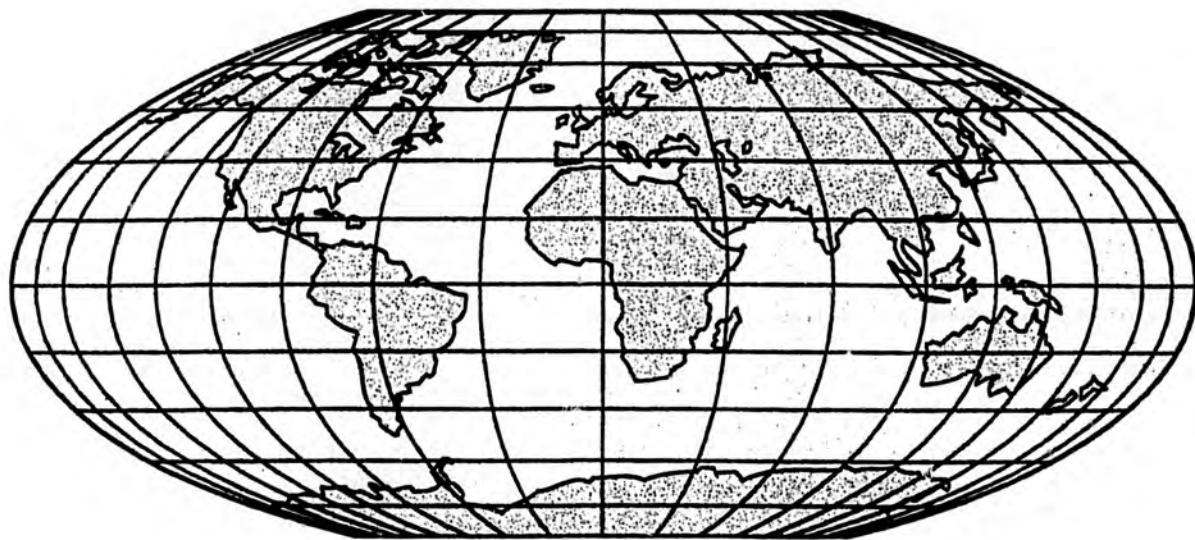


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INTERIM REPORT
ON
WORLD TRADE AND
STATE/FEDERAL RELATIONS



Representative Ramona Barnes, Chair
House Special Committee on World Trade
and State/Federal Relations

January 24, 1997

INTERIM REPORT ON WORLD TRADE AND STATE/FEDERAL RELATIONS

During the interim of 1996, as Chairman of the World Trade and State/Federal Relations Committee, I have fostered a spirit of cooperation with foreign delegations and State agencies to broaden and enhance Alaska's trade mission with the Pacific Rim, the Russian Far East and other areas of the globe. It is my fervent belief that if Alaska is to overcome the boom and bust economic cycle, we must seize this opportunity to broaden our trade base. Alaska is on the threshold of breaking new ground in the area of trade and tourism, which will strategically position her on a successful path as we begin the 21st century. Through this legislative office and committee, it is my goal and hope to expand Alaska's world economic and social presence to all corners of the globe.

I have worked in close contact with the Department of Commerce and Economic Development and the Division of Trade and Tourism to promote the seafood industry as well as trade missions. I met with Alaska's trade representative to Taiwan, Ida Yao and discussed the present trade situation. We talked about what could be done to improve trade and business relations between Alaska and Taiwan.

I have fielded inquiries from Hong Kong, Taiwan, China and the Philippines.

Federico Pascual, President of the Philippine Chamber of Commerce asked that I head an Alaska trade delegation to the Philippines. I have responded positively to the inquiry and recommended to him that a delegation could visit the islands during the summer of 1997.

Lam Hon Hong, Director of Pacific Super Ltd., of Hong Kong has solicited my assistance to seek Alaskan seafood processors who would be interested in doing business with the Far East.

Over the summer, I brought together for talks, an Alaskan business group and a group of Taiwanese seafood processors. Later, I was invited to serve as a facilitator (conduit) between the two groups to finalize the plans for an Alaska Seafood Center to be built near the Anchorage International Airport.

