


ALASKA LEGISLATURE COMMITTEE FILES 1987-1988 8672

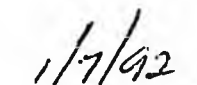
4790 HLAB SUBCOMM. INTERNATIONAL TRADE, JAN. - MARCH 1987



# RECORDS CERTIFICATION

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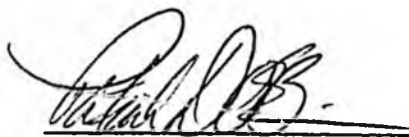
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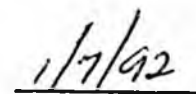
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SUBCOMMITTEE

INTERNATIONAL

TRADE

JAN. - MARCH

1987



# STATE OF ALASKA

HOUSE OF REPRESENTATIVES

Box V, Juneau, Alaska 99811

(907) 465-2487 • 465-2498

REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

May 7, 1987

To: Jeanie Henry, Librarian  
Legislative Reference Library

From: Rep. Cliff Davidson

Re: Tape Log for the Sub-committee on International Trade  
House Labor & Commerce

1. Monday, 1/26/87 - Organizational meeting - See "Mini-Minutes."
2. Monday, 2/9/87 - Overview by Becky Bear, Information Officer for the Department of Commerce and Economic Development.
3. Monday, 2/16/87 - Dan Dixon, Director of the Office of International Trade, Department of Commerce and Economic Development.
4. Monday, 2/23/87 - Dr. John Choon Kim, Director, Alaska Center for International Business, University of Alaska, Anchorage.
5. Monday, 3/2/87 - Representative Bill Hudson and Mary Tuten - discussing ASMI - selling fish to the world.
6. Monday, 3/9/87 - David Ford gave some practical tips on networking with Alaskans on tourism with New Zealand contacts.
7. Monday, 3/16/87 - Worked on work draft resolution - New Zealand.
8. Monday, 3/23/87 - The subject is timber trade with China. Rep. Mike Davis and Frank Seymour of Commerce & Economic Development, Division of Minerals & Forest Products, showed slides of recent visits.

9. Monday, 3/30/87 A joint meeting with the Senate Special Committee on International Trade to hear John Anderson, Director of Washington State Department of Trade and Economic Development, discuss Team Washington.
10. Monday, 4/6/87 Jim Talbot and Fred Jossy of Troika, Inc. and Marine Resources Company International with offices in Seattle and Moscow, Russia. They hope to make you aware of their existence and to generate interest in planning a trade mission to the USSR in July. The purpose of the mission would be to lay the groundwork for finding and exploiting Soviet markets for Alaska products, services and technology.
11. Monday, 4/13/87 A presentation by the Director, Larrae Rocheleau, of the Mt. Edgecumbe School described their Pacific Rim Curriculum which has been in effect the past two years.

Mini-Minutes --- Subcommittee on Foreign Trade

January 26, 1987 4:35 p.m.

Davidson - (to the committee) would like to have you offer your ideas or suggestions as we go along here. Meet at least every two weeks and have speakers come in from the various areas such as international finance or trade from both the private and public sectors. We will get some cooperation from the Department of Commerce and the governor's office.

The governor made an interesting list of the areas that he's working on and I recall one comment that he said, we must become experts in the international market place, hence, the size of our committee is well justified. The more extras we have the better off we will be. I would also like to welcome visitors starting out with Becky Bear.

Becky Bear - legislative liaison/information officer for the Department of Commerce. Davidson said this committee would be a think tank. She reviewed a suggested list of resource people and discussed the meeting of the Senate Foreign Trade committee would have with Richard Lenahan and John Kim on the 5th of February. Becky discussed the AIDA proposal.

Cotten - Wants some narrative on the day to day activities of a foreign trade office to understand the functions of the office - who takes advantage of the office, who comes in the door on a daily basis.

Bear - no day in the life, but the trade offices have to prepare a report to the legislature of their activities. No report has been submitted yet. She did a synopsis of the transition report and the one on international trade was extensive. It is not an edited report - is complete.

Becky explained that personnel in the trade offices were nationals of that country because they understood how to operate there.

Koponen - said the committee should review a study of the mineral needs of other countries to see what they want to buy. Are we going to be designing our exports for specific markets, rather than production first and hoping someone will buy it? What can we do about getting joint venture companies that really will be using the most up to date technology most appropriate to the particular mineral deposits or products we are selling and to permit the greatest return in local hire.

Bear - We and the market place have become more sophisticated. Proposals that come to AIDA have to match the three C's of banking - collateral, credit-worthiness and character. We must stop thinking in terms of an extractive economy and instead a job producing economy.

Hudson - We must learn from the past - trade missions of all types - all kinds of groups - and critique the trade missions of the past.

Davis - Has there been critiques? Wants someone to tell us about the trade missions. When the various trade delegations are coming - a calender of events.

Hudson - Suggested Mary Tuten, head of ASMI and former head of the foreign trade post in the governors office. Suggested Senator Murkowski who will be here on the 13th.

Boucher - There is a body of information out there. Search before research. His daughter is Murkowski's foreign trade staff. Suggested information can be pulled together from many sources.

Davidson - do you want to break out into groups of interest? to search out the reports. working groups of two or three.

Cotter .. travel money? No.

Davis - described the Sister City recommendations between the \*state of Alaska and the People's Government of Heilongjiang Providence in China.

Koponen - using the governor's list - wants to know about the trade missions - protocol - are there possibilities of three way models of trade?

Bear - we need a world view of trade.

Hudson - domestic market needs to be targeted - not enough has been done.

Discussion of working groups and specific tasks.

Koponen - committee to examine different types of joint ventures - what other possibilities could be joint ventures - how could they work better?

Ellis - Foreign Trade Zone designations, marketing study for Anchorage, aquaculture/mariculture and alternative fisheries.

Boucher - get a good writer to pull together everything - develop a history. Assemble all information in the public and private sector, both in and out of the state, use our own state library. Suggested indexing information.

Davis - Is there a catalog?

Becky - has contacted other state and has some information returned.

Rick Lauber - described trade barriers - bamboo curtains - permits.



# Alaska State Legislature

## House

Official Business

P.O. BOX V  
State Capitol  
Juneau, Alaska 99811

January 21, 1987

To: Committee Members  
From: Representative Cliff Davidson  
Re: Sub-committee on International Trade

The first meeting of the Foreign Trade Subcommittee will be held on Monday, January 26, 1987 at 4:30 p.m. in Capitol 17.

### Members

Cliff Davidson - Chair  
Mike Davis  
Adelheid Herrmann  
Niilo Koponen  
H.A. "Red" Boucher  
Johnny Ellis  
Al Adams  
Ramona Barnes  
Bill Hudson

### Ex officio Members

Dave Donley - Chair of Labor & Commerce  
Sam Cotten - Co-Chair of Resources

### Organization of Committee

Department of Commerce & Economic Development - Becky Bear  
Office of the Governor

.....

Since one of the reasons for this committee is the gathering and dissemination of information on foreign trade for Alaska, please share with the committee your suggestions for the direction of the committee. Have you traveled, worked or had contact with possible trade partners? Do you know someone who has, and/or also might be a speaker? What other ideas do you have?

If you would jot down these ideas by noon on Monday and get them to Helen Fisher (2487) from my office, she will see that we have a list of your ideas with which to begin planning the work of our committee.

Thank you!

TESTIMONY ON CURRENT STATUS OF ALASKA'S  
INTERNATIONAL TRADE TO THE ALASKA SENATE  
SPECIAL COMMITTEE ON INTERNATIONAL TRADE

BY: RICHARD M. LENAHAN, DIRECTOR  
U.S. AND FOREIGN COMMERCIAL SERVICE  
INTERNATIONAL TRADE ADMINISTRATION

I wish to express my thanks to Senator Uehling and the Special/Committee on International Relations for providing airfare from Anchorage in order for me to appear here this morning. As the State of Alaska is facing budget reductions due to the price of oil in the world marketplace, my federal agency is having its budget reduced by Congressional mandate through the Budget Reduction Act of 1984. Thus, our trade promotion efforts have been substantially reduced by our inability to travel to meet the business public.

You have invited Dr. Kim and myself here this morning to talk to you about the status of international trade in Alaska. As we are all aware, for the past several years our nation's international merchandise trade deficits have been of great concern. In 1985, as Chart 1 shows, most of our trading partners registered deficit amounts in trade with us. Please notice that Japan registered a trade deficit of almost \$50 billion that year. Taiwan and South Korea, both of increasing importance to Alaska in trade matters, registered trade deficits of \$13 billion and \$5 billion respectively. Chart 2 indicates that those trade deficits grew between 1984 and 1985 and gives you the amount of that growth in dollars.

In 1986, the U.S. trade deficit is projected to reach a record amount of \$170 billion. Our trade with Japan alone is projected to reach a year-end total of nearly \$60 billion, up once again from previous record years. Deficits with Taiwan and Korea are projected at \$15 billion and \$7 billion respectively. These three nations alone account for almost half of our country's trade deficit in 1986.

Our national trade imbalance has caused great concern throughout the world. Our trading partners have shipped us manufactured goods in record amounts and have reaped rich rewards, as noted in the amounts of our deficits with most of them. For us in Alaska, this is a two-edged sword. As one of the fifty states, we share the burden of the national deficit. But as the exporter of natural resources, both renewable and

non-renewable, and in the export of our valuable services, our state can be in the position of furthering our exports by using the marketing strategy that our Asian trading partners can better their public image in the United States, and in the world by more seriously considering the purchase of Alaskan resources to satisfy several of their needs at one time. First, such purchases are usually in large amounts with large dollar values attached and cover a sustained period of time, such as the Japanese purchase of liquified natural gas from Cook Inlet over the past fifteen years, with total exports, in real dollars, in excess of \$2.3 billion. This large dollar amount can be a serious chip in their favor when trade balances are figured. Second, our stable political and labor situation guarantees supply to them on a steady basis from an area of the world far removed from the political hot spots. This allows them the advantage of another source of supply which decreases their dependence on politically volatile areas, or from areas with repeated labor disputes which prove costly and disruptive to supply schedules. This advantage increases their national security. And it means that our national security is increased too in this increasingly important north Pacific area.

As we have all heard repeatedly over the past few years, Alaska has a significant geographic position in trade with Japan and Korea, and we are seeing Taiwan beginning to emerge as an important buyer of our natural resources too. Although we have had our differences with Taiwan (among others) in the recent past over high seas interception of Alaskan-bound salmon, the recent announcement of a summer test shipment of coal to Taipower Company, a quasi-government agency, the future export of Cook Inlet royalty oil to China Oil Company, and the recent announcement of possible future purchases of natural gas to Taiwan, make that country more important to us, and these increased ties will inevitably produce other opportunities for trade between us. Hopefully this trade will take the form of increased exports.

The Alaska trade is good for them and good for us. I want to give you a picture of what we are doing now as far as our exports are concerned,

what the near future holds for us, and suggest things that need to be done if we are to broaden our export base for both natural resources and services in the future. Chart 3 gives you an indication of the major product categories exported from Alaska during the first ten months of 1986. Our statistics for the months of November and December and year-end totals are not available to us yet. However, from this chart you can see that our largest export is seafood products, an export which has been growing significantly in the past few years. Please note that these figures do not count the amount of fish sold on the high seas in the U.S. Exclusive Economic Zone.

By comparing Chart 3 with Chart 4 you can see that our total exports direct from Alaska have grown in the past three years after taking a dip in 1983. This dip is significant in that you may recall that Japan had an economic slowdown at that time, and obviously we were affected. A more careful study of the major categories exported reveals that each one was reduced from previous years in 1983. These include seafood, forest products and natural gas. This is an indication to us that where Japan's economy goes, so goes ours as far as exports are concerned. It should send us warning flags that some new markets should be explored to insulate us from this problem. If you look at Chart 5, Alaskan Exports By Country Total, you will see how significantly Japan figures in total percentage of exports. Seventy-six percent of our trade in the first ten months of 1986 went to Japan.

Although 1987 is only one month old, the immediate future looks good for us. As I already mentioned, Taiwan has made indications of their intent to purchase at least two test shipments of Alaskan coal. These two shiploads should total about 130,000 metric tons and should be exported through the Seward Coal Terminal during summer. If these shipments prove to the Taipower officials that Alaskan coal is usable in their burners, they have told us that they will purchase coal from us at least equal to the amount that we are now exporting to Korea Electric Power Company's plants at Honam. If this happens, it will

double our exports and make the production, rail transportation, stockpiling and shiploading more economical. Hopefully, these savings will be passed to the end-users and make our coal more interesting to other buyers as well. These developments could happen within the next 18 months.

Recently, Tesoro Alaskan Petroleum Company announced that it had received an export license for Cook Inlet crude oil and that it intended to sell 550,000 barrels of crude to a Korean refinery. This would be the first crude oil export since the President lifted the ban on Cook Inlet crude in 1985. This sale of crude will produce several million dollars in export sales for Alaska. The future export of state royalty crude oil to Taiwan will also occur in 1987.

Even though the fishing sector has done well, some improvement will take place. New products in the Alaskan fishing industry are being exported, and some new markets are being approached. Of course, the surimi production facilities in Kodiak and Dutch Harbor are significant to us and have produced jobs for many people. New products such as salted codfish and pollack, which is really a resurrection of an old process, are being produced and exported to markets in southern Europe. These markets are new to us, and hopefully they will produce expanded exports once the working relationships have time to iron themselves out.

The Municipality of Anchorage and the Anchorage International Airport (under the State's DOTPF) are jointly applying for Alaska's second Foreign Trade Zone. In the packets I have given you there is information about FTZ's. In this case, the two entities are cooperating to identify parcels of land and buildings that could be included in an FTZ in Anchorage. As you know, at this time there is only one FTZ in the State of Alaska located in Valdez. When Anchorage makes its formal application, which should be in March or April of this year, it will be the second application pending review in the offices of the Foreign Trade Zone Board in Washington. The other applicant is St. Paul Island.

