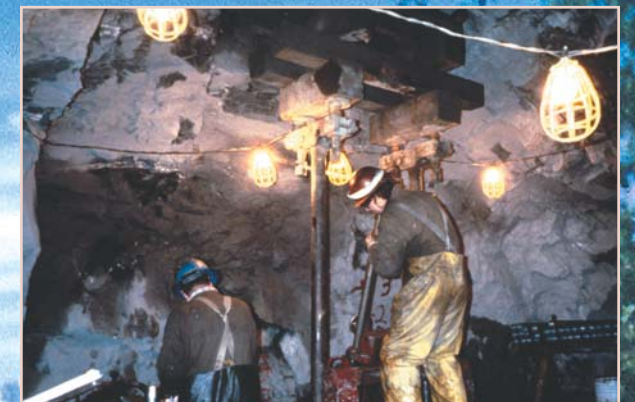


State of Alaska

OFFICE OF THE GOVERNOR

2004 EXPORTS



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Margy Johnson, Director of International Trade

Margy Johnson, Director of International Trade

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May 2005

Greetings:

These are exciting times to live and work in Alaska. The world economy is expanding, and Alaska is prospering from that growth. Demand and prices are increasing for our main international exports: seafood, minerals, fertilizers, energy, and precious metals.

My administration is focused on ensuring that Alaska is indeed "open for business" with a predictable regulatory framework and the necessary infrastructure to encourage trade. That's because at every step of the way, working Alaskans benefit.

We've seen significant improvements in airports, roads, and harbors throughout the state and have made gains in removing barriers to commerce.

And the numbers speak for themselves. In 2004 we set a new record by exporting to 92 countries. We saw international trade grow 15 percent in 2004 after having enjoyed a nine percent jump in the previous year.

Asia remains our principal export region, with Japan, Korea, and China consuming two-thirds of our products. I will continue my efforts to strengthen the already solid friendship we share with our neighbors in the Pacific.

International buyers value the high quality and abundance of our natural resources. Alaska's reputation as having a stable business climate increases investor certainty and invites expansion.

I want to thank the Alaska companies at the forefront of this impressive growth. Your commitment to finding international markets makes a difference for an increasing number of Alaska families.

I welcome international investors and government officials to Alaska and hope your experience here is productive. My international trade staff will do everything possible to ensure you get the information you need to make Alaska a successful business partner.

Sincerely yours,

Frank H. Murkowski
 Governor



Governor Frank H. Murkowski and Taiwan Senior Advisor to the President Ning-Hsiang Kang signed a memorandum of understanding, pledging a joint effort to develop some of Alaska's world-class coal reserves in September, 2004.



Governor Murkowski and Consul of Canada Karen Matthias. The Canadian government established a new consular office in Anchorage in September 2004.

PHOTO BY: PATRICK ENDRES

Rank	Country	U.S. Dollar			% Change 2004/2003
		2002	2003	2004	
1	Japan	1,105,172,307	1,031,953,258	1,189,666,446	15.28%
2	Korea	416,639,623	566,809,507	579,610,263	2.26%
3	Canada	154,991,801	230,523,286	246,566,510	6.96%
4	China	147,847,078	153,859,674	241,501,571	56.96%
5	Germany	117,522,787	112,603,489	146,530,789	30.13%
6	Mexico	63,259,267	71,682,428	107,664,717	50.2%
7	Switzerland	47,441,493	93,623,516	92,647,515	-1.04%
8	Netherlands	82,806,246	96,799,787	92,385,427	-4.56%
9	Spain	67,712,903	37,953,209	69,978,834	84.38%
10	Belgium	50,359,729	51,461,501	52,826,636	2.65%
11	France	24,817,917	19,168,254	38,565,560	101.19%
12	Thailand	31,017,523	32,618,522	32,256,828	-1.11%
13	Norway	19,788,248	16,309,549	31,563,926	93.53%
14	Portugal	17,915,363	12,380,455	30,951,719	150%
15	Hong Kong	15,426,837	49,971,788	28,369,089	-43.23%
16	Australia	21,766,502	16,620,598	22,828,782	37.35%
17	Bulgaria	5,478	0	20,852,947	
18	Taiwan	25,003,952	18,229,185	19,907,842	9.21%
19	Finland	82,431	16,486,768	19,410,700	17.74%
20	Chile	239,837	4,669,302	12,325,486	163.97%
	Other Countries	106,402,433	104,833,632	80,499,023	
	Worldwide Total	\$2,516,219,755	\$2,738,557,708	\$3,156,910,610	

Sister States/Provinces

Heilongjiang Province, China
Khabarovsk Region, Russia
Taiwan Province, Taiwan

Sister Cities

Anchorage	Chitose, Japan Darwin, Australia Incheon, Korea Magadan, Russia Tromso, Norway Whitby, England
Fairbanks	Aix-Les-Bains, France Mo-I-Rana, Norway Tainan City, Taiwan
Fairbanks North Star Borough	Yakutsk, Russia
Homer	Teshio, Japan Yelisovo, Russia
Juneau	Camiling, Philippines Chai-I Township, Taiwan Lenin District, Vladivostok, Russia Whitehorse, Canada
Kenai	Okha, Sakhalin Island, Russia
Ketchikan	Prince Rupert, Canada Kanayama, Japan
Kotzebue	Lavrentiya, Russia
Nome	Providenya, 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

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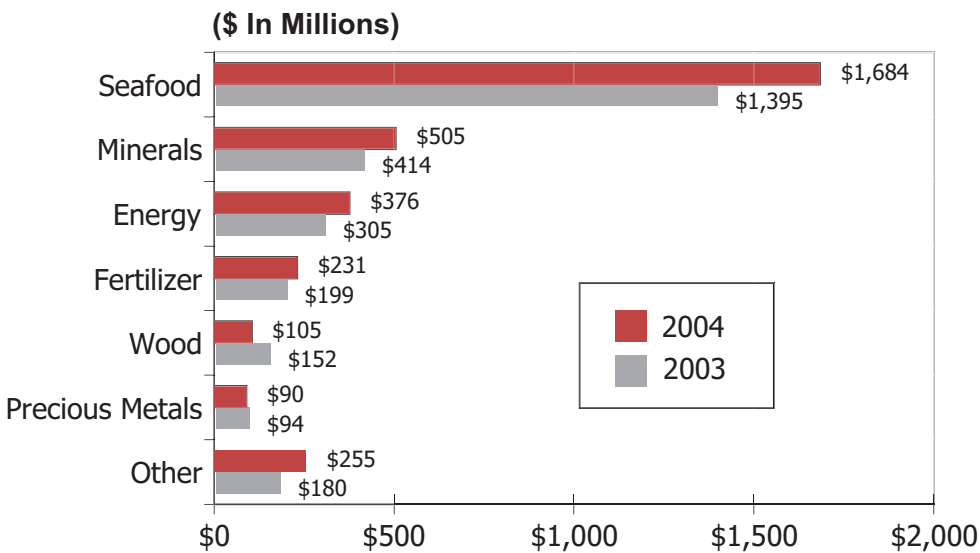
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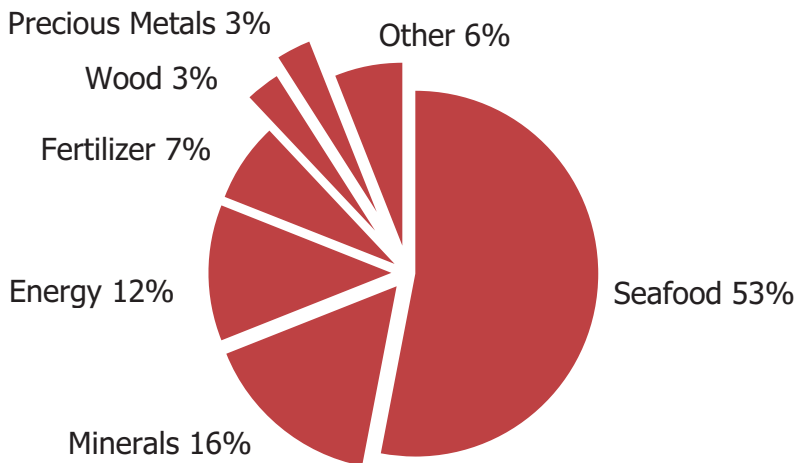
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Alaska’s Major International Export Products



