

## **Testimony of William C. Noll**

**December 6, 2005**  
**Field Hearing of**  
**Senate Foreign Relations Committee**  
**Subcommittee on East Asian and Pacific Affairs**  
**The Honorable Lisa Murkowski, Chair**  
**Anchorage, Alaska**

Subject: Asia Trade and Market Development: Alaska's Experience

Following is an outline of the four groups covered in my remarks.

1. I suggest that the Alaska-Asia relationship be thought of in three broad areas:
  - a. Natural resources.
  - b. Transportation.
  - c. Economic security, which security is ensured by US military.
2. Foreign direct investment (FDI).
  - a. There is a track record dating back from post-World War II to the present during which time Asia, principally Japan, has invested in Alaska's natural resources.
  - b. Some examples are:
    - (1) Two pulp mills in Ketchikan and Sitka.
    - (2) The LNG plant on the Kenai Peninsula.
    - (3) Numerous seafood processing plants throughout Alaska's coastal communities.
    - (4) The coal export terminal in Seward.
    - (5) The resort hotel at Alyeska.
    - (6) Pogo Gold Mine.
  - c. Opportunities exist now for FDI by Asian countries. These opportunities are greater than ever before, given the growth of Asia's domestic economies, as well as their export growth.
  - d. Asian FDI on American soil makes sense given the enormous US dollar holdings that exist in Japan, China and Taiwan alone.
  - e. Asian FDI in Alaska makes sense considering the extent of our natural resource base, the efficiency of our top-of-the-world transportation route, and the security of our resources and routes.
  - f. Consider the dynamics. Asian countries earn their US dollars through successful sales in the United States. To produce and

then deliver those products to US (and other) markets, Asian countries need to:

- (1) Buy natural resources.
  - (2) Consume energy in production.
  - (3) Use secure transportation routes to get the goods to market.
- g. Alaska's role in each of these three steps could and should be greatly enhanced.
  - h. Today, more than ever, Alaska has what Asia needs: energy. This has somewhat changed the way key Asian partners talk to Alaska, and we are hopeful.
  - i. Some examples of present opportunities.
    - (1) Coal-to-liquid (CTL) industry in the Beluga coal fields.
    - (2) Infrastructure at our international airports, especially for cargo. About 96% of Anchorage's cargo is from the Asia/North American route, and the vast majority is inbound.
    - (3) Mining for minerals and precious metals.
    - (4) Oil and gas exploration and development, such as on the Alaska Peninsula.

### 3. Currency issues.

- a. Japan, China, Taiwan and Korea hold hundreds of billions of U.S. Dollars, perhaps a trillion.
- b. Currency policies help or hurt regions like Alaska.
- c. Alaska and other US states had very bad experiences when energy prices plummeted in the mid-1980s. Our coal exports were threatened when Canada and Australia both dropped their currencies against the US dollar in order to buttress their steam and metallurgical coal exports to Asia.
- d. Since Asia denominates its coal deals in US dollars, the effect was devastating to the Alaskan and other US export coal industries.
- e. Australia was particularly enriched by their currency policy. When nearby Indonesia subsequently opened its coal fields for concessions, Australia used those profits to invest or co-invest there along with its Asian market-partners.
- f. The young Alaskan coal export venture never grew beyond that point, but Indonesia's expanded very greatly.
- g. Future Alaska-Asia economic cooperation and growth depends on leadership on the part of the Executive and Congress, as well as in Alaska. America keeps its markets completely open, and dollars flow to Asia. We have every right to demand quid pro quo.
- h. In China, tariffs are higher for processed seafood than for unprocessed. This disparity, coupled with China's low labor

rates, makes it impossible to compete with China's processors. Alaskans are selling the seafood but when we sell headed and gutted fish to China, we aren't able to compete in the value-added market.

4. Federal budget support.

- a. Alaska needs the continuance of the Federal programs that assist our people and businesses to deal with Asian markets.
- b. Some of those programs have been and are USDOC/ITA, USDA/RD, FAS Market Access Program, USDOE, AFMB, fish disaster, Denali Commission. I want to thank you personally, Senator Murkowski for your support.
- c. The Federal Fish Revitalization funds were, and are, of extreme importance in assisting Alaska's fishing industry to recover from the effects of salmon farming in Chile and Norway. Separate commentary is provided, and I can talk in more detail, but suffice to say that recovery is well underway. Exports alone have rebounded from about \$700 million in 1998, to \$1.7 billion for calendar year 2004.
- d. Sustain and strengthen the defense sector in Alaska. Protecting our resources and transportation routes is vital.
- e. R&D support is important. One example in the energy area is Low Rank Coal Water Fuel (LRCWF), which is a process that converts Alaska's subbituminous coal into the heavy oil used in industrial boilers.
- f. Along with the CTL technology, LRCWF is a process that recognizes energy realities now. With the high level of crude oil prices, it is possible and highly profitable to make use of Alaska's billions of tons of coal resources and convert them to a wide spectrum of gaseous and liquid energy products.
- g. Thank you for the support shown for the existing coal export contract from Usibelli Coal Mine to Korea. During the lower coal price levels that the world used to know, more than \$9 million in Federal funds were granted that were used to resuscitate those exports for a two year span.
- h. Those two years have just ended, and in the interim coal markets have shot up in price. (They generally trail oil on a per-million-btu basis.) Yet reports to me from the mine and the railroad are that there is no contract renewal in place with the Korean utility buyers. A word of encouragement from the right source to the Korean buyers might be helpful.

Supplemental information is being provided to the subcommittee, including our department's latest report on Alaska's economy; Alaska's 2005 export statistics; Alaska's 2006 exports through September;

landing figures at Anchorage International Airport; customs barriers in Japan's fish sector; and others.

We will be pleased to provide any further facts, figures, analysis or testimony you request.

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