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REPORT TO THE HOUSE

**House Special Committee
on World Trade
and
State/Federal Relations**

[FEB 2000]



**Ramona L. Barnes
Chairman**

REPORT TO THE HOUSE

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**Representative Ramona L. Barnes
Chairman**

The House Special Committee on World Trade and State/Federal Relations was originally formed by the Twentieth Alaska Legislature to study issues relating to world trade and state/federal relations.

As Chairman, I have attempted to ensure Alaska's relations with other nations are in a state of improvement and that trade and cultural exchanges are readily available to its residents. The World Trade committee is in an outreach mode, especially with but not solely concentrating on Alaska's Pacific Rim neighbors. Improving trade is a goal we do not take lightly.

The past year has been a busy one for the committee. The following pages document some of the work done by the committee to promote Alaska, work closely with elements of the state government and with our Pacific Rim friends and trading partners, and others around the globe.

INTERIM COMMITTEE MEETING (October 19, 1999 in Anchorage)

The meeting was attended by Chair Barnes, and member Representatives Cowdery, Berkowitz, Joule and by telephone, Representative Phillips.

Executive Director John Doyle of the Northern Forum, and Deputy Director/Secretary Priscilla Wohl presented information about the Northern Forum and on several issues and upcoming meetings of mutual interest to the committee. Mr. Doyle also introduced Mr. Masahiro Takeuchi, Regional Representative of the Hokaido Prefecture in Japan, who is based in Anchorage and works out of the Northern Forum offices.

Following discussion, the committee members agreed that there is a need to work on the difficulties presented by Customs Laws involving the Russian Far East. Chair Barnes will work with the Russian Consul General in Seattle to arrange a meeting to consider the issue. The members determined it would be necessary to involve the Alaska Congressional delegation and other federal officials.

As a result of the Northern Forum briefing, World Trade Committee member Representative Cowdery traveled to St. Petersburg, Russia to represent the committee and the Alaska House of Representatives at a high-level meeting held on November 9 and 10, 1999 to bring participants up to date on the Northern Sea Route. Representative Cowdery reported the meeting was highly productive, in part because it brought together for the first time in years all the participants involved in the research, development and ultimate use of the Northern Sea Route. Representative Cowdery's report is attached as Appendix B.

JAPAN

Alaska's Number One trading partner (*See Appendix C - Export Update)

Chair Barnes in June, joined the members of the Committee's Japan Subcommittee for a working lunch at the Anchorage residence of Consul General Yoshinori Tsujimoto. The purpose of the meeting was to discuss trade and other issues of mutual importance to Japan and Alaska. The meeting went well and Chair Barnes believes it will further encourage and help in the development of trade and cultural ties between Japan and Alaska. The meeting further solidified an already good working relationship with the Consul General.

The Subcommittee members include Chairman Joe Green and Representatives John Cowdery and Ethan Berkowitz.

Chair Barnes was also honored to accept the invitation from Consul General and Mrs. Tsujimoto to participate in the Anchorage celebration of the birthday on December 14, 1999 of the Emperor of Japan.

Trade Mission Report

A revealing report (see Appendix A) by Japan Subcommittee Chairman Green provides an excellent review of his participation in a state sponsored Trade Mission to Japan July 12-15, 1999.

The report offers a chilling assessment of the potential future of Alaska's seafood marketing in Japan as well as LNG market development there. For example, Representative Green's report suggests that while 'older' consumers in Japan may prefer wild stock seafood including Alaska salmon, the overall market appears to be leaning toward the purchase of year-round delivery of undamaged, fresh and attractive farmed fish. In other words, the Alaska sellers must improve the product for the Japanese market, particularly its visual impact.

On the LNG market front, Representative Green learned that while Japan wants to purchase LNG from Alaska, which they view as a stable, long time trading partner, the volume of product we will likely place in the market from the North Slope is simply too large for them to absorb and will require participation of other countries. Japan also places a cap on the amount they purchase from each supplier.

Galena GM-Suzuki

Chair Barnes co-hosted a dinner for Bob Thompson, Vice President for Advanced Class Vehicles, General Motors; Jeffrey Kuhlman, Manager of Communications for GM; Rick Suzuki, President, Suzuki U.S.A.; Dr. Igarashi, Deputy General Manager, Suzuki Motor Car and Mr. Tsuda, member of the Board, Suzuki Corporation. The event was filmed and recorded by General Motors.

The dinner and visit marked the beginning of what is hoped will be a long term relationship between the Galena School District, General Motors and Suzuki Corporation.

Already an innovative and progressive district, Galena Schools under the leadership of District Superintendent Carl Knudsen and others has been actively seeking ways to improve the education of Alaska's rural residents. Proposed following discussions between Mr. Thompson of GM and Mr. Knudsen is the development of a small engines school for students of the District. GM and its partially owned subsidiary Suzuki, will provide practice motors, tools and training to operate the school.

REPUBLIC of KOREA

The Republic of Korea is Alaska's second largest export market.

On March 31, 1999, the Republic of Korea closed its Consulate General office in Anchorage and expanded the coverage area of the Seattle Consulate General to include Alaska. This left the State of Alaska with no on-sight official representation for the Republic of Korea.

In December, Chair Barnes participated in a lunch meeting in Anchorage that included Korean Consul General Kyu-Ok Park as well as representatives from the Alaska Division of Trade and Development and others. During the meeting, Consul Park announced that Bill Bittner of Anchorage, has been named Honorary Consul for the Republic of Korea in Alaska. This again will provide Alaskans with a locally-based official representative of the government of the Republic of Korea. Also during the meeting, it was pointed out that Alaska's exports to Korea had increased during the first 10 months of 1999 by 49% over 1998.

People's Republic of CHINA

The People's Republic of China (PRC) is Alaska's Fifth largest trading partner.

As we continue work to further develop trade with the PRC, the State of Alaska again played host to high level diplomatic missions from China.

PRC Delegations to Anchorage

Interest in trade with Alaska by the People's Republic of China has blossomed, as evidenced by the continued interest and a series of important visits by high level representatives of the Chinese government and its commercial enterprises.

In June, a delegation arrived to meet with various government officials and legislators to set the stage for the visit in August of several China petroleum industry officials. Economic and Commercial Consul from the Consulate General in San Francisco, Mr. He Weiwen led the delegation. In addition to Mr. He, the delegation included Ms. Jiang Haiying, Deputy Director of The Department of American and Oceanian Affairs and Mr. Ye Haibo, Officer of the American Desk of the Department of American and Oceanian Affairs, each from the Ministry of Foreign Trade and Economic Cooperation. Committee Chair Barnes co-hosted a formal dinner for the delegation during their visit to Anchorage. The guest list was made up of representatives from Alaska's business community and state government including several legislators.

The purpose of the visit in August was to discuss the purchase of oil as well as expand understanding and further strengthen an already good relationship between our governments and people.

Led by Mr. Tang Suxin, Vice President of China International United Petroleum & Chemicals Corporation, the eight person delegation was comprised of six Petroleum industry executives as well as Mr. He Weiwen, the Commercial Consul from the PRC Consulate General in San Francisco and his spouse. Again, Chair Barnes co-hosted a formal dinner for the delegation during their visit to Anchorage. Guests included representatives of various government and business entities, including Petro Star, Exxon-Mobile, VECO, BP-Amoco, ARCO, Division of Trade and Development, several legislators and others.

During their visit, Mr. Tang and the delegates were able to develop a draft Memorandum of Understanding (MOU) with BP Amoco for the purchase of

about 3.6 million barrels of oil during the year 2000. While the MOU was to have been signed in early October, the pending BP Amoco purchase of ARCO has caused a delay in the signing. PRC interest remains high to finalize the agreement and they are hopeful it will take place within the next few months.

The People's Republic of China is a likely future Alaska LNG purchaser, and in the opinion of Chair Barnes the potential is now becoming strong for the PRC to begin purchasing a rapidly increasing volume of our LNG. If one of the latest pipeline/LNG projects go forward, she believes we can work with China to develop their market (infrastructure) as Alaska develops its project so the seller and buyer can be ready at the same time, hopefully within 6-8 years. It is her belief that the PRC is the single entity in the world capable of the kind of rapid infrastructure development necessary to begin using large quantities of gas in an area where very little or no LNG is now used.

