

SCOMM

100:10

JOINT INTERIM TASK FORCE ON INTERNATIONAL TRADE POLICY

January 18, 1996

4:04 p.m.

MEMBERS PRESENT

Senator Steve Rieger, Co-chair
Representative Beverly Masek, Co-chair
Representative Alan Austerman
Representative Brian Porter
Representative Jeannette James
Representative Irene Nicholia
Representative Caren Robinson

MEMBERS ABSENT

Representative Pete Kott

ALSO IN ATTENDANCE

Representative Gail Phillips, Speaker of the House
Representative Jerry Sanders
Senator Georgianna Lincoln

TASK FORCE AGENDA

-- ALASKA'S INTERNATIONAL TRADE SUPPORT NETWORK

WITNESS REGISTER

Ms. 'Pete' Nelson, Chairman
World Trade Center Alaska Advisory Board
421 W. 1st Ave.
Anchorage, AK 99501

Ms. Robin Zerbel, Director
World Trade Center Alaska
421 W. 1st Ave.
Anchorage, AK 99501

Tom Jensen, Chairman
Oversight Committee on Private Industry Needs
Assessment Survey
421 W. 1st Ave.
Anchorage, AK 99501

Tim Lane, International Trade Advisor

Kevin Krauklis
3253 Riverview Drive
Fairbanks, AK 99709

Ms. Sherry Biggs
Kenai Economic Development District
P.O. Box 3029
Kenai, AK 99611

James Kenworthy, Director
Alaska Science Technology Foundation
4500 Diplomacy, Suite 515
Anchorage, AK 99508

Mark Wilson
1400 W. Benson, #150
Anchorage, AK 99503

Jim Stevens
3605 Arctic, #2156
Anchorage, AK 99503

Patrick Burden
421 W. 1st Ave., #310
Anchorage, AK 99501

Ms. Deborah Sedwick, Assistant Commissioner
Division of Trade & Development
Department of Commerce & Economic Development
3601 C St., Suite 798
Anchorage, AK 99503

ACTION NARRATIVE

TAPE 96-1, SIDE A
Number 001

SENATOR RIEGER, Co-chair of the Joint Interim Task Force on International Trade Policy, called the meeting to order at 4:04 p.m., and stated the purpose of the meeting was to hear presentations and testimony regarding international trade and the results of a private industry needs assessment commissioned by the legislature and conducted by the World Trade Center Alaska during the past interim.

Number 036

'PETE' NELSON, Chairman, World Trade Center Alaska Advisory Board, said it is her responsibility to represent their membership in programs that advance international trade that most directly benefits their Alaskan businesses. During her nine-year tenure on the board they've worked with a myriad of programs and on a host of projects to expand Alaska's opportunity in international trade. However, it has become increasingly evident in discussions with their members and with others in the private sector that it was not

clear if these programs or initiatives were responsive or consistent with the current international business efforts of Alaskans. What was clear, was that no one had asked a sampling of Alaska's private sector what their needs were regarding international trade, education assistance, policy or promotion efforts.

Simultaneously, the state of Alaska was initiating a review of fiscal plans to address the declining operating budget. This year the Alaska Legislature authorized a survey of Alaska's private sector, and the purpose of this project was to identify a state policy that would do more responsibly with less to enhance international business in Alaska. This project was supervised by an oversight committee selected by the legislature.

Ms. Nelson said the needs assessment survey should not be considered an end result, rather, it is a unified voice of Alaskans requesting an action, requesting a response from those who make policy.

[BECAUSE THERE WAS INTEREST EXPRESSED IN THE PRESENTATIONS BY ROBIN ZERBEL, TOM JENSEN AND TIM LANE, THEIR COMPLETE PRESENTATIONS WERE TRANSCRIBED]

Number 110

ROBIN ZERBEL, Director, World Trade Center Alaska:

"On July 10, the Alaska State Legislature contracted with the World Trade Center Alaska to conduct a needs assessment of the Alaska international business community. To achieve the results of a survey process that would be equitable and the results that would garner substantive data, the legislature requested the appointment of a broad-based oversight committee. This committee was composed of heads of trade associations throughout the state of Alaska that represented much of Alaska's industry. Tom Jensen, President of the Alaska State Chamber, represents one of those individuals serving on the oversight committee at the request of the House and Senate leadership. Mr. Jensen will be presenting the results of this survey on behalf of the oversight committee."

"Members of this oversight committee met to review proposed needs assessment questionnaires and the survey process in August. At that time, the committee reviewed sample assessment questionnaires provided through our consultations with ISER (Institute of Social and Economic Research) and other professional assessment organizations. The committee resolved, at that time, the questionnaire should be open-ended. The document was revised and again reviewed by the oversight committee. Committee members approved the questionnaire you see before you today."

"Although the contract with the legislature stipulated distribution to 600 businesses, it was determined in the oversight committee meetings a larger distribution would be more favorable in assessing the needs. We therefore increased the distribution to 2,000 Alaskan businesses."

