ALASKA-SOVIET FAR EAST TRADE:
OPPORTUNITIES AND STRATEGIES

Prepared for
Alaska Office of International Trade

by

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Preparation of this Report

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EXECUTIVE SUMMARY

Alaska-Soviet Far East Trade Opportunities

Alaska and the Soviet Far East have similar economic structures. Although we are competitors in resource markets, there are many opportunities for trade. These include:

- **Tourism.** Significant opportunities exist for development of tourism between Alaska and the Soviet Far East in the Bering Straits region. A number of Alaska firms are interested in developing tourist flights and/or cruises between Nome and Provideniya. The Soviets appear interested in tourism opportunities, and there is a real possibility that they will come about.

- **Fisheries.** Recent negotiations in Khabarovsk between American and Soviet fishing industry representatives established a number of areas of interest for cooperation in harvesting, processing, and marketing fish from both the U.S. and Soviet zones in the Bering Sea. Alaska stands to benefit from fishing cooperation through expanded opportunities in fish harvesting and shore services as well as U.S.-Soviet cooperation in Bering Sea fisheries management.

- **Other Trade Opportunities.** Establishment of trade in tourism and fisheries could provide initial contacts leading to joint ventures in other areas such as telecommunications, construction, and imports of Native art.

With economic reorganization (perestroika), ways of doing business in the Soviet Union are changing rapidly. Past restrictions on foreign trade are being relaxed, and U.S.-Soviet trade relations are improving. The long-run potential for Alaska-Soviet Far East trade will depend upon the extent of Soviet reorganization and U.S. relaxation of export restrictions.

Benefits for Alaska

Alaska-Soviet Far East trade is likely to develop gradually and will at first have relatively modest economic impacts. However, once initial trade links are established, trade could expand over time and have substantial economic benefits for Alaska. Other potential benefits from trade and other cooperation include federal funding for joint research projects, opportunities for Alaska Natives to be reunited with relatives in the Soviet Union, and reduction of tensions along the Alaska-USSR border.
Role of the State

The primary role of the State in Alaska-Soviet Far East trade is to assist firms in developing contacts with Soviet trade authorities, by providing information and by promoting well-conceived trade projects. Substantial State expenditures are not required. Ultimately, establishing trade will depend upon thorough groundwork and successful negotiations by Alaska firms.

Summary of Recommendations for State Strategies

1. The Alaska Office of International Trade (OIT) should continue to serve as the state's designated clearinghouse for Alaska-Soviet Far East projects among Alaskans, the federal government, the Alaska congressional delegation, and the Soviets. OIT's activities should be coordinated with those of other State and federal agencies involved in Soviet contacts.

2. The State should endorse and promote trade and scientific and cultural exchange projects if they are well-conceived, realistic, and in the best interests of Alaskans. Projects endorsed by the State should be defined as specifically as possible, be broadly acceptable and economically beneficial to Alaskans, and have a realistic chance of being acceptable to the Soviets.

3. In the eyes of the Soviets, the governor is the most visible spokesperson for the State. Endorsements of trade and exchange projects will carry the most weight if they involve direct participation by the governor.

4. The State should sign a sister-province agreement with Khabarovsk Territory expressing a desire to pursue trade and scientific and cultural exchanges.

5. The State should organize and send a trade mission to Khabarovsk, for the purpose of signing a sister-state agreement and conducting negotiations on specific trade projects.
Table of Contents

Executive Summary
Table of Contents

I. INTRODUCTION I-1

Purpose of the Study I-1
Organization of this Report I-1
An Overview of Alaska-Soviet Far East Trade Potential I-1
Strategies to Advance Alaska-Soviet Far East Trade I-2
Alaska-Soviet Far East Cooperation: Non-Trade I-3
Opportunities and Potential Non-Economic Benefits I-3
Scientific Cooperation and Exchange I-3
Reestablished Contact Between Alaska and Soviet Native Peoples I-4
Reduction of Tensions I-4

II. AN OVERVIEW OF THE SOVIET FAR EAST II-1

"The North" II-1
Siberia II-1
The Soviet Far East II-1
The Chukchi National Area II-1
Provideniya II-4
Anadyr II-5
The Kamchatka Peninsula II-7
Magadan II-7
Khabarovsk Territory II-7

III. ALASKA-SOVIET FAR EAST TRADE: GENERAL CONSIDERATIONS III-1

Economic Development in the Soviet Far East III-1
Perestroika in the Soviet Far East III-2
Foreign Trade Decision-Making for the Soviet Far East III-3
U.S. Policies on Trade with the Soviet Union III-4

IV. ALASKA-SOVIET FAR EAST TOURISM IV-1

Tourism in the Soviet Far East IV-1
Tourism in the Bering Straits Region IV-2
Possible Soviet Perspectives on Tourism in the Bering Straits Region IV-3
Are the Russians Interested? IV-6
Potential Benefits to Alaska IV-7
A Foot in the Door IV-11
Bringing About Nome-Provideniya Tourism IV-11
The Formal Process IV-11
Scheduled Airline Service IV-11
Nonscheduled Airline Service IV-12
Scheduled Cruise-Ship Calls IV-13
Efforts to Date
   Scheduled Air Service
   Nonscheduled Flights
   Cruises and Other Tourism Products
What Happens Next?
   Tourism Between Alaska and Other Areas of the Soviet Far East

V. ALASKA-SOVIET FAR EAST FISHERIES COOPERATION
   U.S.-Soviet Fisheries Cooperation to Date
   Soviet Interests in U.S.-Soviet Fisheries Cooperation
   Benefits to Alaska from US-USSR Fisheries Cooperation
      Fishing Opportunities and Markets for Alaska Vessels
      Shore Services
      Cooperation in Fisheries Management
      Indirect Benefits
   State Strategies for Alaska-Soviet Far East Fisheries Cooperation

VI. OTHER ALASKA-SOVIET FAR EAST TRADE OPPORTUNITIES
   Telecommunications
   Other Opportunities

VII. STRATEGIES FOR PROMOTING ALASKA-SOVIET FAR EAST TRADE
   The Role of the State
   Providing a Clearinghouse for Alaska-Soviet Far East Projects
   Defining Trade and Exchange Projects to Support
   Promoting Trade and Exchange Proposals
      The Role of the Governor
      A Sister-Provinct Agreement with Khabarovsk Territory
   A Trade Mission to Khabarovsk
   Technical Exchanges
   Provision of Infrastructure

References
Persons Contacted
Appendixes
A. Protocol of the Meeting of Representatives of the Fishing Industry of the USSR and USA, March 14-18, 1988, Khabarovsk, USSR
B. Siberian Gateway Project Fact Sheet
C. Proclamation to the People of Nome from the Mayor of Provideniya, September 22, 1987
D. Communications Between the Soviet Embassy and the United States Department of State Establishing Procedures Governing Visits to Siberia by Alaska Natives in the 1930s and 1940s
I. INTRODUCTION

Recently, there have been a number of contacts between Alaska and the Soviet Far East. These include Lynne Cox's swim from Little Diomede to Big Diomede Island during the summer of 1987, the visit of the American research ship Surveyor to the port of Provideniya in September of 1987, the signing of the Alaska-Siberia Medical Research Program agreement in November of 1987, negotiations between Soviet and American fishing industry officials, including Alaskans, in Khabarovsk in March of 1988, and a variety of cultural exchanges. There has been growing interest in possibilities for increased cooperation between Alaska and the Soviet Far East, in areas of trade such as tourism and fish harvesting and processing as well in cultural and scientific exchanges. Joint venture crab harvesting by Alaskan boats in Soviet waters is likely as early as summer 1988. There have been suggestions for the establishment of regular airline service and/or ship service between the cities of Nome and Provideniya, as well as the establishment of a sister-province relationship between Alaska and Khabarovsk Territory.

Purpose of the Study

Governor Cowper has requested the Alaska Office of International Trade to develop a program to advance potential cultural, scientific and trade relations between Alaska and the Soviet Far East. This study was sponsored by the Office of International Trade to gather information on Alaska-Soviet Far East trade potential, to discuss opportunities and strategies for possible trade projects, and to make recommendations regarding State strategies to advance trade with the Soviet Far East.

Organization of this Report

Chapter II provides a brief description of the Soviet Far East. Chapter III discusses general considerations affecting Alaska-Soviet Far East trade potential and strategies for developing trade. Chapters IV-VI discuss trade opportunities in tourism, fisheries, and other areas. Finally, Chapter VII presents recommendations for State and private strategies for advancing Alaska-Soviet Far East trade.

An Overview of Alaska-Soviet Far East Trade Potential

It is important to keep the size and nature of the benefits from Alaska-Soviet Far East trade in perspective. Trade is likely to develop gradually and will at first have relatively modest economic impacts. However, over time there is substantial potential for cooperation in a wide variety of activities. Initial trade projects can provide a foundation for expanded cooperation.

Alaskans are used to thinking of "trade" in terms of resource exports. For the most part, the Soviet Far East is a competitor of Alaska's in international resource markets rather than a potential importer from Alaska. The Soviet Far East is richly endowed with resources similar to those of Alaska. Like Alaska, the Soviet Far
East exports or is seeking to export timber, natural gas, and fish to Pacific Rim countries, in return for manufactured goods. Thus, in general the Soviet Union is not a promising market for Alaska resource exports.

However, it is not necessary to look at the Soviet Far East as a competitor. It is more helpful to view the Soviet Far East as a region with many of the same problems as Alaska. There are many possible areas where economic cooperation and commerce can be mutually beneficial.

The two areas of most immediate promise for economic cooperation and commerce are tourism and fisheries. Both Alaska and the Soviet Far East are tourist destinations, and opportunities for tourists to travel directly from Alaska to the Soviet Far East could expand tourist visits to both areas. There are indications that the Soviets are interested in cooperating in the development of tourism. We discuss opportunities for tourism development in Chapter IV.

Alaska and the Soviet Far East share similar fishery resources, and there are many opportunities for mutual benefit from cooperation in the harvesting and processing of these resources. Substantive negotiations are well underway in regard to fisheries cooperation. An American negotiating team recently returned from Khabarovsk with an agreement to work towards cooperation in a number of areas. Harvests in the Soviet economic zone by American crabbers, including Alaska-owned vessels, are possible as early as this summer. We discuss opportunities for fisheries cooperation in Chapter V.

Successful cooperation in tourism and/or fisheries could help to lead the way to trade and commerce in a number of other areas. Vast areas of the Soviet Union are similar to Alaska in climate, topography and resources, and the Soviet Union is committed to developing these areas. If economic reorganization continues to bring expanded foreign trade, and if U.S. export restrictions are relaxed, the Soviet Union offers a very large potential market for Alaska firms specializing in technology and services for northern development. In the long run, there is potential for Alaska firms to cooperate with Soviet enterprises in areas such as telecommunications, transportation, oil development, pipeline construction and operation, housing construction, construction and delivery of modules to remote sites, and wildfire control. We discuss these opportunities in Chapter VI.

**Strategies to Advance Alaska-Soviet Far East Trade**

In Chapter VII, we recommend two broad ways in which the State can advance Alaska-Soviet Far East trade. First, the Office of International Trade State should continue to serve as the State's designated clearinghouse for Alaska-Soviet Far East trade projects as well as non-economic projects, in order to provide information and coordinate and facilitate proposals among Alaskans, the federal government, the Alaska congressional delegation, and the Soviets. As exchange proposals proliferate, coordination is increasingly important in order to avoid duplication of effort and reduce confusion about proposals for trade and other cooperation.
Second, the State should actively promote trade projects which are well conceived, realistic and in the best interests of Alaskans. Promotion by the State can help ensure that trade projects receive attention and consideration by Soviet officials (as well as U.S. federal officials) and can help lay the groundwork for direct trade negotiations between Alaska firms and Soviet enterprises. Strategies for effective promotion include active participation by the governor, establishing a sister-province relationship with Khabarovsk Territory, and sending a trade mission to Khabarovsk.

Alaska-Soviet Far East Cooperation:
Non-Trade Opportunities and Potential Non-Economic Benefits

The focus of this report is on opportunities for trade and economic cooperation between Alaska and the Soviet Far East. However, it is useful to briefly review opportunities for cooperation in other areas besides trade, as well as the potential non-economic benefits of Alaska-Soviet Far East cooperation. The goodwill and channels of communication developed through non-economic cooperation may facilitate the subsequent development of trade ties. For example, as discussed in Chapter VI, cooperation in health research may provide an opportunity for Alaska firms to demonstrate the use of telecommunications technology and systems which could subsequently provide access to a potentially large market. A special relationship between Alaska and the Soviet Far East might enhance Alaska's chances of receiving Soviet support for Anchorage's Olympic bid over its western European competitors. For these reasons, in Chapter VII we recommend that the State promote non-economic cooperation as well as trade with the Soviet Far East. Both trade and other forms of cooperation may have important non-economic benefits as well.

Scientific Cooperation and Exchange

Alaskans can learn from Soviet experience in the North. Soviet experience in northern health problems may contribute to better understanding of Alaska health problems--one of the goals of the University of Alaska-Siberia Medical Exchange Program. The Soviet Union has extensive experience in northern agriculture, northern forestry, reindeer management, and fur-farming. Increased cooperation with the Soviet Union might facilitate our ability to learn from Soviet experience in these areas, and to exchange seeds and breed stock.

Scientific cooperation and exchange may also provide indirect economic benefits to Alaska. Cooperative research relationships between Alaska and the Soviet Union provide an opportunity for attracting increased federal funding of research within Alaska. Federal support of basic research is already a significant factor in the Fairbanks economy through several of the research institutes associated with the University of Alaska Fairbanks. To the extent that the national scientific community sees potential benefits from cooperative research with the Soviets, and sees Alaska as a place where such cooperative research should be carried out, increased cooperation could result in increased federal funding.
Other potential areas of research cooperation with the Soviets, in addition to health, include studies of fisheries management, forest management, marine mammals, northern ecosystems, tsunami forecasting, and arctic climatic change. Federal funding in the area of Soviet studies might also be increased if University of Alaska researchers had better access to the Soviet Union through special cooperation and exchange agreements.

The Soviet Union has indicated a strong interest in increased cooperation in Arctic research. In a speech in Murmansk on October 1, 1987, General Secretary Gorbachev proposed a conference of Arctic-Rim countries "to coordinate research in the Arctic" and "study the question of setting up a joint Arctic Scientific Council." Gorbachev stated:

"The scientific study of the Arctic is of immense importance for the whole of mankind. We have a wealth of experience here and are prepared to share it. In turn, we are interested in the studies conducted in other sub-Arctic and northern countries... Questions connected with the interests of the indigenous population of the North, the study of its ethnic specificities and the development of cultural ties between northern peoples require special attention... We attach special importance to the cooperation of Nordic countries in environmental protection" (U.S. Arctic Research Commission).

Reestablished Contact Between Alaska and Soviet Native Peoples

Until the 1940's, there were regular contacts between Native residents of St. Lawrence Island and Little Diomede Island and Natives of adjacent areas of the Soviet Union. These contacts were terminated in 1948. Many Alaska Natives have relatives in the Soviet Union, and some Alaska Natives were born in the Soviet Union. One area of cooperation would be to reestablish opportunities for Alaska Natives to visit with relatives in the Soviet Union. Such exchanges could be very meaningful to these Alaskans, and a source of inspiration to others.

Reduction of Tensions

Many Alaskans are excited by the prospect of increased Alaska-Soviet Far East trade and cooperation not so much because of the potential for economic benefit to Alaska but rather the potential for reduced tensions and greater trust--between Alaska and the Soviet Far East, and between the United States and the Soviet Union. The enthusiastic reception accorded Soviet visitors in the fall of 1987 in association with the signing of the University of Alaska-Siberia Medical Research Agreement is one indication of the yearning which have for a reduction of tensions States and the Soviet Union. Many Alaskans would welcome the chance to visit the Soviet Far East.
Although the vast majority of the American and the Soviet peoples want peace, both countries view the other as military threats. This contrast is evident in Alaska, where a significant part of the economy is based on military facilities, and where U.S. Air Force aircraft regularly intercept Soviet military aircraft near the Alaska coast. Concerns have been raised about whether the United States has adequately responded to a buildup of Soviet military capabilities in the Arctic. Some Alaskans disagree strongly with Soviet domestic and foreign policies. It seems reasonable to ask whether increased Alaska-Soviet Far East trade and other cooperation are compatible with these concerns.