A final and positive note on Alaska's developing relationship with the PRC is expected to result in an almost immediate impact at Anchorage International Airport. Division of Trade & Development has announced that after four years of talks and negotiations, China Southern Airlines will soon be operating 747 cargo planes on a 3-times per week schedule (six landings) at Anchorage International Airport. This can only help in furthering trade opportunities between Alaska and the PRC. CSA is China's largest airline.

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Republic of CHINA (Taiwan)

Taiwan is Alaska's sixth largest trading partner.

Our excellent relations with the Republic of China, including a close working relationship with the Taipei Economic and Cultural Office (TECO) in Seattle, have shown continued positive results.

In July, I hosted a visit by Taipei Partner Cities Committee member Mr. John Kao and five of his close associates. Mr. Kao is a former officer with the giant Tuntex Group, who among other business interests, is now also Vice Chairman of the Taiwan Development & Trust Corporation. I arranged a special Anchorage Partner Cities Committee meeting at the Anchorage City Hall, including a separate meeting with Mayor Rick Mystrom. In addition to a small luncheon to bring Mr. Kao and Division of Trade & Development officials together, I also made other arrangements for the group, including recreational side trips during their July 16-20 stay in Alaska. I co-hosted a formal dinner for the group where representatives of the Anchorage business community as well as government officials were able to meet and speak with them.

Mr. Frank Liu, Director General of the TECO office in Seattle arranged with assistance from the Alaska Chinese Association to bring to Alaska the successful performance in August, of the Taipei Youth Folk Sports Troupe. Following welcoming remarks from several officials including Chair Barnes, the students performed a wonderful and often beautiful array of activities requiring great stamina and physical skill.

This was an initial 'good will' effort to develop greater understanding between our two cultures - particularly between the people of the cities of Anchorage and Taipei, in view of the signing two years ago by the respective Mayors of the cities of a Partner Cities Agreement. Other efforts relating to the Agreement continue under development, such as commercial arrangements, including funding and construction of the Alaska Seafood Center (ASI) in Anchorage.

The \$135 million Alaska Seafood Center is now operational following a two-year construction effort. As a member of the ASI Board of Directors during the development of the project, Mr. Kao toured the impressive ASI facility during his July visit. (*See separate heading for an ASI update)

At the request of a businessman from Taiwan, Chair Barnes also pursued and provided information dealing with the purchase of Alaska Reindeer antlers and several other natural exportable products from Alaska.

The office of World Trade and State/Federal Relations is currently working on preliminary details for a legislative visit to Taiwan during the early weeks of the next interim, at the suggestion and anticipated invitation of the Taiwan government. Details will be forthcoming as they are developed.

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RUSSIA

In March, Chair Barnes hosted a significant dual delegation of representatives from the Russian federal Duma, in Moscow and the state Duma in Sakhalin. The Moscow element of the dual delegation represented the federal Duma's Natural Resources Committee and was equivalent to having a congressional committee visit Alaska. Unfortunately, late on the day of their arrival in Anchorage, the members of the federal Duma delegation were called back to Moscow as a result of a political issue involving the United States.

The purpose of the visit by the dual delegation was to learn of Alaska's system of taxation, determine how Alaska's oil development has benefited Alaskans and learn how the state and the private oil industry interact.

During their visit, the leadership of the state Duma met with legislative leaders and Governor Knowles as well as numerous oil and private industry officials along with University of Alaska representatives and others. They also signed a Memorandum of Continuing Mutual Cooperation between the State of Alaska and the State Duma of Sakhalin. This protocol extended an earlier agreement signed in 1996.

Also during the visit, First Deputy Chair Lubov Shubina, the head of the Sakhalin Regional Duma delegation asked Representative Barnes about the possibility of obtaining some assistance for a severely injured Russian child. Mrs. Shubina explained the 9 year old child had been struck by a railroad train and had lost his right leg and arm. They were seeking help in obtaining a used or otherwise inexpensive wheelchair into which the child might fit in order that he have some mobility.

After following several paths leading nowhere, Chair Barnes approached the owner of an Anchorage company about seeking contributions from some of his friends in the Anchorage business community to go toward the purchase of a wheelchair. Rather than seek contributions when he learned of the child's plight, Bill Allen of VECO graciously offered to purchase a wheelchair himself, explaining to Representative Barnes "If you make the arrangements, I'll pay the bill". Making those arrangements and finally obtaining the chair (built and fitted for the child) took several months. Mr. Allen successfully shipped and then presented the wheelchair to young Ivan Batir, during a visit to Sakhalin at the end of August. Mr. Allen proclaimed upon his return to Alaska that it took the boy just 10 minutes to master the remote (left) hand controls for the powered chair.

In her capacity as Chairman of the World Trade Committee, Representative Barnes met in Anchorage with Mr. Andrey Victorovich Artiukhov, Chairman of the Regional Duma for the Yamalo-Nenetskiy Autonomous District of Russia, located in northeast Siberia.

Mr. Artiukhov was in Alaska from September 9 into September 15th on a visit sponsored by the Rotary International's Russian Leadership Program, through a grant from the Library of Congress entitled: "Open World - The Russian Leadership Program".

While in Anchorage, he was able to attend meetings held by several organizations and met with several Alaska legislators, including House Speaker Brian Porter, Senate President Drue Pearce and Chair Barnes.

Chairman Artiukhov and I discussed his interest in learning more about the Alaska Permanent Fund as it is set forth in Title 37 of the Alaska Statutes. He also expressed considerable interest in oil and gas royalty issues, as set out in Title 39 and the control of local government as outlined in Title 29. As a reminder, the Alaska Legislature had translated each of these statutory titles into the Russian language last year.

A sister region to Yamalo Nanets, the Khanty Mansisk Autonomous Okrug, had earlier actively begun to pursue a program based on the Alaska Permanent Fund called the Fund for Future Generations and Mr. Artiukhov was very familiar with the effort. Both sub-regions, Yamalo Nanets and Khanty-Mansisk are a part of the larger Tyumen Region, Russia's oldest and largest oil producing region.

In early December, Representative Barnes enjoyed a brief visit with a small delegation of entrepreneurs from the Russian Far East, including Khabarovsk and Sakhalin, hosted by the Carana Corporation. They expressed great interest in and were gathering information about our political system and establishing long term ties with local Alaskan organizations or businesses with interests similar to theirs.

AZERBAIJAN

Trade between Alaska and Azerbaijan is negligible at this time, though some Alaska companies have been involved in projects located in Azerbaijan.

Chair Barnes was honored by the visit to her Anchorage office on September 2, 1999 of the U.S. Ambassador to Azerbaijan, Stanley T. Escudero.

Ambassador Escudero and Representative Barnes discussed many issues of mutual interest and she was pleased to learn they share a strong interest in oil and gas development. Interestingly, the Ambassador expressed interest in involving Alaskan companies in oil and gas development in Azerbaijan. As Alaska's oil reserves play a lesser role in the state's economy, the many Alaska companies that grew with the oil industry here are seeking work in other areas of the world. It was their shared belief that the expertise of these companies could prove especially helpful to those operating under harsh environmental conditions often experienced in Azerbaijan.

In October, I invited His Excellency, President Hydar Aliyev to visit Alaska. President Aliyev is interested in Alaska's oil industry and I offered to arrange industry briefings pertaining to the infrastructure on the North Slope, the Cook Inlet offshore platforms, as well as the Trans Alaska Oil Pipeline. Scheduling of President Aliyev's visit has not yet been accomplished.

A few Alaska-based companies have done significant contract work in Azerbaijan in the past and some upcoming projects may receive bids from Alaska companies, although none are so involved at present. The Caspian Sea area in general has potential in the range of the North Sea as far as oil and gas development. Therefore, the area represents very important potential for many of the companies operating in Alaska.

EGYPT

Existing trade and cultural contact between Alaska and Egypt is negligible.

Interest was conveyed to the Chairman about a possible visit to Alaska by Consul General Hagar Islambouly of the Consulate General of Egypt, in San Francisco. Tentative discussions took place this past fall about a possible visit to Anchorage but the Consul General was unable to make the necessary arrangements at the time. She expressed considerable interest in seeing Alaska and will try to schedule a visit perhaps during the summer of 2000.