"Prior to the study, no academic trade organization or government agency had compiled a comprehensive list of current or potential exporters in Alaska. Although the export of products can be traced to Alaska origin, it was the growing service sector that was the most difficult to locate. The oversight committee indicated that only a small percentage of Alaskan companies, then estimated around 1,000, had likely ever exported or considered exporting. Identifying the sample was an arduous task. The actual mailing list was developed as follows:

1. A database of all Alaskan business license holders was purchased.
2. Businesses without any Alaskan zip code were deleted from the list, so these were strictly addresses within the state of Alaska.
3. The major industry groups were classified, as dictated by the oversight committee, to the kinds of industry that they wanted to survey.
4. The final step is the mailing list from the U.S. Commercial Service (1995 version), the World Trade Center Alaska (1994 - 1995 version), and the Alaska Office of International Trade (1994 version) were put together. The oversight committee suggested companies which had previously responded to trade agency mass mailings would be more likely to respond to an international trade questionnaire than companies randomly selected from the state's business license. Therefore, these two lists were cross-referenced and, therefore, that's how we came to the results of those who were actually surveyed."

Number 175

TOM JENSEN, Chair, Oversight Committee on the Private Industry Needs Assessment Survey:

"This group, the oversight committee, was formed at the request of Senate President Drue Pearce and Speaker of the House Gail Phillips. The committee consisted of 11 individuals and they were: Joe Beedle, Juneau Small Business Development Center; Sherry Biggs, Kenai Economic Development District; Steve Borrell, Alaska Miners Association; Chris Gates, the Alaska Forestry Association; David Haugen, The Alliance; Carol Heyman, Anchorage Chamber of Commerce; Chris Mitchell, Alaska Fisheries Development Foundation; Kevin Krauklis, Fairbanks Economic Corporation and Fairbanks Chamber of

Commerce; and Dale Wade, Alaska Air Cargo Association -- a good cross section of organizations on the oversight committee. We were selected as individuals representing the broadest based constituency of the Alaskan private sector involved in international business."

"We were requested to provide oversight in three major function areas. First, we provided advice and comments on the assessment process, in general. Secondly, we provided advice and comments on the private sector survey tool itself. And lastly, we reviewed the process of this needs assessment from the beginning to the end. I must say that Alaska has taken its first and most critical step in enhancing the private sector's ability to successfully do business internationally. How? What we did is we asked the private sector, a big thing."

"Now, this needs assessment was unprecedented here in Alaska. A handful of other states have conducted international business needs surveys and those, and other states that have not, were contacted for survey samples. They were very interested in Alaska's survey process and the resulting changes in policy toward international trade. Respondents to the survey within Alaska were overwhelmingly appreciative of being solicited to provide their input in this process, and, in fact, that request prompted some individuals to get so enthused that they composed individual letters and went on and on and on. Of the 2,000 surveys that were mailed out, we had a 13.5 percent response rate and that's not bad. We received 271 completed surveys, many who favorably commented about this precedent-setting project. "

"Now, the important question: What is it that the survey tells us? Before you today are the complete results of that survey inclusive of the independent comments and each and every question responded to by those respondents in the survey. Additionally, it includes a copy of the survey, a list of who responded by the project completion date, and a breakdown of the industry sectors that were surveyed. Certainly, you and your staff will have a chance to review it at your own leisure and to see if there are other questions that we may not answer today that you may want answers for in the future."

"However, the reason that I'm really here today is to provide you with the major conclusions of this international business needs survey and to demonstrate, hopefully, how Alaska can do more responsibly with less. Now, after studying this document in great detail, some general observations were: information gathered show that 62 percent of the respondents are motivated to export or consider the export business because this is part of their long-term business development plan and they have some special knowledge of a foreign market opportunity. We also learned that 66 percent of the respondents gave an international trade lead the same

priority as a domestic lead; it's important to them, they are really interested. "

"Potential exporters, those who aren't exporting yet but have the idea in their mind, provided these statistics: 55 percent of those potential exporters responded that finding foreign customers and then finding the information on the market for their company's particular product or their company's service is the biggest obstacle they have. That's the biggest obstacle and that's what keeps their companies from exporting. 90 percent of potential exporters responded that they never ever use government assistance for international trade. Now, 25 percent of those potential exporters would seek a private source for more information in the international trade arena; 22 percent of those potential exporters would use the U.S. Commercial Service; 15 percent would use the state Division of Trade & Development; 13 percent would use the World Trade Center Alaska; 9 percent would use the University of Alaska, including the Alaska Center for International Business; 4 percent would use University of Alaska Fairbanks; 4 percent the Alaska State Legislature; and 1 percent would use the University of Alaska Southeast. "

"Now, of the exporters, those folks doing the business internationally, we gleaned from this document that 86 percent of them use bank lines of credit as their export finance source; 41 percent said that they are actively involved in foreign joint ventures, that's how they get in and that's how they stay in; and 56 percent said they have not used governmental assistance for any international trade -- those are the folks that are doing the job; 29 percent of those exporters say that they would use private sources for trade assistance -- they are willing to pay for private; 43 percent said that they would use private sources to find more information in the international trade world; 23 percent said they would use the World Trade Center; 16 percent would use U.S. Commercial Services; 10 percent would use the Alaska Division of Trade and Development; 6 percent would use University of Alaska Anchorage; and about 1 percent would use SBA."