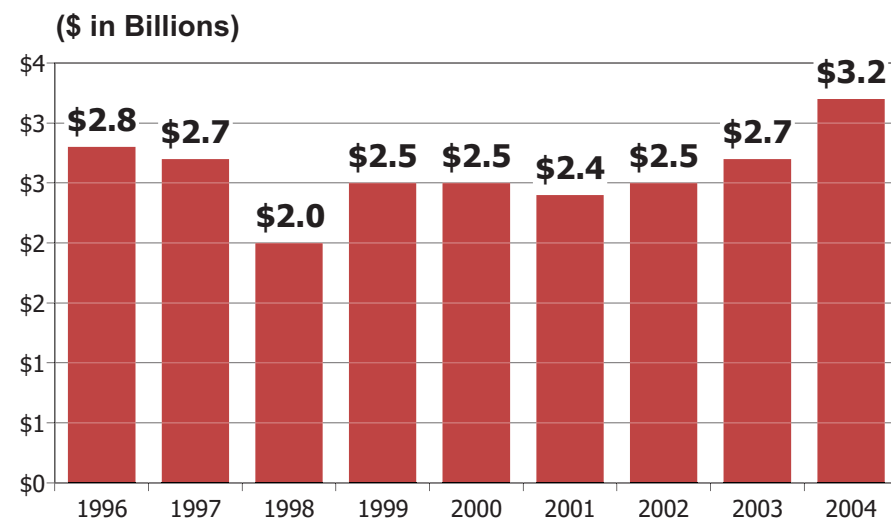
Source: U.S. Census Bureau, Origin of Movement Series

Alaska’s Major International Export Products 2004



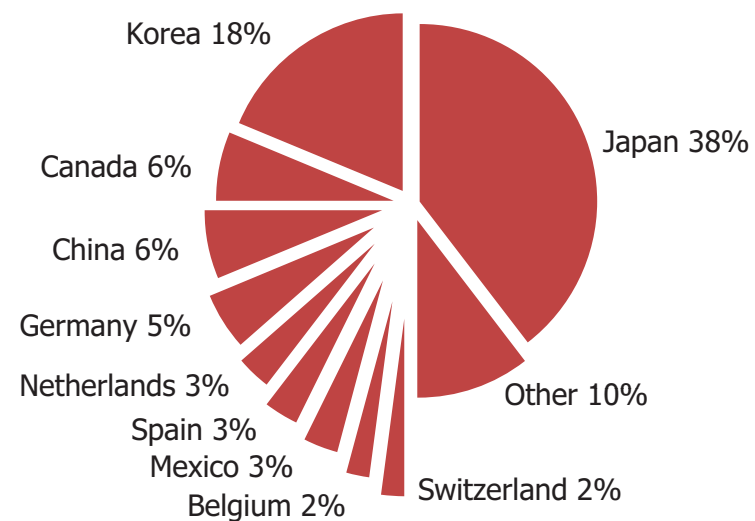
Source: U.S. Census Bureau, Origin of Movement Series

Alaska's Total International Export



Source: U.S. Census Bureau, Origin of Movement Series

Alaska's International Export Destinations 2004



Source: U.S. Census Bureau, Origin of Movement Series

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 Awards for export activities in the preceding year.

"International trade is an integral part of the Alaska economy," said Governor Frank Murkowski. "This award gives the State of Alaska an opportunity to recognize the efforts of companies, both large and small, that expand our economy and create good jobs for Alaskans."

Award Recipients

2004	Alaskan Vacations
2002	Sealaska Timber Corporation
	Northern Keta
2001	Agrium Kenai Nitrogen Operations
	Dowland-Bach
2000	VECO Corporation
1999	Arctic Slope Regional Corporation
1998	Teck-Cominco Alaska, Inc.
1997	Circumpolar Expeditions
1996	North Pacific Processors
1995	Tesoro Alaska Petroleum Company
1994	ERA Aviation
1993	Apocalypse Design, Inc.
1992	Dat/Em Systems
1991	Teck-Cominco Alaska, Inc.
1990	FedEx



The State of Alaska's Japan Trade Representative Kojiro Abe, Alaskan Vacations' Dave Karp and Yoshihiro Aoki, Deputy General Manager, Overseas Travel Department of Kintetsu International, Kinki Nippon Tourist Company

The winner of the 2004 Governor's Exporter of the Year award, Alaskan Vacations, made important innovations in direct air charter service from Japan to Alaska. Their 11 charters in summer 2004 brought more than 2,000 Japanese travellers directly to the state, using a smaller single-aisle aircraft rather than the typical long-haul jumbo jet. The choice of aircraft as well as the promotion of shared use of a charter plane among several Japanese tour operators, improved the viability of the direct air service and also enhanced the traveller's experience by providing a more customized feel.

Russia

While the value of exports of Alaska's products to Russia is low when compared to other countries, Russia is an important international market in the service arena. Alaska companies have expertise in providing support and engineering services for natural resource production or exploration. Specialized Alaska service companies will continue to find opportunities in the coming decades as Russia expands production of its significant natural resources, including the Sakhalin oil and gas deposits. Alaska's proximity to the Russian Far East (RFE) stimulates educational, scientific and cultural exchanges. This interaction has a positive economic impact in the region and leads to a better understanding of social issues. It continues the dynamic history these two areas have shared.

The State of Alaska, Federal Aviation Administration, American Russian Center, and Peak Oilfield Services have collaborated for several years under a US Agency for International Development grant that has provided training programs in Alaska for visiting delegations and on site in some Russian Far East locations. The programs have included training in environmental management, airport management, and oil field support.



U.S. Coast Guard Cutter Mellon enters the seaport of Petropavlovsk-Kamchatsky.

The U.S. Coast Guard's 17th District and the North-Eastern Coast Guard Department (NECGD) of Russia's Federal Security Service monitor the North Pacific Ocean and have maintained close contact since 1992. The two sides work together in a cooperative effort to protect marine biological resources and assure safety in convention areas of the Pacific Ocean and Bering Sea. They regularly exchange information on fisheries-related situations, including breaches in rules for marine product harvesting.



Governor Murkowski met with members of the Russian State Duma who serve on the Duma's Committee for Issues of the North and Far East. Mr. Stanislav Eliseykin, first deputy chairman of the committee, led the delegation to Alaska.



In Memoriam
Sakhalin Governor Igor Farkhutdinov
1950-2003
Friend to Alaska, Friend to the World

Seafood

Seafood continues to be the driving force behind international export growth in Alaska, accounting for 53% of all sales. In 2004, fish exports increased 21%, an impressive \$289 million more than the previous year for a total of nearly \$1.7 billion. This eclipses the year end totals for the last decade and is one billion dollars, or two and a half times, more than the \$697 million in seafood exported from Alaska in 1998.

Alaska has consistently been viewed as one of the best managed fisheries in the world. Regulations put strict limits on the total allowable catch to ensure fish stocks remain strong year after year. Environmental protections guarantee a high quality and healthy product.

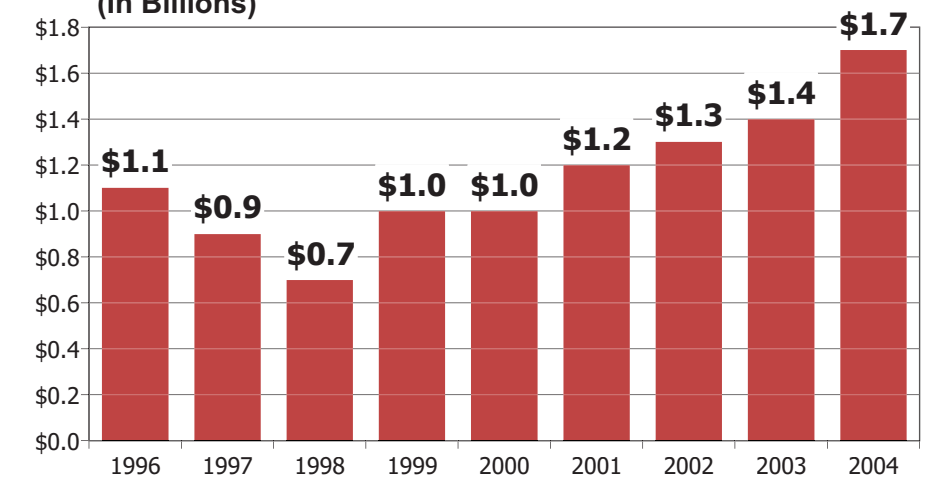
With the exception of herring, exports of all major seafood species have improved recently. It appears this is mainly a result of higher prices in the market, not extra production. Salmon, cod, pollock, roe, halibut, and crab continue to be our most valued export products.