We believe strongly that they are. Increased trade and cooperation between Alaska and the Soviet Far East need not imply any relaxation in vigilance in the defense of Alaska or the United States, nor any endorsement of Soviet domestic or foreign policies. Trade and cooperation with the Soviet Far East are worthy goals because they are in the best interests of Alaska and in the national interest of the United States. Eventually, trade and cooperation between our two nations in the regions where we are neighbors, and where we share cultural and historical ties, may become a basis for greater trust, understanding and peace.
II. AN OVERVIEW OF SIBERIA AND THE SOVIET FAR EAST

"The North"

Russians use the term "The North" somewhat loosely, as we do, sometimes to refer to the Arctic and sometimes to refer to broader regions such as those defined by the limits of agriculture or permafrost. Most of the population and economic activity of the Soviet North is concentrated in the west, in the Murmansk, Karelsk, and Arkhangelsk regions to the north of Leningrad and Moscow.

"Siberia"

Americans frequently use the term "Siberia" to refer to all of the area of the Soviet Union east of the Ural mountains, including the parts of the Soviet Union closest to Alaska. Although Russians sometimes use the term Siberia in this way, usually they do not include the eastern-most areas of the Soviet Union as part of "Siberia," referring to them instead as the "Far East." They use the term "Siberia" to refer to the vast central area of the Soviet Union stretching from the Ural Mountains to east and north of Lake Baikal. Major cities of Siberia include Novosibirsk, Krasnoyarsk, Omsk, and Irkutsk.

The Soviet Far East

The Soviet Far East includes the parts of the Soviet Union closest to Alaska. As shown in Figure 1, the administrative areas of the Soviet Far East closest to Alaska are the Chukchi National Area (Chukotka), Magadan District, the Koryak National Area, Kamchatka District, Khabarovsk Territory, and Sakhalin District. Table 1 summarizes the population and major settlements of these areas in comparison with Alaska.

The Chukchi National Area

The administrative area of the northeastern-most part of the Soviet Far East is the Chukchi National Area, or Chukotka, with a population of approximately 135 thousand. This area is home to the Chukchi and Eskimo native peoples, with official populations of approximately 14,000 and 1,300, according to the 1970 census (Armstrong, page 48). According to a briefing paper prepared for Senator Murkowski, "the Chukchi migrated north in ancient times and have almost completely absorbed the Eskimos, assimilating Eskimo traits and culture. The Chukchi are divided into two main groups: semi-nomadic reindeer breeders and settled hunting/fishing coastal dwellers. The Chukchi that live inland are mostly reindeer breeders. The Soviets identify the Chukchi coastal dwellers ethnically as Eskimos."
Figure 1

The Soviet Far East

<table>
<thead>
<tr>
<th>Area of Square Miles</th>
<th>Major Cities and Their Populations (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska 540 571 571</td>
<td>Anchorage (235)</td>
</tr>
<tr>
<td></td>
<td>Fairbanks (72)</td>
</tr>
<tr>
<td></td>
<td>Juneau (26)</td>
</tr>
<tr>
<td>Magadan Dist. and Chukchi National Area 510 463 463</td>
<td>Magadan (151)</td>
</tr>
<tr>
<td></td>
<td>Anadyr (about 30)</td>
</tr>
<tr>
<td></td>
<td>Provideniya (about 5)</td>
</tr>
<tr>
<td>Kamchatka Dist. and Koryak National Area 415 182 182</td>
<td>Petropavlovsk-Kamchatskii (252)</td>
</tr>
<tr>
<td>Khabarovsk Territory 1663 318 318</td>
<td>Khabarovsk (568)</td>
</tr>
<tr>
<td></td>
<td>Komsomolsk (291)</td>
</tr>
</tbody>
</table>

"The Chukchi were once a fierce and warlike people who violently resisted Soviet penetration of their society. While Soviet influence has provided the Chukchi with improved medical services, education, housing, and living standards, collectivization has disrupted family structure, lifestyle, and culture. The once nomadic Chukchi now live in settlements from which their traditional occupations are managed. The coastal dwellers who fish have adapted more easily, since joint fishing ventures had been a part of their culture. The reindeer breeders are likely to harbor some resentment over restrictions on their mobility and territory. Compulsory education of Chukchi youth prevents children from accompanying their parents on the tundra and learning traditional reindeer breeding skills. The resulting erosion of the traditional occupations concerns Chukchi elders. Social pathologies, such as high rates of alcoholism among the Chukchi and Eskimos, suggest that the process of modernization has undermined their traditional culture without fully integrating them into Soviet society."

A 1986 article in the journal Soviet Life began: "Geographically, Chukotka and Alaska are like twin sisters." The primary industry of the Chukchi National Area is mining. In addition, the region produces white fox and blue fox fur, fish, medicinal oils, reindeer meat and hides. The Chukchi Area has 700 thousand domestic reindeer. Electrical power is generated by several coal-fired plants and a nuclear power plant, which was built in 1976 near the village of Bilibino. Vegetables are raised in greenhouses, and some beef is raised locally. Walrus are hunted by Eskimos for their own consumption; walrus meat is also used as feed for fox farms.

Provideniya

The part of Chukotka closest to Alaska is the Chukchi Peninsula, which is directly opposite to and roughly similar in size to the Seward Peninsula. The city of Provideniya, established in 1937, is located on the southeastern tip of the Chukchi Peninsula, approximately 70 miles from Gambell and 220 miles from Nome.

According to a briefing paper prepared for Senator Frank Murkowski, "Provideniya is located on the west side of a four-mile-long bay, and extends in a north-south direction for about 1 3/4 miles along the shoreline on a narrow shelf at the foot of a steep, 2000-foot mountain. The town is about 1/4 mile wide. The town ends in the south where the mountain slopes directly into the bay, leaving no room for buildings. On the east side of the bay, about 1 1/4 miles southeast of Provideniya, is the settlement of Ureliki, and a narrow plain extends southward, ending in a small lake. Provideniya/Urelik Airfield lies on this plain. A gravel road extends northward from the airfield through Ureliki and around the northern end of the bay to Provideniya, a road distance of about six miles."

"A majority of the buildings in Provideniya are long, narrow apartment buildings, two-to-five stories high, which are constructed of locally produced concrete slabs or concrete blocks." These
concrete apartment buildings are typical of housing in the Soviet Far East as well as throughout the Soviet Union. According to a crew member of the American research vessel Surveyor, which visited Provideniya in September 1987, Provideniya "looks like Whittier." Along the shore of the bay are a small ship construction and repair yard and a commercial port facility.

Provideniya has a population of approximately 4,500, consisting primarily of Russians as well as some Eskimos. The population is probably higher during the summer convoy season.

Provideniya serves as a staging area for supply convoys to the Arctic Ocean ports during the ice-free season. Other local industries include reindeer breeding for both meat and leather, fox farming, modular housing construction, a small ship construction and repair yard, and marine cargo handling. Approximately forty women are employed in a factory producing fur boots and slippers. Electrical power is supplied by a coal-fired generating plant, the smokestack of which dominates the city skyline. The only restaurant in Provideniya has a seating capacity of about forty.

Anadyr

The administrative center of the Chukchi National Area is the city of Anadyr, with a population of 12 thousand in 1967. The population today is probably considerably higher—perhaps 30 thousand. Anadyr is located approximately 250 miles west of Provideniya. Industries include a coal mine and a fish hatchery. Anadyr also has a pedagogical institute, cultural/historical museum, and a television center.
Figure 2

A View of Provideniya, taken by a Crew Member of the U.S. Research Ship Surveyor, September 1987
The Kamchatka Peninsula

The Kamchatka Peninsula is about 750 miles long and includes both the Koryak National Area and the Kamchatka District. These areas are home to the Koryak, Eveny, and Itel'meny Native peoples, with official populations of approximately 7,500, 12,000 and 1,300 according to the 1970 census (Armstrong, page 48).

Petropavlovsk-Kamchatskii is a city of 252 thousand located on the Pacific Ocean near the southern tip of the Kamchatka Peninsula, at about the same latitude as Prince Rupert, B.C., and is approximately as far from Anchorage as San Francisco. Established in 1740, it is one of the oldest settlements in the Far East and the only major port directly facing the Pacific Ocean. It is a center of the Soviet fishing industry (Stephan and Chichkanov, page 169).

Magadan

Magadan, a city of 151 thousand, is located at about the same latitude as Juneau. It is about the same distance from Anchorage to Magadan as to San Francisco. Magadan is the administrative seat of Magadan District and is a center for the manufacture of mining equipment and the processing of minerals, marine products, and reindeer. It is the gateway to the resource-rich Kolyma Basin of the interior, via and all-weather highway (Stephan and Chichkanov, page 169). Magadan is the location of several research and teaching institutes. During the Stalin era, Magadan and the Kolyma were infamous as destinations for persons arrested and sent to labor camps in the Far East (Mowat, page 335).

Khabarovsk Territory

Khabarovsk Territory is approximately the size of California and is located at about the same latitudes as Washington and British Columbia. The capital city, Khabarovsk, has a population of 568 thousand and is located on the Amur River close to the Chinese border in the southern part of the territory, at the same latitude of Seattle. It is about the same distance from Anchorage to Khabarovsk as to Chicago. The city of Khabarovsk is a major stop on the Trans-Siberian railroad. The newly constructed Baikal-Amur Mainline (BAM) also passes through Khabarovsk territory. Khabarovsk hosted the Washington State International Trade Fair Exhibition in 1975 and also hosted trade delegations from Washington and Oregon in that year (Stephan and Chichkanov, page 129).
Past Alaska-Soviet Far East Contacts in the Bering Straits Region

There is a long history of contacts between Alaska and Chukhotka. The original settlement of the Americas began by prehistoric travel across the Bering land bridge. Eskimo peoples traveled regularly between Alaska and Chukhotka. In 1938, the Soviet Union and the United States established procedures regulating visits to Siberia by Alaska Natives. Correspondence between the Soviet Embassy and the U.S. Department of State regarding these procedures is included in this report as Appendix D. According to this correspondence, groups of 25 to 35 men came every year in the 1930s by motorboat from St. Lawrence Island and Little Diomede Island to meet their relatives in several settlements of Chukhotka. The visitors brought for sale seal and walrus skins, sable furs, raw hides, and other products, which they exchanged for consumer goods in Soviet trading posts.

In 1948, visits to Chukhotka by Alaska Eskimos were terminated by the Soviet Union. However, many Alaska Natives remember these visits. According to information provided by Jim Stimpfle, at least five residents of the village of Gambell on St. Lawrence Island were born in Chukhotka, and many other residents of Gambell, Savoonga, Nome and Little Diomede have relatives in Chukhotka.

Prior to the Russian revolution, non-Native residents of Alaska also traveled regularly to Chukhotka. One notable traveler across the border was the late Governor and Ambassador to the Soviet Union Averill Harriman, who first visited Russia as an eight-year old boy with his father's 1899 expedition.

On August 14 and 15, 1931, Charles Lindbergh and Anne Morrow Lindbergh flew from Nome to Karaginski in northern Kamchatka. Anne Morrow Lindbergh described this flight in her 1935 book North to the Orient. Her book, written more than fifty years ago, evokes a special sense of adventure and meaning in her brief visit to this remote community of the Soviet Far East, which might still hold true for visitors today:

This was our first port in Russia. We were flying over the little island of Karaginski before landing. It looked green in comparison to Nome, our last stop. Low bushes and trees came down to a stony beach. Jagged mountains formed a background in the distance. It could hardly be called a settlement, but there were several well-built log houses with peaked roofs and pointed chimneys. A small group stood on the beach watching us. They looked friendly, some of the men, dressed in the conventional blue Russian smocks, knee breeches, and high boots, their bearded faces peering out under high caps...
We sat inside enjoying our meal and tried to thank our hosts. Thinking that sweets might be as much appreciated in Kamchatka as in the North, we had brought a box of candy from Nome. They, however, placed good Soviet chocolate in front of us and the only treat we had to offer was a sandwich of fresh lettuce grown in a Nome backyard. The trapper's wife had tasted none for two years.

Suddenly the two men who had been talking to each other began to laugh. The zoologist nodded, with sparkling eyes, and asked us, "What--day--you--leave Nome?"

"Why, we left this morning--this is Friday, isn't it?"

"Da! Da! Da!" They tipped back their chairs and shouted with laughter. "But here--Saturday!" We had passed the one hundred and eightieth meridian and lost a full day.

The next morning the zoologist told me that she had a little boy who was in Moscow. I said I had a little boy too. "How old is he?" "Where is he?" The two women discussed it together in Russian, and then very shyly asked, "You have photographs?" I took out my photographs... The trapper's wife made big circles with her hands to show how big his eyes were and pointed to the photograph she liked the best...

When I left, my boy seemed near to me because they had seen his picture and had talked of him. Perhaps the zoologist also felt closer to her boy, for she gave me a letter for him, to post in Tokyo. I had it in my pocket as we took off the next morning for Petropavlovsk...as we circled above that group of figures far below us on the beach, waving their tiny arms in a final gesture of farewell...

It is a difficult thing to analyze, but when I think of Russia now... I think of the two women in Karaginski smiling over my baby's picture, of the men tipping back their chairs and laughing at our crossing the date line... I think of people and not of ideas and plans and organizations... When I am asked--as I always am, for there has been more curiosity about those two small points we touched on the Russian Continent than about any other portion of the trip--"I hear you've been to Russia--what did you think of it?" I can only protest... "It isn't It; it's Them, and I like them."

During World War II, 7308 American lend-lease aircraft were flown from American factories to the Western front via Alaska and the Soviet Far East. These aircraft and other supplies were flown into the Soviet Union from Nome by Soviet pilots. In 1943, Vice President Henry Wallace visited the Soviet Far East, flying from Alaska to Unkal in Chukhotka, and traveling on to visit Yakutsk and Magadan (Soviet Life, December 1986).

Former U.S. Ambassador to the Soviet Union Thomas J. Watson, Jr. flew in a private aircraft from Siberia to Alaska in the summer of 1987. In September of 1987, the U.S. research ship Surveyor sailed from Nome to Provideniya, where the ship made a three-day port call, delivered gifts from residents of Nome, and the crew viewed a performance on board ship by a Siberian Eskimo dance group.
III. ALASKA-SOVIET FAR EAST TRADE: GENERAL CONSIDERATIONS

Three broad factors affect the overall potential for trade between Alaska and the Soviet Far East:

- Soviet priorities for economic development in the Soviet Far East
- Soviet economic reorganization and foreign trade procedures
- U.S. policies on trade with the Soviet Union

Changes are occurring in all of these areas. As a result, past trade experience between the U.S. and the USSR is not necessarily a good guide to future opportunities. It appears likely that trade opportunities will expand, but it is not certain how rapid or extensive this expansion will be.

**Economic Development in the Soviet Far East**

Overall, the Soviet Far East is two-thirds the size of the United States, and has a population of 7.7 million. Major industries of the Soviet Far East include mining, (gold, silver, other precious metals, diamonds, tin, nickel-zinc, and coal), fishing (the Soviet Far East supplies one-half of the USSR’s consumption of fish products), wood and forest products (primarily logs and timber, with some plywood, fibreboard, pulp and paper), and manufacture of machine tools (marine diesels, generators, compressors, gas turbines, lifting cranes, conveyor machinery, automatic lathes).

Currently, industrial growth in the Soviet Far East is lagging for several reasons. The traditional raw materials base is diminishing, and there is a need to find new supply sources and adapt to these sources. There is relatively limited processing of raw materials into semi-finished or finished products. Labor resources and social infrastructure are limited. It is difficult to keep a stable labor force because of shortages in housing, consumer goods, and social amenities. There are severe bottlenecks in industrial infrastructure (transportation and communications), as well as in electrical energy and fuels. Levels of productivity and technology are low in the construction industry, as well as in the basic industrial sectors.

