SCOMM
84:6

SENATE COMMITTEE REPORT

DATE: 3/11/91 FURTHER: State Affairs

DATE TURNED INTO OFFICE: _____

Senate Special Comte on
International Trade & Tourism considered CSHJR 20 (ITT)

Encouraging the United States and Soviet national governments to establish consulates in Alaska and the Soviet Far East.

and recommended:

[ ] replace with _____ CS _____ [ ] same title
[ ] or adopt _____ CS _____ [ ] new title
[ ] technical title change (HB only)

[ ] attached amendment(s)
[ ] _____ letter of intent adopted

[ ] do pass

[ ] do not pass

[ ] no recommendation

[X] individual recommendations

[ ] further referral to _____

ATTACHES NEW FISCAL NOTE(S):

Dept/Date:

[ ] fiscal note(s) _____

[ ] zero fiscal note(s) _____

[ ] appropriation-no fiscal note

APPROVES PREVIOUS:

Dept/Date:

[ ] fiscal note(s) _____

[X] zero fiscal note(s) House ITT Committee - 2/13/91

[ ] Governor's bill w/fiscal note

SIGNING DO PASS:

Al Adams
Eileen Finkelstein
Paul Fischer

OTHER RECOMMENDATIONS:

Paul Fischer (Po Pass)
Chair: Signature and Recommendation

FISCAL NOTE

No. 1
Bill Version: CSHJR 20(ITT)
(H) Publish Date: 2/19/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____ Department Affected: Office of the Governor
Title: Encouraging the US and Soviet BRU: Office of International Trade
national govts. to establish consu Component: _____
Sponsor: H. Intl. Trade and Tourism
Requestor: Committee COMPONENT SERIAL NO. [ ][ ][ ][ ]

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)
Resolution encourages Soviet and American national governments to establist new consulates in Alaska and the Soviet Far East. There is no fiscal impact to the state of Alaska.

Prepared By: David Ramseur Phone: 465-3940
Division: Rep. Tom Moyer, Chairman Date: 2/13/91
Approved by Commissioner: Tom Moyer
Agency: H. Intl. Trade and Tourism Committee Date: 2/13/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

COMMITTEE COPY

Alaska State Legislature

Senator Paul Fischer, Chairman
Senator Al Adams, Vice-Chair
Senator Rick Uehling
Senator Arliss Sturgulewski
Senator Fred Zharoff

Post Office Box V
Juneau, Alaska 99811
(907) 465-3791
(907) 465-3883 FAX

Senate Special Committee on International Trade and Tourism

MEMORANDUM

TO: Senator Al Adams
Senator Fred Zharoff
Senator Arliss Sturgulewski
Senator Rick Uehling

FR: Senator Paul Fischer, Chairman PF
Senate Special Committee on International Trade & Tourism

DATE: April 11, 1991

RE: Committee Schedule for Week of April 15, 1991

Wednesday, April 17, 1991 3:30 - 4:00 pm Butrovich Room

HJR 20 - Encouraging the United States and Soviet national governments to establish consulates in Alaska and the Soviet Far East.

HOUSE SPECIAL COMMITTEE ON INTERNATIONAL TRADE AND TOURISM

ALASKA STATE LEGISLATURE

P.O. BOX V, JUNEAU 99811
(907) 465-2973

MEMORANDUM

To: Senator Paul Fischer
Chairman, Senate Special Committee
on International Trade and Tourism

March 12, 1991

From: Representative Tom Moyer
Chairman, House Special Committee
on International Trade and Tourism

Re: HJR20, Soviet and U.S. consulates

With this memo, I would like to respectfully request the Senate Special Committee on International Trade and Tourism to consider this resolution at your earliest convenience. The resolution encourages the U.S. and Soviet national governments to establish new consulate offices in Alaska and the Soviet Far East to help process the required approvals for business ventures, exchanges and travel between the two countries.

The resolution is timely because Alaska Airlines begins new regular service to the Soviet Far East in June and Aeroflot begins service to Anchorage in early May. In addition, the U.S. Congress may soon consider legislation that would have an impact on these consulates. As you'll recall, Senator Frank Murkowski testified before a joint hearing of our committees that such a resolution would be helpful to congressional deliberations.

