



Introduced: 2/13/84  
Referred: Labor & Commerce  
and Finance

BY HAYES, BETTISWORTH,  
COWDERY AND HERRMANN

1 IN THE HOUSE

2 HOUSE BILL NO. 654

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to Alaska Foreign Offices; and  
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 44.33.020(26) as enacted by Executive Order No. 57 is  
10 amended to read:

11 (26) administer the Alaska Foreign Offices [OFFICE] estab-  
12 lished by AS 44.33.530.

13 \* Sec. 2. AS 44.33.530 as enacted by Executive Order No. 57 is repealed  
14 and reenacted to read:

15 Sec. 44.33.530. ALASKA FOREIGN OFFICES ESTABLISHED. There are  
16 established in the Department of Commerce and Economic Development two  
17 Alaska Foreign Offices. The offices are to be located in Tokyo,  
18 Japan, and Seoul, Republic of Korea. The offices shall serve as  
19 outlets for information related to economic development, resources,  
20 and trade, and as contact points for government and private industry  
21 of Alaska and the Pacific Rim nations of Asia to promote and maintain  
22 trade between the state and those countries.

23 \* Sec. 3. AS 44.33.535 as enacted by Executive Order No. 57 is repealed  
24 and reenacted to read:

25 Sec. 44.33.535. PERSONNEL. The commissioner of commerce and  
26 economic development shall staff the offices with persons the commis-  
27 sioner selects based on their experience, training and linguistic  
28 ability. The commissioner shall solicit ideas from the legislature  
29 regarding desirable staff qualifications and its recommendations of

1 persons to staff the offices. The commissioner may hire additional  
2 personnel as necessary.

3 \* Sec. 4. AS 44.33.540 as enacted by Executive Order No. 57 is repealed  
4 and reenacted to read:

5 Sec. 44.33.540. INFORMATION. The governor, at the request of  
6 the commissioner of commerce and economic development, shall direct  
7 all state agencies and request the federal government and private  
8 industry to provide the foreign offices with necessary reports, bro-  
9 chures, and information requested by the staffs of the foreign of-  
10 fices.

11 \* Sec. 5. AS 44.33.545 as enacted by Executive Order No. 57 is repealed  
12 and reenacted to read:

13 Sec. 44.33.545. ANNUAL REPORT. The commissioner of commerce and  
14 economic development shall report annually to the legislature on the  
15 activities and accomplishments of the offices.

16 \* Sec. 6. AS 44.33.550 as enacted by Executive Order No. 57 is repealed  
17 and reenacted to read:

18 Sec. 44.33.550. EXPENSES. The expenses of operating the offices  
19 shall be included in appropriations made to the Department of Commerce  
20 and Economic Development.

21 \* Sec. 7. This Act takes effect July 4, 1984

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: 2/24/84

**REQUEST**

Bill/Resolution No.: HB 654  
 Title: An act relating to  
           Alaska Foreign Offices  
 Sponsor: Hayes  
 Requestor: \_\_\_\_\_  
 Date of Request: \_\_\_\_\_

**FISCAL DETAIL**

Agency Affected Com. and Econ Dvp.  
 Program Category Affected: \_\_\_\_\_  
 BRU, Program or Subprogram(s) Affected:  
Economic Development Advocates BRU  
International Trade Component

**EXPENDITURES/REVENUES: (Thousands of Dollars)**

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
<b>OPERATING</b>						
100 PERSONAL SERVICES		125.3	131.5	138.1	145.1	152.4
200 TRAVEL		15.0	15.8	16.6	17.4	18.3
300 CONTRACTUAL		180.7	189.7	199.2	209.2	219.7
400 SUPPLIES		14.0	14.7	15.4	16.2	17.0
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		<b>335.0</b>	<b>351.7</b>	<b>369.3</b>	<b>387.9</b>	<b>407.4</b>

<b>CAPITAL</b>						
----------------	--	--	--	--	--	--

<b>REVENUE</b>						
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**FUNDING: (Thousands of Dollars)**

GENERAL FUND		335.0	351.7	369.3	387.9	407.4
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

**POSITIONS:**

FULL-TIME		2.0	2.0	2.0	2.0	2.0
PART-TIME						
TEMPORARY						

**SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:**

In FY 85 funds to offset the establishment of the office could come from the 750.0 the administration has proposed for a luxury cruise to show Alaska to Pacific Rim Officials. The establishment of a Korean office would have greater and longer lasting effect.

**ANALYSIS:** Attach a separate page for analysis

Prepared By: Jeff Day Phone: 465-3720  
 Division: House Speaker's Office Date: 2/24/84

Approved by Commissioner: \_\_\_\_\_ Date: 2/24/84  
 Agency: Speaker

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

## ANALYSIS

The Labor and Commerce fiscal note anticipates only one state employee as the director. Based on several studies regarding our Asian office, it has been suggested that there be a second in command available so as not to interrupt the continuity of the office when the director is away. Proposed changes in the fiscal note reflect the following.

### PERSONAL SERVICES

Director	Range 26 A	\$4961/ mo x 12
Dep. Director	Range 19 A	<u>\$3193/ mo x 12</u>
SUBTOTAL		\$97,848/ year
benefits	28%	<u>27,400</u>
TOTAL		\$125,248/ year

### TRAVEL

reduce from 25.0 to 15.0

This will allow quarterly returns to the state for either the director or deputy and travel within Korea. There will be little if any need for staff to travel in other countries outside of Korea as the Asian office is currently doing since the Korean office is only concerned with Korea. The Asian office staff has been traveling to Korea and China since the responsibilities are supposed to include those countries.

### CONTRACTUAL

Reduce Space Expense from 90.0 to 50.0. This covers expense for office space but not for staff apartment.

Reduce Funds for contract nationals from 78.0 to 40.0. This should provide for a bilingual executive secretary and a translator/ research analyst. This should be quite adequate in view that a deputy director is proposed as well.

It should also be noted that there are active university programs teaching students about Pacific Rim countries and these students might be available for internship use through cooperation with Alaskan universities. This would be added staff potential for the office.

-2-

Eliminate other contractual funds in the amount of 17.9 unless there is adequate justification.

Reduce Hospitality from 37.3 to 20.0. This may be reduced further. It's inconceivable that this expense should equal the current hospitality activities of the Asian Office.

TOTAL REDUCTION IN CONTRACTUAL

from 293.9 to 180.7

Fiscal note for succeeding years assumes a 5% inflation rate at continuing level of service.

STATE OF ALASKA 1984 LEGISLATIVE SESSION  
FISCAL NOTE

Revision Date: \_\_\_\_\_

REQUEST  
 Bill/Resolution No.: HB 654  
 Title: "An Act relating to Alaska Foreign Offices ...."  
 Sponsor: Hayes  
 Requestor: House Labor/Commerce  
 Date of Request: \_\_\_\_\_

FISCAL DETAIL  
 Agency Affected: Commerce & Economic Development  
 Program Category Affected: \_\_\_\_\_  
Economic Development  
 BRU, Program or Subprogram(s) Affected: \_\_\_\_\_  
Economic Development Advocates BRU  
International Trade Component

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES		101.1	106.2	111.5	117.1	123.0
200 TRAVEL		25.0	26.3	27.6	29.0	30.5
300 CONTRACTUAL		293.9	308.6	324.0	340.2	357.2
400 SUPPLIES		14.0	14.7	15.4	16.2	17.0
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
<b>TOTAL OPERATING</b>		<b>434.0</b>	<b>455.8</b>	<b>478.5</b>	<b>502.5</b>	<b>527.7</b>
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		434.0	455.8	478.5	502.5	527.7
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>						

POSITIONS:

FULL-TIME		1.0	1.0	1.0	1.0	1.0
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: Lois Cook, Director Phone: 465-2505  
 Division: Administrative Services Date: \_\_\_\_\_

Approved by Commissioner: Richard A. Lyon Date: \_\_\_\_\_  
 Agency: Commerce & Economic Development

Distribution (by Agency preparing fiscal note):  
 Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

Personal Services - 101.1 - One Far East Representative

Travel - 25.0

Contractual - 293.9

Communications -	35.0
Printing & Advertising -	13.0
Space Expense & Fees -	90.0
Repair & Maintenance -	2.0
Equipment Rental -	4.0
3 Contract Nationals -	78.0
Contractual Funds -	17.9
Hospitality -	37.3
Miscellaneous -	16.7

Commodities - 14.0

# Alaska State Legislature



## Speaker of the House of Representatives

Official Business

Pruch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-3720

FEBRUARY 11, 1984  
FOR IMMEDIATE RELEASE

Contact: Rep. Joe Hayes or  
Jeff Day  
465-3721

### HAYES PROPOSES STATE OFFICE IN KOREA

House Speaker Joe Hayes will introduce legislation Monday that would establish an Alaskan office in Seoul, Korea. The Korean office would operate in a similar fashion to the state office established in Tokyo.

Hayes noted that in October of 1983 the Governor headed a trade delegation to Korea and Japan. The Governor later stated that Alaska desired more Korean participation in developing Alaska's natural resources. "Korean business and government leaders have expressed desires to assist in such enterprises as road building, pipeline and steel tower construction and natural gas development. Establishment of an Alaskan office in Korea would facilitate a stronger working relationship," Hayes said.

Hayes also noted the exchange of trade delegations in 1981, 1982 and 1983 and that efforts have also been launched to establish at least two free trade zones in Alaska by the Alaska-Korea Business Council toward a goal of encouraging development of steel rolling and fabricating facilities for pipelines and refineries.

"There have been ongoing discussions between Alaska Legislators and Koreans regarding increased tourism and exportation of Alaskan crude oil, natural gas, coal and other minerals," Hayes said. Korea Electric Power Corporation plans to begin export of about 800,000 tons per year of Usibelli coal later this year.

"The purpose of the state's Asian office has been to encourage a closer working relationship with Pacific Rim countries, primarily with Japan. The concerns of Japan and Korea are similar regarding investment in Alaska. While Korea has demonstrated a desire to invest in Alaska, no such effort at establishing closer ties via a permanent state office in Korea has been undertaken," Hayes said. "While the Asian office's duties include encouraging our Korean interests, I think the time has come to devote specific and greater attention to Korea than is currently possible through the Tokyo office."

A recent report from the House Research agency noted that not one state has established a state office in Korea. "Alaska was the first state to open an official state office in Japan in 1965. I think we should follow tradition and be the first state to open an office in Korea. Such an office will clearly demonstrate to Koreans that we believe their country has much to offer us, and we have many resources from which they can benefit as well," Hayes added.

