

02/12/13
Presenta-
tion:
World
Trade
Center
Alaska

<TARGET><BILL></BILL><SUBJECT>02-12-13 Presentation World
Trade Center Alaska</SUBJECT><COMM>HEDT28</COMM></TARGET>

Alaska State Legislature

Representative Shelley Hughes, Chair

Session Address:
Alaska State Capitol, Room 409
Juneau, Alaska 99801-1182
Phone: (907) 465-3743
Fax: (907) 465-2381
House District 8



Representative Lynn Gattis
Representative Bob Herron
Representative Pete Higgins
Representative Craig Johnson
Representative Kurt Olson
Representative Lance Pruitt
Representative Harriet Drummond
Representative Geran Tarr

House Special Committee on Economic Development, Trade and Tourism

AGENDA

February 12, 2013

1. Call to Order

~Gavel~ Welcome to the joint hearing of House Economic Development, Trade and Tourism Committee and Senate World Trade. The meeting is called to order. The time is _____. Welcome, everyone. Thanks to LIO monitor, _____, and our recording secretary, Debbie, and to committee aides, Ginger Blaisdell and Katrina Matheny.

2. Roll Call and Agenda

- For the record, in attendance are: (representative xx, representative xx,... and representative xx – and remember to include self!) Senator Stevens, please introduce the senate members in attendance.
 - Several members may be coming and going due to other committee meetings underway.
- Today we are hearing from Greg Wolf, Executive Director of the World Trade Center Alaska.

3. Calendar Review

- We do not have a meeting scheduled for Thursday, February 14th.

Do members have any closing comments?

- Thank you. We are ADJOURNED at _12:___ (time).” ~Gavel~

Are there any state statutes or regulations that inhibit your ability to further develop international economic development? Or changes that would better encourage economic development in Alaska?

Do you have a long range plan?

What industry are other states or countries asking of Alaska that we have not developed enough to support the request?



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Commerce, Community,
and Economic Development

DIVISION OF ECONOMIC DEVELOPMENT

P.O. Box 110804
Juneau, Alaska 99803-0804
Main: 907.465.2510
TDD: 907.465.5437
Fax: 907.465.3767

February 11, 2013

The Honorable Shelley Hughes, Chair
Special Committee on Economic Development, Trade, and Tourism
House of Representatives
Alaska State Capitol
Juneau, Alaska 99801-1182

Subject: Committee Meeting Follow-Up

Dear Representative Hughes:

As follow-up to the ARDOR Program overview at the February 5th meeting of the Committee on Economic Development, Trade, and Tourism (EDTT), the Division of Economic Development would like to offer clarification regarding committee member questions.

1. What percent of the Division of Economic Development's budget is attributable to the ARDOR Program?

For fiscal year 2013, the ARDOR Program is 2.9 percent (\$807,593) of the Division of Economic Development's \$28 million budget. Notably, the ARDOR Program is primarily a pass-through grant with the regional development organizations as the beneficiaries.

2. What was the original value of the ARDOR Program annual grant to regional development organizations?

During discussion, one of the ARDOR directors erroneously noted state statutes have always allowed for up to \$100,000 to each ARDOR since the founding of the program. Senate Bill 480 established the Alaska Regional Economic Assistance Program during the 15th Alaska State Legislature (1988). Original state statutes provided "the total amount of grant money provided to an organization during a fiscal year may not exceed \$50,000." During the past 25 years, the \$50,000 maximum grant amount has increased to \$100,000; however, ARDORs have never received more than approximately \$62,000 per year.

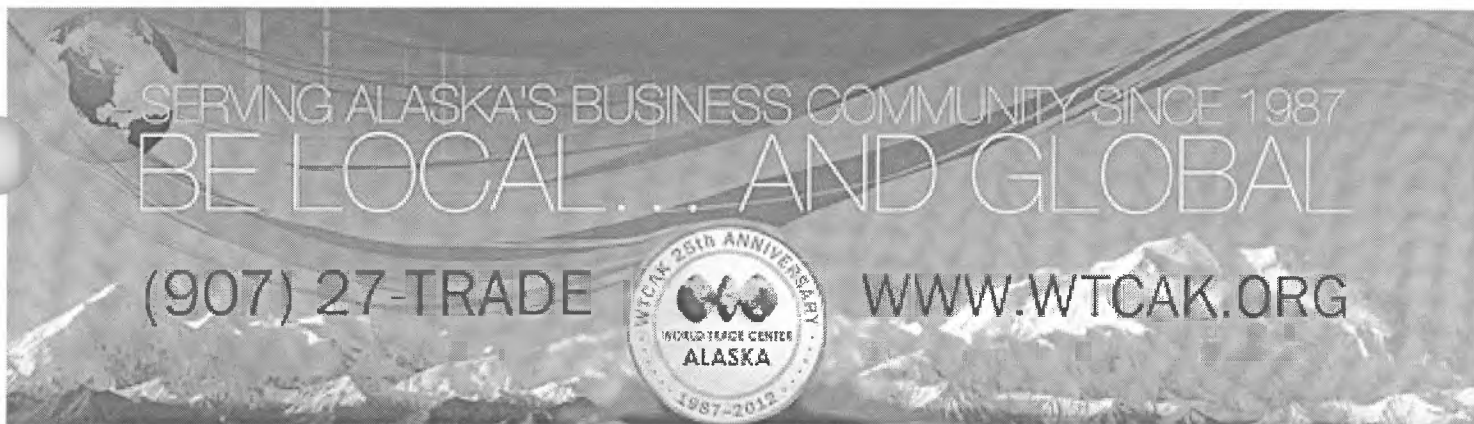
Thank you again for the opportunity to provide information to the committee. We look forward to working with you more in the future.

Sincerely,

A handwritten signature in cursive script that reads "L. Palmer".

Lorene Palmer

Director, Division of Economic Development



The Communiqué (week of October 15, 2012)

Letter from the Executive Director



©2012 Chris Arnes

Greg Wolf
Executive Director
World Trade Center Alaska

Welcome to another edition of **The Communiqué**. As the fall season makes the all too quick transition to winter, the Trade Center is busy working with members pursuing business opportunities overseas. We are also in full-swing making preparations for a number of events occurring this winter and spring. I want to thank all of you that participated in our **6th Annual Trade is Transportation Conference** last week. The conference featured eighteen presentations covering many aspects of transportation and logistics statewide. I especially would like to thank **U.S. Senator Mark Begich** for making the closing remarks at the event.

If your company is considering doing business in China, you won't want to miss our upcoming **8th Annual Alaska-China Business Conference** taking place on Tuesday, 11 December 2012 at the Hotel Captain Cook. Alaska's exports to China are booming -- from \$102 million in 2000, to \$1.4 billion last year -- and the prospects for expanding these exports are excellent.

This conference brings together Chinese and U.S. trade officials, Alaskan business people already "on the ground" in the China market who will share their experiences, China-focused business consultants, and other experienced "*China Hands*." For anyone interested in developing contacts and learning more about commercial opportunities in the Middle Kingdom, this once-a-year event is a 'must do.' Visit our website for registration information.

World Trade Center Alaska is a statewide organization. Our board directors and members hail from all parts of the state. Many of you are aware, of course, of the major business events we conduct in Anchorage, but less may know of the events we conduct in other cities and towns across the state. For example, every January our annual **Statewide Economic Forecast Luncheons** take place in **Fairbanks** and **Juneau**, in addition to Anchorage. Just recently we conducted an **Executive Briefing Series** event in **Kodiak** that focused on export finance programs available through the Small Business Administration and the Export-Import Bank of the United States. In 2013, we plan to expand our reach into other communities around the state.

I encourage you to take part in our programs and keep in touch with our office. **These are exciting times for Alaskans to explore opportunities abroad.** So much of the world needs what we have to offer. Let's work together to pursue these opportunities. Membership with WTCAL is your passport to being Local...and Global!

Best Regards,

Greg Wolf
Executive Director

A World of Opportunity:

An Update on Alaska's International Trade. Trends and Outlook Moving Forward

Presented by Greg Wolf, Executive Director, World Trade Center Alaska
12 February 2013

Presented at the Joint Meeting of

- House Special Committee on Economic Development, Trade & Tourism
- Senate Special Committee on World Trade



**WORLD TRADE CENTER
ALASKA**



**WORLD TRADE CENTER
ALASKA**

History of the Trade Center

- Established in 1987 by the University of Alaska
- In 1998, transitioned to private, non-profit corporation
- Governed by 18-member, statewide board of directors
- Since 1998, annual partnership with the State of Alaska
- Since 2008, representing U.S. Department of Commerce for Trade in Alaska
- Since 2009, annual partnership with the University of Alaska
- Approximately 100 members statewide

A World of Opportunity:

An Update on Alaska's International Trade. Trends and Outlook Moving Forward.

- I The Numbers
- II The Trends
- III The Outlook
- IV The Trade Center

International Trade is Big Business for Alaska

- Overseas Exports estimated \$4.5 billion in 2012
- This represents nearly 10% of the Alaska's Gross State Product (GSP)
- New Money into Economy
- Thousands of Direct and Indirect Jobs
- Results in stronger, more diversified economy
- How We Rank?
 - Alaska ranks 40th among all states by the value of exports
 - As a percent of GSP, Alaska ranks 14th
 - On a per capita basis, Alaska ranks 4th

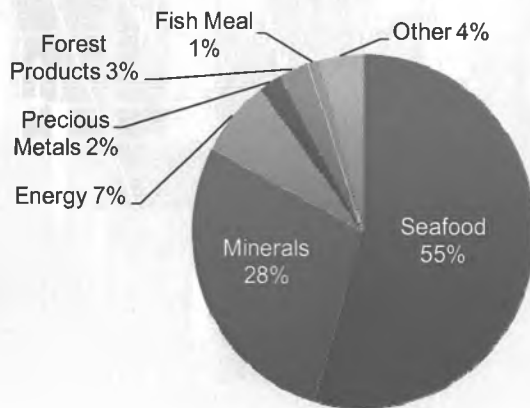
Why Trade Matters?

- Substantial component of Alaska's economy. Exports typically account for approximately 10% of the GSP. Export total does not include the export of services from Alaska – such as construction, engineering and oil & gas services.
- Exports now bring between \$4 and \$5 billion of new money into our economy. New money, not recycled money. Also, exports account for nearly \$2 billion in induced and indirect economic benefits, according to a study by Northern Economics.
- Exports allow companies to become larger through expanded markets and customer base.
- For some Alaska companies, their best bet for growth is overseas markets.