This \$100 million center will process Alaska fish into convenient, ready-made meals for consumers in the United States and overseas. It could provide up to 400 permanent jobs for Alaskans and serve the people of Alaska for generations. The center could generate significant economic benefit and income for Anchorage. The center is scheduled to be completed prior to 2000.

In September, I met with a group of mainland Chinese businessmen who are further exploring importing seed potatoes from Alaska. The project is being developed through the University of Alaska Fairbanks in cooperation with the Alaska Agricultural Development and Marketing. AADM negotiated with China on a trial basis and I am supportive of their efforts to open the Pacific Rim to the industry. Not only will it stimulate trade, but it could be seen as an important step toward fostering international relationships. I believe this endeavor goes to the heart of fulfilling that goal. I believe the success of this market can become a catalyst to open other avenues between Alaska and China. For example, since that meeting I have fielded an inquiry pertaining to the Chinese purchase of Alaskan oil.

I recently hosted a Russian delegation from Krasnogorsk region for a 10-day business trip. The delegation included a member of the State Duma who is also the former Mayor of Krasnogorsk, the present Mayor of Krasnogorsk, and the head of the Krasnogorsk Department for Foreign Cultural and Economic Relations.

The goal of the three-member visit was to strengthen business and economic ties, promote trade which for many years has been restricted by Moscow's highly-centralized government. We discussed what tools and avenues were available to help reduce impediments to trade and improve business prospects, both in central Russia and in the Russian Pacific region. The delegations schedule included a brief meeting with Anchorage Mayor Rick Mystrom. Among the key topics discussed was how air transportation could be improved, particularly the frequency of flights, to enhance trade between Moscow and Anchorage. We also discussed the further development of cultural and economic ties with the Russians and Alaska, a breaking down of any barriers and finding lasting relationships between the two cultures.

The Russians were very interested in how Anchorage serves its' military community and how we and our military bases co-exist. Krasnogorsk is similar to Anchorage in that their region is closely tied to a military population. The region has been in a quandary as to how to provide employment opportunities and living accommodations for its retiring military and at the same time maintain a level of growth and prosperity for its other citizens. The group was looking to Anchorage for solutions to their dilemma, seeking to incorporate methods and ideas that work here. Just

prior to their departure, the delegation formally invited me to lead an Alaskan delegation to visit Krasnogorsk in 1997.

The delegates were also provided a tour of the UNOCAL facilities and the Phillips/Marathon liquefied natural gas operations on the Kenai Peninsula as guests of House Speaker Gail Phillips.

The Russian visitors also met with Dr. Patricia DeMarco of the Anchorage Economic Development Corporation and discussed how to better open the lines of communication between Alaska and Russia. Trade and business ventures with Russia were discussed with the delegation as a starting point to ensure Alaska's place in the global economy. Despite Russia's restless political climate, there is a tremendous opportunity at this time for Alaska to open the trade doors even wider. I am also working with Dr. DeMarco on the Alaska Seafood Center project.

The chairman of the Eastern Star International Development Corporation of Taiwan, John Kao visited Anchorage this interim. Mr. Kao is presently working to secure funds to invest money in the development of the Ship Creek area of Anchorage. He has also shown considerable interest in our seafood industry and the importation into Taiwan of Alaskan glacier water. At my behest, Mr. Kao met with Anchorage officials during the winter on a fact-finding business mission to see what Alaska has to offer as a winter tourist attraction for the Pacific Rim. He is currently developing methods to promote to the Taiwanese Alaska's winter activities. Since 1988, Taiwan and Alaska have had a formal sister-state working agreement. Mr. Kao is interested in pursuing the possibility of engaging Taipei and Anchorage as sister cities. He is also exploring possibilities for developing the Naval Station at Adak which is scheduled for closure in January 1998. Chairman Kao has visited Alaska previously as my guest.

The Chinese Petroleum Corporation has shown a keen interest in developing on-going talks with the oil industry to buy natural gas from Alaska. I have been communicating with CPC officials and meeting with officials in the private sector and the State to encourage all parties to maintain a high level of interest. Alaska is regarded as a dependable, economical source of supply of LNG to the Far East.

