

PASSPORT

to Global Opportunities



2001 Annual Report



*Division of International Trade and
Market Development*

*Tony Knowles, Governor
Deborah B. Sedwick, Commissioner
Greg Wolf, Director*

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Governor's Welcome



TONY KNOWLES
Governor
State of Alaska

Dear Fellow Alaskans,

Trade is a passport to increased economic opportunities in Alaska. Trade translates directly into jobs in our communities, investment in our infrastructure, and development of our manufacturing and service base. At 10 percent of our Gross State Product, it is an important part of our efforts to grow a healthy, diversified economy.

Although Alaska is an attractive trade partner because of the quality of our goods and services and the stability of our business climate, stiff competition is a fact of life in international markets. It is imperative that Alaska not let up in our aggressive efforts to promote and facilitate trade. In the long run, the hard work pays off. The Division of International Trade and Market Development (ITMD) is the State's only division that provides day-to-day commercial trade services. I am pleased that during my administration we have been able to provide their support to help Alaska businesses to make international sales. In 2001, Alaska exported \$2.4 billion worth of goods to 89 countries.

International trade promotion is hard work, comprised of long hours building relationships, seeking opportunities, researching market trends and selling, selling, selling. Ask any of the business leaders who travel on our trade missions about the pace we set and the opportunities we create. It was an honor to lead a trade mission to Europe in March 2002. Alaska business leaders in tourism, seafood, energy support services, and banking joined me in promoting our wonderful seafood, the many exciting destinations in our state, and our technical expertise in two key European markets: the United Kingdom and Germany.

The Europe Mission was good timing and typical of the hard work that international marketing requires. We met with seafood buyers, retailers, and reprocessors on the heels of significant increases during 2001 in seafood sales to these countries. We aggressively sold Alaska at the precise time when international travelers are seeking safe, attractive destinations. We also had the opportunity to thank investors who have spent billions of dollars in developing Alaska's infrastructure and industries. My thanks to ITMD for organizing the mission.

I commend the consistent efforts of Alaska's businesses in the international marketplace. Thanks to them, international trade creates good things for Alaskans.

Sincerely,

A handwritten signature in black ink that reads "Tony Knowles". The signature is written in a cursive, flowing style.

Tony Knowles
Governor

The Overview



DEBORAH SEDWICK
Commissioner
Department of Community
and Economic Development

Dear Alaskans:

Alaska's businesses are up to the challenges of the international marketplace. They know that international trade opportunities are a way to expand and grow business. The Division of International Trade and Market Development (ITMD) knows this first hand as hundreds of businesses and individuals take advantage of the Division's export assistance, trade leads, and market research. ITMD helps Alaska firms succeed overseas by organizing inbound and outbound trade missions from existing and potential customers in Japan, Korea, the Russian Far East, and many other countries.

Here are two examples of the positive result from promoting Alaska goods and services in international markets.

Business executives and government officials from Taipei and Kaohsiung traveled to Alaska in the spring of 2001 to see firsthand the state's oil spill preparedness and response capabilities. They learned about ways to structure their own response systems. The Taiwan Environmental Protection Agency ultimately hired an Alaskan environmental engineering firm in partnership with a Taiwan company to provide training in this important area.

Another good example, is a two-year-long campaign to introduce Alaska seafood to deluxe hotels in Seoul and other Korean cities. Approximately one million dollars worth of salmon, halibut, crab, scallops, and other Alaska products made their way onto the menus and into promotional events of these high-end hotels for the first time.

ITMD helps Alaska sellers become export ready, acquire essential market information, and find buyers. Through these direct trade services, ITMD helps Alaska businesses diversify our economy. This annual report is part of that effort. I invite you to take the time to look at these snapshots of Alaska's major markets and commodities. We hope you find value in the information provided in this report and look forward to working with our Alaska businesses to find trade opportunities in the near future.


Deborah B. Sedwick, Commissioner



GREG WOLF
Director, International Trade
& Market Development

Dear Alaskans:

I am proud to present the third Annual Report on Alaska's international trade performance. The following pages provide a snapshot of Alaska's largest exports and top trading partners for the year 2001. Each year, in response to feedback and suggestions from readers of previous reports, we strive to improve the quality of information and expand the quantity of information presented. This year, for instance, we have added a section on foreign currencies important to Alaska exporters.

2001 saw a changing of the guard among the state's top ten trading partners. Mexico, Thailand, and Australia moved into the top ranks lending further evidence of the growing diversification of export sales by Alaska companies. Japan and Korea, traditionally the state's number one and number two top markets, maintained their dominant positions. Taken together, these two countries account for more than 60 percent of the state's total exports.

I hope that you find this report informative and useful as you work to expand your business, explore export opportunities or move into new markets. Please do not hesitate to contact me or members of the division's trade staff if you need assistance or have questions on pursuing global opportunities.

Sincerely,

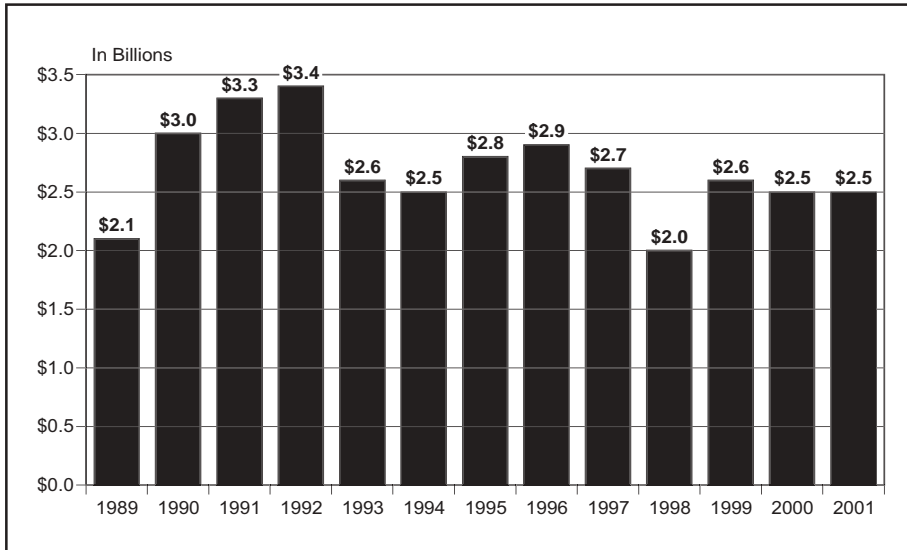


Greg Wolf, Director

Alaska's Top Export Partners

Rank in 2001	Rank in 2000	Country	Value of Export in 2001	% of Total in 2001	Major Commodities
1	1	Japan	\$ 1,038,965,164	43.0%	Seafood, Oil & Gas, Wood
2	2	Korean Republic	\$463,090,974	19.2%	Seafood, Fertilizer, Mineral Ore
3	3	Canada	\$188,032,082	7.8%	Mineral Ore, Seafood, Wood
4	9	Germany	\$115,147,217	4.8%	Seafood, Mineral Ore, Machinery
5	5	China	\$102,446,718	4.2%	Seafood, Animal Feed, Petroleum Products
6	7	Mexico	\$82,427,390	3.4%	Fertilizer, Petroleum Products
7	4	Belgium	\$81,456,658	3.4%	Mineral Ore
8	16	Russia	\$41,875,370	1.4%	Drilling Platforms, Machinery, Tools
9	11	Thailand	\$33,063,977	1.4%	Fertilizer, Seafood
10	13	Australia	\$30,893,389	1.3%	Mineral Ore, Machinery, Fertilizer

Alaska's Worldwide Exports



Source: U.S. Census Bureau, State of Origin data

Alaska's exports totaled \$2.458 billion in 2001. This was a decrease of approximately \$46 million or 1.9 percent from 2000. As forecasted, crude oil exports declined to virtually nothing in 2001 from \$288 million in 2000 and over \$500 million in 1999. The loss of crude oil exports does not significantly affect the state's economy since prices are similar whether the oil goes overseas or to refineries on the West Coast.

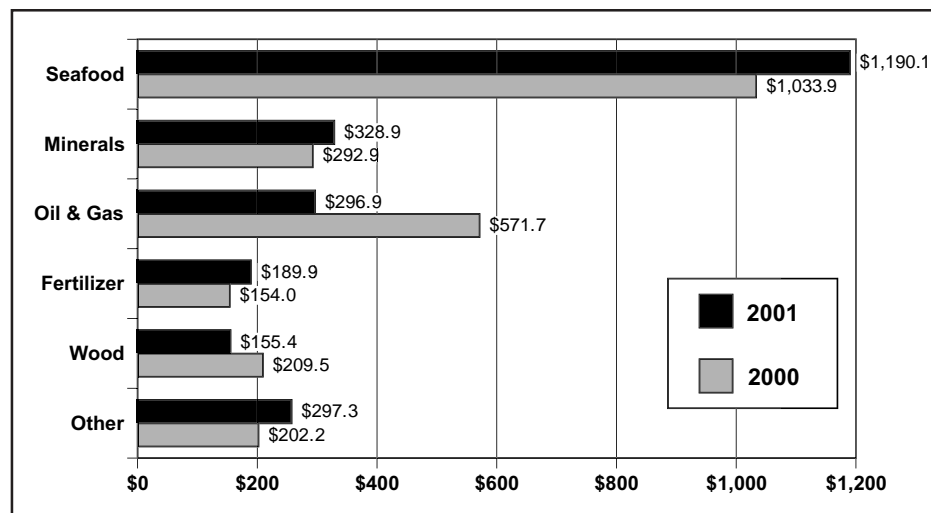
Excluding crude oil, Alaska's exports in 2001 were up over \$240 million from 2000, an increase of 9 percent.

Despite the many problems associated with the seafood industry, seafood exports in 2001 jumped 15 percent to \$1.2 billion. Pollock products such as fillets, surimi and roe accounted for most of the increase. Seafood remained Alaska's largest export, accounting for nearly half of total exports. It should be noted that these numbers are based on the US Census Bureau's State of Origin data, which does not include nearly \$133 million worth of canned salmon exported overseas from the United States but not directly from Alaska.

While prices for zinc ore, Alaska's largest mineral export, have been steadily declining over the past several years, mineral exports increased by 12 percent in 2001 due to increase in volume. Though production value was up, profits were down in 2001 for the mineral exporters.