Sales are rising as more health conscience consumers around the world are choosing the superior quality and taste of natural Alaska seafood over the lower priced foreign farmed fish. This product differentiation is beginning to allow Alaska fishermen some pricing power, not only with the high-end restaurant buyers, but also in the broader seafood markets.

The seafood industry has also been buoyed by Governor Murkowski's \$50 million fish revitalization strategy, which includes direct aid to fishing communities and individual fisherman, funding for seafood development projects throughout coastal Alaska and an aggressive salmon marketing campaign.

Alaska International Seafood Exports

(In Billions)



Source: U.S. Census Bureau, Origin of Movement Series



Chuck Bundrant of Trident Seafoods and State of Alaska International Trade Director Margy Johnson at Europe's largest seafood show, the European Seafood Expo in Brussels.

The Murkowski Administration continues to support the Alaska Seafood Marketing Institute in its efforts to promote Alaska seafood in both foreign and domestic markets. This joint effort is showing real, positive progress for the hard-working men and women fishing in Alaska.

Marketing efforts and trade missions are helping Alaska to diversify its sales markets. In 2004, Alaska exported seafood directly to 44 different countries. In 2002, seafood sales went to 34 countries and in 1997 the figure was only 24 countries.

Mining

The export of minerals topped \$500 million last year for the first time in Alaska's history. This amount is double the \$249 million exported only eight years ago in 1996. International mineral sales increased 9% in 2003 and an impressive 22% in 2004.

Lead and zinc production dominates this category. Additionally, \$90 million in gold and \$14 million in coal were sold internationally in 2004, however these products are counted in the precious metals and energy categories respectively.

Alaska's largest producing mines include the Red Dog lead and zinc mine near Kotzebue, the Fort Knox gold mine near Fairbanks, the Usibelli coal mine near Healy, and the Greens Creek silver, lead and zinc mine near Juneau.

One quarter of Alaska's mineral exports head to Canada, one third are sold to Europe and 40% are bound for Asia, primarily Korea, Japan and China.

A majority of this production comes from the Red Dog mine in northwest Alaska, the largest zinc mine in operation in the world. It is owned by the NANA native regional corporation and operated by Canadian owned subsidiary Cominco Alaska.

Canada plays a key role in Alaska's mining industry, accounting for 70% of exploration capital invested last year. Notable Canadian companies active here include Teck Cominco, Northern Dynasty, Kinross, Freegold Ventures, Nova Gold, Placer Dome, Full Metal Minerals and St. Andrews Goldfields.

Mining activity has picked up substantially in Alaska over the last two years. High metal prices have spurred exploration worldwide and Alaska is viewed as one of the largest untapped mining prospects on the planet. Opportunities for new discoveries are excellent.

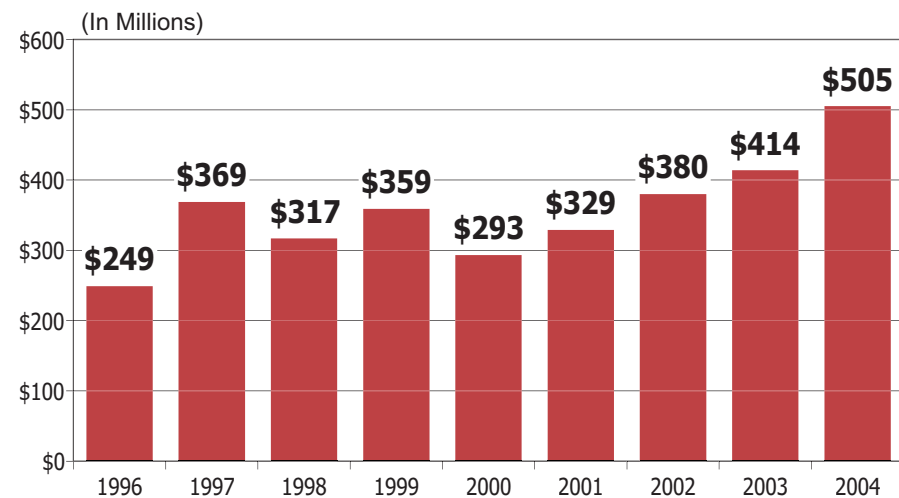
Of Alaska's 365 million acres of land, 104 million acres are owned by the state government and most is open to mining. This is an area larger than the entire state of California that remains essentially unexplored.

An additional 44 million acres are owned by Alaska's 12 Native Corporations, and many actively market resource development on their lands. Several of Alaska's greatest success stories, including the massive North Slope oil fields and the Red Dog mine, have come from partnerships between Native Corporations and international investors.

A current example is the Calista Native Corporation's relationship with Placer Dome, which has led to the leasing and exploration of land in the southwest region of the state. To date, over 23 million ounces of gold have been identified in this Donlin Creek project, making it the second largest gold mine in North America.

The largest gold mine prospect on the continent is also located in Alaska. The recently discovered Pebble Copper mine, owned by Northern Dynasty, has announced resource finds of 26.5 million ounces of gold, 16.5 billion pounds of copper, and other collocated metals.

Alaska International Mineral Exports



Source: U.S. Census Bureau, Origin of Movement Series

Taiwan

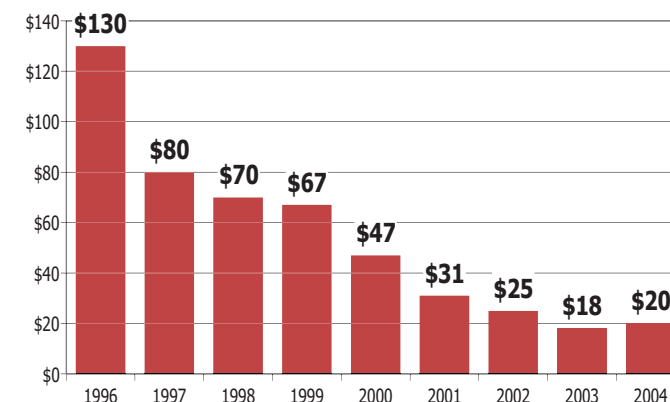
Alaska benefits in its efforts to expand exports to Taiwan because of the respect and long term relationships that Governor Murkowski enjoys with business leaders and government officials. This cooperation was first established when he was a U.S. Senator for 22 years and now continues as Governor.

Total exports to Taiwan increased by over nine percent to nearly twenty million dollars for 2004, reversing an eight-year decline. The four million dollar sale of minerals helped boost exports this year. Forest products to Taiwan climbed almost a million dollars to four million dollars while seafood sales went up over six percent to six and a half million dollars.

The establishment of the Taiwan-Alaska Trade & Investment Cooperation Council was a highpoint in Alaska/Taiwan relations in 2004. The new council seeks to expand trade with Taiwan, based in part on the natural fit between resource and energy-rich Alaska and the energy needs of Taiwan. The Council has representatives from Taiwan and Alaska in the industries of energy, mining, forestry, agriculture, fisheries, and tourism. Taiwan and Alaska officials agreed to work together to explore potential for export of Alaska's substantial deposits of coal.

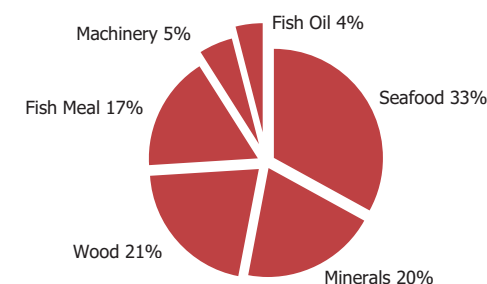
Alaska's Exports to Taiwan

Yearly Totals • In Millions



Alaska's Exports to Taiwan

2004



TAIWAN-ALASKA TRADE & INVESTMENT COOPERATION COUNCIL

Co-Chair Mike Barry, Alaska Industrial Development and Export Authority Board
 Co-Chair Frank Roppel, Alaska Housing Finance Corporation
 Alan Austerman, Office of the Governor
 Michael Beal, Seldovia Native Association
 Steve Borell, Alaska Miners' Association
 Larry DeVilbiss, Wolverine Farm
 Mark Eliason, US Travel
 Rich Heig, Greens Creek
 Tom Irwin, State of Alaska, Commissioner of Department of Natural Resources

Margy Johnson, Office of the Governor
 Trevor McCabe
 Ron Miller, Alaska Industrial Development & Export Authority
 Bill Noll, Office of the Governor
 Ron Peck, Alaska Travel Industry Association
 Steve Seley, Pacific Log & Lumber
 John Sturgeon, Trans-Pac Building Materials
 Bob Thorstenson, United Fishermen of Alaska
 James Weeks, UltraStar Exploration