"Respondents, again, on the exporting side of the house, their sales activity for the last fiscal year says that Japan was first, followed by Russia, Canada, Germany, the Peoples Republic of China, and South Korea. And those exporting project that by the year 2000 the international market activity will be: Number 1, Russia; Number 2, Japan; Number 3, Korea; then the Peoples Republic of China, Canada and Germany. So those are some of the statistics, the numbers, the percentages. So what does it all mean, what do we consider the key findings, the resulting conclusions?"

"From a global perspective, this is what we consider the key finding. The respondents stated clearly that international business is part of their long-term plan and they are doing or

seeking to do business throughout the entire world -- identified countries and regions were surprisingly varied. For example, they were looking at potential business in Ireland, Israel, the Ukraine, Indonesia, Indiana, Vietnam, Chile, Austria, the Middle East, Peoples Republic of China, and, of course, Russia. And the respondents projected to do business in an even greater extent in a broader variety of countries during the next five years -- they see it expanding and improving. The conclusion drawn from this information is that financial resources should be redirected to regions or areas where Alaskan businesses are considering doing international trade, as opposed to just the shotgun approach of shooting it everywhere. "

"What are some of the obstacles to trade international? Well, the survey showed that potential as well as experienced exporters identify that locating market information and foreign customers are their major obstacles to trade -- getting that information. The survey respondents familiar with the U.S. Commercial Service rate them very highly for their ad hoc services in locating market information."

"We therefore conclude that foreign market information is available free through the U.S. Commercial Service. Governmental agencies and organizations, as well as trade organizations and economic development organizations, should all refer individuals inquiring or soliciting information to this service as it was highly rated by the respondents as being the most effective. "

"We also conclude that the state of Alaska could better support those referrals to the availability of information to the U.S. Commercial Services."

"We conclude that Alaska could be better supported to overcome these obstacles by providing a centralized contact point, as opposed to the many points we have now."

"Another key finding was that respondents recognize the importance of trade missions and trade shows in finding foreign customers -- one of their major problems, it is important to do those things. And the conclusion would be that the state might establish a policy that trade missions and trade show destinations are driven by the private sector needs, as opposed to, possibly, speculation. This policy could include that funds allocated for any overseas travels by state officials would be considered as a trade mission with private sector participation. Lastly, the trade missions and/or trade shows should be contracted to an organization or an entity that can provide a consistent, a professional and an apolitical service."

"In the financial arena, the findings indicated the use of regular bank lines of credit to conduct business was documented as the

standard -- that's how they do it. The conclusion might be that we redirect funds from an existing trade promotion, provide assistance or financing through other entities to establish export finance assistance to those people. We also found that the federal program usage was negligible and state program usage was nonexistent -- it wasn't there. That leads us to conclude that a review and correct legislation and administration to respond with a newer, more effective program that meets their needs would be appropriate."

"Respondents, especially those who were experienced exporters, documented their high priority need for an access to money. That leads us to conclude that maybe this export finance unit to the private and the private/public entity working regularly with international business in the Alaska private sector would be helpful."

"Now, where do Alaskans go for assistance? The private sector is using the private sector for international business assistance, not government. They are using friends, family associates, customers, suppliers, or private consultants. So we conclude that Alaska's private sector is creating its own private sector for international expertise, as opposed to relying upon government entities."

"A large percentage of the respondents were unaware that the agencies indicated in the survey had services available. The conclusion there might be that the general fund dollars have been used ineffectively in communicating or in providing services to Alaskan businesses."

"Respondents also consistently rated the U.S. Commercial Service the highest for its effectiveness in ad hoc services. The World Trade Center rated the highest from exporters and the Division of Trade & Development, formerly the Office of International Trade, was rated the highest by potential exporters. Other programs and services received negligible responses. From that we conclude that the general fund dollars supporting trade policy, finance assistance and education could be streamlined. Maybe a more user friendly program that's flexible and responsive to the changing private sector is the service most wanted by our Alaskan firms looking at international trade."

"The respondents were very frustrated with the number of programs and services, the conclusion there being a centralized contact point that has credibility with the private sector has possibly the best chance of serving effectively the private sector."

"We believe that this survey and its results are good news, believe it or not, for government and for business. The reason for that is because in this time of fiscal planning, to provide data for targeting international trade with a rifle, as opposed to a shotgun, therefore allows us to be more responsible with less."

"That concludes my presentation."

Number 387

SENATOR RIEGER said in the presentation three things were outlined generally: information, diplomacy function, and financing. He said he has always had a preordained conclusion that only the first two were things that the state might have a legitimate role in, and he asked if there really is a unique need for financing that can't be met by the private sector in the financing side, or if there are other things beyond those basic three categories that he missed in the remarks. ROBIN ZERBEL responded that the survey didn't address what those particular needs are that are specific in finance. However, she added that from the World Trade Center's perspective and her personal experience, they don't really know what these companies want and the companies don't really know what they want - - everybody wants money, but they don't know how to get it. If there was a person identified to be working in this arena, then they could call that person and ask what the exporters, importers and investment people want for finance, and until that is done, they are never going to be able to answer that question. She also said that access to capital doesn't necessarily mean the state would have to finance anything.