In the Soviet view, the primary economic priority for the region is to solve infrastructure problems. There is also a need to diversify the economy beyond the three traditional sectors of mining, fisheries and timber. Sectors targeted for future expansion include mining of deep sea minerals and fuels, sea farming of fish and other sea products, tourism and agriculture.

During a visit to the Soviet Far East in the summer of 1986, General Secretary Gorbachev made the following comments on the economy of the region:

III-1
Fishing Industry: "We have seen large amounts of money invested in a large capacity fishing fleet, but onshore services are lacking. Lack of labor causes expensive ships to stand idle, and there is chronic lack of capacity in ship repair, warehouses, ports and fish processing facilities.

Mining Industry: The region is rich in natural resources, and we must tackle in earnest the development of a large scale non-ferrous metalurgical industry, to accomplish complete production cycles.

Forest Products Industry: It is necessary to shift from an industry where the primary product is unprocessed raw materials (logs) to an industry which is based on the full-production cycle, that is, an industry based on the thorough processing of raw materials into semi-finished and finished products.

Fuel and Power: There is lots of work ahead to create a reliable base of energy. We must accelerate the erection of complex thermal and hydraulic stations, and the formation of a single large-capacity electricity supply system.

Construction Industry: We need to accelerate the development of an up-to-date construction industry.

Social infrastructure: This is a strained situation with respect to the construction of housing and cultural facilities.

Perestroika in the Soviet Far East

Before Gorbachev's efforts at bureaucratic reorganization or perestroika, all priorities for the Soviet Far East economy were set by Moscow's planners. Nearly all funds for industrial development were allocated by Moscow, and practically all of the earnings of local enterprises went to Moscow.

Reorganization means that the region no longer listens and answers only to Moscow bureaucrats. Reorganization also means the region receives less of its investment funds from Moscow.

Reorganization implies increased autonomy to the region to define problems and construct answers at the regional level. Recent legislation states that authority will be given to local enterprises to deal more autonomously with domestic entities and with foreign enterprises. The legislation also says enterprises must be economically accountable. They can no longer rely on Moscow for subsidies or "bail outs."

In sum, perestroika or reorganization means a "whole new ball game" for industry in the Soviet Far East. But it is still very uncertain who will be the players and what the rules will be. In particular, it is unclear who, exactly, will have the rights and responsibilities to make investment and foreign trade decisions.
Foreign Trade Decision-Making for the Soviet Far East

In the past, most Soviet foreign trade has been centrally controlled. Before Gorbachev's initiatives, most enterprises wishing to import foreign products or export Soviet products had to go through the Ministry of Foreign Trade in Moscow. To purchase a foreign good, a firm had to request permission from the Ministry of Foreign Trade. If permission was granted, the firm paid the Ministry of Foreign Trade with rubles, and the Ministry of Foreign Trade paid for the import with foreign currency. If a firm exported its products, it never saw any foreign exchange from the sale. The Ministry of Foreign Trade received payment in foreign currency for the goods, and paid the Soviet enterprise in rubles.

A limited exception to this procedure has been the "border trade" carried out by Dal'intorg (in English, Far Eastern Trading), a Soviet trading company located in the Soviet Far East with authority to make foreign trade decisions for Soviet Far East enterprises. Dal'intorg acts like a local trading company for local enterprises and administrative regions. Exports have been limited to surplus production of specified products, imports have been limited to specified consumer and producer products, and trade has been limited to specified countries. Dal'intorg's authority has been expanded since Gorbachev's visit to the region in 1986. It has recently received the right to trade with the west coast of the United States (Miller, 1981).

The Soviets have recently stated that eventually authority will be given to all enterprises to make their own foreign trade deals. Some enterprises have already been given this authority, but the majority have not. Thus a key consideration in trade with the USSR remains, "Who has the authority to make direct contacts with foreign firms?"

The recent new powers that have been granted to the Soviet Far East region means that direct contacts with potential trading partners in the Soviet Far East will be easier and more fruitful than they have been in the past. As reorganization proceeds, and when the region itself begins to understand what will be permitted under reorganization, groundwork in developing trade can begin to pay off.

"Balanced Trade"

In the past, a problem for U.S. firms in developing trade with the Soviet Union has been the need to arrange "balanced trade" agreements. Although such agreements are not formal requirements of the Soviet Union, the Soviets have preferred to purchase imports through sales of their own products, rather than with hard currency. Thus would-be exporters have needed to be able to offer American markets for Soviet products in return for sales to the Soviet Union (Miller, 1985). Thus, another key consideration in trade with the USSR is "How will Soviet enterprises acquire foreign exchange to purchase foreign goods or services?"
Probably the most successful example of West Coast trade with the Soviet Far East is provided by a Seattle firm, Marine Resources Company International (MRCI), which in 1977 established a successful joint venture with the Soviet Union in harvesting, processing, packaging and marketing fish products worldwide (Miller, 1985). The scope of MRCI's business has since expanded to include ship provisioning and repair, and representation in the USSR of American manufacturers of timber and fishing equipment. Much of MRCI's success is attributable to its ability to obtain markets for Soviet exports.

U.S. Policies on Trade with the Soviet Union

There has been a long-standing debate in U.S. foreign policy over whether to encourage or discourage trade with the Soviet Union. The Department of Defense has opposed most trade on the grounds that an improved Soviet economy may mean a stronger adversary. There are a wide variety of restrictions on exports to the Soviet Union of high-technology products with potential military applications. In one area of particular relevance to Alaska, the U.S. blocked sales of equipment for construction of a pipeline from Siberian gas fields to western Europe. Human rights groups and others have opposed trade because of opposition to Soviet internal and external policies. In addition to export restrictions, the U.S. levies higher tariffs on imports from the Soviet Union than on those from most other countries, and it bars Soviet buyers from receiving American trade and commodity credits (Farnsworth).

An opposing viewpoint is held by business leaders interested in the potential of the Soviet market, the second largest in the world, as well those who argue that economic interdependence is desirable in reducing the potential for military conflict. U.S. business leaders are particularly interested in clearer guidelines on what is acceptable in trade with the Soviet Union. Many firms were hurt by a series of embargoes during the Carter administration and the early Reagan years (Farnsworth).

Secretary of Commerce C. William Verity is a strong supporter of increased trade with the Soviet Union. Verity has recently won cabinet approval of an initiative to stimulate trade with the Soviet Union. Under the initiative, the United States and the Soviet Union will form high-level working groups to encourage trade in five areas: food processing, energy, construction equipment, medical products and the services sector. Talks in Moscow to establish the working groups will involve the New York based U.S.-U.S.S.R. Trade and Economic Council, an association of American corporations and Soviet foreign trade enterprises (Farnsworth).

Expanded trade in three of the areas for which working groups will be established—food processing, energy, and construction equipment—could greatly improve prospects for Alaska-Soviet Far East
trade. Alaska firms with trade interests in these areas should closely follow the progress of these talks and if possible participate in them. More generally, the adoption of expanded U.S.-U.S.S.R. trade as a priority of the United States indicates the importance of seeking high-level federal support for Alaska-Soviet Far East trade projects.

Export restrictions on high-technology and strategic products remain a significant barrier to trade in areas such as telecommunications and Arctic energy development. Future U.S. policies in these areas, which will be debated at the highest levels, are an important source of uncertainty in the potential for the development of trade between Alaska and the Soviet Union. Some of the areas of trade which would be of greatest interest to the Soviet Union may be most subject to restrictions by the United States.
IV. ALASKA-SOVIET FAR EAST TOURISM

Tourism is an important and growing industry for both Alaska and the Soviet Far East. Both Alaska and the Soviet Far East are tourist destinations for relatively high-income tourists interested in visiting unusual or exotic places. The development of opportunities to visit the Soviet Union directly from Alaska could benefit Alaska by attracting increased numbers of tourists to Alaska and to the northwest region of the state.

Large-scale tourism between Alaska and the Soviet Far East will not develop overnight. Initially, the number of tourists visiting the Soviet Union may be limited by Soviet ability to accommodate tourists. Because of this, initial direct economic benefits of tourism to Alaska may be relatively modest. Over time, however, if tourism can once be established, there are substantial opportunities for growth. In addition, tourism could provide crucial initial access to the Soviet Far East for Alaska firms in other industries. Thus the value to Alaska of tourism to Provideniya lies not only in its short term benefits, but also in a wide range of future opportunities it could open up.

Tourism in the Soviet Far East

Tourism is an industry which can earn hard currencies badly needed by the Soviets, such as dollars and yen. Under new economic legislation in the USSR, because the ruble is not a convertible currency, any desire to purchase abroad requires a firm to request a foreign exchange allocation, unless it can earn that foreign exchange itself. New rules state that eventually all entities which export will be able to keep part of the foreign exchange earned by those exports. Thus, local firms have a real interest in projects which earn foreign exchange, such as tourism.

Currently, the Soviet Far East is trying to develop its tourist industry. Several Japanese proposals to expand tourism to the region are being looked at. In his speech in Vladivostok in July 1986, Gorbachev stated: "The Soviet Far East should become one of the nation's leading health resorts, it should become a major center for domestic and international tourism, including ocean and high latitude tourism. . . . This would also replenish resources for accelerating the provision of public services and amenities."

New initiatives in nontraditional areas of tourism are evident. One example is the recently announced Lena River Tourist Project, which is a joint venture with a U.S. firm, Lindblad Travel. In September of 1987, Intourist authorized Lindblad to organize two 10-day cruises on the Lena river in July of 1988, on a Soviet-owned vessel. The group will board a 158-berth Austrian-built luxury cruise ship in Yakutsk. The ship will cruise up the Lena River to above the Arctic Circle and back. According to an Intourist spokesperson, "this is a new offering from Intourist, and Lindblad was the
First company to make all the arrangements. This itinerary along the Lena is new. If it is popular this year, maybe Intourist will add some other cruises later."

Another initiative is an agreement signed in 1986 between Trout Unlimited and the Union for Hunting and Fishing of the Russian Republic, under which American fishermen will be permitted to fish for taimen trout in Siberian rivers. Fishing trips will be planned and conducted by Intourist with the assistance of the Hunting and Fishing Union.

Tourism in the Bering Straits Region

The tourism opportunities which have generated the most attention and specific proposals to date are those in the Bering Straits region, where Alaska and the Soviet Union are closest. The communities of Nome and Provideniya are approximately 220 miles apart, or 26 minutes for 737 commercial jets and 22 hours by ship. A number of organizations are interested in bringing about or participating in tourism ventures between these communities, both by air as well as by cruise ship.

Because tourist facilities are presently non-existent in Provideniya, initial tourism developments would likely involve only brief visits by tourists. Examples of possible initial developments include:

1. **One-day air excursions.** Tourists would fly from Nome to Provideniya, and after several hours of activities such as sight-seeing, shopping, or meals, would return to Nome later in the day. These tours would be analogous to tours currently offered by several companies to visit communities within Alaska such as Barrow, Kotzebue, and Nome.

2. **Bering Straits region cruises.** Tourists would board a cruise ship in Nome and would visit several Alaska communities in the Bering Straits region as well as Provideniya, subsequently returning to Nome. These cruises would be analogous to cruises offered in Southeast Alaska. They have the advantage that fewer facilities would be required for tourists in Provideniya.

3. **Combination air-cruise ship excursions.** Tourists would travel between Nome and Provideniya by cruise ship and return by air, while arriving air passengers would return by cruise ship.

Over time, if these activities were successful, it is possible to imagine the subsequent development of more extensive tourism from Nome, such as longer visits to Provideniya and flights or cruises to other coastal or inland communities on the Chukchi Peninsula. In the more distant future, these might eventually develop into opportunities to continue traveling, via Aeroflot to Soviet cities such as Khabarovsk, Yakutsk, or Irkutsk.
Possible Soviet Perspectives on Tourism in the Bering Straits Region

Like other kinds of trade, tourism in the Bering Straits region will not develop unless the Soviets perceive it to be in their interest. It is likely that the Soviets would perceive potential benefits from the development of tourism in this region but that they would also perceive a number of obstacles.

One potential benefit to the Soviets from tourism in this region is the opportunity to earn foreign currency from sales of souvenirs and specialty products such as fur hats, as well as sales of services such as tours, restaurant meals, and hotel accommodations. There are also potential political benefits in the form of increased goodwill towards the Soviet Union by Americans. Concessions by the Soviet Union on Bering Straits tourism could be used as leverage in other areas of negotiation between the Soviet Union and the United States. For example, in return for U.S. air carrier landing rights in Provideniya, the Soviets may request reciprocal landing rights for Aeroflot somewhere in the United States. Probably less important, from a Soviet point of view, would be the opportunity to import consumer products from Alaska to the Chukchi area.

A first potential obstacle which the Soviets may perceive to the development of tourism is the absence of facilities for receiving or serving tourists. There are no hotels, customs facilities, tourist buses, or tourist shops in Provideniya, nor are there personnel to staff such facilities. There is only one small restaurant. Tourist facilities could perhaps be built by American firms under joint venture agreements, as has been done in other parts of the Soviet Union. Even with one-day tourist excursions, lack of overnight accommodations represents a potential problem in the event of weather conditions or other factors preventing a return by aircraft to Nome on the same day. For these reasons, cruise ship visits to Provideniya may be easier to arrange than tourism by aircraft since accommodations and meals could be provided onboard ship.

Another potential concern for regular air flights is the adequacy of runway and emergency facilities. This would also be a concern for American air carriers. According to a background paper prepared for Senator Murkowski, the airfield at Provideniya "would be capable of supporting Boeing 727-type operations after some facility upgrading and maintenance."

Another obstacle may be a lack of "sights" for tourists to see. Communities such as Provideniya are likely to be similar to remote Alaska communities—at first impression bleak, unattractive, and not particularly prosperous. While these conditions may be of interest to tourists, the Soviet government may be unenthusiastic about showing them off or inviting comparisons between the Soviet North and Alaska. In general, the Soviet Union prefers to steer tourists towards monuments, museums, artistic and cultural events, and showcase industrial projects, rather than towards observing how ordinary Russians live or work. A possible tourist attraction might
be staged cultural events such as Native dances, but it is uncertain whether these could be organized regularly. Reindeer herding occurs on a significantly larger scale than in Alaska and is another activity which might be of interest to tourists, although transportation of tourists to areas where reindeer herding takes place might be difficult.

Native lifestyles and local history--two subjects which would be of particular interest to tourists--may be particularly sensitive subjects to Soviet authorities. As in Alaska, the replacement of traditional Native cultures by European culture has been accompanied by social stress. Much of the development of the far northeast of the Soviet Union is associated with forced labor camps during the Stalinist era. Provideniya was established at the height of this era--in 1937. Soviet authorities may be reluctant to invite attention to these subjects.

Security considerations may be another obstacle to the development of tourism. According to the background paper prepared for Senator Murkowski, "within the town of Provideniya there are no known highly sensitive, restricted areas. However, standard sensitivities are applicable, i.e. facilities such as the power plant, and port facilities are likely to be off limits to visitors unless they are accompanied by Soviet officials or guides." In general, the Soviets tend to be super-sensitive about foreign observation of military facilities, and tourists would likely be unwelcome in any area where such facilities might be visible.

The Soviets may also be disinclined to encourage large-scale contact between ordinary citizens in Provideniya and foreigners. Despite official protestations of friendship, such contacts are usually discouraged. Whether by design or not, even in cities currently open to foreign tourists, most ordinary citizens are effectively segregated from contact with foreigners by separate hotels, group travel in separate buses, the language barrier, and popular suspicion of foreigners. In the era of "glasnost," these barriers may be changing, but the Soviets may be reluctant to host large numbers of foreign tourists in a small community which has previously had minimal contact with foreigners.

Some of these constraints were apparent during the port call of the Surveyor in September of 1987. As described in the captain's log and in an account by interpreter Serge Lecomte, crew members were only permitted off the vessel in guided groups of twenty. Although the ship was declared opened to the public, only officials and a selected group of children came to visit.

