

Foreign trade zone is seen as diversifying the economy

By IMRE NEMETH

Establishing a foreign trade zone usually means setting aside some property at a port where longshoremen can find work stocking a warehouse of widgets from Singapore. The idea isn't new.

But the Anchorage Foreign Trade Zone Group is out to rework that definition.

"Economics have changed here and we in Anchorage have to look at every possibility to broaden the economic base," said realtor Jerry Wickstrom, chairman of the group.

To achieve that, Wickstrom's organization took an innovative approach to establish increased commerce with the Pacific Rim and even Europe. Its desire is to designate every commercially and industrially zoned piece of property in Anchorage a foreign trade zone.

Under the proposal, interested businesses or property owners could be designated a sub zone. Each would have to meet certain criteria but could take advantage of the duty-free status.

A final draft of the application (combining the input of the Port of Anchorage, the Anchorage International Airport and the Assembly) is due out in March and soon after will travel to the Foreign Trade Zone Board in Washington D.C. for review. Public hearings in Anchorage will follow with added public comment through the Federal Register.

Richard Lenahan, director of the Alaska District Office of the U.S. Department of Commerce, International Trade Administration, said he's already discussed the matter with members of the board. The reaction has been positive, he said.

Some 150 applications already await action, but Lenahan said the board "will give any Alaska application priority because of its potential and strategic location."

Tom Middendorf, who holds the post of airport planner at Anchorage International and coordinates his office's efforts with those of the Port of Anchorage and the Foreign Trade

Zone Group, said the airport is currently involved in a study to test the feasibility of cargo facility on airport land. It could be financed through public or private channels and may or may not be used in relation to the trade zone, he said.

Middendorf said the airport is solidly behind the idea of a duty free zone which could be used easily for the import and export of international goods or as a staging or assembly area. He recently sent out a letter informing airport-area tenants of the idea requesting feedback.

When oil activity plateaued in Valdez, city planners there established a foreign trade zone and now have the beginnings of an assembly plant in the works. It's currently the only other foreign trade zone in the state.

"Anchorage sits at the crossroads of the world and it's got a lot of need," Wickstrom said. "There's a lot that could be built around a foreign trade zone. It could be anything. We hope Anchorage may prove to be a focal point for European and Southeast Asian trade."

Serious talk of forming a trade zone has been on the street since the early 1980s. Wickstrom and his colleagues just got together during the summer months of 1986. Interest grew and soon it was decided to form a cohesive unit in the form of a non-profit corporation.

Wickstrom describes his organization as one with the sole purpose of generating interest among those in the business community. He says if the zone application is approved, the Anchorage Foreign Trade Zone Group may become an operational arm.

"We want to see private business involved," he said. "We want to open the doors as wide as we can open them."

The group wants information from people with ideas. Wickstrom says definite proposals from interested entrepreneurs would assist in the application process.

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Foreign trade zone study

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"A foreign trade zone is no panacea. It is a real opportunity and lays open hundreds of possible actions and interactions. At this time you just can't say what it will be. As we talk to more businesses, more ideas crop up.

"The advantage has to be recognized by the participants."

Ann Addington, chairman of the

group, said letters of endorsement have been pouring into her office from a number of notable firms.

Wickstrom said the application itself may show foreign firms that the interest is there and red tape has been cleared. Anchorage's approach to the trade zone makes "exposure to opportunities magnitudinally larger," he added.

Just what kind of commerce a trade zone would generate isn't known. Wickstrom said it could be any-

thing and pointed to surimi processing. Another could make use of the city's reasonable back haul, he added.

Trade centers have been proposed. Long term candidates could be electronics, computer assembly, silicon chips, petro products, establishing an international banking community, making Anchorage an international trade fair city and others.

"There's a very major change taking place in the balance of world trade (and it's shifting to the Pacific Rim)," Wickstrom said.

Anchorage considers possibility of duty-free trade zone

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would be better geared toward general warehousing or transit staging of foreign goods with volume added up by a couple of containers of this, a boxcar of that.

"We're after the big ticket stuff," he said, "a thousand tons of this, a thousand tons of that."

