

SCOMM

100:12

JOINT TASK FORCE ON INTERNATIONAL TRADE
March 20, 1996
4:08 p.m.
Work Session

MEMBERS PRESENT

Senator Steve Rieger, Co-Chair
Representative Beverly Masek, Co-Chair

MEMBERS ABSENT

Representative Alan Austerman
Representative Irene Nicholia
Representative Brian Porter
Representative Caren Robinson
Representative Jeannette James
Representative Pete Kott

TASK FORCE AGENDA

Work session on draft resolution

WITNESS REGISTER

GREG WOLF

Anchorage Economic Development
Corporation

550 West 7th Avenue
Anchorage, Alaska

Telephone: (907) 258-3700

POSITION STATEMENT: Testified regarding the draft resolution.

CHUCK WEBBER, Chairman

District Export Council

Address and telephone number

were not provided

POSITION STATEMENT: Testified regarding the draft resolution.

MARK WILSON

District Export Council

1400 West Benson, Number 150

Anchorage, Alaska 99503

Telephone number was not provided

POSITION STATEMENT: Testified regarding the draft resolution.

BILL NOWELL

District Export Council

Address and telephone number

were not provided
POSITION STATEMENT: Testified regarding the draft resolution.

DEBBY SEDWICK, Assistant to the Commissioner
Division of Trade and Development
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3601 "C" Street, Suite 700
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POSITION STATEMENT: Testified regarding the draft resolution.

WENDY REDMAN, Vice President
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POSITION STATEMENT: Testified regarding the draft resolution.

CHUCK ZAGER
U.S. Department of Commerce
Address and telephone number
were not provided

POSITION STATEMENT: Testified regarding the draft resolution.

TAPE 96-5, SIDE A
Number 001

CO-CHAIR SENATOR STEVE RIEGER called the Joint Task Force on International Trade to order at 4:09 p.m. Members present at the call to order were Senator Rieger and Representative Masek. Senator Rieger noted the meeting would be teleconferenced to the Anchorage LIO.

CO-CHAIR RIEGER indicated there was an additional document that has been circulated. He explained the Export Council drafted their own document which is titled, "Draft Resolution for Senate/House Interim Task Force on International Trade." He said it would be his hope to conclude the work of the Joint Task Force on International Trade and take further testimony from anyone who wishes to give further testimony. Co-Chair Rieger said he would like to mark up the resolution that was introduced as a draft at the previous hearing with whatever changes people feel are appropriate.

Number 040

GREG WOLF, Anchorage Economic Development Corporation, testified via teleconference in support of the valuable role played by the mission of trade and development, in general, and particularly the services provided by the division's overseas offices in Japan and

Korea. He said Alaska is a prime supplier of many resources or could be in the near future if we aggressively pursue opportunities. Mr. Wolf noted Alaska has competition in these markets and it is important to be as proactive as possible in marketing our exports. He explained the importance of having a physical presence in other countries of staff that are knowledgeable about Alaska. Any attempt to scale back the offices would be detrimental to the state's interest. It would be a serious mistake for Alaska to retreat from these markets, especially at a time when the opportunities are so great. It would send the wrong message to our trading partners. He urged support of the maintenance of these offices.

Number 105

CO-CHAIR RIEGER asked Mr. Wolf to elaborate on cross section of whatever he thinks is a representative time period of who the users are of either the Japan or Korea office.

MR. WOLF referred to the Alaska side and said the users are Alaskan companies seeking to export their products, services or may be looking for a supplier. From the Japan or Korea side, there are Japanese or Korean companies looking to import Alaskan products, resources or services. They play a role in assisting with government efforts in those countries.

Number 128

CO-CHAIR RIEGER asked if it would make sense that some the users Mr. Wolf described could contribute some user support to the financial cost of maintaining the offices.

MR. WOLF indicated it is possible, but it isn't common. Mr. Wolf said he is familiar with the operations of many of the offices in Japan and said he isn't aware of any charging user fees for services. He indicated it is something that will have to be looked at.

Number 148

CHUCK WEBBER, Chairman, District Export Council, testified via teleconference from Anchorage. Mr. Webber informed the committee members his organization's report discusses the position they have taken with regard to exporting in general. He said he would answer any questions Co-Chair Rieger may have.