I am prepared to testify about the resolution at your convenience. Please let me know if I can answer any questions or provide additional information about it.

WALTER J. HICKEL
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

December 13, 1990

Mr. V.M. Zelanov, Chief
Consular Affairs Department
Ministry of Foreign Affairs
Moscow, U.S.S.R.

Dear Victor Matveyevitch:

My administration is firmly committed to the development of close ties between Alaska and the Soviet Union. It is our hope that your government will establish its second West Coast consulate in Alaska.

Toward that end, I wish to extend an invitation to you to visit our state at a mutually convenient time in order that we may pursue discussions about the consulate. I am proud that Alaskans have been in the forefront of people-to-people and commercial contacts between our two countries. A consulate would permit further development of our maturing relationship.

In the meantime, we look forward to your continuing support of the on-going exchanges occurring between Alaska and the Soviet Far East, such as the Juneau - Vladivostok exchange occurring later this week.

I look forward to your reply.

Sincerely,

Walter J. Hickel

Walter J. Hickel
Governor

[redacted]

BACKUP MATERIAL

Walter J.Hickel
Governor,
State of Alaska

February 8, 1991

Dear Mr.Hickel,

Let me express my deep appreciation for your kind letter on the opening of the Soviet consulate in Alaska.

I share your opinion that both countries should work together and do everything to promote further development of all-round ties between inhabitants of Alaska and the Soviet Far East. We highly regard your personal efforts and participation in bilateral projects between the two regions.

It is very kind of you to invite me to Alaska . Unfortunately, at this time my schedule is rather tight which prevents me from planning such a trip. However, I will return to you as soon as I am a bit less busy here in my Department.

Sincerely,

Victor M.ZELENOV

Head, Consular Affairs Department,
Ministry of Foreign Affairs, Moscow, USSR

STEVE COWPER
GOVERNOR

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 26, 1990

The President
The White House
Washington, D.C. 20500

Mr. President:

The purpose of this letter is to let you know that we all support the opening of an American Consulate office in Khabarovsk, USSR and a Soviet Consulate office in Anchorage, Alaska.

These offices would provide valuable services to support our efforts to promote business, cultural and social exchanges and transactions between Alaska and her neighbors to the West.

The number of people travelling between Alaska and the Soviet Far East has increased substantially and rapidly. Your favorable consideration of this request will help with visa approvals and other matters important to travellers.

Sincerely,

Ted Stevens
United States Senate

Steve Cowper
Governor, State of Alaska

Frank Murkowski
United States Senate

Don Young
U.S. House of Representatives

cc: Secretary James Baker, Department of State

NEWS RELEASE

STATE OF ALASKA

OFFICE OF THE GOVERNOR
P.O. BOX A
JUNEAU, ALASKA 99811

STEVE COWPER,
GOVERNOR

FOR INFORMATION CONTACT:

DAVID RAMSEUR
PRESS SECRETARY

TERRENCE O'MALLEY
DEPUTY PRESS SECRETARY

(907) 465-3500

FOR IMMEDIATE RELEASE
March 1, 1990
No. 90-38

COWPER, CONGRESSIONAL DELEGATION REQUEST CONSULATES

JUNEAU--Gov. Steve Cowper and Alaska's congressional delegation have asked President Bush to support the opening of an American consulate in Khabarovsk, USSR, and a Soviet consulate in Anchorage.

"These offices would provide valuable services to support our efforts to promote business, cultural and social exchanges and transactions between Alaska and her neighbors to the west," Cowper, Sens. Ted Stevens and Frank Murkowski and Rep. Don Young wrote in a letter to Bush this week.

"The number of people traveling between Alaska and the Soviet Far East has increased substantially and rapidly. Your favorable consideration of this request will help with visa approvals and other matters important to travelers," they said.

The U.S. currently has an embassy in Moscow and a consulate in Leningrad, but offers no formal diplomatic services in the Soviet Far East. The Soviet consulate closest to Alaska is located in San Francisco.

