

State of Alaska FY2002 Governor's Operating Budget

Department of Community & Economic Development
International Trade and Market Development
Component

Component: International Trade and Market Development

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Component Mission

To increase international trade and investment in Alaska.

Component Services Provided

Assist Alaska Companies Sell Their Goods and Services Overseas. Exports bring new money into the state's economy and create stable, high paying jobs for Alaskans. The division works with the private sector in the following ways:

- **Connecting Buyers and Sellers** - experienced trade specialists in Alaska and state trade representatives abroad locate overseas buyers and help overseas buyers connect with Alaskan suppliers.
- **Overseas Representation**-the division maintains active trade representation in Tokyo, Japan; Seoul, Korea; Taipei, Taiwan; and Yuzhno-Sakhalinsk, Sakhalin.
- **Trade Missions, Outbound and Inbound**--ITMD leads business missions to and from targeted markets and arranges seminars, presentations and one-on-one meetings with potential customers.
- **Trade Shows**--the division promotes Alaska products and services at major trade and catalog shows, and assists Alaska companies to follow up on leads generated by trade show participation.

Provide Information The division obtains and disseminates timely, useful economic information and market intelligence on overseas markets important to Alaska businesses with:

- **Web Site**--information on Alaska's top export markets is continually updated and posted on the division's web site. A variety of division publications are accessible by visitors to the site. In addition, the site provides linkages to public and private sector trade organizations.
- **Newsletters**--the division produces and distributes a regular series of reports that provide information and analysis on trade opportunities, market conditions, currency and commodity price movements and other developments with potential impact on Alaska exports.
- **Trade Seminars**--ITMD presents seminars designed to help Alaska firms gain the information and technical expertise necessary to conduct international business and more effectively compete in the global marketplace.
- **Customized Reports**--In response to requests from the private sector, the division prepares customized reports on specific market opportunities.

Advance Government-to-Government Relations The division works with the U.S. and foreign governments to open doors and eliminate trade barriers by:

- **Opening Doors**-In Alaska's major export markets, an introduction by government can play an important role in fostering successful business relationships.
- **Advocating for Alaskans**-ITMD acts as a liaison and advocate in foreign markets, finds information on policies and procedures, and works to resolve difficulties that can arise when doing business in an unfamiliar environment.
- **Investment Promotion**-The division promotes investment in Alaska development projects through government-to-government contacts as well as contacts with private sector companies.
- **Multiplying Opportunities**-In order to better serve the state's trade community, the division is co-located with the U.S. Department of Commerce, Alaska Export Assistance Center, bringing Alaskans the resources of both state and federal governments. ITMD also works closely with private trade organizations such as World Trade Center Alaska and the Export Council of Alaska, and industry organizations such as the Alaska Seafood Marketing Institute and the Resource Development Council.

Recruit Business and Investment to Alaska Growth and diversification of the economy creates expanded job opportunities for Alaskans. The division promotes Alaska as a location for companies seeking to relocate or expand by:

- **Spreading the Word**-The division produces and distributes brochures and pamphlets highlighting Alaska's unique advantages and attributes as a business location.

- Outreach-Through participation at trade shows and advertisements in industry journals, the division works to generate interest in Alaska by companies from targeted sectors.
- Providing Answers-In response to information requests by companies, the division tailors customized reports designed to assist companies evaluate Alaska's strategic location.
- Finding Partners-The division assists Alaska entrepreneurs and firms to identify potential investors for development projects.

Promote Alaska as a Location for Film Projects The filming of major motion pictures, television programs, advertisements, documentaries and catalog shoots are projects that bring significant dollars into the Alaska economy. The division promotes Alaska in the following ways:

- Web Presence-Individuals or companies seeking information on carrying out film projects in Alaska receive information and direct links to Alaska film-related companies via the division's web site.
- Outreach-The division participates in major film industry trade shows and places advertisements in leading trade journals to generate interest in Alaska as a location for film projects.
- Answering the Call-In response to direct inquiries, the division provides information and assistance to companies seeking to film in Alaska.