# **CORRECTION**

**THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY**

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Other parts of the state are in the process of considering FTZ's for their areas. I have provided them with the information and if they decide to apply I will assist them in their application process. However, I would like to clarify one important point. Under the Foreign Trade Zone Act one of the prerequisites for a Grant of Authority to operate an FTZ is that the area be a Customs Port of Entry. In Alaska, the only such Ports of Entry are Anchorage, Valdez and Fairbanks, Juneau, Skagway, Sitka, Wrangell, Ketchikan, and the two border ports at Dalton Cache (near Haines) and on the Alcan.

In the services sector, Alaskan exports are of increasing interest to many people. Because of the lack of capital projects in the state, architects, engineers and construction companies are exploring new markets. Some of them are looking to emerging nations for their infrastructure development. Since statehood, and especially since the oil revenues from Prudhoe Bay have flooded us, we have been involved in this same type of infrastructure development. Our service companies are uniquely qualified in remote site construction, communication from site to headquarters locale, cross cultural communication in rural Alaska, logistics of getting the construction materials to the site from far away on one barge, and other problems not unique to Alaskan construction. These skills are exportable commodities in demand in emerging nations. In addition, development of research sites in Antarctica and other cold weather areas will produce further opportunities for the export of these services.

My office assists these companies in locating projects through the publication of our Early Alert Major Project newsletter. Through this newsletter, at least one company operating in Alaska found a job building an airport in a foreign nation. This contract was worth approximately \$15 million to them. Other opportunities exist and I will continue to work with members of the industry to keep them informed.

In the telecommunications industry, we lead the world in the applied technology. I am assisting persons involved in this industry and will

continue to promote the export of this service to world markets. Time does not permit me to go into each and every service industry that has export potential and which needs further market research. However, I would like to give you an indication of what I believe the State of Alaska can do to enhance its position in international trade both for the near term and the long term.

I fully endorse the message that Governor Cowper presented to you in his State of the State speech. His fifteen points on economic development in the state were well thought out. He mentioned ten points that are of particular interest to me. Our need for market research is glaringly apparent. And not only are our local industries needing diversification, you have seen that our exports need market diversification too. Noting that seventy-six percent of our 1986 exports went to Japan, I ask the hypothetical question of what would happen to the fishing industry should the Japanese, as retaliation to protectionist measures sure to come out of the 100th Congress, decide to embargo U.S. seafood? What would we do with the extra \$500 million in fish? Which markets could handle that much?

This is why we need market researchers. That is why I fully endorse the "think tank" idea at UAA that the Governor mentioned. At this point in time there is no market research for Alaskan products. Such a "think tank" could only be an improvement.

I also endorse his idea of considering Anchorage a site for international finance. This is worth some serious study. I have given you an article I clipped from the Anchorage Times on February 3, 1987 which announced that Vancouver, B.C., was about to enter the international banking industry. International financial experts have stated that Anchorage could be an interesting site for such a service business, because of its position between European currency markets and Asian currency markets, and its geographic relationship with New York and San Francisco. In a similar vein, Mr. Kenichi Ohmae, a Managing Director of the Tokyo office of McKinsey and Company, in his book "Triad Power",

has announced what he calls the "Anchorage Perspective". He states that global companies involved in the triad markets of Western Europe, the United States and Japan must compete individually in each of these markets and will need to be equidistant from each of them in location of corporate headquarters operations for market assessment, new product development, and other needs. This idea is not too unrelated to the financial center idea. Both of them need exploring.

Too many people and organizations seem to be going in different directions when it comes to development and market research about what Alaska should do next. Besides the federal program, the state and several communities are each involved in export development and each going their own way toward the goals they have established. This is a healthy phenomenon, but perhaps a little more coordination should take place between the players. I have proposed to the State of Alaska that we organize a "Trade Center" in Anchorage which would merge the federal and state export development programs in one location, easily accessible by the Alaskan business community. In this "Trade Center" the federal export development programs and the worldwide outreach of my agency would be available to all businesses, and we would have the outreach in the State of Alaska provided by the Department of Commerce and Economic Development, the Small Business Development Centers, and other state agencies to get the message of the need for diversification of the economy, the diversification of the markets that we need to pursue, and apply the research that the UAA program has done and will do to the real world of business. The "Trade Center" would also be a place for foreign buyers to meet potential sellers from Alaska and where these foreign buyers can obtain an overall view of the state through the Export Council of Alaska's recent slide show designed for business use, and which I notified you about in my last monthly newsletter. There are other uses for the "Trade Center" too. Various economic development entities located in cities have already indicated their interest in being located in or near the "Trade Center", where the synergy of information exchange could occur. Thus, a merging of federal and state programs would benefit the end user, the business person, and the

ultimate goal of job creation through increased awareness about international markets could be met. I've included in your packets a brief and incomplete listing of things that the "Trade Center could accomplish.

It has occurred to me that you might allow me to make some suggestions to you about what I feel this Special Committee could do during the next two years in order to study and assist the export community. I have a short list of suggestions:

1. Review laws and regulations that could be changed in order to attract international investment and business to our state. If they need to be changed, change them.
2. The export finance provisions and other export oriented provisions of the AIDA bill already discussed in this Committee should be passed as soon as possible.
3. Engage in joint meetings with other Committees involved in the international trade issues and invite top experts from around the world to testify about specific subjects.
4. Take advantage of existing relationships with Alaskan foreign partners and potential partners for the promotion of trade. Become Alaskan trade emissaries.
5. Talk to communities involved in development about what they plan to do, and see if there is a way to better coordinate activities.

I believe that international trade has a very important place in our lives. Alaska was identified as the number one state in the nation for the proportion of its manufacturing output, including fish processing, that was exported to other countries. With 34.1 percent of manufacturing jobs, or about 6300 in 1981 and probably even greater today, related to exports our state needs to act now to insure our economic future.

Thank you for the opportunity of being here today.

# THE WALL STREET JOURNAL

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## SMALL BUSINESS

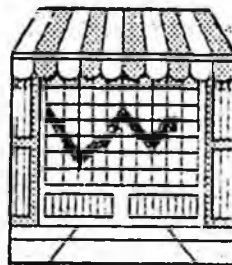
### States Launch Efforts to Make Small Firms Better Exporters

By STEVEN P. GALANTE

Staff Reporter of THE WALL STREET JOURNAL

**T**HE DOWN PAYMENT arrived last week for C.M. Magnetics Corp.'s biggest sale yet, a \$2.7 million order from China for a system that makes videotape. Already the venture capitalists are knocking on the door of the three-year-old company in Santa Fe Springs, Calif., just outside Los Angeles.

C.M. Magnetics might not even be around today, though, were it not for a California program that helps small companies finance exports. The program, operated by the state's World Trade Commission, enabled C.M. Magnetics to obtain financing last year after three banks declined to lend the company working capital to complete a \$280,000 order from Hong Kong. The agency stepped in again a few months later when C.M. Magnetics needed capital to fill a \$180,000 order from China. That sale paved the way for the current contract. "Without their help," company President J. Carlos Maciel says of the agency, "we probably wouldn't be in business today. We were struggling."



California's is one of a number of financial-aid programs popping up around the country to assist small and medium-sized companies expand their sales through exports. At least 10 states operate similar programs, and more are following suit. "Most small businesses can't get export financing from traditional sources such as banks," says Joseph Azzolina, a New Jersey assemblyman who has proposed such a program in his state. His bill is intended to help small businesses establish an exporting track record that would ease their access to commercial financing.

**E**XPORT FINANCING ELUDES small businesses for two reasons. Big banks generally aren't interested in making small loans. And small banks, lacking experience in export financing, are wary of the risks. Most state programs are addressing the problem through small banks. They aim to make such lenders more comfortable with export financing by guaranteeing repayment of the loans.

California, for example, guarantees 85% repayment on loans used to finance working capital or receivables related to exports. Illinois's program is slightly more ambitious. It will lend banks 90% of the funds they use to make an export-related loan. Illinois also has arranged to have the U.S. Export-Import Bank insure the state, the lender and the exporter against most losses on export sales.

The state programs have limits. California's maximum guarantee is \$350,000. Illinois caps its guarantees at \$500,000.

Since California's program started in mid-1985, the state has made 23 guarantees totaling \$3.7 million. Illinois, which launched its program last summer, so far has backed six sales totaling \$2.5 million. "None of those transactions could have occurred without our participation," says John C. Kerwitz, executive director of the Illinois Export Development Authority.

# Vancouver to enter international banking

VANCOUVER, British Columbia (AP) — There won't be any new glass towers sprouting in the downtown skyline and no wave of blue-suited financiers disembarking from ileets of executive jets when Vancouver becomes an international banking center.

In fact, once Parliament passes enabling legislation, Vancouverites probably won't even notice that their city has joined the likes of New York, London, Hong Kong and certain Bahamian islands as a hub of international finance.

And the designation will do little to thin the ranks of British Columbia's unemployed.

Michael Goldberg, a commerce pro-

fessor at the University of British Columbia, said the designation will create a few hundred new jobs at most.

Aside from a few technicians and tradesmen adding an office or two to facilities, plus some extra accountants and money managers to handle international transactions, foreign banks need to expend little effort.

"Of itself, an international banking center is not going to generate many jobs," says Graham Clarke, chairman of the Vancouver Board of Trade.

He and other backers prefer to talk in terms of long-term potential.

The international banking center designations for Vancouver and Montreal

will come in the form of Income Tax Act amendments that will allow banks to conduct international transactions involving foreign currencies without being subject to Canadian taxes.

International banking centers have existed for more than 20 years. The United States passed legislation in 1961 allowing individual states to set up international banking facilities. So far 24 have done so.

Canada is simply playing catch-up, says Clarke, adding: "What we're doing is creating a lure."

The convenience and security of being able to deposit and borrow

See Vancouver, page D-7

D-3 Tuesday, February 3, 1987, The Anchorage Times

## Vancouver: International

Continued from page D-5

money in a Canadian tax haven is supposed to attract foreign businesses, which in turn will draw other types of activity with them and perhaps take advantage of other services offered.

Ultimately, the breaks given international banking transactions could be expanded to a wider array of services, establishing the cities as international financial centers and important contributors to the British Columbia and Quebec economies. That's where the real job and revenue prospects are, said Clarke.

Eugene Nesmith, president of

the Vancouver-based Hongkong Bank of Canada, says international finance will eventually attract other businesses traditionally drawn to capital markets, like stock brokerage firms, bond and currency trading houses and banking insurance companies.

Vancouver's position as a key Pacific port will probably enhance its trading activity, which should trigger growth in the locally based export-import and customs brokerage businesses.

Spinoffs also could benefit legal and accounting services, computer and telecommunications companies, real estate companies and clerical services, as well as the travel and hospital-

ity business, says Nesmith.

"The intention isn't to create a Bahamian haven for suitcase banks," says Clarke.

Goldberg said Canada's reputation as a secure, politically stable country will make it an attractive banking area.

And he said unlike other countries, Canada has no restrictions on movement of currency and has never frozen another country's assets.

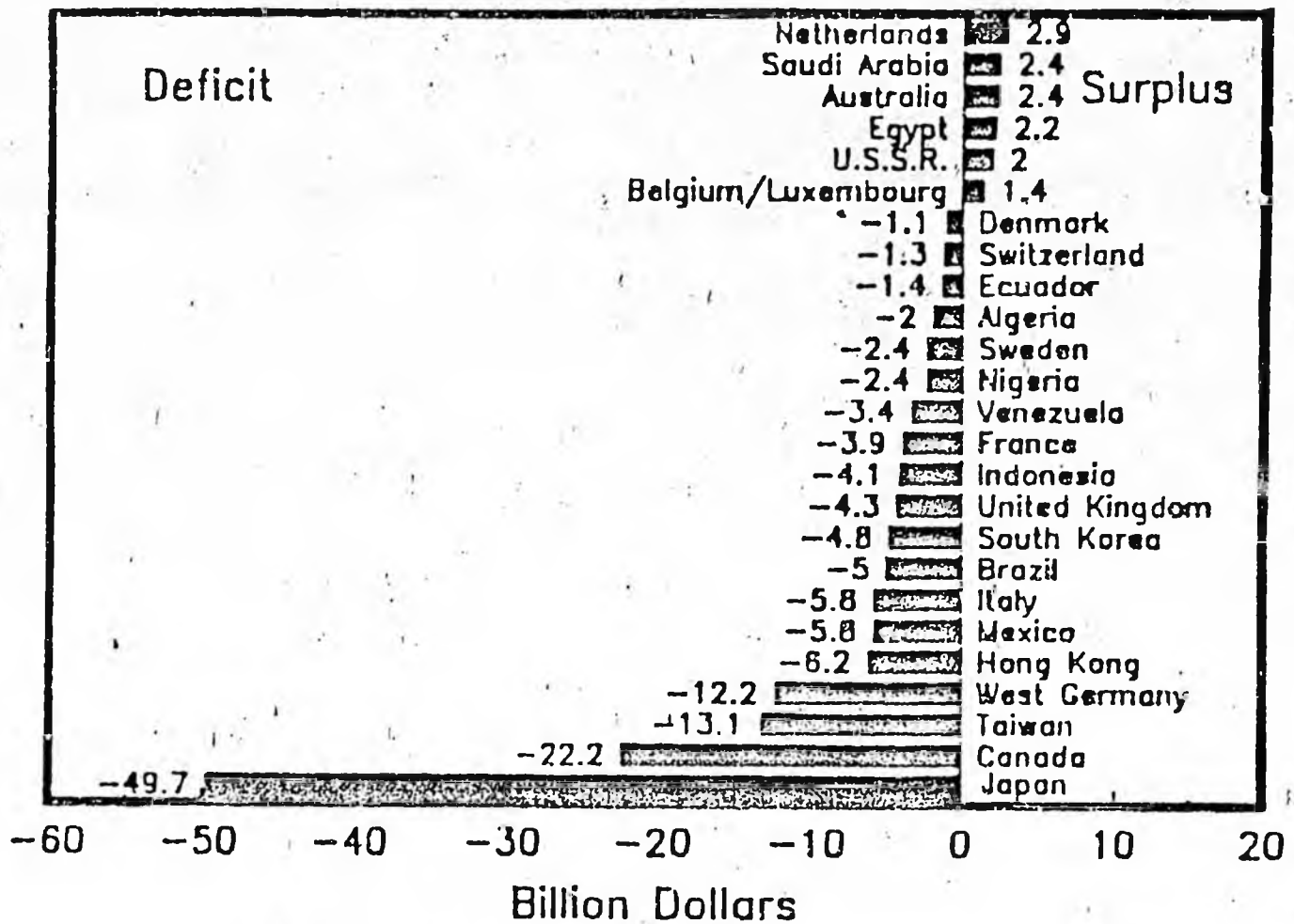
Goldberg estimated it will take as long as 10 years to fully exploit the concept but said no one loses by taking the initial step.