CO-CHAIR RIEGER referred to the third "WHEREAS" clause in the draft resolution and said there is an increased interest in non-Asian markets. He asked how that would tie in with the heavy financial commitment that Alaska has made to just two countries, Japan and Korea. He also asked if Alaska should establish more offices like

those in other countries or if there is a different approach for the assistance in the other countries compared to Japan and Korea.

Number 170

MARK WILSON, District Export Council, testified via teleconference from Anchorage. He said what they are suggesting in the draft resolution is in points 1 through 6 which may reflect on Co-Chair Rieger's question. Mr. Wilson referred to whether or not offices should be established in other countries and said he thinks it is something that should be studied. Mr. Wilson said their position is that they would like to build on what there currently is.

Number 198

BILL NOWELL, District Export Council, testified via teleconference from Anchorage. He noted he helped write the District Export Council's report. Mr. Nowell said we have the attention of the delegation in Washington to thank for the corresponding levels of the Hampton University as well as the backing of the U.S. Department of Commerce.

CO-CHAIR RIEGER noted there is budget pressure across the board. He said his thought would be to not insist on the reduction of any effort, but if it's to be maintained that there be a reduction of general fund support and that the support be replaced with other funds. The other question is more of a fundamental question of whether our policy should be more flexible geographically and whether we should pre-decide that we're going to focus on a small number of countries and really pour our resources there or if we should be more equitable in our resources and follow a more demand driven policy that if attention focuses more on Europe in the future, that we would redirect our assistance there.

Number 260

MR. WEBBER said the Export Council is willing and able to provide some services. He said they would like to be included in some of the decision making processes. He noted they would like offer their input and are gearing to do so. Mr. Webber continued to inform the committee of the council's expertise in exporting.

Number 278

CO-CHAIR BEVERLY MASEK asked Mr. Webber if he has had a chance to see the draft resolution and if so, does he have any comments.

MR. WEBBER noted he only received the resolution a few minutes before the meeting started and indicated he doesn't currently have any suggestions.

Number 340

BILL NOWELL said the resolution alludes to co-location or seeking efficiencies. He said none of us could agree more that efficiencies, as a practical matter, is something that needs to be looked at. Currently, there is no doubt that our international trade effort has been on a sharp increase at least since the 70s. He said why not review the state and federal agencies as to how they currently stand. In the District Export Council's review, they didn't feel that (indisc.) to the full range of possibilities of how we might spread our money a little better. He said the council is heading in the direction of seeking efficiencies. The targeting of \$500,000 over the next two years might be more drastic than he or the council would agree with at this point.

CO-CHAIR MASEK said she and Senator Rieger took that into strong consideration based on the documents and testimony they have received regarding export. She noted there is growing strong support for more of the private industry to get involved and make recommendations.

MR. NOWELL asked if there were any questions regarding the District Export Council's resolution.

Number 348

CO-CHAIR RIEGER referred to the six points at the end of the council's resolution and said 2 says there has to be more convenient and more one-stop access to the potential user. He said the task force's resolution focuses more on information and the council's focuses more on services. Co-Chair Rieger referred to 4 and said that is something he is open to and would be open to including a point in the draft resolution regarding having some export finance information available and acknowledging that it probably has to come through a specialist. He referred to 5 and said thinks that is not in conflict. He said the resolution calls for employing efficiencies as does the council's resolution. We are supporting maintaining the existence although transferring to user support as part of those efficiencies. Co-Chair Rieger said he doesn't think 6 is in conflict at all. He said he thinks the basic idea is that the trade providers should be driving the process and not the policy makers. Co-Chair Rieger referred to 3 and said the task force's resolution is silent on AIDEA. He referred to 1 and said he would have to think about what is being called for. Co-Chair Rieger said he believes that the trade patterns for the state have to be driven by the private sector. He said he disagrees that Alaska's political leadership should be setting export policy.

MR. NOWELL indicated the council had received a letter from the Governor Knowels and read, "I am asking the state's top policy

makers in the Department of Commerce and Economic Development from the university (indisc.) to work with your group and other interested members of the private sector to ensure these issues are addressed quickly and effectively. He said they were encouraged by receiving that letter. He said there is so much land and money in Alaska which is under either federal or state government control. The private sector needs a proactive strong support in terms of law, regulation and facilities.