Essentially, he was referring to industrial cargo headed north, as opposed to consignments of a variety of goods.

However, to hear Tyler Jones,

Anchorage port director, talk, the two cities might well be com-

peting for the same cargo and activities — steel pipe and equipment supplies for the North Slope and Interior, and seafood storage and processing.

Jones is a leader on the local team of officials investigating

the economic potential of a foreign trade zone here. If a decision is made to go ahead with the application, one will probably be submitted sometime within the next three months.

According to Chase, the Asian traffic may well be due for future boom. And he has considerable knowledge, having lived in Japan for several years as former director of Far East trade activities for the Portland, Ore., port.

Negotiations are ongoing, and he said he was not free to name the Valdez trade zone's likely first customer, but an Asian steel

product supplier seems the most promising by the beginning 1987.

Previously there were little or no economic incentives for Far Eastern concerns to take advantage of tariff breaks afforded by storing, assembling or processing foreign cargo and products in American duty-free zones, Chase said.

But with calls for Alaska local hire and "Americanization" of Alaska fisheries, he said it is becoming more of a political good will builder for the Asians to consider creating more trade jobs here.

Also, he said, savings of 5 to 10 percent on cargo through zone tariff breaks may not have meant so much before, "but everybody is starting to count pennies these days."

Chase noted that "any foreign operation worth its salt (in this country) is located in a foreign trade zone." He pointed to the Oriental auto manufacturing plants in such zones in Tennessee, Ohio and Michigan.

A trade zone typically takes about three years to garner the first customers to put it into operation and 10 years to become a truly active site, both Chase and Jones said studies show.

Port development also takes a great deal of marketing effort, said Chase, who said he spends about 30 percent of his job on the road to the Lower 48 in attempts to entice commerce to Valdez from within the country, as well as on foreign trade missions.

When approval did come in October 1984, the Valdez zone was the first in Alaska and Alaska was only one of a few states without such a zone. A second application in the same region might not be so easily pushed, he said.

The sites proposed are seeing various levels of use at this time. Site 1 at the Port of Anchorage is an 8.6-acre open cargo staging area adjacent to the port's security station. Site 2 at the port is a 30,000 square-foot transit warehouse presently used for storage of port equipment. Office space also is in the facility. The port's third site is the unfinished ground floor of the new office building at the dock, at 6,000 square feet.

At the airport, four sites are identified. Site 4 in the application is a 265-acre north airpark area west of Postmark Drive and east of the north-south runway, under study for cargo use.

Site 5, in the west airpark area, is west of the north-south runway and comprises 300 undeveloped acres. There are 90 acres at Site 6, south of the east-west runway and north of Raspberry Road. It's currently used for cargo, charter, maintenance and related functions. The seventh site is an undeveloped 120-acre area south of Raspberry Road, currently slated for light industrial and office develop-

A-10 Wednesday, May 21, 1986, The Anchorage Times

Trade zone: A tale of 2 cities

by Mary Scarpinato

Times Business Writer

Valdez has been hustling to get its foreign trade zone off the ground for some three years now. But its first customer — in all likelihood a Far East supplier of North Slope-bound steel pipe — may be another six to eight months away.

Meanwhile, Anchorage is looking at the possibility of applying to the federal government for its own duty-free foreign trade zone, with Seward in on the application as a subzone.

Could this pit Valdez and Anchorage into a competition?

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FTZ final draft application to Anchorage Port Commission

A final draft application for designation as a Foreign Trade Zone is scheduled to be forwarded to the Anchorage Port Commission today (April 20) for approval.

The Port of Anchorage draft application to the U.S. Foreign Trade Zones Board (U.S. Department of Commerce) designates seven sites at Port of Anchorage and Anchorage International Airport land reserves. If the Port Commission approves the draft today, said Port Director Tyler Jones, the application package will be moved to the Anchorage Assembly for approval, with a target date for submitting the application to the federal government in early May.

Under federal law, a secure, duty free area may be designated for states, government subdivisions or corporations chartered for the purpose of boosting export activity in the U.S.