## FUNCTIONS OF THE INTERNATIONAL TRADE ASSISTANCE CENTER

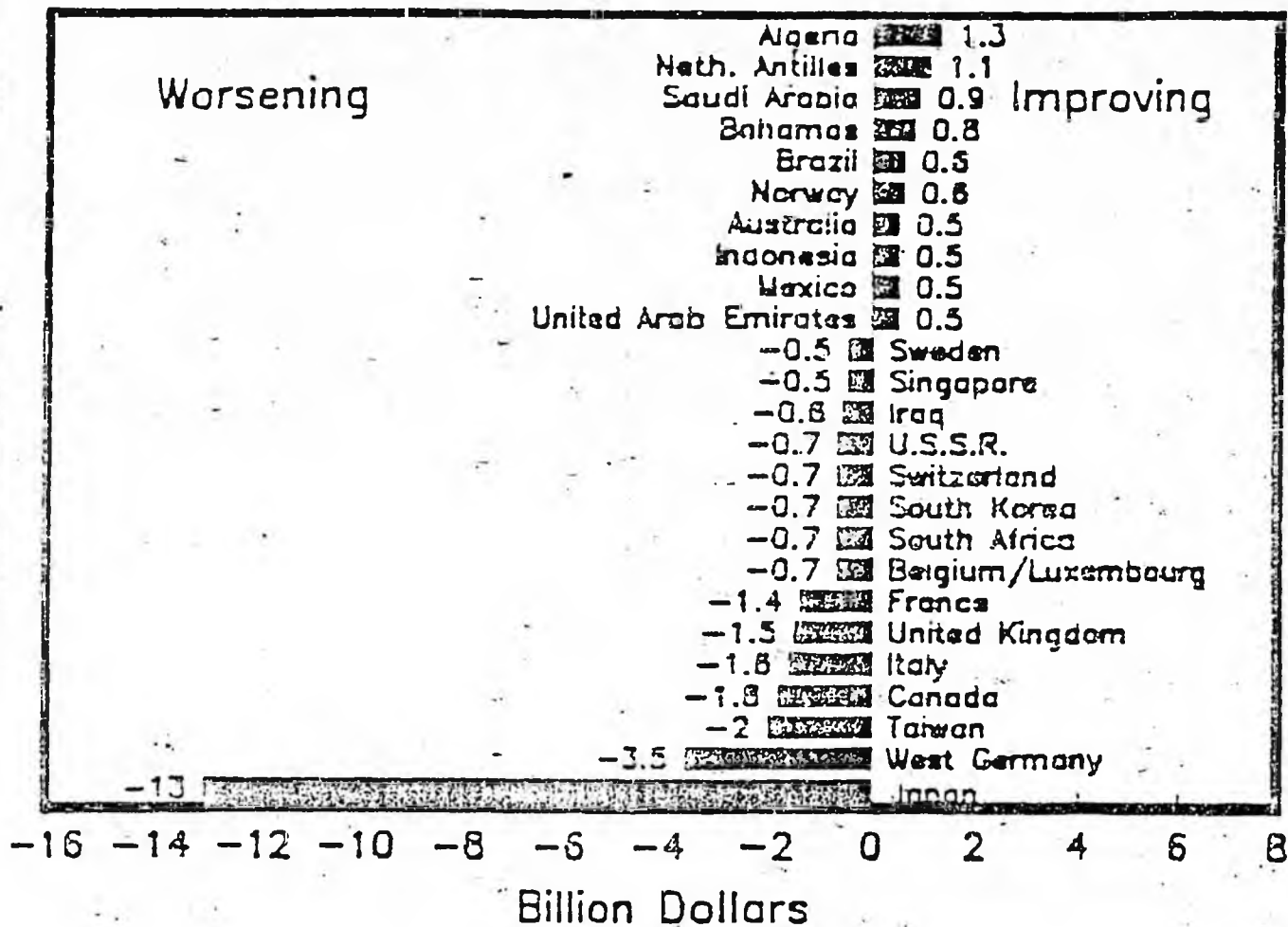
- Brings together federal and state trade development agencies
- Provides Alaskan businesses with international trade marketing information, to include:
  - \* Business Trade Reference Library
  - \* Country economic information
  - \* Agent-Distributor Service around the world
  - \* World Trader Data Report service
  - \* Import-Export trade data
  - \* Best Prospects for Exports
  - \* Major Projects Information Service
  - \* U.S. Export-Import Bank Information
  - \* Country specific Marketing Plans
  - \* Export Control Administration updates
  - \* Export License applications & assistance
  - \* Trade Complaints
  - \* Foreign Direct Investment information
  - \* Foreign Buyer Information program
  - \* Trade Opportunities Program
  - \* International Business Communication Program
  - \* "First Friday" Trade Seminars
  - \* Trade Show Opportunities
  - \* Access to USG sponsored Trade Missions

# LARGEST SURPLUS AND DEFICIT BILATERAL U.S. TRADE BALANCES, 1985

Chart 1



# LARGEST CHANGES IN U.S. BILATERAL TRADE BALANCES, 1984 - 1985



ALASKA EXPORTS: WORLDWIDE TOTALS\*

MAJOR PRODUCTS (\$000)

<u>PRODUCT</u>	<u>1986*</u>
FOREST PRODUCTS	\$ 172,908
SEAFOOD PRODUCTS	513,703
NATURAL GAS	161,318
UREA	32,871
AMMONIA	39
COAL	25,006
FUEL OIL	<u>123,629</u>
<u>TOTAL:</u>	\$1,029,474

\*Figures reflect totals through October, 1986.

Source: U.S. Department of Commerce

ALASKA EXPORTS BY COUNTRY TOTAL  
CY 1985

<u>RANK</u>	<u>COUNTRY</u>	<u>\$ AMOUNT</u>	<u>% OF TOTAL</u>
1	JAPAN	883,067,608	69.95
2	KOREA	90,917,270	7.20
3	CHINA	36,907,204	2.92
4	INDIA	30,687,591	2.43
5	SINGAPORE	30,592,298	2.42
6	CANADA	26,031,787	2.06
7	SWEEN	25,215,048	1.99
8	HONG KONG	23,296,397	1.84
9	TAIWAN	21,587,625	1.71
10	TRINIDAD	15,307,263	1.21
11	AUSTRALIA	13,697,071	1.08
12	PHILLIPINES	11,792,671	.93
13	MEXICO	6,369,013	.50
14	SUDAN	4,722,394	.37
15	REP. OF S. AFRICA	4,691,195	.37
16	MALAYSIA	4,674,847	.37
17	EGYPT	3,817,843	.30
18	BANGLADESH	3,483,671	.27
19	CHILE	2,919,635	.23
20	PORTUGAL	2,405,888	.19
	TOTAL:	\$1,242,184,821	98.40

ALASKA EXPORTS: WORLDWIDE TOTALS  
Major Products (\$000)

<u>PRODUCT</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
FOREST PRODUCTS	278,313.2	277,531.2	268,748.0	216,599.6	211,279.0
SEAFOOD PRODUCTS	329,106.7	350,210.8	328,522.2	287,153.3	439,510.5
NATURAL GAS	310,024.5	291,898.0	266,834.5	262,329.0	249,135.0
UREA	133,417.3	109,724.5	75,368.0	99,605.5	40,508.5
AMMONIA	0.0	19,371.4	22,727.9	38,612.8	28,836.8
COAL	0.0	0.0	0.0	0.0	24,552.5
<u>TOTAL</u>	<u>1,182,597.3</u>	<u>1,338,397.4</u>	<u>1,100,624.8</u>	<u>1,047,573.7</u>	<u>1,262,259.0</u>

SOURCE: EM 563. United States Exports of Domestic and Foreign Merchandise  
U.S. Department of Commerce, Bureau of the Census, Foreign Trade  
Division, Washington, D. C. 20230

ALASKAN EXPORTS BY COUNTRY TOTAL

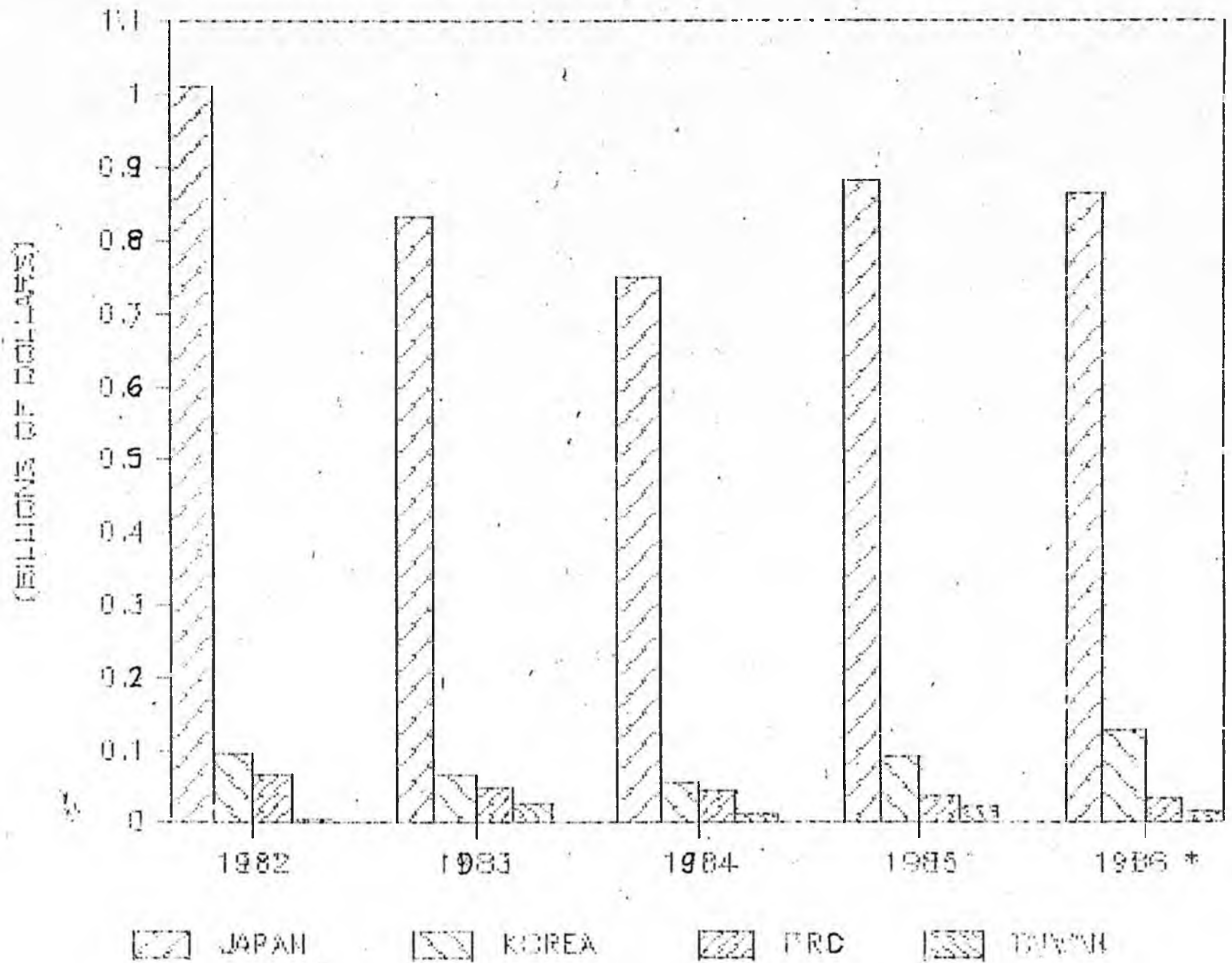
<u>RANK</u>	<u>COUNTRY</u>	<u>THRU 10/86</u>	<u>YEAR END 1985</u>
1	JAPAN	\$ 863,938,248	\$ 883,067,608
2	KOREA	128,030,860	90,917,270
3	PRC	33,633,388	36,907,204
4	INDIA	7,061,421	30,687,591
5	SINGAPORE	12,540,246	30,592,298
6	CANADA	27,798,674	26,031,787
7	SWEDEN	522,412	25,215,048
8	HONG KONG	3,873,950	23,296,397
9	TAIWAN	15,384,479	21,587,625
10	TRINIDAD	16,454,633	15,307,265
11	AUSTRALIA	2,834,942	13,697,071
12	PHILLIPINES	4,131,523	11,792,671
13	MEXICO	0	6,369,013
14	SUDAN	0	4,722,894
15	S. AFRICA	0	4,691,195
16	MALAYSIA	674,143	4,674,847
17	EGYPT	3,949,885	3,817,843
18	BANGLADESH	0	3,483,671
19	CHILI	5,688,598	2,919,635
20	PORTUGAL	<u>644,473</u>	<u>2,405,888</u>
	SUBTOTAL:	\$1,127,181,875	\$1,242,184,821