Number 425

REPRESENTATIVE JAMES asked if anyone was using the Alaska Industrial Development and Export Authority (AIDEA) for export. ROBIN ZERBEL answered that AIDEA has funded a number of projects that are involved in export, but they are here and they have not had any takers on their export financing program. She added that if no one is using it, it seems to her that it is not working and that it needs to be fixed. Also, she is not sure that Alaska warrants a financing program, because there are a lot of other answers out there for that.

Number 443

REPRESENTATIVE GAIL PHILLIPS asked if on the centralized entity concept there was any feedback on how that centralized entity should look, where it should be located, etc. ROBIN ZERBEL said the respondents to the questionnaire offered all kinds of suggestions, but they all called for a central location. They don't really care where it is physically, but she believes there is a call here for them to ask for consistency, an entity that has credibility, and a unit that is working together. She commented that she would like to see it at the World Trade Center.

REPRESENTATIVE GAIL PHILLIPS asked if the conclusions in the report will tell the reader very specifically and very clearly that the services that we provide as a state today are not providing the

service that the client needs. ROBIN ZERBEL answered that some of the programs that were reviewed are not official state agencies or organizations, but the money that's gone into programs and initiative has not been effectively used to respond to the private sector.

Number 530

REPRESENTATIVE MASEK, Co-chair of the task force, asked how many of the 271 people that responded to the survey knew of the state agencies and the services available to help them in getting their business and trade started. TOM JENSEN responded that a number of the people responding to the survey didn't know of the services provided, or they were not comfortable with the services that were provided, or they didn't feel the services that were provided is what they needed so they went to the private sector. He added that over 70 percent aren't interested in government assistance at all, which tells you that the government program isn't doing the job. He reiterated that the theme that came through in the survey was centralization, to listen to the private sector as to where they are going and what markets they are after, and then target the assistance in those regions and in those markets as opposed to trying to be everything to everybody.

Number 561

SENATOR LINCOLN expressed her great interest in international trade, but she wonders how many Alaskans really know that Alaska has an offices in Taiwan, Korea, Japan and how many use those offices to promote their particular business or to have the particular business from those three countries to join forces with perhaps somebody in Alaska. She asked if when we have a presence in a country, is that a more positive versus closing down those three offices and not having any presence. ROBIN ZERBEL replied that only one respondent commented to keep those offices open, although that question was not asked. She noted a great portion of the survey represented the service sector, and the survey demonstrates the service sector is going all over the world.

Number 623

REPRESENTATIVE JAMES asked if as a member organization and in serving its membership, the World Trade Center receives a lot of contributions by the members who bring to this organization their knowledge and share it with other members. She also asked if that possibly is the kind of an organization that might have a better ability to do those kinds of things because of this growing information this is gleaned from the people who are actually doing the exporting or importing. ROBIN ZERBEL responded that she believes there is a real benefit because companies are paying a matching fee for their services, and that means that the state

doesn't have to subsidize the whole portion for assistance. It provides a lot of opportunity for people to use each other as the experts and use the private sector. Another benefit is that an organization like theirs has to respond to its membership, therefore, when markets change, there has to be a system in place to be able to respond rapidly to those changes.

REPRESENTATIVE JAMES asked Mr. Jensen if could expand on what he would visualize to be the state's role in any kind of trade show. TOM JENSEN suggested that private enterprise could represent itself at these trade shows, but he believes the state has a responsibility as a state to represent that industry in a whole, so therefore, the state would be a participant in assisting in funding that.

SENATOR RIEGER thanked Ms. Zerbel and Mr. Jensen for their presentations and then stated the task force would next hear from participants waiting to testify over the Legislative Teleconference Network. The first to testify was Tim Lane, who was contracted by the legislature to do an analysis of state agencies and federal agencies involved in international trade.

Number 684

TIM LANE, International Trade Advisor, testifying from North Carolina:

"In October, at the request of the legislature and in conjunction with the legislature's review of the state international policy, I conducted a comprehensive analysis of Alaska's trade assistance network. The analysis incorporated a number of elements, which I'll cover briefly as an introduction and leave as a basis for any future questions that you might have regarding the integration of the private sector survey or anything that I would hope to tell you."

"The primary three areas that we brought up were: (1) policy: the appropriate role of state government in international trade and affairs; (2) the structure - what is the most effective way to structure an international trade assistance network; and (3) to develop a fiscally sound trade budget to compliment a structurally sound international trade support system. In the budget element, in particular, it wasn't so much an attempt to set a certain number to cut, but, rather, to identify areas where the budget could be reduced, where organizational activities could be replaced by private or federal level, or where activities were no longer consistent with the changing realities of a global marketplace. "

"To intensify the scope of these issues among the organizations that we chose, each organization was evaluated according to its activity in three specific areas: (1) export assistance -- that is

the services that the state currently provides to companies seeking to export their products and services to foreign markets; (2) foreign investment promotion and protocol activity which was bunched together -- while both export assistance and foreign investment promotion are highly international in nature, the approach to effectively promote both of them is highly distinct, and naturally we felt they were separated; and (3) international education -- the focus of this was primary trade organizations and the international education services they provide to companies and the public at large. "

"Organizations were specifically examined, among other points, to identify areas of activity duplication, obsolete activities, service specialization -- that is the extent to which the organization specializes and perhaps excels in a certain capacity. The inner organizational cooperation -- that is the extent to which they cooperate with other trade groups in the state to promote Alaskan trade; and finally and most importantly for purposes of this analysis was the overall extent, which were relevant within the context of achieving a global marketplace. A number of these programs were set up 10 years ago or even longer and some of the activities are no longer necessarily consistent with the changing global marketplace. As a result, the primary analysis focused on that in great detail."