The Department of Commerce and Economic Development recently noted that \$1.3 billion worth of Alaskan resources were sold in 1982 in East Asia and Pacific Rim countries. Most of that was sold in Japan, particularly in the areas of liquified natural gas, seafood and timber. About \$96 million worth of resources were sold to Korea with fertilizer, timber and seafood dominating the list.

"While the Asian Office has had it's share of controversies over the years, it is now proving to be an effective link between Alaska and Japan as evidenced by increased trade. The potential for increased trade with Korea is as great, and establishment of an office in Seoul would help bring that potential about," Hayes said.

# # # # # # #

# Alaska State Legislature



*Louman*

## Speaker of the House of Representatives

Pouch V  
State Capitol  
Juneau, Alaska 99811  
(907) 465-3720

Official Business

February 24, 1984

To: Al Adams  
Chairman/ House Finance Committee

From: Rep. Joe Hayes *JH*  
Speaker

Re: Fiscal Note HB 654

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HB 654 is an act which establishes an Alaskan Office in Korea. This bill will soon be in your committee and I would appreciate a hearing as soon as convenient. However, I believe the fiscal note of \$434,000 attached to the bill is excessive for the following reasons.

The figures provided for the Korean office are basically an exact duplicate of what is being spent now to staff the Asian office. While these comments in no way reflect on the current administrator of that office, in my opinion that the salary is too high and there should be a reduction, if not elimination of the funds which pay for the administrator's apartment rent. The funds for travel, \$25,000, are excessive as is \$37,300 for hospitality.

As a side note, it could also be assumed that these same costs for the Asian Office would decrease since a separate Korean office will eliminate the travel and other functions formally conducted by the Asian office in connection with Korea.

The fiscal note also anticipates only one state employee as the director. Based on several studies regarding our Asian office, it has been suggested that there be a second in command available so as not to interrupt the continuity of the office when the director is away. I would propose changes in the fiscal note to reflect the following.

PERSONAL SERVICES

Director	Range 26 A	\$4961/ mo x 12
Dep. Director	Range 19 A	<u>\$3193/ mo x 12</u>
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CONTRACTUAL

Reduce Space Expense from 90.0 to 50.0. This covers expense for office space but not for staff apartment.

Reduce Funds for contract nationals from 78.0 to 40.0. This should provide for a bilingual executive secretary and a translator/ research analyst. This should be quite adequate in view that I have also proposed a deputy director as well.

It should also be noted that there are active university programs teaching students about Pacific Rim countries and these students might be available for internship use through cooperation with Alaskan universities. This would be added staff potential for both offices.

Eliminate other contractual funds in the amount of 17.9 unless there is adequate justification.

Reduce Hospitality from 37.3 to 20.0. This may be reduced further. It's inconceivable that this expense should equal the current hospitality activities of the Asian Office.

TOTAL REDUCTION IN CONTRACTUAL

from 293.9 to 180.7

-3-

A revised fiscal note from my office is attached. The preceding are suggestions which I offer for your consideration. I believe we can achieve a functional, adequately staffed office at much less cost than our current office. I encourage you to examine the fiscal note and give the bill favorable consideration.

Thanks.

FEASABILITY STUDY:  
ESTABLISHING A SEPARATE  
ALASKAN TRADE OFFICE IN KOREA

Submitted To: The Honorable Joe Hayes,  
Speaker of the House of Representatives  
of the State of Alaska

Submitted By: Michael M. Gay  
6917 Old Seward Highway  
Anchorage, Alaska 99502  
(907) 276-2733

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## I - PURPOSE AND METHODOLOGY

### A. Purpose and Scope.

The primary purpose of this report is to provide the Alaska House of Representatives with a feasibility study for the establishment of an Alaska trade office in Korea, as well as a set of guidelines and recommendations, including proposed goals and objectives, for the establishment, staffing and operation of such an office.

The scope of this feasibility study is limited to the following specifically requested topics and areas:

1. Outlining the current structure of the Alaska State Asian Office (ASAO) in Tokyo, including staffing and costs of operation;
2. Analyzing the operation and functions of the ASAO; evaluating its effectiveness and examining the option of extending its operation to include the rapidly increasing trade relations and activities in Korea;
3. Reviewing the activities of other states that have established trade offices in Korea;
4. Providing a history of Alaska-Korean trade efforts and activities;
5. Outlining the strongest areas of Korean interest in Alaska and examining the potential economic benefits to the state from increased trade with Korea and from increased Korean investment in Alaska;
6. Synthesizing the materials and information gathered from Korean business people and governmental officials, especially information regarding Korean government and business practices and protocol; and
7. Setting forth and discussing the main reasons for the desirability and feasibility of establishing a separate Alaska trade office in Korea and outlining a plan for the setting up, staffing and operation of such an office.

## B. PROCEDURES FOLLOWED

This study was accomplished in three phases. The first was aimed at obtaining ideas and information from various Alaskan business people and public officials regarding the establishment, functions, goals and policies of an Alaskan trade office in Korea. The organizations contacted in this regard included the Alaska-Korea Business Council (AKBC), and the Anchorage offices of the U.S. Department of Commerce, the International Trade Administration, and the Resource Development Council for Alaska, Inc. Numerous Alaskans presently involved or contemplating being involved in trade with Korea were also interviewed.

The second phase was conducted in Seoul, Korea. Interviews were held with Korean government and business leaders to obtain their ideas and information regarding the establishment of an Alaskan trade office in their country. Among the government agencies, trade associations and business groups contacted were the following:

- Korean Foreign Ministry;
- Korean Ministry of Commerce and Industry;
- Economic Planning Board;
- National Tax Administration;
- Korea-U.S. Economic Council;
- Korea Trade Association (KOTRA);
- Samsung Company, Ltd.;
- Hyundai Company, Ltd.;
- Kukge-ICC Corporation;
- Daewoo Corporation;
- Kolon Corporation;
- Namju Development Corporation;
- Various middle-sized and smaller Korean business entities;
- Seoul office of the U.S. Embassy, Commercial Section;
- Seoul office of the U.S. Chamber of Commerce.

The third and final phase of this study involved the synthesizing of all the data collected in the first two phases, focusing on the areas specifically requested by the Alaska State House of Representatives and as set forth in the preceding subsection.

C. General Results.

The contacts that were made and the interviews that were conducted in both Alaska and Korea revealed a remarkable degree of interest from all sources. The amount of candid and positive input from Alaskan and Korean business people and government officials was very encouraging, but somewhat unexpected in light of what appears to have been a very limited amount of communication and sharing of detailed business and trade information between Alaska and Korea in the past.

## II - HISTORY OF ALASKA-KOREAN TRADE

### A. Limitations.

There is very little documentation available that specifically deals with past and current trade activities between Korea and Alaska. Most of the information obtained for this study was the product of interviews with individuals familiar with , or was derived from publications that addressed only small portions of the overall picture or included information on Korea that was only incidental to other topics. As a result, it is impossible to present an accurate, comprehensive and up to date summary of Alaska-Korea trade activities. Thus, what follows is only a general overview with a capsule history and figures on the recent level of trade, as to which some examples and statistics were available.

### B. Capsule History.

Until very recently direct trade between Alaska and Korea has been relatively sparse compared to trade activities between Alaska and Japan, for example.

Alaska-Korean trade activities have generally involved exporting Alaskan natural resource products, particularly fish, timber and coal, to Korea. In addition, some Korean firms have supplied industrial materials for Alaskan capital projects, and in a few cases Korean firms have been awarded contracts to construct all or substantial portions of such projects. In more recent years, Korean firms have participated and shown a strong interest in continuing to

participate in joint ventures with Alaskan businesses, especially those involved in natural resource extraction and development.

#### C. Level of Trade.

As to the specific level of Alaska-Korean trade activities, according to a table in the 1980 Alaska Statistical Review listing the value of Alaskan imports and exports by nation for selected years between 1970 and 1979, in 1970 Korea ranked 4th as a recipient of Alaskan exports, behind Japan, India and Canada. In 1979, Korea again ranked 4th, this time behind Japan, India, and the People's Republic of China. Japan was clearly the dominant export market for Alaska, receiving over 80% of all Alaskan exports, while Korea does not appear to have been a significant market during the 1970's.

According to statistics from the Alaska Department of Commerce and Economic Development on, Alaskan exports to East Asian markets for the years 1978 through 1982, Korea was consistently ranked behind Japan and the People's Republic of China until 1982, when it surpassed the latter. However, it should be noted that in 1982 the sale of 2 reconditioned jet aircraft to Korea accounted for over half the total yearly figure.

It should further be noted that the statistics mentioned above reflect only exports that were shipped directly to Korea from Alaska. Many Alaskan products have been and are being exported to Japan, whose trading companies then sell

them to Korea. Furthermore, some Alaskan products have been and are being transported to the contiguous United States before being shipped to Korea, and no statistics are available for all these types of transactions.

### III - OTHER STATES' TRADE OFFICES<sup>1</sup>

According to a 1980 survey, 33 states were represented in that year by trade offices in 66 foreign countries. This had increased from 20 states in 1977.<sup>2</sup> While some states may have added or closed foreign trade offices in the last three years, international trade staff for such national organizations as the National Association of State Development Agencies (NASDA), the National Conference of State Legislators (NCSL), and the Council of State Governments (CSG) indicated that the level of activity is about the same currently. NASDA is in the process of compiling an updated list of state foreign trade offices, which should be available later this year.

In almost all cases, the foreign trade offices are associated with their state's economic development agency. In a few cases, the office represents the state's agriculture agency, and in some states different agencies share an office. In some cases, rather than representing a state, an office will represent a port authority or some other regional entity. For the purposes of our discussion, we have not included any state offices which are limited to promoting tourism, although some state trade offices do serve this function in addition to other duties.

<sup>1</sup>-----  
<sup>1</sup>This section of the study was provided by Jonathan Sherwood of the House Research Agency.

<sup>2</sup>National Governors' Association, *Export Development and Foreign Investment; The Role of States and its Linkage to Federal Action*, 1981, p. 22.

Foreign trade offices are most frequently staffed by personnel employed directly by state government, as is the case with Alaska. In many cases, these are regular employees of the parent agency, who are routinely rotated to their home state. However, some states contract with one or more foreign consultants to represent their state. In addition, several western states operate the Old West Commission, which has had joint trade offices in both Europe and Asia.

Foreign trade--and consequently the activities of state foreign offices--is often classified into two broad categories: (1) investment; and (2) trade. Investment, also called reverse investment or foreign investment, refers to business transactions in which foreign companies invest capital in the state, frequently by opening a manufacturing plant.

