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STATE OF ALASKA

Agency Evaluation Recommendations
to
Interim Task Force on International Trade Policy
Co-Chairs Senator Steve Rieger
and
Representative Beverly Masek

Commissioned by:
Alaska State Legislature

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The following report is intended to complement the executive summary in presentation to the legislature. The information contained in this report is supplementary only and is in no way intended to reflect all elements of a comprehensive state international policy. Instead, the issues discussed are intended to be used as theoretical evidence for policy restructuring recommendations.

I. INTRODUCTION

The question of whether or not the continued internationalization of Alaska is critical to the state's prosperity is no longer equivocal. For those who are unaware of the importance of global preparedness, consider this one fact: no Alaskan company is immune from global competition - the United States is such a strong node of import activity that Alaskan companies must either adjust to the dynamics of the global marketplace or face imminent losses in market share.

This international marketplace which now begirds the Alaskan economy has changed substantially since the state's entry into the theater of global competition. Thirty years ago, Alaskans weren't exporting much of anything - in 1994, Alaskan exports exceeded five billion dollars - the overwhelming majority of which were natural resources heading for the Asian Pacific Rim. While natural resources have formed the mainstay of Alaskan export activity since the state's entry into the international marketplace, new industry sectors are testing the waters of global competition. Service sector and light manufacturing companies are quickly discovering that Asian Pacific Rim market cultivation works for natural resources - but lacks the flexibility required to effectively promote other product and service niches.

In addition to changes in export assistance requirements among Alaskan businesses, deviations in socioeconomic development throughout the world have expanded the scope of issues which now must be monitored by state leadership.

Twenty years ago, state protocol efforts were primarily aimed at developing relationships with Asian Pacific Rim markets to promote the sale of Alaskan natural resources. Today, the export of natural resources is largely controlled by outside intermediaries operating in well developed trading channels. Service sector firms and manufacturers of specialized equipment winding down from operations on the North Slope are now attempting to penetrate new markets in Russia, Africa, and South America. The need for expanding the focus of state protocol activity is more critical than ever.

In response to such challenges, other states began to strategically reassess their role as international service providers. Throughout the 1980s, state and federal expenditures on international activities skyrocketed. However, it was quickly discovered that public international service networks which lacked close links with the private sector, in-house capabilities for responding to changes in the global marketplace, and benchmark performance standards were inadequate. Economic development strategists responded by developing highly streamlined and responsive international service networks built around three tools of internationalization: international education, export assistance, and protocol / foreign investment promotion activities.

The breadth of activities currently being conducted by the various international support organizations in Alaska has fimbriated into fields which deviate substantially from primary mandates or missions - much like organizations in other states prior to the development of comprehensive international plans. In Alaska, the situation has led to considerable confusion (and in some cases, resentment) among private sector companies seeking to penetrate foreign markets or benefit from state-led protocol initiatives. For instance, throughout the private sector needs assessment survey, numerous Alaskan businesses - across industry lines - commented that they simply did not know where to turn to

procure state provided export assistance. The private sector's confusion is understandable - six public organizations in the state offer export assistance services while five conduct foreign investment promotion activities. Alaska's international service network is a hotbed of service duplication, obsolete market assumptions, intense interorganizational competition, and governmental waste. Clearly, our state can do better.

A. The 1995 Interim Task Force on International Trade

In March of 1995, the Alaska State Legislature commissioned a special interim task force to examine Alaska's international trade support network. The goal of the task force was to assess Alaska's international policy in terms of the following areas:

- Policy: What is the appropriate role of state government in international trade and affairs?
- Structure: What is the most effective and efficient way to structure Alaska's international trade support network?
- Budget: The development of a comprehensive budget plan for Alaska's international support network.

The international policy assessment included four primary elements:

1. A private sector international business needs assessment survey was conducted to assess the demand for and utility of international trade support services in Alaska. (Responsibility for conducting the survey was contracted out to the World Trade Center Alaska).
2. Public international trade support organizations in Alaska were surveyed to identify areas of activity duplication and obsolescence.
3. International trade support network models in other states were reviewed within the context of the following areas: export assistance, foreign investment

promotion / protocol, and international education.

4. A final hearings session was held to complement the legislature's overall review Alaska's international policy and trade strategy.

