

4th Annual Alaska – China Business Conference
Hosted by The World Trade Center Alaska
December 11, 2008 – Anchorage Marriott Downtown Hotel
Keynote Address by Governor Walter J. Hickel

Alaska and China: A Look at the Big Picture

It's a pleasure to participate in the 4th annual Alaska-China Business Conference. I would like to join in welcoming all of you, especially those who have come from China.

As we meet here today, a second Great Depression looms on the horizon. I experienced the last one. And unless there's a dramatic shift in leadership, worldwide cooperation, business ethics and productivity, another one is inevitable.

I am deeply concerned about the Wall Street practices that have brought us to this moment. America's financial underpinnings have been compromised. And so has the stability of much of the world. These problems came from the same place they did in 1930. Greed.

Those who have taken our nation and our economy down this dark and dangerous road failed to understand a fundamental economic truth. There is no wealth without production. America must get back to work. Someone has to cut a tree, dig a hole, catch a fish.

All Americans regardless of race, family background, or section of the country must dedicate themselves to transform our country. If we do, we will not only avoid a second Great Depression. America can re-define its role in the world.

In time of crisis, as has happened before in our history, when we needed a great leader, America found one. I believe that president-elect Barack Obama will be a great leader. But he cannot do it alone.

And the American people cannot do it alone. All nations must help. Each country has its own talents and resources. We need them all. Let's leave behind old ideologies and old animosities. Let's turn old enemies into friends.

That's why this Alaska-China Business Conference is so timely. Alaska and China can play key roles in addressing our common crisis. My first visit to China was in 1979 -- nearly 30 years ago. I was deeply impressed by the friendliness of the people...and the greatness of their culture.

I visited again last May and was stunned by their remarkable progress. Anyone who watched the Summer Olympics on television this summer knows what I mean.

We have much to learn from China. America cannot spend our way out of this crisis. We must work our way out of this crisis. And China is showing us how.

Alaska, of all U.S. states, can play a significant role in solving today's crisis for two reasons. First, Alaska is rich in natural resources, and second, we understand the importance of world trade. Exports have always been the key to the success of our economy.

Our political ties are with the United States. But our economic ties are with Asia.

Since the 1950s, we have sold our timber and much of our fish to Japan. And since 1969, we have shipped a tanker of liquefied natural gas (LNG) to Japan once a week. We sell our coal to Korea. And the growth rate of our exports to China is impressive.

And as a result of our trade with Asia, Alaska has developed strong market ties throughout the Pacific Rim. We understand the importance of trade to make friends and develop trust among peoples.

Fortunately, Alaska is not only blessed with abundant resources. We are blessed with the right resources at the right time. We have fish to feed the world. And we have energy.

There is an unusual connection between energy and poverty, energy and peace, energy and life.

And Alaska not only has energy, we have clean energy. As the world searches for clean energy in a hurry, natural gas offers the most available and economic alternative.

Geologists estimate that recoverable natural gas reserves at the North Slope are in the range of 100 trillion cubic feet. I believe there is much more.

The question is how do we get Alaska's gas to where it is needed the most? And the answer is obvious. The quickest and most lucrative way to move our North Slope gas to market is by pipeline to an ice-free port. And our best port is Valdez, the terminus of the trans-Alaska oil pipeline. In Valdez, we can liquefy that gas and ship it to the world, including China.

Unfortunately, the major oil and gas producers at the North Slope are looking in the wrong direction. And last Friday the State awarded a license to TransCanada to begin permitting a \$40 to \$60 billion Alaska natural gas pipeline East across Canada. Such a line has enormous obstacles and delays, and I don't think it will ever be built. It is not in the best interest of Alaska, America or our trading partners in Asia.

As a supporter of Governor Sarah Palin, I have tried to convince her to embrace the LNG option. She assures me that her agreement with TransCanada can accommodate the LNG option.

But I would take a more activist role. The State of Alaska should build and own a natural gas pipeline from Prudhoe to Valdez. An All-Alaska line, paid for and controlled by the

state and built by the private sector would be an outstanding example of America becoming productive again. Why should we “outsource” the Alaska pipeline like America outsources nearly everything else?

Don’t be swayed by those in Congress who beat their chests saying “We will never export Alaska’s gas to China!” There will be no balance of trade unless America exports something. What do THEY plan to export?

Our national wealth? Our national debt? Our national security? Our quality of life?