Exports from the energy sector declined nearly 48 percent due to the change in destination of North Slope crude oil.

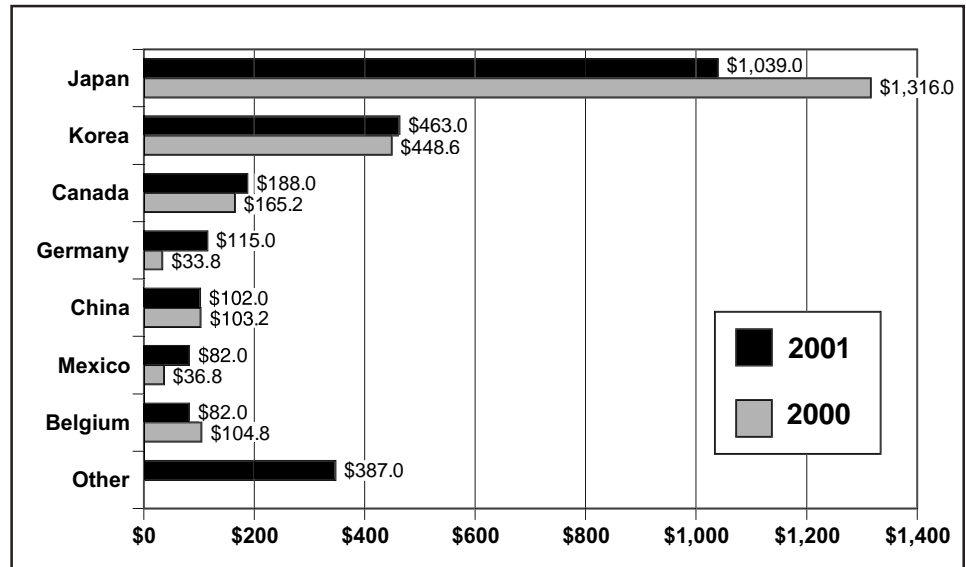
However, sales of liquefied natural gas to Japan and coal to Korea remained stable in 2001. Fertilizer exports, mainly from Agrium's Nikiski plant, totaled \$189.8 million, an increase of 23 percent over 2000. Exports of forest products continued to decline, totaling \$155.4 million in 2001, a decrease of over 25 percent from 2000.



Source: U.S. Census Bureau, State of Origin data

Trading Partners

The economy of Japan, Alaska's top export market, continued to suffer from a decade long economic slowdown and deflation. Exports to Japan totaled \$1.04 billion in 2001 down 21 percent from 2000. Still, Japan remained Alaska's top export market for three out of the top five Alaska export categories: seafood, energy, and wood.



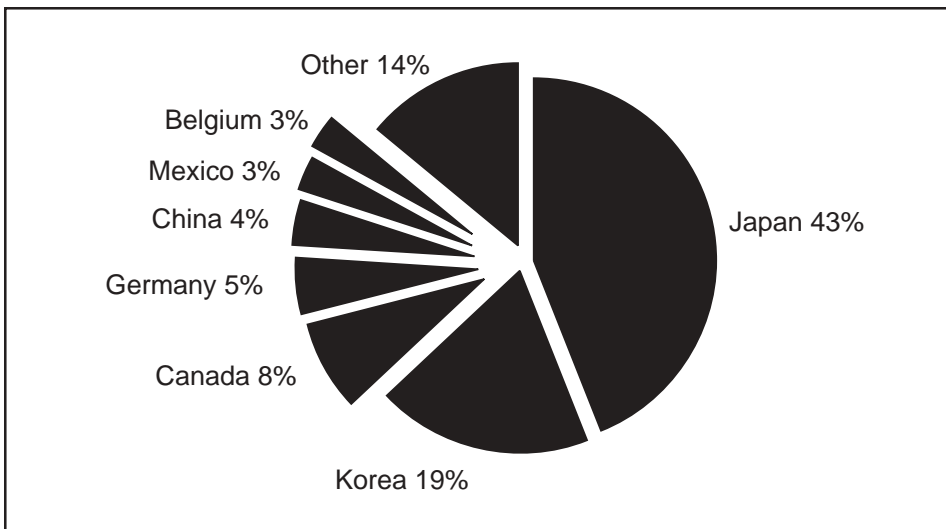
Source: U.S. Census Bureau, State of Origin data

Korea, Alaska's number two export market, continued to

show signs of a strong recovery from the Asian economic crisis of 1997 and 1998. Exports to Korea reflected that growth, increasing 3.2 percent or \$15 million. This is despite the cessation of crude oil exports to Korea, which totaled over \$100 million in 2000. Excluding crude oil, total exports to Korea were up over 33 percent or \$117 million in 2001. Seafood exports to Korea increased over 78 percent.

Canada was Alaska's third largest export market in 2001, purchasing over \$188 million of Alaska exports. This was an increase of 13 percent from 2000. Top exports to Canada include seafood, fertilizer, and zinc ore.

Germany jumped five places to become Alaska's fourth largest export market in 2001. Exports to Germany totaled \$115.1 million in 2001, an increase of over 240 percent. Pollock fillets accounted for most of the increase. China was Alaska's fifth largest export market with Alaska's exports



totaling \$102 million in 2001, a decrease of 1 percent. Mexico, Belgium, Russia, Thailand, and Australia rounded out the second half of Alaska's top ten export markets.

Source: U.S. Census Bureau, State of Origin data



Highlights

- Exports to Japan declined 21 percent in 2001 as Japan's economic woes continued. Japan's weak economy, continuing deflation and weaker yen all contributed to decreased demand for Alaska's exports in Japan.
- Despite the 21 percent decrease in exports, Japan continued to be Alaska's largest export market. 43 percent of Alaska's exports are destined for Japan.
- Japan is Alaska's top export market for the seafood, energy, and wood sectors.
- An extended LNG contract was signed between Alaskan sellers and Japanese buyers. The new contract will run from 2005 to 2009.

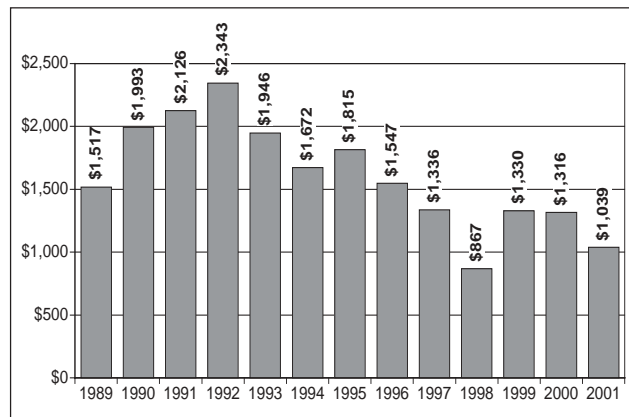
The Division of International Trade and Market Development (ITMD) assists Alaska's Businesses to export:

- Participated in the 51st Tokyo International Gift Show (TIGS) with nine Alaska companies. With over 150,000 attendees, TIGS resulted in new market exposure for many small Alaska companies.
- Assisted Japanese film crews visiting Alaska – from salmon runs to glaciers, northern lights, and World Eskimo-Indian Olympics.
- Conducted "Alaska Products Fair" at a popular Tokyo department store. The promotion ran six days and showcased popular Alaska products.
- Provided market response and information for new business development in the dried kelp market.
- Provided continuous updated market information in seafood and energy.
- Produced the Alaska Export Industry Brochure in Japanese.

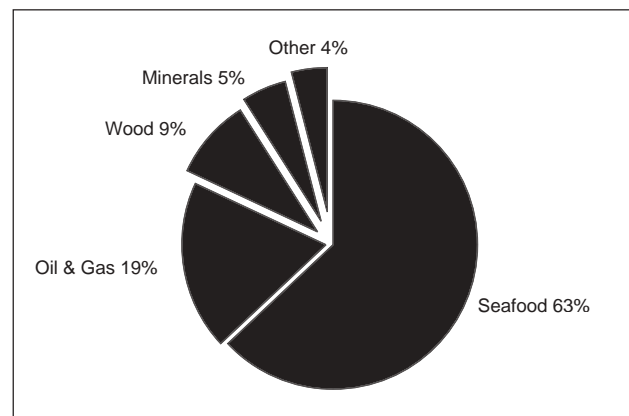
Background

Alaska's history with Japan has been long-standing and successful, starting as the first state to receive post World War II Japanese investment – in a pulp mill in Southeastern Alaska. Japanese investment continues extensively from seafood, minerals, and the visitor industry. In 1965, Alaska was the first American state to open a trade office in Japan. The following year Japan opened a full time consulate in Anchorage, and since 1982 has been represented by a Consul General, with the current Consul General Kazuo Obinata arriving last year.

Alaska's Exports to Japan
Yearly Totals • In Millions



Alaska's Exports to Japan
2001





Highlights

- Total exports to Korea increased 3 percent in 2001 totaling \$463 million. Korea accounted for over 19 percent of Alaska's total exports. Seafood and mineral exports increased while fertilizer and wood exports decreased in 2001.
- Korea was Alaska's number two export market for seafood, number two for minerals, number two for energy, number one for fertilizer, and number two export market for forest products.
- Seafood exports to Korea in 2001 totaled \$237 million. This was a 78 percent increase from 2000. Pollock surimi, roe and fillets were the main reason behind the increase.
- Korea is anticipating growth in the economy for 2002. Gross domestic product is expected to increase 5 to 6 percent during 2002.