Exports = Jobs

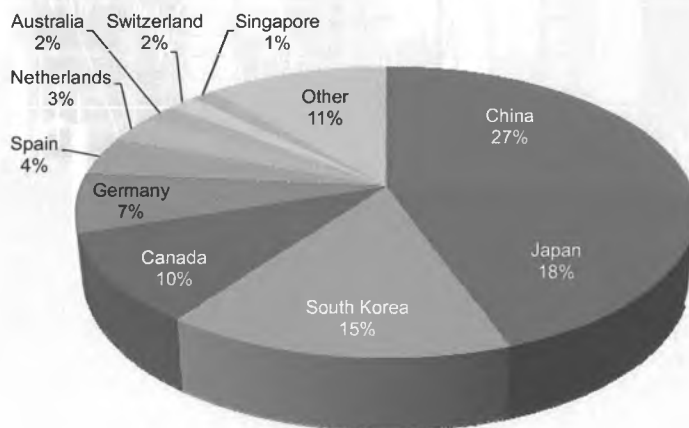
- Exports support nearly 15,000 direct and 10,000 indirect and induced jobs in Alaska
- Export jobs are high paying jobs. Export-related jobs typically pay 13-16% more than jobs tied solely to domestic economy
- According to the U.S. Department of Commerce, there are approximately 300 companies that export from locations in Alaska. 75% are considered SMEs.

Alaska's Top Export Commodities, January-September 2012



Source: U.S. Census Bureau

Alaska's Total World Exports January-September 2012 (\$3.47 Billion)



Source: U.S. Census Bureau

Alaska Worldwide Exports 1994 -2012

USD Billions



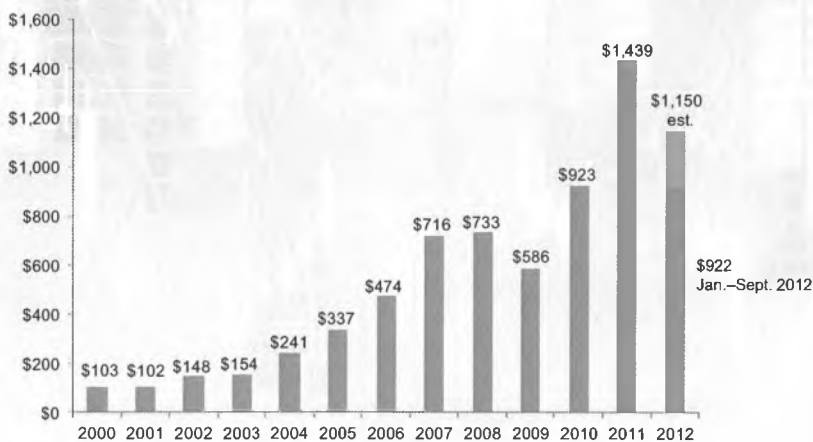
\$3.47
Jan-
Sept
2012

Source: U.S. Census Bureau

Alaska's China Era Continues

(2000 - 2012 Full Year Comparison)

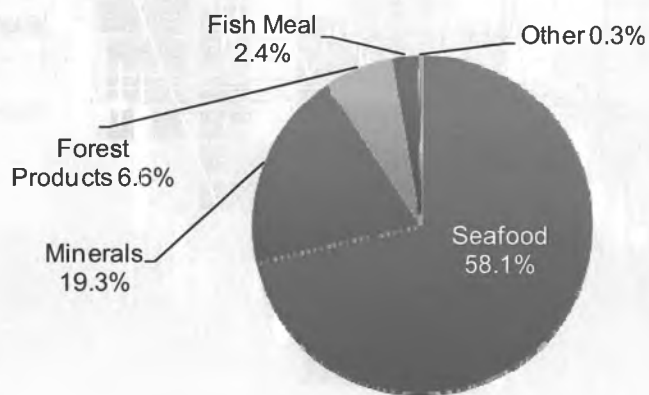
USD Millions



\$922
Jan.-Sept. 2012

Source: U.S. Census Bureau

Alaska's Exports to China (by Commodity), January-September 2012



Source: U.S. Census Bureau, SOA, Governor's Office of International Trade

The Trends: The Three "Rights"

- **Right Place**
Alaska's geographic location on the Pacific Rim. Fast growing economies and populations.
- **Right Time**
Economic liberalization and modernization. Migration to the cities and growth of the middle class.
- **Right Commodities**
Alaska has world-class reserves of natural resources. The building blocks of economic development. What people need versus what they want.

The Outlook

- **Why am I optimistic?**
 - We have what the world needs
 - We have fast-growing economies and populations in our backyard
 - Commercial development of the Arctic presents significant opportunities for Alaska

The Outlook (continued)

- Many resources remain untapped – for example, minerals & metals:
 - Coal – 17% of the world's coal; 2nd most in the world
 - Copper – 6% of the world's copper; 3rd most in the world
 - Lead – 2% of the world's lead; 6th most in the world
 - Gold – 3% of the world's gold; 7th most in the world
 - Zinc – 3% of the world's zinc; 8th most in the world
 - Silver – 2% of the world's silver; 8th most in the world
- North Slope natural gas

2013 Trade Forecast

- Exports to be \$4.5 – 4.7 billion in 2013, consistent with 2012 level
- Primarily commodity price driven (seafood, minerals, metals)
- Watch the dollar – a weaker dollar makes U.S. exports relatively cheaper
- Watch Pacific Rim economies (China, Japan, Korea) for strength or weakness



About the Trade Center

- WTCAK is a private, non-profit membership organization providing international business services to members and community partners across the state
- Our mission is to assist Alaskans to successfully compete for trade and investment in the global market place
- WTCAK is a part of a global network of over 300 WTCs around the world



Core Functions


- **Trade Capacity**
 - Help Alaska Companies to become export ready through information, seminars, conferences, and other technical assistance.
- **Trade Development**
 - Research foreign markets and identify trade opportunities for Alaska companies.
- **Trade Services**
 - Support Alaska companies with the information and hands-on assistance needed to make trade happen. Connect Alaska sellers with overseas buyers.
- **Trade Facility**
 - Make available office and conference room setting to facilitate business meetings and events.
- **Trade Network**
 - Provide members with access to facilities and support in more than 300 cities around the world.

“Boots On The Ground” Strategy



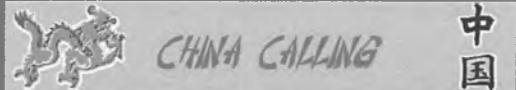
During the past 10 years, WTCAL has led missions to a variety of countries, including: China, Korea, India, Taiwan, Singapore, and Canada

WTCAK Trade Development Programs




Japan Focus
ジャパン フォーカス

Japan Focus is a trade development program of World Trade Center Alaska. The program provides information and services to Alaskans seeking to do business in Japan.



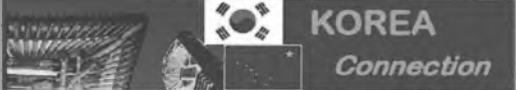
CHINA CALLING 中国

China Calling is a trade development program of World Trade Center Alaska. The program is designed to assist Alaskans to identify and pursue business opportunities in China.




CANADA!
Opportunities Next Door

Canada: Opportunities Next Door is a trade development program of World Trade Center Alaska. The program helps Alaskans to pursue business opportunities in Canada.



KOREA
Connection

Korea Connection is a trade development program of World Trade Center Alaska. The program offers information and assistance to Alaskans seeking to do business in Korea.



New Markets
New Customers

New Markets-New Customers is a trade development program of World Trade Center Alaska. The program aims to identify new export markets for Alaskans and assist them to pursue opportunities in these markets.



WORLD TRADE CENTER
ALASKA

Serving Alaska's Business Community Since 1987

Phone: (907) 27-TRADE
web: www.wtcak.org

a proud partner of the following organizations:





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U.S. COMMERCIAL
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United States of America
Department of Commerce

WTCAK IS...



A Special Thanks To Our Premium Level Members

- Alaska Business Monthly
- Alaska Railroad Corporation
- BP Exploration Alaska
- FedEx Express
- Lynden International
- Sealaska Corporation
- Trident Seafood Corporation
- United Parcel Service
- Usibelli Coal Mine
- Wells Fargo Bank Alaska

How do you become
a WTCAK member?

Contact: info@wtcak.org
Tel: 907-27-TRADE Fax: 907-278-2982
<http://www.wtcak.org>
431 West 7th Avenue, Suite 108,
Anchorage, Alaska 99501, USA

World Trade Center Alaska is a private, non-profit membership organization providing international business services to members and community partners across the state.

Our mission is to assist Alaskans to successfully compete for trade and investment in the global market place.

WTCAK is a part of a global network of over 300 World Trade Centers around the world.

**WTCAK pursues its mission
through five core functions**

Trade Capacity

Help Alaska companies to become export ready through information, seminars, conferences and other technical assistance

Trade Development

Research foreign markets and identify trade opportunities for Alaska companies

Trade Service

Support Alaska companies with the information and hands-on assistance needed to make trade happen. Connect Alaska sellers with overseas buyers

Trade Facility

Make available office and conference room setting to facilitate business meetings and events

Trade Network

Provide members with access to facilities and support in more than 300 cities around the world

Growing Alaska's Economy Through International Trade

International Trade Means Big Business for Alaska:

- In 2011, Alaska's exports to overseas markets reached a record high of \$5.2 billion, placing us 40th among the states.
- In 2011, Alaska ranked 4th among the states in the value of state exports on a per capita basis.
- Exports are a significant driver of some of the largest companies in Alaska. Our exports support nearly 25 thousand jobs statewide and these are some of the highest paying jobs in the state.
- 75% of the nearly 300 companies that export from Alaska are considered small and medium sized business. These smaller firms, however, account for 21% of Alaska's total exports (2009).

Overseas Companies Have Made Significant Investments in Alaska:

- As of 2007, cumulative foreign direct investment in Alaska reached \$34 billion, the 9th highest total in America.
- Foreign companies (majority-owned US affiliates) operating in Alaska generate 12,800 jobs. This represents approximately 5.3% of the state's private-sector workforce (2009).