The Alaska natural gasline has already attracted the attention of the Chinese government. In November last year, Sinopec joined with an Alaska-based company and submitted a plan to build it. They didn’t propose to own the line. They offered to design it, finance it and build it in exchange for being able to purchase a portion of our gas. And if China were to buy Alaska’s gas, it would reduce America’s trade deficit with China by nearly \$1 trillion in 30 years.

Earlier this year when the State administration and our legislature were trying to make this decision, Congress wouldn’t listen to the Alaska LNG option. Even Senator Ted Stevens led a chorus of those who announced there would be NO EXPORT LICENSE to allow Alaska to ship our gas to China.

They said America needs Alaska’s natural gas. Not true!! The South 48 will soon be awash in new sources of domestic natural gas.

When I was US Secretary of the Interior, I tried to get US industry to begin tapping the vast oil sands and shale in the South 48. But at that time they already had plenty of domestic gas. Today, drilling rigs are at work tapping the shale from Pennsylvania to the Rocky Mountains. Those enormous gas supplies will soon be on the market.

So, if Alaska’s goal is to help America, let’s use it to help our national balance of trade with China and Japan. Our top trading partners need energy, cleaner air and a healthier environment.

Yes, the Alaska Natural Gas pipeline can be one of the great projects of this century to improve life and health for all our trading partners. And with China’s help, we can build it years sooner, helping America with the jobs and productive economy we need.

Now let’s look at another aspect of the Big Picture. It’s vitally important that we understand the commons. I have observed that the majority of the earth’s surface is commonly-owned, or owned by no one, therefore owned by all. That is what we call the commons.

My colleagues at the Institute of the North have calculated that 84 percent of the earth’s surface is commons. That includes the world’s oceans and great stretches of Russia,

China, Canada, Australia and Africa. On the one hand, the commons is easily exploited. And on the other hand, it has the potential to change the world.

The commons has been ignored in the United States and Western Europe, because those parts of the world are dominated by private ownership.

However, nearly all of Alaska is commonly-owned. That's why we call Alaska the Owner State. We are a unique combination of a constitutional democracy, a free enterprise economy, and public ownership of resources,

The Owner State is very different from the rest of the USA. It goes beyond both capitalism and socialism. In Alaska, we make our livings from the commons, and we fund government from the commons.

Before we joined the USA as the 49th state, Alaska was terribly exploited by Outside interests. We were poor people living on rich land.

Congress insisted that if our new state were entrusted with 103 million acres of Alaska land, the resources on our land must be owned in common. So we could pay our own way. And the visionary Alaskans who wrote our constitution wisely required that we develop our commonly-owned natural resources for "the maximum benefit of our people."

Now, after 50 years, the Owner State is working well. It is a model for those regions in the world that have a tradition of putting the community first. And that includes most cultures that still struggle with poverty today.

That's why I believe that if the human race learns to use the commons correctly, there will be no legitimate reason for poverty.

When I was in Beijing in May, I gave a speech I called "A Message to China." In that speech, I asked the question... "Why war? Why not big projects?" I said that the price paid for a better world doesn't have to be blood. It can be sweat.

I invited the Chinese people to help us tackle big projects that can impact the world's greatest needs. Throughout 5,000 years of human history, China is famous for its big projects and could help lead this noble cause. Let me suggest 6 such projects:

The first big project is the Alaska Natural Gas Pipeline with LNG exports to the world that I have already discussed.

Number 2 is a Bering Sea Tunnel between the Russian Far East and Alaska.

I have been meeting with Russian engineers to design this missing link to complete one of my dreams -- a railroad around the world.

The third big project is to open Russia's Northern Sea Route to the world...

...to link the maritime trade in the Pacific and the Atlantic avoiding days of sea travel between East and West.

Number 4 is a series of pipelines to transport fresh water from the water-rich North to the dry and dusty South.

Number 5 is a global energy grid to link excess electrical generating capacity in the North to those in the South who have none.

Number 6 is to create an ocean in the Sahara Desert to hold excess water from the melting of the world's glaciers. I wrote about this idea, that was presented to me by Chinese-America citizen Dominic Lee, in a column in the Daily News last Sunday.

These projects can turn today's great problems into great opportunities.

In conclusion, the Big Picture is this.

Alaska and China can be keys to providing the solution for a world in crisis. Let's approach the future as partners and with great optimism. With the right approach, the challenges we face can unite the world.

In my nearly 90 years on this planet, I have learned that to succeed at anything, you have to believe. Yes, if we believe, anything is possible. And I believe.

Thank you very much.