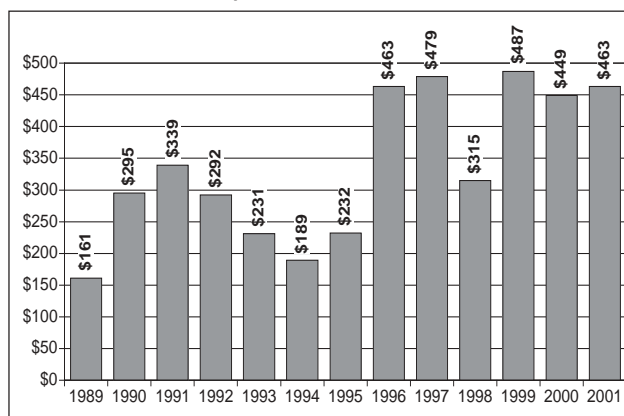
The Division of International Trade and Market Development (ITMD) assists Alaska's Businesses to export:

- Facilitated promotional events in "high end" Korean hotels that resulted in over a quarter million dollars in new business for Alaska companies.
- Participated in the U.S. Food Showcase to promote the products of Alaska companies.
- Organized incoming seafood buyers mission of executive chefs and purchasing managers from deluxe hotels in Korea.
- Promoted Alaska environmental and technical services through the participation in International Exhibition on Environmental Technologies (ENVEX 2001) and Daejon Technomart.
- Promoted Alaska energy through the organization of an energy seminar in conjunction with the Korea Energy Economics Institute.
- Organized an outgoing mission of private and public sector participants. This included meetings with the Ministries of Foreign Affairs & Trade (MOFAT), Commerce, Industry, & Energy (MOCIE), and Marine Affairs & Fisheries (MOMAF).

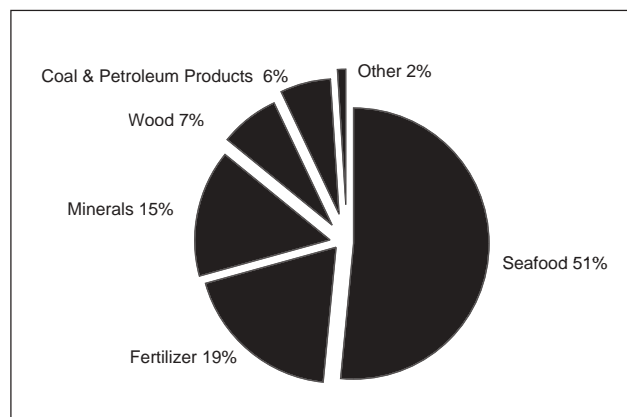
Background

Korea has been one of Alaska's most important partners in trade, investment, and cultural exchange. For many years Korea has been our number two trading partner. In 1985, Alaska was the first U.S. State to open a trade office in Seoul. Korea is an important investor in transportation, coal, and fisheries. With approximately 10,000 Korean-Americans residents, the Korean community is an important contributor to the civic and business communities of Alaska. The Korean Ministry of Foreign Affairs and Trade appointed William Bittner in Anchorage as Honorary Consul General in 1999. In addition, Consul General Byung-rok Moon, based in Seattle, Washington also oversees Alaska-Korea affairs.

Alaska's Exports to Korea
Yearly Totals • In Millions



Alaska's Exports to Korea
2001





Highlights

- Alaska exports rose 14 percent over the previous year, keeping Canada solidly in third place among Alaska export markets.
- Canadian investment in Alaska is responsible for about 80 percent of Alaska's mining exploration and development expenditures.
- Governor Knowles, Cabinet members, trade representatives, lawmakers and business representatives met with Canadian counterparts in Canada and in Alaska on a frequent basis, making 2001 an especially busy year for Alaska-Canada business overtures and discussions.

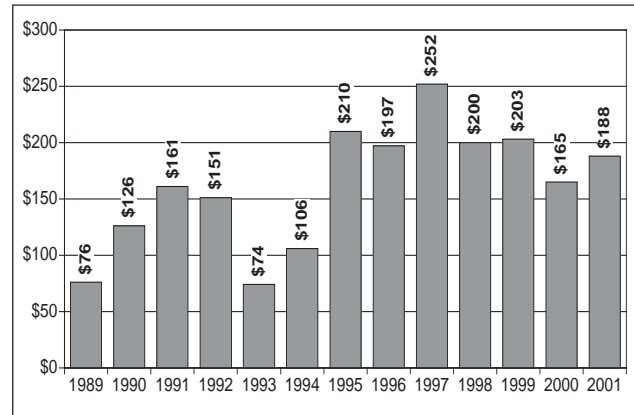
The Division of International Trade and Market Development assists Alaska's businesses to export:

- Promoted cooperation with Canadian government and industry in planning for a transportation system to deliver North Slope natural gas to Canada and on to Lower 48 markets.
- Hosted government and industry delegations to enhance overall trade, tourism and cross-border activities.
- Disseminated information on Alaska-Canada business opportunities.

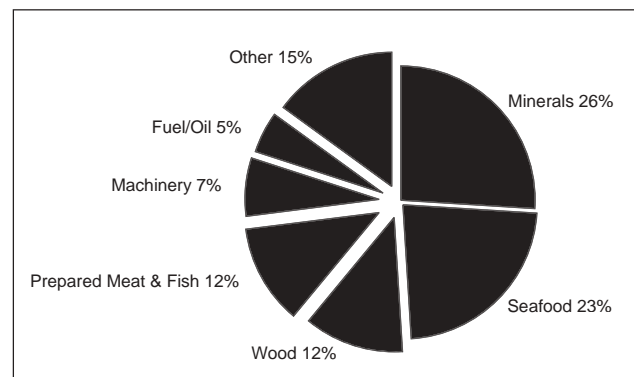
Background

Alaska has a healthy, two-way trading relationship with Canada, which experienced growth in 2001. Substantial private Canadian investment continues to contribute to Alaska's billion-dollar mining industry. These investments serve as endorsements of Alaska's mineral prospects as well as the overall Alaska business climate. Representatives from Alaska's public and private sector, as well as Western Canadian provincial leaders and business community have devoted considerable time, energy and efforts to further developing trade relations. Although the proposed natural gas projects fueled much of the discussion, attention also focused on many other components of the Alaska-Western Canada partnership in tourism, trade, transportation and policy making.

Alaska's Exports to Canada Yearly Totals • In Millions



Alaska's Exports to Canada 2001





Highlights

- Exports to Germany more than tripled totaling \$115 million in 2001, helping Alaska to diversify its export market. Europe now accounts for 20 percent of Alaska's exports.
- Exports of pollock fillets were the leading cause of the increase.
- German-speaking Europe is Alaska's top international tourism market.

Background

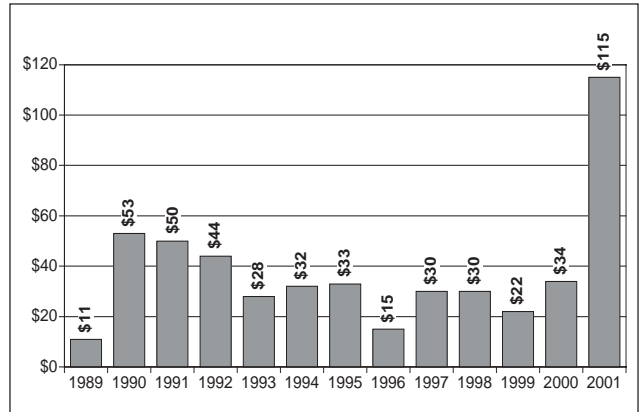
During the 1990s, exports to Germany averaged roughly \$20 million to \$40 million per year. In 2001, exports jumped to \$115 million led by strong exports of pollock fillets. In the past, Germany had purchased much of its pollock fillets from Russia. A low harvest in Russia caused Germany to turn to Alaska for its whitefish supplies. Germany's affluent, well-educated consumers are among the world's most health conscious. Concerns about traceability—the tracking of a secure food supply chain—have resulted in more direct exports from Alaska to Germany rather than indirect exports via a third “processor” country. Alaska also saw increases in other seafood products such as salmon, cod fillets, minced fish, and surimi. Prior to 2001 when seafood exports increased dramatically, the leading exports to Germany from Alaska was mineral ore.

It is often said that “trade follows tourism.” There is an undeniable link between tourism and trade. As tourists visit Alaska and are exposed to Alaska's products, trade is often stimulated from the increased awareness and demand created by the tourists when they return home to their native country. German speaking Europe (Germany, Austria, and Switzerland) is now Alaska's single largest market for international tourists.

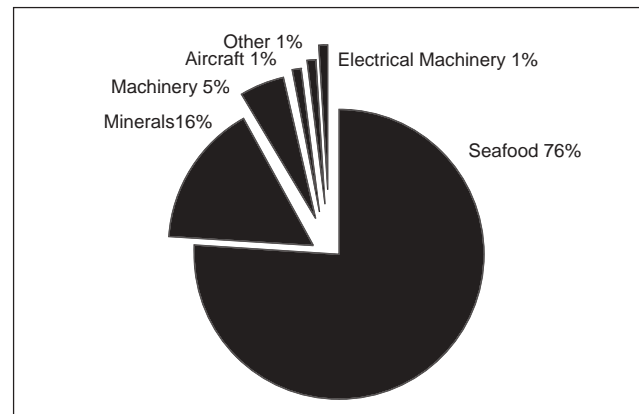
Lufthansa Cargo is an important customer to the state airport system and provides nonstop service between Fairbanks and Frankfurt. Condor Air also provides direct passenger service linking two Alaska cities, Anchorage and Fairbanks, with Frankfurt via scheduled charter service during the summer months.

To capitalize on the business opportunities in Germany for both Alaska's products and as a tourism destination, Governor Knowles led a group of top business leaders representing Alaska on a trade mission to Berlin and Frankfurt in March of 2002. The Alaska delegation met with current and potential Alaska customers in Germany and showcased Alaska's tourism potential in Berlin at the Internationale Tourismus-Börse (ITB), the world's largest travel conference. The Berlin schedule included meetings with European tour packagers and airlines; seafood meetings with German buyers and importers of Alaska salmon; a seafood promotion at a Berlin department store; and “Discover Alaska” visitor industry promotional events.

Alaska's Exports to Germany
Yearly Totals • In Millions



Alaska's Exports to Germany
2001





Highlights

- 2001 marks the seventh consecutive year that exports are over \$100 million. Exports decreased slightly from \$103 million in 2000 to \$102 million in 2001.
- China's purchase of fish waste not for human consumption grew significantly: \$2 million in 1999, \$20 million in 2000 and \$27 million in 2001. The purchases are used for animal feed and China's extensive aquaculture.
- China's growing demand for forest products lifted Alaska's exports in that area from the \$1-2 million range to \$6 million in 2001.

The Division of International Trade and Market Development (ITMD) assists Alaska's businesses to export:

- Organized PRC Consulate mission to Alaska to familiarize Chinese officials with Alaska export industries.
- Commissioned a current overview of the forest products markets in China.
- Worked closely with industry and federal officials to resolve forest products' phytosanitary trade barriers.
- Completed an inventory of the ways in which other competing states have established trade representation within China.