Sources: U.S. Census Bureau,
U.S. Department of Commerce

Alaska's Top 5 Export Markets:

1.  China (\$1,439 million)
2.  Japan (\$1,085 million)
3.  South Korea (\$644 million)
4.  Canada (\$584 million)
5.  Germany (\$261 million)

Alaska's Top 5 Exports:

1. Seafood (\$2.5 billion)
2. Minerals (\$1.8 billion)
3. Energy (\$388 million)
4. Precious Metals (\$266 million)
5. Wood (\$119 million)

How We Rank

Ranking for Value of US Exports by State, 2011

Rank	State	Annual Export Value (USD Millions)	Percent Change in the Value of Exports, 2010-11
1	Texas	\$249,860.0	17.30%
2	California	\$159,354.4	10.09%
...
39	Delaware	\$5,508.8	9.87%
40	Alaska	\$5,238.3	20.74%
41	Vermont	\$4,327.8	-1.11%

Top US States
by Value of Exports
on a Per Capita Basis, 2011

Rank	State	Exports per capita
1	Louisiana	\$12,049
2	Texas	\$9,732
3	Washington	\$9,463
4	Alaska	\$7,248
5	Vermont	\$6,909

Ranking for Export Value
as a Percentage of GSP, 2011

Rank	State	Exports as a Percentage of GSP
1	Louisiana	22.25%
2	Texas	19.10%
3	Washington	18.20%
...
13	Alabama	10.34%
14	Alaska	10.20%
15	Idaho	10.18%

WTCAK Trade Development Programs

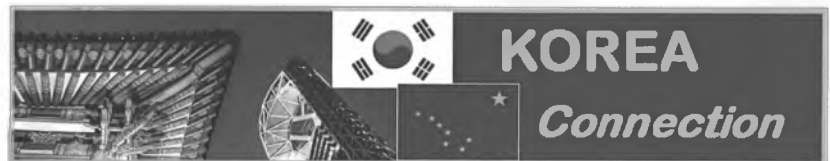
WTCAK has five focused trade development programs...

These programs are designed to give members and community partners the ideas, information and hands-on assistance to identify and pursue business opportunities in Alaska's major markets.

Four of the programs are country specific: *China Calling*, *Japan Focus*, *Korea Connection*, and *Canada: Opportunities Next Door*.

These countries represent the state's four largest trading partners.

Another program, *New Markets-New Customers*, is focused on new, high potential markets that are experiencing rapid economic growth.



What our clients say about us...

We encourage businesses with an interest in expanding to international markets to become a member of WTCAK and discover the benefits of being a part of this dynamic group.

Dennis L. Mitchell - Vice President Oil and Gas, Lynden International

WTCAK has helped us develop long-term relationships with Alaskan businesses that are just entering the global marketplace or expanding their horizons.

Richard Strutz - Regional President, Wells Fargo Bank Alaska

Through my business career, and several business endeavors, WTCAK has been vital to connecting and selling in markets worldwide.

Gregory Galik - Founder & Chairman, Alaska Brands Group, Anchorage

Over the years, Usibelli Coal Mine and WTCAK have successfully partnered to market Alaska coal to a variety of international customers on the Pacific Rim.

Bill Brophy - Vice President, Customer Relations, Usibelli Coal Mine, Inc.

They helped us in every corner of the process from linking us with the appropriate contacts abroad to answering my many travel and visa questions.

Angelina Skowronski - Marketing Development, The Auction Block Co.

With WTCAK's help, and through their excellent South Asian regional network connections, we have developed key relationships that we are using to create some new and very exciting export items from Alaska to South Asia.

Samuel Pelant - Managing Director, PolyEarth Construction International, LLC

WTCAK staff apply their expertise where it matters, while their professional relationships throughout the world put global commerce at the fingertips of all Alaskan businesses.

Ryan B. Gilbert - Business Advisor and International Trade Specialist, Alaska Small Business Development Center

World Trade Center Alaska Makes Trade Happen for You

Join Today!

Open doors of opportunity for your business:

Expand your business through access to 320 World Trade Centers located in 95 countries serving more than 750,000 businesses worldwide. In addition, our U.S. Commercial Service partnership offers access to trade professionals in more than 75 countries.

Receive international business leads and introductions that will help your business grow.

Get customized professional trade consultation and access to our meeting facilities. Benefit from market intelligence and market entry or expansion research.

Stay up to date on trade events and opportunities with a subscription to our announcements and e-newsletters: *TradeLine* and our periodic newsletter, *The Communiqué*.

WORLD TRADE CENTERS IN ALASKA'S TOP 5 EXPORT MARKETS:



Gain valuable new contacts:

Conferences, luncheons and briefings. We host some of the largest and most anticipated business events in Alaska.


Worldwide network of our partners. Alaska, national, and international business-oriented organizations.

Trade missions. Travel with us to overseas markets and meet prospective business partners.

Members-only receptions. Our events are attended by local business and government leaders, international business partners, visiting foreign executives, and US and foreign government officials.

With 25 years of experience, WTCAL can help your company find markets and customers around the world. Membership in WTCAL enables you to be local and global!

We'll help put
your company
on the
global map!

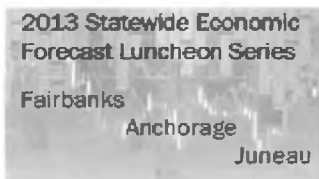
Take advantage of a world of opportunities
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WTCAK Fall 2012 – Spring 2013 Upcoming Major Events



8th Annual Alaska-China Business Conference (December 11, 2012)

Seven years ago we conducted our 1st Alaska-China Business Conference. Since then Alaska's trade with China has more than quadrupled and reached a record high \$1.4 billion in 2011. Each year a group of experienced "China-Hands" gather in Anchorage to give their presentations at the conference. Among the speakers are U.S. and Chinese government officials, local businesspeople that share their experiences with "from the trenches" reports, academic faculty members presenting their research, and many others. WTCAK's Alaska-China Business Conference is one event that a person interested in China should not miss. The conference takes place at the Hotel Captain Cook.



Statewide Economic Forecast Luncheon January 15th (Fairbanks) January 16th (Anchorage) January 17th (Juneau)

Come find out what's in store in 2013! This is a unique opportunity to gain a statewide perspective on the prospects in 2013 for Alaska's major industries, state and federal government spending, and how this will affect communities and jobs. You will also hear about the international picture and how it impacts Alaska. The luncheon is conducted in Fairbanks, Anchorage and Juneau.



A New Look at Alaska-Russian Far East Opportunities (February 19, 2013)

With this half-day event, we will take a new, fresh look at potential business opportunities between Alaska and the Russian Far East region. It will feature six speakers, a mix of both U.S. and Russian trade specialists. Much has transpired since the 1990's when Alaskans actively explored commercial opportunities in the RFE. Recent developments include Russia's ascension to the World Trade Organization (WTO), in August this year, and the recent launch of direct air passenger service (seasonal) between Anchorage and Kamchatka (and points beyond in the RFE). Stay tuned for details.



Arctic Ambitions II (February 19-20, 2013)

This annual conference concentrates on the theme of international trade and business opportunities that flow from commercial development in the Arctic. Working from a context of who stands to benefit most - which regions, countries, industries and companies - panel discussions address issues such as supply chains, innovation, markets, commerce, and transportation. While policy and research inform the discussion, Arctic Ambitions concentrates on global markets, international trade and Arctic logistics. The inaugural conference in May 2012 brought together presenters from Canada, Finland, Korea, Norway, Russia, and Alaska.



The Communiqué (week of October 15, 2012)

Letter from the Executive Director



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Greg Wolf
Executive Director
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Best Regards,

Greg Wolf
Executive Director



U.S. Senator Mark Begich and WTCAK Executive Director Greg Wolf, at the 6th Annual Trade is Transportation Conference on 10 October 2012. Senator Begich made the closing remarks at the event.



Dale Wade, Vice President of Business Development for the Alaska Railroad Corporation making a presentation at the 6th Annual Trade is Transportation Conference.



A full room of conference attendees as Jeanine St. John, Vice President of Lynden Logistics, presents at the 6th Annual Trade is Transportation Conference. Lynden was one of the event sponsors.

WTCAK NEWS

New and Renewing Members:

- Ted Stevens Anchorage International Airport
- Consul of Mexico in Anchorage
- Consular Office of the Republic of Korea
- Consulate General of Canada in Seattle
- UPS

Upcoming Events 2012-2013

8th Annual Alaska-China Business Conference (December 11, 2012):

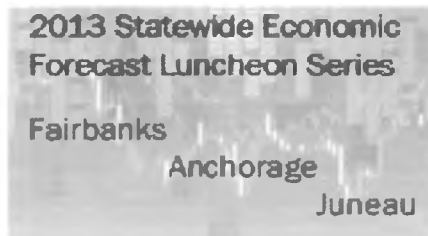


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Please click below to register for the conference: [Registration Form](#)
(note: conference registration fee includes keynote lunch)

To become a sponsor of the event, [please click here](#).

Statewide Economic Forecast Luncheon (January 2013)



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"Serving Alaska's Business Community Since 1987"

SPECIAL SECTIONS: ENGINEERING & INTERNATIONAL TRADE ■ FUR RONDY ■ FRONTIER BASINS EXPLORATION

Alaska Business

February 2013

MONTHLY

\$3.95

Commercial Industrial Charters

Trucking
steel from
Valdez to
Salcha



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ALASKA

SPECIAL SECTION

International Trade

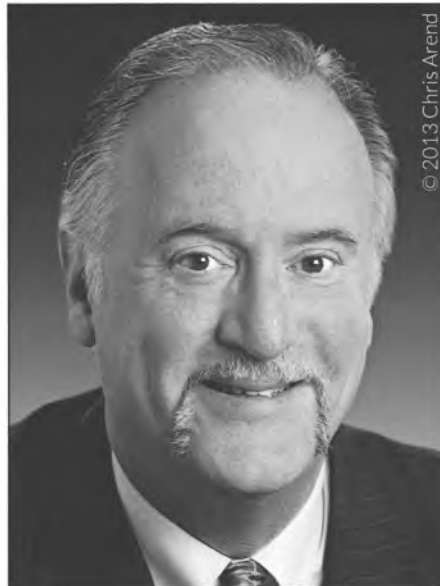
Q & A with Greg Wolf

Q: Starting with the big picture, why is international trade important to Alaska and what kind of impact does it have on the economy?