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Alaska Seafood Center in Anchorage

Groundbreaking for what will be the largest seafood center in the world took place in Anchorage in July, 1997. The high tech, \$135 million facility is now operational with construction completed late last summer. Tune-up of the eight production lines began this past fall and is continuing at the present time. Each line will be capable of handling 8400 pounds of fish per hour. All eight lines are expected to be fully operational by spring at which time the plant will begin a second work shift. Presently, new hires come in each Friday and number more than 105. At full capacity, employment will reach 450 people with only 28 of those coming from outside Alaska (95% Alaska hire). It is expected that half the final number will be working by July, 2000.

Actual product production began January 13th. Development of customers is going very well and initial customer reception is reported to be positive.

It is anticipated that production during the year 2000 will reach between 60 and 70 million pounds of fish. Once up to full operation, the plant will handle 100 million pounds of frozen fish and 25 million pounds of fresh fish annually.

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Summary by the Chairman

1999 was a busy year for the World Trade Committee. I do not anticipate the new year will usher in a decrease in interest in Alaska. This will be particularly true in view of the gradually improving economies in Asia following their economic recession during the past few years.

In my view, the World Trade Committee and its efforts to improve relations and develop for Alaska, further trade and cultural contact with foreign governments and people will only increase in importance. Government to government contact is often a crucial element in trade development that is of particular importance for many of Alaska's trading partners around the Pacific Rim. Therefore, increased development of government to government contact for the purpose of such trade development must be further emphasized if Alaska is to realize its potential.

A handwritten signature in cursive script, reading "Ramona L. Barnes". The signature is fluid and elegant, with a large initial "R" and "B".

*Ramona L. Barnes, Chair
February, 2000*

APPENDIX A



Official Business

Alaska State Legislature

State Capitol
Juneau, AK 99801-1182

MEMORANDUM

To: Representative Ramona Barnes
WTR Chairman

From: Representative Joe Green
House Majority Leader

Date: August 4, 1999

Re: Japan Trip

The Japan International Seafood Expo was a huge success, if measured by the quality of exhibitors and not the quantity. I may have been prejudiced by prior attendance at U.S. and Canadian Expo's where the opposite was often the case.

Mr. Kojiro Abe and his wife Ms. Hiromi Mita (Abe) both indicated to me they were very pleased with the Expo, but didn't indicate if it was quality, quantity, or both. Also, this was the first such expo and I'm confident the numbers will improve.

The reason for the above statement is fear. The quality of the competition Alaska faces in its seafood export future is ominous. Our joint presentation between our Alaska Trade Office and ASMI was very good, but it was overshadowed by many of the foreign presentations for attention getting gimmicks. Exotic fish aquaria, skimpily clad beautiful ladies, arrays of samples, and just plain expensive, lavish booths and attendants. As I said, the quality of the booths was excellent.

The main thing I learned and what I had been led to believe from a pre-trip briefing was that we are in a free-for-all with one hand tied behind our backs. We have an excellent rapport (I realize that's redundant but it cannot be over stated) with the Japanese. We, as Alaska, have their attention and a reputation for quality raw products. But we are losing our position, as their preferred supplier of seafood, to subsidized companies from many countries, not just the familiar "farm fish" exporters like Norway and Chile.

It had been said, and I now believe it, the Japanese (from the wholesaler to the ultimate consumer) purchase visually; that is to say, how the product looks. They, of course, are very interested in quality and price, but their initial reaction is often the governing issue and quite often neutralizes, or is the deciding factor between two or three choices that are "nearly" equal.

You may already be aware of these problems, as our Division of Trade and Development certainly is. I will not dwell on the facts that we: 1.) have lost (with some importers) and are losing (with some

others) our earlier advantage of being the first fish trading state with Japan (over 20 years ago); 2.) we are hanging on but losing ground because of our earlier established "good 'ol Alaska" status; 3.) we export raw, usually frozen, seafood requiring further processing for the ultimate consumer; 4.) have "net" bruises, cyclic availability volumes, and too often limited convincing advertising for our products, and 5.) have not effectively played the "Asian game" of make it attractive. I will merely toss out the questions of 1.) where have the in-depth discussions between our exporters, our government, and our suppliers been, 2.) do we as a state legislature: a.) believe the statistics about jobs related to our fishing industry, even though they may not relate directly to the state's general fund; b.) accept the challenge that our competition receives substantial subsidies; c.) realize we are fighting a losing battle with the "new to salmon, etc. seafood consumers" to the farmed products, because we have not made these "rookie eaters" aware of the merits of seafood or that the wild stock (even fresh frozen) is far superior to the "penned" variety.

I'm afraid we've been so consumed with low oil production/price and balanced budget issues that we've somewhat abrogated our responsibility in the other raw material exports from Alaska.

Certainly most, if not all, of us have given lip service to these peripheral issues but we really haven't gotten into meaningful debate about what we plan to do. I realize that subsistence, the long range fiscal plan, and the BP/ARCO "merger" are front burner issues which justifiably will occupy most of our time over the next few months and that the other exports problems can be set aside. But, setting aside should not mean ignoring, and I strongly urge a series of in-house and public hearings on plans to fix or forget some of our other exports like fish, timber, and natural gas.

While on this visit to the First International Seafood Expo, I was fortunate enough to meet several of "our" trading partners (executives of several Japanese companies). Our Trade and Development Director Greg Wolf and our contract State Representative in Japan, Abe san had a full three day itinerary for meeting these executives.

An addendum is attached concerning the people and companies with whom I met, but it is important here to relate that the Japanese (not unlike the Russians) are very very government conscious and I am reportedly the first state legislator to visit these very important trade partners in Japan in 10 years. They would greatly appreciate more of us showing our respects and they would very much appreciate a re-visit from the governor.

cc: Brian Porter, Speaker of the House

ADDENDUM
TRADE MISSION ITENERARY

- 6/11/99 Presentation by Ryuichi (Rudy) Tsukada of the Division of Commerce and Community Development; Division of Trade and Development to Commissioner Sedwick, Director Greg Wolf, Japan Trade Specialist, Nancy Babcock, and me.
- 7/12/99 Arrived Narita Airport, Tokyo 3:00 PM (17 hours ahead of Anchorage)
- 7/13/99 4:15 AM: Left for Tsukiji (Seafood) Market and tour led by Mr. Tomohiro Asakawa, a Commercial Trade Specialist of the American Embassy.
- Noon: Lunch with Messrs. Hironori Shimizu and Toshio Yamanouchi of Alaska Kai (a trade organization very similar to our Alliance).
- 2:00 PM: Met with Mr. Todd Turner Schneider Executive Director International Fisheries of the American Embassy, and Mr. Frank Carrico Commercial Attache.
- 4:00 PM: Met with Yutaka Ando Executive Managing Director, Morio Higashigawa General Manager, and Fumito Kawa Deputy Department Manager of the Maruha Corporation.*
- 6:45 PM: Dinner with our Japanese Office staff: Representative Mr. Kojiro Abe, Trade Specialist Ms. Mariko Kuroda, and Tourism Specialist Ms. Hiromi Mita (Abe).
- 7/14/99 8:30 AM: Visited First International Seafood Expo at Tokyo's new Exposition Complex
- 11:00 AM: Met with Mr. Haruko Matsumuro Chief Marketing Coordinator of ASMI's Japan office, Ms. Sung Hwa Lee Executive Director of R& L Association's representing ASMI, Haruko Matusmuro Chief Marketing Coordinator of R& L, and Yoko Saito Assistant Coordinator of R & L.
- 2:00 PM: Met with Mr. Taiji Veno Managing Director and General Manager of the Metal Resources Division of Sumitomo, Metal Mining and Mr. Hidetoshi Takaoka Chief Geological and Deputy General Manager of the Engineering Department of Sumitomo.
- 3:00 PM: Visited the famous Ginza shopping area to see how marine products are marketed in Japan

* In addition to importing and processing Alaska's marine products, they own the Yokohama Bay Stars, last years champs of the Japanese Baseball League.