Background

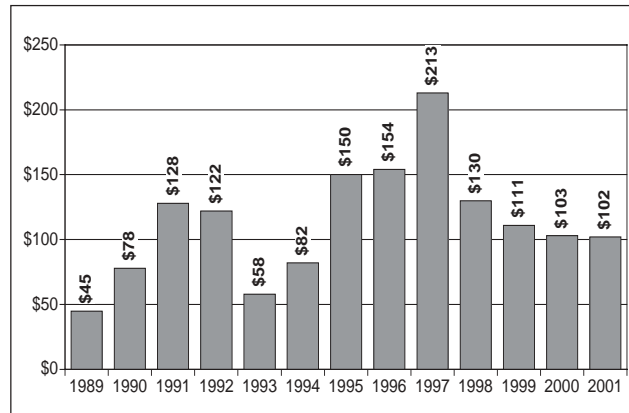
China is a relatively new market for Alaska. China is becoming a significant importer of Alaska seafood. Much of the seafood exported from Alaska to China is further processed for re-export while some is consumed in high-end markets in major cities. China, one of the largest markets in the world, remains a very cost sensitive market. At the same time, an increasingly affluent middle class continues to develop. China's ability to utilize fish waste for non-human feed is creating opportunities for an Alaska product that was once thrown away.

China's reductions in domestic logging activity necessitated by past over harvest and flooding, have created import demand. Alaska's primary competitors in this area are Russia and New Zealand. Resolving phytosanitary issues concerning the import of round logs into China has been at the forefront of Alaska's marketing efforts for forest products in the past year.

Other areas of potential growth for Alaska's companies include technical services and air transportation links. For example, China's need for a wide variety of environmental services is growing, particularly as income levels rise in a nation with acute environmental needs such as safe water and wastewater treatment. Several carriers fly China/U.S. cargo routes via Anchorage. Although air transportation links have yet to be exploited fully, the presence of these flights offers future opportunity to shippers of high-end fresh seafood and other high value cargo.

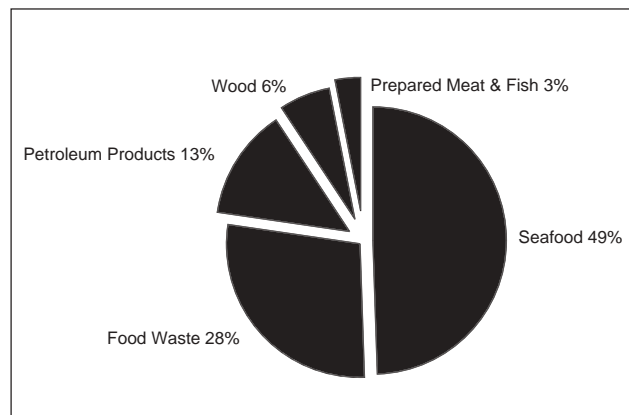
Alaska's Exports to China

Yearly Totals • In Millions



Alaska's Exports to China

2001





Highlights

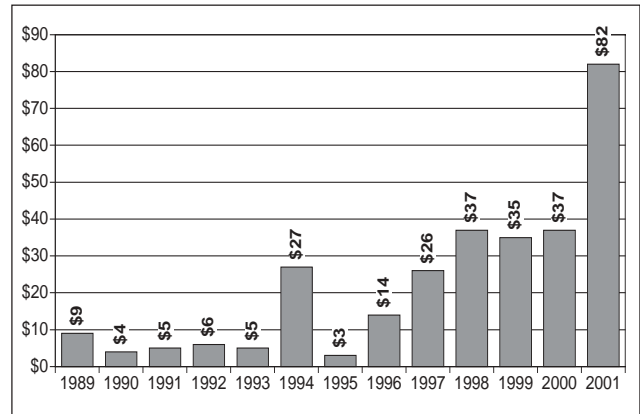
- Exports to Mexico jumped over 120 percent to \$82 million in 2001.
- Exports to Mexico from Alaska has increased over 1485 percent since the North Atlantic Free Trade Agreement (NAFTA).
- Fertilizer was the number one export to Mexico from Alaska in 2001 totaling over \$56 million.

Background

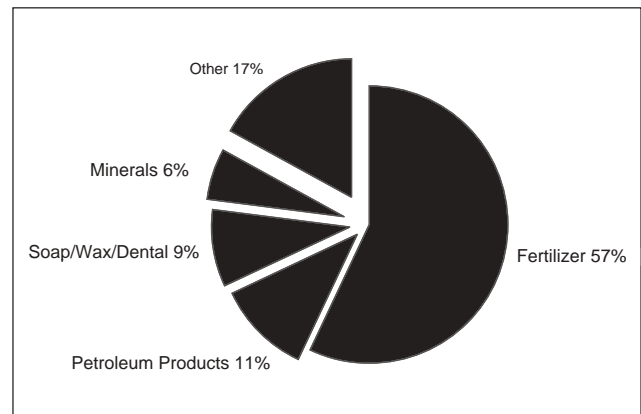
Since the enactment of the North American Free Trade Agreement (NAFTA) in 1993, Alaska's exports to Mexico have increased over \$75 million or 1,486 percent. Prior to NAFTA, Alaska ranked 50th among the U.S. states in exports to Mexico. In 2001 Alaska ranked 40th.

The primary export to Mexico in 2001 was fertilizer products from Agrium's plant in Nikiski. Fertilizer exports to Mexico were up 81 percent and totaled \$47.3 million in 2001. Alaska also exported over \$8 million of petroleum products (mostly gasoline) to Mexico in 2001. Mineral ore exports in 2001 totaled \$4.6 million. In the State of Origin data series, Alaska's third largest export to Mexico after gasoline was soap/wax/dental products totaling \$7 million in 2001. While this particular category can be found in the state of origin database, no reference can be found in the port series. The Division of International Trade and Market Development is currently researching the details of this export that accounted for 9 percent of Alaska's total exports to Mexico.

Alaska's Exports to Mexico
Yearly Totals • In Millions



Alaska's Exports to Mexico
2001





Highlights

- Alaska's exports to Belgium totaled \$81.5 million in 2001, a decrease of 22 percent from 2000.
- Belgium was once again Alaska's number one export market for minerals.
- Belgium accounted for 22 percent of Alaska's mineral exports in 2001.

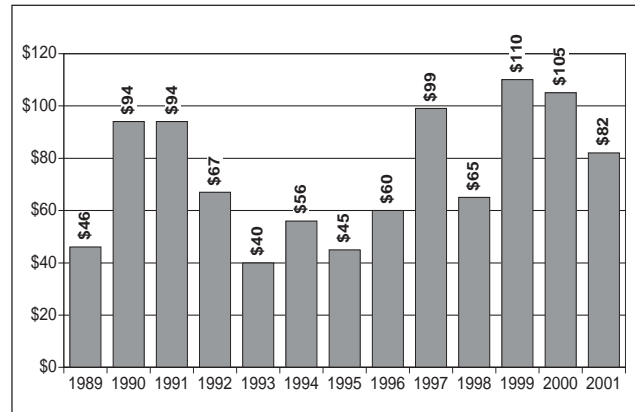
Background

Belgium accounted for over one-fifth of Alaska's mineral exports in 2001. It is the number one importer of both zinc and lead ore from Alaska. Belgium has few natural resources, subsequently, it is a major importer of raw materials and exports large volumes of manufactured products. Alaska's metal ore exports are primarily transported to Belgium for smelting and then distributed mainly throughout the European Union. Iron and steel are major exports of Belgium, therefore matching Alaska's raw material resources.

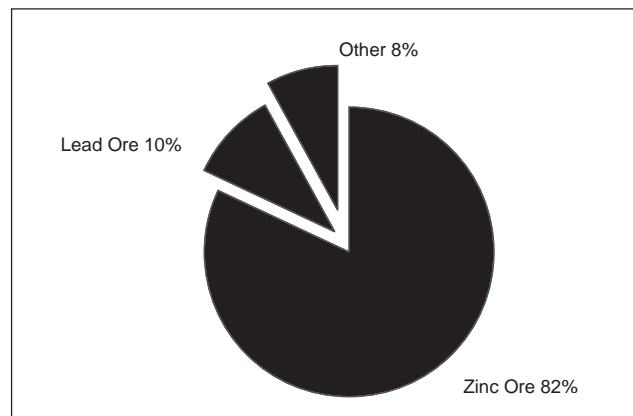
Belgium also imported approximately \$700 thousand worth of Alaska seafood, predominately salmon. Held in Brussels annually, the European Seafood Exposition, and Seafood Processing Europe, are major events for seafood buyers and sellers worldwide. These expositions, our trading ties, and Belgium's connections to the rest of Europe, represent an opportunity for Alaska seafood distribution throughout the region.

Belgium has a population of over ten million people or roughly the same as Pennsylvania or Ohio. Belgium built its modern economy by capitalizing on its central location in Europe and excellent transportation links to become a distribution hub for the region. Two-thirds of Belgium's trade is with other European Union (EU) nations, with 60 percent going directly to Germany. Belgium is one of the original members of the EU.

Alaska's Exports to Belgium
Yearly Totals • In Millions



Alaska's Exports to Belgium
2001





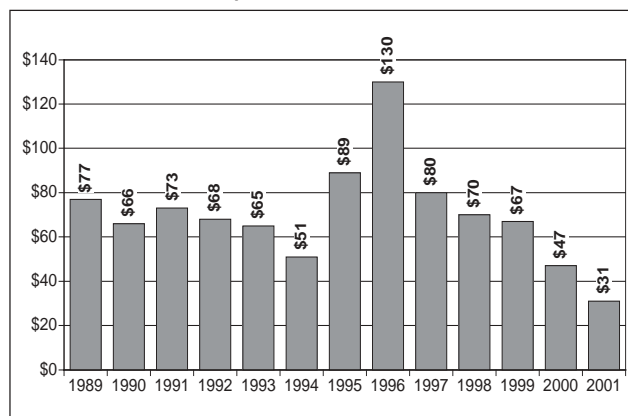
Highlights

- Exports to Taiwan have decreased 30 plus percent for the second year in a row, as Taiwan continues to experience difficult economic times. A growing number of international companies have opted to establish direct business relations with counterparts in China's increasingly modernized large cities rather than with or through cities like Taipei or Hong Kong.
- Although Alaska exports dropped, a significant milestone was reached in 2001 for Alaska service exports to Taiwan. An Alaska firm won a bid with its joint venture Taiwan partner from the Taiwan Environmental Protection Agency for a significant oil spill response training contract.