B. Methodology Comments

In order to simplify the scope of issues associated with the general globalization of Alaska for use in a policy review, organizations comprising the state's international support network were evaluated according to activity in three areas:

- Export assistance
- Foreign investment promotion / protocol activity
- International education

Organizations were specifically examined to identify areas of activity duplication and obsolescence, service specialization, interorganizational cooperation, and the overall extent to which activities were relevant within the context of the changing global marketplace. In effect, the task force took a step back and considered how the state's international service network might look if redesigned from scratch (utilizing integrated models developed in other states). Existing international support organizations were then carefully examined to identify how each group could most effectively benefit the state within the context of the private sector international business needs assessment and Marketing Alaska. Recommendations made regarding adjustments to Alaska's international support network are the exclusive result of the above-mentioned process.

III. EXPORT ASSISTANCE

A. Introduction

Alaska's public export assistance service "network" spans seven organizations - five of which are recipients of general fund dollars. While each organization brings a different measure of expertise to the state's trade system, no group is charged with primary responsibility for balancing interorganizational export assistance services. Consequently, it was not surprising to discover that export assistance coordination in Alaska is virtually nonexistent. What was surprising (and disappointing) to discover was the very weak understanding these organizations had of the Alaskan private sector's true international needs. Examples include:

- Small businesses represent one of the greatest sources of potential exporter growth in the Alaska. However, the promotion of export growth among small and medium sized businesses in Alaska is virtually non-existent.
- While natural resources comprise the overwhelming majority of Alaskan exports, it is estimated that over three-fourths of natural resource companies utilize either specialized in-house exporting techniques or intermediaries to execute international transactions. In other words, natural resource companies have the among the fewest export assistance needs in the state.
- No state supported organization in Alaska has developed an effective capability for providing export assistance to service sector companies.
- With the exception of natural resources, market prospects for Alaskan goods and services are no better in Japan and Korea than for any other developed country in the world.
- No international support organization in Alaska has ever conducted a "community sweep" to determine actual and potential clientele for international services.
- Several international organizations in the state do not clearly divide between

activities aimed at assisting exporters and activities aimed at promoting foreign investment. (As a result, establishing interorganizational benchmarks for measuring export assistance success is nearly impossible.)

- Export finance is a major obstacle to Alaskan exporters. However, no international support organization in Alaska has facilities in place for assisting companies with the technical elements of export finance.

B. Critical Overview of Alaska's Export Assistance Network

Alaska Center for International Business

The self-described mission of the Alaska Center for International Business is "to facilitate the development of business relations with Alaska and other nations of the world". How ACIB goes about fulfilling this goal is as abstract as the rationale the Center uses for offering export assistance services. According to ACIB's survey and testimony, the Center's export assistance activities are focused on specialized market research. However, aside from academic activities, the Center's ad-hoc (company requested) research activity is an overt duplicate of information available through the NTDB. ACIB's claim that international market information available through the NTDB has limited utility because it lacks an "Alaskan perspective" is entirely unfounded.

In fact, ACIB's broad research scope, dissemination of primarily generic international market material, and intense focus on natural resource based industries drastically reduces the Center's potential usefulness as a provider of export assistance services in Alaska. Because ACIB is not by design primarily linked to the private sector, it simply cannot successfully take a leadership role as an advocate of Alaskan businesses in the international marketplace.

Commercial Service of the U.S.A.

CSUSA's mission is to support American companies which seek to export their products and services to foreign markets. In support of this mission, the CSUSA (in conjunction with the federal Department of Commerce) maintains one of the most comprehensive trade networks in the world. Services include:

- 170 offices;
- Distributor / joint venture partner search services available for nearly every international market;
- Federal advocacy support;
- The National Trade Data Bank - the ultimate clearinghouse of international market information in the United States.

The CSUSA is important to Alaska's international support network for several reasons:

1. CSUSA provides Alaskan companies access to the most comprehensive range of trade support services in the United States (at no cost to the state of Alaska). CSUSA's services are so complete that every state supported export assistance organization in Alaska essentially duplicates CSUSA services in one way or another.
2. The National Trade Data Bank provides Alaskan companies with comprehensive market research and export information on virtually every country in the world.
3. The CSUSA Gold Key Service provides Alaskan companies with joint venture partner / distributor search services in virtually every market in the world.
4. CSUSA's expertise on export related issues is unparalleled in Alaska. Mr. Chuck Becker, Director of the CSUSA Alaska was the only representative of an international trade support organization mentioned by name as a trade resource in the private sector needs assessment survey (he was mentioned three times).