Trade, the second kind of activity, involves the exporting of goods to foreign markets. According to Marsha Clarke, with NASDA, state foreign trade office activity is fairly evenly divided between the promotion of these two functions, at least on the global scale. State offices in developed countries like Japan may place a higher priority on encouraging investment; in developing nations, state offices may place a greater priority on expanding markets, as these countries are less likely to have firms interested in developing operations in the U.S.

The trade offices of other states also collect trade intelligence for their state. However, according to Ms. Clarke, it is difficult to identify how much time is devoted to this activity, as it tends to be performed in conjunction with the office's promotional activities.

According to a 1983 study prepared for the Alaska Legislature by Dupere and Associates, once a state foreign office has made contact with a foreign firm interested in doing business with the U.S., the state's home office provides the U.S. business contact.

The Dupere report and other articles on foreign trade offices emphasize the importance of strong direction and support for state foreign offices from their parent agency. The home office must be able to identify the appropriate business contacts for foreign business interests who contact the state's foreign office, and to identify which in-state businesses expressing interest in exporting their products are serious candidates for foreign trade.

Ms. Clarke stated that the typical cost for a foreign trade office would be between \$100,000 and \$300,000. She noted that the upper limit generally provides for a large operation, but also cautioned that Tokyo was substantially more expensive than other locations. A 1982 survey indicated that the number of employees per office varied from 1 to 8, with 2 or 3 employees being the most common

staffing pattern. The largest number of employees in the Japanese offices surveyed was six.

Asian Offices.

According to Marsha Clarke, her most recent information shows that 19 states now have foreign trade offices in Japan.<sup>3</sup> In addition, California, which does not have a state office there, has several port authorities, including Long Beach and Oakland, which operate offices in Japan. Most of these offices are regional in scope; however, some of the offices are intended to deal strictly with Japan. States which currently have offices in Japan are listed below:

Alabama	Indiana	Michigan	Pennsylvania
Alaska	Kentucky	Missouri	South Carolina
Florida	Louisiana	New York	Virginia
Georgia	Maryland	North Carolina	Washington
Illinois	Massachussettes	Ohio	

In addition, Illinois has an office in Hong Kong and Missouri has an agriculture representative in Singapore. None of the individuals we contactaed was aware of any state with an office in Korea.<sup>4</sup>

According to Ms. Clarke, state foreign offices in Japan usually place much more emphasis on encouraging foreign investment and little emphasis on increasing exports. Ms. Clarke explained that this is a result of Japan's long-

<sup>3</sup>-----  
<sup>3</sup>This compares with 14 states in 1980.

<sup>4</sup>We received an excerpt of a recently published book on foreign trade office activity which refers to a possible office in Korea. The excerpt does not provide detail on the status of the office; it is not clear whether an office has been opened or was merely planned.

standing trade restrictions on the importation of manufactured goods and agricultural products. Traditionally, these have made it very difficult for the U.S. businesses to export goods to Japan. While some of these restrictions have been lifted in recent years, Ms. Clarke stated that the direction of states' trade office activities in Japan have not changed significantly. The Dupere study also found that most state offices in Japan devote more time to promoting Japanese investment in the U.S. than to promote trade.

#### IV - KOREAN GOVERNMENT, BUSINESS AND CULTURAL PRACTICES AND PROTOCOL

##### A. Interrelationship.

There is a very close interrelationship between Korean governmental, business and cultural practices and protocol, the degree and extent of which is completely foreign to most Americans. This chiefly stems from the fact that modern Korean industrial society is founded on close cooperation between government and private sectors. Government agencies are responsible for establishing and implementing short and long term goals that set the tone for the private sector<sup>1</sup>, and government agencies then openly and freely provide broad, efficient assistance to private enterprises willing and able to help pursue and fulfill the chosen goals.

The closely knit ties between government and private sectors regarding economic and industrial matters is interwoven, overlapped and, in essence, held together by unique cultural practices and rules of protocol and etiquette.

##### B. Basic Principles.

Like all other countries, and even specific regions within a country, in Korea there are many peculiarities and practices that have come to be recognized as proper and correct etiquette in the business community, as well as in governmental and social circles. And although they may differ in form and vary with specific circumstances, Korean

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<sup>1</sup>The economic Planning Board (EPB), an agency within the Ministry of Commerce and Industry, sets and implements the economic and commercial plans, goals and policies for the entire country.

governmental, business and cultural practices and protocol are essentially based on certain fundamental principles which, to most effectively, efficiently and profitably conduct business in Korea, must be acknowledged, learned and adhered to.

The strongest and most basic principles of proper Korean etiquette and protocol are respect, courtesy and seniority. These are universal norms, but nowhere are they more strongly ingrained and adhered to than in Korea.

Furthermore, the concept of seniority does not merely refer to age, although that certainly is a valid consideration, but also applies to rank, status and relative position, with which Koreans are intensely concerned. Thus, it is equally improper to be overly courteous to someone of lesser social status, job position and age as it is to be curt and inattentive to someone of greater seniority.

For obvious reasons, this study cannot deal with all, or even most, of the specific practices and rules that apply to even the most basic of situations. The examples that follow, however, can serve as a general introduction and guide in this area.

### C. Specific Customs.

Korean business people and government officials are very modern and westernized in their attire. They tend to dress formally and conservatively, wearing suits that are of traditional colors and muted patterns, with white shirts and subdued ties. The wearing of loud colored, leisure type

clothing and accessories is generally considered in poor taste when attending to business and governmental affairs, even if after normal business hours.

Koreans have an extremely strong work ethic that they are very proud and conscious of. It is bad form, even in jest, to condone the wasting of working time and resources. Long lunches or work breaks are frowned upon unless warranted by a special occasion or at the insistence of a higher ranking host, and it is equally frowned upon to show up too early for a business appointment, as it is considered rude and insulting to be more than a few minutes late.<sup>2</sup>

Normal handshakes are the accepted form of greeting. Bowing is usually reserved for greetings between Koreans themselves and westerners are not required or expected to engage in that particular custom.

The traditional Korean way of writing names is to place the family (or last) name first, followed by the first and then the middle name. This tradition is slowly changing, however, and many Koreans now use the western method of first, middle and then last name. It is proper etiquette to refer to an individual by his or her family (last) name preceded by Mr. or Mrs. It is not appropriate to use first names unless specifically requested by the individual involved.

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<sup>2</sup>Actually, if one has a choice in the matter, it is better to be a few minutes late than early because this is apt to waste less of your Korean host's time.

At the first meeting with a Korean business person or government official, it is appropriate and expected to let the host initiate and lead the conversation and the meeting. First meetings are usually short and the Korean host will most often focus on non-essential matters. In-depth discussions about vital topics are normally reserved for later meetings, but even then it is not at all unusual for a Korean host to somewhat abruptly change the subject. This normally indicates that the former topic of discussion is closed for that meeting, and it is best not to insist on discussing that particular matter further.

As a general rule, Korean business people and government officials will not complete a transaction of any significance at the first meeting. The main reason for this is that they put a great deal more emphasis than Americans on establishing a personal rapport with the other party before entering into serious or final discussions and negotiations.

#### D. Culture and Arts.

A recent (December, 1982) publication of the Korean Ministry of Culture and Information titled Looking Ahead contains (at pages 56 and 57) the following colorful description of Korean culture and arts:

Korean culture has a special flavor all its own, a unique blending of change with traditions stretching back some 5000 years into the mists of mystery and myth, of animistic, Buddhist, and Confucian beliefs. Korea is a kaleidoscope of sights and its unique taste can be found in the resplendent rainbows of "tanchong" that color the palaces

and temples throughout the country; the lively motions of an ageless farmers dance; the richly vibrant sounds of exotic musical instruments; the slow, subtle movements of the shoulders, hands, and neck of the court dancers; and the soft, curving roof lines floating ever so gently heavenward.

Each dynasty produced its own unique artistic forms, not to mention the world's first moveable metal printing types some 220 years before the Guttenberg invention, and the Hangul alphabet, perhaps the most scientific system of writing in general use in any language.

Korea's arts are colored with symbolism reflecting a people who wanted to be happy, have progeny, live long, and enjoy good luck. Even today, furniture, linens, clothes, all accessories including hairpins, outside walls, gates, chimneys, etc., are adorned with the five elements, ten symbols of longevity, four directional animals, twelve animals of the oriental zodiac and propitious adeographs; a spicy mixing of shamanistic, Taoist, and Buddhist beliefs.

Much pottery and many paintings, especially folk paintings, are rather whimsical, reflecting the artist's own sense of humor and playfulness. While academic painters tended towards almost monochromatic landscapes conveying an impression of serenity and oneness with nature, the charmingly naive and unpretentious folk paintings reflect the actual life of the people.

Ceramics, especially the blue-green Koryo celadons produced more than a thousand years ago, are by far the most famous class of the nation's art objects. The Yi Dynasty forsook the delicate and intricate to produce simple, robust forms of an unpretentious and spontaneous style. No matter which of nature's shapes are suggested. Korean potters created some of the most beautiful elongated curves ceramic history has known, curvaceous lines soaring with energy, lines that were perfected and made more approachable and warm.

So too is Korean dance warm, earthy and alive with a character all its own. Unlike other Asian dances, the dance in and of itself never tells a story but strives only to communicate a mood. Stepped by silk-clad court ladies the ancient court dances are characterized by dignity and grace. Not so the folk dances farmers improvised

during planting and harvest times, a slithering of airborne paper streamers from the crown of gyrating headdress, while acrobatics mounting in a crescendo of frenzy, a fleeting flash of straw sandals, shuffling in the dust, competing with complex cross rhythms of drum, gong and bugle.

Music, especially court music, is both nasal and shrill; slow long-held notes dissolving into lacy arabesques punctuated by the single thump of a drum, one pungent stroke of gong, chime or cymbal. Outlining vast arching melodies, the tones sound strangely piquant.

Musical events, especially folk ones, are often punctuated by boisterous cries of delight and encouragement from the audience as traditionally, the enjoyment of these art forms is in the participation and not merely the watching.

#### E. Sense of National Identity.

Modern Koreans are extremely conscious of and concerned with projecting, maintaining, enhancing and getting outsiders to acknowledge and accept their unique national identity. To say that Koreans are not pleased or even that they are insulted when associated or stereotyped or analogized with other oriental cultures, especially the Japanese, is to vastly understate the matter. At the very least, such behavior is considered a serious breach of etiquette and to most Koreans signifies a disrespectful and insulting ignorance of oriental cultures and history.