The Alaska officials requested that the additional U.S. consulate office be located in Khabarovsk because the city serves as the economic center of the Soviet Far East and is the aviation hub of the region. In addition, Alaska Airlines is seeking rights to fly between Alaska and Khabarovsk.

"Imagine if Alaskans had to apply to Washington D.C. for a visa to travel to Canada. That's about the situation we're in with the Soviets right now," Cowper said. "These new consulate offices would streamline the visa process and enhance our ability to cultivate economic, social and cultural trade with the Soviets. The two regions - Alaska and the Soviet Far East - would mutually benefit from these consulates."

-MORE-

"The absence of a U.S. consulate office in the Soviet Far East complicates our efforts to increase Alaska - Soviet trade," Stevens said. "Soviets who wish to travel to Alaska have to obtain visas from the American embassy thousands of miles away. We must improve our services if Alaskans are to develop closer business, cultural and educational ties with the Soviets," Stevens added.

"We are making good progress in efforts to create direct air routes between Alaska and the Soviet Far East," Murkowski said. "These routes will be hard to support if the process of getting a visa for an Alaskan or a Soviet continues to involve three or four weeks of waiting."

Creating new diplomatic posts overseas - particularly in the Soviet Union - can involve a lot of bureaucratic hurdles and red tape," Murkowski said. "This fact makes it all the more important that Alaskans present a strong, united front on this request."

In a related matter, Cowper met with Soviet Ambassador to the U.S. Yuri Dubinin in Washington Wednesday and was told the ambassador plans to return to Alaska in September. Dubinin said he will speak at the Northern Regions Conference scheduled for Anchorage Sept. 14-21. The conference will focus on problems common to the North and officials of 11 northern nations are expected to attend.

Dubinin, who hosted a lunch for Cowper in the Soviet Embassy, also expressed support for continuing trade and goodwill relations between Alaska and the Soviet Union.

-30-

THE ALASKA ECONOMIC REPORT

Agencies developing internal policies:

February 8, 1991
No. 3/91

Wetlands regulation: New mitigation plan

It's out of the headlines, but the federal wetlands regulation issue is still there, ticking like a time bomb. Here's the latest: The White House Domestic Policy Council is still wrestling with what to do about it. Formally, the council has suspended action due to the war, while staff work goes on. But insiders in Washington say policy people on the council, realizing the sensitivities that national application of a wetlands "no net loss" policy would stir, quietly wish the issue would just go away. But federal agencies, mainly Enviromental Protection Agency and U.S. Fish and Wildlife Service, are still pressing hard.

These agencies say they're already incorporating the ideals of "No net loss" in the controversial Memorandum of Understanding signed last year between EPA and the Corps of Engineers that officially sanctions mitigation for wetlands loss. This winds up in stipulations on Corps Section 404 construction permits. But there's a glimpse of hope even within the agencies: High-level EPA officials now think a wetlands "ranking" system (high value, low value, etc.) is needed, but mid-level agency staff are resisting the idea, arguing it is too "subjective." Wetlands ranking is also central to a new bill coming into the House, co-sponsored by Alaska's Rep. Young and hopefully 50 other congressmen. Such a procedure is important to Alaskan interests because most Alaskan wetlands — like millions of acres of tundra underlain by permafrost — would come in the "low value" category. Alaskans hope these could even be exempt from mitigation. Something to watch, however: Within the context of the MOA agreed to last year, federal agencies are working *(Continued Pg. 2)*

In This Issue:

*** UNDERGROUND TANKS: New state program won't solve EPA problem ..... Pg. 2
*** NATURAL GAS PIPELINE: Yukon Pacific makes a progress report ..... Pg. 3
*** SLOPE: Busy '91 forecast ..... Pg. 6

Despite turmoil, Alaskans press Soviet trade deals

Despite political and economic turmoil in the Soviet Union, Alaska businessman Doug Drum's meat-packing joint venture is successful and expanding fast in the Soviet Far East. Of 57 U.S.-Soviet JVs in the Soviet Far East, most have failed. Drum's is one of the few successes. Drum has over $1 million invested in two ventures now underway with food-producing co-ops in Magadan and other areas, and by June will have five plants up and running, some operating under separate JVs. These plants make reindeer products for domestic consumption and export. Drum, of Indian Valley Meats near Anchorage, briefed the state legislature's House International Trade Committee on his progress last week.

