current life in the Soviet Far East and Alaska.

Newspaper publishing firms on both sides are now considering the concept of publishing a joint venture newspaper which would be published 4 times a year. This paper would be printed in English and Russian and would carry news of Soviet/Alaska trade and cultural exchange, community profiles, language lessons, art work and photos, etc.

FOOD AND ANIMAL PROCESSING:

Indian Valley Meats of Alaska is currently involved in a joint venture in production of Reindeer sausage and in packaging and marketing neat products to Soviet consumers.

A Juneau based company which produces Arctic leather products would like to be supplied with Soviet reindeer skins.

PROFESSIONAL AND EDUCATIONAL EXCHANGES:

There are a wide variety of professional exchanges which would be beneficial to Alaska and the Soviet Far East. These would include medical personnel, students, educators, Municipal officials, artists, scientists, sports groups, historians, Arctic engineers, etc. This sharing of expertise and experiences would be very valuable to both sides.

HOUSING CONSTRUCTION:

Soviet municipal and regional officials are interested in forming a joint venture construction firm with an Alaskan company to produce Arctic modular housing and apartment units. A large Alaskan firm is interested in negotiating this agreement.

CONSUMER GOODS DISTRIBUTION AND MARKETING:

The Soviets are interested in a computer based consumer goods inventory and distribution system to reduce regional and local product shortages. They also can improve the efficiency of store cashing and clerking, by eliminating the two line system, in which you wait in line to pay a cashier, then wait in line again to get what you paid for. This line waiting is a constant irritation to Soviet citizens. A large Alaskan grocery and retail chain is working on a joint venture with Soviet Far East stores.

RELIGIOUS COOPERATION:

Since glasnost, the Russian Orthodox Church has more freedom and has been able to make contact with Alaskan Russian Orthodox churches. Some proposed projects are the preservation of historic church buildings in Alaska, research on the history of the Church in Alaska and the visiting and exchange of priests.

The City of Magadan has given land for the building of a church there to commemorate those who died in the labor camps. (Magadan was a labor camp center.) They are requesting architectural plans of historic Alaskan churches they can use as a model for their new church.

CONCLUSION:

Alaska and the Soviet Far East can both improve our economic future if we work together. This will require strategic planning to approach the Soviet Union with an integrated approach which makes good economic sense.

We recognize however, that our work is inevitably tied to relations between Moscow and Washington DC. We should both encourage our governments to recognize the importance of this work in providing confidence building measures between our two nations.

We then need our governments to make the necessary regulatory changes to allow the full potential of this cooperation to be realized. Alaska and the Soviet Far East must make a strong case to our national governments for putting these issues on the diplomatic table.