At present, the entire Pacific coast of the Soviet Union, and most of the Soviet North, is off-limits to foreigners. Although lack of hotel facilities are usually cited as the reason for these restrictions, all of the factors listed above are probably important. A variance to this restriction would be required before tourist
visits to Provideniya could occur. Although some exceptions to the restriction have been made in the past, as with the Surveyor visit and some travel by journalists, these controlled exceptions are different from permitting regular tourist visits.

A final obstacle to the development of tourism may be bureaucratic inertia. Permitting tourists to visit Provideniya on a regular basis would involve changes in several long-standing policies by several different Soviet agencies, requiring a variety of coordinated bureaucratic actions. Even if there were general agreement that tourist visits to Provideniya were desirable, they might not come about without active support from centralized authorities.

In sum, there are several potential benefits to the Soviet Union from the development of tourism between Nome and Provideniya, which may cause some Soviet officials to look favorably upon such developments. However, there are also likely to be a variety of obstacles from the point of view of the Soviets, so that tourism development in this area may not be a straightforward project from the point of view of Soviet authorities.

We mention these potential obstacles not in order to discourage efforts to develop tourism, but rather to call attention to factors which the Soviets may consider important. In negotiating with the Soviets, it is important to be aware of these factors and to be able to offer solutions to potential problems where possible. Because of the variety of possible Soviet concerns, the higher the level in the Soviet Union at which support for tourism can be obtained, the more likely proposals are to succeed. We suggest that the following points be stressed in negotiating with the Soviets to develop tourism in the Bering Straits region:

Development of tourism could be highly profitable for the Soviets. The potential market consists of at least several thousand visitors per year who would probably be willing to spend between $100 and $250 each for the opportunity of a brief, one-day visit to Provideniya (not including transportation costs). In addition, each tourist might be expected to spend an additional $100-$400 for souvenirs or specialty Russian products such as fur hats or Native crafts. If 3,000 tourists each spent $150 for a day tour of Provideniya, this would provide foreign currency earnings of $450,000 directly. If each tourist spent an additional $200 on purchases in Provideniya, this would generate an additional $600,000 in sales. Thus, it is reasonable to expect that even on a small scale, tourism could earn more than $1 million per year for the Soviets. The evidence for this market is the fact that thousands of tourists currently visit isolated communities in Northwest Alaska and pay similar amounts to do so.

If lack of facilities were a problem, Alaskan firms would almost certainly be willing to participate in the construction of these facilities through joint ventures. If cruise ships were permitted to bring tourists to Provideniya, all meals and accommodations could be provided onboard.
Tourists would not require impressive museums or other attractions in order to be willing to make the trip to Provideniya. The most important part of the visit for tourists will be the opportunity to be in Siberia—it doesn't much matter what they see when they are there. However, Native cultural activities would be of particular interest.

If tourism can be established on even a small scale to Provideniya, a potentially much larger market could be developed for tourism in the Soviet Far East. In particular, western tourists are willing to pay extraordinary amounts for sport fishing and hunting opportunities.

Are the Russians Interested?

There have been a number of indications that the Soviets are interested in expanding Alaska-Soviet Far East contacts. These include the signing of the Alaska-Siberia Medical Research Program agreement and the granting of permission for the Lynne Cox swim and the Surveyor visit to Provideniya. Other indications include a number of recent statements and letters by Soviet officials. In a letter to former Governor Walter Hickel, dated December 4, 1987, Ambassador Anatoly Dobrynin wrote:

"Together with you I hope that ties between Alaska and Siberia will gradually develop to the benefit of both nations and those coldest places of our two countries could become the partners in the warmest relationships. Anyway, the start has been made and, as we say in Russia, "a good beginning makes a good ending."

There have been several Soviet indications of interest in the development of contacts between Provideniya and Nome. In a proclamation to the people of Nome dated September 22, 1987, and delivered by the Surveyor, the mayor of Provideniya, O. Kulinkin, wrote:

"We hope that you dear inhabitants of Nome can be our good neighbors and friends ... We can and must collaborate in the development of economy, and in the regions of science, culture and sports. We must learn more about one another and meet more often, become more friendly and develop commercial ties ... Let us be friends. Let us work together and trade together ... Why shouldn't the American city of Nome and Provideniya become sister cities so that we can work together, be friends together, and share cultural events? ... Let us exchange books, letters, and presents, and let visits, friendship, and peace become a tradition."

The captain of the Surveyor reported:

"During an official banquet hosted by the mayor of Provideniya, he expressed the sincere interest that Provideniya will be used in the future for more visits and for obtaining ship supplies ..."
In a letter to Jim Stimpfle dated February 3, 1988, Mayor Kulinkin wrote:

"Your letters contain many suggestions, which touch on the perspective of developing many-sided contacts between our peoples, and which interest us. At the present time, they are being considered by our government, and I hope for their favorable resolution."

On February 22, 1988, the well-known Soviet Chukchi writer, Yuri Rytkheu, wrote the following in a letter to Jim Stimpfle:

"I just came back from trip to Chukotka and had a lot of meetings and discussions about future contacts through the Bering Straits. They wait just official approving and legal way how to arrange this contacts. Also there are a lot of plans to make this contacts as a permanent ties between not only natives (this is just beginning) but also in the economical fields. Now everything depends on our high officials. General situation and mood of the people are very exciting and I hope to see you and your family in this summer in Provideniya and Uelen in this year."

Although none of these communications specifically mention tourism, regular air flights, or regular cruises, they are evidence of support by local officials in Provideniya and Chukotka for developing stronger ties with Nome and awareness and discussion of proposals which have been made. While they are not guarantees of success, they suggest that proposals for tourism and other exchange in the Bering Straits area are worth pursuing further.

Potential Benefits to Alaska

It is likely that there would be a substantial market for the initial kinds of tourism developments in the Bering Sea region listed above, involving a brief visit to Provideniya by air or cruise ship. Each year, several thousand tourists visit communities such as Barrow, Nome, and Kotzebue under package tour products such as those provided by Exploration Holidays and Westours. According to an official of Exploration Holidays, the participants in these tour packages tend to be "seasoned, older travelers" who are interested in the local culture, history, economy, and natural surroundings. Even with minimal special facilities for tourists, Provideniya would be of interest to these types of travelers. The fact that Provideniya has been inaccessible and is part of the Soviet Union and the opportunity to "compare" Provideniya with Nome would further increase this interest. All of these factors suggest that if it were possible for tourists to visit Provideniya, it would become a prime destination for tourists visiting Alaska, and the opportunity to visit Provideniya might encourage some tourists to visit Alaska who would not otherwise have done so. Demand would also be relatively less sensitive to cost than for other destinations.
Initially, the factor limiting tourist travel to Siberia in the Bering Straits region would probably not be demand but rather Soviet willingness to receive tourists. For example, if the Soviets permitted two tourist flights per week during a ten-week season, with each flight carrying 125 tourists, this would be 3,000 tourists. A cruise ship visiting once per week during the tourist season would probably carry a roughly equivalent number of tourists.

Tourist visits between Provideniya and Nome at this scale would be of significant but not overwhelming economic benefit to Alaska. In 1985, an estimated 8,700 tourists visited Nome each year, of whom about half stayed overnight (Table 2). These tourists spent about $3.7 million in Nome, mostly for prepaid tours and transportation. These tourists represented less than 2 percent of the 279 thousand tourists who visited Alaska in 1985.

Table 3 presents a range of economic impacts that might initially be generated in Nome and statewide by limited tourist flights to Provideniya. Key factors affecting the extent of economic benefits would be the total number of tourists and the average expenditures of tourists in Nome. Under a medium case or "best guess" scenario, 3,000 tourists might generate 43 full-time equivalent jobs in Nome. Under a "high case" scenario, the same number of tourists might create 108 full-time equivalent jobs in Nome. These calculations assume that expenditures are over and above those which would have been made in Nome by those tourists who would have visited Nome even without the opportunity to fly to Provideniya.

Statewide economic impacts of Nome-Provideniya tourist flights would depend upon the extent that the opportunity to visit Siberia attracted additional tourists to Alaska who would not otherwise have come, and on the extent to which those tourists who would have visited Alaska in any case increased their total expenditures as opposed to diverting expenditures from other uses. Depending on these and other factors, a medium case or "best guess" scenario is that 3,000 tourists might generate 116 full-time equivalent jobs statewide. Under a "high case" scenario these tourists might generate as many as 330 jobs.

Under the high case scenario, tourist flights would increase full-time equivalent employment in Nome by about 7 percent—an appreciable although not overwhelming impact. The relative impact upon statewide employment would be much lower.

Tourist cruises in the Bering Straits area would have a different impact upon the economy of Alaska. Direct effects upon the economy of Nome might be somewhat lower if tourists did not spend the night in local hotels. However, if cruise ships visited other communities in the region, they could have a substantial economic impact upon these communities. In addition, some residents of Northwest Alaska might be able to work onboard the cruise ships.
### TABLE IV-1. SUMMARY OF NORTHWEST ALASKA SUMMER TOURISM

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<th>Category</th>
<th>Nome</th>
<th>Kotzebue</th>
<th>Alaska</th>
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<tr>
<td><strong>TOTAL SUMMER VISITORS</strong></td>
<td>9700</td>
<td>11600</td>
<td>431200</td>
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<td>Vacation and Pleasure</td>
<td>8700</td>
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<td>Visiting Friends and Relatives</td>
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<tr>
<td>Business Only</td>
<td>900</td>
<td>1800</td>
<td>37200</td>
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<td><strong>SUMMER OVERNIGHT VISITORS STAYING IN HOTELS</strong></td>
<td>4700</td>
<td>7300</td>
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<tr>
<td><strong>TOTAL SUMMER VISITOR EXPENDITURES ($ millions)</strong></td>
<td>3.7</td>
<td>1.9</td>
<td>313.2</td>
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</table>

*The majority of spending by visitors to Nome and Kotzebue is in prepaid tour form rather than daily spending by visitors.

TABLE IV-2. POTENTIAL ECONOMIC IMPACTS OF NOME-PROVIDENIYA TOURISM FLIGHTS

<table>
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<th>&quot;Medium&quot;</th>
<th>&quot;High&quot;</th>
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<td>WEEKS IN TOURISM SEASON</td>
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<tr>
<td>NUMBER OF FLIGHTS/WEEK</td>
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<td>2</td>
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<tr>
<td>NUMBER OF TOURISTS/FLIGHTS</td>
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<td>125</td>
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<tr>
<td>EXPENDITURES IN Nome/TOURIST</td>
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<td>300</td>
<td>500</td>
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<td>MULTIPLIER</td>
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<td>.8</td>
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CALCULATIONS:

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<tbody>
<tr>
<td>TOTAL FLIGHTS</td>
<td>10</td>
<td>24</td>
<td>24</td>
</tr>
<tr>
<td>TOTAL NUMBER OF TOURISTS</td>
<td>1,000</td>
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<td>TOTAL TOURIST EXPENDITURES</td>
<td>200,000</td>
<td>900,000</td>
<td>1,500,000</td>
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<tr>
<td>FULL-TIME EQUIVALENT EMPLOYMENT (DIRECT)</td>
<td>4</td>
<td>27</td>
<td>60</td>
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<tr>
<td>FULL-TIME EQUIVALENT EMPLOYMENT (TOTAL)</td>
<td>6</td>
<td>43</td>
<td>108</td>
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EFFECTS ON STATEWIDE ECONOMY:

ASSUMPTIONS:

<table>
<thead>
<tr>
<th></th>
<th>10%</th>
<th>20%</th>
<th>30%</th>
</tr>
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<tbody>
<tr>
<td>PERCENT OF TOURISTS TAKING FLIGHTS</td>
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<td></td>
</tr>
<tr>
<td>ATTRACTED TO ALASKA BECAUSE OF OPPORTUNITY TO VISIT SIBERIA</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>TOTAL EXPENDITURES IN ALASKA PER NEWLY ATTRACTED TOURIST</td>
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<td>$2000</td>
<td>$2500</td>
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<td>INCREASE IN EXPENDITURES PER TOURIST, FOR TOURISTS TAKING FLIGHTS WHO WOULD HAVE VISITED ALASKA EVEN W/O OPPORTUNITY TO VISIT SIBERIA</td>
<td>100</td>
<td>300</td>
<td>500</td>
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<td>FULL-TIME EQUIVALENT EMPLOYMENT PER $100,000 OF TOURIST EXPENDITURES</td>
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CALCULATIONS:

<table>
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<th>&quot;Low&quot;</th>
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<tr>
<td>NUMBER OF NEW TOURISTS</td>
<td>100</td>
<td>600</td>
<td>900</td>
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<tr>
<td>EXPENDITURES OF NEW TOURISTS</td>
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<td>1,920,000</td>
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<tr>
<td>FULL-TIME EQUIVALENT EMPLOYMENT CREATED (DIRECT)</td>
<td>4.8</td>
<td>58</td>
<td>132</td>
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<tr>
<td>FULL-TIME EQUIVALENT EMPLOYMENT CREATED (TOTAL)</td>
<td>8.6</td>
<td>116</td>
<td>330</td>
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</table>
The economic impacts which we have described thus far have only been for the initial stages of Nome-Provdeniya tourism. Eventually—perhaps after five years or perhaps after twenty years—tourism between Alaska and the Soviet Far East might expand to tens of thousands of tourists per year, if the Soviets were to open greater areas of the region to tourists. Tourism at this level would have far greater economic impacts upon the economy of Alaska and on Northwest Alaska in particular. Even more benefits would arise if Provdeniya were to become a point of entry for further travel within the Soviet Union via Aeroflot. It is probably in these future opportunities, rather than the relatively small scale at which tourism would start, that economic justification for the effort of establishing Nome-Provdeniya tourism should be sought.

A Foot in the Door

A potentially very significant economic benefit of tourism could be the initial access to Soviet markets provided to Alaska firms. Starting at a small scale, tourism links would provide a foot in the door for Alaska tourism firms to begin dealing with the Soviets. Success in these initial contacts could lead to opportunities for joint ventures in other areas of the Soviet Union. As we discuss in Chapter VI, Alascom is willing to provide a satellite communications ground station in Provdeniya for free while the project is in a developmental stage, because of the enormous long-term potential that it sees in access to Soviet markets for communications technology and equipment for remote areas. If Alaska firms were to enter joint ventures to build tourist facilities in Provdeniya, these could lead to later joint ventures in other areas of the Soviet North. Contacts in Provdeniya could also provide an opportunity to Alaska firms to enter the business of importing Soviet products from this region such as furs, reindeer products, Native crafts, or perhaps even pre-cast concrete. The more that can be imported, the greater the potential for export sales.

Bringing About Nome-Provdeniya Tourism

The Formal Process

In order to operate flights to Provdeniya or for cruise ships to land in Provdeniya, a formal process of applications to agencies of the United States and Soviet government is required. In this section, we briefly summarize this process.

Scheduled Airline Service. Scheduled airline service to the USSR takes place under the terms of the U.S.-Soviet bilateral civil aviation agreement. Under the terms of this agreement, airline service between the U.S. and USSR at present only takes place between Washington, D.C., and New York in the United States and Leningrad and Moscow in the Soviet Union. To develop regular airline service to Provdeniya, Nome and Provdeniya must be added to this select list of cities, which would require an amendment to the bilateral civil aviation agreement. The process of amending the agreement must be
initiated by one of the national governments. An airline may request that the federal government initiate this process by applying to the Department of Transportation (DOT). If the proposal is favorably reviewed by DOT, it is then sent to the Department of State, which would submit the application to further review including consultation with the Departments of Commerce, Defense, and the National Security Council. Subsequently, the State Department would submit a formal request for an amendment to the agreement to the Soviet Foreign Ministry.