Drum and his Soviet partners generate hard currency by selling reindeer byproducts like horn, hides and high-value meat parts in Hong Kong, Korea, and Europe, and so far these have generated some $18 million to $20 million in export earnings. One new development is a partnership with Southwest Hides, a major U.S. firm, in helping Soviets upgrade leather processing and manufacturing ability, to make secondary products for export.

But the Soviets' main interest is in producing food products for local consumption. Drum's experience from his successful Alaska specialty meat packaging operation is proving invaluable. He and his partners were able to get modern meat plants up and running in seven months, a process that would have taken the Soviets about five years. *(Continued Pg. 2)*

ALASKA ECONOMIC REPORT IS PUBLISHED BY ALASKA RESEARCH AND INFORMATION SERVICE
3037 S. CIRCLE, ANCHORAGE, ALASKA 99507 TELE: (907) 349-7744

General Business

Will state LUST fund satisfy EPA?

State officials now say the new Leaking Underground Storage Tank assistance fund is not likely to qualify as a substitute for $1 million insurance requirements by the federal EPA in effect later this year. Because the LUST fund is based on general fund appropriations — not a dedicated fund, as other states have done — EPA will likely still require some form of insurance for owners of underground tanks, rather than allowing the state program to stand in lieu of insurance. Regulations on the program, including the critical definition of "how clean is clean" are due out soon.

***

Wetlands mitigation planned (Cont.)

(Cont. from Pg. 1) on a mitigation "banking" concept, the idea being to formalize the concept of off-site mitigation. Alaskans have problems with this because if off-site compensation is needed, there will be added costs to community expansions, and marginal resource projects may get pushed over the edge. Also in the bill to be co-sponsored by Young is language to allow wetlands now preserved in national conservation land units to be considered as part of a preservation bank, offsetting any wetland acreage used in community or resource development.

The wetlands issue is critical in Alaska because most communities are surrounded by lands classified as wetland under new federal regulation; also, virtually no resource-related activity, like mining or oil development, can occur without some use of tundra for gravel pads or roads. An Alaska coalition of municipalities, resource developers and Native corporations has been quietly working the issue, with some success, to raise the level of national awareness. Alaskans hope this doesn't "backfire": Alaska has unique wetlands problems, but in a "national" solution, Alaskan concerns could get traded away in negotiations between more powerful constituencies.

Meanwhile, there's still hope the EPA-Corps memorandum can be overturned. Recently, the courts turned down petitions by resource companies, Native corporation and local governments to rule the MOA invalid, because as yet there was no actual situation where harm had been demonstrated. Plaintiffs still feel the issue is valid, once a good test case develops, because the agencies had "made policy" in the MOA without going through the normal procedure of regulation adoption and public hearings.

***

BP: $2.5 billion in next three years

BP head John Browne told Alaska business leaders his company sees 25 billion barrels of recoverable oil left in northern Alaska. BP will spend $2.5 billion here in the next three years, Browne said.

Alaska-Soviet trade deals (Cont.)

(Cont. from Pg. 1) Because Drum was one the first American joint ventures to get rolling in the Soviet Far East, terms of his contracts are more liberal than deals signed later. Also, the value of his investments in the Soviet meat plants, on paper at least, has tripled since devaluation of the ruble in its relation to the dollar, although the ruble itself remains unconvertible. One indicator of Soviet confidence in Drum's venture is a major Moscow bank's investment of up to half a million in hard currency reserves in all of Drum's new JVs with cooperatives in the Far East.