A: When we talk about international trade for Alaska we are almost always referring to exports. In other words, Alaska commodities, goods and services sold to customers in overseas markets. Alaska's exports now hover close to \$5 billion on an annual basis, having reached a record high of \$5.2 billion in 2011. Export revenues represent new money coming into our economy, creating much needed diversification and sustaining thousands of jobs. A few years ago, we commissioned Northern Economics, a leading Anchorage-based consulting firm, to measure the impact that trade has on the Alaska economy. What they found is impressive: in addition to the export revenues themselves, that now are in the \$5 billion range, another \$2 billion is generated by these export activities. At these levels, exports represent about 10 percent of Alaska's Gross State Product, a measure used to gauge the size of a state's economy, and based on exports as a percentage of GSP, Alaska ranks 14th among all states. If you consider exports in relation to the size of our population, Alaska is fourth in the country. Relatively speaking, trade is more important to Alaskans than it is to people living in other states. Here, there is a very good chance that your paycheck, or your neighbor's, results from trade.

Q: You mentioned jobs. How many Alaska jobs are supported by international trade?

A: In the study conducted by Northern Economics, one of the things they looked at, of course, is the number of jobs that are created or sustained as a result of export operations. They determined that there are about 15,000 jobs, statewide, that flow directly from export



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Greg Wolf

activities. In addition, there are another 10,000 indirect or induced jobs generated by exports. Taken together, then, trade accounts for about 25,000 jobs in Alaska. I think that is significant. It should also be noted that jobs tied to exports pay more than jobs connected solely to the domestic economy. The U.S. Census Bureau did a study about this several years ago and reported that export-related jobs typically pay about 15 to 17 percent more versus jobs found elsewhere in the economy. One doesn't have to look around too much in Alaska to find ample evidence of this finding. Indeed, some of the highest paying jobs in the state are tied to trade.

Q: Why is the export business important to Alaska and Alaskans?

A: Well, we would certainly have a much smaller economic base and fewer high paying jobs. Without question, some of the biggest players in our economy would not be active in Alaska were it not for the existence of significant export markets for their production. We must remember that Alaska itself is a very small market. With a population of some 730,000 it could be, literally, a

suburb of many major cities around the world. In order to attract resource industries to Alaska, exports markets are a necessity.

For example, so far the only natural gas to leave Alaska has been the LNG exports to Japan. The only coal to leave the state has been overseas to customers in markets like Korea and Chile. Almost all of the minerals and precious metals are destined for overseas customers and about 50 percent of Alaska's annual seafood catch is sold to buyers overseas.

Thus, export markets are very important to Alaska. In many cases, the most viable and attractive markets for Alaska are overseas, primarily in Asia. In a typical year, around 70 percent of the state's exports are destined for Asian markets. There are several reasons for this concentration: first, many nations in the region are resource-poor while Alaska is resource-rich; second, Alaska is a neighbor in the Pacific Rim and there are well-established shipping routes by sea and air; third, and often overlooked, is the political stability that Alaska offers as part of the United States. This is important—indeed, a comfort—to countries that rely upon imports for such critical resources as energy, minerals and food.

Of course, Canada is long-standing major customer of Alaska exports and several European countries, including Germany, Spain and Switzerland are also important trading partners. However, it is the large Asian markets that dominate the state's export picture.

Q: Where is Alaska's biggest export market?

A: The headline story for Alaska's international trade economy has certainly been the dramatic growth of China as an export market. In what I've described as the "Dragon Decade," during the past 10 years Alaska's exports to the Middle Kingdom have soared from \$102 million to \$1.4 billion. That's more than a 10-fold increase in just a decade. Alaska

has never had a major trade market grow so significantly and in such a short period of time. It's really unprecedented. In 2011, China became Alaska's largest export market, a distinction held for many decades by Japan, and was again in 2012. China buys a variety of Alaska exports, led by seafood, but also including minerals, forest products, precious metals and fish meal. There are, of course, concerns about the Chinese economy and its ability to sustain what has often been double-digit annual growth during the past several decades. Frankly, I believe these concerns are somewhat overblown and, coming from some critics, may be more wishful thinking than economic reality. While the Chinese economic juggernaut may experience slowdowns or stall from time to time, it is likely to enjoy high single-digit growth for decades to come. That's good news for Alaska since they need and are active buyers of the natural resources and seafood Alaska has in abundance.

Q: *Can you give our readers an idea of the number and size of businesses exporting from Alaska to the world market?*

A: According to the most recent information available from the U.S. Department of Commerce, there are approximately 300 companies that export from Alaska and, of these, 75 percent are considered to be small or medium-sized businesses. That being said, clearly it is the very large companies, some of them multinationals, which produce the lion's share of exports. These large firms generate about 80 percent of Alaska's export volume.

Q: *Do opportunities exist for expanded exports from Alaska?*

A: Absolutely. While it is sometimes easy to be pessimistic about our prospects in the short-term, I am really quite optimistic about our long-term future. Five billion dollars annually in exports is significant, but in many ways it is only scratching the surface of what is possible, if Alaska is allowed to responsibly develop our vast natural resources. If we can muster the will and the approvals to move some of the major projects that are currently on the drawing boards to actual construction and, ultimately, to

the production phase, we'll look back at \$5 billion as being a small number. When you consider: we haven't even begun to export any of our North Slope natural gas, for which there are large and growing markets overseas; while Alaska possesses as much as 20 percent of the world's coal resources, today we have only one active mine; our mineral (such as zinc and lead) and precious metal (like gold and silver) deposits are among the top 10 in the world and opportunities to develop new mines and expand existing ones are multifold; and, we are just learning how much of the so-called rare earth elements, those metals critical for modern technologies, that Alaska may discover under its feet. These are just several examples of very real opportunities that can fuel our economic growth and provide gainful employment for current and future generations.

Q: *What does the World Trade Center Alaska do to help Alaska businesses and promote international trade?*

A: The Center works directly with Alaska companies to identify and pursue overseas business opportunities. Mainly, our work is with small and medium-sized companies that often do not have the experience or manpower to research the various markets and find customers or partners to do business with. That's where we come in: We become their extended staff, if you will, and do a lot of the leg work for them.

Some of these companies are "new to export," meaning that they will be selling to overseas customers for the first time. Others will have some overseas customers, say in Japan, but are now looking to expand their sales to China, for example. In this case, they fall into the category of "new to market." We also, of course, have members who are not directly involved with exports but who provide important services to those companies that are exporting. Examples would include freight forwarders, customs brokers, law firms, banks and transportation companies.

We normally work with companies that are export ready, meaning they already have a product or service to export and can adequately respond to customer orders.

In addition to our one-on-one work with individual firms, we organize and conduct trade missions, conferences,

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seminars and other international business events that are attended by thousands of Alaskans each year. Through these efforts we are able to provide Alaskans with up-to-date information and analysis about business opportunities, and inform potential customers overseas about Alaska's export capabilities.

We are also fortunate to have strong, long-standing partnerships with the State of Alaska, the U.S. Department of Commerce, and the University of Alaska that enable us to carry out our mission.

Q • What global trends are working in Alaska's favor? What new markets should Alaska businesses be paying attention to?

A • I believe that Alaska has and will benefit from three global megatrends that I refer to as "The Three Rights." Our geographic position on the Pacific Rim puts us close to the fastest growing economies in the world. It is also home to some of the largest and fastest growing populations. This proximity to growth puts Alaska in the "Right Place." We are living in a time when people in these emerging markets are moving up the economic ladder and, in record numbers, are both migrating from the rural areas to the cities and becoming consumers, really for the first time. This puts us at the "Right Time" in history to take advantage of the opportunities flowing from this rising tide of new wealth. As an exporter of natural resources, we have the "Right Commodities" to respond to the needs of this economic growth and modernization occurring in Asia and other parts of the world.

We always keep an eye out for new market opportunities for Alaska. One part of this approach is to go where the growth is. We look for markets that are on a long-term upswing, have import needs that match up with Alaska's export capabilities, and where Alaska companies can successfully compete.

We are currently researching the Southeast Asia region and a couple of nearby markets that could hold significant potential for us, including India. At present, Alaska does very little trade with India, but the country, much like China, is on a rapid growth trajectory. Like China, India also has more than 1 billion people. Their economy is consistently

growing at high single-digit rates, and the growing middle class has higher consumer expectations. As they continue to grow and modernize, this could represent the next big opportunity for Alaska.

Some of our work to get to know this market better and for India to know Alaska better, has been the Alaska-India Business Conference we conducted in Anchorage in 2006 and a trade mission of private and public sector executives to New Delhi in 2010.

Q • What's the bottom line on the export business in Alaska?

A • I've been in this business for 25 years and this allows me some perspective. In many ways, there are now more things working in our favor than not. I'm not suggesting that progress will be easy nor without those who oppose any progress at all! But, many of the stars are aligned for Alaska to move forward. It will take focus, determination and a lot of work. We have so much of what the world needs. This can be Alaska's season in the sun. ☀

Greg Wolf is the Executive Director for World Trade Center Alaska.

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Dear Alaskan Executive:

I am proud to serve as the chairman of World Trade Center Alaska board of directors during 2013, the organization's 26th year. It's an exciting time to be involved with the Center. Alaska's international trade economy continues to grow and the state's exports are hovering in the \$5 billion range. These export activities support thousands of high-paying jobs, generate significant investments in our natural resource industries, and help to diversify the state's economic base.

Since it was founded, WTCAL has worked with its members and community partners to explore and pursue international trade opportunities. On a daily basis, we are involved with companies from across the state, small and large, that share an interest in building their businesses by exporting products or services to customers overseas. In addition, companies that provide services to the exporting community, such as banks, freight forwarders, law firms and customs brokers, also benefit from Trade Center membership.

Over the years, we have helped introduce Alaskans to new markets, such the Russian Far East and, more recently, to China—Alaska's fastest growing, and now largest, trading partner. With an eye toward the future, the Center has recently made initial forays into high-potential new markets for Alaska, including India and Singapore, among others.

To carry out our mission of assisting Alaskans to succeed in the global marketplace, WTCAL has fostered a skilled staff and important partnerships. Led by Greg Wolf, our long-time executive director, the hard-working staff at WTCAL has years of international experience, passion and a strong commitment to serve our membership at a very high level. We have also forged strategic partnerships with the State of Alaska, the U.S. Department of Commerce, and the University of Alaska. In a unique and effective way, these relationships bring together the resources of the private and public sectors to bring focus and coordination to Alaska trade promotion.

We are proud of our past and confident of our future. We look forward to more successes in the years ahead and I encourage you to join with us as we work to build a strong international trade economy for Alaska.