TOTAL EXPORTS\* \$1,160,599,501 97%

\*10-Month Total

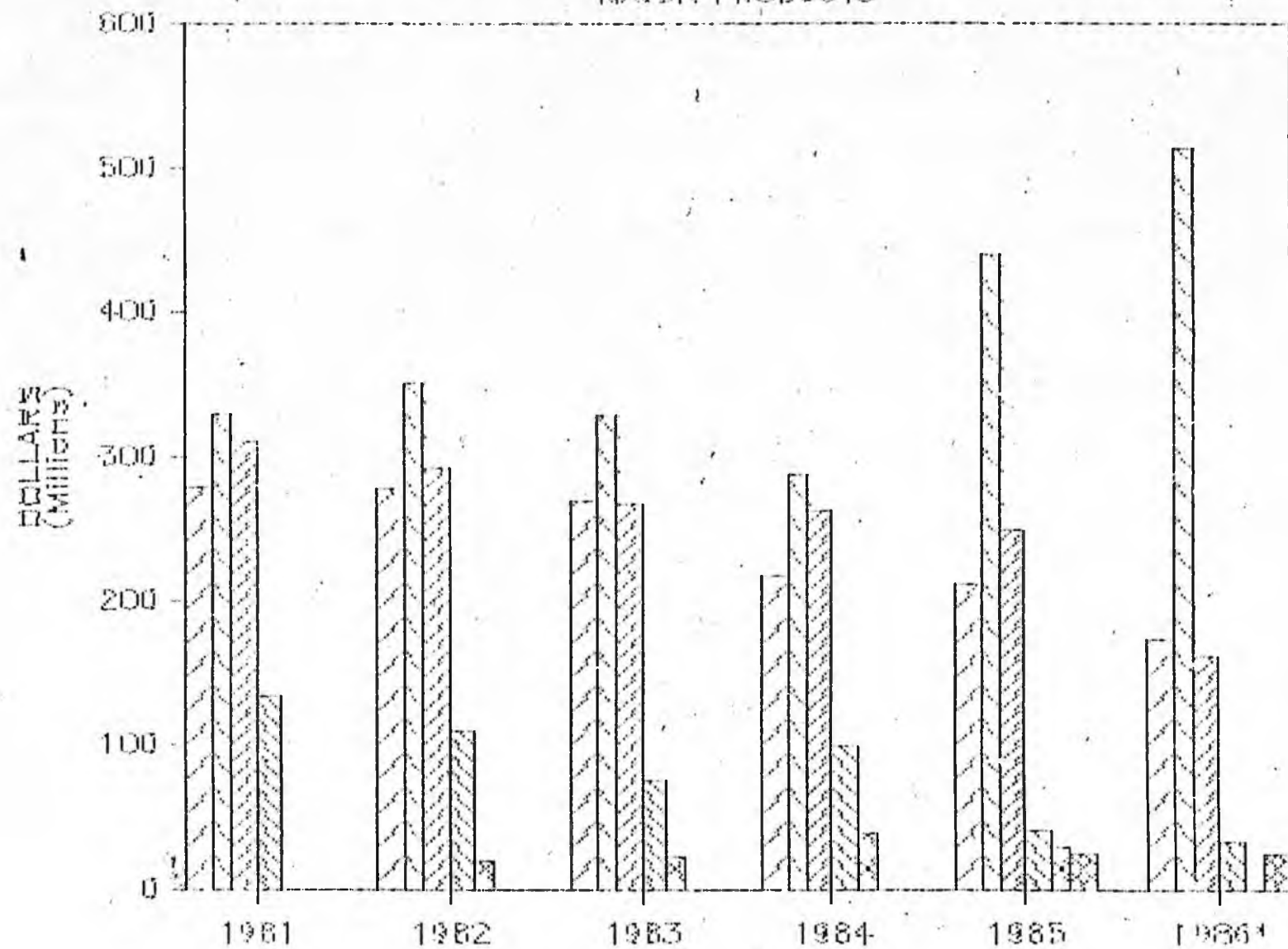
Source: U.S. Department of Commerce

# ALASKA EXPORTS



# ALASKA EXPORTS: WORLDWIDE TOTALS

## MAJOR PRODUCTS



WOOD

FISH

LNG

UREA

AMMONIA

COAL

# MEMORANDUM

# State of Alaska

TO: Honorable Steve Cowper  
Governor, State of Alaska

DATE: February 02, 1987

FILE NO:

TELEPHONE NO: 562-2728

FROM: Dan D. Dixon, Director  
Office of International Trade

SUBJECT: Trip Report: Japan/Korea  
1/08-1/21/87

## GENERAL OVERVIEW

I have made it my policy over the last 22 months to travel on a quarterly basis to the Pacific Rim, particularly Japan and Korea. These trips provide me with the opportunity to manage our offices in Tokyo and Seoul in person. In each office, we review production for the previous quarter and set additional goals and objectives.

These trips have also allowed the State to foster business contacts and to cement new friendships garnered by the office managers. Each opportunity for a high level government official to discuss trade issues and the promotion of Alaskan products/investments enhances the State's visibility and credibility in these countries. Of equal value is my practice of negotiating agreements with government and business leaders which facilitate trade and investment in Alaska's economy.

Meetings conducted in both Japan and Korea also serve the important function of providing a forum to dispel certain long-standing myths about the State. Across tables, in discussion, I have the opportunity of explaining that Alaska is not a resource land existing at the outer edge of the world, but rather a vibrant young state which lies at the center of a trade hemisphere that stretches from Europe to Asia, as well as to Canada and the lower 48 states. Moreover, as a youthful state interested in developing international trade, Alaska is taking an innovative approach to creating an economic environment conducive to foreign investment. I am able to describe our programs within the context of informational meetings to government and private sector leaders. These meetings have an impact which cannot be duplicated by any form of publication.

I had a three pronged rationale for scheduling this particular trip to Japan and Korea. First and foremost, I wanted to assure representatives of the public and private sectors of these nations that the Cowper administration is going to support the programs currently underway including staffing, as well as the expansion of Alaska's involvement in the international

marketplace. I believe that this part of trip was extremely successful. Japan and Korea have received glowing reports on the Governor's philosophy of trade development and representatives in these nations appear to genuinely look forward to a good working relationship with this administration.

Second, I wanted to pursue many outstanding issues and initiatives ranging from fisheries, timber, minerals and natural gas, to international banking and trade leads. And third, I wanted to investigate several new ideas which have been formulated to stimulate our economy through international development.

The following is meant to serve as summary for you. If you desire I will, of course, provide you with more detailed information about any of the items below.

## KOREA

### GENERAL ASSESSMENT

During the past several years Korea has taken one of the most active investment roles of any foreign nation in Alaska's economy. From joint ventures in fishing, to coal exports, to in-state construction, Korea has provided an infusion of capital which represents a good faith interest in a long term economic relationship with Alaska.

Korea sees Alaska as an ideal location for the development of a stable resource base and as a place where it can invest capital as a response to increasing pressure by the U.S. government to reduce the U.S./Korea trade deficit which is hovering in the billions. Investment in Alaska is especially attractive to the Koreans since they have the opportunity of investing in those resource industries which will benefit that nation.

Moreover, Korean construction technology is now rivaling Japan in many areas and the Korea construction industry is looking for new outlets or markets for this expertise. As Alaska continues to develop its infrastructure of port facilities and the like and as the state expands its industrial base to include new refineries and other facilities, so will Korea continue to operate in our marketplace.

### KOREA TRADERS ASSOCIATION

The Korea Traders Association is the lead organization for the development of trade and investment policy for the Republic of Korea. I met on several occasions with the Association's Vice chairman, Sun Ki Lee. Mr. Lee is the former Minister of Energy and Resources for Korea and the former Secretary General of the ruling party of Korea. He is also the State's Honorary Trade Representative for Korea. I should note here that the former Prime Minister of Korea, Nam Duck Woo, is the Chairman of the Association.

Our discussions have resulted in the Association taking a leadership role in supporting the trans-Alaskan gas line. For example, discussions about the project were initiated by the Association in meetings with the minister and deputy minister of Energy and Resources during my visit. Significant work has also taken place with U.S. Embassy officials to obtain a high level American support for the project.

### KOREA U.S. ECONOMIC COUNCIL, INC.

This council is considered one of the leading organizations in the area of stimulating Korea/U.S. trade. The functions of the Council are similar in some respects to those of my office. The Council organizes trade missions to and from Korea. It establishes contacts for businesses and facilitates trade by negotiating cooperative agreements. The Korean Government is also provided with advice on trade matters by the Council.

I met with a great friend of Alaska's, Kwang Won Rhim who serves as Executive Director for the Council. During our meeting we began to lay the groundwork for a large working delegation of trade and manufacturing interests which would visit Alaska to investigate investment possibilities later this year. This mission fits the new Korean government policy of promoting foreign investment in order to offset Korea's trade imbalance with the U.S. Mr. Rhim also encouraged Governor Cowper to visit Korea in late May or early June to meet appropriate government and private sector individuals to encourage participation in this trade mission.

### U.S. TRADE CENTER, U.S. EMBASSY

I met with Thomas A. Rosengren who is Director of the U.S. Trade Center at the U.S. Embassy. The purpose of this visit

was to brief him on the new administration and to provide him with data on new projects that we are promoting. We also worked out the logistics for our participation in the Second Annual U.S. Trade Fair to be held in Seoul the latter part of February.

At the fair, Alaska will be promoting Alaskan resources and services for export. We will have the opportunity of connecting Korean business concerns with Alaskan suppliers. We also hope to spark Korean businessmen's interest in Alaska by describing our investment climate and our position vis-a-vis the international marketplace. We participated in this Fair last year with excellent results in the areas of furs, minerals, timber products and some interest in our tourism industry.

#### WOO PUNG CHEMICAL COMPANY

Over the past 18 months, this company has been seriously exploring the possibility of constructing and operating an alcohol plant in the Delta region of Alaska. K.J. Kim, the president of Woo Pung, has visited a potential site near Delta Junction and is presently developing a marketing analysis for the sale of the alcohol and its byproducts in Alaska and the lower 48 states. During my visit to Korea, I had the opportunity to provide Mr. Kim with an analysis of Alaska's market potential and a summary of the various State agencies which will assist and regulate this investment. Woo Pung hopes to make a decision on the project within the next several months.

#### SEO RIM TRADING COMPANY

Seo Rim Trading Company would like to purchase large quantities of Alaskan White Birch on a long term basis, beginning immediately. While still in Seoul, I was able to connect Seo Rim with several Alaskan companies which have the capacity to export this product. Importantly, great quantities of white birch are found in the interior and southcentral regions of Alaska - timber areas which have been struggling for years to establish a market for their product. Price is still the main problem facing the industry; however, the prospects appear very bright. (Note: white birch is used in the manufacture of furniture and accessories in Korea for both domestic use and export).

MINISTRY OF TRADE AND INDUSTRY--INTERNATIONAL TRADE PROMOTION BUREAU

I met with Mr. Ki-Sung Lee, Deputy Director-General of the International Trade Promotion Bureau. He has been charged with organizing the foreign investment campaign for the Korean Government. The general goal is to reduce the trade imbalance with the U.S. The Bureau has been given 1.2 billion in seed money to finance an investment fund. Korean businesses wishing to develop ventures in the U.S. can obtain capital for given projects from this fund.

The main purpose of my visit was to discover first hand how the fund will operate, what projects are considered the most desirable and to educate the Bureau about the potential of Alaskan trade. The fund is an ideal source for capital for Alaskan/Korean trade development since its emphasis will be on the creation of new sources of energy materials and strategic minerals.

On the down side, I had to work hard to dispel the Bureau's view that high wages in Alaska make it difficult for a company to competitively develop our resources. And while the Deputy Director General agreed with our perception that Alaska's geographical location is ideal for some added value manufacture, he believed that high wages may hinder investment in this area. Our goal should be to show factually that our cost of living, including wages, are not much different from those of San Francisco and New York. The Korean Office has already supplied some of these statistics to the Director General's office.

I have invited the Director General to visit Alaska and he is definitely someone that the Governor should meet during his first visit to Korea. I have started the process of sending potential projects to the attention of the Director General and we are informing our constituents about the fund.

KOREA-ALASKA COOPERATION COMMITTEE

This organization is very similar to Alaska-Kai of Japan. It is made up of many influential individuals from the leading corporations of Korea who believe that the development of a long-term economic relationship with Alaska is vital to their nation and our state. I met with M.D. Chung who is Chairman of Hyundai Corporation, one of the largest corporations in Korea, and chairman of the Korea-Alaska Cooperation Committee. The

main item of our discussion was how the Governor could most effectively utilize the Korea-Alaska Economic Cooperation Committee during his first visit to Korea. His strong suggestion was that the Governor address the organization as part of a mini-seminar on Alaska and its trade potential. We should include information on our business environment, resources, manufacture and service potential, and what the State is doing to increase our effectiveness in the international marketplace. He recommended that the Director could give a general overview of the facts along with a media presentation, while the Governor could address the broader policy issues. Following the presentation a reception could be held to allow the business and government leaders the opportunity of talking personally with the Governor. I believe that this would be the most effective way to get our message out to the most important people at the moment, and we would receive favorable media coverage for the state.

#### KOREA DEVELOPMENT BANK

I met with Jung-Jin Yoon who is General Manager of the International Finance Department for the Korea Development Bank. The KDB is taking an aggressive posture in finding foreign investments for the clients who make up its portfolio. This is in keeping with the government's policy of promoting foreign investment as discussed above. I have found it very useful to develop relationships with banks in this manner since their activities with their clients can promote a quicker review of potential investors than we can provide. Moreover, since banks overseas are able to generate fees in addition to lending on projects, there is an inducement for the banks to matchmake.

During our conversation I stressed potential involvement in the hotel industry, timber, fisheries, and minerals development and I also promoted the possibility of Korean financial involvement in the construction of the trans-Alaskan gas line. Our ultimate goal with this bank, since it is the main development oriented bank in Korea, is to develop a letter of protocol similar to that which promotes business with Japan through the Industrial Bank of Japan.