"That's the primary background on the methodology and the points which we reviewed. If you have specific questions, I'm open to answer any of those."

TAPE 96-1, SIDE B
Number 740

SENATOR RIEGER thanked Mr. Lane and stated that his international support network restructuring recommendations were just being presented to the task force and it was not his intention to ask the task force to take any action or position on them until they have had the opportunity to fully review the document.

Number 755

KEVIN KRAUKLIS, a Fairbanks businessman and member of the Project Oversight Committee, said until this past summer he was president of Flowline Alaska, a Fairbanks company specializing in pipe insulation. In 1993, Flowline Alaska and the City of Moscow, as 50/50 partners, formed a new Russian company to operate a pipe insulation plant in Moscow, which is still operating and doing well. Valuable Alaska resources used for setting up this business in Russia were the Alaska State Chamber of Commerce, U.S. Foreign Commercial Service, State Office of International Trade and the World Trade Center Alaska. He also said that if it were not for organized trade missions, Flowline Alaska would not be doing

business in Russia.

While he strongly prefers private sector initiative over public sector, Mr. Krauklis believes there is a very valuable role that the state government can play in helping Alaskans find the right opportunities in Russia. State government participants or organizing a trade mission to Russia can open a lot of doors that a private Alaskan cannot. One of the main keys to success of these trade missions, though, is a high level of private sector financial contribution and commitment to the organizing group's expenses.

Number 892

SENATOR RIEGER asked if the state's role in trade missions is that of being along to add credibility to the people who are on the trade mission, or is it in organizing it in the first place, or both. MR. KRAUKLIS replied he thinks it is in the sanctioning, of being part of the group. A government representative from the state of Alaska can open up a lot of doors over there.

Number 929

REPRESENTATIVE MASEK asked what can be done to strengthen and enhance the private sector's business and trade policies. MR. KRAUKLIS suggested consolidating some of the organizations that are involved in international trade because one-stop shopping would be very helpful. He also suggested there is a need to have the World Trade Center and the Division of Trade Development work on developing the trade missions and trade shows for Alaskan businesses to participate in. He added that he thinks the results of the survey and the recommendations that came out of the survey are pretty much on target.

Number 969

REPRESENTATIVE PORTER asked Mr. Krauklis where he went to determine the "do's and don'ts" when trying to establish a business relationship with Russia. MR. KRAUKLIS said that was another benefit of a trade mission. Just by going on a trade mission and watching the experienced people who are part of the trade missions, he was able to pick up many of the do's and don'ts.

Number 019

REPRESENTATIVE AUSTERMAN commented that he agrees with Mr. Krauklis that the state has to be the "door opener" and the lead in carrying the message of Alaska's trade to these other countries.

Number 040

SHERRY BIGGS, Kenai Economic Development District, ARDOR for the

Kenai Peninsula Borough, related that since 1990 they have been working with Russia and Japan in establishing sister city relationships. They have learned that foreign governments look to work with a regional or local agency. The assistance they have received from the Division of Trade Development, in both the Tokyo office and the Anchorage office, has been instrumental in the success of their establishing a sister city relationship with a city in Japan. There are now commercial wholesale representatives in Japan who are ready to purchase fish directly from Kenai businesses. She said they believe it is their role to open the doors and establish the rapport and set that level of credibility so that private business can then step in.

Number 078

JAMES KENWORTHY, Director, Alaska Science Technology Foundation, Anchorage, said statistics show that about one in seven jobs in Alaska is in the traded goods sector versus one in three nationally. He said the state can change its economic base over time. The state has to organize and justify its activities in terms of what expands the trade goods sector of its base -- that is what goods or services Alaska has to sell to the world. To do that, he suggested it is necessary to improve the competitiveness of existing firms and increase the start-up firms and the rate by which they can succeed. He noted all states and regions have done much better by trying to grow their own economy rather than creating incentives to attract outside investors to the state. The ingredients of growing businesses are nothing more than technology, capital and labor.

Number 165

MARK WILSON, an Anchorage businessman, said, in general, his experience has been that beginning with the state functions, activities and services, which he has used extensively, he has found that his experience with the international trade offices in Japan and Korea has been very keen. He has found the staff to be very helpful and, in many cases, have provided the services which he specifically needed, largely the facilitation of his efforts to make contact. They have been able to facilitate his ability to network with other exporters throughout the export/import market of Alaska. They have helped him participate in trade shows, many of which he could not have participated in individually, but he was able to participate by being an associate member with other businesses in Alaska. These trade shows were completely and exclusively supported by the Office of International Trade. He noted that he has not availed himself of the other agencies in the private sector, primarily because of cost, or he has found that he was probably more experienced at doing what they offered to do for him. He added that the World Trade Center Alaska and the U.S. Commercial Service have also been great sources for his company.