Negotiation of the amendment would take place between officials of both governments over at least a period of several months (partly because of the need to schedule negotiations at a time which is convenient for everyone involved). One aspect of these negotiations may be reciprocity: the Soviets may request landing rights for Aeroflot in another U.S. city in return for U.S. landing rights in Provideniya. For example, the Soviets might request permission for Aeroflot flights from Khabarovsk to San Francisco or Anchorage. It is uncertain how reciprocity requests would be received by either the State Department or other U.S. airlines. Because reciprocity is a potential obstacle for Nome-Provideniya flights, it is in Alaska's interest to separate, as much as possible, Nome-Provideniya flights from other U.S.-USSR air travel. As tourist flights which would operate initially only during the summer months, the flights are not directly comparable with air service to other cities. Moreover, tourist flights to Provideniya are to the advantage of both the U.S. and the Soviet Union, regardless of other air links.

Currently the Civil Air Agreement designates carriers, and the choice of carriers would be made prior to or during the amendment process by the Department of Transportation. Once the agreement is negotiated, various procedural matters would still have to be worked out, such as the establishment of customs and immigration services. In addition, airfield facilities in Provideniya would have to meet navigation and emergency standards specified by the U.S. Department of Transportation.

**Nonscheduled Airline Service.** Nonscheduled airline flights to the Soviet Union must be arranged on a case-by-case basis. The only requirement on the part of the United States is that airlines have charter authority for flying to foreign countries, which can be obtained in a routine application process. Applications for nonscheduled flights may be made through regular diplomatic channels via the U.S. Department of State. Soviet regulations at present require that charter flights enter the Soviet Union at specified "Aerodromes of Entry," among which Provideniya is not listed. All flights must have a Soviet escort crew (navigator and radio operator) onboard unless stipulated to the contrary in the authorization.

The United States has similar regulations for nonscheduled flights to the U.S. from the USSR. These regulations stipulate that a U.S. air force navigator and radio operator must be aboard nonscheduled Soviet flights entering the USSR. Thus, a practical consideration in nonscheduled flights between Nome and Provideniya is
arranging for Soviet navigators and radio operators to reach Nome prior to these flights, or vice versa. This could be done by transporting officials by boat or alternatively by scheduled airline service via Khabarovsk, Japan, and Anchorage.

**Scheduled Cruise-Ship Calls.** In theory, the procedure for arranging for port calls by U.S. ships is simpler than the procedure for arranging scheduled or nonscheduled air flights. Technically, the procedure for arranging a port call is to apply fourteen days in advance through the Ministry of Foreign Affairs in Moscow or the Soviet Embassy in Washington, D.C. In practice, cruise ships would need advance authorization for a number of port calls. According to Bruce Connuck of the U.S. State Department's Soviet Desk, the recommended procedure for cruise ships desiring such authorization would be to submit a detailed proposal to the Soviet Embassy, with information on the desired landing dates, the number of persons onboard, and desired activities. To ensure that proposals receive maximum attention, they should also be submitted to the Soviet consulate in San Francisco and local authorities in Provideniya. As with air flights, a variety of technical details would need to be worked out, such as visa and customs procedures.

**Efforts to Date**

A number of individuals and organizations are currently working to promote Nome-Provideniya cultural exchanges as well as regular airline service, cruises, and tours. In this section, we review the status of these efforts as well as future steps to be taken.

Residents of Nome have been central to promoting Nome-Provideniya tourism and in bringing proposals to their current high level of visibility. In particular, Jim Stimpfle, a Nome real estate broker, has worked very hard to promote this project on a local, statewide, national, and international level. Following the Surveyor visit to Provideniya, Stimpfle formed an organization known as the Committee for Cooperation, Commerce and Peace (CCCP) which has actively supported both cultural exchanges as well as tourism development. Stimpfle has successfully solicited serious interest in tourism development proposals in the airline, cruise, and excursion tour industries, and several firms have now submitted proposals to the Soviets or are developing proposals. There is a high level of awareness of these proposals among the Alaska congressional delegation and the U.S. State Department, both of which have stated that they strongly support tourism development. As we stated above, there have been a number of indications that the Soviets are aware of and interested in tourism development proposals. Earlier this year, an official from the New York office of Aeroflot visited Alaska to learn more about proposals for regular air service.

**Scheduled Air Service.** We are aware of two airlines with an active interest in participating in Nome-Provideniya tourism. On January 12, 1988, Alaska Airlines filed an application with the U.S. Department of Transportation for a certificate of public convenience and necessity to operate scheduled service between Nome and Provideniya. In its application, Alaska Airlines stated:
"Alaska's proposal is designed to forge a new transportation link to the U.S.S.R. in the aftermath of the summit between President Reagan and General Secretary Gorbachev. Among the many outgrowths of the summit are strong indications of warming relationships between the United States and the U.S.S.R. particularly with respect to enhanced trade and cultural exchanges. Alaska's application would provide a further opportunity for both the United States and the U.S.S.R. to solidify these relationships.

The Nome Gateway has long been a major Alaskan tourist destination during the winter as well as summer months and the addition of a stopover at Provideniya would likely prove extremely attractive to a number of U.S. tourists. The fact that Provideniya is only approximately 230 nautical miles distant from Nome, Alaska, would also mean that the new transportation link would assist in re-establishing the longstanding cultural relationships that exist between many native Alaskans and Siberians.

Alaska Airlines was the last U.S. carrier to have operated regular service to Siberia and is therefore particularly well-suited to provide the proposed service. During the 1970-72 period, Alaska pioneered and operated a weekly B-707 charter program to Khabarovsky in Siberia as well as to Leningrad. In conducting that unique program, Alaska Airlines was required to cooperate extensively with the U.S.S.R. and Aeroflot and it is expected that their familiarity with Alaska would allow for a relatively easy implementation of a tourist and exchange program to Provideniya once the Department issues the requested certificate of public convenience and necessity...

Alaska Airlines has repeatedly been found fit, willing and able to provide interstate and foreign air transportation...

This service would be operated with either B-727-200 or B-737-200 aircraft. Alaska currently owns and operates a number of such aircraft...

Alaska Airlines initially contemplates operating a twice weekly service pattern (two round trip flights on each day) during the ten week summer season and further flights would be added when justified by traffic levels."

Because Alaska Airlines already operates regular flights to Nome, including a short round-trip flight to Provideniya as part of their scheduled service could be relatively straight-forward and inexpensive.
Markair has filed a similar application with the Department of Transportation, in which they have proposed to fly tourists directly from Anchorage to Provideniya—a flight of approximately two hours. Markair envisions marketing these flights as tour packages, similar to those which they operate to Barrow.

According to Jim Bean of the State Department's Soviet Desk, the U.S. State Department is in favor of an amendment to the Bilateral Civil Aviation Agreement to permit scheduled air service to Provideniya. However, they have not yet submitted a formal request for an amendment because the Soviets have requested an opportunity to review these proposals informally in advance. The proposals have been sent to Aeroflot and the Soviet Ministry of Civil Aviation which are currently reviewing them. If the proposals are favorably received, the State Department will then proceed with a formal request for an amendment.

**Nonscheduled Flights.** Jim Stimpfle has written to numerous Soviet officials requesting permission for several "friendship flights" between Nome and Provideniya this year. Alaska Airlines has agreed to provide an aircraft for one of these flights. Recently, Alaska Airlines filed a formal request to fly an aircraft from Nome to Provideniya on May 31. A Soviet navigator and radio operator would be transferred either at sea or by scheduled airline service via Khabarovsk and Japan. Governor Cowper has indicated his willingness to travel on one of these flights. Other participants would include Native residents of Nome and the Bering Straits area as well as local and state officials. Although there is no firm evidence to date that permission for these flights will be granted, they are apparently being considered by Soviet officials. If these flights are successfully arranged, they would represent an important step towards the development of cultural exchanges and tourism.

**Cruises and Other Tourism Products.** At least three companies are interested in developing cruises as well as other tourism products in the Bering Straits area, highlighted by visits to Provideniya. Telephone calls to several firms revealed a great deal of interest in these opportunities as well as active planning for them.

According to Ted Garman of Exploration Holidays and Cruises, the company is seriously evaluating the possibility of offering cruises in the Bering Straits area. The company presently operates a number of cruises in Southeast Alaska as well as air tours to Nome, Kotzebue, and the Pribilof Islands. According to Garman, the participants in these tours to northern and western Alaska tend to be older, seasoned travelers who are interested in the local history, economy, and culture. The company believes that there would be a very strong market for cruises which would offer "a first look at Siberia," partly because the area has been so remote and inaccessible for so long. In Provideniya, travelers would likely be interested in activities such as those that are offered on cruises in Southeast Alaska, such as tours of the local community, a Russian style meal, and exhibitions of Native dancing.
Possible cruise itineraries would include one week trips beginning in Nome and visiting several other Alaska villages as well as Provideniya and combination air-cruise tours, in which some passengers would take a cruise ship to Provideniya from Nome and fly back, while others would fly to Provideniya and take the cruise ship back. Alaska villages which might be visited include King Island, Gambell, and Savoonga.

Practical considerations in arranging these tours include the availability of port facilities including water, fuel, and dock space in Nome. According to Garman, the current dock facility at Nome would probably be adequate for the size cruise vessels which they would envision using. Due to the lead time involved in arranging and marketing tours, the earliest season during which they could operate would be 1989. Exploration Holidays and Cruises would also be interested in acting as a general sales agent for Intourist in arranging air tours for Provideniya.

According to Gary Odle, Director of Alaska Marketing for Holland-America Tours/Westours, the company is actively exploring opportunities for development of tourism excursions to Provideniya. They currently operate a number of itineraries in northwestern Alaska utilizing Nome and Kotzebue, and they bring about 4,500 visitors per year to Nome. They believe that the potential tie with Provideniya is "a natural." Opportunities for day excursions to Provideniya would have "tremendous appeal to the American consumer." A close analogy would be the very popular one-day visits to the Peoples Republic of China which tourists take from Hong Kong. They believe that within a three-year period the opportunity to visit Provideniya could triple the number of tourists visiting Nome. They also believe that Provideniya represents a gateway for expanded tourism to other areas. Because of the advance planning requirements, the earliest such tours could operate would be the summer of 1989.

According to Jim Stimpfle, Society Expeditions is considering the possibility of offering luxury cruises in the Bering Straits area. These cruises could have an emphasis on the culture and ecology of the region and might bring Native Alaskans onboard to teach these subjects.

An important consideration for all of these tour arrangements would be the simplification of customs procedures. It would be desirable to develop simplified visa arrangements, such as provisions for 48-hour or 72-hour visas. One possibility for cruise ships would be to establish procedures similar to those used for cruises along the U.S.-Canadian coast, in which customs officials from both countries are stationed onboard the ship, at the expense of the operator. Customs procedures could then be handled onboard, reducing delays for tourists while in port. It is uncertain whether the Soviets would be receptive to these ideas.
What Happens Next?

There is a great deal of interest on the part of American firms in establishing tourism between Nome and Provideniya. It is apparent that the Soviets are aware of this interest and are studying the possibilities. They have indicated to the U.S. State Department that they prefer to respond informally to proposals for scheduled airline service prior to formal negotiations. Several cruise and tourism companies have also communicated their interest to Soviet officials, although none have submitted specific proposals for consideration.

It appears that the next step in the process is to convince the Soviets that opportunities for tourism in the Bering Straits area are realistic and would be mutually beneficial and desirable. To this end, the Alaska State Chamber of Commerce has initiated an effort known as the "Siberian Gateway Project," which has as its ultimate goal the establishment of scheduled airline and ship transportation links between Nome and Provideniya, for the purposes of furthering trade and scientific and cultural exchange. The immediate goal of the Siberian Gateway Project is the inclusion of Nome-Provideniya transportation links on the agenda for the Reagan-Gorbachev summit in June in Moscow. Achieving this goal would be an important step forward for the project. The Siberian Gateway Project hopes to achieve this goal by enlisting support of prominent American political and cultural figures to lobby both the American and Soviet administrations. An initial informational and organization event for the Siberian Gateway Project will be a one-day symposium on "Alaska-Soviet Far East Contacts: Past, Present and Future," scheduled for April 23 in Anchorage. Another goal of the Siberian Gateway Project is the inclusion of Alaska-Soviet Far East tourism among topics for discussion by the recently announced high-level working groups being formed to promote trade between the United States and the Soviet Union.

The State Department and the Alaska congressional delegation are also working to convince the Soviets that tourism between Nome and Provideniya is realistic and mutually desirable. For example, Senator Murkowski will meet with Soviet officials in Moscow in early April to discuss current proposals and opportunities.

Lobbying and informational efforts such as these are clearly an important step in gaining Soviet interest in tourism opportunities. A parallel step which is now needed is the development of specific proposals by American firms which can be forwarded to the Soviets through regular diplomatic and trade channels. Ultimately, these proposals will form the basis for formal negotiations and agreements. Official lobbying and support can provide a foundation for success in trade arrangements, but ultimately these will depend on the efforts of the entrepreneurs and companies involved.
Tourism Between Alaska and Other Areas of the Soviet Far East

In addition to the opportunities for tourism in the Bering Straits region, there is also potential for tourism between Alaska and other areas of the Soviet Far East. One such opportunity is the potential for direct flights between Anchorage and Khabarovsk. At present, substantial numbers of Japanese tourists visit Khabarovsk as well as fewer numbers of American and European tourists. At present, in order to reach Khabarovsk from North America, travelers must travel via Japan, from which there are flights to Khabarovsk as well as ship connections from Yokohama to the port city of Nakhodka.

Because of the necessity of traveling via Japan, it is currently expensive and inconvenient to travel to the Soviet Far East from North America. Given the current increased interest among Americans in visiting the Soviet Union as well as Soviet interest in expanding tourism in the Soviet Far East, it is possible that significant travel might develop if direct air links were established between Khabarovsk and North America.

If such flights were established between Anchorage and Khabarovsk, they would clearly be of benefit to Alaska. However, at present no Alaska airline has aircraft capable of making flights of this distance, and no Alaska airline has recently proposed such flights. In addition, the Soviets may prefer to establish direct air links with other west coast cities, such as San Francisco. These air links are likely to be subjects of discussion in negotiations over amendments to the bilateral civil aviation agreement necessary to bring about regular flights between Nome and Provideniya. A further long-run consideration is whether air connections with Khabarovsk might eventually compete with tourist entry to the Soviet Union via the Bering Straits region.

There is, however, precedent for direct flights between Anchorage and Khabarovsk. In the late 1960s, Alaska Airlines negotiated directly with Intourist to obtain permission for charter flights for tour groups between Anchorage and Khabarovsk. After traveling across the Soviet Union under the auspices of Intourist, groups were subsequently flown back from Leningrad to Anchorage by Alaska Airlines across the North Pole. After several dozen flights between 1970 and 1972, the flights were discontinued, partly because they were not very profitable and partly due to diplomatic difficulties (Satterfield). As non-scheduled charter flights, special permission was needed for each flight. The problems in this experience with charter flights suggest that future tourist flights from Alaska to the Soviet Union should be arranged as regular scheduled airline service, if possible.
V. ALASKA-SOVIET FAR EAST FISHERIES COOPERATION

The most significant progress to date towards Alaska-Soviet Far East trade has occurred in the area of fisheries. Soviet fishing vessels have long been occasional visitors to Alaska ports. Soviet-American fisheries joint ventures in the North Pacific have been taking place for more than ten years and represent the most successful trade to date between the U.S. west coast and the Soviet Far East. Over the past year, extensive negotiations have taken place between American and Soviet fishing industry officials, and prospects are promising for cooperation in a number of areas.

Unlike in tourism, the direct benefits of expanded US-USSR fisheries cooperation will not be concentrated primarily in Alaska. Nevertheless, fisheries cooperation promises substantial direct and indirect benefits to Alaska. Cooperation with the Soviets provides significant new opportunities to the American North Pacific fishing industry, and Alaska can share in these opportunities. As with tourism, cooperation in the fishing industry can also provide negotiating experience, contacts with Soviet officials, and access to Soviet markets for Alaskans in a wide variety of other industries.

U.S.-Soviet Fisheries Cooperation to Date

Soviet Harvests in U.S. Waters. In the 1960s and 1970s, Soviet ships fished extensively off of Alaska in what is now the United States 200-mile exclusive economic zone. After the United States declared a 200-mile exclusive economic zone in 1976, foreign fleets, including Soviet vessels, continued to harvest fish within the U.S. zone under international fisheries agreements, which call for surplus fish resources not used by American fishermen to be made available to foreign fishermen.