#### HANSUNG ENTERPRISE, Inc.

This organization is one of the leading fishing interests in Korea. It does most of its off shore fishing in Alaska's Bering Straits. Our discussion centered on Alaska's policy toward continued foreign fishing in our waters and the present

quota allocation system. In light of the fact that the Governor has not had an opportunity to set a policy on these important issues, I essentially followed the U.S. policy line which has been in effect in Alaska for the last several years. That is, we have every intention of Alaskanizing our waters. However, we recognize the importance of foreign financial participation in our fishing industry and thus support to some degree the current interest in joint ventures. The Koreans have stressed (as have the Japanese) the importance of fisheries to their society and that they hope we will be fair in our support for future allocations. I should note here that the Korea Deep Sea Fisheries Association is the lead quasi-government organization in these matters. We have established a solid relationship with this organization and the Governor should certainly attempt to meet with its representatives while in Korea.

#### DONG A TRADING COMPANY

Dong A Trading Company is a mid sized trading company. It nonetheless is a multifaceted and multinational corporation with assets of well over \$50 million. Dong A has been working with my office for several months attempting to locate scrap iron deposits in Alaska for purchase. We have successfully connected the company with two companies in Alaska (one in Fairbanks and one in Nome) which have significant inventories of scrap iron. Dong A is interested in purchasing as much scrap iron as possible on a long term basis. These purchases will be worth millions of dollars to Alaskan companies over the years. Dong A will be visiting Alaska during February, at our invitation, to investigate the potential here and to execute at least one contract during its visit. Dong A as a trading company is also interested in Alaska manufactured pulp products and we have put them in touch with Alaska Pulp Co. in Sitka and Ketchikan Pulp with the hope that those companies will open discussions for possible supply of pulp products.

#### JAPAN

##### OVERVIEW

Japan is Alaska's leading trading partner. Last year Japan purchased more than \$750 million of products from our state. Given her superheated economy and the present phenomenal strength of the Yen, (its value against the dollar is up nearly 60% since this time last year), and the fact that with her trade surplus (she has \$650 billion in reserves in the banks)

Japan should remain the focus of a great deal of our marketing activities. This cash surplus in Japan has created a great opportunity for the State of Alaska. Development projects are more attractive than they have ever been, and the Japanese are more willing than ever to throw a little creativity into their overseas financing. There is a compelling reason for the foreign investment: without it, Japan will develop the same sort of raging inflation that has driven the U.S. back from the international market place. Their money has to be invested and circulated in a bigger market. The Japan market is incapable of absorbing the type of wealth that presently exists in the Japanese economy.

#### INDUSTRIAL BANK OF JAPAN

I met with Shinichi Hiraki and Shuichiro Tomaki who head up the Business Development Section of the IBJ. As mentioned above, the State has a letter of protocol with the bank which promotes business with Japan by connecting the bank's clients with businesses in Alaska. In the past we have successfully connected several Alaskan businesses with Japanese counterparts in mining, tourism, development projects, real estate, fisheries and small business endeavors. We have thus constructed a solid foundation upon which to develop new enterprise.

In my meeting with IBJ I focused on four project areas that I feel are both opportune and vital to Alaska at this time. First, in light of our clouded revenue picture for governmental operations in Alaska, I proposed to the Bank that it consider working with us to refinance the State's long-term debt. Utilizing either the Yen market or the Eurobond market the State could save millions from the reduced interest rates that would be charged. Several municipal and state governments have utilized this financing with great success. Given the projected shortfall in the FY87 budget I would recommend that we also consider Japanese funding to meet the shortfall. At interest rates of 3%-5% I believe that we are required to investigate the viability of such funding. IBJ is prepared to come to Alaska to pursue this possibility with the Governor and the legislature. It is precisely this type of creative association that we should be taking advantage of during this period in Japan's economic growth.

Secondly, we had an opportunity to discuss the progress related to the possible development of a refinery in Valdez. IBJ indicated that one reason for the slow progress on the development of this project is that the parties promoting the refinery have been unable to guarantee sufficient capital and a

ready supply of crude oil. I have since discovered that Alaska Pacific Refinery (APR) has secured sufficient capital from a variety of sources and is close to a supply contract. Given the fact that IBJ is regarded as a "convener" of energy projects by most of the oil and gas associations and trading companies in Japan (and indeed the bank represents nearly all of the interests) their advice is valuable. And Japanese involvement is ideal in light of their ability to finance, construct and consume the product. However, I should point out that Korea may play a role in this project. The Koreans are certainly given a key role by the present promoters of the project.

After listening to the Bank's concern I proposed that perhaps the State could be involved in a satisfactory way for all parties. Perhaps it would be possible for the state to enter into the venture with APR and several of its partners to construct this project. APR, et al, would construct the facility and thereby have a compelling interest to guarantee a market for the product. The State's obligation could be to supply royalty oil (perhaps in consortia with other oil producers) in order to meet the facility's production demands. In this manner the State could share in the profits of the project. IBJ was very interested in this notion and would like the opportunity to pursue this further with the Governor, if he is so inclined. I emphasized during our meeting that this was my idea and that I was not speaking on behalf of either the Governor or the legislature. I recommend that we investigate this idea thoroughly.

Third, I promoted the idea of Japanese development of a first class hotel in Anchorage. This has been a goal of mine since our office was instituted. My rationale is that this hotel could serve as a hub for Japanese tourism, off which could spoke sightseeing ventures, lodges, and the other attending industries. Moreover, the equity investment by the Japanese could assist us in maintaining and even securing a larger market share of Japanese tourism. I was fortunate to have the opportunity of introducing the Bank and several of its clients to Jack White Realtors who are the brokers for perhaps the most ideal undeveloped parcel available in downtown Anchorage. Negotiations should be underway in the very near future.

Fourth, on behalf of the Alaska Railroad I opened discussions regarding the possibility that IBJ could provide interim financing for the Railroad's purchase of new passenger cars which will probably be purchased from a foreign nation. The value of this purchase is in the neighborhood of \$4 million. These initial discussions have led to more detailed discussions between the Bank and the Railroad.

#### ALASKA KAI

This organization was formed by the leading Japanese industry and government leaders to promote expanded economic and cultural ties between Alaska and Japan. Its membership is literally a who's who of Japan. The Chairman is Mr. Ikura who is Chairman of the Industrial Bank of Japan. Its Executive Director is Mr. Yamanouchi who is a renowned former banker and trader. Our discussion was similar to that which took place with the Korea-Alaska Cooperation Committee described above. Alaska Kai would like to assure the greatest possible success for the Governor during his first trip to Japan. We are recommending the same approach in Japan as recommended for Korea. The Governor should make a significant policy address setting his general goals of international trade and economic development as well as his specific plans with respect to expanding our relationship with Japan. The Governor's staff could provide short briefings on Alaska in addition to a media presentation. Ideally, the Governor would unveil a well planned agenda for the next four years in these areas.

#### FOREIGN MINISTRY OF JAPAN

I met with the Ministry in order to lay the groundwork for the Governor's visit in the Spring. I specifically was interested in making certain that the Governor will have the opportunity of meeting with Prime Minister Nakasone during his visit.

#### NIPPON KOKAN

This firm is one of the largest steel manufacturers in the world. For some time we have been working with its Vice President, Hr. Hirayama, to explore the possibility of the company opening an office in Alaska with the ultimate goal of perhaps providing some value added manufacture here. In light of the extreme competition in the steel industry, costs of shipping and tight quotas in the U.S. for foreign imports of steel, Nippon Kokan remains keenly interested in Alaska as a possible staging site.

#### SANWA BANK

I met with Sanwa Bank to discuss with its representatives two of the topics discussed with IBJ, namely, refinancing of our long-term debt and promotion of a Japanese owned hotel in

Anchorage. Sanwa Bank is the 5th largest bank in the world and a terrific bank with which to associate. Sanwa is very interested in pursuing both of these possibilities, particularly the refinancing notion.

I also discussed the possibility of Alaska becoming more of a financial center for trade, commodities and securities exchanges. Sanwa was intrigued by this notion and would like to investigate it further with us. Some preliminary thoughts were that we would need to develop an Offshore Banking Center which would include incentives in the area of tax, visas, stamp duties, reserve costs and banking inspections. They cited the Bahamas as an example of the type of route we might consider taking.

#### SANSEI DEVELOPMENT CORPORATION

Sansei Corp, is a mid-sized development company by Japanese standards. However, it has significant assets and an impressive track record for recent development projects in the U.S. For example, it recently opened a major shopping and sports complex in Atlanta which is one of the largest of its kind in the Southeast. Sansei is interested in the development of the tourist industry in Alaska. With this in mind, I met with them to promote the Anchorage hotel project and general investment in Alaska's economy. Sansei has visited Alaska once, during last October. The president plans to visit Alaska during the next several months to further investigate the hotel possibility.

#### OVERSEAS FISHERIES COOPERATION FOUNDATION

This is the leading fisheries organization charged with promoting fisheries policy and development along quasi-governmental lines.

Mr. Ohba, the Director General of OFCF will be meeting with Governor Cowper in Juneau in early February. Our discussions in Tokyo centered on the agenda for this meeting including a detailed discussion about the State's cooperative agreement with OFCF to promote fisheries education in Alaska for the development of potential new industries - Surimi and Mariculture. OFCF also intends to express their continued interest in developing a relationship with Alaska which embodies the needs of Alaska and Japan. That is, the organization will lobby for a means to preserve a quota system for Japanese fishing interests for Alaskan waters.

IDEMITSU KOSAN

This company is one of the largest energy companies in the world. It manufactures and stores energy products for Japan and other nations around the Pacific Rim. I have been working with Idemitsu for over one year to promote and facilitate their development of a large coal field in the Matanuska Valley. Idemitsu has recently entered into a joint venture with a Colorado firm to develop this coal field. Idemitsu's intention is to complete exploration this coming summer and to begin prep work as soon as possible. The company will export at least 1 million metric tons of coal annually and will begin the project in the summer of 1988. Idemitsu's hope is that it can obtain leases on adjoining land in order to expand its production even further. This development will create hundreds of jobs in construction, mining and shipping for Alaska. I consider this agreement to be one of our greatest accomplishments during the past 22 months.



# STATE OF ALASKA

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

*DIVISION OF ADMINISTRATIVE SERVICES*

*STEVE COWPER, GOVERNOR*

*POUCH D  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-2505*

January 26, 1987

Honorable Cliff Davidson  
Alaska House of Representatives  
P.O. Box V  
Juneau, AK 99811

Dear Representative Davidson:

Pursuant to our previous conversation, here are suggestions of persons who would be helpful for your committee to invite.

Richard Lenahan, Alaska District Director  
U.S. Foreign and Commercial Service  
U.S. Department of Commerce  
271-5041

and

John Kim  
University of Alaska  
786-1762

They are going to be testifying before the Senate Special Committee on International Trade on February 3, they have been requested to arrive in Juneau on February 2. I would suggest that they be invited to address the February 2 meeting of the committee or that arrangements be made to hold a joint meeting of the two committees.

REGARDING INTERNATIONAL BANKING CENTER

Yoon Park  
George Washington University  
202-676-8215

Kenichi Ohmae  
Managing Director  
Tokyo Office of McKinsey & Co.  
Contact through New York City Office  
of McKinsey & Co.

Honorable Cliff Davidson

-2-

January 26, 1987

OVERVIEW OF STATE ECONOMIC DEVELOPMENT

Undersecretary of Commerce  
Bruce Smart  
202-377-2867

International Trade for U.S.  
(we probably can't get him)

Director General of U.S. Foreign Commercial Service  
Alix Good  
202-377-5772

Under Assistant Secretary of Commerce  
Woody Mefford  
202-377-2867

(definitely can get)

John Anderson, Director  
Washington Department of Trade and Development  
206 753-0613

Bruce Babbit  
Former Governor of Arizona  
(and democratic presidential candidate)

TRADE DEVELOPMENT IN BASIC INDUSTRIES

Michael Kelly  
202-566-8981

U.S. Negotiator with Japan and  
Korea

EXPORT-IMPORT BANK

George Donegan  
202-566-8981

Deputy V.P. Marketing

DOING BUSINESS IN THE WORLD

Dick Lyon  
John Daley  
907-276-1980

AK World Trade

OVERVIEW OF INTERNATIONAL SEAFOOD MARKETING

Bob Morgan, Pres.  
(206) 281-1667

Pacific Seafood Processors

Jay Gage, former CEO  
206-682-7848

Peter Pan Seafoods

Sincerely,



Becky Bear  
Legislative Liaison

# MEMORANDUM

# State of Alaska

TO: J. Anthony Smith, Commissioner  
Department of Commerce and  
Economic Development

DATE: January 23, 1987

FILE NO:

TELEPHONE NO:

FROM: William J. Aberle, *WJA*  
Development Specialist  
Division of Minerals and  
and Forest Products

SUBJECT: Conference Invitation  
for Mr. Ohmae

Having listened to and read Governor Cowper's State of the State address I would like to suggest that Mr. Kenichi Ohmae be invited to participate in the conference on international finance.

Mr. Ohmae is the Managing Director of the Tokyo office of McKinsey and Company a consulting firm, and a reknown business strategist for pathbreaking ideas on the globalization of industries and products. He is moreover the author of "Triad Power; the Coming Shape of Global Competition" a book that outlines why companies need to become "insiders" in the three major market areas of Japan, the U.S., and Western Europe if they want to participate in the coming global economy. The book has been well received by industry and got good (rave?) reviews from leading financial newspapers and business publications. Mr. Ohmae is also quoted in a special report in the current issue of Fortune Magazine entitled "The Economy Of The 1990's."

In his book Mr. Ohmae coined a concept he calls the "Anchorage perspective" which he defines as the need for corporate management to orient their thinking as if they were based in Anchorage Alaska, equidistant to the triad markets of Japan, lower 48, and Europe and target their market strategy toward all three simultaneously. I believe he could provide us with valuable insight how Alaska may best position itself to attract or develop industries in the areas of finance, distribution, product development, telecommunications and information to best serve the global marketplace.

I admit the concept of Anchorage as a financial center is a bit odd, however there are real oddities occurring in the world marketplace right now. For example, who would of thought until now that Japan would be manufacturing automobiles in the U.S. for export to Taiwan, Korea, and indeed into Japan itself. Yet according to the January 26th issue of Business Week Japanese automobile companies are planning to do just that.