Number 252

JIM STEVENS, owner of a consulting firm in Anchorage that specializes in rural tourism development and marketing, stated his has used both the services of the Office of International Trade and the World Trade Center. In 1991, the Office of International Trade introduced him to the Korean market for tourism, and without their assistance, he would not have been able to generate the volume of business that he accumulated over the years. They were instrumental not only in introducing him to the markets, but supporting his efforts in developing those markets as well. No other agency, state or federal, has stood beside him like the Office of International Trade did.

Mr. Stevens also spoke to the need to reestablish an international trade office in Taiwan where other states with even less trade relationships than Alaska have a presence. An office in the Pacific Rim countries is necessary to understand the culture and in that culture the importance of face is fundamental. He said he sees no real benefit to cutting any of other state's efforts in the Pacific Rim countries, in fact, if anything, the funding should be increased.

Number 317

REPRESENTATIVE GAIL PHILLIPS asked Mr. Stevens his thoughts on centralizing the function for all of the world trade and international trade agencies. **MR. STEVENS** replied that it would probably work good in Alaska, but he didn't think it would work overseas because of the variations in cultures.

Number 330

PATRICK BURDEN of Northern Economics in Anchorage, spoke to the need for some sort of financing center in the state for international business. He is often contacted by companies and organizations in Anchorage about financing, but often he can't help them because they are small companies or they are new companies and they can't afford what his company charges. Most of his work is for the government entities, for the large corporations. He would like to help the smaller companies, but what they need is an inexpensive source or resource of information and guidance on getting financing for exports. He pointed out that the program the state of Washington has, perhaps with some modification, could be used as an model for establishing a program in Alaska. He suggested that such a center should be placed within an existing agency.

Number 375

REPRESENTATIVE PORTER asked what function or capability the

financing agency he described would have that AIDEA now doesn't do or have. MR. BURDEN answered that he thinks AIDEA has the authority, but he is not sure that they are really acting in that role, and, if they are, maybe the public isn't aware of their role in international finance. He also acknowledged that he wasn't specifically recommending that it would be government financing versus private financing.

Number 405

DEBORAH SEDWICK, Assistant Commissioner, Division of Trade & Development, Department of Commerce & Economic Development, testifying from Anchorage, stated their office has been eagerly awaiting the results of the survey, and that they look forward to seeing the results, as well as the recommendations. She expressed their willingness to work with the legislature, the administration and the private sector to do a better job with less.

Number 425

REPRESENTATIVE MASEK, in her closing comments, expressed her appreciation for all of the work that's been done so far and the task force's willingness to work with all of the people involved in trade in looking for better ways to ensure that Alaska is going to have a stronger and easier process for people wanting to get involved in trade.

SENATOR RIEGER, in his closing remarks, said the task force would welcome written testimony to accompany what had been testified to during the meeting, as well as written comments from anyone in the private sector who did not testify. He added that it is not clear yet what the format will be for the next meeting and how the task force is going to proceed, but that it is the intention of the co-chairs to schedule another meeting no later than the end of February.

REPRESENTATIVE PORTER commented that it is interesting that many of the comments in the survey are indicative of the perception that there is need for a coordination, continuity and combining other efforts, and the fact that this was a combined Senate and House meeting meets that need so that people don't have to come in and give identical presentations to separate committees.

REPRESENTATIVE SANDERS commented on the importance of having face to face contact with people of other cultures several times before being able to do business with them., as well as the important part that government plays in these negotiations.

CO-CHAIR RIEGER adjourned the meeting at 5:45 p.m.

III A

State of Alaska

Private Sector International Business Needs Assessment Overview

Key Findings and Resulting Conclusions

Commissioned by:

**Alaska State Legislature
July - October 1995**

Prepared by:

World Trade Center Alaska

How to do more responsibly with less.

Key Findings

Resulting Conclusion

1) Global Perspective

•Respondents stated clearly that international business is part of their long-term business development plan.

•Respondents are doing or seeking to do business throughout the entire world. Identified countries and regions were surprisingly varied. Here are only a few of those countries/regions mentioned: Ireland, Israel, Ukraine, Indonesia, India, Vietnam, Chile, Austria, Middle East, China (PRC) and, of course Russia.

•Respondents are projecting to do business to even a greater extent and a broader variety of countries during the next 5 years.

•Financial resources should be redirected to regions/areas where Alaskan businesses are conducting international business.

How to do more responsibly with less.

Key Findings

2) Obstacles To Trade

The survey shows that potential exporters as well as experienced exporters identify that locating market information and foreign customers are major obstacles to trade.

The survey respondents familiar U.S. Commercial Service rate highly their ad-hoc services in locating market information

Respondents recognized the importance of trade missions and trade shows to finding foreign customers.