Drum sees the market for U.S. food-handling expertise as wide open: Soviet packaging and distribution technology is so primitive that almost half of the meat product in the Soviet Far East, for example, is lost through spoilage before it can be preserved. While severe meat shortages plague major cities like Moscow, there are up to 40,000 hogs surplus in the Kamchatka Peninsula, the meat from which local officials have no way of preserving or getting to western parts of the U.S.S.R. Drum's success is unusual, but he's not alone. Alaskan business leaders see the U.S.S.R.'s economic and political turmoil as affecting mainly European Russia, with the Far East "fortunately, far from Moscow," one businessman said.

Several other Soviet-Alaska deals are moving ahead: Alaska Airlines will begin scheduled passenger service in late spring; Fairbanks businessman Earl Romans has a joint-venture battery-manufacturing plant up and running in Magadan. The output is mainly for local markets. Bureaucratic snafus have temporarily stalled a test shipment for export, but Romans is now in the U.S.S.R. working to straighten this out. Romans operates Alaska Battery, specializing in making battery units, in Fairbanks. Other Alaska ventures are in the works. *North Pacific Mining, subsidiary of Cook Inlet Region, Inc. is looking at minerals exploration in the SFE. Alaskan oil service firms are hoping to do work for a new Atlantic Richfield subsidiary formed to explore for oil in Magadan. Other firms, —Alascom, Bering Straits Native Corp., Northern Air Cargo — have ventures formed some time ago.*

***

For Wealthy Alaska, Soviet Far East, A Cautious Courtship Across Cold Sea

Exchanges Continue as Bureaucratic Obstacles Temper Optimism

By Jay Mathews
Washington Post Staff Writer

ANCHORAGE—Rich and restless, at odds with nagging, distracted parents, the state of Alaska and the Soviet Far East act like two brainy teenagers in an Arctic flirtation. After two years of exchanging glances, they remain interested in each other but unsure whether they are capable of a lasting commitment.

Despite political and economic turmoil in Moscow and war fever in Washington, these two territories separated by just a few miles of frigid ocean have surprised their distant political masters by moving with the inbred confidence of people surrounded by vast mineral, forest and ocean resources.

"The people of the Soviet Far East are very progressive, by and large," said Douglas Versteeg, vice president of Alaska Airlines, whose company is about to launch the first regular trans-pacific routes to the Soviet Union in June.

"They have timber reserves, fishing, gold, gems, oil and gas," said David Cannon, an American trader enthusiastic about his dealings with several popular and innovative Soviet Far East politicians.

American visitors to the Magadan region across the Bering Strait and the Khabarovsk region farther south see their Soviet hosts [illegible] well while food shelves in

BY CLARICE BOWID—THE WASHINGTON POST

Moscow far to the west are empty. The Soviet territory has no major ethnic strife and, as part of the Russian Republic, does have many local leaders with close ties to reformist Russian President Boris Yeltsin.

Soviet visitors to Nome and Anchorage in turn find American business executives enjoying a still-healthy economy aided by recent oil price increases. Many Alaskans appear willing to take risks with erratic Soviet regulations and a Soviet currency useless beyond Soviet borders.

Consider, for instance, the case of Earl Romans, owner of Alaskan Battery Enterprises Inc. in Fairbanks. He began producing vehicle batteries with a Soviet partner in Magadan, whereupon the KGB grabbed his first shipment overseas as contraband.

Romans is back in Magadan this week asking the Soviet intelligence agency to alter its designation of the batteries as war materiel. "He's going to keep with it," said Steve Best, Romans's operations manager in Fairbanks, "and he figures when you get the first shipment through, then things will be okay."

Interest in economic, social and scientific exchanges across the Bering Strait blossomed in late 1987 with an exchange of messages between Juneau and the city of Khabarovsk more than 3,300 miles away. The idea of reviving some of the 19th century closeness when this was Russian territory led to a flurry of visits and a media extravaganza, the Nome to Provideniya Friendship Flight of June 1988.

Like all American love feasts with socialist countries, the Alaska-Soviet Far East relationship since has bogged down in bureaucratic wrangling, misunderstood rules, language gaps and resistance from distant national capitals with different priorities.