This is a very important point for any American who desires to have smooth, successful and profitable dealings with Korea to constantly keep in mind. Its significance cannot be overly emphasized.

For example, in the course of conducting this study in Korea, it was extremely difficult to even raise, much less

seriously discuss, the option of extending the operation of the ASAO office in Tokyo as a viable alternative to establishing a separate trade office in Korea. That particular notion of having to deal with outsiders through the Japanese carries a strong and extremely negative stigma among Korean business people and government officials who unanimously share in the goal of reversing the virtually complete economic control and exploitation that Japanese trading companies exerted for so many years over the Koreans.<sup>3</sup>

<sup>3</sup>-----  
This strong sense of national identity and feverish need to disassociate themselves from Japanese dominance underlies the Koreans' notorious aggressiveness and competitiveness in the area of international trade, which in turn provides the basis for their dramatic successes in that area.

## V - KOREAN INTERESTS IN ALASKA

### A. Korean Interests Generally.

Because of Korea's lack of natural resources, it must secure stable and longterm supply sources elsewhere. Thus, Alaska's natural resources are considered a prime source of acquisition by the Koreans, who are also interested in marketing their goods and services in Alaska. This study will highlight the most serious areas of interest the Koreans have in Alaska, which are as follows:

#### 1. Potential Acquisitions in Alaska:

- a. Coal and hardrock minerals;
- b. Oil and petroleum products;
- c. Liquified natural gas (LNG);
- d. Fisheries;
- e. Timber resources;
- f. Agriculture.

#### 2. Potential goods and services to be provided to Alaska:

- a. Heavy industrial machinery, equipment, tools and materials;
- b. Construction and infrastructure development projects;
- c. Joint ventures in various areas, especially those involving natural resource development;
- d. Airline passenger and cargo services.

### B. Governmental Policy.

The Korean Ministry of Energy and Resources strongly encourages private businesses to get involved in the development and purchase of natural resources from foreign countries with which, as a part of the general plan, trade and commerce can also be implemented or increased. To the Koreans, the key to resource development abroad lies in securing a stable supply of energy sources on a long term

basis. Since this requires a great deal of capital, it is the recommendation of the Korean Ministry of Energy and Resources that energy exploring and consuming firms engage in natural resource development in foreign countries by way of consortiums and joint ventures.

C. Coal and Strategic Minerals.

Because of the oil shocks of 1972 and 1979, Korea has undertaken an aggressive program of increasing the uses of coal and nuclear power to supply its energy needs. Furthermore, the most recent trend has been to rely more heavily on coal than nuclear power, which has fallen into disfavor due to the escalating costs of nuclear power plant construction and the increased safety regulations and standards that must be established and implemented.<sup>1</sup>

In 1980, a Korean corporation, the Sun Eel Shipping Company, Ltd., signed a long term (10 years) contract to purchase 7 million metric tons of coal from the Usibelli Coal Mine near Healy. In 1983, Sun Eel and another Korean company, the Korean Electric Power Corporation, further agreed to export 800,000 metric tons of coal annually from the Usibelli Coal Mine through the coal loading facilities that are presently being constructed in Seward.

<sup>1</sup>-----  
This information was obtained primarily from interviews and discussions with various Korean Government officials, including: the director of the American Division of the Foreign Ministry, J.J. Ryung, and his subordinate in charge of the North American sector, S.H. Kim; and the director of the American Trade Division of the Ministry of Commerce and Industry, S.H. Chang.

The Koreans are also involved in another coal development project through a joint venture between a consortium of Korean corporations called the Korea Alaska Development Corporation (KADCO) and Chugach Natives Corporation, Inc., who are the owners of the coal field being developed near Cordova. This Alaskan-Korean joint venture is named the Bering River Development Corporation and it has very promising prospects because the coal to be extracted is of higher quality, and value, than that from the Usibelli Coal Mine. However, the joint venture faces and has been dealing with a major problem in that the coal fields are located approximately 30 miles from the ocean and transportation and loading facilities need to be constructed.

#### D. Oil and Petroleum Products.

Even though, as previously mentioned, Korea is gearing up to decrease her oil dependancy, it will be some time before her oil imports are substantially reduced. Korea currently purchases a little over \$6 billion worth of oil annually from the Middle East, which is a highly unstable and distant market. Thus, in terms of stability and logistics, it is very clear that Alaska would be a much better source of crude oil for the Koreans, who have consistently expressed an interest in purchasing, and becoming involved in the development of, Alaskan crude, and who are also very interested in being allowed to explore that possibility if and when the federal export restrictions are removed.

If a gas line is constructed, and if existing federal restrictions are removed, Korea would also be an ideal potential consumer of Alaskan LNG. Of course, the level of LNG, as well as crude oil, imports by Korea depends on a host of other factors, especially price. But the interest is certainly there,<sup>2</sup> and the Koreans' entry as a competitor among potential buyers and investors would be of obvious benefit to Alaska.

As to other petroleum products, several Korean corporations are presently considering importing various items such as unleaded gasoline, reformate and residual fuel oil.<sup>3</sup>

In conclusion, although Alaska-Korean trade in oil and petroleum products has not yet gotten off the ground, it clearly appears that Korea is a potentially good customer who is willing and able to participate in the infrastructure development that is necessary to market those resources.

#### E. Fisheries.

<sup>2</sup>-----  
Although there appears to be some question about Korea's potential as an Alaskan crude oil and LNG purchaser due to its long term commitments to obtain those resources from other countries, virtually all of the corporate and government officials contacted in Korea expressed a keen interest in these areas. In this regard, see the notes of interviews conducted in Korea Attachment D hereto; and also see the January 10, 1984 letter from Samsung President J.H. Kyong, in Attachment C hereto, which states: "we have expressed our keen interests in the Alaskan LNG and petrochemical project when Mr. Hickel visited seoul (sic.) last December. To facilitate our efforts, Samsung is opening an Anchorage offices (sic.), beginning this January."

<sup>3</sup>This information was obtained from two officials of the Alaska-Korea Business Council (AKBC), Loren Lounsbury and Robert Breeze.

The export of Alaskan seafood products to Korea has been one of the largest items of trade in the past several years.

As far as fisheries and fish processing activities are concerned, until very recently foreign entities, including Korea, conducted entirely self-sufficient operations. The more recent trend, however, has been the formation of joint ventures between American trawlers and foreign processors. Korea has been very active in this trend and there is every indication that it will continue to do so and that the number of Korean-Alaskan joint ventures will rapidly increase.<sup>4</sup>

#### F. Agriculture.

Although in the past there has not been much agricultural trade between Alaska and Korea, there is an existing beef exporting operation near Homer and two large Korean firms have initiated a project in the Kenai area that entails the leasing of University of Alaska land for the raising and slaughter of cattle to be shipped to Korea.<sup>5</sup>

Some work is presently being done in the area of growing and exporting grain products from the Mat-Su Valley to Korea and other Pacific Rim countries. It appears that the success of this project largely depends on experimental research being

<sup>4</sup>-----  
Thus, according to a memorandum dated January 17, 1984, from House Research agency analyst Jonathan Sherwood to Speaker Hayes' office, 8 of the 17 joint ventures approved by the North Pacific Fisheries Management Council in December, 1983, involved Korean firms.

<sup>5</sup>This information was also obtained from AKBC members Lounsbury and Breeze.

done at and in conjunction with the University of Alaska on the development of new types of grains capable of being produced in large quantities here in Alaska. Due to its high demand and needs, Korea is an ideal potential market for the export of these grain products, and if successful the venture promises to be very beneficial, in terms of jobs and revenue, to Alaska.<sup>6</sup>

G. Korean Investments in and Goods/Services Provided to Alaska.

As previously discussed, Korean investment in Alaska presently consists of joint ventures in coal, timber, fisheries and the raising of reindeer.<sup>7</sup> The current level of this investment is significant, rapidly increasing and, as further discussed below, there is very strong Korean interest in its continued expansion.<sup>8</sup>

Korean firms have provided and are providing a large and increasing amount of heavy industrial products, materials and services to Alaska. Although there are no available

<sup>6</sup>-----  
<sup>6</sup>This information was obtained from interviews with Hyoung "Henry" Kim, the president of Topex Industries, Inc., an Alaskan corporation with offices in Anchorage that is involved in the project discussed.

<sup>7</sup>The Nana Regional Native Corporation in Kotzebue is engaged in a Korean joint venture that involves raising and maintaining a herd of 6,000 reindeers, with the horns of slaughtered animals being exported to Korea and the meat being consumed by local Eskimos.

<sup>8</sup>In addition to the other specific joint ventures and projects mentioned in this report, AKBC member Robert Breeze recently indicated that a large Korean company, the Korea Ship Building and Engineering Corporation, has made serious and detailed proposals to build a modern ship repair and building facility at Seward.

figures as to the dollar level of these transactions, they include the following:

1. An \$118.4 million saltwater treatment plant that the Korean firm, Daewoo, constructed and delivered to ARCO on the North Slope in 1983;
2. The Hyundai Corporation, the largest in Korea, provided the structural steel for the new Sohio building in Anchorage; and
3. Hyundai is also erecting the transmission towers for a section of the Anchorage-Fairbanks power intertie.

The Koreans are especially interested in expanding the goods and services that have been and are being provided to Alaska. In terms of their potential to do so, it should be noted that in the last decade Korea has made a dramatic emergence in the world community as a heavily industrialized nation that does not need to take a back seat to anyone, with specific areas of expertise in the manufacturing of steel products; pipe; plant construction; heavy equipment; petrochemical industries; ship building and repairing; and general construction services.<sup>9</sup>

Because the Koreans are highly modernized and technologically sophisticated, and because they have a highly skilled and low priced labor force, they are very competitive in all the above areas, which has been and will be of substantial benefit to Alaska as Korean involvement in

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<sup>9</sup>This information was obtained from interviews with officials of the largest Korean Corporations, or conglomerates, whose annual sales figures and diversity of interest, expertise and projects are extremely impressive, as indicated in the brochures found in Attachment "C" hereto.

construction and infrastructure development projects continues and expands.

#### H. Potential for Future Trade.

Most Alaskans who are involved or contemplating being involved in trade with Korea unanimously agree that there is vast potential for increased trade, with the export of Alaskan natural resources as the most promising area. Of course, the major drawbacks of inadequate infrastructure and governmental regulations are usually also focused on by both Alaskans and Koreans interested in seeing trade in this area expand.

In general, Koreans view Alaska as an ideal trading partner because of its wealth of natural resources; its proximity to Korea; and its political stability compared to other sources of vital natural resources.