While the CSUSA is an extremely high profile trade organization in Alaska, it appears that state supported trade groups have not effectively coordinated their activities with the Commercial Service.

For instance, CSUSA offices in Japan and Korea are fully capable of providing specialized export assistance to virtually any Alaskan company - including natural resource sector firms. However, the state of Alaska still pours hundreds of thousands of dollars into the maintenance export assistance services aimed at servicing companies interested in Asian Pacific Rim trade. Substantially enhancing activity coordination with the CSUSA is a critical first step towards the development of a streamlined and efficient state export assistance network - especially considering that CSUSA's services provide a highly effective (and essentially free) alternative to numerous state supported export assistance activities.

Division of Trade and Development

Since its inception, DTD has been the flagship state supported international trade organization in Alaska. The organization's enabling legislation requires DTD to engage in a wide range of international activities which span export assistance, foreign investment promotion, and international education. While DTD's high profile presence in Alaska is an asset, its diversified activity base is a detriment. Like the CSUSA prior to its recent reorganization, DTD represents an excessively diversified agency which lacks any measure of interorganizational specialization. This condition is not necessarily DTD's fault - the legislation which enacted the (then) Office of International Trade required the organization to lead the state on a number of international issues. Addressing this condition is an important first step in enhancing DTD's overall effectiveness.

While export assistance is among DTD's strongest preoccupations, it is clearly the organization's weakest activity point. This appears to be primarily due to DTD's self-imposed limitations on export assistance activities rather than any deficiency in funding or support. For instance, DTD's incessant Asian Pacific Rim market focus is not only obsolete,

but also represents a potential barrier to companies seeking assistance with the development of flexible export marketing strategies (particularly in the case of service sector companies). Over sixty percent of Alaska's exports are headed for the Asian Pacific Rim - however, over ninety percent of these exports are natural resources - and it is estimated that over ninety-five percent of natural resource export transactions take place in well established trading channels or via specialized intermediaries (i.e., Alaskan natural resource exporters have comparatively few export assistance requirements). For nearly all other Alaskan products and services, market opportunities in the Asian Pacific Rim are generally no better than for any other developed country.

Where DTD does represent a critical element in Alaska's export assistance network is in the area of advocacy. Because DTD reports directly to the state administration, the organization is well suited to "go to bat" for Alaskan companies facing the wrath of unfair international trading practices. DTD's continued leadership on company and industry-wide advocacy matters should grow in importance as more Alaskan companies enter the licentious theater of international commerce.

World Trade Center Alaska

As the only public international trade organization in Alaska which actively generates revenue, the World Trade Center has an unique role in facilitating trade in the state. The simple presence of over 200 fee paying members indicates that a demand for WTCAL services exists. However, these export assistance services are certainly not suitable for all companies in Alaska. A quick look at the World Trade Center membership list reveals that a number of members are larger companies with in-house trade resources in place or smaller companies with a dedicated international focus. For companies lacking export experience or in-house trade capabilities, the \$ 300 - \$

2,500 annual membership fee probably represents an excessive addition to aggregate international business risk. Consequently, the World Trade Center's role as an international service provider is Alaska is clearly limited. However, utilizing the World Trade Center Alaska as a leader in providing export assistance to larger companies and experienced exporters would be an effective complement to the state's international policy.

Because the World Trade Center Alaska is membership based, its revenue generating activities can offset operational expenses and ensure that services are consistent with member needs. Supporting the establishment of the World Trade Center Alaska as an entirely autonomous unit would further enhance the Center's ability to provide flexible, client oriented services.

C. Issues

1. Export Assistance and the Global Approach

Ask any economic development watcher in Alaska about international trade, and their answer is likely to include something about the Asian Pacific Rim. The common-sense justification for this emphasis is clear - over sixty percent of Alaskan commodity exports (nearly all of which are natural resources) are destined for the Asian Pacific Rim marketplace. In addition, Alaska's strategic location within the Pacific Rim has facilitated the noticeable growth of trans-Pacific air cargo activity in Anchorage and Fairbanks. Despite these factors, the correlation between Alaskan export activity and the perceived need to focus export assistance services on the Asian Pacific Rim (e.g., state funded trade offices in Japan and Korea) is very weak. The results of the private sector needs assessment revealed that most Alaskan companies maintain a comparatively "global" trade focus. That is, private sector international marketing plans

consistently transcended the state's string of protocol efforts.