Number 428

MR. WILSON commented on user fees saying he can understand the background for why that is being looked at. He said charging user fees has resulted in the "kiss of death" for these offices. The offices represent something significantly different. There is no way that those offices, to operate efficiently, can depend on user fees to support them and it's not appropriate.

Number 448

DEBBY SEDWICK, Assistant Commissioner, Division of Trade and Development, Department of Commerce and Economic Development, was next to testify via teleconference. She commented on a sentence from the draft resolution, "The combination of efficiencies through consolidation and transfers to user fee support should result in savings of at least \$500,000 in 1997, and another \$500,000 in 1998;" (NOTE: Most of Ms. Sedwick's testimony was indiscernible). She asked where the \$500,000 figure came from.

CO-CHAIR RIEGER said that number is the number that was put forward to get discussion rolling. It was looked at in the context in the overall amount of money which goes to international trade and the idea of user support. He noted the whole process would go to the Finance Committees for their review of what can be done.

Number 466

WENDY REDMAN, Vice President, Statewide University System, University of Alaska, came forward to address the committee. She explained the \$500,000 presents a problem. She said her preference would be that there not be a dollar amount and that there be some specific suggestions. She suggested using the wording "substantial savings." If that is unacceptable, she would suggest that there be a fixed number and say, "Should result in savings of at least \$500,000 over the next three years or \$1 million over the next three years," so that there is some time to do some planning. Some of the things that have been discussed are things that area going to take a substantial amount of time to do. Ms. Redman said she thinks that approach would be easier.

Number 485

MR. NOWELL commented he thought Ms. Redman's comments are a good idea. He discussed the overseas communication budget.

Number 500

MR. WEBBER commented on how exporting activity is a great future for Alaska. He explained there databases that are being created to help with exporting information.

CO-CHAIR RIEGER discussed the savings that could occur if more information could be made available on-line.

AN UNIDENTIFIED SPEAKER referred to overseas offices and said he thinks it is important that wherever those offices are that they have sufficient funding to do more than just turn on the lights, pay a few salaries and pay rent. For them to be effective and to do the things that they need to do on behalf of the state and the companies who do business here they have to have the resources to actively take part in trade promotion.

Number 525

CO-CHAIR RIEGER indicated he handed out an amendment in response to testimony taken at the last meeting. A large number of witnesses testified in favor of an export/finance specialist. He said he is open to the idea of adding that to the resolution and has drafted some language which would appear as the second resolved clause, "FURTHER RESOLVED that the information services provided should include specialized export finance information which probably will need to be provided through an experienced specialist..." He said that would be a clause to address the testimony in favor of an export/finance specialist.

Number 530

CO-CHAIR MASEK said she had no objection to the wording.

CO-CHAIR RIEGER noted the task force is not the Finance Committee and that the task force is making a recommendation. He said Ms. Redman's suggestion was that we target a savings of \$1 million over three years instead of saying \$500,000 per year for two years. Co-Chair Rieger asked Co-Chair Masek if she has an opinion.

CO-CHAIR MASEK said she liked the wording of \$500,000 in 1997 and....

CO-CHAIR RIEGER indicated there are only two members in attendance and there is no further business for the task force to take up.

Number 545

CO-CHAIR MASEK said she would like to make some comments. She said during meetings there has been a lot of talk about what the task force has been doing and what they intend to do. She said she would like to go on record saying she doesn't approve of some of the back door tactics that were used by the Administration and others to convey the impression that legislators were recommending eliminating overseas offices. She said when former governors and congressmen receive and act upon false information, it really is a serious matter that she doesn't take very lightly. Co-Chair Masek said she thinks the task force needs to hear an explanation as to the source of that statement and letters that were sent to the members offices. She said she has found that no one in the House or Senate has suggested any action in closing the overseas offices in Japan and Korea. She is sad to see that sponsors of these rumors are using well respected officials to respond to a position which in truth does not exist. If they're going to continue to put out false information like that, she thinks it is important that it is done in a manner that they be accountable and responsible from where they're getting their information from. Co-Chair Masek said she has not put any recommendation out saying we're going to close down the offices in Japan and Korea. After hearing a wide range of sides from the working task force on the draft resolution, she believes they are really reasonable and the goals were set out that hopefully all parties could agree on. She said she would recommend the resolution be moved in final to the full Finance bodies for further review.