Joint Ventures. In the 1980s, as American harvests of groundfish grew, foreign direct fishing in the U.S. zone, including Soviet-directed fishing, has been phased out. However, Soviet vessels have continued to process fish harvested in American waters under joint ventures with American vessels working for Marine Resources Company International (MRCI). These joint ventures have targeted flounders and Pacific cod in the Bering Sea and Atka Mackerel along the Aleutian chain. As described in Chapter III, MRCI represents probably the most successful example of West Coast trade with the Soviet Far East. In addition to joint venture harvesting, MRCI also markets Soviet-origin herring and pollock roe, cod, pollock, tunas, shrimp, snow crab, and king crab.

Current Negotiations. Following the dramatic crash in crab stocks in the early 1980s, U.S. crabbers explored new areas of the Bering Sea, including waters bordering the Soviet zone. Because the precise boundary between the U.S. and Soviet zones is disputed, on several occasions U.S. vessels have been chased by Soviet authorities. One crab boat, the Frieda K, was seized by the Soviets in 1984, although the vessel was not fishing at the time that it crossed into the Soviet zone (the crew was held for several days in Provideniya).
With American crab stocks limited, U.S. crabbers became interested in the possibility of harvesting king and tanner crab in the Soviet zone. They have pursued this opportunity under reciprocity sections of U.S. laws which state that foreign nations which are granted access to U.S.-controlled waters for fishing must grant reciprocity to U.S. fishermen, if desired (Alaska Economic Report). These reciprocity conditions are contained in a 1976 agreement between the United States and the Soviet Union governing Soviet fishing in U.S. waters. In late 1986, the Alaska Crab Coalition, a Seattle-based association of 85 Bering Sea crab operators, including 17 Alaska-owned vessels, took the initiative to request access to Soviet Bering Sea waters.

In August 1987, through work by the U.S. State Department, a Soviet fisheries delegation visited Seattle. The delegation included Dr. V.K. Zilanov, Head of the Foreign Relations Department of the Soviet Ministry of Fisheries, as well as his chief legal advisors. During this visit, Soviet representatives saw at first hand advanced technology and organizational systems that make the U.S. fleet far more efficient than the Russian fleet in harvesting crab resources (Alaska Economic Report). The delegation toured a salmon farm, visited the headquarters of Trident Seafoods, inspected a kamaboko plant, and went aboard an American crabber. The Soviets were impressed with the efficiency of the U.S. vessel and noted that five men on a U.S. crabber could harvest 50,000 pounds of opilio a day, a task the Soviets said would require 20 to 25 crewmen on a Soviet factory ship (Alaska Fishermen's Journal). The possibility of access to this technology as well as expanded cooperation with U.S. firms in fisheries markets made the Soviets receptive to broader fisheries cooperation with the U.S. fishing industry.

On February 22, 1988, Secretary of State Shultz and Soviet Foreign Minister Shevardnadze signed an agreement which permitted the U.S. fishing industry, for the first time, to obtain access to the Soviet economic zone on the same terms as the Soviets have access to the U.S. economic zone. The agreement provided the necessary government-to-government framework to begin to work out the commercial and technical arrangements governing U.S. access to the Soviet zone.

In March 1988, a U.S. fishing industry delegation traveled to Khabarovsk for four days of negotiations to begin to work out these arrangements. Members of the delegation included representatives of crabbers, joint-venture and bottomfish operators as well as NPFMC Chairman Jim Campbell, NPFMC executive director Jim Branson, ADFG Commissioner Don Collingsworth, and Unalaska Mayor Paul Fuhs. At the conclusion of the negotiations, a protocol (included as Appendix A to this report) was signed detailing a number of areas of joint interest (Bernton, March 22, 1988). Further negotiations are to take place directly between American firms and the USSR fisheries association (Dal'ryba).
Major areas of interest identified in the negotiations include:

- A deep-water crab fishery in the USSR zone by American catchers, with processing by Soviet or American processors and joint marketing.
- A longline or pot fishery for cod and halibut in the USSR zone by American catchers, with joint processing and marketing.
- Developing a sea snail fishery in the U.S. zone by American catchers, with Soviet processing and joint marketing. The sea snail is not currently harvested, and the Soviets hope to market it as an escargot delicacy.
- Studies of the possibility of processing small-sized Bering Sea shrimp, with organization of a joint fishery in the USSR zone.
- Technical assistance by American industry to Soviet enterprises in fish processing and marketing.
- Exchange of aquaculture expertise and technology.
- Cooperation by American firms in the construction of facilities for Soviet fishermen, including prefabricated housing for Soviet fishing ports.
- Purchases by Soviet processor vessels of surplus salmon from Norton Sound.
- Soviet processing of Greenland turbots harvested by American catcher vessels.

According to Larry Cotter of the Alaska Crab Coalition, planned follow-up discussions with Soviet officials in May may result in an exploratory deep-water crab fishery by Alaska Crab Coalition vessels as early as this year.

Soviet Interests in U.S.-Soviet Fisheries Cooperation

The Soviets are interested in expanded cooperation with the American fishing industry for a number of reasons. First, the Soviets want access to American fishing industry technology to help modernize the Soviet fishing industry. According to Larry Cotter of the Alaska Crab Coalition, "The Soviets desperately want our harvesting technology and our processing technology" (Bernton, March 22, 1988).

The Soviets would also like to reduce their dependence on working with the Japanese fishing fleet in Soviet waters. Currently, the Soviet zone is open to Japanese fleets that pay for the privilege of processing fish harvested in the Soviet zone. According to Jim Campbell, leader of the U.S. delegation to Khabarovsk, "they, like
ourselves, want to hedge their bets a little bit. We both find ourselves doing a little bit too much business with one partner Japanese" (Bernton, March 22, 1988).

Cooperation with the U.S. fishing industry also provides the Soviets a way to better utilize their fishery resources in the Soviet zone, while gaining access to under-utilized resources in the U.S. zone.

For example, the Soviets have a small domestic crab fleet, but they also sell crab rights to the Japanese. Through an agreement with the Alaska Crab Coalition, the Soviets would gain new competition to the Japanese, access to U.S. deep-water crabbing technology, and exploration of new crab resources in their own waters (Alaska Economic Report).

Benefits to Alaska from US-USSR Fisheries Cooperation

As Alaskans are well aware, American fishing in the Bering Sea is not conducted solely or even primarily by Alaskans, but rather by vessels owned and operated out of the Pacific Northwest. The U.S. zone is not managed by Alaska but rather by the federal North Pacific Fishery Management Council, and fishery negotiations are not conducted by Alaska but rather by the U.S. State Department. A continuing challenge for Alaska has been how to maximize Alaska’s participation in and benefits from the fisheries off its shores.

A similar challenge arises in maximizing the benefits to Alaska from US-USSR fisheries cooperation in the Bering Sea. Although Alaskans were included in the delegation which visited Khabarovsk in March, and the State was represented by the Commissioner of the Department of Fish and Game, the delegation was not primarily an Alaska delegation, and the industry groups represented primarily Pacific Northwest fishing vessels.

Clearly not all of the benefits of US-USSR fisheries cooperation will be enjoyed by Alaska. Nevertheless, expanded cooperation is very much in Alaska’s interest. Below, we review a number of ways in which Alaska stands to benefit from US-USSR fisheries cooperation.

Fishing Opportunities and Markets for Alaska Vessels

Cooperation could bring about expanded fishing opportunities on several different species for American vessels, in both the USSR and the U.S. zones. To the extent that Alaskan vessels participate in these fisheries, they stand to benefit from expansion of fishing opportunities. Of the eighty-five vessels in the Alaska Crab Coalition which hope to gain access to Soviet waters, seventeen are Alaska-owned. Alaska vessels could also gain access to long-line cod and halibut fisheries in the Soviet zone. In the U.S. zone, cooperation with the Soviets could create or expand markets for Norton Sound salmon, snails, and Greenland turbots.
Shore Services

Expanded fishing opportunities could provide an opportunity for more American vessels to visit the Bering Sea, increasing the potential demand for vessel services in Unalaska and the Pribilof Islands. Increased visits by Soviet vessels to U.S. waters could also increase visits to these ports, boosting sales not only of supplies but also of consumer products. Onshore Alaska processing of Soviet zone harvests are less likely because of distance.

Cooperation in Fisheries Management

Fishing industry cooperation increases the potential for cooperation in high seas fisheries management. This is particularly significant for the management of the international waters in the Bering Sea, known as the "Doughnut Hole." U.S. fishermen have accused foreign vessels of using the area as a staging point for illegal fishing in U.S. waters. In addition, excessive fishing by foreign vessels within the Doughnut Hole may have an adverse effect on both U.S. and Soviet fisheries stocks in other areas of the Bering Sea.

The State Department is considering asking the Soviet Union to join with the United States in temporarily halting fishing in the Doughnut Hole, and the U.S. Senate has approved a resolution to this effect. The holding of bilateral talks on Bering Sea fisheries between the United States and the Soviets in March was considered a conspicuous message to Japan of displeasure over alleged fishing violations (Blumenthal).

The Soviets have leverage over the Japanese fishing fleet through their control of Japanese access to Soviet waters, which could be used to discourage high seas fishing of Alaska-bound salmon.

Indirect Benefits

Fishing industry cooperation can be a first step towards cooperation in a number of other industries. To begin with, the experience provided in negotiating fisheries agreements with the Soviets is important in defining how such agreements can be negotiated--what steps need to be taken, what kinds of problems can arise, and how problems can be resolved. Fisheries negotiations can open channels of communication for other negotiations. Offices opened by American fishing industry firms in the Soviet Far East can become agents for trade in other areas.

The fishing industry also provides an opportunity to introduce the Soviets to American--including Alaskan--technology in other industries. For example, fishing joint ventures will require expanded communications systems and transportation links. The recent negotiations included discussions on housing construction. Fishing industry trade is also a promising area for expansion of sales of consumer goods, in which Alaska firms could play an important role.
The Alaska Commercial Company in Unalaska already does a substantial volume of business in sales of consumer goods to Soviet fishermen during port calls. In general, as with tourism, fisheries can be a first step in a general expansion of US-Soviet Far East, from which Alaska can only benefit.

The U.S. and Soviet Union in the past have also cooperated occasionally in search and rescue operations in the Bering Sea as well as in providing emergency medical assistance or evacuation for injured or sick fishermen. The Soviets are sending a delegation to observe a Coast Guard emergency oil spill response drill in Anchorage in May of 1988. Increased cooperation in fish harvesting and processing could lead to expanded cooperation in these areas.

Increased fisheries cooperation might also lead to a more favorable atmosphere for resolving the long-standing dispute about the location of the boundary between United States and Soviet waters. This could help to reduce conflicts with Soviet authorities over where American vessels may fish. It might also facilitate eventual offshore oil development in these disputed waters.

**State Strategies for Alaska-Soviet Far East Fisheries Cooperation**

US-Soviet fishery negotiations have already reached a level at which future success will depend primarily upon the initiative of private industry. The U.S. State Department, with the full support of the State of Alaska, played a critical role in bringing negotiations to this stage. Thus, the State's role in promoting fisheries trade is primarily in providing information and assistance to interested Alaska firms.

The State should help provide information to the Alaska fishing industry about opportunities in Soviet fisheries trade such as details of the recent fishing industry negotiations and how individual firms can become involved in Soviet fishing industry joint ventures. Alaskan fishing industry representatives could participate in a State trade mission to Khabarovsk, as discussed in Chapter VII.

The Alaska Department of Fish and Game has a great deal of technical expertise in fisheries management, fisheries rehabilitation and development, and other areas. One way in which the State could promote Alaska-Soviet Far East fisheries cooperation would be through technical cooperation and assistance, such as inviting Soviet fishery officials to visit Alaska to tour salmon hatcheries and other facilities.

In general, the State's role in promoting Alaskan participation in US-USSR fisheries cooperation is similar to its usual role in promoting Alaskan participation in offshore fisheries: promoting management policies which will benefit Alaskans and providing technical assistance and infrastructure.
VI. OTHER ALASKA-SOViet FAR EAST TRADE OPPORTUNITIES

As we discussed in Chapter III, ways of doing business in the Soviet Union are changing rapidly. It is difficult to predict how rapidly economic reorganization will proceed or the extent of future trade opportunities. Assuming, however, that trade opportunities do expand, there are a number of areas in which Alaska firms have special expertise likely to be of interest to the Soviets. Alaska appears to be well-positioned for trade and joint ventures with the Soviet Union in these areas, several of which we describe below.

As we discuss in Chapter VII, the State can assist firms in making initial contacts in these areas. Fisheries or tourism projects can also provide an initial contact for trade in other areas. However, success in trade with the Soviet Union will depend ultimately upon thorough groundwork and successful negotiations by Alaska companies. It is not enough for Alaskan firms to have expertise which the Soviets want; Alaska firms must be able to market this expertise under terms more favorable than can be offered by other American or foreign competitors.

Telecommunications

According to Lee Wareham, Vice President of Operations for Alascom, there is an enormous potential market in the Soviet Union for modern telecommunications technology. The Soviet Union desperately needs to modernize its telecommunications system, which is technologically far behind those of other industrialized nations. In the past, American export restrictions have combined with Soviet foreign trade practices to constrain Soviet imports of advanced equipment. However, there is a real possibility that both of these constraints may ease in the near future, with a relaxation of American technology export restrictions as well as an easing of Soviet import restrictions.

If these changes were to come about, because of the Soviet commitment to developing the Soviet North, there would be a very large Soviet market for expertise in installation and operation of telecommunications systems for remote, northern areas. There would also be great interest in potential applications of these systems, such as for education and emergency services. Alascom and Alaska have expertise second to none in these areas. Because of the extent of this potential market, Alascom is very interested in opportunities to demonstrate telecommunications systems within the Soviet Union and to gain an entry into this market. A development such as Nome-Provideniya tourism could provide this opportunity.

Regular tourism between Nome and Provideniya would require a reliable communications link. According to Wareham, in order to provide this link, Alascom would be willing to deploy a transportable earth station in Provideniya, which would provide a direct video communications link with Alaska since Provideniya is within the "shadow" of an Alascom satellite. Alascom has also offered to deploy...
a transportable earth station in Provideniya to permit a television "town meeting" between citizens of Nome and Provideniya, which has been proposed by Daniel Johnson of Northwest Community College in Nome. An earth station would make communications between Provideniya and Alaska as simple and straightforward as communications within Alaska. In contrast, at the moment telephone calls between Provideniya and Nome must be routed all the way around the world, via Moscow and New York.

According to Wareham, Alascom is interested in installing and operating this demonstration facility free of charge for a limited period of time, until Nome-Provideniya flights become profitable ventures. Alascom is willing to undertake this substantial investment because of its belief in the potential of the Soviet market as well as the importance which the Soviets place upon doing business with people whom they know and trust.

If Alascom were able to gain access to Soviet markets through demonstration projects such as these, it could be of major significance to this Alaska firm and could lead, in turn, to access to Soviet markets for other high-technology systems. Alascom's interest in using a tourism project as an opportunity to demonstrate telecommunications systems illustrates how relatively small trade or exchange projects could potentially have significant long-run economic spinoffs.

There are several potential obstacles to the demonstration project envisioned by Alascom. First, permission to deploy an earth station in the Soviet Union would require an extensive review within the U.S. Export Administration of the Department of Commerce, the State Department and the International Section of the Federal Communications Commission. Although Wareham believes that this may not be a serious obstacle because the facility is no longer "leading edge" technology, permission is by no means certain. Second, transportation of the earth station would require a special cargo flight to Provideniya, making it difficult to hold a "town meeting" using this station in advance of receiving permission for flights.