This suggests that one of two fundamental changes have taken place within the Alaska private sector - either companies have fully recognized that the advent of advanced telecommunications, rapid air travel, and global economic integration has substantially reduced an American company's need to limit their international horizons to trading nations of historical political favor or close geographic proximity - or the state's protocol and export marketing efforts are plainly inconsistent with changing realities in the international marketplace. Either way, the fact that Alaskan companies are willing and able to undertake business ventures in any corner of the world suggests that the state's intense focus on Asian Pacific Rim markets is obsolete. (This assertion assumes that the majority of Alaskan natural resource export transactions are handled via established trading channels.)

While the private sector's comments on export marketing strategies were in direct contrast to prevailing ideas on international trade requirements in Alaska, they were hardly surprising. Advances in the delivery of international market research have substantially reduced a state's need to focus export assistance on a handful of foreign markets. Unlike a manufacturing intensive state (in which intensive foreign marketing efforts can contribute towards export growth), an Alaskan trade delegation cannot simply land in foreign country and say, "This is what we make, what do you want to buy?" The Alaskan private sector is built around a number of unique small and medium sized businesses - most of which require a customized export assistance approach. Japan and Korea are tremendous natural resource and tourism targets - in fact, their strategic importance to these industries is nearly unparalleled. However, for nearly all other industries in the state, Japanese and Korean market potential is no better than for any other

developed country in the world (consider the market for oil field services, specialty jams, or Arctic engineering expertise in Japan and Korea).

This is not intended to suggest that reducing Alaska's *diplomatic* ties with Japan and Korea would in any way be beneficial. Economic growth in Asia remains very strong and Alaskans should never lose sight of the tremendous business, cultural, and educational exchange opportunities available within the region. However, the absolute benchmark for evaluating *export assistance* services should be export sales - and, as the private sector needs assessment revealed, sales opportunities for Alaskan goods and services have emerged all around the world. As technology and service companies wind down from activity on the North Slope (and infrastructure development requirements expand in developing countries), the state has an excellent opportunity to capitalize on demand for Alaskan expertise in emerging markets. Facilitating access to these opportunities requires the adoption of a fundamentally new approach to export assistance.

2. The Global Approach and the Service Sector (in an export assistance context)

A long-term managerial commitment to international trade is clearly a prerequisite to success in global marketplace. However, because the Alaskan economy is structured differently than most (i.e., the overwhelming majority of Alaskan exports are natural resources), international trade support organizations must be receptive to the relative lack of global "sophistication" which might exist within the managerial structure of Alaskan service companies. Consequently, simply prepossessing export interested service sector firms to a standardized marketing plan is an inadequate approach to export assistance.

In particular, primary export assistance for service companies (i.e., joint venture

partner / distributor searches) should be globally focused at every level. For instance, the maintenance of a region specific export assistance network is useless to a terminal-contract service exporter (i.e., construction, engineering, etc.) unless the bulk of global toxic waste spills, oil field discoveries, and infrastructure development projects are consistently concentrated in the same countries. Thus, an effective service sector export assistance program must be as globally flexible as a service company itself.

Similarly, utilizing protocol as a market penetration tool on behalf of service companies must be a strategically targeted venture. Even if Alaska negotiates a spectacular bilateral trading agreement, the effort is useless if it is driven by the private sector.

(The widespread inability of Alaskan companies to utilize state protocol efforts as a tool for penetrating the Sakhalin market illustrates this point. While Alaskan trade groups were pondering how to "enter" and "partner" with the Sakhalin market, Korean and Chinese companies (and a handful of motivated Alaskan firms) were making deals. Alaskan businesses which expected to simply follow the state's lead into the Russian Far East were left to discover that numerous opportunities had already been grabbed by foreign firms. The time and effort associated with the state's "Sakhalin effort" might have been better utilized by individually working with service companies, isolating their strengths and weaknesses as firms, and identifying a handful of projects around the world where their expertise could be specifically applied - companies identified as having potential in the Sakhalin market could then perhaps initiate a joint venture partner search.)