Component Goals and Strategies

Increase the Number of Alaska Firms that Export Services and Products

- Provide market intelligence and export information to export-ready Alaska companies.
- Assist smaller and new-to-export firms to "test the waters" overseas through relatively inexpensive means such as Alaska Products Catalogs distributed to trade groups, and shared Alaska booths at targeted trade shows.
- With private sector interest and support, organize and conduct trade missions matching industries with potential markets to expand sales in current markets and develop new markets.

Increase the Dollar Value of Exports from the State

- Provide information and assistance to help Alaska companies initiate or expand export business activities.
- Research potential niche-market opportunities for value-added Alaska products. Identify potential buyers in promising markets, and introduce them to Alaska suppliers.
- Keep Alaskans informed about key markets through periodic newsletters and special reports.

Increase the Number of Trade Leads in International Trade and Development

- Participate in special promotions and presentations, trade shows and seminars to raise the visibility of Alaska as a potential source for products and services, and a good place to do business.
- Educate potential customers overseas about what Alaska has to offer, through efforts of overseas trade representatives in Japan, Korea, Taiwan and the Russian Far East.
- Organize and conduct trade missions, both inbound and outbound, to introduce buyers in key markets to Alaska sellers.

Promote Exports to Alaska's Key Markets - Japan, Korea, Canada, China, Taiwan, and the Russian Far East

- Focus on Alaska's key markets by contracting for trade representation in Tokyo, Seoul, Taipei and Sakhalin. Overseas trade representatives maintain contacts with key officials in private sector and government, promote Alaska products and services, and provide timely, useful market information to Alaskans.
- Utilize overseas trade representatives to extend the effectiveness of Alaska companies overseas - provide market research on specific goods and services, and assist Alaskans to make contact with buyers.
- In Alaska's No. 1 export market, Japan,
 - Promote Alaska goods and services through trade show presence: Tokyo International Gift Show and other trade shows, and Japanese-language web presence.
 - Provide market information to Alaska's public and private sector: energy market reports, seafood wholesale price reports and market information, and market information on fresh and live seafood in connection with air cargo promotion.
 - Assist Alaska business and industry by organizing trade missions, both inbound and outbound, including Governor-led mission, and assist individual companies with appointments in Japan as requested.
 - Increase Alaska's presence in Osaka and regional markets.
- In Korea,

- Promote Alaska goods and services through trade show presence: ASOK Show and other trade shows, and Korean-language web presence.
- Provide market information to Alaska's public and private sector: energy market reports, seafood wholesale price reports and market information.
- Assist Alaska business and industry by organizing trade missions, both inbound and outbound, and assist individual companies with appointments in Korea as requested.
- Promote Alaska seafood and other foods in niche market of international-class hotels.
- In Canada,
 - Promote Alaska exports by encouraging backhaul trade, trade missions, and providing market information.
 - Enhance existing areas of cooperation in trade, tourism, transportation, resource development, arctic issues, and other common concerns.
 - Promote Alaska's mining sector by encouraging Canadian mining companies to utilize Alaska's mineral resources as well as Alaska's strategic position as a gateway to the Russian Far East.
- In China,
 - Establish trade representation for the State of Alaska.
 - Assist Alaska businesses by organizing the first trade mission to China in fifteen years. Raise the profile of Alaska goods and services through this Governor-led mission.
 - Assist Alaska business and industry by coordinating inbound missions, introducing buyers to sellers, and producing special reports.
- In Taiwan,
 - Promote Alaska goods and services through trade show presence: American Food Festival, other trade shows, catalog shows, and Chinese-language web presence.
 - Provide market information to Alaska's public and private sector: energy market, technical services, agriculture and general market information
 - Assist Alaska business and industry by organizing trade missions, both inbound and outbound, and assist individual companies with contacts and appointments in Taiwan as requested.
 - Promote Alaska agricultural produce in niche markets.
- In Russia,
 - Promote Alaska goods and services in oil and gas project developments on Sakhalin Island, focusing on oil field services, environmental services and related resource development service and supply sector.
 - Assist Alaska industry by working with public and private sector in Sakhalin to improve business conditions there. Manage USAID-funded Alaska-Sakhalin projects creating an AIDEA-model development bank, performing a workforce assessment /development program for resource development projects, and providing technical assistance to develop an environmental regulatory regime.
 - Assist Alaska businesses and organizations by organizing trade missions and working with Magadan, Chukotka and Kamchatka governments and businesses in oil and gas, mining, tourism and other promising sectors.
 - Bolster Alaska's role as exclusive US gateway to the Russian Far East by working to maintain and expand Alaska's air routes to the Russian Far East.