All of the major Korean corporations and government agencies contacted as part of this study expressed a keen interest in initiating or expanding their trade with Alaska.

For example, Director K.S. Choo, speaking for himself and on behalf of president M.J. Chung of Hyundai Heavy Industry, the largest private business entity in Korea, stated that his group of companies is interested in the following areas of trade with Alaska: steel; pipe; coal; timber; heavy industrial products; construction machinery and materials; and red meat.<sup>10</sup>

<sup>10</sup>-----  
See notes on 1/11/84 interview with Mr. Choo in Attachment B hereto.

Mr. S.N. Sonh, the manager of natural resources of the Daewood Corporation, Korea's second largest private business entity, stated that his companies are interested in pre-cast cement; rolling stocks; LNG; coal; oil; ship building and repair; and textiles.<sup>11</sup>

Mr. J.H. Kyong, the president of Samsung Corporation, the third largest private business entity in Korea with annual gross revenues of approximately \$2.5 billion, stated that his group of companies are interested in coal; timber; LNG; steel; heavy industrial products; oil and petroleum products; steel structures; pipe; heavy construction machinery, vehicles and tools; and joint ventures with Alaskan native corporations and other Alaskan entities, especially those involved in natural resource development.<sup>12</sup>

Mr. J.J. Kim, the executive vice-president of Kukje-ICC Corporation, the fourth largest private business entity in Korea with annual gross revenues of approximately \$2.2 billion, stated that his group of companies are interested in LNG; coal; timber; oil and petroleum products; heavy component parts; heavy equipment; and joint ventures with Alaskan native corporations and other Alaskan entities, especially those involved in natural resource development.<sup>13</sup>

<sup>11</sup> See notes on 1/13/84 interview with Mr. Sonh in Attachment B hereto.

<sup>12</sup> See notes on 1/9/84 interview with Mr. Kyong in Attachment B hereto.

<sup>13</sup> See notes on 1/9/84 interview with Mr. Kim in Attachment B hereto.

The contacts undertaken for this study in Alaska and Korea leave little doubt that the potential for future trade is extremely promising. Indeed, given the strong interest and enthusiasm, and considering the mutually compatible needs and desires, on both sides, it appears to be inevitable that Alaska-Korean trade will continue and will expand. And it seems quite possible that this expansion will take place at an unprecedented rate, with obvious and potentially substantial benefits to both trading partners. Furthermore, it is also obvious that the Alaska state government can be of great assistance in fostering and enhancing this fruitful climate. Thus, the establishment and maintenance of an Alaskan trade office in Korea which can provide, as part of its functions, information about business and investment opportunities to both groups, and can serve as a contact point for Alaskan and Korean businesses, seems to be a logical and appropriate step in the right direction at this time.<sup>14</sup>

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<sup>14</sup>-----  
The major drawbacks to the rapid expansion of Alaska-Korea trade, as expressed by business and government leaders on both sides, are Alaska's lack of adequate infrastructure for resource development; the lack of sophistication and expertise in international trade among Alaskan businesses; the lack of consistent and positive governmental policies regarding resource development; and state and federal governmental restrictions and requirements. Of course, the Alaska state government can also be of major assistance in mitigating or removing some of these obstacles.

## VI. - POTENTIAL ECONOMIC BENEFITS TO ALASKA

### A. Generally.

As a general proposition, it is obvious that Alaska will reap economic benefits from increased trade with Korea, and from increased Korean investments in the state.

### B. Level and Frequency.

As to the level and frequency of those benefits, there is inadequate, up to date information available on which to base any detailed estimates, other than to say that, as reflected in other sections of this report, there are various factors indicating that they are apt to be substantial, frequent and capable of rapidly increasing.

Those factors include but are not limited to the following:

1. The vast natural resources that Alaska possesses;
2. The great and increasing needs that Korea has for those resources;
3. Alaska's acute need to develop infrastructure to successfully and profitably market its resources;
4. Korea's willingness and ability to invest and participate in the development of Alaskan infrastructure;
5. Korea's rapidly growing capability and expertise in providing high quality goods and services at highly competitive prices; and
6. Korea's commercial and industrial aggressiveness and the healthy competitive affect this will have among potential providers of goods and services to Alaska, and among potential purchasers of Alaska's exports.

### C. Nature and Extent.

As to the nature and extent of the benefits, the immediate benefit will be a broadening of Alaska's economic base stemming from the steady, thoughtful development of its

natural resources.<sup>1</sup> This should result in more jobs for Alaskans and a broader tax base as the infracture needed to market the resources is expanded and refined.

Just as success breeds success, a strong economy will breed a stronger economic base to sustain and benefit future generations of Alaskans. The long-term view shows that the potential for development of Alaska's resources, and the infrastructure necessary to market them, has barely begun, and that the process now under way can be controlled and guided in the proper direction, so as to make the Alaskan economy steadier and safer in the coming years.

For example, the imminent purchase of the Alaska Railroad will need to be coupled with private investments in further infrastructure development before the state can reap the maximum benefits. And the continuing expansion of the petroleum industry also needs to be tied to further infrastructure development so as to assure that the diversification necessary to stabilize and thoughtfully expand the Alaskan economy will occur.

The Korean business and government officials interviewed for this study understand and are more than willing to participate in fulfilling these Alaskan goals. And they openly acknowledge that it is in their best, long range interest to do so, as part of the price they are willing and

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<sup>1</sup>Of course, it is the Alaska legislature's function to make sure that the development of the state's natural resources takes place in a steady and thoughtful manner.

able to pay to obtain the vital natural resources so  
desperately needed by their country.

## VII. - FUNCTIONS, OBJECTIVES AND

### EFFECTIVENESS OF ASAO

#### A. ASAO's Primary Area of Service.

The Alaskan State Asian Office (ASAO) located in Tokyo, Japan, has an interesting and intriguing history dating back to its founding in 1965 that was detailed in a recent study<sup>1</sup> and clearly indicates that despite its recently changed name, the ASAO has been and is primarily, if not solely, involved in providing contacts and services with and regarding Japan, rather than any other Asian country. This conclusion is further supported by an examination of pertinent documents and an interview conducted for this study by House Research Agency analyst Jonathan Sherwood with Vince O'Reilly, Deputy Commissioner of Commerce and Economic Development,<sup>2</sup> which indicates that the ASAO has devoted very little, if any, time or resources to Korea or the two other countries--Taiwan and China--that it is supposed to service.<sup>3</sup>

<sup>1</sup>-----  
<sup>1</sup> Alaskan State Asian Office Study, January, 1982, submitted by Agritrade International, Inc. to the Department of Commerce and Economic Development, at pages 10-14.

<sup>2</sup> See January 17, 1984, memorandum from Mr. Sherwood to House Speaker Hayes' office, at pages 2-3.

<sup>3</sup> For examples, Mr. O'Reilly stated that the contacts and activities of the ASAO with Asian countries other than Japan is so negligible that virtually no records thereof are kept and no estimates can be made; and the 2 ASAO monthly reports detailing activities in September and October of 1983, which are in Attachment "D" hereto, show that the only contact with Korea during the 2 month period involved was a trip on October 12, 1983, to attend a funeral of the Korean government officials killed in the Rangoon bombing.

## B. FUNCTIONS AND OBJECTIVES.

As mandated in the appropriate executive budget documents, the primary purposes and functions of the ASAO are to:

1. Provide the Alaska business community with pertinent intelligence on market prices and conditions, product utilization, etc.;
2. Locate and establish business contacts which are interested in Alaskan products and investments;
3. Act as a catalyst to assist Alaska and foreign business persons to meet and conduct business;
4. Establish foreign government contacts which are important to Alaska, and introduce them to the state's economic trade and development policies; and
5. Establish a favorable image of Alaska in foreign countries.

As previously mentioned, it is quite clear that the ASAO is only exercising the functions and fulfilling the objectives listed above in regard to Japan. For example, as to the first function and objective, it is obvious that the ASAO cannot provide "pertinent intelligence on market prices and conditions" in Korea if its only contacts with that country in a 2 month period is a single trip there to attend a funeral.<sup>5</sup>

## C. Effectiveness.

It is difficult, if not impossible, to evaluate the effectiveness of the ASAO without some measurable and meaningful criteria. However, during its years of operation, Alaskan exports to Japan have risen dramatically and it is predicted that they will reach the \$1 billion mark

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<sup>4</sup>See footnote 2, above, and accompanying text.

<sup>5</sup>See footnote 3, above, and accompanying text.

in the next year or two,<sup>6</sup> and this is in itself an indication of the ASAO's strong effectiveness.

However, once again it must be pointed out that the ASAO's effectiveness is only in relation to Alaskan trade with Japan. Certainly, based on the previously mentioned information, it would be unwarranted to attribute the dramatic recent rise in Alaskan exports to Korea<sup>7</sup> to the ASAO.

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6A U.S. Department of Commerce, Division of International Trade, study listing the level of Alaska exports to Asian countries through November, 1982, indicated that in 1981 the total exports to Japan were approximately \$934 million. This decreased in 1982 to approximately \$888 million, but the director of the U.S. Department of Commerce's Anchorage office, Richard Lenahan, concurs with the \$1 billion in the next year or two prediction.

<sup>4</sup>The same study mentioned in footnote 6, above, shows that exports to Korea rose from approximately \$20 million in 1981 to around \$95 million through November of 1982.

## VIII. - EXPANDING THE ASAO TO SERVICE KOREA

### A. Only Protocol Functions and Objectives Being Provided Re Korea.

As pointed out in the previous section of this report, the ASAO is not, in any meaningful sense, providing any services in regard to Korea.

The ASAO is not, in any meaningful sense, providing the Alaska business community with pertinent intelligence on market prices and conditions, product utilization, etc., in regard to Korea. It is not and it cannot perform this function because to do so would require a presence or representation in Korea, and that has not occurred and is not occurring.

The ASAO is not and cannot locate and establish business contacts in Korea which are interested in Alaska products and investments because to do so would require a presence or representation in that country, and that has not occurred and is not occurring.

The ASAO is not and cannot act as a catalyst to assist Alaska and Korea business persons to meet and conduct business because to do so would require a presence or representation in Korea, and that has not occurred and is not occurring.

However, the ASAO is apparently making some effort, and planning to increase those efforts,<sup>1</sup> to establish government

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<sup>1</sup>This information was obtained by House Research Agency analyst Jonathan Sherwood through interviews with Alaska state officials and review of applicable documents for this study.

contacts which are important to Alaska, and introduce them to the state's economic trade and developmental policies, and to establish a favorable image of Alaska in Korea.