Sincerely,

Rick Pollock
Chairman, Board of Directors
World Trade Center Alaska



Rick Pollock

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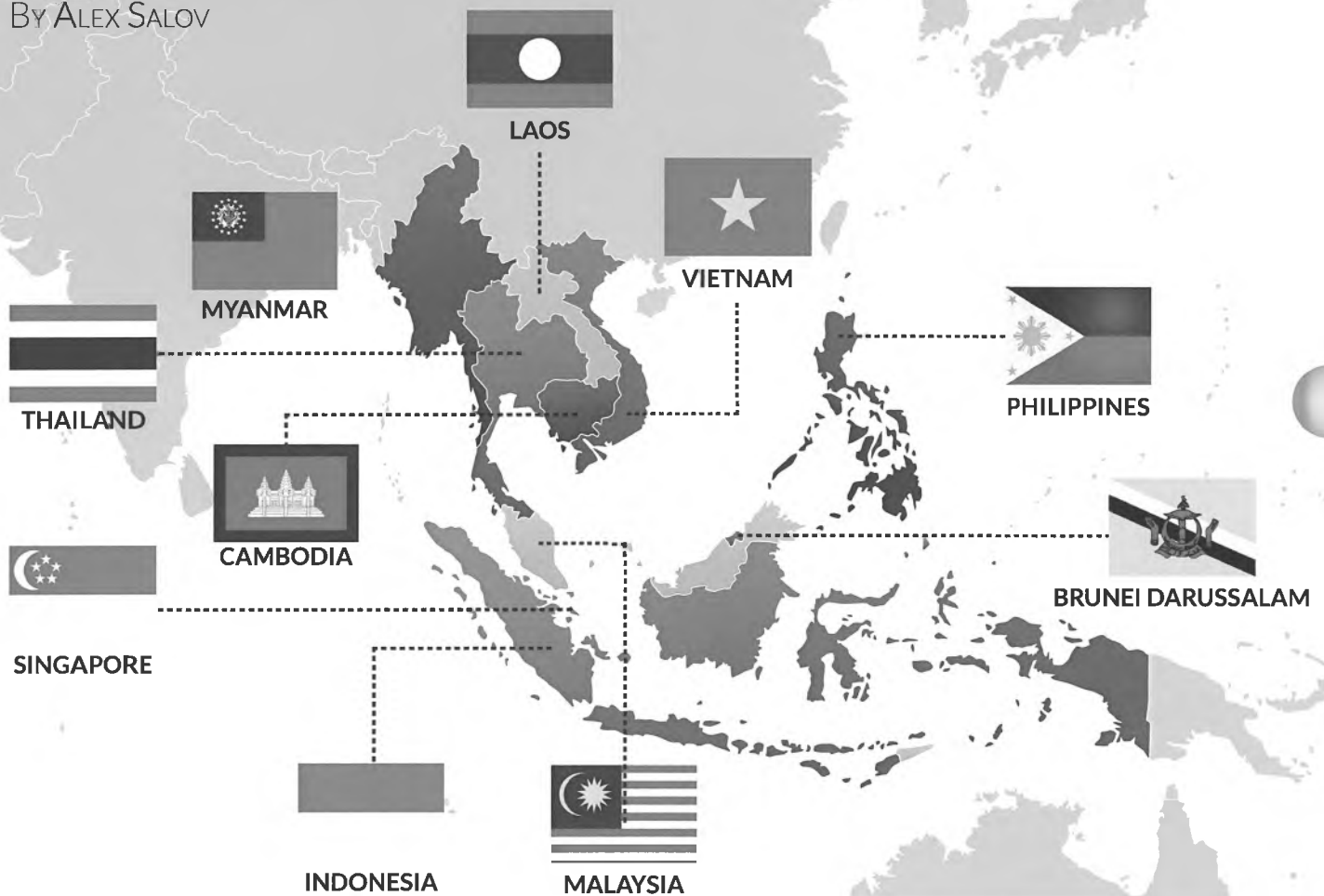
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Southeast Asia New Markets— New Customers

Why ASEAN, why now?

By ALEX SALOV



Southeast Asian countries are sometimes more familiar to adventure travelers than to business people—but they are filled with opportunities for Alaskan companies to do business. Ten of these countries are members of the Association of Southeast Asian Nations—a political and economic union of these nations. The members of ASEAN are: Brunei, Cambodia, Indonesia, Laos, Malaysia,

Myanmar (Burma), Philippines, Singapore, Thailand and Vietnam.

With a total population of around 600 million and steady GDP growth of 5 percent on average in 2011 (compared to 3 percent or less average growth of developed countries worldwide), ASEAN countries have become one of the most important growing markets for the United States. U.S. exports to ASEAN reached \$76.24 billion in 2011 and, if considering

ASEAN as a single country, it would be the fourth largest U.S. trading partner after Canada, China and Mexico.

Several ASEAN countries follow an export-led growth strategy with which they identify and focus on specific commodities for export. To do that, they select commodities that can be produced cheaply and with a competitive advantage. For example, Indonesia is a large exporter of minerals and the world's

leading producer and exporter of thermal coal (used for power generation). It currently supplies half of China's coal imports. Thailand is becoming a center for automobile manufacturing in Southeast Asia and is among the top ten automobile exporting nations in the world.

Overarching Trends

China is an active player in the ASEAN region. China and ASEAN established a free trade agreement in 2010: the ASEAN-China Free Trade Area—the third largest free trade bloc in the world after the European Union and NAFTA. In 2012, ASEAN overtook Japan to become China's third largest trading partner after the EU and the United States. China-ASEAN trade increased 24 percent to \$362.3 billion in 2011 and is expected to exceed \$500 billion by 2015. According to China Daily, Chinese officials expect the ASEAN region to become China's top trading partner within the next several years.

Members of ASEAN are very diverse in their political, economic and cultural aspects; however, there are several features that most of them share: relatively young populations, urbanization, growing

The total population of ASEAN countries is about 600 million people. Indonesia is the world's fourth most populous nation (248.5 million people) and the world's third largest democracy.

middle class, rapid industrialization and strong demand for infrastructure. These overarching trends make ASEAN members attractive export markets for Alaska.

Let's focus on these trends. As mentioned above, the total population of ASEAN countries is about 600 million people. Indonesia is the world's fourth most populous nation (248.5 million people) and the world's third largest democracy. Vietnam has a population of 90 million people of which 25% are 14 years old or younger. This young age group is representative of most countries in the region. When paired with available urban employment opportunities, this age group will have disposable income and will attract new consumer goods and services. Since American products are typically considered popular in ASEAN markets, there may be opportunities for Alaskan companies to meet some of this growing demand.

GDP Growth

GDP per capita in Singapore and Brunei is already on par with the world's leading nations. Meanwhile, in other countries of the region the growth of GDP per capita is significant. In 2010, the region's average GDP per capita was 322 percent higher than in 1998. This increase is only second to China (536 percent). By comparison, the United States 2010 GDP per capita was 148 percent of the 1998 figures. It may be unfair to compare the U.S. growth numbers to these countries directly because the U.S. economy is so large. However, in order to attain the current growth rates, ASEAN nations have been investing heavily in infrastructure and industry development as well as growing their export capabilities. The result of these efforts is their growing middle class with higher disposable income, education

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Last year, ASEAN assembled \$485 million as part of the ASEAN Infrastructure Fund to help finance major infrastructure projects. The fund plans to finance \$13 billion in infrastructure spending by 2020.

and standard of living. According to the U.S. Department of Commerce, 60 million Indonesians are projected to move up into the middle class in the next 10 years. Another current trend is that governments in the region are beginning to drive their economy with domestic spending rather than relying solely on exports.

Several ASEAN countries position themselves in a somewhat similar way to Anchorage—a transportation crossroads of the world. Since ancient times, the Strait of Malacca, which connects the shipping lanes of the Indian and Pacific oceans, has been a vital trans-Asian trade route. Indonesia, Malaysia, Singapore and Vietnam, as well as other countries in the region, are strategically located between Australia, South America and Northeast Asia. Singapore, for example, is a world renowned logistics hub: it is one of the busiest container ports in the world, the busi-

est transshipment port of the world, and one of the major cargo airports in the world. Approximately 60 percent of all exports to Singapore are re-exported to the ASEAN region. Other countries have ambitious infrastructure projects being developed both to take advantage of their locations and to prevent falling behind the region-wide industrialization that is taking place.

Consider the following examples:

■ **Vietnam** Long Thanh International Airport is designed to serve 100 million passengers annually when construction is finished.

■ **Malaysia-Singapore** An agreement is expected this year on the proposed Malaysia-Singapore Rapid Transit System, which would add a link between the two nations via either an above ground or undersea tunnel route across the Johor Strait. The link is part of a larger plan to link the two

countries via high-speed rail.

■ **Indonesia** In addition to expanding the country's main international airport in Jakarta (which is handling far more than double its original design capacity), Indonesia will be constructing Karawang International Airport, which is expected to have the capacity for up to 70 million passengers per year. In addition to Karawang International, there are about 15 new airports on Indonesia's drawing board as part of its Expansion of Indonesian Economic Development program. Indonesia is planning on spending \$45 billion in 2012 alone on multiple infrastructure projects with a combination of public-private partnerships. These projects would represent about 4.5% of Indonesia's GDP. The government plan extends to 2025 and could total up to \$450 billion in infrastructure investment.



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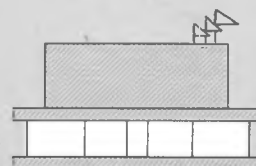
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■ **The Trans-Asian Railway Network**
TARN has been growing in multiple phases since the 1960s with the long-term goal of linking together Southeast Asia in a massive rail network. It is divided into four geographic sections that will ultimately be connected through Iran and Pakistan to Turkey. The completed rail network would connect Northern Europe to Singapore. Currently the TARN has more than 65,000 miles of interconnected rail in operation. Twenty-three nations have signed the United Nations Intergovernmental Agreement on the Trans-Asian Railway, which lays out a framework for completion of the project. According to the U.N., constructing the remaining interconnecting links will require an estimated \$25 billion.

Financing Infrastructure

Last year, ASEAN assembled \$485 million as part of the ASEAN Infrastructure Fund to help finance major infrastructure projects. The fund plans to finance \$13 billion in infrastructure spending by 2020. This is a fraction of the money it conceives of mobilizing in the coming years. According to the Asian Development Bank, which administers the fund, over the next decade ASEAN nations will require approximately \$60 billion a year to fully address the region's infrastructure needs. With these substantial sums in the air and the possibilities for massive global investment in Southeast Asian infrastructure, Alaska companies should keep a close eye on the ASEAN region not only for opportunities in design and construction, but also selling goods and services in the growing economies that will benefit from these projects.