I have enclosed a copy of the preface to Mr. Ohmae's Triad Power. It is a bit lengthy, however the reference to the Anchorage perspective is on the second to the last page.

Mini-Minutes --- Subcommittee on Foreign Trade

January 26, 1987 4:35 p.m.

Davidson - (to the committee) would like to have you offer your ideas or suggestions as we go along here. Meet at least every two weeks and have speakers come in from the various areas such as international finance or trade from both the private and public sectors. We will get some cooperation from the Department of Commerce and the governor's office.

The governor made an interesting list of the areas that he's working on and I recall one comment that he said, we must become experts in the international market place, hence, the size of our committee is well justified. The more extras we have the better off we will be. I would also like to welcome visitors starting out with Becky Bear.

Becky Bear - legislative liaison & information officer for the Department of Commerce. Davidson said this committee would be a think tank. She reviewed a suggested list of resource people and discussed the meeting of the Senate Foreign Trade committee would have with Richard Lenahan and John Kim on the 5th of February. Becky discussed the AIDA proposal.

Cotten - Wants some narrative on the day to day activities of a foreign trade office to understand the functions of the office - who takes advantage of the office, who comes in the door on a daily basis.

Bear - no day in the life, but the trade offices have to prepare a report to the legislature of their activities. No report has been submitted yet. She did a synopsis of the transition report and the one on international trade was extensive. It is not an edited report - is complete.

Becky explained that personnel in the trade offices were nationals of that country because they understood how to operate there.

Koponen - said the committee should review a study of the mineral needs of other countries to see what they want to buy. Are we going to be designing our exports for specific markets, rather than production first and hoping someone will buy it? What can we do about getting joint venture companies that really will be using the most most up to date technology most appropriate to the particular mineral deposits or products we are selling and to permit the greatest return in local hire.

Bear - We and the market place have become more sophisticated. Proposals that come to AIDA have to match the three C's of banking - collateral, credit-worthiness and character. We must stop thinking in terms of an extractive economy and instead a job producing economy.



STATE OF ALASKA  
HOUSE OF REPRESENTATIVES  
Box V, Juneau, Alaska 99811  
(907) 465-2487 • 465-2498

REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

February 9, 1987

To: Committee Members  
From: Representative Cliff Davidson  
Re: Sub-committee on International Trade

The next meeting of the International Trade Sub-committee will be held on Monday February 9, 1987 at 4:30 p.m. in Capitol 17.

Members

Cliff Davidson - chair  
Mike Davis  
Adelheid Herrmann  
Niilo Koponen  
H.A. "Red" Boucher  
Johnny Ellis  
Al Adams  
Ramona Barnes  
Bill Hudson

Ex officio Members

Dave Donley  
Sam Cotten  
Curt Menard  
Drue Pearce

Program

Show, Tell, and Select

Under show and tell, you will have copies of information gathered from several places. Accept those items you want, and any left-overs can be distributed to interested people. If you have items you think would add to the "think tank" approach of this committee, please bring enough copies for the members.

Areas of interest have been compiled from your lists, those of the governor, minutes from our meeting of January 26th, and from talking and listening to persons interested in the committee. If you have additional ideas, please get them to Helen before noon on Monday, and they will be included on this select list.

1. Zones - Foreign Trade Zone, Domestic Fishery Zone, and/or Economic Enterprise Zone. The development of a marketing plan for the international airports in Anchorage and Fairbanks.

2. International Trade Center in Anchorage - would it include an International Finance Center? Should Anchorage host a conference to collect data?
3. Educating ourselves and our children on the culture and languages of future trading partners. How should a pilot educational project be designed? Would student loans be available to persons traveling for this information? What incentives could be provided to students for high school, post-secondary enrollment in language and international marketing studies.
4. Oil Exports - Ellis will be introducing a joint resolution calling for Congress to impose such a fee. What needs to be done to allow oil from the North Slope to be sold with more profit to Alaska? Should we work to repeal the Federal ban on oil exports from the North Slope? Could a primary treatment of oil, such as removing the sulfur, enable us to sell the oil?
5. How can the recommendations for exchange and cooperation between the State of Alaska and the People's Government of Heilongjiang be implemented for mutual benefit.
6. Should we put together a "Team Alaska" meeting? Could we persuade other established groups to help organize and foot the bill?
7. Collecting and indexing all of the international trade information possible.
8. How can we design our exports for specific world markets? Take a look at joint venture companies. What ventures permit the greatest return in local hire?
9. Fish - mariculture, aquaculture, pen rearing salmon. What markets should be targeted? How can we work on trade barriers?
10. What recommendations are needed to provide culturally compatible economic growth in the villages?

#### Future Meetings

Monday February 16 - Dan Dixon, Director of the Office of International Trade, Department of Commerce and Economic Development, has newly returned from a trip to the trade offices in Japan and Korea. He will give us a report on "a day in the life of a trade office."

Monday February 23 - Dr. John Choon Kim, Director, Alaska Center for International Business, University of Alaska, Anchorage.

#### Future Meeting Ideas

Representative Bill Hudson and Mary Tuten - discussing ASMI - selling fish to the world.

January 30, 1987



201, rue Lecourbe  
75015 Paris  
Tel. (1) 48 56 29 08 (6 lignes)  
Telex : 225612 PEYR F.

## PEYRAUD CONSULTANTS

PARIS      NEW-YORK  
LYON      MILAN  
LE CAIRE

Mr. Dan Dixon  
Director  
International Trade  
Alaska Department of Commerce  
and Economic Development  
3601 C St. Suite 722  
Anchorage, Alaska 99503

Dear Mr. Dixon,

Peyraud International Inc. is the American division of the French Company, Peyraud Group Inc. We have been in operation for twenty five years providing support and professional import and export services to enterprises in Europe, United States, the Middle East and Africa. Our strength lies in our ability to research markets, make recommendations and successfully implement those recommendations, especially between the United States and the European Economic Community. We are registered consultants to the European Economic Community and thus have a solid working relationship with its member countries. In addition to this we are also registered consultants of the World Bank, thus making our financial negotiations creative and efficient. We have fully staffed offices in Paris, Lyon, Le Caire, New York, Riad and Milan.

I am contacting you today with some urgency to explain our interest in Alaska and to seek your aid in establishing appointments for me with the appropriate people and significant groups in Alaska.

As a result of insistant urging and encouragement on the part of Ambassador Rogers here in Paris, the Department of Agriculture and the Trade Deficit, Peyraud International has developed a new enterprise, known as "The American Consortium". This consortium has been developed strictly for the successful penetration of the European market with American exports.. The concept can easily be described as one stop exporting. The consortium provides three levels of service. First, a feasibility study which includes: demographic information, evaluation of the competition in the market place, proper placement of American products, pricing, customs clearance and numbering and methods of market penetration , as well as a projection of market share. Second, assistance in establishing sales networks. Through our jobber we develop for our customers an efficient entry into the hyper and supermarkets , freezer stores and specialty stores. Because of this special consortium double exposure for the American products is commonplace, as the hyper and supermarkets have set up American sections. The third level is a complete American publicity and advertising campaign tailormade for the European market.

Here at Peyraud we believe in results. We will not take on a project unless after a cursory review we can project a successful outcome for our client.

We know that the European market always had an increasing need for whole fish, flat fish and lobsters, but recently we have seen the growth of a new market demand for fish filets. We have been reviewing the availability of raw product from the East Coast of the United States to meet the European needs.

Recently, we have become aware of the resources from the Pacific Northwest and strongly believe that working together might better serve our mutual interests.

The factors which have influenced our evaluation are:

Current dollar exchange rate

Growth of the hyper/super markets in Europe in the last five years

Demand for convenience foods

European changes in food consumption patterns

European demand for high valued species

European expenditures on fish and seafood

Decreasing sales of Pacific salmon in Europe over the past three years.

Fishing allocations in the EEC that have been cut dramatically last month, therefore processors and distributors are in search of reliable sources.

Should the state or an association of producers be interested in developing the French and other European markets, and should we determine that the products are appropriate, we would then suggest establishing a procedure for working on the penetration of the European market with Alaskan products. Our first step is to undertake a market study, if the indication is positive we then recommend the proper channels in which the Alaskan products can be marketed. The last step is that we actually market and distribute these products for you. We oversee the delivery, customs documentation, payment transfers and all the necessary steps in the completion of the export/import of the Alaskan products. These services replace the necessity for staffing a foreign office.

I hope that this letter has outlined the necessary information you might need in obtaining the necessary appointments for me in Alaska. If you have any further questions, please do not hesitate in telexing me in France or New York. My intention is to arrive in Juneau the evening of March 11th and to remain in Alaska for several days.

I look forward to meeting you in Alaska. .

Very truly yours,

A handwritten signature in cursive script, appearing to read "C. Gauthier", with a period at the end.

Carol Ann Gauthier  
Vice President  
American Operations



Official Business

COMMITTEE:

DATE: 2/26/87

Subject of meeting:

Sub-Committee on  
International Trade

# SIGN-IN

NAME	ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
Beryl Bean	DCEID	2504	DCEID	yes
Rona Aasen	Rm #124 Capitol	4942	Rep. Herrmann	NO
Mark Hanley	C-514	482.1	Sen. Uehling	NO
Paul C. Roehl	501 Lincoln St.	7-5217	Sheldon Jackson C.	Nope.
Katy McHugh	Rep Dave Donley	3892	Rep Donley	No
Jim Wasserman	Anchorage Times	586-6827	Times	No
James Esker	6645 No Douglas 9950	6-9601	Self	Observing



# STATE OF ALASKA

HOUSE OF REPRESENTATIVES

Box V, Juneau, Alaska 99811

(907) 465-2487 • 465-2498

REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

February 9, 1987

To: Committee Members

From: Representative Cliff Davidson

Re: Sub-committee on International Trade

The next meeting of the International Trade Sub-committee will be held on Monday February 9, 1987 at 4:30 p.m. in Capitol 17.

Members

Cliff Davidson - chair  
Mike Davis  
Adelheid Herrmann  
Niilo Koponen  
H.A. "Red" Boucher  
Johnny Ellis  
Al Adams  
Ramona Barnes  
Bill Hudson

Ex officio Members

Dave Donley  
Sam Cotten  
Curt Menard  
Drue Pearce

Program

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4. Oil Exports - Ellis will be introducing a joint resolution calling for Congress to impose such a fee. What needs to be done to allow oil from the North Slope to be sold with more profit to Alaska? Should we work to repeal the Federal ban on oil exports from the North Slope? Could a primary treatment of oil, such as removing the sulfur, enable us to sell the oil?

5. How can the recommendations for exchange and cooperation between the State of Alaska and the People's Government of Heilongjiang be implemented for mutual benefit.

6. Should we put together a "Team Alaska" meeting? Could we persuade other established groups to help organize and foot the bill?

7. Collecting and indexing all of the international trade information possible.

8. How can we design our exports for specific world markets? Take a look at joint venture companies. What ventures permit the greatest return in local hire?

9. Fish - mariculture, aquaculture, pen rearing salmon. What markets should be targeted? How can we work on trade barriers?

10. What recommendations are needed to provide culturally compatible economic growth in the villages?

#### Future Meetings

Monday February 16 - Dan Dixon, Director of the Office of International Trade, Department of Commerce and Economic Development, has newly returned from a trip to the trade offices in Japan and Korea. He will give us a report on "a day in the life of a trade office."

Monday February 23 - Dr. John Choon Kim, Director, Alaska Center for International Business, University of Alaska, Anchorage.

#### Future Meeting Ideas

Representative Bill Hudson and Mary Tuten - discussing ASMI - selling fish to the world.



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HOUSE OF REPRESENTATIVES  
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REPRESENTATIVE CLIFF DAVIDSON

District 27

Box 746, Kodiak, Alaska 99615

February 16, 1987

To: Committee Members  
From: Representative Cliff Davidson  
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Members

Cliff Davidson - chair  
Mike Davis  
Adelheid Herrmann  
Niilo Koponen  
H.A. "Red" Boucher  
Johnny Ellis  
Al Adams  
Ramona Barnes  
Bill Hudson

Ex officio Members

Dave Donley  
Sam Cotten  
Curt Menard  
Drue Pearce

Program

Select

During the meeting of February 9, the following areas were discussed and selected by the members in attendance. If you wish to change your choice or sign on to one if you didn't get a chance, now is the time to do it.

1. Zones - Foreign Trade Zone, Domestic Fishery Zone, and/or Economic Enterprise Zone. The development of a marketing plan for the international airports in Anchorage and Fairbanks.  
Ellis, Pearce
2. International Trade Center in Anchorage - would it include an International Finance Center? Should Anchorage host a conference to collect data? Barnes, Ellis, Donley
3. Educating ourselves and our children on the culture and languages of future trading partners. How should a pilot educational project be designed? Would student loans be available to persons traveling for this information? What incentives could be provided to students for high school, post-secondary enrollment in language and international marketing studies.  
Hudson, Davidson, Davis

4. Oil Exports - Ellis will be introducing a joint resolution calling for Congress to impose such a fee. What needs to be done to allow oil from the North Slope to be sold with more profit to Alaska? Should we work to repeal the Federal ban on oil exports from the North Slope? Could a primary treatment of oil, such as removing the sulfur, enable us to sell the oil?  
Barnes

5. How can the recommendations for exchange and cooperation between the State of Alaska and the People's Government of Heilongjiang be implemented for mutual benefit. Davis, Menard

6. Should we put together a "Team Alaska" meeting? Could we persuade other established groups to help organize and foot the bill?

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8. How can we design our exports for specific world markets? Take a look at joint venture companies. What ventures permit the greatest return in local hire? Koponen,

9. Fish - mariculture, aquaculture, pen rearing salmon. What markets should be targeted? How can we work on trade barriers? Where is the off-shore processors going? Ellis, Pearce, Hudson

10. What recommendations are needed to provide culturally compatible economic growth in the villages? Davidson, Barnes, Menard

11. Resource development. Barnes, Pearce

#### Future Meetings

Monday February 23 - Dr. John Choon Kim, Director, Alaska Center for International Business, University of Alaska, Anchorage.