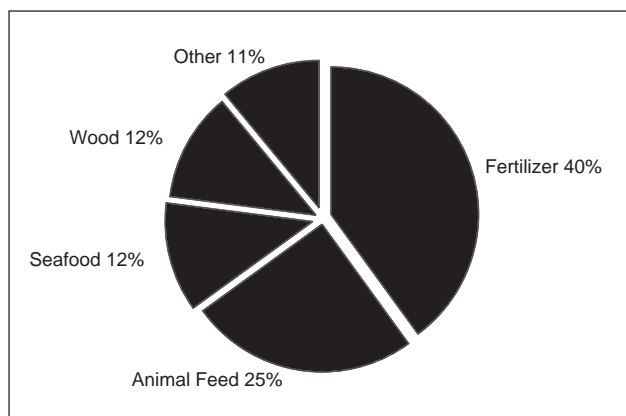
The Division of International Trade and Market Development assists Alaska's businesses to export:

- Represented Alaska seafood and produce industries at Mediphar, a "healthy living" trade show in Taiwan.
- Conducted weeklong familiarization visit for officials and executives interested in oil spill response training. Visitors included representatives from China Petroleum Corporation, Taiwan Environmental Protection Agency, and Taiwan Coast Guard.
- Organized and conducted two well-received videoconferences featuring Alaska environmental experts. Over 50 Taiwan business leaders, environmental specialists, research scientists, and government officials participated from sites in Taipei and Kaohsiung.

Alaska's Exports to Taiwan
Yearly Totals • In Millions



Alaska's Exports to Taiwan
2001



Background

In 2001, Taiwan's economy faced the most challenging circumstances of the past half-century. The economy (GDP) registered 1.9 percent negative growth, with decreases in manufacturing production, the service sector and private investment. In addition, the unemployment rate increased to an all-time high of over five percent.

In spite of lackluster economic conditions in Taiwan, the demand for Alaska's goods and services continues. Taiwan's affluent consumers are increasingly becoming aware of the benefits of high quality and healthy foods. This growing awareness has created a window of opportunity for Alaska's virus-free seed potatoes. They are the only imported seed potatoes allowed entry into Taiwan. Furthermore, there is also a growing concern for the environment that has created demand for Alaska's expertise in the environmental service sector.

In 1989, Alaska was among the first American states to establish trade representation in Taiwan. Although economic difficulties within Taiwan are stalling sales, Alaska's resources continue to be a good match for Taiwan's consumer market.



Highlights

- \$45 million Alaska-based concrete island drilling system, *Glomar Beaufort Sea I*, towed from North Slope to Russia by Crowley Alaska Maritime for use by Exxon Neftegas in Sakhalin.
- Alaska-Chukotka Summit attracted 200 plus Alaskans and a 25-person Chukotka delegation to two days of meetings in Nome to discuss Alaska-Chukotka cooperation.
- Russian Far East regions turned to Alaska on a continuing basis for services and for technical assistance, which Alaska was able to provide with USAID financial support.
- Weekly scheduled air service to Kamchatka and Magadan resumed, but state efforts to rebuild other RFE air routes were complicated by new security restrictions in the wake of the 9-11 attacks.
- Alaska was selected to host the 7th annual meeting of the West Coast-Russian Far East working group at conclusion of the 6th annual meeting in eastern Siberia. The Alaska event was set for Sept. 17-19, 2002, in Anchorage.

The Division of International Trade and Market Development assists Alaska's businesses to export:

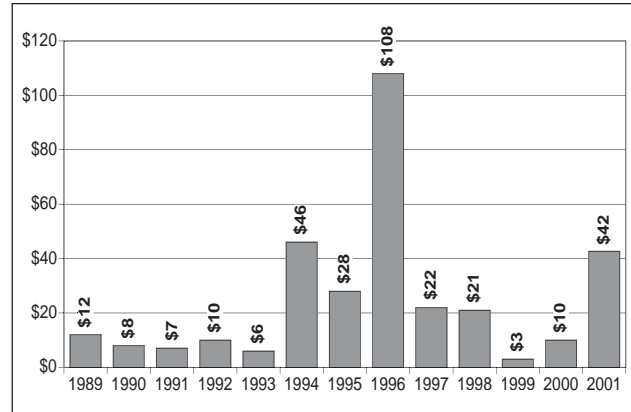
- Conducted an annual Russian Far East business symposium in conjunction with the Pacific Rim Construction Oil & Mining Expo and Conference, focusing in 2001 on Sakhalin and Magadan resource development opportunities.
- Arranged public presentations and private consultations with U.S. and Russian Far East government and business leaders in Alaska and in Russian Far East regions, with assistance from the state of Alaska trade representative based in Yuzhno-Sakhalinsk. Disseminating information on opportunities for Alaskans in the Russian Far East.
- Conducted a transportation roundtable to tackle the logistics problems created by the loss of some direct RFE air routes and working with aviation specialists and private carriers in an effort to restore aviation connections.
- Resolved logistics and bureaucracy to smooth cross-border activities. A prime example involves assisting Alaskans to win approval of visas so their Russian partners can travel to Alaska.

Background

While Alaska exports to Russia rank outside the state's top export markets in commodity sales, Alaskans' interest in the Russian Far East continues to rank at or near the top among Alaska's international trading partners. Alaska services (oil field services, environmental services, engineering, technological, logistics, training, etc.) are an integral part of Alaska-RFE business equation. Many other Alaska-RFE cross-border activities, including tourism, exchanges (educational, scientific, cultural, Native), even humanitarian and technical assistance have significant economic impact as well.

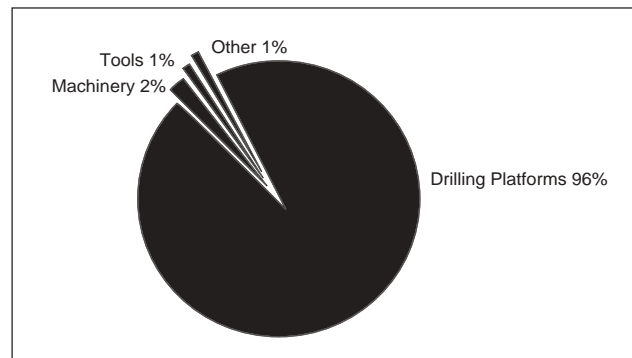
Alaska's Exports to Russia

Yearly Totals • In Millions



Alaska's Exports to Russia

2001



Seafood Sector Report

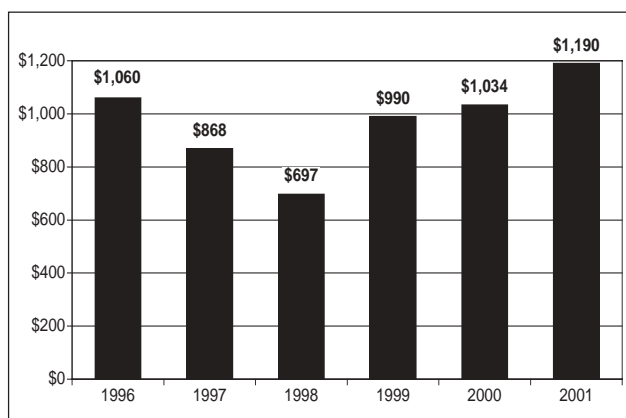
- Seafood Exports were up 15.1 percent in 2001 totaling \$1.2 billion.
- Seafood exports increased for the third consecutive year, to the highest level since 1995.
- 2001 ex-vessel value of salmon declined 21 percent from 2000 despite volume being up 7.6 percent.
- Seafood Exports to Germany soared 576 percent on the strength of pollock exports.
- Seafood Exports to Korea, Alaska's second largest market increased over 75 percent.

Seafood is Alaska's number one export commodity accounting for nearly 50 percent of all exports from Alaska. Despite some well-publicized problems with the salmon industry, Alaska's seafood exports increased over 15 percent in 2001. This marks the 3rd consecutive year of growth in seafood exports. Pollock and pollock roe were once again the main factors for the increase in seafood exports.

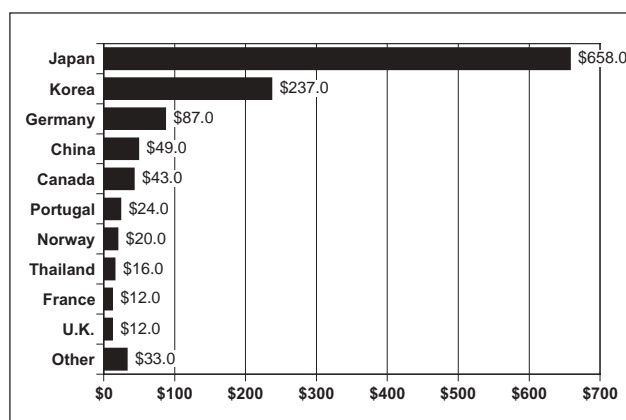
Due to declines in exports of pollock from Russia, Germany purchased large quantities of pollock from Alaska. Germany jumped to Alaska's third best market for seafood in 2001 from number seven in 2000. Following this trend, in recent years there has been an increasing amount of seafood being sold to European countries. Most of the exports to Europe are groundfish such as pollock and cod. With lower catches in the North Sea and North Atlantic many of the European countries are looking to Alaska to supply their seafood demand. Seafood exports to Korea increased over \$100 million dollars in 2001 to total \$237 million. Pollock products including roe and fillets were the primary reasons for the increase. Despite the continuation of the decade long economic downturn, Japan is by far Alaska's number one market for seafood. Japan accounted for over 55 percent of Alaska's total seafood export market in 2001.

The salmon industry once again faced a difficult challenge from stiff competition from farmed salmon as well as low commercial harvests. Red (sockeye) salmon, the state's most important salmon for export declined in ex-vessel value 38% in 2001. Overall harvest of red salmon was down 21% in 2001. Preliminary prices (estimates that do not include any possible postseason adjustments) show that on average fisherman received only 57 cents per pound for sockeye salmon in 2001 versus 76 cents in 2000. This trend will likely continue over the next several years.