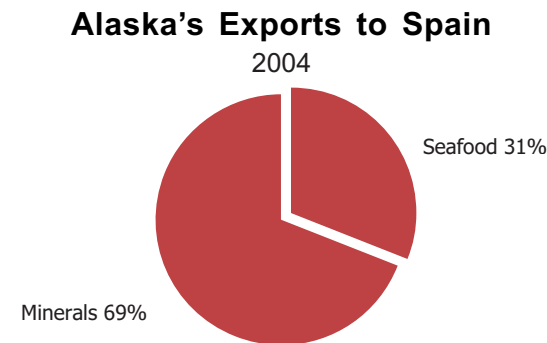
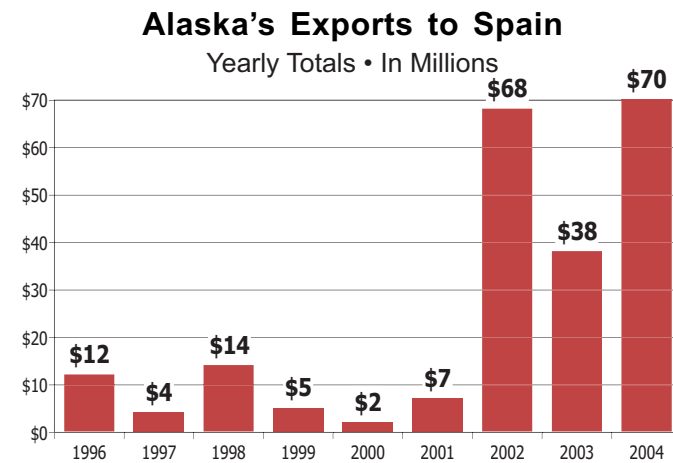
The first annual meeting of the Taiwan-Alaska Trade & Investment Cooperation Council convened in December 2004 in Taipei.



Director General Robert C.M. Chen of the Taipei Economic & Cultural Office in Seattle meets with Governor Murkowski in Fairbanks.

Spain

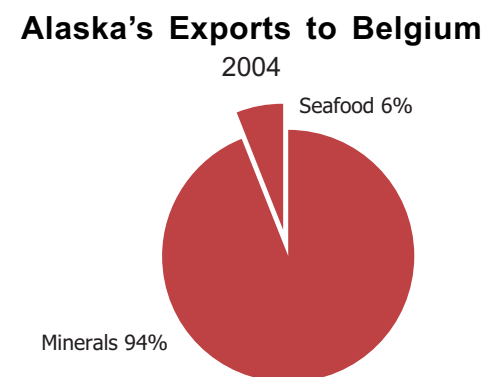
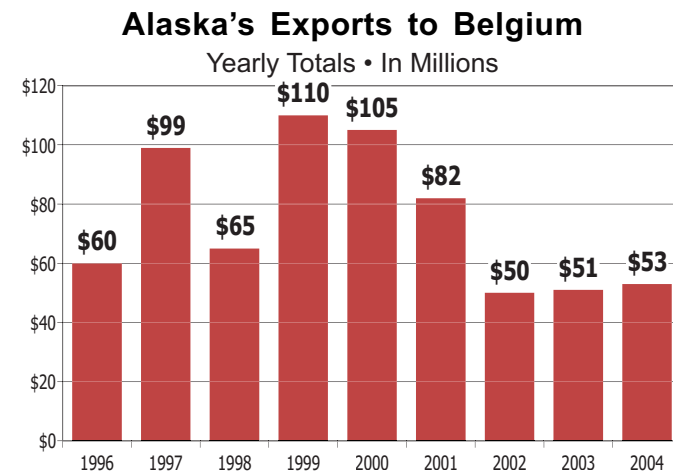
In the past three years, Alaska's exports to Spain have been in the \$35 million to \$70 million range. The primary commodity has been significant exports of ore from Red Dog Mine in northwest Alaska. Lead and zinc exports to Spain were \$47 million in 2004. Seafood exports to Spain have been growing in the past decade and reached \$22 million. Cod, a traditional diet staple in Spain, is Alaska's most popular product in the country.



Belgium

Alaska's exports to Belgium increased overall by three percent in 2004. Alaska's ore exports to Belgium have been in the \$50 million to \$100 million range recently. For many years, smelters in Belgium served as an important entry point to the European Union markets for the ore from Alaska's Red Dog Mine.

Seafood exports to Belgium increased in 2004 from one million to three million dollars. Seafood exports to European Union countries vary from year to year and country to country based on several factors, including shipping and cold storage rates in the EU's coastal ports. The annual spring European Seafood Expo in Brussels attracts Alaska seafood industry representatives who take advantage of the presence of buyers from dozens of countries.



Mining

continued—

Alaska has made great strides to provide a predictable regulatory environment that attracts international companies to trade and invest here. The swift and successful efforts last year to resolve environmental concerns at the Pogo Mine clearly demonstrate the Murkowski administration's commitment to ensure responsible development will occur in Alaska.

The Pogo Mine was fully permitted in 2004. The 50 mile all season access road has been completed, power connections are underway, and the mine's facility infrastructure is under construction. The Japanese Sumitomo Corporation and its subsidiaries own a 60% stake in the mine, while Canadian Teck Cominco Ltd. owns the remaining 40%.

Pogo is expected to produce up to 500,000 ounces of gold per year for 12 years after investing approximately \$250 million in start up capital costs. It will support a workforce of up to 700 people for construction and 360 full time positions once operations begin.

Other significant mining investments in the pre-development or permitting stages include the Kensington Mine near Juneau and the Rock Creek mine near Nome.

As these world class mines move from the advanced exploration phase into the construction and production phases, Alaska's international export of minerals is poised to increase dramatically in the near future.

The Alaska Miners Association is well organized and has a wealth of information available for anyone who wants to take an active interest in the area.



In early May 2004, Department of Natural Resources Commissioner Tom Irwin and Governor Frank Murkowski helped broker an agreement with the Northern Alaska Environmental Center to withdraw its appeal of the Pogo gold mine's EPA water quality permit. Pictured: NAEC Executive Director Arthur Hussey announces his group's concurrence with the agreement, which enabled mine construction to resume.



Sumitomo Metal Mining, Sumitomo Corporation, and Teck-Cominco have invested in the Pogo Gold Mine. Pictured: construction of the mill.



Ore from Red Dog Mine is shipped around the world. The operation is the world's largest producer of zinc concentrate and is an important source of jobs in northwest Alaska.



Greens Creek Ship Loading.

Energy

In 2004, energy exports from Alaska expanded 23% to \$376 million, or \$71 million more than in 2003. The category consists primarily of liquefied natural gas, light petrochemicals and coal.

Japan purchased 80% or \$300 million of Alaska's energy exports in 2004. China, Hong Kong, Korea, Canada and Chile imported the remainder.

Alaska also produces nearly one million barrels a day of crude oil. However, the international export of Alaska North Slope crude voluntarily ended in 2000. Now these sales go to west coast refineries in the United States and therefore are not included in these statistics.

Even without crude oil exports, the energy category will likely increase dramatically in the near future. Governor Murkowski and the Federal Congressional delegation are propelling the decade long dream of a natural gas pipeline closer to reality. The state is currently evaluating three separate pipeline development proposals. With high gas prices and diverse investment interest in constructing the pipeline, the potential for commercializing Alaska's gas resources looks promising.

The size of the resource is staggering. Alaska has 35 trillion cubic feet of proven gas reserves in the North Slope. Recent tests on methane hydrate resources strongly suggest that an additional 20 trillion cubic feet of gas can be produced out of the existing Prudhoe Bay infrastructure using conventional technology.

Recently published U.S. Geological Survey (USGS) estimates for conventional North Slope gas resources push Alaska's potential over 200 trillion cubic feet. A natural gas pipeline could allow some or all of this energy to reach tidewater in southern Alaska where it can be exported internationally.

There has also been renewed discussion of developing oil and gas in the Arctic National Wildlife Refuge (ANWR). With the new composition of the US Senate and support from President Bush, the outcome looks promising for a successful conclusion to the ANWR debate.