Foreign Trade Zones (FTZ's) operate outside custom territory, with the purpose of attracting and promoting international trade and commerce. Customs duties and excise taxes are postponed until goods enter the U.S.; reduced when goods are received unfinished and are manufactured, repackaged or manipulated in some way; or eliminated if goods are re-exported to a foreign nation.

See related stories and FTZ sites inside

Anchorage's application is comprised of three sites at the Port of Anchorage and four sites at Anchorage

International Airport. Allowance is made in the application for extension of the zone to other areas and "subzones" that also could include other cities and municipalities.

Under the proposal, the zones would be managed by operators selected by an Anchorage Foreign Trade Zone Board; operators then would lease or make arrangements with companies engaged in product manufacturing or services. Tenant improvements to the sites would be accomplished either through Port funding or by operators.

Jones said private properties later added to the FTZ would have to show specific uses that would be made of the sites and agree to operate under the umbrella and regulatory structure of the zone.

The State of Alaska Department of Transportation has endorsed the creation of the zone and Anchorage International Airport's participation in it.

"Recent shifts in the Alaska economy and the direct relationship Anchorage has with the overall state economy have generated a sensitivity to world trade and the importance of diversification of our economy — the level of interest in world trade in Alaska today bears to resemblance to the casual curiosity of years past," says the draft letter of transmittal for the application.

Under federal law, property and facilities in an FTZ are allowed to "manipulate" products and services on their way to a final market destination.

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nation overseas. Unlike a bonded warehouse, products in an FTZ may be manufactured from imported components; foreign components may be assembled with domestic parts; goods may be repacked and inspected for quality control purposes, products may be exhibited for trade shows, or stored, for example. Advantages also include no duties on labor.

As the trade zone increases Alaska export and transshipment opportunities, imports would increase to enable production of original and remanufactured product. Most products from this step would be shipped to other markets.

The municipality anticipates the zone would be in operation some 12 months after the federal government approves the application, with six months expended on soliciting and negotiating with (managing) operators.

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ment.

In 1986, 1.6 million tons of general and bulk cargoes were delivered through the Anchorage port, for an overall impact of \$60 million. Some 328 million pounds of cargo moved through the airport in 1985, with growth expected to reach 476 million pounds by 1995.

"What Anchorage lacks is the vehicle through which products, goods, and services from the local economy can become inputs into items targeted for other markets. This major shortcoming should be overcome in the Anchorage Foreign Trade Zone," says the application.

This report was assembled by Journal Editor Sally J. Suddock and Staff Writer Imre Nemeth.

business digest

Building owners to meet

The Building Owners and Managers Association will conduct their monthly meeting at 11:30 a.m. today in the Federal Building cafeteria conference room. Russ Palmer, an industrial hygienist, will talk to the group about "The Sick Building Syndrome." Lunch is available and the public is welcome. For information, call Suzi Perri, 564-2424.

PR group's president to speak

David Ferguson, acting national president of the Public Relations Society of America, will address the Alaska chapter at its monthly luncheon meeting from 11:30 a.m. to 1 p.m. Monday in the Anchorage Sheraton Hotel. Ferguson will discuss ethics as it relates to public relations. Chapter members will also elect new officers at this meeting. The cost for lunch is \$12 for members or \$14 for non-members. The meeting is open to the public. Call Debbie Cole at 862-9298 for reservations.

June Mitchell, secretary; and Susan Miller, treasurer. Board members are Sheila Henderson, Charise Brooks, Janine Weber, Anita Peterson and Dan Aberle.

Valdez trade zone expanded

The U.S. Foreign-Trade Zones Board in Washington, D.C., has authorized the City and Port of Valdez to open another site for their Foreign Trade Zone No. 108. The FTZ area uses the entire second floor of the recently remodeled air terminal at the Valdez airport. The new site is one of five zone locations in and around Valdez. The Valdez zone is the only foreign trade zone in Alaska. A foreign trade zone is a secured area under U.S. Customs supervision but outside customs territory. Foreign goods, not otherwise prohibited by law, can be brought into a zone without duties being paid. While in a zone like the ones in Valdez, goods can be stored, exhibited, inspected or used in the manufacture of other processes. Duties are paid only if the goods or their products enter the commerce of the U.S.