The Soviet Far East has new governors who share Yeltsin's reformist views but must deal with less imaginative bureaucrats in Moscow and foot-dragging officials on their own staffs. "It is not as optimistic as it once was," said Glenda Clark, special staff assistant with the Alaska governor's Office of International Trade (OIT).

The OIT's most recent assessment said Alaskans will need to keep their expectations of Soviet Alaskan ventures low for the short term. It said the Soviets would

BY DOUG ARMSTRONG FOR THE WASHINGTON POST

Doug Drum's Soviet-based sausage factory sells a rouldue—the reindeer horse—to South Korea to earn hard currency.

have to do something about their unstable, nonconvertible currency, the ruble, which "makes many investors gun shy" although "many Alaskans have thought up clever ways of bartering for their investment payment."

Among the most creative has been Doug Drum of Indian Valley Meats, whose complex three-corner trade was reported in the newsletter of the University of Alaska's Alaska Center for International Business.

Drum's Soviet-based reindeer sausage factory has branched into poultry, pasta and ice cream. He has found a way to earn hard currency by selling reindeer horns, a residue of the sausage plant, to South Korea where they are ground into powder and savored for their alleged aphrodisiac effect on men.

The lack of hard currency leads to a habitual grasping by Soviets in negotiations. Aeroflot, the state airline, "tries to get all the hard dollars out of you they can," said Ron Sheardown, an Anchorage gold-mining entrepreneur involved in several Soviet negotiations.

Initial exchanges, he said, were on a "you pay, we pay" basis, with hosts paying foreign visitors' expenses. Now the Soviets ask for what Sheardown called a "you pay, you pay" arrangement.

The most active Alaskan traders seem willing to persevere. Cannon said he had to cancel a trade-delegation trip in December when "a directive came from Moscow that doubled the effective cost of the charter flight." But he plans to leave with another delegation Friday for Sakhalin Island, where the local reformist governor, Valentin Fyodorov, waits to do more business with his new American friends.

Sakhalin has potential offshore oil reserves, the makings of a tourist market and a governor who exemplifies the Soviet Far East's streak of independence and impatience with old rules, even if obstacles remain.

At a welcoming meeting, Fyodorov pointed to an unsmiling line of men nearby and told his guests: "I want you to look to your right over here. These are the people you have to fight. They are my deputies. They cause all the problems."

Anchorage Times 3/3/91

Soviet turmoil tests Alaska enthusiasm for business ties

By JULIA RUBIN
Associated Press Writer

ANCHORAGE—Not long ago, it seemed all an Alaskan needed to start a business venture across the Soviet border was a warm handshake.

Now, many realize, a cool nerve may be more important.

"Only certain people have the stomach to persevere," said Jim Rowe, president of Nome-based Bering Air, which has operated charter flights between Nome and the Soviet city of Provideniya for nearly two years. He hasn't turned a profit yet, and doesn't expect to for awhile.

As the Soviet Union's political and economic troubles grow, there's a weeding out process taking place among the numerous business exchanges that have sprouted between Alaska and the Soviet Far East in the past two years.

Those with enough patience and dedication are hanging in there. Others are stepping back in frustration.

Many Alaskans say the Soviet Far East is far enough from Moscow and the Baltics that it is relatively unaffected by the unrest and turmoil there. The big ventures continue.

Alaska Airlines, for example, remains committed to launching commercial service to the Soviet Far East in June.

Earl Romans, president of Alaskan Battery in Fairbanks, is undaunted in his efforts to make batteries with a Magadan outfit and sell them internationally.

The first shipment of his Soviet-made batteries, manufactured by agreement with the Soviets at a government facility, recently was seized as contraband by authorities before it could leave port. But Romans, who has written Soviet President Mikhail S. Gorbachev personally to get the issue resolved, said such things are simply part of the ups and downs of doing business in the Soviet Union.

"You have to be very patient," Romans said. "When you make new rules, nobody understands them. It takes time for people to figure it out."

Nome merchants aren't giving up either. Many have been accepting rubles from Soviet visitors in hopes the currency will become convertible on the world market. It hasn't, and they've been stuck selling the worthless bills to American tourists as novelties.