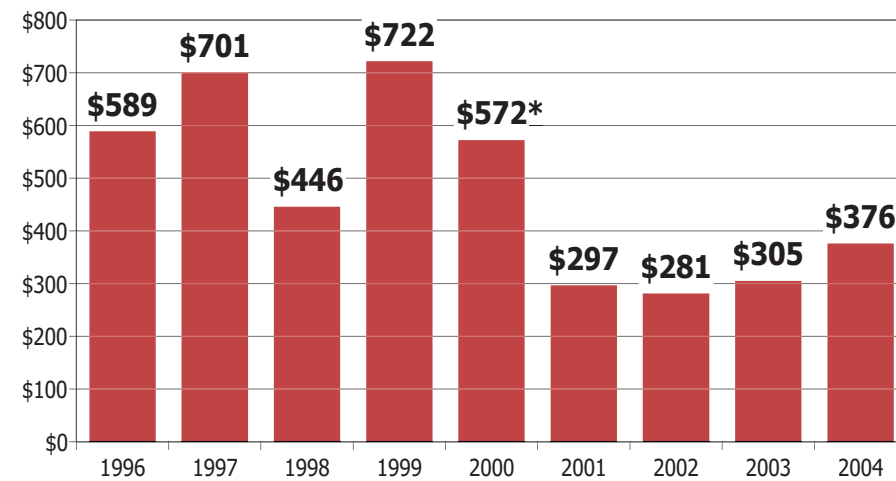
The USGS estimates between 12 and 32 billion barrels of oil exist in the "1002 area" of ANWR, of which, between 6 and 16 billion barrels are technically recoverable using current technology. In addition, there is an estimated 35 trillion cubic feet of natural gas.

The USGS studies suggest 85% of the recoverable oil in ANWR is in the northwest corner of the "1002 area", only a few miles from the existing operations and pipeline. The current oil pipeline is operating half full and has the capacity to transport this new production.

Other promising areas for future oil and gas production include the Alaska Peninsula, the Cook Inlet, the Yukon Flats, and the National Petroleum Reserve Alaska (NPR-A).

A lease and licensing program on five million acres of the Alaska Peninsula is scheduled for 2005. Geologists believe this area in southwest Alaska, at tidewater, has significant potential for oil and gas finds, similar to the current production in the Cook Inlet.

Alaska International Energy Exports



Source: U.S. Census Bureau, Origin of Movement Series

*Large international exports of crude oil voluntarily ended in 2000. The crude is now sold to the west coast of the U.S. Domestic sales are not counted in this data.

Switzerland

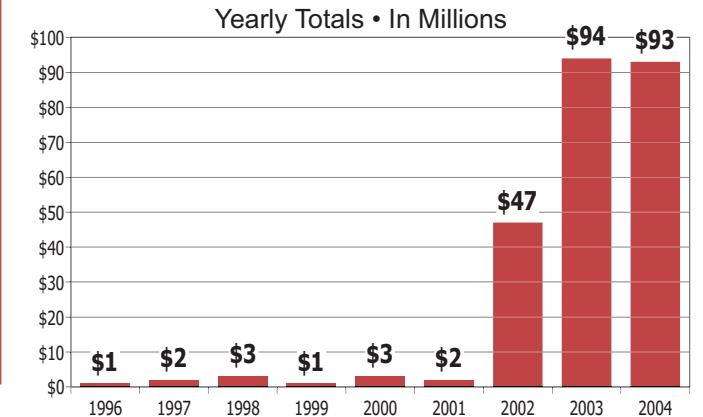
Strong gold prices continue to fuel exports to Switzerland. Virtually all of Alaska's \$89 million in gold sales went to Switzerland in 2004. Fort Knox Gold Mine, a subsidiary of Kinross Gold Corporation, is Alaska's largest gold mining operation and employs more than 250 people year-round.



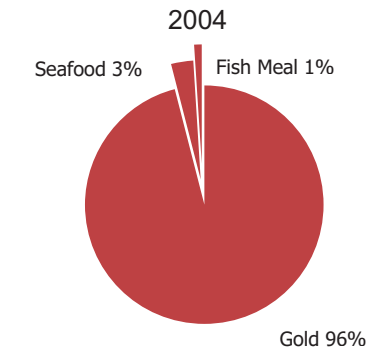
Fort Knox Operation.

Seafood exports to Switzerland climbed this year to three million dollars. Although Switzerland has a smaller population than most EU countries, its high living standards make it a market for Alaska's premium wild seafood. Seafood exports destined directly for Switzerland, rather than an intermediary European stops, help to account for the significant increase in numbers.

Alaska's Exports to Switzerland



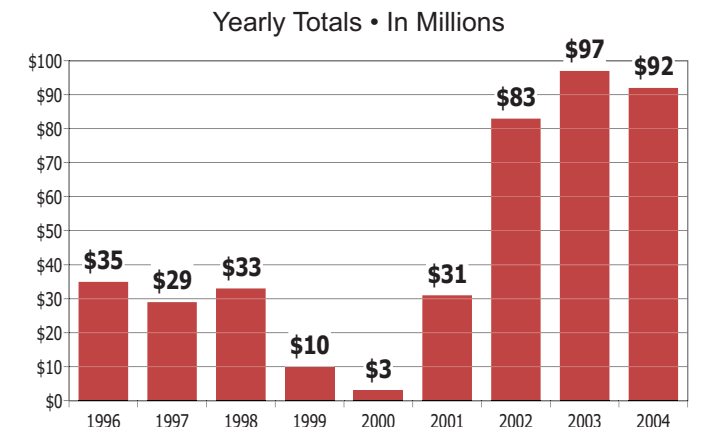
Alaska's Exports to Switzerland



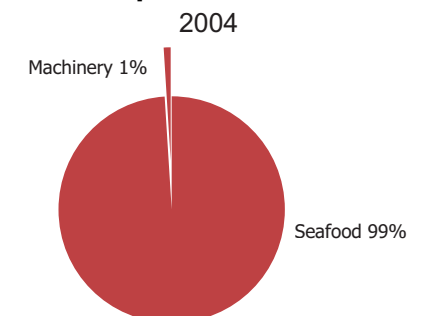
Netherlands

In 2004, over \$91 million in Alaska seafood exports passed through the Netherlands, primarily through Rotterdam, Europe's largest port. From the Port of Rotterdam, Alaska's seafood flows beyond to the European Union. Demand for Alaska's seafood, especially white fish, has strengthened in Europe in recent years. Alaska's export numbers to this port country grow because of the Netherlands' transportation and cold storage infrastructure and its links to the larger markets on the continent.

Alaska's Exports to Netherlands



Alaska's Exports to Netherlands

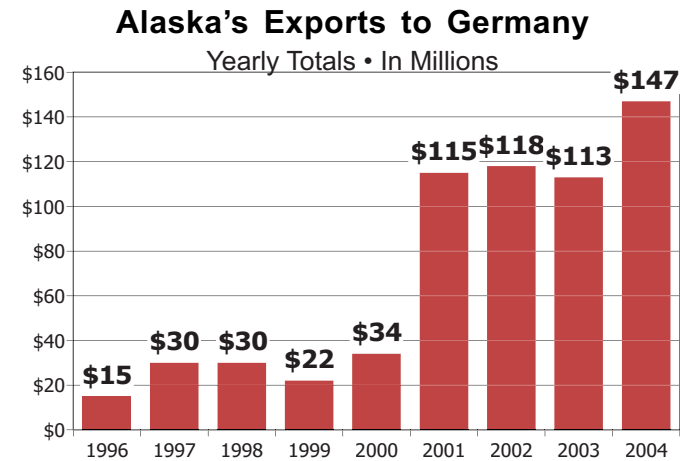


Germany

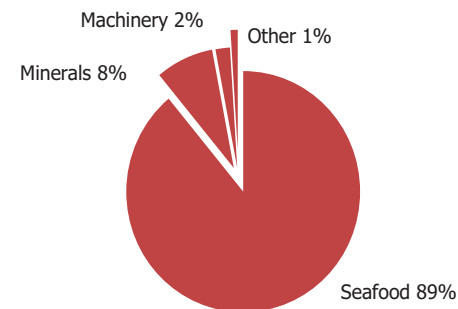
Alaska's overall exports to Germany increased 30 percent to \$147 million for 2004, driven by \$130 million in seafood exports. Germany has maintained a top five spot in the list of Alaska's trading partners for several years. In 2004, sales to Germany accounted for five percent of Alaska's total exports.

White fish demand—pollock, cod, halibut, sole, and black cod—is increasing significantly in Europe. Alaska's seafood exports increased by 70 percent in 2004 to \$130 million. German consumers value the health advantages of wild seafood, food traceability, food safety, and sustainability of fisheries. The continuing strength of the Euro plays a role in making Alaska's exports attractive to this market.