Other Opportunities

We are not aware of the extent of interest in Soviet trade among Alaska firms in other industries or of planning or negotiations which may have taken place. In Table VI-1, we list a number of areas in which Alaska firms might find future opportunities for joint ventures, exports, or imports. This list is by no means exclusive; there may be many other areas of potential cooperation.
### TABLE VI-1: POTENTIAL AREAS FOR ALASKA-SOVIET FAR EAST TRADE

**Fisheries**
- Fish harvesting
- Fish processing
- Fish marketing
- Aquaculture (fish hatcheries)

**Recreation**
- Tourism marketing
- Cruises
- Development of tourism attractions and facilities

**Telecommunications**
- Telecommunications systems
- Distance education
- Emergency health communications systems
- Remote sensing

**Construction**
- Cold-weather construction
  - All-season construction
  - Construction of road and runway surfaces
  - Construction in permafrost areas
- Remote area construction
  - Prefabrication
  - Transportation of prefabricated facilities
- Construction of ice islands

**Energy development**
- Offshore drilling
- Drilling in permafrost areas
- Pipeline construction and operation

**Marketing for exports to the USSR**
- Cold weather clothing
- Survival suits
- General consumer products

**Marketing for imports to the United States**
- Furs
- Reindeer products
- Native arts
- Precious and semi-precious stones

**Other**
- Wildfire control
- Prospecting technology
VII. STRATEGIES FOR PROMOTING ALASKA-SOVIET FAR EAST TRADE

As we have discussed earlier in this report, there are a variety of potential benefits to Alaska from trade and scientific and cultural exchange with the Soviet Union. Some of these would be direct economic benefits, such as might result from increased tourist visits to Northwest Alaska, opportunities to fish in Soviet waters, or sales of telecommunications equipment or services. Others are indirect economic benefits, such as might result from increased federal funding for research in Alaska. Other benefits are less tangible but are important to many Alaskans, such as might result from cultural exchanges or simply getting along better with our neighbors. In this chapter, we make recommendations as to State strategies for pursuing these benefits.

The Role of the State

The State will not be a direct participant in most trade projects or scientific and cultural exchanges with the Soviet Union. Trade projects in particular must be worked out between Soviet organizations and private Alaska firms in industries such as transportation, tourism, fishing and fish processing. Nevertheless, the State can assist and promote trade projects and scientific and cultural exchanges in several ways.

First, the State can help groups interested in trade or exchange projects understand the steps necessary to bring them about. Second, the State can help to bring together different groups with similar interests and goals so that they can work together. Finally, the State can help to promote projects so that they become serious proposals in the eyes of both the Soviets and the U.S. federal government.

It is in promoting projects that the State can play the most significant role. Projects such as Alaska-Soviet Far East tourism are likely to require high-level Soviet support because they involve changing so many rules. It can be difficult to gain the attention of high-level Soviet officials, who are more likely to be concentrating on multi-billion dollar grain sales or cultural exchanges involving world-famous ballet companies. However, because of its location, Alaska is likely to be of special interest to the Soviets, even if trade and exchange projects are of smaller scale initially. If projects are clearly and vigorously endorsed by the State's administration, and they are economically sound, the Soviets will listen.
Providing a Clearinghouse for Alaska-Soviet Far East Projects

The Office of International Trade should continue to serve as the State's designated clearinghouse for Alaska-Soviet Far East projects among Alaskans, the federal government, the Alaska congressional delegation, and the Soviets.

As trade and exchange projects proliferate, coordination is increasingly important in order to avoid duplication of effort and reduce confusion about proposals in Alaska, Washington, and the USSR. Interest among Alaskans in Soviet Far East projects is growing rapidly. State agencies, legislators, the Alaska congressional delegation, and the State Department are receiving numerous requests for information and assistance. There needs to be a single place in State government to which Alaskans can turn to learn about the status of different projects and to learn what steps they can take in order to advance their own projects and what assistance may be available. Similarly, there needs to be a single place from which other agencies can obtain information or through which they can provide information to Alaskans. Having a single state agency as a clearinghouse for Alaska-Soviet Far East trade and exchange projects will become particularly important if the proposals currently being discussed actually come about.

State agencies involved in activities relating to Soviet trade or exchanges should coordinate with the Office of International Trade, in order to avoid duplication of effort and to reduce confusion. The agencies include the Department of Fish and Game (Bering Sea fisheries management, fisheries research); the Department of Commerce (tourism), and the University of Alaska (scientific exchange).

Senator Hensley is sponsoring a resolution, SCR 34, which requests the governor to establish a commission to identify state priorities for trade and exchange projects. If such a commission is established, its work should be coordinated with that of the Office of International Trade and the resources available to the OIT for fulfilling its "clearinghouse" function should not be reduced.

The Office of International Trade together with other State agencies should work to actively inform private firms about opportunities for trade with the Soviet Union, and opportunities to work together with the State in promoting trade proposals. For example, the State should help provide information to the Alaska fishing industry about opportunities in Soviet fisheries trade, such as details of the recent fishing industry negotiations and how individual firms can become involved in Soviet fishing industry joint ventures.

VII-2
Defining Trade and Exchange Projects to Support

The State should endorse and promote trade and scientific and cultural exchange projects if they are well conceived, realistic, and in the best interests of Alaskans. Projects endorsed by the State should be defined as specifically as possible.

By lending its prestige and support, the State can play a crucial role in gaining the attention of the Soviets (as well as the U.S. federal government) for Alaska-Soviet Far East projects. The State can help to convince the Soviets that Alaskans want projects to happen, that proposals are serious, and that firms proposing projects are legitimate and reliable.

It is in the State's interest to endorse only projects that are well-conceived and which have a realistic chance of coming about. Projects endorsed by the State should meet the following tests:

- They should be broadly acceptable to Alaskans. The State should avoid becoming involved with politically controversial issues such as arms control, demilitarization of the Arctic, or Soviet internal policies. Certainly Alaskans should be actively involved in these issues, but their efforts should be directed towards federal government policies rather than State government initiatives.

- They should be economically in the best interest of Alaskans. The State should avoid becoming involved in trade or exchange projects which require substantial amounts of State funding unless they can be demonstrated to provide substantial economic return.

- They should have a realistic chance of being acceptable to the Soviets. The State should convey an impression to the Soviets of endorsing only projects worthy of their serious attention.

Requiring that projects be clearly and specifically defined will help to ensure that they meet these tests. In addition, the more specific the projects endorsed by the State, the easier it is for the Soviets to understand and react to them. The Soviets rarely initiate trade or exchange proposals, but they listen to them—often more closely and carefully than we are aware. A well-defined project has a better chance of finding its way through the Soviet bureaucracy to potential supporters. The Lynne Cox swim, for example, came about because it was a proposal to swim at a particular place on a particular time. All that the Soviets had to do was say "yes," which they did only at the last minute. It is less likely that this swim would have come about when it did if, for example, the Russians had been asked to suggest a time or procedure for the swim.
We recommend that the State define its trade and exchange goals initially as a mix of trade and scientific and cultural exchange projects. This is partly a strategy of diversification. The State will not be successful in all of the trade or exchange projects which it initially promotes. However, success in one area may eventually contribute to success in other areas. Cultural and scientific projects can have a commercial spillover. For example, a cultural exchange of Native music and dance could lead to a project in which Native art from the Soviet Far East or Far North is bought and sold commercially in the United States. This would be a project that would earn hard currency for the Soviets and in which they might well be interested.

Medical exchanges can lead to an interest in purchasing medical equipment. Likewise, cultural and person-to-person exchanges can lead to larger-scale tourism. These activities also create channels of communication through which information for other projects can flow. Materials can be delivered and letters passed back and forth through channels established initially by cultural activities.

In the Soviet Union, as in the United States, different kinds of people deal with different kinds of proposals. For example, the people who would deal with cultural exchange proposals between Nome and Provideniya (for example, friendship flights) would be different from those who would deal with tourism proposals. Thus, a mix of project proposals will reach a greater number of people.

Where possible, related proposals, such as Nome-Provideniya "friendship flights," cruises, and scheduled airline service, should be proposed as stand-alone projects. The less broad-ranging any individual project, the fewer hurdles it will face.

In some cases, several firms may have potentially competing trade proposals, as is the case with Nome-Provideniya cruises and airline service. In these cases, the State may wish to endorse the project concept without favoring specific firms.

**Promoting Trade and Exchange Proposals**

**The Role of the Governor**

In the eyes of the Soviets, the governor and the Alaska congressional delegation are the most visible and effective spokespersons for the State. State endorsements of trade and exchange projects will carry the most weight if they involve direct participation by the governor.

Within state government, statements by the governor are the most effective indication to the Soviets of State endorsement of and support for trade and other projects. The governor's support need
not be expensive in terms of money or time. For example, according to Jim Bean at the Soviet Desk of the State Department, a very effective way for the governor to promote Nome-Provideniya flights to the Soviets may be for the Governor to personally tell Gennadi Gerasimov that he supports them, when Mr. Gerasimov (Gorbachev's chief spokesman) visits Alaska in April of this year. Another inexpensive means of participation by the governor is to sign letters or telegrams to Soviet officials in support of specific projects. The governor could also sign letters or make phone calls in support of campaigns such as the Alaska State Chamber of Commerce's Siberian Gateway Project, to enlist national support in the United States for consideration of Nome-Provideniya tourism and exchange projects on the Reagan-Gorbachev summit agenda.

More active participation would require more of the governor's time and more money but would carry proportionately greater weight. Very highly visible forms of promotion for Alaska-Soviet Far East projects would be the governor's participation in Nome-Provideniya "friendship flights," or for the governor to lead a trade mission to Khabarovsk. The governor's participation in these activities is not essential for their success, and his participation must be balanced against other demands upon his time. However, direct participation by the governor in friendship flights and a trade mission would provide a highly effective symbol for the Soviets of Alaska interest in trade and exchange proposals.

A Sister-Province Agreement with Khabarovsk Territory

The State should sign a sister-province agreement with Khabarovsk Territory.

The Soviets have expressed a strong interest in establishing a sister-province relationship. While providing no guarantee of specific trade results, a sister-province relationship is an inexpensive way of expressing an interest in trade and scientific and cultural exchanges and provides a channel for communication. Although Khabarovsk Territory is not the closest part of the Soviet Far East to Alaska, Khabarovsk city is presently the only open city in the Soviet Far East (Nakhodka can be visited, but it has no Intourist facilities).

Notwithstanding the lack of other real choices, Khabarovsk is a good choice for a sister-province relationship. Khabarovsk has good connections to Far Northern regions of the USSR, and it is a primary staging area for Far North operations. It is the most industrialized province in the Soviet Far East and the most sophisticated in terms of foreign contact. Most trade negotiations involving the Soviet Far East are likely to occur in Khabarovsk (as did, for example, the recent talks on the Bering Sea fisheries management and joint ventures). In practical terms, it is probably politically easier to establish a relationship with Khabarovsk Territory than other regions of the Soviet Far East which have traditionally been closed to foreigners.
Establishing a sister-province relationship carries no guarantees that business and trade will ensue. Development of Alaska-Soviet Far East trade and commerce will depend not on establishing this linkage but rather on finding projects with mutually beneficial economic payoffs. A sister-province relationship does, however, provide another channel for communication and talks and, therefore, can be a help and contributing factor toward developing trade and commerce.

Ideally, a sister-province agreement should be signed as part of a trade mission to Khabarovsk, as discussed below.

A Trade Mission to Khabarovsk

The State should send a trade mission to Khabarovsk, for the purpose of signing a sister-state agreement and conducting negotiations on specific trade projects.

A trade mission would have high visibility and would provide an opportunity for Alaskans to meet directly with officials involved in trade and exchange projects. Although a State-sponsored trade mission is not essential for the establishment of trade or other contacts between Alaska and the Soviet Far East, it could significantly help trade and other exchange projects get underway. A State-level trade mission shows commitment, and creates a lasting impression as to that commitment.

The likely tangible results of the mission would include (1) the signing of a sister-province agreement with Khabarovsk Territory; (2) negotiation of one or more cultural exchange agreements; and (3) establishment of working groups to negotiate further on specific trade proposals. Intangible benefits would include demonstration of Alaska interest in trade projects and increased understanding by both Soviets and Alaskans of trade opportunities and with whom projects can be negotiated.

An initial trade mission should be small, consisting of six to eight persons (no more than would fit in two cars). Ideally, a trade mission would be headed by the governor, although the governor's participation is not an absolute requirement for a successful mission. Other participants should be persons of high public standing (for example, the Commissioner of Commerce) or high private standing (company presidents or vice presidents). Participants should have the technical expertise to be able to brief Soviet officials on proposed projects as well as the authority to reach specific business agreements.

It is possible that more persons would wish to participate in a trade mission than could be accommodated on the first mission. These persons could participate in a second, follow-up mission which could be larger and could address specific details of individual projects.

The major activity of the trade mission would be a series of briefings for Soviet officials on Alaskan industries with trade potential, as well as on specific proposals for trade and cultural exchange projects. The briefings would be followed by negotiations
on specific project proposals. The briefings would provide an opportunity for Soviet officials to learn about the projects and to ask questions about specific concerns they may have. Different briefings would be attended by different officials. For example, Intourist officials would attend briefings on tourism proposals; fisheries officials would attend briefings on fisheries proposals; and culture officials would attend briefings on cultural exchange proposals. A useful result of these kinds of briefings is that they help to identify who in the Soviet Union has responsibility for different projects and whether they are in Moscow rather than in Khabarovsk. Table VII-7 lists possible briefings which might be included in an initial trade mission.

Depending on the complexity of projects and the extent of work done in advance, the briefings and meetings could result in negotiated projects or in the establishment of working groups to carry out further discussions.

The recent fishing industry negotiations in Khabarovsk provide an example of a similar trade mission. The mission served to identify a wide variety of areas of interest, and established procedures for further negotiations. The Alaska Crab Coalition, which brought a well-defined and planned proposal to the meetings, was able to come close to final agreement on a joint-venture crab harvesting project.

The more thorough the preparations for a trade mission, the more successful and productive it will be. Briefing materials and project proposals should be carefully prepared. At least three months in advance of the mission, the following information could be provided to the Soviets:

- A list of the persons accompanying the mission and their positions, authority to negotiate, and technical expertise.
- Specific proposals for trade projects as well as scientific and cultural exchange projects.
- Specific desired results of the mission, such as the signing of a sister-province agreement, the opportunity to brief Soviet officials on trade and exchange proposals, negotiation of trade and exchange agreements, and the establishment of working groups for further negotiations.

The organization of the mission should be done under contract by a consultant specializing in Soviet trade. We have provided information to the Office of International Trade on several Seattle-area firms active in Soviet Far East trade. The consultant would make travel, lodging, and visa arrangements; contact Soviet officials to arrange meeting times and locations; and arrange other aspects of the mission itinerary. The cost for a consultant's services in making these arrangements would be approximately $5,000-$10,000, which could be shared by public and private participants in the mission. Private firms accompanying the mission may wish to work together with the consultant or other Soviet trade specialists further in developing project proposals.
Table VII-1. Example of Possible Agenda for State Trade Mission to the Soviet Far East

I. INDUSTRY BRIEFINGS (with slides and displays)
   1. Presentation on Alaska cold-weather and remote construction technology
   2. Presentation on Alaska telecommunications systems
   3. Presentation on Alaska oil development

GOALS: Provide information on Alaska industries; identify areas of broad Soviet interest; establish working groups to identify possible trade opportunities

II. TRADE PROJECT BRIEFINGS
   1. Presentations on Nome-Provdeniya tourism proposals
   2. Presentations on joint-venture longlining proposal and other fisheries joint venture proposals

GOALS: Signing of preliminary agreements; establish working groups to carry out further negotiations

III. BRIEFINGS ON OTHER PROJECTS
   1. Presentations on sports and cultural exchange proposals
   2. Presentations on proposals for visits by Native Alaskans to relatives in Chukhotka
   3. Presentations on proposals for joint medical research projects

GOALS: Signing of preliminary or final agreements; establish working groups for follow-up activities

IV. SIGNING OF SISTER-PROVINCE AGREEMENT BETWEEN ALASKA AND Khabarovsk Territory
The mission should spend approximately one week in the Soviet Far East. Travel to and from the Soviet Far East would be via Japan and would require two days from Alaska in each direction. Travel and lodging costs would be approximately $2000-$3000 per person.