As an alternative to such activities, several surveyed companies recommended conducting short-term missions in developing regions where infrastructure and natural resource development project opportunities were emerging (e.g., the Middle East, Africa,

Vietnam, Sakhalin, etc.) Japan and Korea - as nations possessing an abundance of advanced service technology, few natural resources to extract, and comparatively well developed infrastructures - do not represent significant market prospects for Alaskan service companies. In fact, with the exception of a notable interest in the Russian market, surveyed service exporters reported engaging in international activities throughout the world. Export assistance services and protocol efforts aimed at benefiting Alaskan service sector firms should reflect this reality.

3. The Global Approach and Foreign Offices (in an export assistance context)

According to the Division of Trade and Development, maintaining Alaska's offices in Japan and Korea costs the state over half a million dollars a year - nearly one-half of DTD's total budget and over four times the World Trade Center Alaska's annual general fund allocation. Closing these offices would free up a substantial portion of international trade dollars without adversely affecting Alaskan export activity. However, such a move would also require the development of an alternative foreign market penetration / assistance (and subsequent distributor / joint venture search) strategy. In response, the following model was developed to reorganize state export assistance / market penetration efforts.

- Vertically refocus state supported export assistance (i.e., assist with the development of customized export marketing strategies only). The following scenario illustrates how Alaska's export assistance network might approach customized trade support.

1. Conduct a community sweep of the Alaskan private sector (across industry lines) to determine actual and potential clientele for export assistance services and state sponsored trade missions.
2. Follow-up with specialized market research to identify every market in the

world where a measure of demand might exist for Alaskan products or services (e.g., a list of nations where oil field development projects are taking place). Such information can be readily accessed via the NTDB.

3. Provide company specific / industry specific export assistance. (That is, assist companies with the development of customized export marketing strategies rather than randomly penetrating foreign markets with the assumption that Alaskan companies will follow.)

- Follow-up by organizing customized trade missions to target markets after lengthy interaction with companies in the host foreign country (potential joint venture partners / distributors) and the Alaskan private sector OR facilitate joint venture partner / distributor searches via the CSUSA Gold Key Service OR establish short-term trade liaison offices in strategic markets.

2. Utilize the foreign offices of other trade support organizations in lieu of Alaskan offices. ~~Alternatives include:~~

- CSUSA operates over 170 liaison offices (including offices in Seoul, Tokyo, Taipei, and the Russian Far East). Each of these offices offer a full range of market research and distributor / joint venture search services to any American company (most services are either free or available at a comparatively low cost). In addition, the National Trade Data Bank maintained by the CSUSA offers Alaskan companies free access to up-to-date trade leads and market information on nearly every region in the world.

- The World Trade Center Alaska has associate offices in over 250 locations worldwide (including Seoul, Tokyo, Taipei, and the Russian Far East). Companies which are members of the World Trade Center can post and access trade leads and a range of international market information available through the World Trade Center network.

- Various international services and contacts are available through the United Nations, domestic and foreign universities, foreign embassies, etc.

4. Small Business

Small and medium sized businesses represent one of the greatest sources of potential exporter growth in Alaska. Unfortunately, few international support organizations in the state provide export assistance services targeted at expanding small business export activity. Expanding the scope of public export assistance services for small and medium sized enterprises should be an integral element in Alaska's export assistance network.

Export assistance services for small companies can be approached in essentially the same manner as for service sector firms (i.e., customized, globally focused export assistance). The only significant difference in approach is the need to determine "export readiness" among small or new-to-export companies. Generally, export readiness can be gauged according to managerial commitment (a long-term managerial commitment is a definite prerequisite to success in international markets). However, other factors such as product suitability, company development, and the ability to divert sufficient resources to international activities must also be considered. Consequently, it is recommended that export assistance servers begin to develop objective criteria for quickly evaluating export potential.

In order to encourage the growth of export activity among small and medium sized businesses in Alaska, it is suggested that export assistance servers expand their efforts to enhance the perception of exporting as a feasible venture. It is understood that working with small and medium sized businesses is not the shortest route towards increasing Alaskan export activity. However, it is a necessary part of Alaska's export assistance network. In addition to Marketing Alaska, the following international support network-wide suggestions were developed to enhance small and medium sized business export activity:

- Rural Alaska is home to a variety of specialized products and services. However, most rural communities do not have access to export assistance services or international market information. Installing National Trade Data Bank software (or subsidizing internet subscription to the NTDB) and coordinating outreach export assistance services (e.g., an 1-800 number to the Export Assistance Center) via ARDORs and SBDCs would alleviate part of this burden.