7/15/99 10:00 AM: Met with following members of Mitsubishi Corporation's LNG import executive team: Mr. Kiyoshi Sawamura Chief of LNG Business Division, Mr. Masayuki Mizuno General Manager LNG Business Department A., and Mr. Tsutomu Awaya Deputy General Manager; Mr. Kgita Nose Alaska Protect Team Leader and Mr. Nagar Nagayasu Matsukawa General Manager LNG Business Department B.

1:00 PM: Met with following members of Marubeni Corporation's executives of their Agri-Marine Department: Mr. Katsuo Koh Sr. V.P. and C.E.O. Agri-Marine Department, Mr. Ichiro Kishida General Manager Agri - Marine Department, Mr. Masatoshi Yamada General Manager Meal Merchandizing and Marine Products, and Mr. Motfumi Tezuka Deputy General Manager Meal Merchandizing and Marine Products.

3:00 PM: Met with following members of Marubeni Corporation's executives of their LNG-Energy Department: Mr. Hajime Kubo Sr. Assistant to Executive Officer of Energy Group, and Mr. Masatsugu Neki General Manager LNG Project Department

Brief Comments

All meetings went well, Kojiro (Abe san) accompanied me on the 13th and 14th and Ms. Mariko Kuroda on the 15th. A quick summary: All the companies like trading with Alaska and as traditionalists they want to continue. But while our name, having been there first, and perceived better government stability has given us an edge, we now must compete with many others. Many other states as well as nations have entered the Japanese market and several, like the state of Washington, have seen Japan's recent economic woes as an opportunity rather than a deterrent. To continue to be effective, much less attempt to expand our Trade with Japan, edibles must be attractive and fresh while non-edibles must be delivered price competitively.

Japan can use more marine products but is leaning toward farmed salmon even though the "old timers" prefer the wild stock. Year round delivery of fresh, specific sized, and net-mark free has, and will continue to, really hurt us. Energy dependant as they are, the Japanese importers will continue to diversify their fuel suppliers, not wanting to get more than 20 - 25% dependant on any one source. This attitude puts a big damper on our gas line. Market growth and continued diversification of sources don't appear to mesh with a sudden Alaska supply of 14 million tons of LNG. Japan will obviously be our major LNG market target even though Taiwan and South Korea will undoubtedly take some of our product. They understand our dilemma of economy of scale and overwhelming the market. While they are sympathetic, they won't make it work for us to their peril.

Many of the people I talked with would like to see more legislators and the governor, to reassure them that Alaska wants to continue and increase trade with them. Protocol is

very important to them and while the governor made a brief visit, two or three years ago, it would be helpful if he went again.

The three trade representatives we have in our Tokyo office are superb. In addition to being bilingual, they are graciously received by all the trading company's executives with whom I met. This provides a major asset to both our visiting politicians and our company representatives who do, and will, negotiate with the Japanese. I recommend a meeting with our exporters to see if they share my opinion about the need to maintain this office. Some sort of "use-funding" plan might become necessary.

Bottom line; the trip was a real eye opener and even in their very hot, humid summer, I feel it was very beneficial. I have addresses, phone (and in most cases, fax) numbers for anyone interested.

APPENDIX B



REPRESENTATIVE JOHN J. COWDERY

February 1, 2000

Representative Ramona Barnes
State Capitol Building
Room 403
Juneau, AK 99801

Dear Representative Barnes,

From the 6th to the 13th of November, 1999, the Alaska division of the Northern Forum met in Russia to discuss the arctic, the development of the arctic and the transportation of materials across the polar ice cap. In addition to the organizers of the forum, attending the meeting were the Federal Assembly of the Russian Federation, the Interparliamentary Assembly, the Administration of St. Petersburg, the Government of the Sakha Republic, the Northern Forum International Organization, and the Resdec exhibition organization.

The initial sponsorship for the meeting was provided by the World Wildlife Fund, the US Environmental Protection Agency, The Charles Stuart Mott Foundation, The US Department of Energy, The US Agency for International Development, the John D. and Catherine McArthur Foundation, and The Center for Energy Efficiency (CENEF), a non-profit independent Russian organization founded in 1992 to promote energy efficiency and environmental protection in Russia.

The main purpose of the trip was to address recent discussion about the year 2000 turnover of the Panama Canal to Panamanian control. There were many people who had thoughts about the unusual aspects of the unique and historic waterway. There were some that believed that upon the takeover on the first of the year that tariffs would increase to the point that we should consider other routes of commercial shipments to the East Coast.

As many know, the Russian Far East has large amounts of natural resources, and in order to get these raw materials to East coast markets, they must use the Panama Canal. There has been concern among the Russians as well as among shippers, Europe and other countries that the tariffs through the Panama Canal might increase to the point that the route would prove uncompetitive. Thus, the purpose of the meeting was to explore the options of opening up the Northern Route through the icepack in the Arctic Ocean.

To do this, the meeting discussed Finnish improvements in icebreakers, for Finland leads the world in technology on icebreakers. They have joined forces with some Russian entities that furnish nuclear power for these icebreakers. The technology the Fins have created for these icebreakers is astounding. They have developed icebreakers that can go

through nine feet of ice at 16 knots (about 18.5 miles per hours) and can maintain that speed. The icebreakers have the ability to not only break the ice, but also fold and put it underneath the side-packs of ice. This gives the effect of more floatation as well as causing more natural efforts to break the ice for a wider path.

The icebreakers have 12-14 inch double hulls with a grid of quarter inch holes on the outside hull. These allow the hull to fill up with water right away. In the event that they ever get stuck in ice, the vessel can create steam between the two hulls which releases through the holes and thaws the ice on the outside of the ship. The ship also has unique propulsion that uses electric motors with generators as the power source. The motor hangs from a ball joint near the rear of the vessel. This allows the motor to be able to push the back end up, pull it down, rock the boat, or turn 360 degrees.

These vessels have made experimental trips through the icepack from the Bering Strait to Norway. They made it through in 13 days, which is a significant improvement to the canal route, which takes more than 30 days to get to the East Coast. The benefit to Alaska of the regular use of this passage would be an ability to put our natural resources in an East Coast market in less shipping time, which means a lower cost to deliver these goods. It would also effect shipping fish from Dutch Harbor, allowing our product to be delivered fresher to more consumers. Our ports would furnish the ability to repair and supply for the ships that would go through the icepack. Further, the entire West Coast could benefit from a new route to the Eastern United States.

Also discussed was that once the icebreaker cleared a path and there was a steady flow of traffic through the icepack, the ships would require very little armor, about as much as we have in Cook Inlet with Sea-Land and TOTE. Still, there would certainly be icebreakers stationed along the route available in case something happened.

Further, the group discussed the natural resources in the region, and that by opening up this route the resources could make it to market year-round. It seems this would make the most sense for Cominco. If these icebreakers open the mine for shipping, it could make for a higher profit because the operation would handle the material only one time rather than storing it and then loading it during the summer months when the port is ice-free.

A major concern of the meeting was with the nuclear power that the Russians want to furnish. There have been a lot of environmental concerns about that, because the Russians aren't known for their efficient disposal of their waste. Nonetheless, the vessels can be powered by diesel generators similar to our locomotive engines.

The day after I arrived in Russia, I attended a meeting in a Parliamentary area of a Government building. There were 250 to 300 Duma and government delegates in front

of the podium where they gave the introductions and speeches. The other distinguished guests sat by the podium, and I sat down facing them with an interpreter. The interpreter was very good; we had had some interpreting done of my remarks prior to my trip, and he read them and commented that it looked like the translation was so bad that some kids had done the translation. He chose to translate these remarks himself.

I spoke mainly about port authorities and the benefits of having a port authority similar to the Seattle/Tacoma area in which the Seattle port, the Tacoma port and the airport are all under one authority. The elected board of directors gets paid only when they have their meetings on a per diem basis. They select a port director who runs the ports on a day to day basis. The port authority is a non-profit organization and the books are always open to the public. The records are then very easy to track. It is the port director's responsibility to develop the port authority and develop marketing plans in order to attract business to develop the port with the ability to bond. There's no public money involved except that generally, the government provides the original land. If, after an audit, the port authority is found to be making a profit, the authority has to lower their tariffs in order to break even.