The timing of a trade mission depends upon the time required for preparation. Depending on the scope of the proposals to be presented, a mission should take place no earlier than June of 1988 and ideally in September of 1988.

As soon as the decision to send a trade mission has been made, the Soviets should be contacted through their consulate in San Francisco to indicate that a mission is being planned and that work is underway to define proposals for trade and scientific and cultural exchange projects to be presented by the mission. The Soviets should be invited to suggest additional items for the mission agenda.

**Technical Exchanges**

State agencies and the University of Alaska have a great deal of technical expertise in areas such as fish and game management, fisheries rehabilitation and development, and cold-weather engineering. One way in which the State could promote Alaska-Soviet Far East trade and other cooperation would be through support of technical exchanges, such as inviting officials to visit Alaska and meet with State experts in these areas. Such visits could be jointly sponsored by the State and private firms, and could accomplish many of the same purposes as trade missions. The more that the Soviets can learn about the technological opportunities available through cooperation with Alaska, the greater the chance that such cooperation will come about.

**Provision of Infrastructure**

In some cases additional infrastructure may be needed in order to initiate trade projects between Alaska and the Soviet-Far East. For example, in order to initiate cruises in the Bering Strait region, additional port facilities might be required in Nome or other smaller communities. Fish harvesting and fish processing joint ventures might also require certain additional facilities. Decisions on state provision of infrastructure for Soviet trade projects should be made in the same manner as for other economic development projects.
References

I. INTRODUCTION


II. AN OVERVIEW OF THE SOVIET FAR EAST


Background Paper for Senator Frank Murkowski in Support of Alaskan Citizens' Visits to the USSR (Unclassified)


NOAA Ship Surveyor S132, Chronological Log of Events, Port Call to Provideniya, Russia, September 17-September 24, 1987.


III. ALASKA-SOVIET FAR EAST TRADE: GENERAL CONSIDERATIONS


IV. ALASKA-SOVIET FAR EAST TOURISM


V. ALASKA-SOVIET FAR EAST FISHERIES COOPERATION


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Appendixes

A. Protocol of the Meeting of Representatives of the Fishing Industry of the USSR and USA, March 14-18, 1988, Khabarovsk, USSR

B. Siberian Gateway Project Fact Sheet

C. Proclamation to the People of Nome from the Mayor of Provideniya, September 22, 1987

D. Communications Between the Soviet Embassy and the United States Department of State Establishing Procedures Governing Visits to Siberia by Alaska Natives in the 1930s and 1940s
PROTOCOL

OF THE MEETING OF REPRESENTATIVES OF THE FISHING INDUSTRY
OF THE USSR AND USA

On the 14-18th of March, 1988, in Khabarovsk, USSR, a meeting of representatives of fishing industry enterprises of the Soviet Union and the United States of America was held.

The American delegation was headed by J. Campbell, chairman of the North Pacific Fisheries Management Council. The U.S. delegation represented the following organizations:

North Pacific Vessel Owners Association
Marine Resources Co. International
Trident Seafoods, Inc.
Oceanravel, Inc.
Alaska Joint Venture Seafoods Co.
Northern Trawlers, Inc.
Alaska Crab Coalition
Northern Deep Sea Fisheries

Also present were representatives of the state of Alaska and the city of Unalaska.

On the Soviet side, the delegation was headed by the deputy director of the all-union fisheries association, Dal'ryba T.T. Luzikov. The Soviet delegation was composed of representatives of the production enterprises Primorrybprom, Sakhalinrybprom, Kamchatrybprom, Khabarovskrybprom, Dal'moreprodukt, fish conservation agencies, and scientific organizations.

In the course of the meeting, proposals for cooperation were discussed between the two sides in the area of the rational utilization of living marine resources in the economic zones of the USSR and USA and also in areas of mutual interest outside these zones. As a result of the discussions, the following areas of interest were identified, based on the principles of equal rights and mutual benefit in the forms of commercial cooperation and joint venture enterprises:

(1) A crab fishery at great depths in the USSR economic zone by American catcher boats, processing on USSR processors, or at the request of the Soviet side on American processors with joint marketing of the product.

(2) A pollock fishery in the USSR zone with Soviet and/or American catcher boats, processing on American and/or Soviet vessels for the output of surimi and other products with joint marketing.
(3) A cod and halibut fishery with American catchers in the USSR by means of longline and/or pots, and also a pollock fishery, joint processing and marketing.

(4) A sea snail fishery in the USA economic zone by American vessels, processing on USSR vessels, joint marketing.

(5) A tuna fishery in various regions of the world's oceans by catcher boats on both sides, production of canned product, joint marketing.

(6) Study of the question of the possibility of processing of small sized Bering Sea shrimp with the goal of obtaining shelled meat. Organization of a joint fishery in the economic zone of the USSR, processing and marketing.

(7) The rendering of technical cooperation from the USA side to Soviet-American enterprises in questions on mechanization of labor-intensive processes, sorting, packaging, marketable assortment of products in agreement with consumer demands.

(8) An exchange of aquaculture expertise and technology dealing with various species of salmon, scallops, seaweed, and other marine organisms.

(9) Cooperation by American companies in the construction of facilities for Soviet fishermen.

(10) The possibility of purchase by Soviet processing vessels of surplus salmon in the internal waters of Alaska, particularly Norton Sound.

(11) Acceptance of deliveries from American catcher boats and processing of Greenland turbots.

Companies and associations from the USA will present letters of intention to Dal'ryba for proposals in the areas of cooperation in which they are interested.

The Soviet and American delegations expressed their satisfaction with the results of the meeting which took place. A detailed analysis and agreement on specific projects of cooperation will take place at subsequent meetings, the time and place for which are subject to further discussion.

/s/ J. Campbell        /s/ T.T. Luzikov
The Siberian Gateway Project  
Fact Sheet

*The Siberian Gateway Project is a cooperative effort to establish cultural exchange, tourism, and other commerce across the common border between the United States and the Soviet Union. We propose to begin with regular 250-mile flights between Nome, Alaska and Provideniya, U.S.S.R.

*The original settlement of the Americas began by prehistoric travel across this land bridge. The border remained open to visits by Eskimos living in the region until 1948. Notable travelers across this border include the late Governor and Ambassador Averill Harriman, who first visited Russia as a boy with his father's 1899 expedition. Anne Morrow Lindbergh and her husband Charles flew North to the Orient in 1931. The Alaska-Siberia route brought lend lease aircraft and other supplies to the Soviet Union and other American allies during the Second World War. A pilot during the war who later served as U.S. Ambassador to the Soviet Union, Thomas J. Watson, Jr. flew from Siberia to Alaska again during 1987.

*Also last year, the U.S. research ship Surveyor sailed between Nome and Provideniya. Exchanges of arctic medical information began between Alaska, Siberia and Canada. Lynne Cox's swim between Big Diomede and Little Diomede islands was praised by General Secretary Gorbachev in Washington.

*In communications to the people of Nome, Provideniya's Mayor O. Kulinkin has expressed interest in joint cooperation. A recent letter (February 1988) sought information on American Eskimos with relatives on the Soviet side of the border.

*Establishing regular transportation between the U.S. and the Soviet Union is the logical first step. Potential exists for joint ventures in tourism (air tour groups as well as cruise ship visits to both coasts) and other commerce.

*In December 1987, former Soviet Ambassador to the U.S. Anatoly Dobrynin wrote former Alaska Governor Walter Hickel, "Together with you I hope that ties between Alaska and Siberia will gradually develop to the benefit of both countries and those coldest places of our two countries could become the partners in the warmest relationships."

This effort is led by Alaska's State Chamber of Commerce, (907) 278-2722, Nome's Chamber of Commerce, 443-2002, and Gov. Steve Cowper's international trade office, 561-5585.
PROCLAMATION TO THE PEOPLE OF NOME FROM THE MAYOR OF PROVIDENIYA

Dear People of Nome, People of Good Will:

We, the people of Provideniya, Eskimo, Russian, Chukchi, Ukrainians, and people of other nationalities living in the northeastern part of the Soviet Union, wish you the American people, inhabitants of Alaska, the citizens of Nome, peace, progress, and happiness.

We want to live in peace. We want to live peacefully and raise our children to survive in the rugged north and to preserve our beautiful nature. We hope that you dear inhabitants of Nome can be our good neighbors and friends.

We have common interests: the preservation of clean water and shores of Chukotka and Alaska; the preservation of flora and fauna of the North and natural riches. We can and must collaborate in the development of economy and in the regions of science, culture, and sports. We must learn more about one another and meet more often, become more friendly, and develop commercial ties. We don't need rockets and bombs. We know quite well how terrible war can be. We will always remember the awful experience of the Second World War. Therefore, we all support our government in its bid for peace, and we try to convince other people of good will to strive to teach peace on earth.

Within one and a half months, the Soviet people will be celebrating the 70th-year Jubilee of the Great October Socialist Revolution. This is our most important holiday. Since the first days of October 1917, the words peace and friendship became important to us forever.

People of Nome, let us be friends. Let us work together and trade together. Let us pool our resources so that we can have peace on earth. Let us give our word to one another so that life can continue and so that there can be peace.

We live in different countries. And we have different views and convictions, but there is one major thing that unites us: that is the will to live, to raise our children, and to see them happy. There should only be sun and stars in the sky, not atom bombs. We must learn to understand one another. Why shouldn't the American city of Nome and Provideniya become sister cities like other cities so that we can work together, be friends together, share cultural events, and so that we can keep our region ecologically clean. Let us exchange books, letters, and presents and let visits of friendship and peace become a tradition. Our planet is too small for war but abundant with peace and friendship. We wish the People of Nome good health, happiness, and progress and let life be peaceful so that our children can grow happily. Let there be peace for all if we are to live side by side. Let us fight for the rights of man and the right to life. We are sincerely grateful for your feelings of good will, your souvenirs, and your thoughts.

In the name of the People of Provideniya,

Mayor O. Kulinkin
22 September 1987
Provideniya, USSR
Communications Between the Soviet Embassy and the United States Department of State Establishing Procedures Governing Visits to Siberia by Alaska Natives in the 1930's and 1940's

VISITS TO SIBERIA BY AMERICAN ESKIMOS

Soviet memorandum dated at Washington February 7, 1938; exchange of notes at Washington March 26 and April 18, 1938
Entered into force April 18, 1938
Terminated May 29, 1948

The Soviet Embassy to the Department of State

Memorandum

According to information at the disposal of this Embassy every year during the summer months various settlements of the Chukotsk National Region of the U.S.S.R. (Wellen, Dezhnev, Chaplino, Naukan and others) are visited by American Eskimos in groups of 25 to 35 men who come by motorboat from St. Lawrence Island and Little Diomede Island, territories of the United States, with the purpose of meeting their relatives, citizens of the U.S.S.R.

In addition to gifts for their relatives the visitors bring for sale seal and walrus skins, sable furs, raw hides and other products of their craft. They exchange these products in Soviet trading posts for different consumer goods (flour, sugar, tobacco, underclothing, etc.). For instance, American Eskimos who came from Little Diomede Island to Cape Dezhnev in the summer of 1937 sold their furs and raw skins for the sum of 2300 rubles and acquired consumer goods to approximately the same amount.

In view of the foregoing and taking into consideration the fact that until the present time the arrivals of American Eskimos on Soviet territory have not been legalized by due procedure, the Government of the U.S.S.R. intends to introduce the following simplified procedure for temporary stay on Soviet territory of American Eskimos residing on the above-mentioned islands of the Bering Straits, territory of the United States of America, provided that these Eskimos carry certificates issued by local United States authorities which certify their nationality, occupation and place of permanent residence:

1. The entrance of American Eskimos into the territory of the U.S.S.R. shall be permitted under condition of possession of group lists or individual certificates issued by local United States authorities. These certificates (or

\footnote{Pursuant to notice of termination given by the U.S.S.R. May 29, 1948.}
lists) shall be presented for registration at the frontier guard station nearest to the point of entrance. At places without frontier guards the registration of Eskimos arriving from the United States shall be performed by the local Soviets.

2. The registration of the certificates (or lists) shall give the American Eskimos the right of stay on Soviet territory within a definite limit not to exceed three months, as well as the right of exit after the expiration of the permit and of free movement along the coast of the Chukotsk Peninsula and on the adjacent Soviet islands.

3. The number of American Eskimos arriving at different points in the Chukotsk National Region shall tentatively not exceed 100 persons during one year.

4. American Eskimos arriving on Soviet territory to visit their relatives shall be permitted to bring them as personal gifts walrus, seal and other skins and other products of their craft. These gifts shall enter in non-commercial quantities, the limits of such quantities to be fixed at the discretion of the local authorities.

Skins, furs and raw hides entering in commercial quantities shall be brought to the nearest Soviet trading station to be exchanged for different consumer goods which in these cases the trading station shall sell to the native Soviet citizens for exchange with skins and furs. The prices for this exchange of goods shall be fixed by mutual agreement of those trading.

5. The following goods shall not be permitted to be imported into the territory of the U.S.S.R.:
   a) firearms of all kinds including hunting rifles in personal possession
   b) narcotics
   c) Soviet currency
   d) printed matter
   e) liquor and wines
   f) objects of religious worship (with the exception of those in the personal use of the visitors).

6. The following goods shall not be permitted to be exported from the territory of the U.S.S.R.:
   a) firearms including hunting rifles
   b) Soviet and foreign currency (with the exception of those amounts of foreign currency which are brought by the American Eskimos and registered by them with the local authorities of the nearest settlement)
   c) valuable furs (with the exception of a reasonable quantity found to be in the personal use of the visitors and received by them as gifts from their relatives, Soviet citizens. These quantities are to be established by the local authorities).

February 7, 1938
EXCHANGE OF NOTES

The Secretary of State to the Soviet Ambassador

The Secretary of State presents his compliments to His Excellency the Ambassador of the Union of Soviet Socialist Republics and has the honor to refer to the memorandum dated February 7, left at the Department by the Ambassador, with respect to the desire of the Soviet Government to establish a certain procedure governing the visits to the Siberian mainland of American Eskimos residing on St. Lawrence Island and Little Diomede Island.

The contents of this memorandum have been brought to the attention of the competent authorities of this Government, who have expressed themselves as being in accord with the desire of the Soviet Government to regularize the temporary visits of American Eskimos to Siberia and with the procedure which has been suggested by the Ambassador with a view to achieving this end.

The Eskimos residing on St. Lawrence and Little Diomede Islands in Bering Strait are quite isolated from contact with Eskimos and whites residing on the mainland of Alaska. The only representatives of the United States Government on these two islands are teachers and a nurse employed by the Office of Indian Affairs of the Department of the Interior.

The teachers in charge of the American Indian Service schools on St. Lawrence Island and on Little Diomede Island will be instructed to prepare and to issue to such Eskimos under their jurisdiction as may wish to make temporary visits to Siberia during the summer months, group lists or individual certificates setting forth their names, occupations, and places of permanent residence. They also will be instructed to advise the Eskimos to take these documents with them when they visit Siberia and to present them to the Soviet authorities upon demand.

DEPARTMENT OF STATE
Washington
March 26, 1938

The Soviet Ambassador to the Secretary of State

The Ambassador of the Union of Soviet Socialist Republics presents his compliments to the Secretary of State and has the honor to acknowledge receipt of his note dated March 26th stating that the contents of the memorandum of February 7 left at the Department by the Ambassador, with respect to the desire of the Soviet Government to establish a certain procedure governing the visits to the Siberian mainland of American Eskimos residing on St. Lawrence Island and Little Diomede Island, have been brought to the attention of the competent authorities of the United States Government.

It has been noted by the Ambassador that the United States authorities have expressed themselves as being in accord with the desire of the Soviet Government to regularize the temporary visits of the American Eskimos to Siberia and with the procedure which has been suggested by the Ambassador with a view to achieving this end.

THE AMBASSADOR OF THE
UNION OF SOVIET SOCIALIST REPUBLICS
Washington, D.C.

April 18, 1938