Resulting Conclusion

Foreign market information is available (free) through the U.S. Commercial Service. Governmental agencies/organizations, trade facilitation and economic development organizations should refer individuals inquiring or soliciting information to this service that was highly rated by respondents as being effective.

The State of Alaska should better support through referrals the availability of information at US Commercial Service.

Alaskans could be better supported to overcome these obstacles by providing a centralized contact point.

The State should establish a policy that trade mission and trade show destinations will be driven by the private sector (see key finding 1).

•This policy should include that funds allocated for any travel overseas by state officials should be considered as a trade mission with private sector participation.

•Lastly that trade missions and/or trade shows should be contracted to an organization and/or entity that can provide a consistent, professional and apolitical service.

How to do more responsibly with less.

Key Findings

Resulting Conclusion

3) Finance

•Use of regular bank lines of credit to conduct international business was documented as a standard.

•Federal program usage was negligible and State programs were non-existent.

•Respondents, especially those who were experienced exporters documented their high priority need for "access to money".

•To redirect funds from an existing trade promotion, assistance or financing entity to establish an export finance assistance unit.

•Review and correct legislation and administration to respond with an effective program.

•Contract this export finance unit to a private or private/public entity regularly working with international business and Alaska's private sector.

How to do more responsibly with less.

Key Findings

4) Where Alaskan's go for assistance.

- The private sector is using the private sector for international business assistance -- not government for assistance. They are using friends, family, associates, customers, suppliers or private consultants.

- A large percentage of respondents were "unaware" that the agencies indicated in the survey had services.

- Respondents consistently rated the US Commercial Service the highest for its effective, ad-hoc services. World Trade Center rated the highest from exporters and the Department of Trade and Development (Formerly, OIT) was rated the highest by potential exporters. Other programs/services received negligible responses.

- Respondents were frustrated with the number of programs and services

Resulting Conclusion

- Alaska's private sector is creating a private sector of international expertise.

- General fund dollars have been used ineffectively in communicating or providing services to Alaskan businesses.

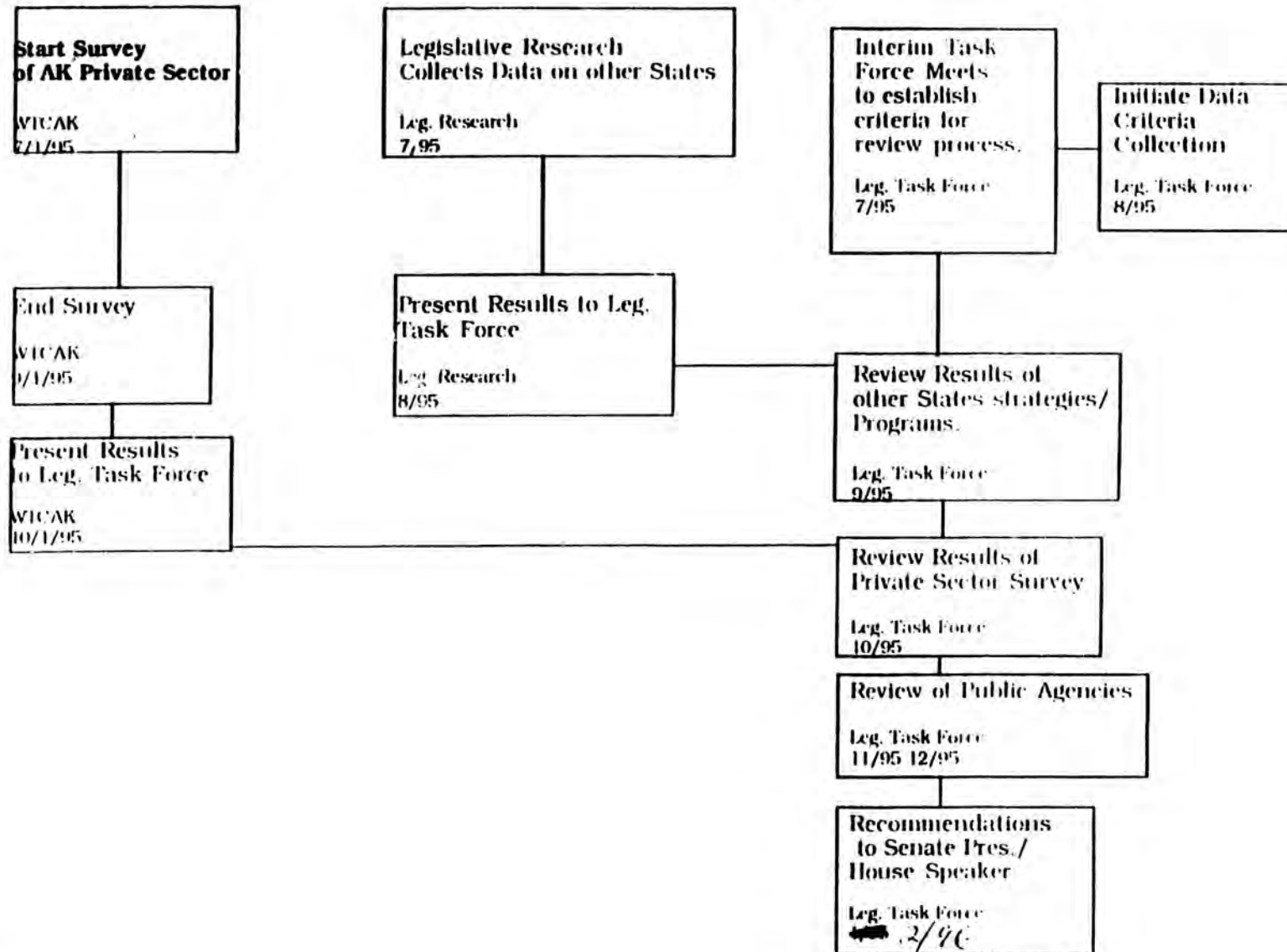
- General fund dollars supporting trade policy, finance, assistance and education should be streamlined. A user friendly, program that is flexible and responsive to the changing private sector is the service "most wanted" by Alaskan firms.