Foster Economic Growth and Diversification by Promoting Alaska as a Location for Relocation, Expansion, and Investment

- Commission national survey of corporate executives to ascertain their knowledge of Alaska's attributes for business and investment.
- Develop and distribute new marketing materials specifically designed to stimulate interest by companies in relocating or expanding their business operations to Alaska. These will include a brochure highlighting Alaska's attributes and advantages for information technology and other technology-based businesses.
- Provide tailored responses to companies seeking site selection information about Alaska.
- Market Alaska to companies through representation at one or more major trade shows.
- Coordinate with local economic development organizations to leverage resources and effectively respond to inquiries.

Increase the number of film, video, television and locations shoots produced in Alaska

- Provide assistance and respond to direct inquiries regarding locations, local film industry, and permitting for filming in Alaska.
- Advertise in trade journals to promote Alaska as a film destination.
- Update promotional video to provide a visual references about Alaska's locations.
- Maintain Internet website with current information regarding Alaska's film industry and film resources.

- Update film manual to provide current, detailed information on Alaska's film industry.

Provide Meaningful and High-Quality Assistance to Private and Public Sectors to Benefit Alaska's Economy

- Ensure that information on Alaska's export economy is accessible through a variety of mediums including the Internet, special reports, newsletters and trade seminars.
- On a regular basis, survey users of the division's services and programs to measure satisfaction and results.
- Maintain contact with companies and associations to continually assess needs of Alaska's industry.

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Key Component Issues for FY2001 – 2002

It is important for Alaska to maintain an effective trade presence in the state's traditional export markets as the post "Asian Economic Crisis" recovery continues. Exports to the region rebounded sharply in '99, but economies of the countries in the region have not recovered uniformly and there remains uncertainty as to whether or not the rebound itself will be long-term or short-lived. This is a critical time for Alaska exporters. Efforts made now will enable companies to maintain, gain or, in some cases, regain market share. Information and assistance provided by the division's in-state trade specialists and overseas representatives will play an important role in helping Alaska firms to compete more effectively in the global market place.

The state's export industries continue to benefit from Alaska's trade presence in key overseas markets. Having established trade representation early on in markets like Japan, Korea, Taiwan and Sakhalin, Alaska exports to those markets have grown substantially. Alaska's worldwide exports reached \$2.6 billion in 1999. In addition to maintaining a strong trade presence in these traditional markets, the state should now take steps to establish trade representation in China, an emerging market with significant potential for Alaska's goods and services.

In order to expand and diversify the economy, Alaska must attract new industry and investment to the state. Doing so will help expand employment opportunities for Alaskans and diversify the tax base. Business and investment recruitment is a highly competitive endeavor. Cities, counties and states across America compete to attract business to their communities. In reality, the competition is global. American communities often find themselves competing with overseas locales for new business and investment. If Alaska is to succeed in attracting its fair share, sufficient resources will need to be deployed toward this end.

Major Component Accomplishments for FY2000

Seafood successes in Korea. The division introduced fresh Alaska seafood to hotel restaurants and other high-end customers - to the benefit of seafood and air cargo industries. Missions and promotions resulted in over \$200,000 in direct sales and over \$2 million projected sales by Alaska seafood companies to new customers in Korea.