Number 560

CO-CHAIR RIEGER indicated he doesn't have much to add other than to reiterate that at the very first meeting there was a report from a contractor that was working on this that the chairs, at that time, made it clear that was not the position of the committee. He said since that time, the task force has been responding to alarmed parties thinking that there was a position of the chairs or of the committee that they were going to recommend closing the Japan and Korea offices. It has been a tough ongoing problem, but he hopes it hasn't done damage to the relationships of those countries.

CO-CHAIR RIEGER thanked everybody who testified and also thanked the Export Council for the work they did.

TAPE 96-5, SIDE B
Number 001

CHUCK ZAGER, U.S. Department of Commerce, was next to testify via teleconference. He noted he is in an awkward position as a representative of a federal agency which is involved in working with companies throughout the state of Alaska to help them get their products and services to foreign markets. Mr. Zager said he needs the kind of resources that are available through the Division

of Trade and Development through their offices in Tokyo and Seoul. Mr. Zager said he needs the kind of strengths those offices have and the strengths he gets from the World Trade Center. He said with proper support from the state he thinks there will be some dramatic changes. Mr. Zager referred to Co-Chair Masek's concern and said it is very justified, but in reviewing the draft resolution, dated March 12, the "FURTHER RESOLVED" clause could prove to be the source of that confusion. He said if the intent is to move the resolution, the task force might want to take a look at that clause and perhaps clarify the intent.

CO-CHAIR RIEGER asked if there was further testifiers. Hearing none, he adjourned the meeting at 4:58 p.m.

Draft Resolution for Senate/House Interim Task Force On International Trade

**BE IT RESOLVED BY THE SENATE/HOUSE INTERIM TASK FORCE
ON INTERNATIONAL TRADE:**

WHEREAS the remarkable growth in Alaska exports over the past ten years has been accompanied by a growth in export trade services. These various service providers are located at Federal, State, University and overseas offices; and

WHEREAS the exports themselves are valued at about \$2.2 billion, of which about \$2 billion goes to Asian markets. Most exports are in resource industries, but there is an increasing interest in the potential for service industries; and

WHEREAS there is also an increased interest in non-Asian markets such as Russia or new Asian markets such as Southeast Asia and China; and

WHEREAS there exist various demands for financial support, to include education and training, capital formation, and export loan guarantee programs; and

WHEREAS, though trade volumes indicate generally excellent results for the Alaskan economy, reasonable management practices call for a review of these services at all levels in order to avoid cost wastes, promote efficiencies and further induce the benefits derived from export businesses; and

WHEREAS organizing and improving service delivery systems is an important objective of such reviews, and policies and programs must be reviewed not only in light of budget constraints but also with an eye to future contributions to the Alaskan economy; and

WHEREAS leadership, especially by the Governor but also including state legislators, federal officials, the state's Congressional delegation and the University, is the key ingredient in prioritizing export policies and programs;

BE IT RESOLVED that the task force recommends the following actions:

1. Alaska's leadership should set clear objectives for short-, mid- and long-term export policies. This should take the form of an announced strategy which itself should be the product of a team or task force appointed by and reporting to the Governor. Use the Marketing Alaska initiative in this matter; and

2. Where possible, user access to and understanding of export trade services should be enhanced by one-stop, virtual one-stop or other practices; and
3. Obtain assistance from AIDEA and other financial institutions for the development of capital formation for export initiatives; and
4. Determine a recommendation for the establishment of trade finance counseling and education suitable for Alaskan export policies and programs; and
5. Maintain the existence of Alaska's Japan and Korea trade offices, employing efficiencies as practical; and
6. Keep current on these matters through frequent scheduled coordination among the policy makers and trade providers.

Copies of this proposed resolution shall be sent to the President of the Alaska Senate, the Speaker of the Alaska State House and members of the Alaska Senate and House Committees on Finance.