Currently, Alaska companies do very little business with ASEAN countries. The secular trends previously discussed make ASEAN countries good potential customers for Alaska businesses. In 2011, China became Alaska's largest trading partner surpassing Japan. The recent growth of China as a market for Alaska's products and services was based on similar trends we are seeing in ASEAN now. As we have seen with China, Alaska can expect a significant growth in trade with ASEAN in the next decade.

Since 2006, World Trade Center Alaska

has pioneered trade development work to open Southeast Asian opportunities for Alaska businesses. We conducted a conference on business opportunities in India and Singapore in 2006 and the first Alaska trade mission to Southeast Asia in 2010. In addition, WTCAK, through its extensive network within the U.S. Department of Commerce and World Trade Center Association, produces market reports, generates business leads for our members and Alaska companies interested in doing business in Southeast Asia. Contact World Trade Center Alaska | Alaska U.S. Export Assistance

Center if you are interested in further exploring new opportunities in this rapidly developing region. ⚙

Alex Salov is the Business Operations Manager at World Trade Center Alaska and has been working at the Center since 2004. He has a master's degree in global supply chain management from University of Alaska Anchorage. Also, since 2005 he works as an adjunct instructor of Japanese Language at UAA.

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Trade Missions

Gathering here
or there to make
things happen

BY GREG WOLF

Trade missions are an important element of any successful trade promotion effort. But, what exactly is a trade mission?

Businessdictionary.com provides this definition:

“Coordinated overseas visit by a group of business executives to meet potential buyers or agents, usually after market research by a chamber of commerce, industry or trade association, or the visitors’ embassy.”

So, a trade mission is more than just a group of people making a trip to a foreign country. It is travel with the intent of promoting trade opportunities or, in some cases, involves the participating companies meeting with potential customers in the country being visited by the mission. Their purpose may be to introduce their company and its product or services or, in some cases, it may be to conduct business with a new or existing customer.

Trade missions are typically organized by either a private sector trade organization, as in the case of World

Trade Center Alaska, or a government entity, such as state or local government. At the state-level, for example, it may be a mission led by the Governor or a department commissioner. At the federal level, the Secretary of Commerce often leads trade missions abroad that are industry focused.

Mission participants frequently include both private sector executives and public sector officials. Both can play an important role in the successful conduct of a mission. While the business executives have their own products or services to sell, the policy makers can deliver the message about a positive business environment and highlight particular opportunities or legislation that supports trade activities. The presence of government officials is especially valuable in certain parts of world. Asia comes to mind, for example, where governments play a more direct role in business. Indeed, in some cases, major companies in those countries may be wholly or partially owned by the government.

Trade missions can be conducted in two directions: outbound or inbound. The first would be, for example, a group of Alaska companies visiting China on a trade mission. In other words, outbound means from Alaska to a foreign country. An inbound mission represents the reverse scenario: a group of companies or trade officials visiting Alaska from a foreign country. Sometimes they make the visit at the invitation of an entity in Alaska or they are making the visit on their own initiative.

Missions can be either vertical or horizontal. A vertical mission is one where all of the participants are involved with a particular industry. For example, a mission consisting of just seafood companies. In contrast, a horizontal mission will include participants from a variety of industries. In this case, you may have several mining companies, a couple of seafood companies, and a construction firm, and so on.

World Trade Center Alaska has a long history, and much experience, in organizing trade missions. In the past

several years, the Center has led groups to various parts of the world in pursuit of trade expansion. These include three trade missions to China, a mission to Canada to learn about business opportunities associated with development of the oil sands in Alberta, and a mission to India to introduce Alaska export capabilities and to learn more about India's import needs. During the past decade, Center-conducted missions have also promoted Alaska trade opportunities in Korea, Taiwan, Hong Kong and Singapore. A mission to Asia is planned for fall 2013.

There are a number of benefits to be gained by participating in a trade mission. While modern telecommunications enables one to research global markets via the Internet and communicate with potential customers via email, this does not replace the need, or reduce the importance, of face-to-face meetings. Nor, does it diminish the advantage of having first-hand experience in a market where you hope to do business. Experience also informs us that a preconceived view of a particular economy or market may not always be what it is in actuality. This is another reason that a "boots-on-the ground" strategy is part of an effective overall trade promotion effort.

Export operations now bring more than \$5 billion into the Alaskan economy and are a major source of employment for people across the state. As trade continues to flourish, we anticipate that both inbound and outbound trade missions will occur in greater frequency. These will serve the very useful function of introducing what Alaska has to offer the world in terms of commodities, products and services—and, likewise beneficial, enable Alaskans to gain a first-hand perspective of opportunities around the world and the one-on-one contacts necessary to make trade happen. ⚙



Greg Wolf is the Executive Director for World Trade Center Alaska.

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Trans-Pacific Partnership

Free trade agreement would dwarf NAFTA

BY AARON WEDDLE

The Trans-Pacific Partnership is an Asia-Pacific regional free trade agreement currently under negotiation between the United States and about a dozen countries surrounding the Pacific Ocean. If completed, this trade bloc would dwarf NAFTA in value of U.S. international trade. For Alaskans, this could be an important development because Alaska typically does about 70 percent of its annual overseas export business with Asia.

The TPP is designed to liberalize trade and investment among its partner nations, which currently consist of: Australia, Brunei, Canada, Chile, Malaysia, Mexico, New Zealand, Peru, Singapore, the U.S. and Vietnam. It is anticipated that additional Asia-Pacific nations will join in once the agreement is finalized.

Japan and China

Two principal Asian economies are not part of TPP negotiations: Japan and China.

Japan is undergoing strong domestic political debate on whether to join the TPP. The greatest opposition concerns protection of its heavily subsidized—and politically influential—agricultural sector. In the past, this tension has led Japan to require agricultural exceptions in its free trade agreements. Former Prime Minister Yoshihiko Noda was in favor of joining the TPP and had hoped to finalize Japan's negotiations by the end of 2012. Japan was on track to join TPP negotiations but, in part because of the economic effects of the March 2011 earthquake, decided to delay membership. Japan recently held elections in which Noda's Democratic Party of Japan lost power to the Liberal Democratic Party headed by Prime Minister Shinzo Abe. It remains to be seen whether Abe will have the domestic political support needed to move forward with joining the TPP. His support may rest on whether he can negotiate tariff exceptions to protect Japan's

At this point in time, it is unclear how the TPP will ultimately affect Alaska, but WTCAK will keep Alaskans up to date as negotiations unfold. Some of Alaska's top trade partners will likely be impacted by the TPP.

agricultural sector. Japan is also negotiating a trilateral free trade agreement with China and South Korea; however, the escalating tensions with China over disputed Senkaku islands may shift Japanese political support toward a U.S. led trade agreement and away from one involving China.

China has thus far not been included in TPP negotiations. There are a number of reasons for China's exclusion but several are worth noting here. China is concerned that some provisions of the agreement would adversely affect its state-owned companies, and that the TPP is part of U.S. efforts to undermine China's regional influence. Some Chinese analysts argue that the true U.S. motives behind promoting the TPP are to contain China's growing economic influence in Asia and to create a U.S. dominated trade bloc that would compete with the Association of Southeast Asian Nations. Further complicating the matter, China has its own free trade agreement with ASEAN called the ASEAN-China Free Trade Agreement, which is currently the third largest trade bloc in the world, behind the EU and NAFTA. A strong TPP trade agreement could give member countries, which make similar products to China, an economic competitive advantage in the region.

Evolved Agreement

The TPP evolved from a series of free trade agreements among four Asia-Pacific nations—New Zealand, Chile, Singapore, and Brunei—that entered into an earlier agreement in 2005 known as

the Trans-Pacific Strategic Economic Partnership. In 2008, President George W. Bush announced U.S. intentions to join TPP negotiations. U.S. participation was initiated in part due to the collapse of the World Trade Organization Doha Round that year. In 2009, President Barack Obama affirmed U.S. intentions to continue these negotiations.

According to the President's Office of the Trade Representative: "With the addition of Mexico and Canada, the TPP countries will be by far the largest export market for the United States. U.S. goods exports to the broader Asia-Pacific totaled \$895 billion in 2011, representing 60 percent of total U.S. goods exports. U.S. Exports of agricultural products to the region totaled \$98 billion in 2011, 72 percent of total U.S. agricultural exports. U.S. private services exports totaled \$205 billion in 2001 (latest data available), 39 percent of total U.S. private services exports to the world. By comparison, NAFTA countries (Canada and Mexico) were the top two purchasers of U.S. exports in 2010. (Canada \$248.2 billion and Mexico \$163.3 billion.)"

From the perspective of U.S. exports, the TPP is likely to have more of a strategic and political importance rather than producing a dramatic expansion of trade. The U.S. already has bilateral free trade agreements between Australia, Canada, Chile, Mexico and Singapore. However, U.S. involvement in the TPP adds significant diplomatic weight to the success of negotiations and in influencing its final architecture. American participation is also a signal

of the Obama Administration's efforts to demonstrate a renewed emphasis on Asian affairs. In 2009, during a speech in Tokyo, President Barack Obama stated that: "The growth of multilateral organizations can advance the security and prosperity of this region. I know that the United States has been disengaged from these organizations in recent years. So let me be clear: those days have passed. As an Asia-Pacific nation, the United States expects to be involved in the discussions that shape the future of this region and to participate fully in appropriate organizations as they are established and evolve."

Easing Political Resistance

The fact that the U.S. already has free trade agreements with five of the member states might ease political resistance in the U.S. Congress where a majority support of both houses will be necessary for final passage. Unlike a treaty, which requires a two-thirds approval of the U.S. Senate, Congress permits entry into a trade agreement negotiated by the president with a simple majority vote of both the House and Senate. One crucial element to passage of the TPP is Trade Promotion Authority, also known as Fast Track. It allows a trade agreement to be voted on quickly without amendments that might otherwise slow down or stall its final passage. In exchange, Congress is given an expanded role in the president's trade negotiations. This authority expired in 2007 and has not yet been renewed.

The TPP's draft language is currently being negotiated confidentially by member states, which held the 15th round of talks in Auckland, New Zealand last December. The next round of negotiations will take place March of this year in Singapore. From information that is publicly available, it appears that the TPP both dramatically reduces duties and tariffs, as well as establishes among its members standards of: rules of origin, customs procedures, government procurement, intellectual property, labor and environmental standards, and investment and financial services.

While the details of these provisions are in flux, the final product will likely have a significant impact on the economies of some member states. Much of the controversy over TPP has to do with the

investment and financial services portion of the agreement. For example, the TPP will create a framework by which a corporation can seek economic redress from a foreign government by appealing to a TPP member tribunal rather than suing within a national court.