Alaska businesses make contacts in Japan, China during an October 2000 trade mission led by the Governor. Mission helped Alaska businesses renew existing ties and introduce goods and services to new contacts in Alaska's top export market and the world's largest emerging market. The ten-day 33-member trade mission highlighted Alaska businesses' strengths in energy, seafood, and technical services in Tokyo, Hong Kong, Shanghai and Beijing. Results included actual new business contracts and potential business for Alaska companies.

Alaska - Russian Far East (RFE) trade rebounds in 2000 following 1999 financial crisis and ruble collapse. The division hosted a steady stream of delegations and official visits geared toward enhancing Alaska-RFE business, cooperation and projects. Results include renewed relations and projects involving energy, mining, tourism, transportation, training and trade. The US State Department pledged support for state's proposals to increase Alaska-RFE flights, expand visa-free travel for Bering Strait region Native residents and promote other cross-border activities. Alaska was awarded a new USAID grant for Sakhalin technical assistance projects: infrastructure finance, workforce development and environmental management of development projects.

New Alaska export: agriculture produce. Division promoted sale of Alaska produce (seed potatoes, table stock potatoes, cabbage, and carrots) in Taiwan and promoted decision by People's Republic of China (PRC) to allow seedstock potatoes into the country. Results: Alaska's produce introduced and highlighted to Taiwan buyers and importers; increased likelihood of PRC allowing Alaska seed potato imports following division-hosted missions by PRC agricultural officials and Governor's trade mission follow-up visits to those officials.

Exports Up in 2000. Alaska exported \$2.56 billion worth of goods in 1999, an increase of 31% over 1998. Alaska's total exports for the first half of 2000 were \$1.21 billion, an increase of 11% over the first half of 1999. These figures reflect recovery in Asia's markets, which account for 80% of Alaska's exports, following the 1997-98 "Asian flu."

Direct Air Service: two successful charter flights between Japan and Alaska. The division engaged Japan's leading airline in active evaluation of opening direct service between Japan and Alaska. Progress to date includes All Nippon Airways' decision to operate two charter flights in the summer of 2000, and ongoing evaluation of more direct flights in 2001. Division headed Governor's team, including trade, tourism and aviation officials. Direct flights increase opportunities for business travel, cargo and tourism from Alaska's number one export market, Japan.

Statutory and Regulatory Authority

AS 37.17.440 - International Trade and Business Endowment
AS 44.33 - Economic Development
AS 44.33.800 - International Trade
AS 44.99.100 - Economic Development Policy

Key Performance Measures for FY2002

Measure: Number of trade leads in international trade and development.

(Added by Legislature in FY2001 version.)

Current Status:

No baseline number as yet. Current year will be the baseline. Beginning FY01, the division will maintain records to quantify the number of trade leads distributed to Alaska exporters, overseas buyers, film community, and other Alaska businesses.

Benchmark:

These records will be compared to similar surveys by national organizations supporting economic development, for example, surveys done by the National Association of State Development Agencies (NASDA).

Background and Strategies:

Raise visibility of Alaska as potential source for goods and services, and a place to do business, via promotions, trade shows, seminars, and through efforts of Alaska's trade representatives overseas.

Measure: Number of Alaska firms that export products and services.

(Added by Legislature in FY2001 version.)

Current Status:

No definitive information available for total number of Alaska companies involved in exporting activities.

Benchmark:

Most recent figures for number of new companies exporting are from a study done by the U.S. Census Bureau for the years 1992-97. This information is available on an annual basis from the US Census Bureau, often following a substantial lag time.

Beginning in FY01, the division will use two numbers to determine number of Alaska firms exporting: Census Bureau's reported figures, and division's tracking of Alaska firms to which the division provides information and assistance.

Background and Strategies:

Provide market information and assistance to export-ready Alaska companies; assist smaller and new-to-export firms to test the waters overseas through relatively inexpensive means; conduct matchmaking via trade missions, inbound and outbound.

Measure: Dollar value of exports from the state.

(Added by Legislature in FY2001 version.)