#### Future Meeting Ideas

Representative Bill Hudson and Mary Tuten - discussing ASMI - selling fish to the world.





Official Business

# Alaska State Legislature

## House

P.O. BOX V  
State Capitol  
Juneau, Alaska 99811

January 21, 1987

To: Committee Members  
From: Representative Cliff Davidson  
Re: Sub-committee on International Trade

The first meeting of the Foreign Trade Subcommittee will be held on Monday, January 26, 1987 at 4:30 p.m. in Capitol 17.

### Members

Cliff Davidson - Chair  
Mike Davis  
Adelheid Herrmann  
Niilo Koponen  
H.A. "Red" Boucher  
Johnny Ellis  
Al Adams — A  
Ramona Barnes  
Bill Hudson

### Ex officio Members

Dave Donley - Chair of Labor & Commerce  
Sam Cotten - Co-Chair of Resources

### Organization of Committee

Department of Commerce & Economic Development - Becky Bear  
Office of the Governor

.....

Since one of the reasons for this committee is the gathering and dissemination of information on foreign trade for Alaska, please share with the committee your suggestions for the direction of the committee. Have you traveled, worked or had contact with possible trade partners? Do you know someone who has, and/or also might be a speaker? What other ideas do you have?

If you would jot down these ideas by noon on Monday and get them to Helen Fisher (2487) from my office, she will see that we have a list of your ideas with which to begin planning the work of our committee.

Thank you!

# STATE OF ALASKA

## DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

*DIVISION OF ADMINISTRATIVE SERVICES*

**STEVE COWPER, GOVERNOR**

*POUCH D  
JUNEAU, ALASKA 99811  
PHONE: (907) 465-2505*

January 26, 1987

Honorable Cliff Davidson  
Alaska House of Representatives  
P.O. Box V  
Juneau, AK 99811

Dear Representative Davidson:

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U.S. Foreign and Commercial Service  
U.S. Department of Commerce  
271-5041

and

John Kim  
University of Alaska  
786-1762

They are going to be testifying before the Senate Special Committee on International Trade on February 3, they have been requested to arrive in Juneau on February 2. I would suggest that they be invited to address the February 2 meeting of the committee or that arrangements be made to hold a joint meeting of the two committees.

REGARDING INTERNATIONAL BANKING CENTER

Yoon Park  
George Washington University  
202-676-8215

Kenichi Ohmae  
Managing Director  
Tokyo Office of McKinsey & Co.  
Contact through New York City Office  
of McKinsey & Co.

Honorable Cliff Davidson

-2-

January 26, 1987

OVERVIEW OF STATE ECONOMIC DEVELOPMENT

Undersecretary of Commerce  
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202-377-2867

International Trade for U.S.  
(we probably can't get him)

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Pacific Seafood Processors

Jay Gage, former CEO  
206-682-7848

Peter Pan Seafoods

Sincerely,



Becky Bear  
Legislative Liaison



# Alaska State Legislature

## House

Representative-elect Johnny Ellis

P.O. BOX V  
State Capitol  
Juneau, Alaska 99811

Official Business

### MEMORANDUM

TO: Dave Donley, Chairman, Labor and Commerce Committee  
FROM: Johnny Ellis, Co-chairman, HESS Committee  
DATE: December 4, 1986

RE: Committee Agenda

I just wanted to take a moment to tell you how pleased I am that we will serve on each other's committees during the next session. I'm confident it will be a productive arrangement because we both realize the causal connection between employment and general economic expansion and the incidence of social problems and the need for human services. I think there is a crying need for more policy coordination between the Department of Education and both Labor and Commerce and Economic Development in terms of human resource development. I plan to encourage more of that during our oversight hearings.

Following are just a few ideas I have come up with for possible hearing before your committee:

1. Team Alaska: John Anderson, the architect of Washington's successful economic development program recently addressed the Anchorage Chamber. We should hear from him and review success stories from other states around the country.
2. Anchorage International Airport: There are good arguments why the airport should be under local control. We have very few years remaining before planes will no longer need to land here for refueling. This will be a controversial issue because local airport revenues subsidize the Fairbanks and Juneau facilities. The Transportation Committee feels this is their turf but we should take the initiative because this is a commerce issue.
3. Foreign Trade Zones: We should explore the possibilities for both the Port of Anchorage and the airport to receive FTZ status and review the Valdez experience.
4. Pacific Rim Trade: A review of the state's efforts to date is needed.
5. Economic Enterprise Zone: This is a concept I have to foster light manufacturing and seafood processing in the port area through a public/private partnership.

*Paul Gus*

6. Business Property Tax: If local government could develop new revenue sources and reduce this one, there would be a greater incentive to capitalize new projects.

7. Mariculture/Aquaculture: There are some exciting prospects in this area that should be explored. Commercial fishing interests will need assurance this can benefit their industry.

8. Alaska Bidder Preference: The committee should see if we can't make some progress in this area.

9. Oil Import Fee: I will be introducing a Joint Resolution calling on the Congress to impose such a fee and encourage support by other oil-producing states.

Please let me know how you feel about each of these suggestions. I'm looking forward to working with you.

2/26/87

# Trade, tourism linked

By DEAN FOSDICK  
The Associated Press

Alaska's chances of selling its resources to Pacific Rim nations would be greatly enhanced if it could step up tourist trade with that region, a spokesman for Japan Airlines says.

Mitsuo Kitamoto, a JAL vice president and head of the company's Anchorage office, said trade follows tourism, and Alaska is missing out on a good thing by not promoting vacation opportunities to people passing through the airport's international terminal.

"After vacations, businessmen often go back to their offices and are more receptive to (trade) offers — especially if those offers are competitive," Kitamoto said.

"Australia and Alaska have many of the same things to offer — coal, ore — and they both have good locations for the (Pacific Rim) market. But Australia changed its tourism policy about two years ago and there's been a rapid increase in the number of (Japanese) tourists there.

"After tourism comes business," Kitamoto said.

Anchorage International Airport is the Alaska gateway for people crossing between Asia and Europe, he said.

But technology and international politics may reduce the number of people passing through the airport, Kitamoto said in an interview.

"Long-range jets are coming that can fly non-stop between Tokyo and Europe ... Paris," he said. "And already last year we started flying a polar route over Siberia.

"Businessmen are asking for more non-stops, for additional flights. And we're looking at it."

What that means for Anchorage is unclear, but it could cut into the transient traffic from Japan, which for JAL means about 4,500 passengers a year, Kitamoto said.

"There's been almost no change in the number of Anchorage-destined passengers in the last two years," he said. "A lack of promotion here has been one problem."

Kitamoto said JAL has agreed to help promote Alaska to its Japanese passengers this year. Alaska should do the same for overseas visitors, he said, an idea he has been pushing over the past several weeks during speeches before civic groups.

"The state needs some selling. We get the same questions (from Japanese) about Alaska we do about Africa. What kinds of shoes and gear are required? Is there any kind of shopping here?"

"Why should they buy in Europe when they can buy in Alaska? Why not open a corner of the (airport) duty free shop to Alaska crafts?"

"Having resources isn't enough," he said.





Official Business

# Alaska State Legislature

House of Representatives

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## MEMORANDUM

TO: Chairman, Representative Cliff Davidson and Committee Members

FROM: Representative Ramona L. Barnes

SUBJECT: Sub-Committee on International Trade, recommendations for future action.

DATE: February 9, 1987

It was requested by Chairman Davidson that each of the members of the Sub-Committee in International Trade consider the different possibilities for international trade in Alaska, and come up with recommendations for what we thought the sub-committee should direct its focus on to promote international trade in Alaska.

Pursuant to this request I have carefully listened to testimony, talked with individuals, and read volumes of information on the issue of foreign trade in Alaska. Many different possibilities for foreign trade have been discussed and certain ideas such as the creation of foreign trade zones, passage of the AIDA Bill, and turning Anchorage into an international financial center seem to be recurring and popular ideas. While I support these ideas I will not waste the Committee's time by expanding upon them, as they appear to have received sufficient support and attention already.

One topic which has not received adequate attention, however, particularly by the Cowper Administration, is the issue of development of our natural resources for the purpose of expanding our foreign trade market. This is the topic I would like to draw the Committees attention to, and would challenge the Committee to follow up on some of the recommendations I will make in an effort to diversify and expand Alaska's export market.

Currently Alaska has only one mine which is producing and exporting to a foreign market. This is the Usibelli Coal Mine which is exporting an average of 600 thousand tons of coal to Korea each year. Anticipated to come on line in the next 5-6 years, however, is the Greens Creek Mine, Red Dog Mine and numerous coal, gold and silver mines. The principal export markets for these mines are Canada, Korea, Taiwan and Japan. Similarly, Alaska timber market is currently limited to exports to Japan, however, China and India have shown a great interest in our timber which could prove to be a tremendous boom to the Alaska timber export market.

The reason I draw your attention to the mineral and timber markets is to point out that 1- Alaska has the resources and, 2- the foreign markets are ready to import the products-but, 3- up until now very little, if anything, has been done to encourage the development or marketing of these resources. There is a tremendous potential, however.

I would challenge the members of the Sub Committee on Foreign Trade to make the development of timber, mineral, oil, and gas resources for export purposes a top priority. The reason for this is two fold.

One- Alaska's current foreign market is dominated primarily by Japan who imports 70% of our foreign exports. As Richard Lenahan pointed out in his testimony before the Joint Foreign Trade Sub-Committees last Thursday this should send us a warning flag. If Japan were to cut off foreign trade with the U.S., Alaskan foreign trade would be virtually shut down. This would indicate to me, and I'm sure you would agree, that Alaska must diversify its foreign export market so that we are not dependent on only one country to sustain our foreign trade.

The natural resources, such as timber and minerals, which I mentioned earlier have a variety of foreign markets. Timber exports go to India and China and mineral exports to Korea, Taiwan and Canada. If we encourage the development of these resources, we will by virtue of their natural markets, diversify our foreign export market. This will ultimately help create a healthy viable foreign trade economy within Alaska.

The second reason this committee should make development of our natural resources a top priority is because resource development creates an immediate economic boost within our Alaskan economy. In 1985 the timber and mineral industry employed over 6,000 Alaskans and brought over 450 million dollars into the State. With a 20 times multiplier effect for each dollar spent, that is a significant impact on Alaskas economy which we cannot afford to ignore.

For these reasons and others, I would recommend that this committee include resource development for export purposes as a top priority for committee action.

Last Friday I gave a speech on the House Floor regarding foreign trade in Alaska. In that speech I made several recommendations on actions which this Committee, the legislature and the Governor should take to encourage resource development. I have attached a copy of the speech which contains these recommendations for your review (see pages 4-7). I would encourage this Committee to follow up on some of these recommendations.

Additionally, in order to more fully understand the actions which are necessary to effectively encourage resource development I would recommend that this Committee invite speakers who are expert on resource development to address the group. People in the private or public sector who understand the problems facing resource development and foreign trade and who could make recommendations on how we as a group could help solve those problems, would be appropriate.

These are my recommendations as to where I think this committee should allocate some of its efforts. I would be happy to answer any questions and of course would appreciate any feed back on these comments.

SPEECH

2-6-87

Representative Ramona L. Barnes

SPECIAL ORDER SPEECH

FOREIGN TRADE

2-6-87

IT HAS BECOME ALMOST A CLICHE' TO RECITE THE POTENTIAL ADVANTAGE ALASKA ENJOYS BY VIRTUE OF ITS LOCATION ON THE PACIFIC RIM, ITS ABUNDANCE OF NATURAL RESOURCES, ITS RELATIVE POLITICAL STABILITY, AND EVEN ITS APCTIC LOCATION WHICH GIVES IT ACCESS TO NORTHERN EUROPEAN MARKETS.

IT IS INACCURATE , HOWEVER TO SAY THAT ALASKA IS TAKING FULL ADVANTAGE OF ALL THESE POTENTIALLY BENEFICIAL CONDITIONS. NOT ENTIRELY THROUGH ALASKA'S OWN FAULT, THE ECONOMIC PROGRESS WHICH COULD HAVE BEEN ACHIEVED IN THE LAST FEW DECADES HAS BEEN NEGLECTED, OPPORTUNITIES HAVE BEEN WASTED, AND OUR POTENTIAL FOR DIVERSIFICATION HAS BEEN IGNORED.

THROUGH SOME ECONOMIC TIMIDITY AND A GREAT DEAL OF ENVIRONMENTALIST OPPOSITION, WE HAVE LOST--PEHPAPS FOREVER--ONE OPPORTUNITY TO COMPETE IN MANY MARKETS WHICH WOULD BEEN MADE POSSIBLE BY THE ABUNDANT, LOW-COST POWER WHICH COULD HAVE COME FROM THE SUSITNA DAMS PROJECTS.

WE FALTERED AT A TIME WHEN THE PROJECT PROBABLY WAS ECONOMICALLY FEASIBLE, AND IT MIGHT NEVER AGAIN BE SO.

I DO NOT WISH TO CRY OVER SPILLED MILK. HOWEVER, THERE IS MUCH THAT CAN BE DONE TO DIVERSIFY AND DEVELOP ALASKA'S ECONOMY; THERE WILL BE NO BETTER FUTURE TIME TO DO IT, AND IT IS THE JOINT SPECIAL COMMITTEE ON FOREIGN TRADE WHICH SHOULD BE EXPLORING AND PERSUING THESE POSSIBILITIES RIGHT NOW.