- While there are few dedicated private export management companies in Alaska, there is an abundance of other exporting expertise - particularly among seasoned international traders. Establishing an "export mentoring program" (possibly modeled after the Ohio Export Assistance Network) could assist in the expansion of export activity among small and medium sized businesses.

5. Export Finance

A number of respondents to the private sector needs assessment survey reported that export finance was a major obstacle in their quest to export. Export finance should not be a distant element in the export marketing strategy - rather, companies should begin thinking about how to finance their ventures at the same time they conduct preliminary market research. Similarly, export assistance organizations in the state should maintain export finance assistance services as an integral element in their outreach strategies.

Establishing a new export finance assistance arrangement in Alaska does not necessarily mean that establishing a new export finance assistance organization is necessary. A number of export finance tools (i.e., EXIM, SBA, OPIC, World Bank, TDA, etc.) are already available. Unfortunately, there is no clearinghouse of expertise on export finance in Alaska. Supporting the hire of an export finance specialist to work in conjunction with the primary sources of export assistance

services in Alaska would alleviate this deficiency.

6. Trade Missions (Measuring Value and Horizontal vs. Vertical)

In the age of the information superhighway, sending state trade representatives to foreign markets to "look around for potential export opportunities" or "to get a sense of the market environment" is increasingly unnecessary. Up to date market research and hundreds of trade leads are available to companies on a daily basis. In response to complaints by the private sector that state funded trade missions are often poorly directed or unfocused, the following criteria were developed to measure the value of foreign travel by state officials:

1. The trip was paid for by private sector businesses; and / or
2. The government delegation is accompanied by businesses which are close to initiating actual deals ; and / or
3. The trip is in response to a special invitation by a foreign government of strategic significance (i.e., a protocol mission); and / or
4. Private sector companies place a request to open diplomatic ties with a certain region and demonstrate their interest by funding the diplomatic effort (with the exception of truly new markets (e.g., the former Soviet Union shortly after its disintegration.), detailed market research, business contacts, socio-political information, and culture notes are available in the National Trade Data Bank, World Trade Center Network, or even the local community. Technology has made it quite possible to structure trade missions around sales -- not "fact finding."); and / or
5. Private sector industry representatives request a diplomatic escort for a trade mission and demonstrate their interest in the mission by covering a part of the government delegation's expenses.

Recall that the job of a state trade assistance program is to promote and respond to the ambitions and needs of private sector businesses in the international marketplace. Going beyond the predetermined needs and requests of private sector companies on export assistance related issues is inappropriate - no one knows the international needs of private sector companies better than businesses themselves (consider that managerial philosophy can affect the propensity to export as much as profit potential).

In addition to measuring private sector content, trade missions should also be evaluated according to structure (in particular, industry concentrations). While the Alaskan economy is comparatively undiversified, the breadth of companies which might benefit from a trade mission covers a range of highly specialized industries. As the cost associated with executing a horizontal "bombshell effect" trade mission can only be recovered if representatives from a range of foreign industries are present to make deals, it is strongly recommended that Alaskan export assistance servers vertically organize all trade missions.

IV. FOREIGN INVESTMENT

A. Introduction

The Division of Trade and Development is the only state supported organization charged with responsibility for coordinating Alaska's foreign investment promotion and protocol activities. The Alaska Center for International Business claims that part of its mission is to expand Alaska's relations with other nations of the world (however, ACIB's approach to foreign relations building is not worthy of extensive consideration on the matter). No organization in Alaska is charged with developing a strategic framework for promoting the general internationalization of Alaska - a task which necessarily focuses foreign investment promotion activities on a common goal. Unlike the export assistance arrangement in the state,

there appears to be a deficiency of interest in building Alaska's "subtle" relationships with other regions of the world. Thus, Alaska's foreign investment promotion / protocol efforts can only be delivered in sporadic and unconcentrated batteries. The need for further promoting external investment in the state (foreign investment represents a significant source of potential economic development interest) and enhancing Alaska's reputation as a player in the global marketplace is obvious. However, fulfilling this goal requires a dedicated intensification, refocusing, and overall expansion of Alaska's reverse investment efforts.