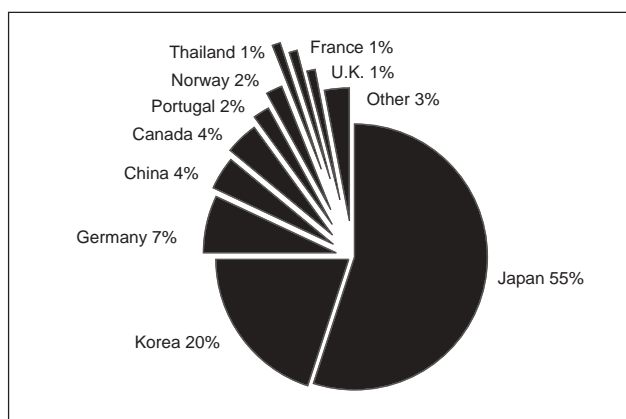
Seafood Exports from Alaska In Millions



Alaska's Seafood Markets 2001



Alaska's Seafood Markets 2001



Energy (Petroleum Products, LNG, and Coal)

Energy Sector Report

- Alaska's Energy exports such as oil, liquefied natural gas, coal, and refined petroleum products declined 48 percent in 2001 to \$297 million.
- The decrease was almost entirely attributable to the anticipated decline in crude oil exports.
- Liquefied natural gas exports to Japan held steady at \$145 million for 2001.
- Exports of value-added refined petroleum products such as naphtha, gasoline, and fuel oil increased 10 percent to \$134 million in 2001.

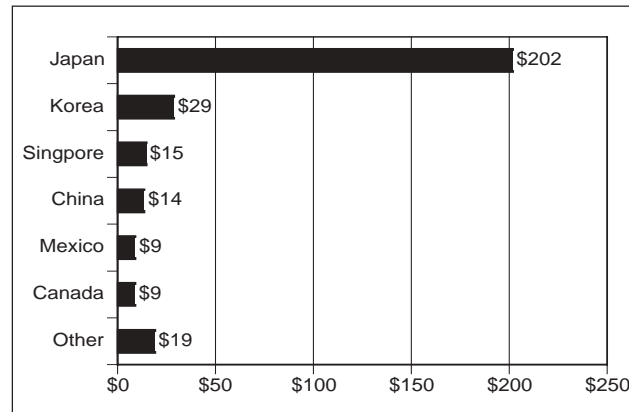
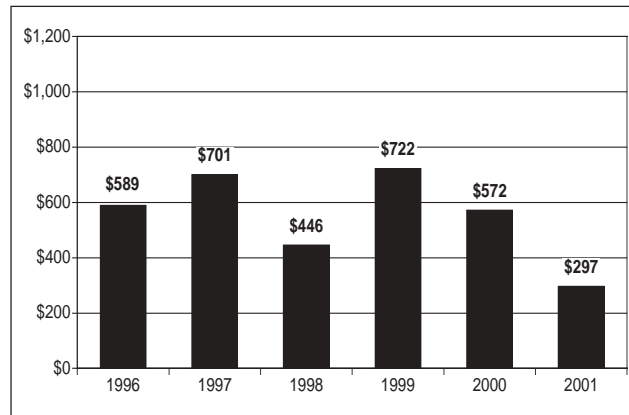
Despite the large negative numbers, Alaska's report card for energy exports would read a "B" perhaps even a "B+." Almost all of the decline in energy exports during 2001 can be attributed to the anticipated decline in exports of crude oil. Of all the exports, crude oil perhaps has the smallest benefit difference between product exported versus sold domestically. Despite the decline in exports, all of the crude oil produced in Alaska has no problem in finding a market.

The bright spot in energy exports was the 10 percent increase in refined petroleum products such as naphtha, LNG, fuel oil, and gasoline. By adding value in State, Alaskans maximize the value of the natural resources produced in Alaska.

LNG exports to Japan in 2001 marked the 34th consecutive year Alaska has exported commercial quantities of LNG to Japan. An extended LNG contract was signed between Alaskan sellers and Japanese buyers. The new contract will run from 2005 to 2009. 2001 coal exports to Korea were also steady at over \$16 million in 2001. However, there are concerns the coal contract will not be renewed in 2002 due to intense competition from Indonesian coal.

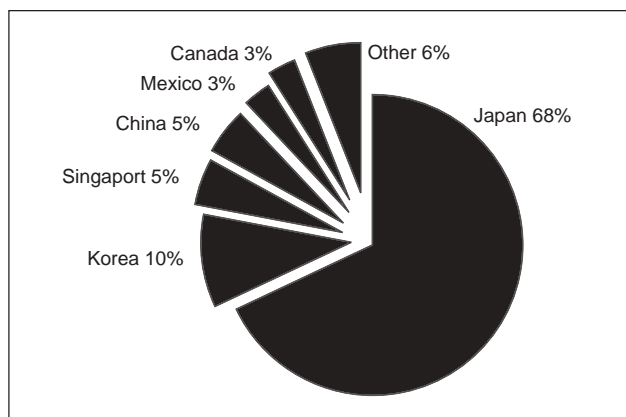
Energy Exports from Alaska (Petroleum Products, LNG, and Coal)

In Millions



Energy Exports from Alaska (Petroleum Products, LNG, and Coal)

2001



Mineral Sector Report

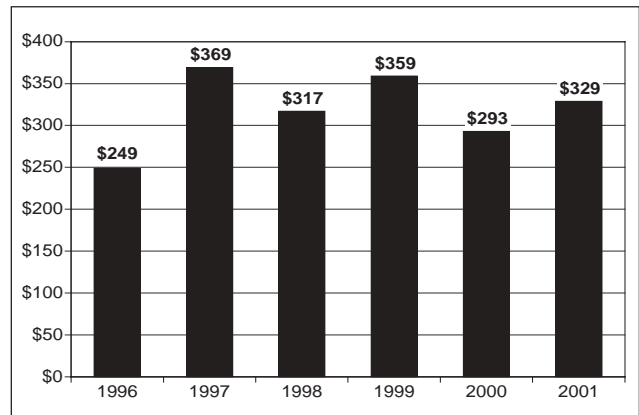
- The overall value of the minerals industry in Alaska is estimated to be \$992 million in 2001, a 23 percent decrease from the \$1.283 billion 2000 value.
- Total mineral exports were up 12.3 percent in 2001.
- Exploration investment decreased 37 percent in 2001.
- Development expenditures decreased 40 percent in 2001.
- The gross value of Alaska's mineral products decreased 20 percent.
- The price of zinc, Alaska's largest export mineral, was 22 percent lower than in 2000.
- In 2001, the State of Alaska resumed airborne geo-physical surveys under the auspices of the Division of Geological and Geophysical Surveys (DGGs).

Mineral exports were up 12 percent in 2001 from \$293 million to \$329 million. The estimated value of Alaska's mineral production in Alaska was \$887 million in 2001, a decrease from \$981 million in 2000. However, 2001 production at Red Dog mine was comparable to 2000 levels, as mill upgrades continued into the 4th quarter of 2001. Production at Red Dog is expected to increase about eight percent in 2002. Red Dog produced 571,000 tons of contained zinc in 2001, versus 585,000 in 2000. Greens Creek produced 53,000 tons in 2001, versus 84,000 tons in 2000. Total production was 624,000 tons in 2001, versus 669,000 in 2000.

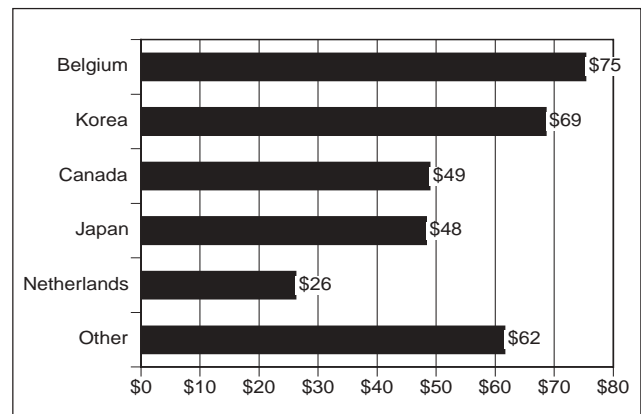
Exploration investment was down from \$34.9 million in 2000, to \$22.1 million in 2001 as a result of low metal prices. The low prices hindered the company's ability to raise capital for mineral exploration. Estimated mineral exploration was at its lowest point since 1987.

The decrease of development expenditures resulted primarily from the completion of the \$105 million Mill Optimization Project at the Red Dog mine in the northwest region. Completion of developments at Fort Know, Pogo, and True North mines also contributed to the decline.

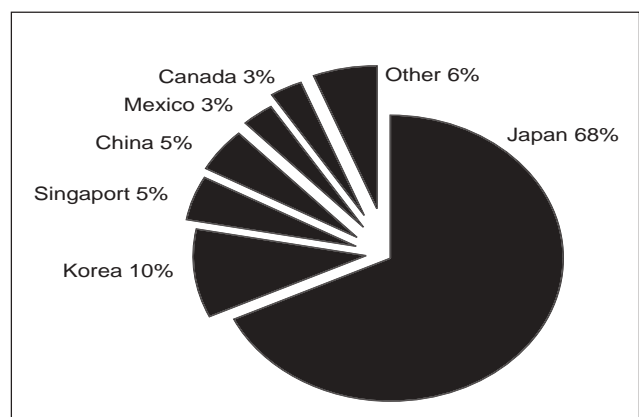
Minerals Exports from Alaska
In Millions



Alaska's Minerals Markets
2001



Minerals Exports from Alaska
2001



Fertilizer

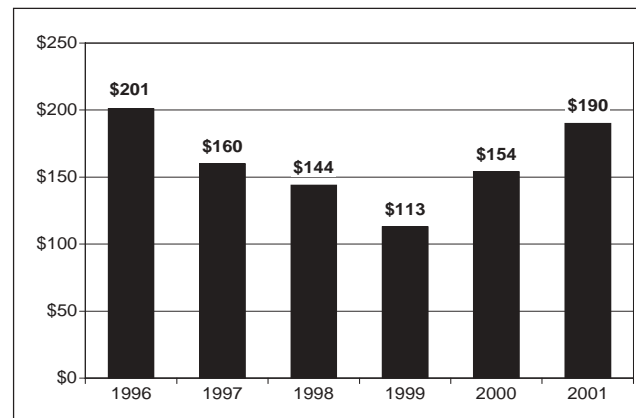
Fertilizer Sector Report

- Alaska's exported \$190 million worth of fertilizer in 2001.
- Fertilizer is mainly produced at the Agrium plant in Nikiski.
- Total fertilizer exports were up 23 percent in 2001.
- Alaska exported fertilizer to 13 countries in 2001.
- Korea was Alaska's largest fertilizer market in 2001.
- Fertilizer exports to Mexico increased 80 percent in 2001.
- Alaska's fertilizer exports consist primarily of anyhdrous ammonia and urea (a concentrated dry source of nitrogen).
- Total ammonia production capacity is 1,250,000 gross (670,000 net) tonnes.
- Total nitrogen product capacity is 1,670,000 tonnes.