It should be noted that the latter activities being performed and contemplated by the ASAO in regard to Korea are in the nature of a liason or protocol function and objective.

#### B. Feasability.

The question of whether it is feasible for the ASAO to expand its present or contemplated functions and objectives so as to perform and fulfill them in regard to Korea, has already been answered in the negative, for obvious reasons.

The gathering of pertinent, or useable, intelligence on market prices, conditions, product utilization, etc., in Korea is a function that cannot conceivably be performed without being present or represented in that country. And the same is true for locating and establishing business contacts and acting as a catalyst for business transactions. These are activities that require virtually day to day attention and cannot be performed in any meaningful sense from another country.

#### C. Other Considerations.

Thus, the only way to expand the ASAO to service Korea is to limit its activities in that country to those it is already performing or contemplating, which is mainly a liaison or protocol function. Increasing the contacts the ASAO has with Korea will not substantially alter the nature of that

function unless those contacts are increased to the point where it becomes practical and necessary to have a representative permanently stationed in Korea, and to establish a permanent ASAO branch office there.

However, there are reasons that such an alternative to establishing a separate Alaskan trade office in Korea is ill-advised and should be rejected.

As previously mentioned and discussed in this report Koreans have a strong sense of national identity and they are very sensitive about being rated second to Japan.<sup>2</sup> Indeed, all the Korean business and government officials interviewed for this study pointed this out, and some of them expressly stated that they would consider the expansion of the ASAO in Tokyo to service Korea as relegating Korea to the position of being a second class citizen.<sup>3</sup>

Other Koreans interviewed for this study had more practical objections. Thus, Mr. Rhim, the executive director of the Korea-U.S. Economic Council (KUSEC) pointed out that to be effective, an Alaskan representative in Korea must be knowledgeable of Korean business protocol and must have an understanding of Korean business practices and their ramifications.<sup>4</sup> Mr. Kyong, the president of Samsung Corporation, stated that a Tokyo liaison office would not be efficient because of the amount of time lost due to travel,

<sup>2</sup>See section IV, subsection E, above.

<sup>3</sup>See notes on 1/11/84 interview with Mr. Choo, the director of the Hyundai Corporation, in Attachment B hereto.

<sup>4</sup>See notes of 1/31/84 interview with Mr. Rhim in Attachment B hereto.

reporting and follow up. He also pointed out that his company had experienced these very difficulties with their own corporate branch office structure in other parts of the world.<sup>5</sup>

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<sup>5</sup>See notes on 1/9/84 interview with Mr. Kyong in Attachment B hereto.

## IX - PROS AND CONS OF ESTABLISHING A SEPERATE

### ALASKA TRADE OFFICE IN KOREA

#### A. The Pros Among Koreans.

Virtually all of the Korean business people and government officials interviewed as part of this study agreed that the establishment of a seperate Alaska trade office in Korea would not only be of great potential benefit to both Koreans and Alaskans, but would also constitute a positive and much needed step in the direction of fostering better trade relations that might have immediate, practical results.

The Koreans were sophisticated and realistic enough to understand that although Alaska is a wealthy state in many respects, like most other governmental bodies throughout the world, it also has limitations on the amount of public funds it can devote to business promotional activities such as the establishment, staffing and operation of a foreign trade office. Nevertheless, virtually all of them seemed to have a very difficult time understanding why the Alaska state government doesn't already recognize that the tremendous potential economic benefits to be derived from fostering trade relations with Korea at this time far outweigh the

costs of establishing, staffing and operating a modest trade office in their country.<sup>1</sup>

Koreans are very aware and proud of the fact that their country is presently the United States' 12th largest trading partner; that Korea is one of the largest importers of U.S. grain products and livestock; and that Korea has incurred and continues to incur a substantial trade deficit in its dealings with the United States.

Koreans are also very keenly aware of the rapid, unprecedented increase in trade with Alaska during the past few years, and they generally view the opening of an Alaskan trade office in Korea as an ideal way to encourage Korean businesses, who can usually obtain extensive cooperation and assistance from the Korean government, to actively get involved in trade activities with Alaska.

As indicated in the notes of the interviews conducted in Korea contained in Attachment D hereto, virtually all the Korean business and government leaders contacted felt that an Alaskan trade office in their country could fulfill the vital and necessary functions of providing detailed information about Alaska and being a point of contact for Korean and Alaskan business entities. Furthermore, there

<sup>1</sup> Attachment "C" hereto contains letters from three of the major Korean corporations contacted whose expression of support for the proposed trade office are representative of all the other business and government leaders interviewed. Furthermore, one of those letters, from Jung Ju Kim, Executive Vice President of the Kukje - ICC Corporation, expresses the widespread desire and need for detailed information about Alaska, which is a perceived function of an Alaskan trade office in Korea.

was widespread interest in being provided access to information about government regulations affecting trade, and other technical matters necessary to engage in or expand business activities in and with Alaska.

B. The Pros Among Alaskans.

The view among Alaskan business persons and officials interviewed was equally one-sided in favor of establishing a separate trade office in Korea, and virtually all the Alaskans who are presently involved or contemplate being involved in trade with Korea emphasize the strong need for such a source of detailed information about Korean groups, opportunities, procedures and other factors vital to efficient and profitable trade with that country.

C. The Cons.

From the Korean side there were not any objections to the proposed Alaskan trade office, and from the Alaskan side the only negative point to the establishment, staffing and operation of a separate trade office in Korea was its cost. In this regard, although it can be said that setting up an office the size of the ASAO in Tokyo is prohibitive and perhaps unjustifiable at this time, virtually everyone will agree that a smaller office in Korea, with a small staff, does not seem excessive in light of the substantial potential benefits to be derived by fostering trade with Korea at the present time.

## X - CONCLUSIONS AND RECOMMENDATIONS

### A. Conclusions.

Based on the information obtained in this study, the conclusion that is not only feasible but appropriate and even necessary to establish a separate Alaskan trade office in Korea is inescapable.

In just the past few years, the level of Alaskan exports to Korea has dramatically increased<sup>1</sup> and there has been an increase in Korean investment in Alaska, with every indication that these trends will continue and rapidly expand in the future, thus providing substantial potential economic benefits to Alaska.<sup>2</sup>

All these things, and more, indicate that the state should endeavor to realize these potential economic benefits, and that the establishment of a separate trade office in Korea that can fully perform and fulfill all the functions and objectives of the ASAO in Tokyo will be a significant, positive step in that direction. In this regard, the option of expanding the ASAO to adequately service Korea is unfeasible and, insofar as the Koreans themselves are concerned, unthinkable, demeaning and thus inherently contradictory to the basic objective of improving Alaska's image in that country.

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<sup>1</sup>See section V, subsection F, and section VII, subsection C, footnote 7, above. The latter refers to a study showing that the level of Alaskan exports to Korea rose from \$20 million in 1981 to \$95 million in 1982..

<sup>2</sup>See section VI, subsection B, above, for a list of factors responsible for this trend.

## B. Recommendations.

In addition to recommending that a separate trade office in Korea be established as soon as possible, the following recommendations are also offered:

1. Location: as suggested and<sup>3</sup> explained by the executive director of KUSEC and the vice-president of the US Chamber of Commerce in Korea,<sup>4</sup> the Alaskan trade office should be located in the central business district of Seoul, close to the United Government Building and the U.S. Embassy, not only because of easier access to government and business headquarters, but also because such a location is perceived by Koreans as a status symbol of which they are extremely conscious.<sup>5</sup>
2. Staffing: the Alaskan trade office should have, as a minimum staff, an executive director, a deputy director and a secretary. It is important to have a deputy director because there should always be someone in the office of sufficient rank to host important visitors while the executive director is attending important functions.
3. Qualifications: either the executive or deputy director must be fluent in Korean and be able to read and write the language. In general, these individuals should be business oriented professionals, preferably with experience in Korean-Alaskan trade, rather than dignitary types. This is in keeping with the tenor of the office, which should be oriented more toward the business functions than

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3See notes on 1/10/84 interview with Mr. Rhim in Attachment D hereto.

4See notes on 1/10/84 interview with Brigadier General (retired) Frederick C. Krause in Attachment D hereto.

5See section IV, subsection B, above, where the basic principles of seniority, courtesy and respect and discussed, pursuant to which, having an office in an inferior location would be a breach of Korean business etiquette.

the liaison or protocol functions.<sup>6</sup>

4. Duties and Goals: The Alaskan trade office should have the same basic functions and objectives that are presently mandated for the ASAO in Tokyo, which are to:

- a. Provide the Alaska business community with pertinent intelligence on Korean market prices, conditions, product utilization and related matters;
- b. Locate and establish Korean business contacts which are interested in Alaska products and investments;
- c. Act as a catalyst to assist Alaskan and Korean business persons to meet and conduct business;
- d. Establish Korean government contacts which are important to Alaska, and introduce them to the State's economic trade and development policies; and
- e. Establish a favorable image of Alaska in Korea.

5. Proposed Annual Budget.<sup>7</sup>

Executive Director	\$ 60,000.
Deputy Director	40,000.
Secretary	10,000.
Office Rent	24,000.
Office Equipment	10,000.
Office Expenses	12,000.
Office Supplies	1,200.
Printing	1,200.
Entertainment	12,000.
Misc. Costs (licenses, etc.)	10,000.
Total	<u>\$180,400.</u>

<sup>6</sup> As previously discussed in section VI, subsection B, above, this is in recognition of and in compliance with the strong Korean work ethic, pursuant to which the appointment of dignitary-type individuals with no prior experience in or detailed knowledge of Korean-Alaskan trade would be viewed as inefficient and unwise. This is not to say, however, that the protocol or liaison function and objective should be ignored.

<sup>7</sup> Detailed estimated costs of office space, housing, transportation, schooling and other expenses were provided by the vice president of the U.S. Chamber of Commerce in Korea. See notes on 1/10/84 interview with Brigadier General (retired) Frederick C. Krause in Attachment B hereto.

6. Placement.<sup>8</sup>

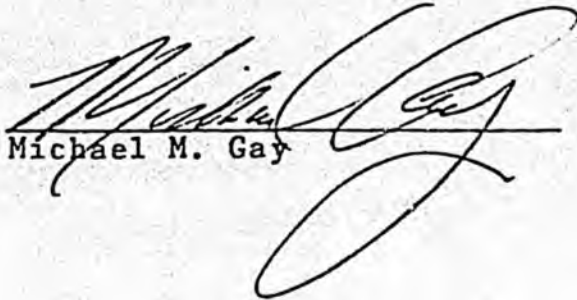
The Alaskan trade office in Korea should be placed under the jurisdiction of the Department of Commerce and Economic Development, where the ASAO in Tokyo is presently placed. This is consistent with the practice followed by virtually all states that have foreign trade offices.