B. Critical Overview of Alaskan Foreign Investment Promotion / Protocol Activity Efforts

Division of Trade and Development

As mentioned, the Division of Trade and Development is the only state supported organization in Alaska charged with responsibility for building Alaska's relations with other nations of the world. As an adviser to the governor, DTD is well-suited to continue its role as the lead protocol intermediary in Alaska. However, several factors limit DTD's ability to effectively deliver foreign investment promotion / protocol activities:

1. DTD is vulnerable to structural disintegration every time a new governor is elected (i.e. DTD trade specialists are PX employees).
2. Alaska has no strategic international plan for DTD to structure its protocol activities around. (DTD's self-described "Asian Pacific Rim" emphasis is far from adequate.) Consequently, protocol activity in Alaska is primarily conducted on an "as the opportunity arises" basis.
3. DTD has among the highest activity diversity levels of any international organization in the state. Alleviating part of DTD's responsibility load would undoubtedly enhance the organization's ability to conduct targeted and effective protocol activities.

4. DTD is not globally focused (i.e., DTD's self described emphasis is nearly exclusive to Canada, the Circumpolar North, and the Asian Pacific Rim).

DTD's inability to effectively address these issues is understandable - the legislation which enacted the (then) Office of International Trade required the organization to lead the state on virtually every international trade related matter. The elimination of export assistance services as a responsibility of DTD should provide the organization greater flexibility in its efforts to draw investment to Alaska.

Alaska Center for International Business

Because ACIB receives general fund dollars for "expanding Alaska's relations with other nations of the world", it was necessary to evaluate the organization in such a context. Doing so was not an easy task. As a research unit of UAA, ACIB's approach to foreign relations building is so abstract that it was difficult to evaluate in any context. According to ACIB, the center primarily fulfills its mission by conducting specialized international market research relevant to Alaska's main trading partners (i.e., the Asian Pacific Rim). However, aside from specialized research and instruction, the only evidence of ACIB protocol activity is found via the American Russian Center (including the University of Alaska Fairbanks' ties with ARC).

Evaluating ACIB's potential capability as an international relations liaison can be quickly simplified:

If a high ranking official from a foreign country traveled to Alaska, would they rather visit with the governor or the staff of the local university?

**Interim Task Force on International Trade
International Support Network Restructuring Recommendations**

DIVISION OF TRADE AND DEVELOPMENT

Recommendations:

1. Dedicate the Division of Trade and Development as the state leader in foreign investment promotion, protocol activity, and advocacy on behalf of Alaskan companies in the international marketplace.
2. Assign responsibility for the development of a dynamic, comprehensive international economic development strategy for Alaska to DTD.
3. Direct DTD to discontinue all export assistance services (including export counseling, export related publications, etc.)
4. Eliminate funding for DTD office in Seoul, Korea.
5. Eliminate funding for DTD office in Tokyo, Japan.
6. Direct DTD to reclassify all employees as classified.
7. Direct DTD to strategically reassess staff qualifications based on the elimination of export assistance services.
8. Provide funding for the maintenance of one protocol officer stationed in Japan to coordinate and manage Asian Pacific Rim affairs.
9. Provide an enhancement to DTD for expanding the context and focus of Alaskan protocol activities.

Suggested cuts:

- Korea office: \$ 218,000
- Japan office: \$ 324,000
- Export assistance services: \$ 100,000 (Recommend that remaining funding targeted for export assistance activities be internally reallocated.)

Total suggested cuts: \$ 642,000

Suggested enhancements:

- Asian Pacific Rim protocol officer (stationed in Japan): \$ 125,000
- Funding for the expansion of Alaskan protocol and foreign investment promotion activities: \$ 75,000

Total suggested enhancements:

\$ 200,000

NORTHERN FORUM

Recommendations:

1. Transfer funding responsibility for the Northern Forum to the Governor's budget.

ALASKA CENTER FOR INTERNATIONAL BUSINESS

Recommendations:

1. Transfer budget oversight for ACIB from the University of Alaska endowment to the Department of Revenue.
2. Eliminate ACIB funding being diverted to World Trade Center Alaska.
3. Eliminate funding for ad-hoc export assistance services (market research) at ACIB.
4. Eliminate funding for ACIB's international trade data base.
5. Eliminate funding for ACIB's efforts to "coordinate the efforts of state sponsored organizations involved in assisting and promoting the development of trade in international markets for Alaskan products."
6. Provide ACIB an enhancement for expanding its academic research links with University of Alaska campuses in Fairbanks and Juneau.