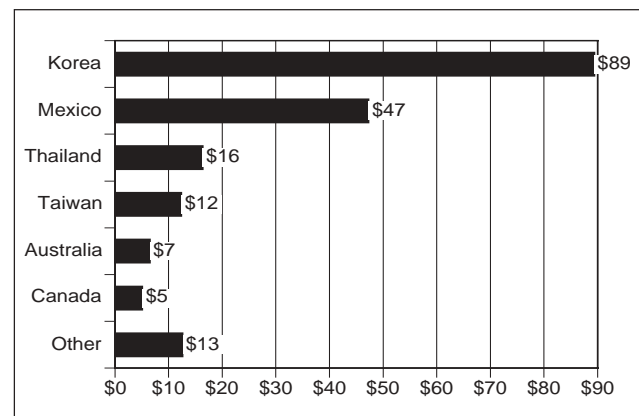
Background

The total value of Alaska's fertilizer exports surpassed Alaska's Timber exports for the first time in 2001. Total fertilizer exports increased by 23 percent in 2001. Alaska exported fertilizer to 13 countries, with 46 percent going to Korea, and 25 percent to Mexico. The majority of the fertilizer produced in Alaska is destined for large-scale agricultural use. Two types of chemicals (ammonia and urea) makeup the majority of Alaska's fertilizer exports. Production of these two fertilizer products takes place at the Agrium Inc. plant in Nikiski on the Kenai Peninsula. With 477 employees, Agrium is one of the largest employers in the region. The fertilizer production process utilizes one of Alaska's abundant natural resources (natural gas) and converts it to a value-added product (fertilizer). In addition to large-scale fertilizer production, Alaska's fertilizer products also include limited volumes produced by small businesses of plant food type products that are made from organic ingredients such as, wood, ash, seashells, and fishmeal.

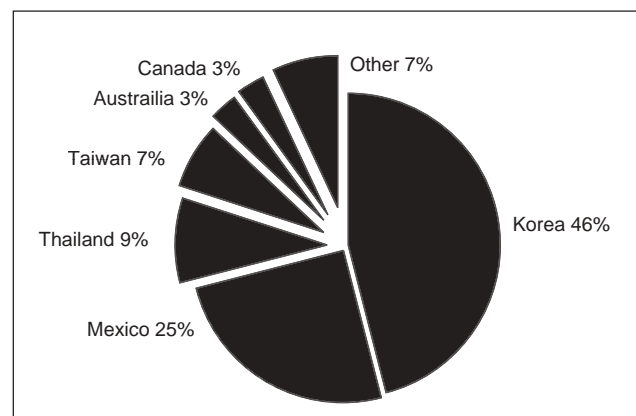
Fertilizer Exports from Alaska
In Millions



Alaska's Fertilizer Markets
2001



Fertilizer Products Exports from Alaska
2001



Forest Products

Forest Products Sector Report

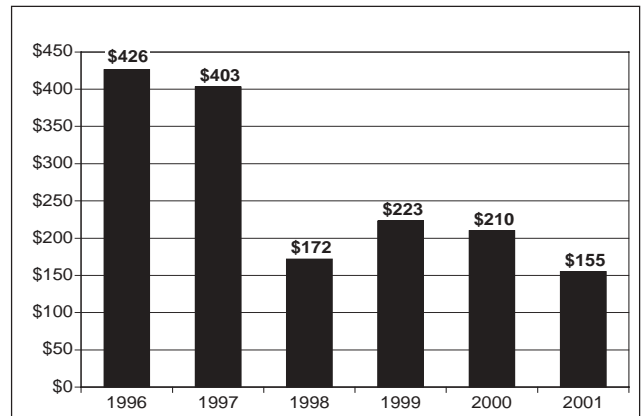
- Continued economic slump in Japan keeps market demand and prices low for Alaska logs and lumber.
- 2001 was a difficult year for Alaska forest products as exports declined 26 percent from 2000.

Efforts to reduce fire hazards and create defensible space around Kenai Peninsula communities are ongoing. This concerted effort results supports approximately 100 jobs in logging and chipping spruce bark beetle killed timber for export to Pacific Rim pulp mills. Unfortunately, before the end of the decade, it will leave the Peninsula without commercially available source of timber for approximately 50 years or more.

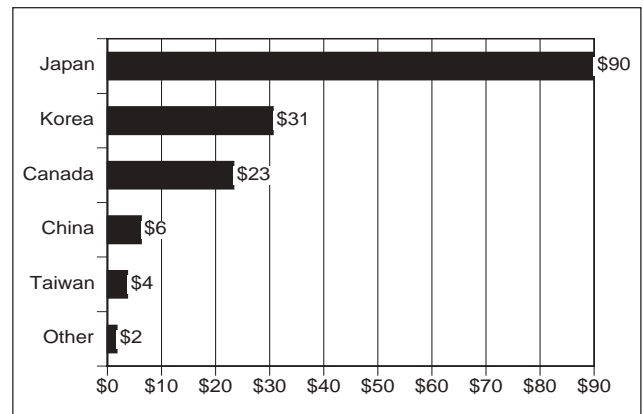
In June 2001, the USDA Forest Service awarded \$2 million in grants for dry kilns and associated equipment to seven Alaska companies. These grants will dramatically improve the competitive position of the Alaska industry. The grantees cover a wide range of small to large-scale mills and include primary lumber mills as well as specialty secondary processors.

Continued economic difficulty in the Japanese economy has reduced its importance to Alaska round log and lumber exporters. Over the past few years, Alaska woods product exporters have worked to strengthen their presence in Korea, China, and other Asian markets. Their work and Japan's market slump is clearly shown in the destination pie chart. For the past few decades Japan has purchased 70 to 90 percent of Alaska's wood product exports.

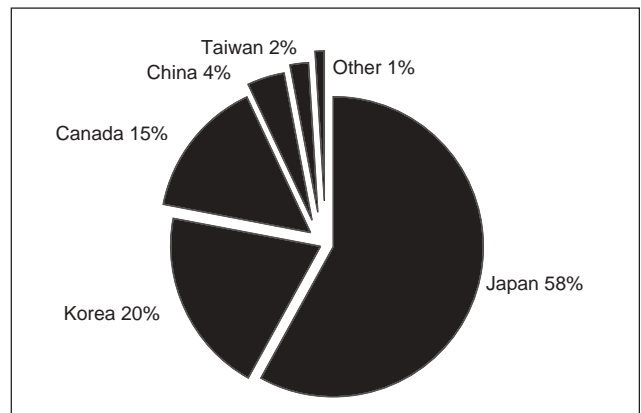
Forest Products Exports from Alaska
In Millions



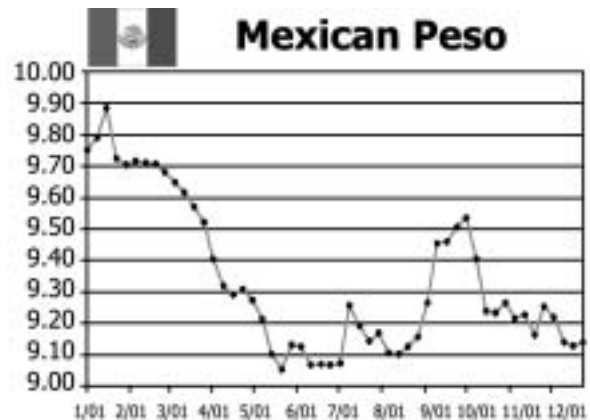
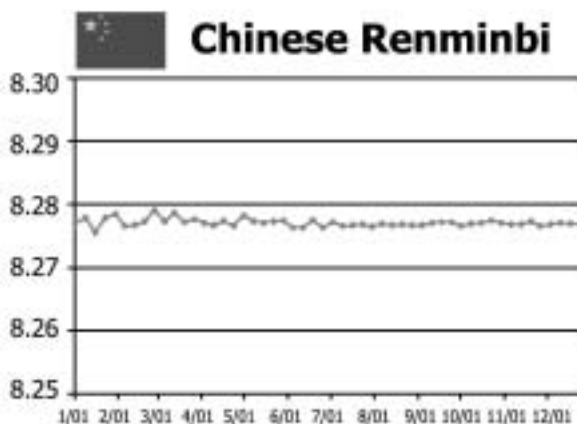
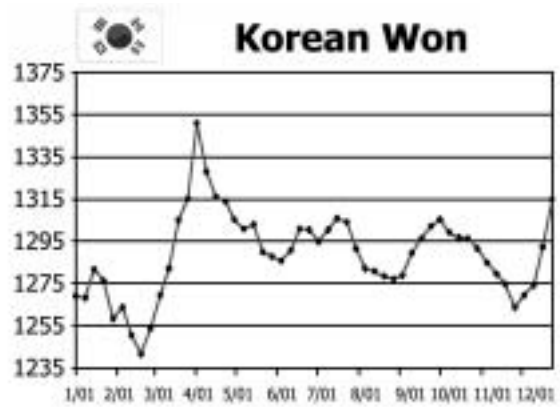
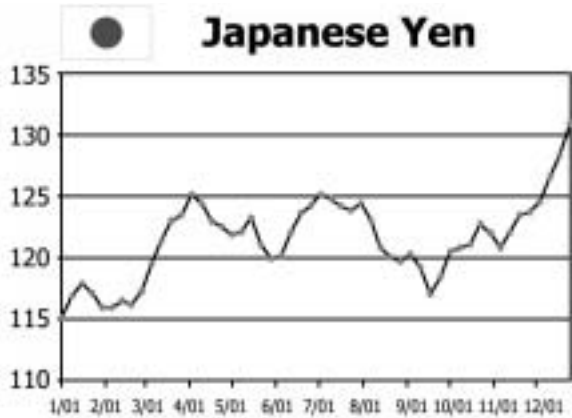
Alaska's Forest Products Markets
2001



Forest Products Exports from Alaska
2001



2001 Currency Movements



Foreign Direct Investment

Foreign direct investment (FDI) in Alaska plays a significant role in the development and growth of our major industries. These investments are important not only because they generate tax revenues and create jobs for thousands of Alaskans; they are also a vote of confidence in Alaska as a good place to do business.