FOR THE BENEFIT OF THE ENTIRE STATE, THE CITY OF ANCHORAGE MUST BE EXPLOITED AS THE "AIR CROSSROADS OF THE WORLD" IT IS. AT PRESENT THERE ARE THREATS TO THAT PRIMACY BY NO LESS A TRADING FOE THAN RUSSIA WHICH IS SEEKING TO SECURE LANDINGS IN THE SOVIET UNION OF FAR EAST/EUROPEAN FLIGHTS BY 1990. ALASKA CAN ENCOURAGE INVESTMENT BY INTERNATIONAL AIRLINES IN HOTELS AND OTHER PROJECTS TO STABILIZE THE MAJOR TRAFFIC THE CITY NOW HAS AND TO FOSTER AN INCREASE. HOUSE CONCURRENT RESOLUTION 6 WOULD URGE THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES TO PROMOTE MARKETING OF THE FACILITIES AND SERVICES AVAILABLE AT BOTH ANCHORAGE AND FAIRBANKS AIRPORTS IN THE INTERNATIONAL MARKET.

SENATE RESOLUTION 5 WOULD INITIATE THE EFFORT TO ESTABLISH FOREIGN TRADE ZONES NEAR THESE AIRPORTS, BY CREATING A SPECIAL LEGISLATIVE COMMITTEE TO STUDY ISSUES RELATING TO FOREIGN TRADE ZONES AND THEIR DEVELOPMENT.

UP UNTIL NOW THE DEVELOPMENT AND MARKETING OF MINERALS AND OTHER NATURAL RESOURCES TO FOREIGN COUNTRIES HAS BEEN VIRTUALLY IGNORED OR AT LEAST PUT ON A BACK BURNER. ALASKA CANNOT AFFORD THIS ATTITUDE ANY LONGER.

CURRENTLY THERE IS A POTENTIAL FOR A BILLION DOLLAR INDUSTRY IN HARD ROCK MINING, PLACER MINING, GAS, COAL, TIMBER AND SEAFOOD INDUSTRIES. FOR EXAMPLE, MINERAL PRODUCTION IN ALASKA FOR THE YEAR 1985 AMOUNTED TO OVER \$226 MILLION DOLLARS AND EMPLOYED AT LEAST 3,650 INDIVIDUALS. TIMBER PRODUCTION FOR EXPORT PURPOSES IN ALASKA EXCEEDED \$220 MILLION DOLLARS IN 1986 AND EMPLOYED OVER 2,300 ALASKANS. SPEAKING SPECIFICALLY OF OUR FOREIGN MARKETS, JAPAN CURRENTLY IMPORTS ALMOST 100% OF OUR TIMBER PRODUCTION. HOWEVER, WITH THE CHANGE IN CHINA'S ECONOMIC POLICY AND THE OPENING UP OF UP OF TRADE WITH THAT COUNTRY, POTENTIAL MARKETS FOR ALASKAN LUMBER PRODUCTS IN CHINA HAS GROWN TREMENDOUSLY. INDIA HAS ALSO INDICATED AN INTEREST IN OUR TIMBER AS THEIR DEMAND FOR HOUSING HAS INCREASED.

OUR EXPORT MARKET FOR MINERALS IS CURRENTLY FOCUSED ON COAL WITH THE USIBELLI COAL MINE EXPORTING OVER 600 THOUSAND TONS OF COAL TO KOREA EACH YEAR. THE NEXT 5 - 6 YEARS, HOWEVER, WILL SEE THE MINERAL EXPORT INDUSTRY EXPAND TO INCLUDE: THE GREENS CREEK MINE--WHERE 60 MILLION POUNDS OF ZINC, 25 MILLION POUNDS OF LEAD, 25 THOUSAND OUNCES OF GOLD AND 4½ MILLION OUNCES OF SILVER WILL BE EXPORTED TO CANADA, JAPAN AND OTHER PACIFIC RIM COUNTRIES ANNUALLY. THE RED DOG MINE, WHICH IS ESTIMATED TO COME ON LINE BY 1990, WILL EXPORT OVER 580,000 TONS OF ZINC CONCENTRATE, 112 TONS OF LEAD AND 4 MILLION OUNCES OF SILVER TO CANADA, JAPAN AND KOREA. OTHER MINES WHICH HAVE POTENTIAL IN THE FOREIGN MARKET PLACE ARE THE DIAMOND CHUITNA, PLACEP U.S. AND WISHBONE HILL COAL MINES, AS WELL AS THE U.S. BOPAX MINE WHICH WILL PROVIDE 13% OF THE WORLDS MALIGDENUM PRODUCTION.

AS THESE STATISTICS INDICATE ALASKA HAS THE NATURAL RESOURCES TO EXPORT AND OUR FOREIGN MARKETS ARE WILLING TO BUY THEM. IT IS NOT HARD TO UNDERSTAND THEN, THAT THE KEY TO ALASKA'S FUTURE DEPENDS ON THE CONTINUED DEVELOPMENT OF OUR NATURAL RESOURCES, AND THE STATE MUST ENCOURAGE A POSITIVE ATTITUDE TOWARDS THEIR RESPONSIBLE DEVELOPMENT

THE ECONOMIC BENEFITS OF RESOURCE DEVELOPMENT MUST BE REPRESENTED WITHIN STATE GOVERNMENT. ONE OF THE THINGS THE COWPER ADMINISTRATION NEEDS TO DO IS ENCOURAGE COMPANIES TO EXPLORE AND DEVELOP OUR RESOURCES. FOR EXAMPLE, OUR STATE GOVERNMENT NEEDS TO TAKE A POLICY STANCE THAT IT IS NOT AGAINST THE STATES INTEREST FOR THE PRIVATE SECTOR TO INFACT DEVELOP. IN THE WORDS OF OUR COMMISSIONER OF COMMERCE AND ECONOMIC DEVELOPMENT, TONY SMITH, WE NEED TO CREATE A CLIMATE IN THE STATE AND "MAKE SOME DECISIONS WHERE WE WILL ALLOW INDUSTRY TO MOVE FORWARD AND GIVE THEM AN OPPORTUNITY TO GO FOR IT"

FOR THE PURPOSE OF ENCOURAGING THIS ATTITUDE IN STATE GOVERNMENT I MAKE THE FOLLOWING SUGGESTIONS:

1- THE LEGISLATURE STRENGTHEN AND RETAIN IN THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT THE ADVOCACY FUNCTIONS PERFORMED BY THE DIVISION OF MINERALS AND FOREST PRODUCTS AND SUPPORT THE MANAGERIAL AND REGULATORY FUNCTIONS PERFORMED BY THE DIVISION OF MINING IN THE DEPARTMENT OF NATURAL RESOURCES NECESSARY FOR THE EFFICIENT OPERATION OF THE MINING LAWS AND REGULATIONS OF ALASKA.

2- THE ALASKA LEGISLATURE SHOULD CHANGE THE STATUTORY DEFINITION OF MULTIPLE USE TO ACCOMMODATE THE GREATEST NUMBER OF USES ON STATE LANDS TO MAXIMIZE ECONOMIC AND SOCIAL OPPORTUNITIES.

3- THE GOVERNOR ESTABLISH REGULAR CABINET MEETINGS FOR THE PURPOSE OF ENCOURAGING MINERAL DEVELOPMENT, ATTRACTING MINING

INVESTMENT TO THE STATE, AND RESOLVING MINERAL DEVELOPMENT ISSUES.

4- THE GOVERNOR DIRECT THE DEPARTMENT OF NATURAL RESOURCES TO MORE STRONGLY EMPHASIZE THE ECONOMIC BENEFITS OF RESOURCE DEVELOPMENT IN ITS POLICIES AND ACTIONS.

5- THE GOVERNOR DIRECT THE DEPARTMENT OF NATURAL RESOURCES TO COORDINATE WITH DEC SO THAT THE PERMIT PROCESS IS MORE EFFICIENTLY RUN AND A "LEAD AGENCY" PRINCIPAL FOLLOW THROUGHOUT THE PERMIT PPOCE:

6- LAND MANAGEMENT PLANS BEING DEVELOPED FOR FEDERAL, STATE AND BOROUGH LENDS MUST ADDRESS TIMBER PRODUCTION GOALS, AND OPPORTUNITIES AND STRESS INTENSIVE TIMBER MANAGEMENT.

7- TO COMPLY WITH THE CONSTITUTIONAL MANDATE TO ENCOURAGE SETTLEMENT OF ALASKA LAND, A LAND DISPOSAL SYSTEM SHOULD BE INITIATED THAT WOULD ALLOW FOR PRIVATE ACQUISITION IN FEE SIMPLE FORESTRY/AGRICULTURE LANDS IN ACREAGES LARGE ENOUGH TO BE ECONOMIC.

8- ONLY 86 EXPLORATORY WELLS HAVE BEEN DRILLED IN OR OFF ALASKA IN THE PAST FIVE YEARS AS COMPARED TO 61,111 EXPLORATORY WELLS DRILLED IN THE U.S. DURING THE SAME PERIOD. CONSIDERING THE PRESENT ECONOMY AND THE HIGH RISKS ASSOCIATED WITH FRONTIER DEVELOPMENT, THIS PACE COULD SLOW FURTHER WITHOUT POSITIVE GOVERNMENT ACTION.

UNDER THE PRESENT ECONOMIC CLIMATE, I WOULD RECOMMEND THE STATE PROVIDE INCENTIVES THAT ENCOURAGE THE OIL AND GAS INDUSTRY TO CONTINUE ITS EXPLORATION AND FURTHER DEVELOP ALREADY DISCOVERED MARGINAL FIELDS.

RESOURCE AND INDUSTRIAL DEVELOPMENT IN THE PRIVATE SECTOR ALSO ENTAILS THE NEED FOR INFRASTRUCTURE AND ECONOMIC INCENTIVE, PARTICULARLY WHEN THE PURPOSE IS TO ENCOURAGE NEW AND EXISTING COMPANIES TO EXPAND THEIR MARKETS TO FOREIGN COUNTRIES. FOR THIS PURPOSE THE PASSAGE OF THE AIDA BILL IS NECESSARY. HB 60 AMENDS TITLE 44 SO THAT THE ALASKA INDUSTRIAL DEVELOPMENT AUTHORITY WILL HAVE THE AUTHORITY, AMONG OTHER THINGS, TO GUARANTEE FUNDING FOR AN ELIGIBLE EXPORT TRANSACTION THROUGH A PARTICIPATING BANKING ORGANIZATION. THE PURPOSE OF THE LEGISLATION IS TO ENCOURAGE PRIVATE INDUSTRY TO DEVELOP MARKETABLE PRODUCTS AND ENTER THEM INTO THE EXPORT MARKET. GUARANTEED FUNDING IS THERE TO PROVIDE THE FINANCIAL BACKUP NECESSARY TO FINANCE NEW CAPITAL VENTURES.

THE MARKETING OF OUR NATURAL RESOURCES AND OTHER GOODS AND SERVICES IS ANOTHER AREA WHICH NEEDS TO BE ADDRESSED BY THE COMMITTEE. WE MAY HAVE THE BEST PRODUCTS TO OFFER THE WORLD BUT UNLESS THEY ARE ADEQUATELY MARKETED THE EFFORT IS FOR NOTHING. IN ORDER TO PROMOTE ALASKA IN OUR TARGETED FOREIGN MARKETS, TO INCREASE AWARENESS OF THE POTENTIAL IN ALASKA AND TO BE ON THE COMPETITIVE EDGE THE FOLLOWING ACTIONS NEEDS TO BE TAKEN:

1- ALASKANS SHOULD BECOME FAMILIAR WITH THE MARKETS THEY SERVE OR SEEK TO SERVE IN ORDER TO SUPPLY THE MOST PREFERRED PRODUCT. ALASKANS SHOULD ALSO LEARN THE CUSTOMS AND LANGUAGES OF THEIR MARKET COUNTRIES SO AS TO ESTABLISH LONG TERM RELATIONSHIPS AND COMMITMENTS WITH THOSE CONSUMERS.

2- TIMELY AND ACCURATE INFORMATION ON THE INTERNATIONAL MARKET AND OUR OWN EXPORT RESOURCES MUST BE SECURED AND DISTRIBUTED TO INTERESTED PARTIES. TO DO THIS THE OFFICE OF INTERNATIONAL TRADE, WITHIN THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT, IS ENCOURAGED TO CONTINUE AND EXPAND ITS INVOLVEMENT IN THE FOLLOWING AREAS:

A- TRADE LEADS, TO MATCH BUYERS WITH SELLERS VIA A WIDE NETWORK OF CONTACTS WITHIN ALASKAN AND FOREIGN BUSINESS COMMUNITIES.

B- MEDIA AND PUBLIC RELATION PROMOTIONS-- TELEVISION INTERVIEWS, NEWSPAPER ARTICLES, TRADE SHOWS AND TRADE MISSIONS SHOULD BE USED TO PROMOTE AND PUBLICIZE ALASKA'S MARKET POTENTIAL.

C- TECHNICAL MARKETING SUPPORT CURRENTLY PROVIDED BY THE OFFICE OF INTERNATIONAL TRADE SHOULD BE OFFERED TO BOTH LOCAL GOVERNMENTS AND PRIVATE ENTITIES WHO HAVE A NEED FOR TECHNICAL ADVICE ON POSITIONING THEMSELVES IN THE WORLD MARKETPLACE.

ADDITIONALLY, THIS LEGISLATURE SHOULD LOOK INTO CREATING A DATA BANK OR INTERNATIONAL TRADE CENTER WHICH WOULD PROVIDE THESE TYPES OF SERVICES BUT ON A MUCH WIDER SCALE.

A FEW OTHER AREAS ON THE TOPIC OF FOREIGN TRADE ARE WORTH MENTIONING.

1- ALASKA OCCUPIES A GEOGRAPHICALLY STRATEGIC POSITION WHICH HAS LED TO STATE OF THE ART TECHNOLOGIES SUPPORTING VARIOUS RESOURCE SECTORS. MANY SERVICES HAVE EVOLVED IN RESPONSE TO INDUSTRIAL EXPANSION AND IN MOST CASES ALASKAN PRIVATE INDUSTRY POSSESSES SCIENTIFIC AND TECHNOLOGICAL CAPABILITIES BEYOND THOSE OF THE LOWER 48 STATES OR FOREIGN COUNTRIES.