German-speaking Europeans are Alaska's largest international visitor market. Thomas Cook/Condor offers Frankfurt/Anchorage and Frankfurt/Whitehorse/Fairbanks direct air charter service in the May to September season.



Alaska's Exports to Germany 2004



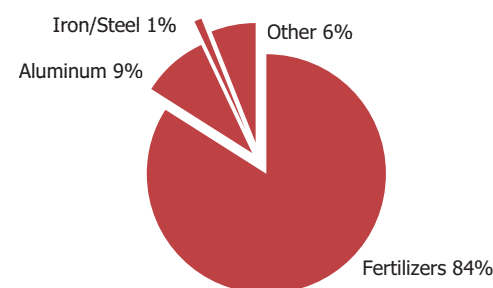
Mexico

Agrium's plant on the Kenai Peninsula fueled a rise to over \$100 million for Alaska exports to Mexico. Alaska's fertilizer exports increased 45 percent in 2004 to \$90 million, compared with \$63 million in 2003 and \$35 million in 2002. The Agrium plant has a tidewater terminal from which product is shipped directly to global markets.

Mexico is an interesting major trading partner for Alaska because it imports very little seafood. The North American Free Trade Agreement (NAFTA) and Alaska's proximity to the Pacific coast of Mexico present real opportunity to expand the trade relationship in the future.



Alaska's Exports to Mexico 2004



Energy

continued—

Exploration, leasing, and new discoveries continue to expand existing Cook Inlet fields, which supplies energy to the populous south central region of Alaska and provides the gas that is currently exported internationally.

In December 2004, the USGS announced their findings that another Cook Inlet sized oil and gas domain exists in the Yukon Flats, in the eastern part of central Alaska. The report estimates approximately 5.5 trillion cubic feet of natural gas, 173 million barrels of oil, and 127 million barrels of natural-gas liquids are technically recoverable in the area.

Renewed activity in 23 million-acre NPR-A area in northwest Alaska could also lead to major finds and help fill the pipeline with energy. In June of 2004, five oil companies submitted \$54 million in bids to develop 123 oil and gas lease tracts. According to the Bureau of Land Management it was the largest on-shore federal lease sale ever in Alaska.

Developments in each of these world class oil and gas prospects are encouraging for future exploration and increased energy exports in the future.



Japan Consul General Akihiro Aoki at Usibelli Coal Mine in Healy.

Alaska/Canada Rail Initiative

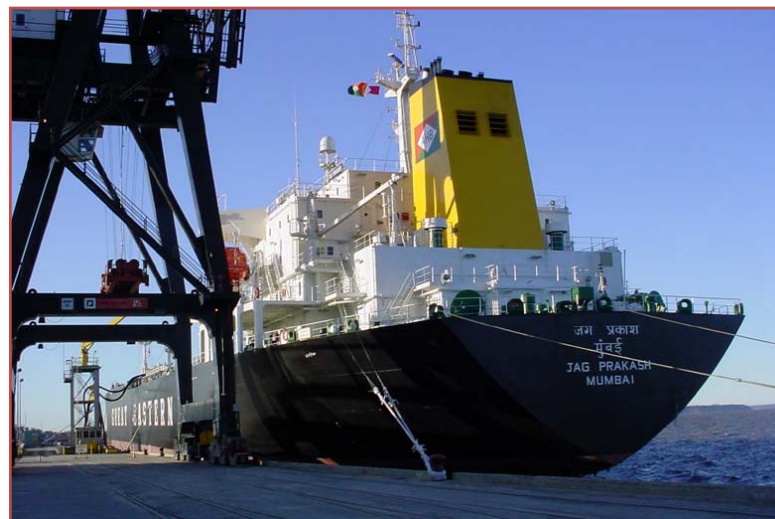
Governor Murkowski continues to forcefully move the Alaska/Canada rail initiative forward. He has met personally with Canadian Premier Paul Martin, Alberta Premier Ralph Klein, Yukon Premier Dennis Fentie and other Canadian provincial and national leaders. The rail project is part of a larger drive to improve rail, telecom, and road connections from Alaska to Canada and the rest of the continent.

In June of 2004, the Governor signed into law Senate Bill (SB) 31 and SB 395. These bills bring the vision of a rail connection between Alaska, Canada and North America one step closer to reality. SB 31 allows for the delineation of a transportation corridor between the existing rail corridor and the Alaska/Canada border. SB 395 authorizes the Alaska Railroad to extend its rail line to Fort Greely, 80 miles southeast towards the proposed link with Canada.

International Aviation Activity



Korean Air and Northwest Airlines engage in cargo transfer at Ted Stevens Anchorage International Airport.



Naptha from the Flint Hills Resources refinery in North Pole is loaded for export to Japan at the Port of Anchorage



The proposed railroad link between Alaska and Canada would provide a critical transportation connection and economic benefits to both sides. Governor Murkowski was instrumental as a U.S. Senator in gaining passage of the Rails-to-Resources Act passed by the U.S. Senate in 2000.

In 2004, cargo traffic at Ted Stevens Anchorage International Airport grew 19%. Currently, 31 foreign and domestic airlines operate in Anchorage transporting 4.6 billion pounds of cargo each year. Most of the international cargo operators have the authority to pick up or drop off international freight from or to the Alaska market.

Many international cargo operators also have significant cargo sorting operations in Anchorage including Northwest, Korean Air, UPS, FedEx, and Japan Airlines. Activity at Ted Stevens Anchorage International Airport creates nearly one in ten jobs in Anchorage, many of them in international cargo operations. Alaska also enjoys nonstop year round passenger service to Taipei; and seasonal nonstop passenger service to Frankfurt and Seoul.

International Marine Shipping

Alaska's exports of seafood, forest products, minerals and coal move primarily by chartered marine service from various ports in Alaska. Dutch Harbor-Unalaska is the top U.S. port for export of seafood. Coal exports to Korea depart the Port of Seward. Red Dog Mine in northwest Alaska has a summer shipping season during which its ore products are shipped to markets in North America, Asia and Europe from the Red Dog Mine Port. Forest products move directly from a variety of southeast destinations to international markets.

China

China's dynamic economic growth influences economies around the world. Alaska is no exception—China was the state's fourth largest export market in 2004.

Alaska exports to China totaled \$242 million of seafood, crude oil, minerals and forest products in 2004. This is an increase of nearly \$100 million in the last two years.

Alaska seafood exports accounted for the majority and jumped to \$165 million in 2004 from \$98 million the previous year. Alaska seafood is available to consumers in an increasing number of cities in China. The list includes Beijing, Shanghai, Hong Kong, Harbin, Shenyang, Tianjin, Qingdao, Dalian, Nanjing, Hangzhou, Fuzhou, Shenzhen, and Guangzhou.

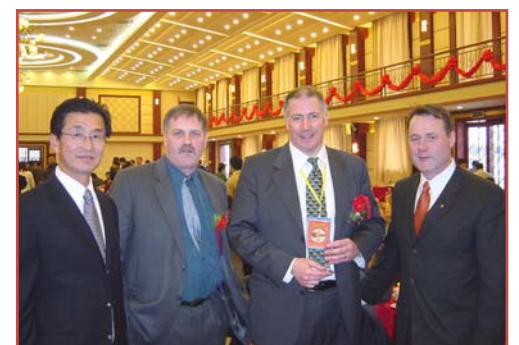
In the long term, opportunities for seafood export to China for local high end consumption will increase significantly as Chinese consumers' incomes keep growing with the country's expanding economy. Currently, the majority of Alaska's seafood export to China is processed in that country for re-export to Europe and the United States. Demand for these seafood re-export products is now growing in Japan, also. Although exports of fish meal and fish oil were below the two previous years' numbers, they again topped \$20 million.

A one-time crude oil export to China of \$27 million occurred in 2004 as a result of a tanker headed for China's shipyards for upgrade. China also bought \$20 million of lead and zinc ore from Alaska.

The forest products industry in Alaska exported just under three million dollars to China. The industry has experienced two positive developments recently with regard to China's markets. Since 2001, forest products exports were stymied in large part by China's fumigation requirements for round logs, a process that is not easily accomplished on site in Alaska. The industry and Governor Murkowski's administration successfully lobbied the US Department of Agriculture to allow third-country fumigation of Alaska logs headed for China. The Fujian Province's establishment of a log processing facility will permit fumigation of Alaska logs upon arrival. This will help to ensure that Alaska's logging industry has continued access to China's markets.



