

**Testimony of Greg Wolf
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**United States Senate Committee on Foreign Relations
Subcommittee on East Asian and Pacific Affairs
The Honorable Lisa Murkowski, Chair
Field Hearing, Anchorage, Alaska**

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Introduction and Background

Madame Chair, before I begin my testimony today I'd like to take just a moment to thank you for your leadership, on behalf of Alaskans, in the United States Senate and also to commend you and your colleagues who serve on the East Asian and Pacific Affairs subcommittee for deciding to hold this field hearing here in Anchorage, Alaska. By doing so, you have made it possible for me and the other Alaskans here today to present information and views on a part of the world that has been, is and will be so important to our state's economic growth and well-being.

From a trade and business perspective, what happens in Asia matters greatly to Alaska and to the rest of the United States, especially to the west coast states of America. In 2004, approximately 25% of the United States' total merchandise exports went to Asia-Pacific countries. For west coast states, however, the concentration of exports to Asia-Pacific is much higher: totaling more than 30% for California, 35% for Oregon, 40% for Washington, 54% for Hawaii and more than 65% for Alaska.

I think these numbers serve to highlight the importance of Asia-Pacific trade to these states, including the jobs, revenue and investments that accompany these business ties. I think it also highlights the fact that the Alaskan and U.S. economy are very much integrated and linked with those of the Asia-Pacific nations and that we are a significant economic participant in this region. As one analyst recently noted, "*Sometimes forgotten is that the United States has a coastline nearly as long as China's, and that the U.S. is just as much a Pacific nation as Japan, China and South Korea.*" While my comments today will be based on Alaska and our experience working with Alaskan firms to pursue trade opportunities in the Asia-Pacific region, no doubt many of my observations will hold true for other states.

The Importance of Trade to Alaska

Alaska is one of America's most trade-oriented states. While most states have significant domestic markets for their manufactured goods, technologies and agricultural products, Alaska is heavily dependent on overseas markets for its natural resource and service sector exports. At just over \$3.1 billion in total exports last year (2004), in absolute terms Alaska's ranks 41st among the states, however, on a per-capita basis, Alaska ranks 4th.

and when one considers exports as a percentage of Gross State Product (the sum of all goods and services produced in a state in a given year), Alaska ranks 8th among states. Clearly, Alaska's export industries play a vital role in the state's economy and are very important to the state's overall economic well-being.

As I mentioned at the outset, Alaska's exports are highly concentrated in the Pacific Rim, mainly to Asian markets. Japan, Korea, China, Taiwan and Hong Kong account for more than 65% of the state's total exports, and when you include the other Asian markets, the percentage is even higher. Indeed, three out of the top four markets for Alaskan exports are found in Asia.

Why Asia?

I believe there are three fundamental reasons for this heavy concentration:

First, we have what they need. Alaska is resource rich and many of the Asian countries are resource-poor. In some cases, they may completely lack a particular resource or, in other cases, their own domestic supplies are simply insufficient to meet their needs.

Second, is geographic proximity. Alaska is a neighbor along the Pacific Rim and there are well-established shipping lanes, both by sea and by air to reach these markets.

Third, and often overlooked, as part of the United States, Alaska offers political stability, something that is comforting to our trading partners, especially those that rely heavily on imported energy, natural resources and food stuffs to meet the requirements of their expanding economies and growing populations.

What Do We Export?

Alaska is a resource exporting state. In 2004, the state's major export commodity was seafood, followed by minerals, energy, fertilizers, forest products and precious metals. As I mentioned earlier in my comments, in contrast to many states that have a large manufacturing or agricultural base, Alaska's economy, and its exports, are driven by the development of its natural resources. Most of what is exported is shipped out in basically "raw" form, or only having received primary processing in Alaska, before being exported for final processing and distribution in a distant country.

One of our strengths as a resource exporter is that what we sell to the world are not discretionary products like designer watches or the latest electronic gadget but rather what we sell are the essential "building blocks" necessary for economic growth and modernization. Wood to build homes; energy for power plants that keep the lights on; and seafood to provide sustenance. Growing and modernizing economies, like those in Asia-Pacific, create valuable markets for the state's exports.

In the absence of processing these commodities prior to export, a weakness is that we are in essence a "price taker" rather than a "price maker" as the price of these commodities

are determined by global market forces outside of our control. A goal for many of us here in Alaska is to develop the capability to add-value to our resources prior to export and in doing so be able to capture a higher percentage of the final value of the product. Across the state, on many levels, people are working diligently toward this important goal.

The China Opportunity

I'd like to say a few words about China and its growing importance to Alaska. As China's economy continues to expand at a record pace, its demands for natural resources are leading to tightening global supplies and higher prices of these commodities. Alaska's trade numbers with China reflect this increase in demand and prices. In the last three years, since 2001, the state's exports to China have soared by more than 100%, from \$102 million in 2001 to \$242 million last year. This trend is continuing; through the first six months of 2005, versus the same period last year, exports are up another 20%.

In addition to opportunities for expanded trade, tourism and other business ties with China, there will likely be direct Chinese investment in Alaskan natural resource development projects, in the not too distant future, as is already occurring in resource-rich countries like Canada and Australia.

Looking back, the state's pioneering work in the 60's and 70's in Japan, and later with Korea in the 80', has paid handsome dividends. Alaska's exports to those countries grew dramatically as those countries rose to economic prominence. The "China opportunity" can follow the same pattern for Alaska. Indeed, it could even surpass our previous successes.

Closing Comments

To sum up, I believe Alaska has a bright future and that our best days are still ahead of us. Under the leadership of Governor Murkowski, the State is working in partnership with the private sector to responsibly develop its vast supply of energy and other natural resources so vital to economic progress in the United States and around the world. Our Congressional delegation in Washington, the Governor and others are also working to ensure that essential transportation infrastructure is developed in Alaska to enable these resources to move efficiently from source to market. At the same time, economies in Asia-Pacific continue to grow, significantly outpacing other parts of the world, creating market opportunities for our resource and service sector exports.

At World Trade Center Alaska, we are working in close cooperation with our able colleagues at the State of Alaska and with the U.S. Department of Commerce's Alaska Export Assistance Center, to help Alaskans compete successfully in the Asia-Pacific region. It's a strong partnership and one that is working.

In closing, thank you again, Madame Chair, for conducting this hearing here in Anchorage and for allowing me the opportunity to appear before you today.