The Russians responded very enthusiastically to this idea. They gave me 15 minutes to talk about this situation in a round table discussion and they questioned me about this for over 45 minutes. They really liked the concept and said that they were going to put my remarks in the final report of the meeting.

All in all, the trip was very productive very well received, and I'm honored that the Northern Forum invited me to go.

Yours Truly,

A handwritten signature in cursive script, appearing to read "John F. Cowdery".

Representative John Cowdery

APPENDIX C

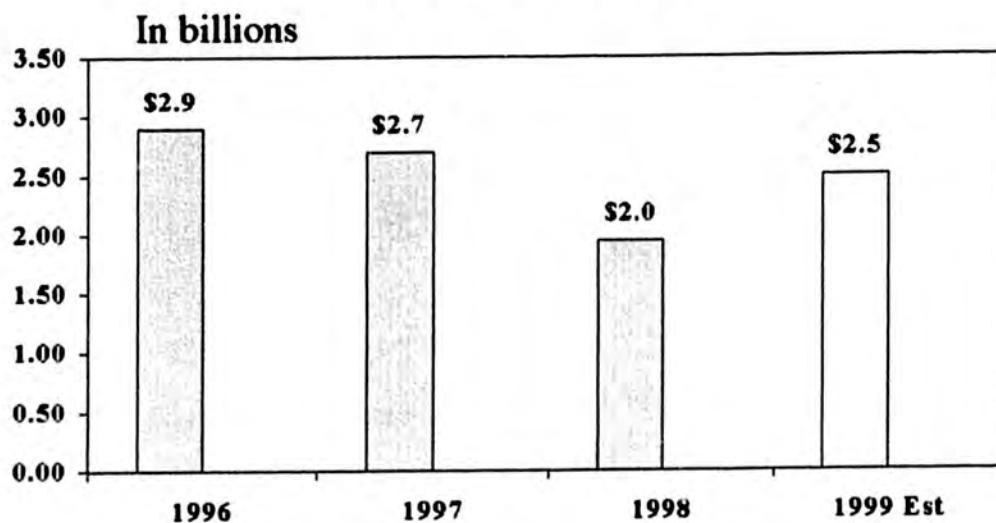
Alaska Export Update

3rd Quarter 1999

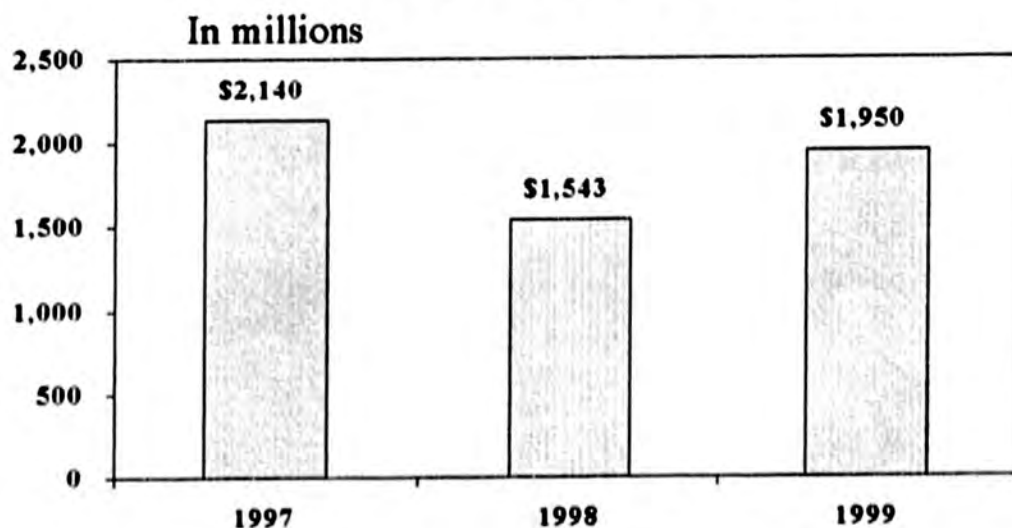
All Data compiled from US Census Bureau

Alaska's Trade Picture

Alaska's Exports Full Calendar Year



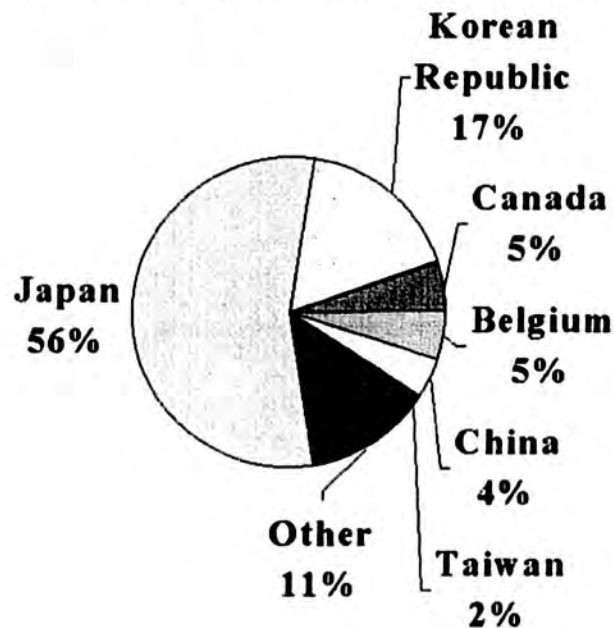
Alaska's Exports Totals through the third quarter