- A centralized contact point that has credibility with the private sector has the best chances of serving the private sector effectively.

Sen. Pearce
Room Cap. III

Comprehensive Evaluation Process/Objectives:

Start
Establish Leg. Task Force
6/20/95



By: Ronda Thompson

ALASKA STATE LEGISLATURE

News

State Capitol
Juneau, AK 99801-1182
(907) 465-3804
Actualty line: 1-800-478-6540

Legislative Trade Survey Recommends Changes to State Trade Policy

For Immediate Release:
January 18, 1996

Contact:
Wendy Lindskoog (907)465-4582
Ken Freeman (907)465-3804

JUNEAU -- A special task force commissioned by the Legislative Leadership Thursday unveiled recommendations for formulating a more effective and efficient international trade policy for the State of Alaska.

"The goal of the task force is to propose a coordinated International Trade Program that will save the state money, create jobs, and strengthen Alaska's position in the global marketplace," said Senate President Drue Pearce. "Many government programs were built like an Alaskan homestead. You add a new piece whenever you can afford it. At some point, someone had to pull it all together and that's what the task force is all about."

Speaker Gail Phillips noted the private sector is dissatisfied with the services provided to enhance international trade opportunities, primarily because of changes in global marketing strategies.

"As a former small business owner I know that customer service is the most important commodity a business can offer. In order for Alaska's international trade to expand, we need to eliminate confusion by giving businesses one place to go for information and export assistance services. It's time to listen to the customer," said Speaker Phillips.

Senator Steve Rieger, co-chair of the task force believes international trade and exports from Alaska can be very positive forces for our economy.

"The purpose of the committee hearing was to hear which state efforts in this area are appropriate and effective," said Senator Steve Rieger.

Representative Beverly Masek, co-chair of the task force, noted Alaska companies are doing business in all parts of the world, from Ireland to Russia.

"The public expects us to bring accountability for the dollars we appropriate into the World Trade Network. This review is a part of that accountability effort," said Masek. "The recommendations give us a starting point for developing a comprehensive and productive international trade policy for the State of Alaska."

Some of the recommendations from the task force report include:

- Create one centralized contact point
- Create international trade policy driven by private sector needs
- Assist businesses in finding foreign customers
- Privatize the export finance unit
- Create a user friendly program that is flexible and responsive to the changing private sector
- State supported trade missions

"Our trade policy should be more like a rifle than a shotgun." Speaker Phillips said. "With six public organizations in the state offering export assistance services and five conducting foreign investment activities, Alaska's international service network is a hot-bed of service duplication, obsolete market assumptions, intense inter-organizational competition and governmental waste. Clearly, our state can do better."

The task force heard from both the private and public sectors Thursday.

For copies of the recommendations please call Rhonda Thompson at (907) 258-8185.

Broadcast Note: An audio actuality is available from Sen. Rieger and Rep's Masek and Austerman by calling 1-800-478-6540.

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Survey finds global trade programs need centralization

By MARK SABBATINI

THE JUNEAU EMPIRE

State programs that help Alaska export businesses are too scattered and should be consolidated into a central spot, according to a survey presented to the Legislature Thursday.

Most businesses responding to the mail survey indicated they were interested in international marketing, but 90 percent never used government programs for assistance, said Tom Jensen, an adviser to the Legislature's Joint Task Force on International Trade.

"A large percentage of the respondents indicated they were unaware of the agencies providing services," he told task force members.

Most rely on the private sector, such as business contacts and commerce agencies, Jensen said. But 55 percent of those interesting in exporting said finding customers is their biggest problem.

Combining resources from various state agencies — 20 different sources are listed in the survey — will allow "international targeting with a rifle instead of a shotgun, therefore allowing us to do more with less," Jensen said.

State help, such as trade missions, is essential because it gives private businesses more credibility overseas, said World Trade Center Alaska Director Robin Zerbel, program manager for the survey. The center is an international business consulting program connected to University of Alaska Anchorage.

Jensen said the central location would also make it easier for businesses to learn about assistance from the federal government, private industry and other sources. Zerbel said she would like to see the trade center become the export headquarters, but she said those in the survey had little preference.

"They don't really care where it is physically," she said. "Most people are going to access you by phone, e-mail, fax, something like that."