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<sup>8</sup>Detailed estimated cost of office space, housing, transportation, schooling and other expenses were provided by the vice president of the U.S. Chamber of Commerce in Korea. See notes no 1/10/84 interview with Brigadier General (retired) Fredrick C. Krause in Attachment B hereto. See section III, above, containing the following statement: "In almost all cases, the foreign trade offices are associated with their state's economic development agency."

SUBMITTAL

This report is being respectfully submitted on the 14th day  
of February, 1984, to Alaska House of Representatives  
Speaker Joe Hayes by

  
Michael M. Gay



ALASKA STATE LEGISLATURE  
HOUSE OF REPRESENTATIVES  
RESEARCH AGENCY

Pouch Y, State Capitol  
Juneau, Alaska 99811  
(907) 465-3991

January 17, 1984

MEMORANDUM

TO: Representative Joe Hayes  
Attn: Jeff Day

FROM: Jonathan Sherwood *[Signature]*  
Legislative Analyst

RE: Alaska State Trade Office in Korea  
Research Request 83-245

Jeff Day of your staff requested that our agency provide information on state foreign trade offices and on Alaska-Korea trade. It is our understanding that this information is to be used by a consultant, Michael Gay, in a study he is preparing on the feasibility of a State trade office in Korea. Specifically, we were asked to perform the following research:

- Outline the current structure of the State's Asian office including staffing, duties, and costs.
- Describe the history of Alaska-Korean trade efforts.
- Identify and report on activities of other states which have established offices in Korea and other Pacific Rim countries.

In the course of our research, we have contacted several individuals familiar with the history of Alaska-Korean trade or with the activities of other state's trade offices. In addition, we have obtained information from the Department of Commerce and Economic Development (DCED) pertaining to the operations of the State's Asian Office and the extent of Alaska's trade with Korea and other Asian nations.

Whenever possible we have obtained statistics and other quantitative data concerning the issues we were asked to address and included many of these materials as attachments to the memorandum. This has allowed us to spend more time collecting data while still providing the information to the consultant in a useful form--perhaps more useful given the problems inherent in using secondary and tertiary sources.

### THE STATE OF ALASKA'S ASIAN OFFICE

The State's Asian Office, in Tokyo, is the major component of the Alaska Department of Commerce and Economic Development's Office of International Trade. In addition to the Asian Office, the Office of International Trade includes one Development Specialist position in Juneau. However, this position is not currently filled.

Staffing. The State's Asian Office is staffed by one State employee, a Far East Representative. This position is currently filled by W. D. Overstreet, former Mayor of Juneau. Mr. Overstreet reports to Deputy Commissioner Vince O'Reilly or Commissioner Lyon. Four Japanese employees also work for the Asian Office; they are hired on a contractual basis to avoid the complications of having foreign employees in the State personnel system. These employees, with their current annual salaries, are listed below:

1 Bilingual Executive Secretary	\$20,500
1 Translator/Research Analyst	\$20,000
1 Clerk-Typist/Receptionist	\$18,000
1 Assistant/Translator	\$14,500

Duties and Activities. According to the FY 85 executive budget documents, the purposes and functions of the Office of International Trade are to:

- provide the Alaska business community with pertinent intelligence on market prices and conditions, product utilization, etc.;
- locate and establish business contacts which are interested in Alaska products and investments;
- act as a catalyst to assist Alaska and foreign business persons to meet and conduct business;
- establish foreign government contacts which are important to Alaska, and introduce them to the State's economic trade and developmental policies; and
- establish a favorable image of Alaska in foreign countries.

According to the FY 84 Executive Budget, the office serves Alaska and foreign companies, State agencies, and Alaska and foreign tourists. Based on conversations with Vince O'Reilly, Deputy Commissioner of Commerce and Economic Development, and on DCED documents, it appears that the Asian Office serves all of these functions. Mr. O'Reilly, stated that the target area of the Asian office is currently Japan, Korea, Taiwan, and the People's Republic of China.

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Mr. O'Reilly was not able to estimate the amount of time the Asian Office devotes to countries other than Japan; however, based on our discussion and the Far East Representative's reports, it appears that Mr. Overstreet intends to make a significant effort to expand contacts with Korea. For example, according to Mr. O'Reilly, the Representative is participating in the discussions between the State and Korea concerning liquified natural gas exports.

Based on the monthly reports from the Far East Representative to the Commissioner's office, it would appear that a significant amount of the Representative's time is spent meeting with Japanese business persons who are interested or involved in Alaska trade activities. The Far East Representative also meets with and assists members of the media who are interested in publishing information about Alaska.

One of the duties of the Far East Representative is to represent the State of Alaska and, to some extent, Alaska industry at trade shows, political functions, and business-related social functions. In addition, the Asian Office hosts receptions and luncheons for visiting Alaska businessmen and State officials. Vince O'Reilly explained that business relations in Japan traditionally involve more social activities than in the United States.

The Far East Representative also serves as the official representative of the Governor of Alaska at state functions. For example, Mr. Overstreet represented the Governor at the funeral of the Korean government officials assassinated this autumn.

Another responsibility of the Asian office is to provide assistance and support for trade delegations and visiting State officials. For example, when Governor Sheffield and his party travelled to Japan and Korea this last fall, the Asian Office was responsible for some of the arrangements; Mr. Overstreet and staff members also accompanied the Governor. According to Mr. O'Reilly, the Asian Office was also responsible for arranging a tour of the Far East for an Alaska logging industry group in the spring of 1983; the Office identified appropriate contacts and arranged meetings with Asian firms.

One of the activities of the Asian Office is the compilation and/or the dissemination of market information, both for Asian businesses interested in trade or investment in Alaska and to Alaska firms interested in marketing their products in the Orient. Two of the Japanese support staff translate information published in Japanese to English.

Productivity. One convenient method of determining the productivity of the Asian Office is to look at the extent to which it meets its

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own performance objectives. The following performance measures were listed in the monthly reports submitted by the Far East Representative:

- the number of trade/marketing shows in which staff members participate;
- the number of conferences attended;
- the number of firms contacted or assisted;
- the number of Japanese organizations provided information;
- the number of pamphlets distributed;
- the number of Alaska firms provided information; and
- the number of government representatives assisted.

We have already provided the consultant with two of the Asian Office monthly reports which provides information on the extent to which each staff member performs these duties (see Attachment A). At his request, we will attempt to obtain additional reports from DCED.

Costs. The State Asian Office is included in the International Trade component of the DCED budget. This component also includes one development specialist position in Juneau and some travel funds used for DCED officials and others to participate in international trade events.<sup>1</sup>

The FY 85 Executive Budget request for the International Trade component is \$543,500. According to the FY 85 budget documents (Attachment B), this represents a maintenance level budget for the new fiscal year.<sup>2</sup> Of the total amount, approximately \$455,900 is for the Asian Office. Table 1 provides a breakdown of these costs. The remainder of the International Trade component budget goes to support the Juneau-based development specialist and to finance international trade promotion activity by State officials, legislators, and others.

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<sup>1</sup> While we have been able to separate most of the costs of the State Asian office, it should be noted that there are a few items, e.g. office supplies, for which approximations have been used. However, this should not result in a significant error in our calculations.

<sup>2</sup> According to Joan Brown, service level SL 1 (identical to SL 2) was included in the included in the Governor's budget. Budget levels for SL 1 are used in this memorandum and should be used when looking at Attachment B.

TABLE 1  
Alaskan Asian Office Costs  
(in \$thousands)

<u>Personal Services</u>	
Salary	85.0
Employee Benefits	18.3
<u>Travel</u>	
Field and administrative	35.6
<u>Contractual</u>	
Communications	35.0
Printing and advertising	13.0
Space expense and fees	90.0
Repair and maintenance	2.0
Equipment rental	4.0
Professional fees	
Tokyo office staff	90.0
Contracts*	9.0
Other fees and expenses, risk management	60.0
<u>Supplies and Materialst</u>	
Household and institutional supplies	1.5
Structural materials and supplies	.5
Equipment parts and supplies	.5
Office and library supplies	11.5
TOTAL	455.9

\* This item is for consulting contracts; the amount expended by the Asian Office varies from year to year. For our purposes, we have allocated one-half of the total amount to the Asian Office.

† Some supplies and materials may be charged to the Juneau Development Specialist position; however, we are unable to separate these expenses at this time.

Source: Department of Commerce and Economic Development, FY 85 budget documents, C series for International Trade Component, and conversations with Joan Brown, DCED. Table prepared by House Research Agency, 1984.

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One should note that the allocation for space rent not only includes office space in Tokyo, but also an apartment for the Far Eastern Representative. According to Joan Brown, administrative assistant with the Department of Commerce and Economic Development, the cost of office rent is currently about \$54,200 per year and the apartment costs about \$32,000 per year. The \$60,000 shown for other fees and expenses, and risk management includes \$10,000 for membership fees, \$8,000 for conference registration, and \$37,300 for hospitality.

History. The Alaska State Asian Office was opened at the end of 1964 following the passage of the legislation which created and funded it for \$25,000 (SLA 1964 Ch. 91 & 92). Originally, it was administratively located in the Office of the Governor; however it was transferred to the Department of Commerce and Economic Development in 1980.

Based on comments we received in the course of our interviews and on information included in previous consultants' studies of the Asian office, it appears that the Office has operated without strong direction or support from some of the past administrations. For further information on the past activities of the Asian Office we refer you to the Alaska Trade Offices Study published for the Alaska Legislature by Dupere and Associates in January of 1982 and to the Alaskan State Asian Office Study, performed by Agritrade International Inc.; these reports are included with the memorandum. Both contain information on past operations of the office as well as evaluations of the office's performance and support from State government in Alaska.

#### OTHER STATES' TRADE OFFICES

According to a 1980 survey, 33 states were represented in that year by trade offices in 66 foreign countries. This had increased from 20 states in 1977.<sup>3</sup> While some states may have added or closed foreign trade offices in the last three years, international trade staff for such national organizations as the National Association of State Development Agencies (NASDA), the National Conference of State Legislators (NCSL), and the Council of State Governments (CSG) indicated that the level of activity is about the same currently. NASDA is in the process of compiling an updated list of states' foreign trade offices, which should be available later this year.