Alaska's Top Export Markets

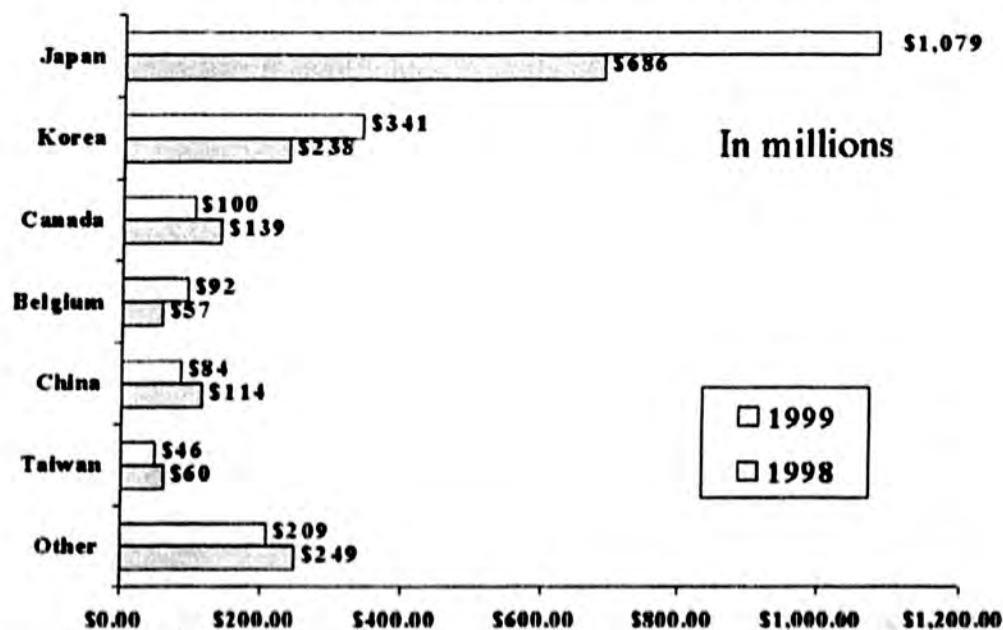
Alaska's Top Export Partners

Totals through the third quarter 1999



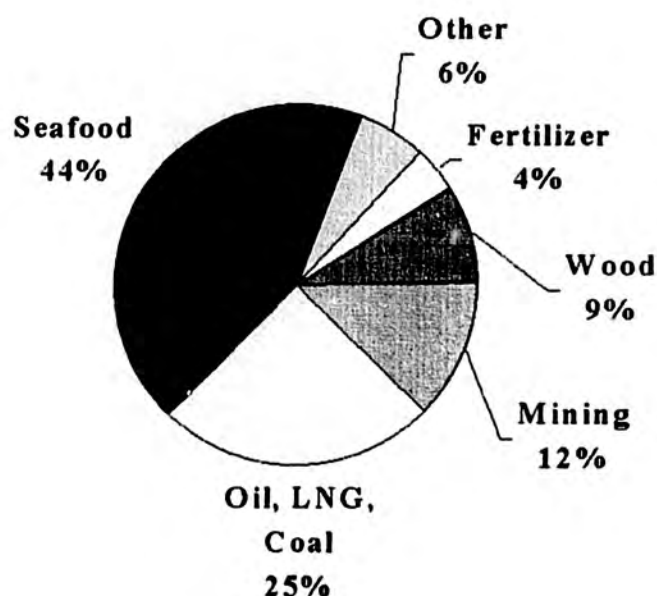
Alaska's Top Export Partners

Totals through the third quarter

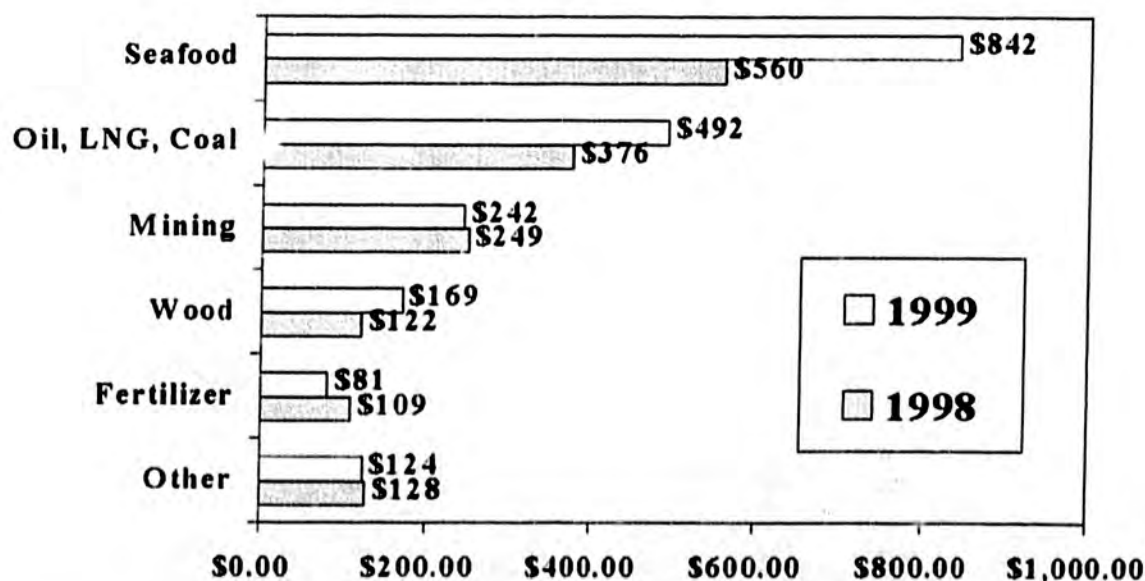


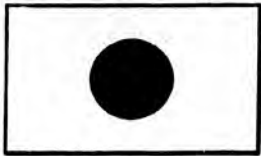
Alaska's Top Export Goods

Alaska's Top Exports Through the third quarter-1999



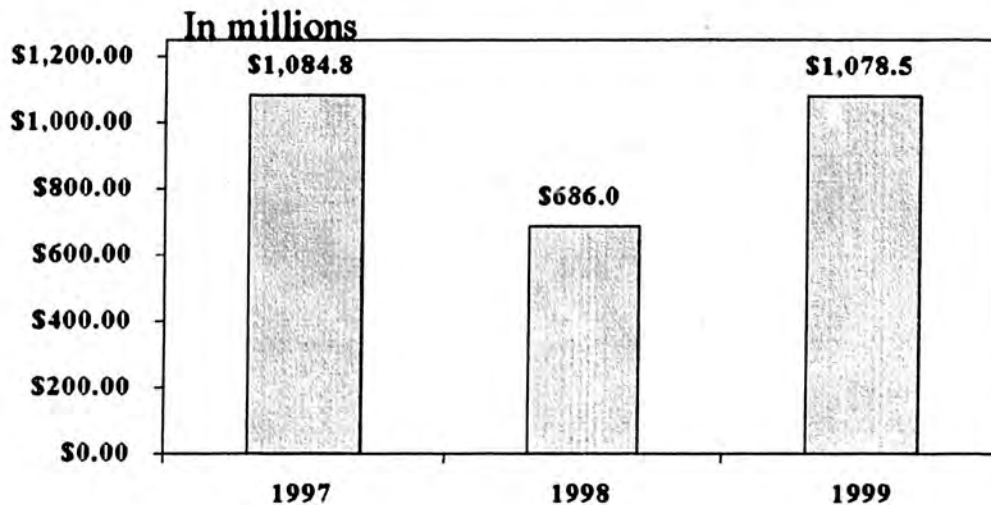
Alaska's Top Exports Through the third quarter



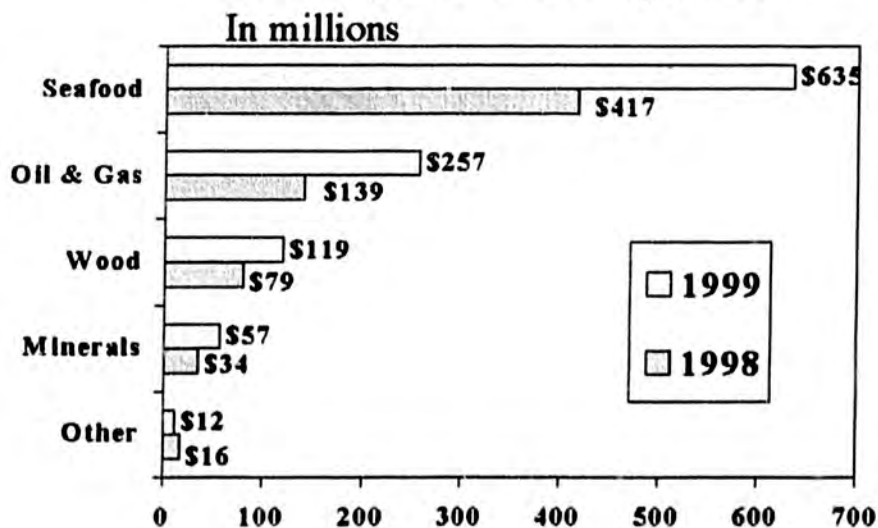


Japan – Alaska's Number One Export Market

Alaska Exports to Japan Through the third quarter



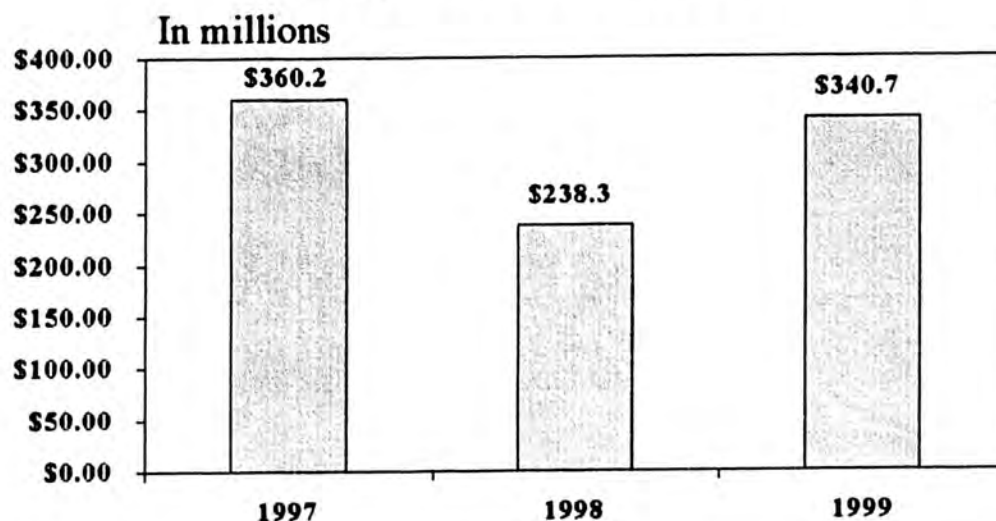
Alaska Exports to Japan Through the third quarter