They have no plans to give up the money exchange or any of the many programs Nome residents are taking up with the Soviets, however.

Still, other businesspeople are nervous about what they see happening in the Soviet Union, including the government's authorization to the KGB to examine private businesses' books and look for speculators.

Vic Fischer, who has coordinated numerous scientific and cultural exchanges as director of Soviet relations at the University of Alaska, said such moves threaten to chill enthusiasm in both countries.

"People who are involved in business activities are sort of holding their breath," he said. "The mood is very different compared with two years ago.

"Then it was general enthusiasm and optimism about perestroika, about what was coming down the line, about Gorbachev. And gradually over the last two years, it just has been continually a decline—in faith in the system and the government, in reform and perestroika and Gorbachev himself."

Harry Gregson, owner of

(See SOVIET, Page B-6)

SOVIET

(Continued from Page B-1)

Easy Travel Service in Anchorage, said his Russian business partners still were eager to build a joint tourism business. But problems in the western Soviet Union convinced him it wouldn't work.

Eight months ago, Gregson visited the Soviet Union to set up contacts and left thinking it was the perfect tourism destination, full of rare sights and friendly people.

But soon things began unraveling. There was little existing tourism infrastructure, he found, and communications were difficult. Most Alaskans who wanted to visit the Soviet Union wanted to see its western cities, where Gregson saw growing street crime, ethnic tension and material shortages.

He said he couldn't make a business based only on travel to the Soviet Far East.

"The Soviet people are wonderful, and I have some real guilt feelings about not trying to do business for them," said Gregson. "But the uncertainties—food problems, crime and the disorganized way they do business. I decided it wasn't worth putting very much effort into promoting it now. A year ago, it would have been completely opposite."

Most of Gregson's bookings to the Soviet Union are by businesses, and that part of his bookings has dropped off by half, he said. Some of the decline might also reflect travelers' concerns about terrorism and making airline connections in Europe, he said.

But Rich Goldstein, a Russian translator in Anchorage who helps American companies communicate with the Soviets, said that part of his business also appears to have dipped.

He said he has seen a cycle of frustration that he believes is part of dealing with the Soviets.

"All the good wishes in the world won't make up for the lack of a telephone system or a working postal system," Goldstein said.

Anchorage Daily News 3/3/91

Aeroflot sets debut

By HAL BERNTON
Daily News reporter

Aeroflot, the Soviet state-owned airline, plans to begin twice-weekly scheduled service through Anchorage with flights beginning May 12, according to Scott Thorson, marketing manager for Northern Air Cargo.

One flight would begin in the Soviet Far East city of Khabarovsk and fly through Magadan to Anchorage. Another flight will continue on to San Francisco.

Thorsen said he received news of the

Please see Page D-2, AEROFLOT

AEROFLOT: Sets regular service

Continued from Page D-1

start-up service in a telex from the Soviet Far East office of Aeroflot.

The magazine Aviation Week & Space Technology reported that the service will be on a seasonal basis during the spring and summer months.

Beginning May 31, Aeroflot also plans to offer twice-weekly service between Moscow, Anchorage and San Francisco, the magazine reported.

Aeroflot officials could not be reached for comment A federal Transportation Official reached Friday in Washington said he could not confirm the service.

As yet, Aeroflot has not filed with the agency for permission to serve the routes, a step required as part of 1990 aviation agreement.

Aeroflot currently operates frequent charter flights into Anchorage.

When it begins scheduled service this summer, it will compete for passengers with Alaska Airlines, which beginning in June will offer three-times weekly service from Anchorage to Magadan and Khabarovsk.

Thorson said Northern Air Cargo will begin on Aug. 1 a weekly all-cargo service to Magadan and Khabarovsk. If traffic loads are high enough, the service will continue year-round.

For Northern Air, the service is a bit of a gamble, and at least in the early months it will not be able to garner any mail traffic to help fill up the airplanes. That's because the U.S. Postal Service still routes all of its Anchorage-Magadan mail on a lengthy trans-Atlantic route through Moscow.