Current Status:

In 1999 the dollar value of exports from Alaska increased 31% from 1998 to \$2.6 billion.

Benchmark:

During 1999, the dollar value of all U.S exports increased 1.8% from 1998 to \$692.8 billion. This information is recorded and reported by the U.S. Census Bureau. Figures are derived from Export Statistics, State of Origin series.

Background and Strategies:

Information and assistance to Alaska companies to initiate or expand export business activities; research potential niche-market opportunities for value-added products.

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
• Number of trade leads in international trade and development			X		
• Number of Alaska firms that export products and services			X		
• Dollar value of exports from the state			X		

International Trade and Market Development
Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	0.0	769.6
72000 Travel	0.0	0.0	70.7
73000 Contractual	0.0	0.0	948.2
74000 Supplies	0.0	0.0	19.5
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	295.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	0.0	2,103.0
Funding Sources:			
1004 General Fund Receipts	0.0	0.0	1,461.6
1005 General Fund/Program Receipts	0.0	0.0	12.7
1007 Inter-Agency Receipts	0.0	0.0	112.2
1108 Statutory Designated Program Receipts	0.0	0.0	20.0
1115 International Trade and Business Endowment Income	0.0	0.0	496.5
Funding Totals	0.0	0.0	2,103.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Interagency Receipts	51015	0.0	0.0	0.0	112.2	112.2
General Fund Program Receipts	51060	0.0	0.0	0.0	12.7	12.7
Statutory Designated Program Receipts	51063	0.0	0.0	0.0	20.0	20.0
Intl Trade & Business Endowment Income	51422	0.0	0.0	0.0	496.5	496.5
Restricted Total		0.0	0.0	0.0	641.4	641.4
Total Estimated Revenues		0.0	0.0	0.0	641.4	641.4

International Trade and Market Development

Proposed Changes in Levels of Service for FY2002

TRANSFER TRADE PROGRAM FUNDING FROM GOVERNOR'S OFFICE TO DCED

In the FY01 budget, the Legislature transferred a portion of the international trade authorization from the department to the Office of the Governor although statutes place it in DCED. In order to maintain an effective, coordinated economic development program in State government, the Governor's Office has chosen to continue the international trade function within the department. The division regularly coordinates its activities with the Governor's Office. The funding for the international trade program was transferred back to the Division of International Trade and Market Development by a Reimbursable Services Agreement in FY 2001. The Governor's budget transfers the program appropriation back to the Division of International Trade and Market Development in FY 2002.

Summary of Component Budget Changes

From FY2001 Authorized to FY2002 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	0.0	0.0	0.0	0.0
Adjustments which get you to start of year:				
-Update Executive Administration and Support Cost Allocation Plan	-21.2	0.0	-8.7	-29.9
Adjustments which will continue current level of service:				
-Transfer International Trade and Market Development from Governor's Office	387.4	0.0	615.7	1,003.1
-Transfer funding from Int'l Trade	1,098.1	0.0	5.3	1,103.4
-Year 2 Labor Costs - Net Change from Fy 2001	10.0	0.0	-3.6	6.4
Proposed budget increases:				
-Misc private sector contributions	0.0	0.0	20.0	20.0
FY2002 Governor	1,474.3	0.0	628.7	2,103.0

International Trade and Market Development

Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	0	11	Annual Salaries	593,746
Part-time	0	1	COLA	12,563
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	190,582
			<i>Less 3.42% Vacancy Factor</i>	<i>(27,291)</i>
			Lump Sum Premium Pay	0
Totals	0	12	Total Personal Services	769,600

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk I	1	0	0	0	1
Administrative Clerk II	1	0	0	0	1
Division Director	1	0	0	0	1
Economist	1	0	0	0	1
Lead Development Specialist	0	0	1	0	1
Research Analyst II	1	0	0	0	1
Secretary	1	0	0	0	1
Special Projects Coordinator	2	0	0	0	2
Trade Specialist II	3	0	0	0	3
Totals	11	0	1	0	12