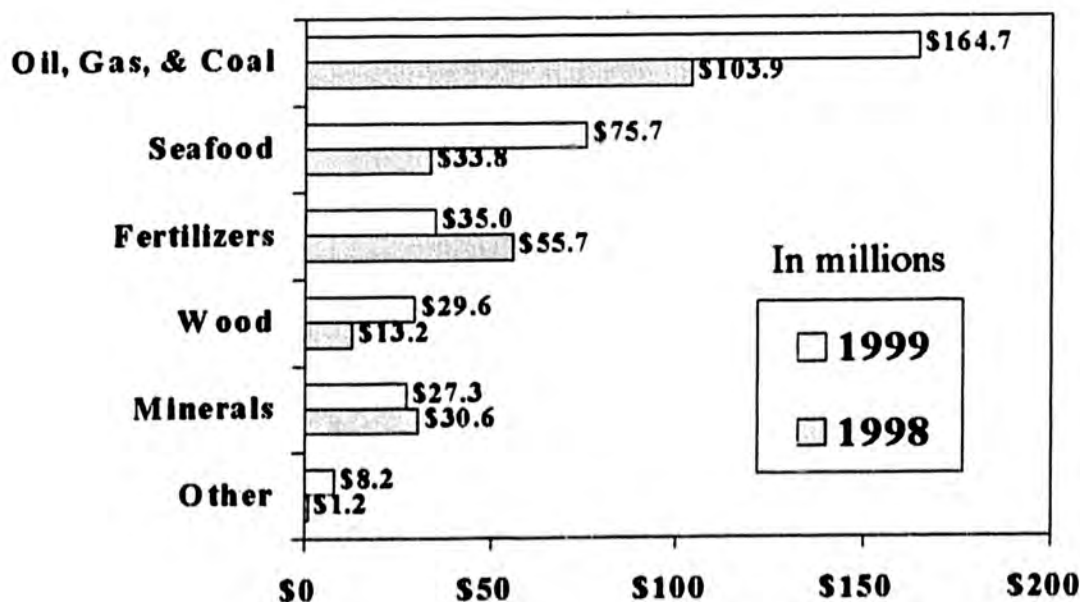
Korea – Alaska's Number Two Export Market

Alaska's Exports to Korea Through the third quarter



Source: US Dept. of Commerce

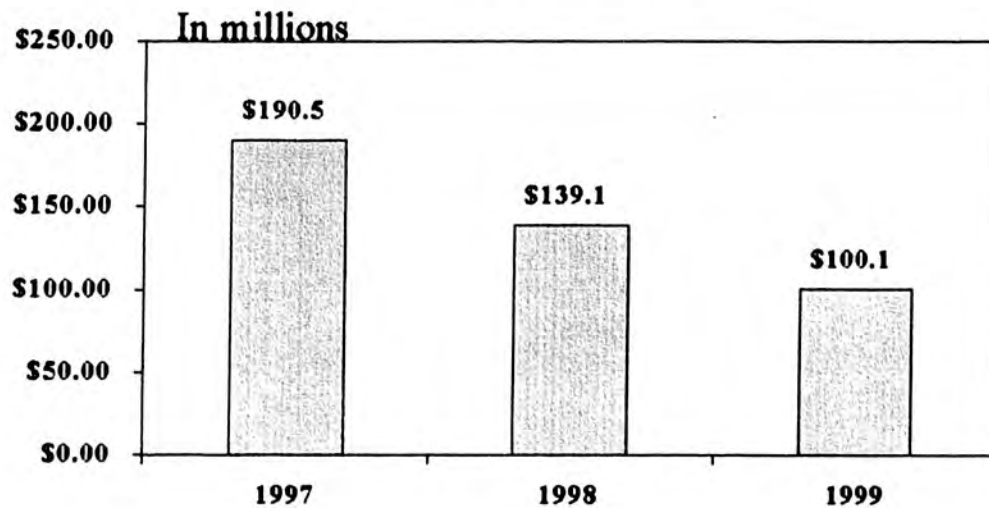
Alaska's Export to Korea Through the third quarter