Although the Pacific Rim market for natural gas will remain strong for many years, it appears the window available for placement in the market of the huge volume of Alaska's North Slope natural gas will remain open for only a few years. Strong competition is appearing on the horizon from ambitious natural gas findings in South America, Indonesia, Australia and other parts of the world. As expected, the operators of these projects are maneuvering for the best long-term deals. Meanwhile, CPC for example, has demonstrated its faith in us by expressing a strong interest in purchasing gas from Alaska if we

can begin providing it within the appropriate time period. I believe it would be detrimental to the State to lose such a major potential trading partner and do not want to see us closing the doors to furthering the expansion of cultural and social ties with Taiwan.

Through my efforts this summer, the Bethel Native Corporation has been examining the feasibility of a joint-venture with Taiwan in their seafood processing plant. The BNC is looking for either prospective buyers for the processing operation or long-term co-investors.

I met with San Francisco-based Deputy Consul-General Wang Yusheng of the People's Republic of China to discuss future sales of timber, oil and fish to mainland China. I have requested that he furnish me with specifics in order for China to develop closer business ties with the State and private industry.

During the interim, I have built on previous work done in committee to break new ground in international trade and business with emphasis on Russia and the Pacific Rim. Alaskan firms are doing business in these parts of the world, however there appears to be a reluctance or historic bias against fervent expansion of such trade. It is a matter of making the world aware of what Alaska has to offer and vice-versa. Certainly, the fall of Communism in Russia has broken down many barriers and allowed greater freedom and communication.

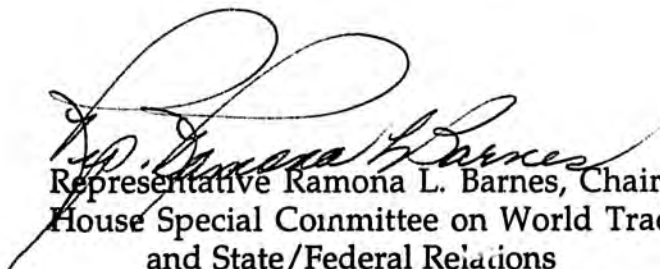
Russia is aware of its long tradition and common history with Alaska. This heritage goes to solidifying our cultural and economic ties. I am seeing and hearing that Russians are open to Alaskans and Alaska business ventures depending in large part upon the stability of the ruble. I feel the exchanges I have experienced with the foreign delegations will aid in strengthening our position with the rest of the world. I believe Alaska can successfully compete in a global economy, to attract the major investment capital necessary to develop and market the state's natural resources, value-added products and services.

One area demanding attention is establishing visa-free travel. Current restrictions often dissuade trade representatives from traveling to Alaska. I am working with Alaska's Congressional delegation and the U.S. State Department in an attempt to ease travel restrictions. Knowledge of market forces impacting travel decisions and the increasingly competitive nature of the travel and tourism industry worldwide will encourage the maximum efforts to lure business and trade to our state. Today for example, Anchorage is virtually equidistant by jet from Los Angeles and Vladivostok. As trans-Bering interchanges multiply, 14 Alaskan cities and towns have signed sister-city agreements with Russian Far East municipalities. Regular flights now link Anchorage to cities of Russia's Pacific Rim.

In conclusion, by the committee's efforts during the interim, we have secured existing and opened new lines of communication between Alaska, Russia, the Philippines, Japan, China and Taiwan. As committee Chair, I remain determined to cement our state's position in the global economy. I am dedicated to blazing new trails and forging integrated efforts to further expand our influence around the world. I believe we are now in a position to set the state on a course of greater influence in the international economic community. It is my opinion that as trade barriers continue to disintegrate, our future will depend ever more on the Pacific Rim. Alaska must take advantage of this opportunity to negotiate a strong and lasting position within the global market.

Committee Members:

Representative Ramona L. Barnes, Chair
Representative Gail Phillips, Vice Chair
Representative Eldon Mulder
Representative William Williams
Representative Gary Davis
Representative Gene Kubina
Representative Jerry Mackie



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