Impact on Alaska

At this point in time, it is unclear how the TPP will ultimately affect Alaska, but WTCAK will keep Alaskans up to date as negotiations unfold. Some of Alaska's top trade partners will likely be impacted by the TPP. As Alaska contemplates liquefied natural gas exports to Asia, one issue merits attention. Applications for LNG exports require approval by the Department of Energy. Under federal law, licenses for LNG exports to countries that share a free trade agreement with the U.S. go through an expedited process. This could have an impact on future efforts to export Alaska LNG to Japan and other countries that become party to the TPP.

Our current focus on emerging markets in Asia parallels the development of the TPP. We have been closely watching Southeast Asian nations such as Singapore, Malaysia and Vietnam. In 2010, WTCAK organized and conducted Alaska's first trade mission to the region, which included a stop in Singapore. We will continue our work to identify opportunities as they emerge as a result of TPP negotiations. Several negotiating nations share common development trends including rapid urbanization, substantial infrastructure expansion and a growing middle class. We foresee an increased demand for Alaskan resources and expertise as these development trends in the region continue to rise. ⚙



Aaron Weddle is a Business Development Consultant to World Trade Center Alaska. He has a Master of Science in

Global Supply Chain Management from the University of Alaska Anchorage.

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All the Right Stuff

Four ways Alaska is primed for export success

BY GREG WOLF

Alaska is in something of a “sweet spot” these days as we benefit from what I call the “Three Rights” of export success: We are in the Right Place, at the Right Time, with the Right Commodities.

Alaska has always been blessed by its geographic location. Our strategic location on the Pacific Rim has placed us along the “great circle” route for marine shipping between Asia and North America.

Location has also enabled Anchorage to become one of the most important air cargo hubs in the world, poised, as it is, equidistance between Asia, Europe and North America. Add to this, we are neighbors on the Pacific Rim with some of the world’s fastest growing economies and most rapidly growing populations. All of this puts us at the Right Place on the map.

Political and economic transforma-

tion during the past several decades has resulted in formerly centrally planned economies becoming more or less free market in nature, in some cases, now allowing private ownership of property, companies and resources. With this has come the establishment of commercial laws and recourse. Some countries are now permitting, if not encouraging, foreign direct investment in their resources and industries. At the same time, major Asian countries with huge currency reserves are scouring the world’s natural resource jurisdictions to secure vital supplies and, increasingly, to also invest in the projects that produce these supplies.

Asian Diaspora

Economic liberalization and modernization has led to the hundreds of millions of people migrating from the rural areas of their countries to the major cities, at-

tracted by jobs and other opportunities to raise their standard of living. Consider China and India, two Asian giants who are leading the wave of urban expansion: According to McKinsey and Company, by 2025, China will add 400 million people to its urban population and India will see 215 million new residents to its cities. This mass movement of people from the countryside to the cities is unprecedented. The same report notes that never before in history have two of the largest nations (in terms of population) urbanized at the same time, and at such a rapid pace.

These developments have lifted many people out of poverty and, in the process, created billions of new consumers. Brookings Institution reports that between 2005 and 2010, sustained economic growth in emerging markets around the world has enabled nearly half a billion people to rise from poverty lev-

els. They note that never before have so many people been lifted out of poverty in such a brief period of time. The simultaneous rural to urban migration, coupled with continuing economic growth and rising standards of living, is helping to drive staggering demand for the natural resources that Alaska sells. This puts Alaska at the Right Time in history.

Helping Develop World Economies

Home to world-class reserves of natural resources, including energy, minerals, metals, forest products and seafood, Alaska has what so much of the world needs to fuel their economic expansion and to feed their growing populations. What Alaska has to offer the world are what I consider the building blocks of economic development: energy to generate power, minerals and metals for industrial production, forest products for construction and manufacturing, seafood to provide sustenance to people. In other words, we are providing the necessities for modern life, rather than the latest technological gadget. So, we are selling the Right Commodities.

These "Three Rights" help to explain the strength and growth of Alaska's exports to overseas markets. In 2011, Alaska exports reached \$5.2 billion, a new all-time high, coming off the previous record of \$4.2 billion set in 2010.

Unique Position

Looking to the future, geography may again prove to be a blessing for Alaska. I'm referring now to the commercial development of the Arctic. As America's Arctic state, we are uniquely positioned to benefit from opportunities that will arise from increased shipping along the Northern Sea Route as well as the development of roads, railroads and ports that will enable heretofore "stranded" resources to be developed and transported from source to port to customer in an efficient manner.

These were some of the ideas presented and discussed at the first Arctic Ambitions conference in Anchorage last May. The event was co-organized by World Trade Center Alaska and the Institute of the North. Shipping companies from Norway, Finland and Russia made presentations having to do with current and future transportation opportunities along the Northern Sea Route. They talked about significantly

reduced transit times and improved access to otherwise isolated locations.

We also heard commercial perspectives from government officials, including representatives from Alaska, Canada and Russia. The conference was well attended, and there was active dialogue between speakers and attendees. While tempered with the understanding that commercial development of the Arctic will certainly not occur overnight, there was clearly a sense of excitement about the possibilities and the future outlook.

It may turn out then that Alaska will have not three but four "Rights"

that drive our economic development and export growth. The ability to access our treasure trove of natural resources, and move them from here to customers around the world, will be further enhanced by shipping routes, traffic and infrastructure resulting from development in the Arctic. So, we may need to add the fourth Right: we (and now the world) are heading North, the Right Direction! ❁

Greg Wolf is the Executive Director for World Trade Center Alaska.

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Alaska's North Slope and LNG

North America's energy bridge to Asia

BY SOURABH GUPTA AND ASHOK ROY

The views expressed herein are the authors' own and not those of Samuel International and/or the University of Alaska.

When the first modern shale well was drilled a couple of miles north of Fort Worth, Texas in the late-1990s, few would have believed what a global energy market game-changer it would turn out to be barely a decade removed. At the time it was anticipated the United States would be, during the first half of the 21st century, one of the largest global importers of liquefied natural gas (LNG); today the U.S. domestic natural gas market is oversupplied and prices barely a fraction of that which they fetched just a couple of years earlier.

It is now foreseen that increased production of natural gas (and oil, as the U.S. is slated to dethrone Saudi Arabia soon as the largest producer of black gold) will make the U.S. energy self-sufficient, on net, within 25 years. Along the way, it is expected to provide a foundation for a domestic manufacturing renaissance, supply billions of dollars in revenue to federal and state governments, lessen the pressures on the current U.S. account deficit (via reduced oil and gas imports) and provide upward support to the value of the dollar. Broader geo-political benefits are also likely to accrue.

Meanwhile, on the global demand side, as per the International Energy Agency's most recent World Energy Outlook 2012, natural gas is expected to be the only fossil fuel for which global demand is anticipated to persist—in fact, increase—in any-and-all policy scenarios and contingencies over the next 25 years. Unconventional gas (particularly shale gas) will fulfill nearly half of this increase in demand, much of it arising from Asia's seemingly unquenchable thirst for energy to fire its unstoppable economic engine.

During 2000-2011, more than half the increase in demand for liquefied natural gas came from Asia with imports from China and India growing

as much as 30 percent and 52 percent, respectively, in 2011. Active policy support and regulatory reforms are expected to ensure that China's consumption expands from its current 130 billion cubic meters (bcm) to 545 bcm in 2035. In the interim until 2020 though, Japan is expected to be Asia's leading importer of LNG, due to its need to find a quick and dependable substitute fuel source in the wake of the Fukushima disaster and the subsequent and continuing nuclear plant shutdowns.

Furthermore, a key driver of Asia's demand dynamics arises from its need to secure diversified fuel choices and sources. Disproportionate amount of current Asian energy consumption is concentrated in greenhouse gas-intensive coal and oil-based sources—an environmentally unsustainable proposition in the long run. Equally, Asia remains overly dependent on the Middle East for oil and on regional production (from Australia, Indonesia, Malaysia and the Russian Sakhalin Peninsula) in the case of LNG. Contracts for LNG further tend to typically be of a long duration and price-inflexible variant. The appearance across of the horizon of seemingly inexhaustible North American shale oil resources thus embodies the latent potential for Asia to significantly improve its energy security, even as it diversifies supply sources, pricing formulas and contractual terms.

Clearly, a demand-supply "match-made-in-heaven" scenario between North American production and Asian consumption beckons on the near horizon—one that is mutually stable, remunerative, and in the long run economically integrative. For Alaska, these developments could not have arrived at a more opportune time. Foremost among its continental peers, Alaska

stands poised at the forefront to become North America's energy bridge to Asia and reap the profits of this reciprocally beneficial trans-Pacific relationship.

In 2009, an updated study by the U.S. Department of Energy (DOE) assessed the discovered technically recoverable natural gas resources on Alaska's North Slope to be to the tune of approximately 35 trillion cubic feet. Geological evidence suggests that gas fields of sufficient size are available to support economically and environmentally viable extraction. Because a pipeline to carry the gas to (export) market had hitherto been missing, in recent weeks, a consortium of energy companies including Exxon Mobil Corp., ConocoPhillips Co. and BP PLC have signaled their intention to build an 800 mile-long such pipeline from Alaska's North Slope to its coast. For good measure, a gas liquefaction plant is also envisaged at shore which will enable the consortium—and Alaska—to profitably arbitrage the huge price differential that currently exists between the Asian and North American gas markets.

If this all sounds too good to be true, well, that is indeed the case in some ways. Issues ranging from land access to marine mammal protection, especially the bowhead whale which is on the Endangered Species Act list, to water and gravel availability to construct roads and production facilities, have the potential to stymie the development of North Slope oil and gas resources. While some of these hindrances are amenable to solutions, including further advances in technology, an altogether more troubling stumbling block is the existence of an archaic and unnecessarily retrograde federal law that has been on the books since the late-1930s. However, it is prudent to remember the somber uncertainties to Alaska's pros-

pects of having its LNG in the market by 2023 also emanate from exogenous factors, such as: whether Japan restarts its nuclear plants and relies on LNG for power; Russia builds new pipelines to move gas from East Siberia to the Pacific; if efficient LNG tankers costs less than the cost of building the 800 mile new pipeline from the North Slope; if shale gas can be exported as LNG; and if China expands its LNG imports.