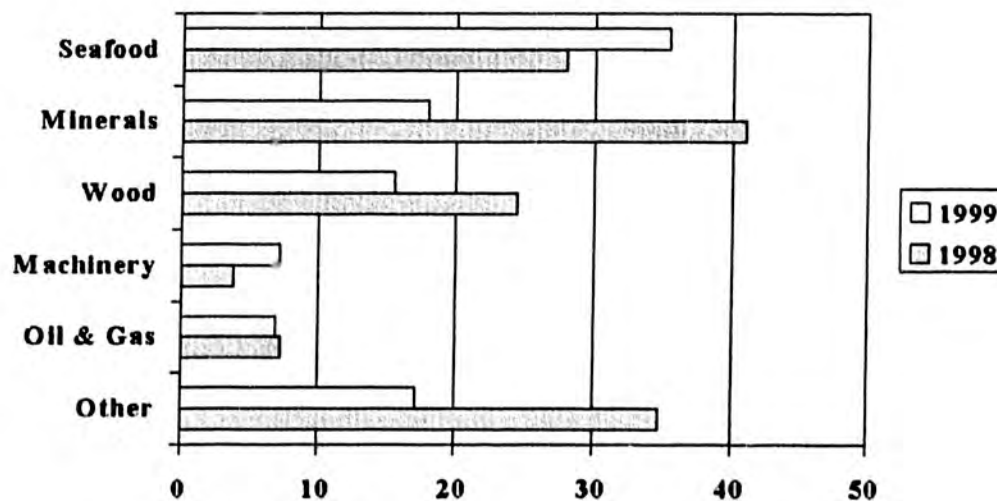


Canada – Alaska's Number Three Export Market

Alaska's Export to Canada Through the third quarter

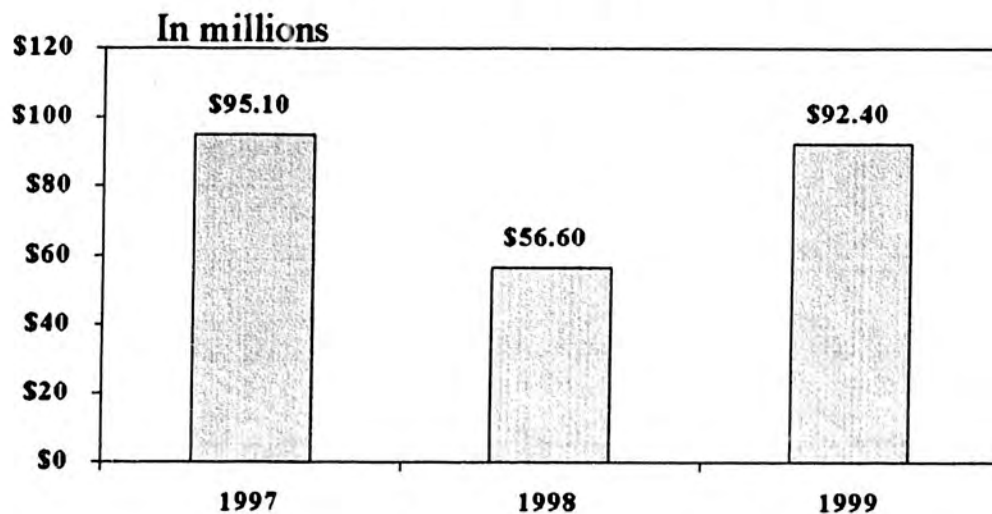


Alaska's Export to Canada Through the third quarter

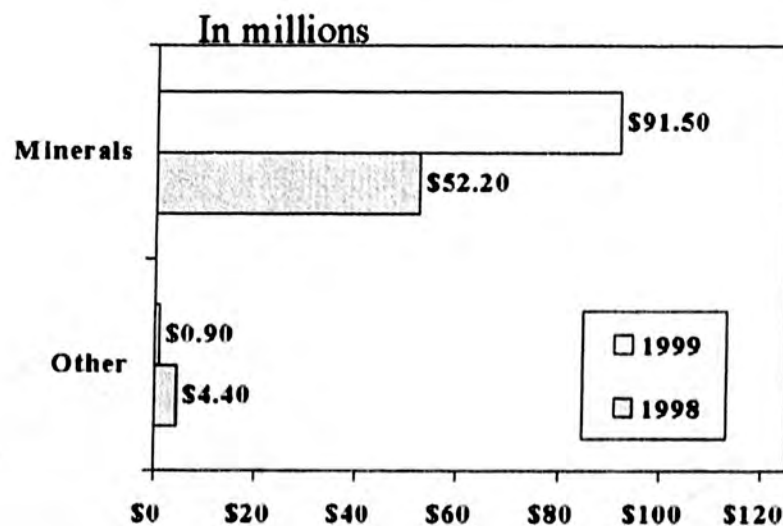


Belgium – Alaska's Number Four Export Market

Alaska's Export to Belgium Through the third quarter



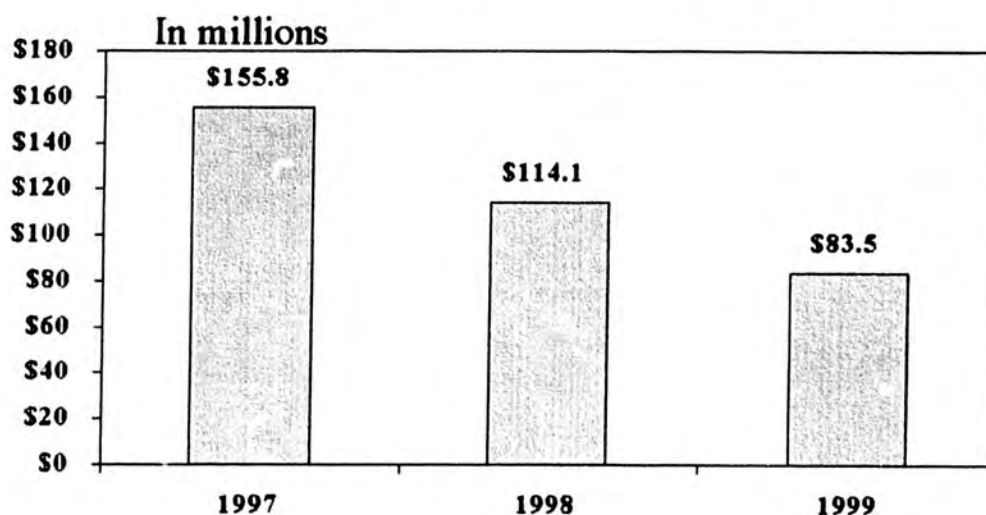
Alaska's Export to Belgium Through the third quarter



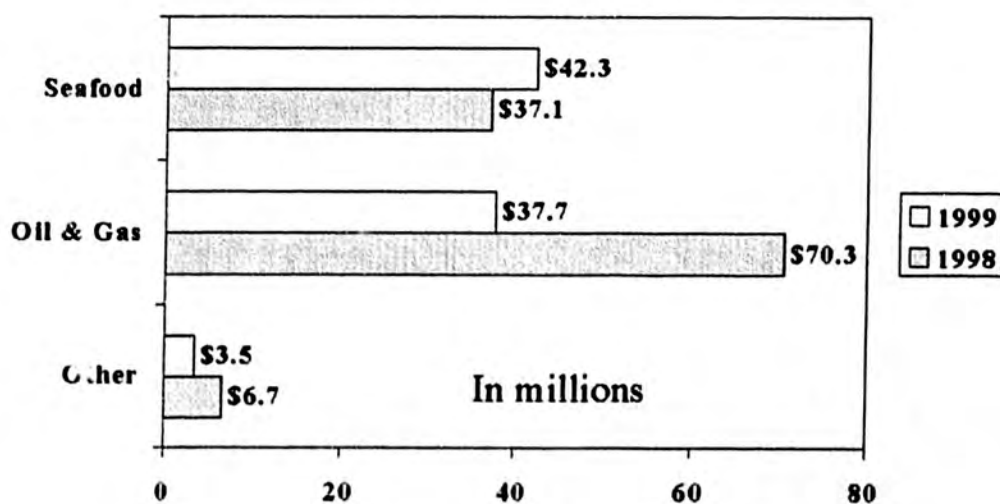


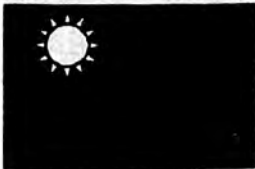
China – Alaska's Number Five Export Market

Alaska's Export to China Through the third quarter



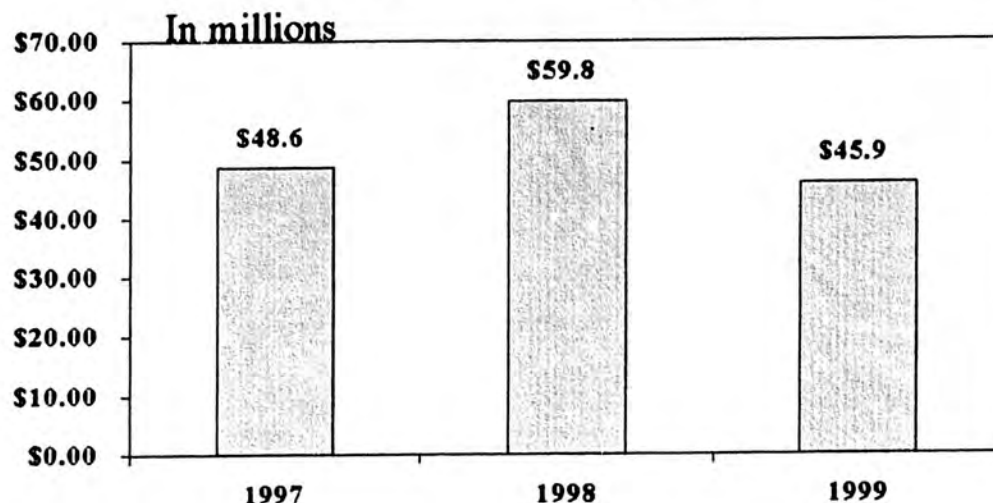
Alaska's Export to China Through the third quarter



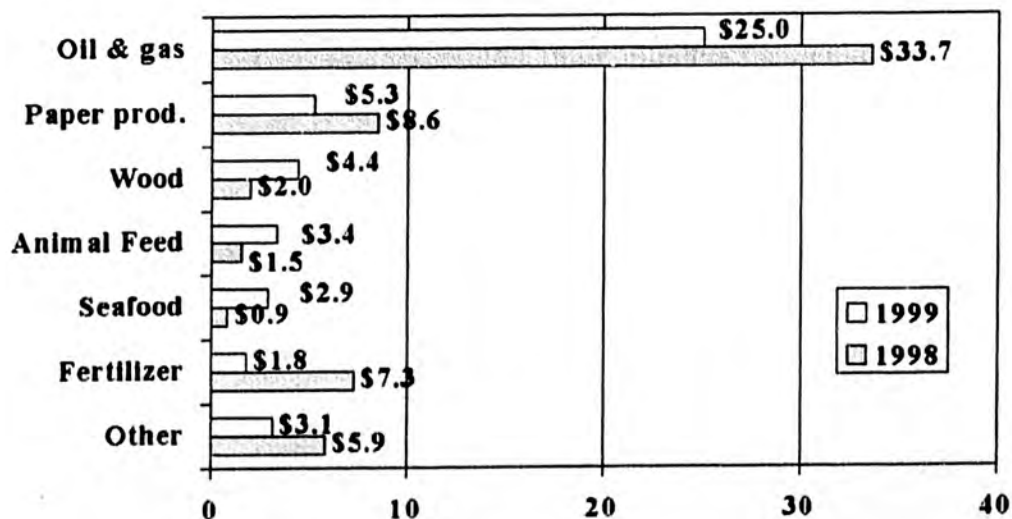


Taiwan – Alaska's Number Six Export Market

Alaska's Export to Taiwan Through the third quarter



Alaska's Export to Taiwan Through the third quarter



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Revised 12/09/99

CORRECTION

**THE FOLLOWING DOCUMENT(S)
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