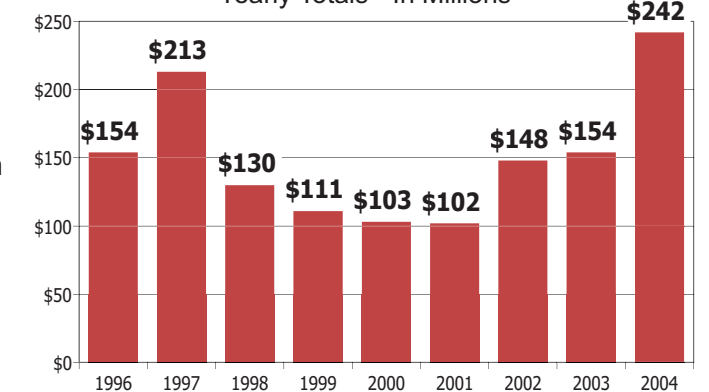
Governor Murkowski encouraged the People's Republic of China to expand its purchases of Alaska's natural resources, during a meeting here with the Ambassador of the People's Republic of China, Jiechi Yang in June, 2004. Pictured: Margo Johnson, Director of International Trade, the Governor, PRC Ambassador Jiechi Yang; and Aimei Le, the ambassador's wife.



Representatives from forest products companies including Sea Alaska Timber Corporation, Alcan Forest Products, and Trans-Pac gathered at the official ground-breaking of the new log processing facility in Putian, in Fujian Province.

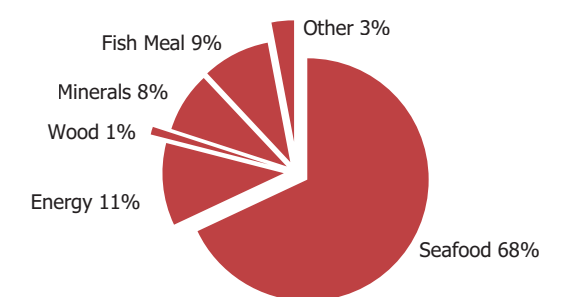
Alaska's Exports to China

Yearly Totals • In Millions



Alaska's Exports to China

2004



Canada

Alaska's exports to Canada increased seven percent in 2004 to \$247 million from \$231 million the previous year. Mineral exports increased five percent to \$117 million in 2004, accounting for almost half of the value of Alaska's exports to Canada. Red Dog mine is the world's largest producer of zinc concentrate. In April 2004, the mine, which is operated by Teck Cominco under a development agreement with NANA Regional Corporation, Inc., joined an elite group of less than half a dozen metal mines in the United States certified under ISO 14001 Environmental Management System.

In addition to Canada's purchases of Alaska minerals, mining companies with Canadian ties continue to make major investments in the state. Canadian investment by Vancouver-based Teck Cominco, along with that of their partners in Japan at Sumitomo, is expected to produce up to 500,000 ounces of Alaska gold per year for twelve years at Pogo Gold Mine once operations begin.



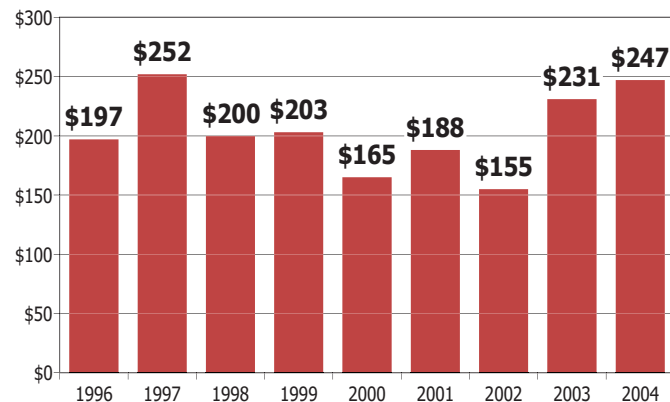
Governor Frank Murkowski and members of the state delegation to the Alberta-Alaska Bilateral Council on the steps of the Alberta legislative hall in Edmonton.



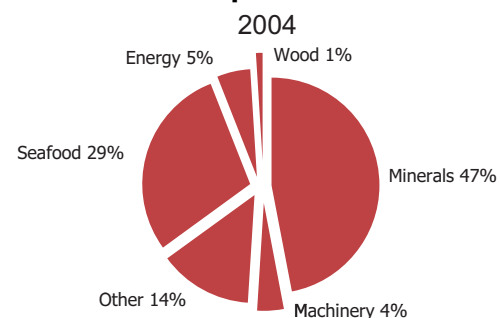
Continuing his work to improve Alaska's economy through resource development and transportation, Governor Frank H. Murkowski maintains close contact with the leaders of Canada. Pictured in Ottawa: Canada's Minister of State Joseph Comuzzi; Yukon Territory Premier Dennis Fentie; Canadian Prime Minister Paul Martin; Governor Murkowski; and Yukon Territory Member of Parliament Larry Bagnell.

Alaska's Exports to Canada

Yearly Totals • In Millions



Alaska's Exports to Canada



Seafood exports to Canada rose over 11 percent to \$71 million in 2004. The export numbers reflect both Canadian domestic consumption of seafood and the role of re-exporter. Taking advantage of shipping rates out of Vancouver to Asia, Canadian fish exporters and brokers buy Alaska seafood product to re-export to the Pacific Rim.

The Government of Canada opened a new consulate in Alaska, headed by Consul Karen Matthias, in September 2004. The establishment of the office and Consul Matthias' immediate active involvement in Alaska is clear recognition of the historically strong ties between Alaska and Canada as well as the increasing importance of trade and cooperation between the two. The Anchorage office is one of several new consulates the Government of Canada recently opened as a result of its national effort to enhance representation in the United States. Alaska has the longest border with Canada, 1538 miles, of any state.

During 2004, Governor Murkowski's initiatives with Canada for a gas line project and railroad expansion gained strong forward momentum. The Governor and Alberta Premier Ralph Klein signed an agreement to reaffirm and advance their common interests in transportation infrastructure and resource development. A new Alaska-Alberta Council was named.

ALBERTA - ALASKA BILATERAL COUNCIL

Bill Allen, Veco Corporation
Linda Anderson, Rivers Edge Resort
State of Alaska Commissioners:
Mike Barton, Joel Gilbertson, and Tom Irwin
Steven C. Borell, Alaska Miners Association
Representative John Coghill, Jr.
Senator Fred Dyson; Kathleen Dalton
Patrick K. Gamble, Alaska Railroad Corporation
Kris Knauss, Office of the Governor
Mary Ann W. Pease, Alaska Communications Systems
Robin Taylor, Alaska Department of Transportation and Public Facilities
Ken Thompson, Pacific Star Energy
Orie G. Williams, Doyon, Ltd.

Japan

Japan has been Alaska's number one international trading partner for decades. The history of Alaska/Japan relations in the last 50 years is one of natural partners. Japan has made significant direct investment or promotion of the seafood, forest products, energy and international aviation sectors. In this complimentary relationship, Alaska provides natural resources and energy to the island nation.

During 25 years of public service, Governor Murkowski has been committed to creating an attractive and stable development environment for international investment across Alaska. The Pogo Gold Mine is a good example of his interest and expertise in international relations and the resulting benefits for the state. While on a trade mission to Japan in 2003, the Governor hand delivered the Environmental Impact Statement for Pogo Gold Mine to Sumitomo Metal Mining's headquarters in Tokyo. In 2004, when mine construction halted temporarily at Pogo, the State of Alaska Department of Natural Resources actively helped negotiate an agreement between Teck-Pogo and the Alaska Environmental Center which restarted construction work. The mine, a joint investment by Japan's Sumitomo Corporation and Sumitomo Metal Mining and Canada's Teck Cominco will generate up to 700 construction jobs and 360 full time positions in Alaska.

Alaska exports to Japan increased to nearly \$1.2 billion in 2004, a jump of over 15 percent from 2003 totals. Japan's markets continue to be critically important to Alaska exporters. Some Alaska seafood and forest products once shipped directly to Japan are now entering third countries for storage or reprocessing before reaching final markets in the country. Still, Japan accounts for nearly 40 percent of the state's direct exports in 2004.