Suggested cuts:

- Funding redirected to World Trade Center Alaska: \$ 128,000
- Export assistance services: \$ 125,000
- Other auxiliary activities: \$ 225,000

Total suggested cuts:

\$ 478,000

Suggested enhancements:

- Funding for expanding ACIB's research links with University of Alaska campuses in Fairbanks and Juneau: \$ 100,000

Total suggested enhancements:

\$ 100,000

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

Recommendations:

1. Direct AIDEA to contribute \$ 600,000 (\$200,000 over each of the next three years) towards the maintenance of an export finance specialist co-located with the World Trade Center Alaska and Commercial Service of the U.S.A.

WORLD TRADE CENTER ALASKA

Recommendations:

1. Support the establishment of the World Trade Center Alaska as a quasi-autonomous export assistance server in Alaska.
2. Direct World Trade Center Alaska to target larger businesses, experienced exporters, and companies with a dedicated international focus for its primary recruitment efforts.

EXPORT ASSISTANCE SPECIALIST

Recommendations:

1. Provide funding for the hire of one qualified export assistance specialist (in addition to the export finance specialist) to be co-located within the organizational structure of the World Trade Center Alaska. The individual should have the following responsibilities:

- Providing customized export assistance services to Alaskan companies. (Note: the export assistance specialist is intended to operate autonomously from the World Trade Center Alaska).
- Engage in revenue generating activities (possibly similar to Minority / Disadvantaged Business fee for service arrangements).
- Expanding the number of Alaskan small and medium businesses involved in exporting.
- Developing and maintaining different export marketing strategy "blueprints" for major industry groups in the state (e.g., natural resources, services, light manufacturing / retail, small businesses etc.) This should be done in conjunction with Marketing Alaska whenever appropriate.
- Providing referrals to private sector sources of export assistance whenever appropriate.
- Maintaining and updating a comprehensive list of all current and potential exporters in Alaska (i.e., conduct regular "community sweeps" to determine actual and potential clientele for export assistance services in Alaska).
- Coordinating interorganizational activities among export assistance service providers in Alaska - especially CSUSA, SBDC, WTCAL, DTD (on protocol matters), and private sector sources of export assistance.
- Assist in the coordination of export promotion related trade missions (in conjunction with CSUSA, WTCAL, and DTD).
- Maintaining outreach capabilities for providing export assistance services throughout the state (e.g., 1-800 number, coordination with ARDORs and SBDCs, installation of NTDB software or NTDB internet subscriptions in rural communities, etc.).

Suggested general fund contribution:

- Suggested annual general fund contribution: \$ 75,000

**Alaska International Support Network
Budget Recommendations, 1995**

	1995 GF Support	Suggested 1996 GF Support
Alaska Center for International Business:	\$545,373	\$167,373
Division of Trade and Development:	\$1,145,000	\$703,000
The Northern Forum:	\$100,000	\$100,000
World Trade Center Alaska:	\$0*	\$200,000
Alaska Seafood Marketing Institute:	\$550,000	\$550,000
Division of Tourism:	\$949,900	\$949,900
Total:	\$3,290,273	\$2,670,273

* World Trade Center Alaska funding was passed through ACIB in 1995.

ALASKA CENTER FOR INTERNATIONAL BUSINESS

Enhancements:

<u>Expanding ACIB research links with UAF, UAS:</u>	<u>\$100,000</u>
Total Enhancements:	\$100,000

Cuts:

World Trade Center Alaska funding:	\$128,000
Export assistance services:	\$125,000
<u>Other auxiliary activities:</u>	<u>\$225,000</u>
Total Cuts:	\$478,000

Suggested 1995 general fund support:	\$167,373
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DIVISION OF TRADE AND DEVELOPMENT

Enhancements:

Asian Pacific Rim protocol officer stationed in Japan:	\$125,000
<u>Expansion of protocol / foreign investment promotion efforts:</u>	<u>\$75,000</u>
Total Enhancements:	\$200,000

Cuts:

Korea office:	\$218,000
Japan office:	\$324,000
<u>Export assistance services:</u>	<u>\$100,000</u>
Total Cuts:	\$642,000

Suggested 1996 general fund support:	\$703,000
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WORLD TRADE CENTER ALASKA

Enhancements:

Funding formerly directed via ACIB:

\$128,000

Export assistance specialist:

\$72,000

Total Enhancements:

\$200,000

Suggested 1996 general fund support:

\$200,000