As per the Natural Gas Act of 1938, all exports of natural gas from the United States require the Department of Energy (DOE) to make an affirmative determination that the permit to export is consistent with the American "public interest." As a practical matter, this "public interest" determination is limited to those countries with which the U.S. has not entered into a free trade agreement (FTA). The U.S. however has very few such FTAs in force—only 20 totally, many of them with minnows, and none with a large, dynamic Asian economy (save South Korea).

Such a discretionary, nonautomatic licensing authority is not only an investment-chiller, it might also be noncom-

pliant with the U.S.' international commitments. International trade lawyers and U.S. Chamber of Commerce officials alike have charged that the requirement to secure government approval to export LNG amounts to a possible export restraint that violates the U.S.' obligations under the 1994 General Agreement on Tariffs and Trade (GATT). Although GATT rules allow limited exceptions from this general prohibition on export restraints, such prohibitions or restrictions need to be either:

- (a) temporary
- (b) related to essential products that are in short supply
- (c) applied in conjunction with other conservationist objectives, or
- (d) made with an express national security objective in mind.

Discretionary nonautomatic export licensing authority (for LNG) interpreted under the guise of being in the "public interest" does not appear to comport to these above criteria—in turn, calling into question the U.S.' fidelity to international trade law and obligation on this matter.

Regardless of this consistency/inconsistency, protectionist voices in Congress have latched onto this provision to lobby for denial of LNG exports abroad—both, to artificially benefit domestic manufacturing via the differential in (energy) input prices as well as to crimp the broader development of the U.S.' onshore and offshore gas resources in the name of environmental considerations. However, fully participating in global energy markets is the most appropriate way to reward domestic producers, incentivize investments in economical domestic production, and keep costs low for consumers, while simultaneously encourage the use of off-the-shelf technologies that enhance efficiency and conservation goals. Ultimately, in the absence of development of the North Slope LNG bounty, it is in Alaska—and in lost revenues—where the price will be paid.

Going forward, the offending provision in the Natural Gas Act needs to be reinterpreted in such way that LNG exports are denied to none but the most egregious few rogue state actors. Allies such as Japan, which currently have significantly reduced their intake of Iranian



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crude in spite of the Fukushima disaster, ought not to be punished by such exclusions, which were written in an altogether different time and age. In passing, it bears noting that even at the height of the Cold War the U.S. conducted agricultural trade with the Soviet Union. Equally, the discretionary authority embedded in the Natural Gas Act needs to be stripped so that predictability and security of tenure to justify the large, capital-intensive investment in a pipeline and gas liquefaction facility can be assured. Federal law ought to embrace such extraction, development, transport and export, so long as it is conducted in a market-friendly and environmentally responsible fashion.

In early December 2012, an ice-class LNG tanker chartered by the Russian oil and gas giant Gazprom traversed the Arctic route to Asia to deliver a cargo of Norwegian gas at the Japanese port of Kitakyushu. The number of such crossings has been on the rise in recent times—the number of vessels making the Arctic passage having risen steadily from four in 2010 to 34 in 2011 to 46 as of December 2012. Russian president Vladimir Putin has vowed to transform this route into a

future “international transport artery” in terms of fees, safety and quality. The seemingly unquenchable thirst for LNG on the Asian continent will, one way or the other, be sated. The question is: will it be U.S.—and Alaska-based—capital and producers at the head of this queue?

Or will this opportunity be fumbled by way of pious pronouncements that cater—and serve as a cover—to the interest of more protectionist-minded lobbies in Washington, D.C. The road ahead for Alaska, in the years to come, has some numerous detours and riddles. ⚙



Sourabh Gupta is a Senior Research Associate at Samuels International Associates Inc., a strategic international

trade and political advisory firm based in Washington, D.C. He holds master's degrees in international security studies and international relations from the Walsh School of Foreign Service at Georgetown University and the Maxwell School at Syracuse University, respectively. He is currently a 2012 East Asia Forum Distinguished Fellow.



Dr. Ashok K. Roy is the Vice President for Finance & Administration/Chief Financial Officer for the University of Alaska system.

Dr. Roy has significant experience, at senior management levels, at three other large universities, local government, and in the private sector. Dr. Roy was educated in the USA and India, and holds six university degrees and five professional certifications. He has authored 67 publications in academic and trade journals.

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Arctic Ambitions II Conference

Development of the Arctic is a hot topic around the world and is the subject of international conferences—forums that take place each year. Last May in Anchorage, World Trade Center Alaska, along with the Institute of the North, conducted the inaugural Arctic Ambitions Conference. The gathering concentrated on the theme of international trade and business opportunities that flow from development of the Arctic.

Working from a context of who stands to benefit most—which regions, countries, industries and companies—presenters addressed issues such as international supply chains, markets, commerce, marine transport and other subjects associated with Arctic development.

While policy and research informed the discussion, the conference concentrated on global markets, international trade and decision-making. Discussion was framed by several key Arctic industries. It addressed the two-way nature of exports and imports in the Arctic.

It's not just a question of what Arctic nations can develop and export—equally important is who has a market for those resources. Government officials and business executives from Canada, Finland, Japan, Korea, Norway, Russia and the United States participated in the conference and discussed their roles as development unfolds in the region.

With the accelerating rate of polar ice melt, massive natural resources are becoming accessible in the Arctic. According to the U.S. Geological Survey, one-quarter of the world's undiscovered, technically recoverable oil and gas resources may be in the Arctic: oil (90 billion barrels); natural gas (1.7 trillion cubic feet); and natural gas liquids (44 billion barrels). Resource exploration in the Arctic requires significant technical assistance. For example, Arctia Shipping, a Finnish operator of an icebreaking fleet, provides service and support of offshore oil and gas exploration. The company's icebreakers are capable of supporting offshore drilling rigs in Alaska and elsewhere in the Arctic. The pres-



ident of Arctia Shipping was one of the featured speakers at the inaugural Arctic Ambitions Conference in May last year.

At the same time, there was a significant increase in maritime cargo movements through the Arctic shipping routes. The summer season of 2011 showed a rise of commercial transit via the Northern Sea Route—34 ships carried 820,000 tons of cargo. By comparison, in 2010, only 4 ships transited through the NSR and carried 111,000 tons. All but one of these vessels required an icebreaker escort. Rosatomflot, a Russian company operating a fleet of nuclear-powered icebreakers in the Arctic, provided these escorts. Rosatomflot also participated in Arctic Ambitions.

With the growth of Arctic maritime infrastructure, there exists a potential for usage of Alaska ports. Ships passing through the Bering Strait could be served by ports such as Adak and Unalaska. These ports could become transshipping hubs for cargo as it passes from new Arctic shipping lanes to existing commercial routes. Currently, the Norwegian port of Kirkenes serves this function on the European side of the Northern Sea Route. One of the operators of this transshipping hub, Tschudi Shipping Co., came to Anchorage to present at Arctic Ambitions last year.

This year's Arctic Ambitions II Conference will provide an important update on commercial activities in the Arctic and a venue for Alaska companies to hear the latest news directly from government and business leaders in the region. The conference will take place at the Hotel Captain Cook in Anchorage on Feb. 19-20; for registration information visit wt-cak.org or call (907) 27-TRADE. ❄



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New Realistic Russian Opportunities

Promoting business with Alaska companies

By ALEX SALOV AND AARON WEDDLE

With the events surrounding the fall of the Berlin Wall in 1989, Alaska and Russia began exploring economic and cultural relations. Businesspeople, students and cultural exchange groups visited their counterparts and several organizations were established to promote bilateral relations. Sister-city relations were established between Alaskan and Russian cities, such as Magadan, Vladivostok, Yakutsk, Petropavlovsk-Kamchatsky and others.

The excitement grew with the announcement of several Sakhalin oil and gas development projects in the 1990s. Since the Russian Far East is a resource-rich region, Alaska has not been a large exporter of commodities to the region. Rather, Alaska companies have been exporting technical and professional expertise and services. Several firms have garnered contracts in transportation, construction and other fields. Some participated in joint development projects in Sakhalin and continue their operations in the region to this day. For example, Lynden Inc. is a provider of transportation and logistics services in Sakhalin, and Alaska Interstate Construction LLC is involved in road construction, oil well pad installation, and other oilfield infrastructure development projects.

In the same period, the University of Alaska established close ties with its counterparts in the Russian Far East. Many students from Magadan, Khabarovsk, Vladivostok, as well as other cities in the region, enjoy resident tuition at the University of Alaska. At one point in time, the University of Alaska had more Russian students than any other university in the United States. Also, the American-Russian Center at the University of Alaska Anchorage was one of the principal technical assistance organizations between the U.S. and the Russian Far East. It



had branch offices in eight Russian cities and several thousand Russians participated in its courses and educational exchange programs.

Both Aeroflot and Alaska Airlines started direct service between Alaska and the Russian Far East in 1991. By the early 2000s direct flights stopped. Since then there have been a few unsuccessful attempts on both the U.S. and Russian sides to resume regular service. Last summer regional Russian air carrier Yakutia Air started seasonal service from Petropavlovsk-Kamchatsky to Anchorage and conducted 10 roundtrip flights. In 2013, Yakutia Air will expand service to 14 roundtrips and provide a direct connection from Petropavlovsk to Khabarovsk, which is served by several airlines connecting with other Russian and Asian destinations. Successful operations could lead to a decision by the carrier to expand from seasonal to year-round service in the future.

In 2012, Russia acceded to the World Trade Organization. As a result of this accession, Russia's average tariff rate will decline and conditions for foreign trade and investments will be liberalized. U.S. manufacturers and exporters will now have more favorable market access than in previous years. In addition, WTO accession includes stronger intellectual property rights enforce-

ment and more transparency in trade-related legislation.

In September 2012 another development saw the entering into force of an historic visa agreement between the U.S. and Russia. Thanks to this agreement, three-year, multiple-entry visas will become the standard terms for U.S. citizens visiting Russia and Russian citizens visiting the United States. The agreement also eliminated official letters of invitation and standardized visa processing time to 15 days. In previous decades, visa issuance and terms were inevitable obstacles for U.S.-Russia business travel and tourism.

On Feb. 19, World Trade Center Alaska will conduct the half-day conference entitled "A New Look at Alaska-Russian Far East Opportunities." With this half-day event, the Trade Center will take a new, fresh look at potential business opportunities between Alaska and the Russian Far East region. It will feature six speakers, a mix of both U.S. and Russian trade specialists. Much has transpired since the 1990's when Alaskans actively explored commercial opportunities in the Russian Far East. Considering the history of Alaska-Russian Far East relations and the new developments listed above, new market opportunities for Alaska companies may emerge in the near future. ⚙