The U.S. Department of Commerce reports that in 1998, U.S. affiliates of foreign companies, investment in Alaska totaled \$28 billion. That total ranked Alaska ninth among all American states as a recipient of FDI. While the majority of this amount is due to British Petroleum's investment at Prudhoe Bay and the Trans-Alaska Pipeline, other significant investors include Canadian and Japanese firms involved with seafood, mining and tourism operations in Alaska.

There are numerous examples. Marubeni Corporation of Japan owns North Pacific Seafoods which has processing plants in six Alaska communities and employees over 500 workers. Another Japanese investor in the Alaska seafood industry is Maruha. The company owns Western Alaska Seafoods in Kodiak and has ownership stakes in Westward Seafoods and Alyeska Seafoods, both at Dutch Harbor. These companies account for nearly 1,000 permanent and seasonal jobs.

Alaska's mining industry has attracted significant Canadian investment. Cominco, a Canadian firm, owns Red Dog, the world's largest zinc mine located north of Kotzebue. Red Dog has invested over \$600 million in facilities at the mine. Two other Alaskan mining operations are also foreign owned: Fort Knox by Kinross, based in Toronto and the Greens Creek Mine which is majority owned by Rio Tinto, a British company.

In addition, foreign firms, mainly Canadian, spend considerable sums on mineral exploration in the state. Records show that of the \$750 million spend on exploration since 1981, about 60% (\$450 million) was carried out by non-U.S. companies.

The state's tourism industry also benefits from overseas investment. Kokudo, a Japanese company, for example, owns the Alyeska Resort at Girdwood. The company has invested over \$150 million into the hotel, tram and other facilities. The resort employs 400 workers seasonally, with an annual payroll exceeding \$12 million. In Anchorage, the Regal Alaskan Hotel, once owned by a Hong Kong company, has recently been sold to one based in Singapore. Headquartered in London, P & O Princess Cruises PLC operates the Princess Cruise Line whose ships call at ports in Alaska. The company has made direct investments in four hotels in the state.

It is important to note that the FDI figures in this report do not reflect the money spent by these companies on payroll, procurement of supplies and services, taxes, and other significant contributions to the communities where they have invested.

The Division of International Trade and Market Development works closely with many of these international companies and provides information and assistance to others who are considering an investment in our state. Though often a long-term proposition, success in attracting business and investment to the state will pay dividends long into the future.

Governor's Exporter of the Year Award

Each year the Export Council of Alaska organizes the Alaska Export Banquet in May, around the time of "World Trade Week," as proclaimed by the U.S. Department of Commerce. During the banquet, the Governor presents the coveted Governor's Exporter of the Year award.

"Trade is very important to Alaska," said Governor Tony Knowles. "This award gives the State of Alaska an opportunity to recognize companies, both large and small, that expand our economy and create good jobs for Alaskans."

Award Recipients

2000	(Presented May 24, 2001)	
	Winner	VECO Corporation
1999	Winner	Arctic Slope Regional Corp.
1998	Winner	Cominco Alaska Inc.
1997	Winner	Reeve Aleutian Airlines and Circumpolar Expeditions
1996	Winner	North Pacific Processors, Inc.
1995	Winner	Tesoro Alaska Petroleum Company
1994	Winner	ERA Aviation
1993	Winner	Apocalypse Design
1992	Winner	DAT/EM International
1991	Winner	Cominco Alaska Inc.
1990	Winner	Federal Express
1989	Winner	Klukwan Forest Products
1988	Winner	Sealaska Corp.
1987	Winner	Sea Hawk Seafoods
1986	Winner	Seley Corp.



Left to right: Lt. Governor Fran Ulmer; Pete Leathard, VECO Corporation President; and Governor Tony Knowles.

Alaska's Consular Corps

CONSULATE GENERAL OFFICE

Consulate General of Japan
3601 C Street, Suite 1300, Anchorage, AK 99503
Phone: (907) 562-8424 Fax: (907) 562-8434
e-mail: cgjpnak@ptialaska.net

Consul General Kazuo Obinata
Consul Kenichi Okada
Consul Yoshitsugu Shikada
Consul Satoshi Ozawa
Vice Consul Fusaji Saikawa

HONORARY CONSULS

Austria

Honorary Consul Walter J. Hickel, Jr.
Consulate of Austria
939 W. 5th Avenue, Anchorage, AK 99501
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Belgium

Honorary Consul Carl F. Brady, Jr.
Consulate of Belgium
PO Box 107502, Anchorage, AK 99501
Phone: (907) 276-5617 Fax: (907) 257-6394

Canada

Honorary Commercial Representative
Ron C. Sheardown
Consulate of Canada
3512 Campbell Airstrip Road
Anchorage, AK 99504
Phone: (907) 333-1400 Fax: (907) 333-1800

Czech Republic

Honorary Consul Frank Nosek
Consulate of the Czech Republic
310 K Street, Suite 601, Anchorage, AK 99501
Phone: (907) 274-2602 Fax: (907) 258-2001

Denmark

Honorary Consul Frank Danner
Royal Danish Consulate
3111 C Street, Suite 100, Anchorage, AK 99503
Phone: (907) 261-7600 Fax: (907) 261-7670

Finland

Honorary Consul Wayne A. Stolt
Consulate of Finland
1529 P Street, Anchorage, AK 99501
Phone: (907) 274-6607 Fax: (907) 279-2060

France

Honorary Consul Colette LaRose
Agence Consulaire de France
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Anchorage, AK 99503
Phone: (907) 222-6232 Fax: (907) 222-6072

Germany

Honorary Consul Bernd C. Guetschow
Consulate of the Republic of Germany
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Phone: (907) 274-6537 Fax: (907) 274-8798

Iceland

Honorary Consul Bjartmar "Bart" Sveinbjörnsson
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9550 Midden Way, Anchorage, AK 99507
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Italy

Honorary Consul Victor Montemezzani
Consulate of Italy
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Phone: (907) 762-7664 Fax: (907) 762-7663

Korea

Honorary Consul William H. Bittner
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Phone: (907) 276-1550 Fax: (907) 276-3680

Mexico

Honorary Consul Lina Ruiz
Consulate of Mexico
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Phone: (907) 265-2942 Fax: (907) 265-2070

Norway

Honorary Consul Anton Z. Meyer
Royal Norwegian Consulate
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Phone: (907) 279-6942 Fax: (907) 279-4912

Russian Federation

Honorary Consul Steve R. Smirnoff
Consulate of the Russian Federation
3581 Kachemak Circle
Anchorage, AK 99515-2337
Phone: (907) 349-5481 Fax: (907) 522-1489
Email: bahamas@alaska.net

Seychelles

Honorary Consul Harold Green
Republic of Seychelles
P.O. Box 111909, Anchorage, AK 99511-1909
Phone: (907) 244-5375 Fax: (907) 345-5607

Slovak Republic

Honorary Consul Andrea Quam
6623 Lunar Drive (Baxter Bog)
Anchorage, AK 99504
Phone: (907) 338-3085 Fax: (907) 258-5167

Spain

Honorary Vice Consul Robert Gonzalez
Consulate of Spain
14900 S. Windsor Circle, Anchorage, AK 99516
Phone: (907) 345-5747 Fax: (907) 345-5867

Sweden

Honorary Consul Ed Rasmuson
Consulate of Sweden
301 W. Northern Lights, Anchorage, AK 99503
Phone: (907) 265-2927 Fax: (907) 265-2068

United Kingdom

Honorary Consul Diddy R.M. Hitchins, Ph.d.
British Consulate
University of Alaska Anchorage
3211 Providence Drive, Anchorage, AK 99508
Phone: (907) 786-4848 Fax: (907) 786-4647
Email: AFDHI@uaa.ak.us

Sister States & Sister Cities

Sister States/Provinces

Heilongjiang Province, China
Khabarovsk Region, Russia

Sister Cities

Anchorage	Chitose, Japan Darwin, Australia Inchoen, Korea Magadan, Russia Tromso, Norway Whitby, England
Fairbanks	Aix-Les-Bains, France Mo-I-Rana, Norway Tainan City, China
Fairbanks North Star Borough	Yakutsk, Russia
Homer	Teshio, Japan Yelisovo, Russia
Juneau	Camiling, Phillipines Chai-I Township, China Lenin District, Vladivostok, Russia Whitehorse, Canada
Kenai	Okha, Sakhalin Island, Russia
Ketchikan	Prince Rupert, Canada Kanayama, Japan
Kotzebue	Lavrentiya, Russia
Nome	Provideniya, Russia
North Pole	Itadori-Mura, Japan
Palmer	Saroma, Japan
Petersburg	Hammerfest, Norway
Savoonga	Sereniki, Russia
Seward	Obihiro, Japan
Sitka	Nemuro, Japan
Soldotna	Nogliki, Sakhalin, Russia
Unalaska	Petropavlovsk-Kamchatsky, Russia
Wasilla	Mirniy, Russia
Wrangell	Noshiro, Japan

Mission Statement

As adopted by the 22nd Alaska State Legislature, the mission of the Division of International Trade and Market Development (ITMD) is to increase international trade and investment in Alaska.

Core Functions of the Trade Program

Assist Alaska Companies Sell Their Goods and Services Overseas

- **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.
- **PROMOTE ALASKA AS A LOCATION FOR FILM PROJECTS**—The filming of motion pictures, television programs, advertisements, documentaries and catalog shoots are projects that will bring significant dollars into the Alaska economy
- **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.

Provide Information

- **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

- **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.

Notes

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Anchorage Office
Atwood Building*

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