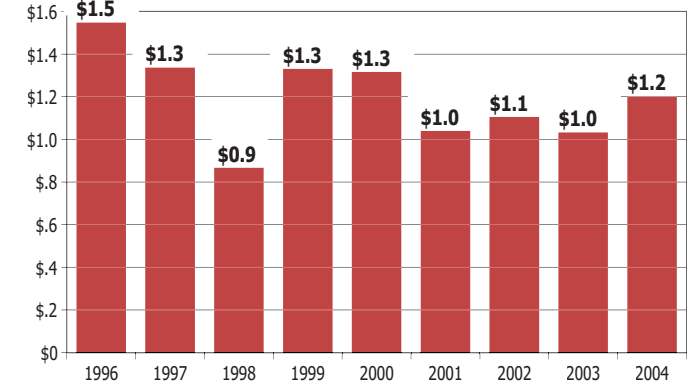
Alaska's seafood exports to Japan reached \$739 million in 2004, up 16 percent from \$637 million in 2003, the highest amount in seven years. Seafood exports to this key market have ranged from \$500 million to \$700 million in the past few years. Several factors may contribute to the positive increase. Japan's economy has been trending slightly upward for the past three years, growing around two percent in 2004. Alaska production in many major species has increased and



Consul General of Japan Akihiro Aoki and Mrs. Yoshiko Aoki with Governor Frank H. Murkowski and Nancy Murkowski. Japan is Alaska's number one trading partner.

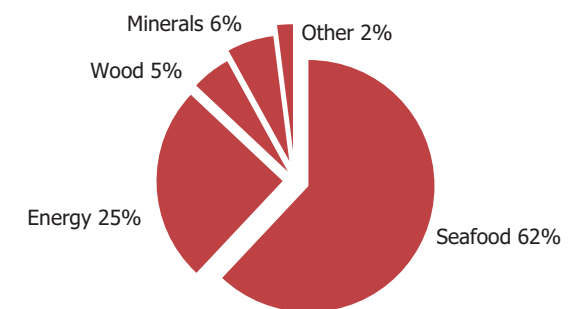
Alaska's Exports to Japan

Yearly Totals • In Billions



Alaska's Exports to Japan

2004



harvesting technology has advanced. Some traditional sources of seafood for Japan markets, such as Russia, have had reduced stocks. Japanese consumers are increasingly attentive to issues of food safety, traceability and natural and healthy food sources and the Japanese government has increased its focus on its labeling and agricultural standards requirements.

Alaska's forest products exports to Japan decreased to \$56 million in 2004. Low forest products prices globally, changing trends in Japanese construction, and the closing of sawmills in Japan as a result of competition from China mills affect Alaska's exports. In the past few years, Japan moved from the world's first leading market for wood to third.

The administration has sought relief in several ways for Alaska's forest products industry which has undergone rapid changes in the past ten years. The Governor announced a plan in the summer of 2004 to make state timber sales available to supply southeast Alaska sawmills in Kethikan, Wrangell and Klawock;

Japan

continued—

to encourage the Mental Health Trust to make timber on its land available for sale; and to find uses for mill byproducts.

Alaska's exports of energy to Japan, consisting of natural gas and petroleum products totaled \$300 million in 2004, up 25 percent over the previous year. Liquefied natural gas export accounted for \$139 million of the \$300 million. The current gas contract for shipment from Alaska's Kenai Peninsula terminal runs through 2009 and is a successor to the agreements which have existed since 1969. Japan is seeking to convert some of its oil and coal power plants to natural gas and is also considering expansion of its natural gas pipeline systems. The Japanese government has begun to gradually deregulate the natural gas industry. Most of Japan's natural gas comes from southeast Asia; Alaska's exports of LNG account for two percent of the country's supply.

Mineral exports to Japan of zinc and lead ore have ranged from \$45 million to \$95 million in recent years. Japan continues to import increasing amounts of minerals; the number of metal mines in Japan has declined significantly in the last 30 years. In 2004, the ore export to Japan totaled \$73 million, compared with \$56 million in 2003 and \$96 million in 2002.

Japan remains Alaska's number two international visitor market with 12,000 travelers per year.

ALASKA/JAPAN HISTORY

The lumber and pulp mills in southeast Alaska came into being in the 1950's because of Japan and the Alaska Pulp companies. The 1960's saw important developments between Japan and Alaska beyond these initial forest products investments. Japanese businesses with interests in the state founded Alaska Kai, an association to promote trade with Alaska, in 1963. In 1965, the State of Alaska stepped forward and became the first state to open a trade office in Japan. Shortly after, Japan became the first foreign country to establish a consular presence in Anchorage.

The world's first liquefied natural gas shipments were pioneered in 1969 from Alaska's Kenai Peninsula terminal to Japan and continue today. Also in 1969, a joint venture between Mitsubishi Gas Chemical Co., and Union Oil created an ammonia and urea fertilizer factory in Kenai, which is now owned and operated by Agrium. Japan participated in the building of the Alaska oil pipeline by supplying 500,000 tons of steel pipe.

Japanese corporations like Nippon Suisan, Maruha, Marubeni and Nichiro have invested significantly in Alaska's seafood industry for many years. An interesting development in 1998 occurred when the Japanese government contributed \$20 million towards the construction of the International Arctic Research Center at the University of Alaska Fairbanks. The Center studies a wide array of arctic issues, including global climate change.

Today's ties are more diversified than ever. The list of investments in Alaska remains long, from seafood to mining, international aviation and the Alyeska Resort. Japan maintains a fulltime consulate general in Anchorage, headed by Consul General Akihiro Aoki. The Consul General maintains an active schedule in Alaska—he frequently participates and contributes to events around the state.



In early 2004, Alaska Kai held a farewell reception for its Japanese business leaders to mark their four decades of successful Alaska/Japan ties and the conclusion of a remarkable organization. Pictured: Alaska Kai Director General Toshio Yamanouchi and International Trade Director Margy Johnson.

Korea

After a 30 percent increase in 2003 over the previous year, Alaska's 2004 exports rose by two percent to \$580 million, buoyed by sales of \$121 million of fertilizer, and \$113 million in zinc and lead ore. Korea now accounts for nearly one fifth of all Alaska exports.

Alaska seafood exports to Korea declined nine percent to \$283 million but still represent the second highest year for those products. In addition to its domestic consumption of Alaska seafood, Korea plays an important brokering role in Alaska products as well. Pollock roe from Alaska has become increasingly popular both in Korea and in Korea's re-export sales to other Asian countries. Lower harvest levels of Korean fisheries and strong competition from China affect Alaska sales. Korea's new Free Trade Agreement with Chile, which took effect in 2004, will also affect Alaska seafood export to Korea.

2004 was a historic year for Alaska seafood export to Korea—canned Alaska pink salmon was introduced to Korea for the first time. Copper River Seafoods sold upward of 400 metric tons of salmon, both pink and silver, to Dongwon Food and Beverage last season for final processing at Dongwon's facilities. Copper River also sold its popular smoked sockeye in jars to a subsidiary of the Korean conglomerate, Lotte Group.

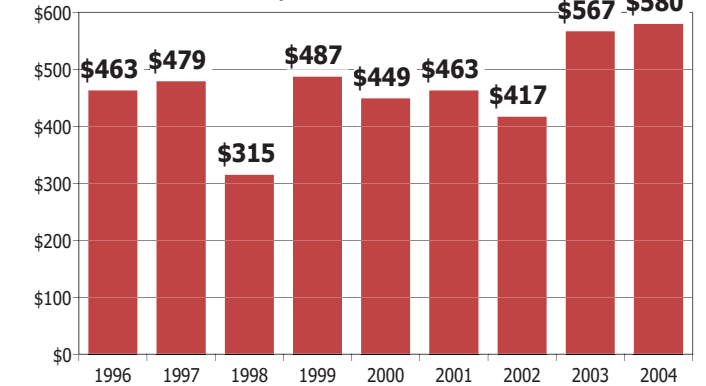
Korea's demand for coal, including bituminous coal, grew overall in 2004. Alaska export of coal to Korea increased 169 percent to \$11 million in 2004. The United States, including Alaska, supplied about two percent of Korea's coal in the past year.



Usibelli Coal Mine.

Alaska's Exports to Korea

Yearly Totals • In Millions



Alaska's Exports to Korea

2004

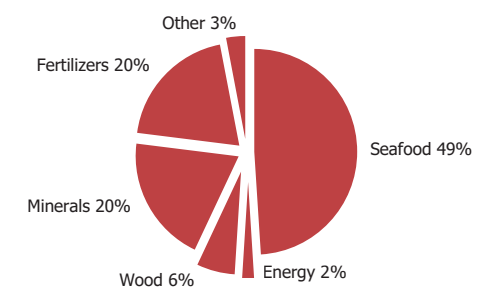


PHOTO BY: CHRIS AREND