In almost all cases, the foreign trade offices are associated with their state's economic development agency. In a few cases, the office represents the state's agriculture agency, and in some states, different agencies share an office. In some cases, rather than representing a state, an office will represent a port authority or some other regional entity. For the purposes of our discussion, we have not included any state offices which are limited to promoting tourism, although some state trade offices do serve this function in addition to other duties.

Foreign trade offices are most frequently staffed by personnel employed directly by state government, as is the case with Alaska. In many cases, these are regular employees of the parent agency, who are routinely rotated to their home state. However, some states contract with one or more foreign consultants to represent their state. In addition, several western states operate the Old West Commission, which has had joint trade offices in both Europe and Asia.

Foreign trade--and consequently the activities of state foreign offices--is often classified into two broad categories: (1) investment; and (2) trade. Investment, also called reverse investment or foreign investment, refers to business transactions in which foreign companies invest capital in the state, frequently by opening a manufacturing plant.

Trade, the second kind of activity, involves the exporting of goods to foreign markets. According to Marsha Clarke, with NASDA, state foreign trade office activity is fairly evenly divided between the promotion of these two functions, at least on the global scale. State

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<sup>3</sup> National Governors' Association, Export Development and Foreign Investment: Ther Role of States and Its Linkage to Federal Action, 1981, p. 22.

offices in developed countries like Japan may place a higher priority on encouraging investment; in developing nations, state offices may place a greater priority on expanding export markets, as these countries are less likely to have firms interested in developing operations in the U.S.

The trade offices of other states also collect trade intelligence for their state. However, according to Ms. Clarke, it is difficult to identify how much time is devoted to this activity, as it tends to be performed in conjunction with the office's promotional activities.

According to a 1982 study prepared for the Alaska Legislature by Dupere and Associates, once a state foreign office has made contact with a foreign firm interested in doing business with the U.S., the state's home office provides the U.S. business contact.

The Dupere report and other articles on foreign trade offices emphasize the importance of strong direction and support for state foreign offices from their parent agency. The home office must be able to identify the appropriate business contacts for foreign business interests who contact the state's foreign office, and to identify which in-state businesses expressing interest in exporting their products are serious candidates for foreign trade.

Ms. Clarke stated that the typical cost for a foreign trade office would be between \$100,000 and \$300,000. She noted that the upper limit generally provides for a large operation, but also cautioned that Tokyo was substantially more expensive than other locations. A 1982 survey indicated that the number of employees per office varied from 1 to 8, with 2 or 3 employees being the most common staffing pattern. The largest number of employees in the Japanese offices surveyed was 6.

Asian Offices. According to Marsha Clarke, her most recent information shows that 19 states now have foreign trade offices in Japan.<sup>4</sup> In addition, California, which does not have a state office there, has several port authorities, including Long Beach and Oakland, which operate offices in Japan. Most of these offices are regional in scope; however, some of the offices are intended to deal strictly with Japan. States which currently have offices in Japan are listed below:

Alabama	Indiana	Michigan	Pennsylvania
Alaska	Kentucky	Missouri	South Carolina
Florida	Louisiana	New York	Virginia
Georgia	Maryland	North Carolina	Washington
Illinois	Massachusetts	Ohio	

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<sup>4</sup>This compares with 14 states in 1980.

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In addition, Illinois has an office in Hong Kong and Missouri has an agriculture representative in Singapore. None of the individuals we contacted was aware of any state with an office in Korea.<sup>5</sup>

According to Ms. Clarke, state foreign trade offices in Japan usually place much more emphasis on encouraging foreign investment and little emphasis on increasing exports. Ms. Clarke explained that this is a result of Japan's long-standing trade restrictions on the importation of manufactured goods and agricultural products. Traditionally, these have made it very difficult for U.S. businesses to export goods to Japan. While some of these restrictions have been lifted in recent years, Ms. Clarke stated that the direction of states' trade office activities in Japan have not changed significantly. The Dupere study also found that most state offices in Japan devote more time to promoting Japanese investment in the U.S. than to promoting trade.

For additional information, we refer you to the Dupere study, which includes an examination of eight state offices in Tokyo and ten offices in Europe. The study provides a substantial amount of information on their activities and procedures. We also refer you to Attachment C, which provides several articles on state foreign trade offices sent to our agency from the Western Conference of the Council of State Governments.

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<sup>5</sup> We received an excerpt of a recently published book on foreign trade office activity which refers to a possible office in Korea. The excerpt does not provide detail on the status of the office; it is not clear whether an office has been opened or was merely planned.

## HISTORY OF ALASKA-KOREAN TRADE

There are very few documents available which specifically address the past and current trade activities between the Republic of Korea and the State of Alaska. Most of our information was obtained either through conversations with individuals familiar with Alaska-Korea trade activities, or from publications which addressed only a small portion of trade activities or included information on Korea incidental to other topics. As a result, the information presented in this section does not represent a comprehensive summary of Korea-Alaska trade activities.

In this section, we will present a general overview of Alaska-Korea trade, including an informal chronology of events. We then discuss the history and status of specific areas of trade, including examples and statistics whenever we have found them readily available.

### Overview

Historically, direct trade between Alaska and Korea has been relatively sparse compared to trade activities between Alaska and Japan, or Alaska and the contiguous United States. According to the individuals we contacted, trade activities between the two countries have generally involved exporting Alaska natural resource products, particularly fish and timber, to Korea. In addition, some Korean firms have supplied industrial materials for large capital projects, and in a few cases, Korean firms have received contracts to construct all or portions of such projects. In recent years, Korean firms have also begun participating in joint ventures with Alaska businesses involved in natural resource extraction.

Presented below is a brief chronology of Alaska-Korea trade activities based primarily on our interviews with those knowledgeable about the history of Alaska-Korea trade. While it is not comprehensive, it should help to place the discussion in a clearer perspective.

<u>Year</u>	<u>Event</u>
1950s	--- Little direct trade between Alaska and Korea. Timber and fish products exported from Alaska to Korea through Japanese trading companies.
Late 1960s	--- Korean fishing fleet begins fishing in Alaska waters.
	--- Hyundai Corporation builds Parks Highway bridge at Hurricane Gulch.

<u>Year</u>	<u>Event</u>
Early 1970s	--- More wood products exported to Korea, still through Japanese trading companies.
	--- Sun Eel Corporation begins exploring the possibility of exporting coal from Alaska to Korea.
1975	--- Anchorage businessman, Loren Lounsbury, appointed honorary consul by Korean government.
Mid 1970s	--- Koreans begin participating in joint timber ventures with Alaska businesses.
Late 1970s	--- U.S.-Korean joint ventures in Alaska fisheries begin.
1980	--- Korean government establishes Consul-General post in Anchorage. First Consul-General appointed.
	--- Sun Eel exports test shipment of Usibelli steam coal to Korea.
1981	--- Sun Eel agrees to export 800,000 metric tons of coal annually through Seward for 15 years.
	--- Hyundai awarded contract to erect transmission towers on the Anchorage to Fairbanks electrical intertie. Also provides structural steel for the new Sohio building in Anchorage.
	--- Daewoo Corporation provides saltwater treatment facility to Atlantic Richfield Corporation on the North Slope.

In addition, we located some general statistics on the volume of Alaska-Korea trade in past years. Attachment D is a table, taken from the Alaska Statistical Review, 1980, which gives the value of Alaska imports and exports by nation for selected years between 1970 and 1979. The table shows that in 1970, Korea ranked fourth as a recipient of Alaska exports behind Japan, India, and Canada. In 1979, Korea again ranked fourth as a recipient of exports, this time behind Japan, India, and the People's Republic of China. Japan is clearly the dominant export market for Alaska, receiving over 80 percent of all Alaska exports. Korea does not appear to have been a significant source of imports to Alaska in the 1970s.

Attachment E provides information on Alaska's exports to East Asian markets for the years 1978 through 1982. This information was provided by the Alaska Department of Commerce and Economic Development. As the table shows, Korea had consistently ranked behind Japan and the People's Republic of China until 1982, when it surpassed China. However, it should be noted that in 1982, two reconditioned jet aircraft were exported to Korea from Alaska accounting for over half of the total figure. This is not a common export item for Alaska and, to some extent, distorts the export figures for 1982.

It should be noted that these statistics reflect only exports which are shipped directly to Korea from Alaska. Many of the individuals interviewed stated that some Alaska products are exported to Japan and are then sold to Korea by Japanese trading companies. Also, some Alaska products may be transported to the contiguous U.S. before being shipped to Korea. We have not located any statistics which indicate the extent to which this occurs.

In the sections that follow, we provide information on the history and current status of specific areas of trade, a summary of trade promotion activities, and a brief discussion of the potential for increased trade between Alaska and Korea. Much of the information is qualitative in nature, based on interviews and descriptive reports on Alaska commerce. Whenever possible, we have included existing summary data on the volume of specific items of trade.

Comprehensive information on the level of trade is available in the U.S. Department of Commerce reports for the Alaska customs district, which may be obtained from the U.S. Department of Commerce International Trade Office in Anchorage. In fact, the information in the two attachments discussed above was compiled using these reports. The reports go back to 1964 and provide export and import totals for the district as well as specific dollar and piece amounts for individual items. Unfortunately, these reports do not provide any summary data by general type of product, for example, forest products or seafood.

We have not attempted to compile any summary data using these reports, as we lack ready access to the reports in Juneau (the International Trade Office in Anchorage does not have duplicating equipment capable of making copies of the microfiche records for recent years). The task of obtaining copies and compiling summaries ourselves was not possible within the time constraints of this request. However, as previously noted, some of the information has already been summarized by other agencies and these are included in the attachments.

### Fishing

Export of Alaska seafood products to Korea has been one of the largest items of trade between Alaska and Korea over the past five years. During the period 1978 through 1982, seafood products have usually ranked second to timber in dollar value of exports to Korea. The exports peaked in 1980, with a value of \$24.3 million and accounted for \$9.3 million in the first eleven months of 1982 (see Attachment E).

In addition, according to Robert Breeze, president of the Alaska-Korea Business Council, Korean vessels have been fishing in the waters off Alaska since the late 1960s. However, according to one report:

foreign fisheries are entirely self-sufficient, high-seas operations with the supplying of fleets and offloading of catches primarily carried out at sea. The catches are processed to varying degrees, and mostly frozen for transport to the homeland. Most of the foreign catch is Alaska pollock and other species taken by trawling, with much smaller amounts of sablefish and cod harvested by longline gear.<sup>6</sup>

Thus it would appear that, historically, Korean fishing activities in Alaska waters have had little impact on the Alaskan economy. A table from the Alaska Statistical Review, 1982 showing the number of foreign vessels permitted in the Alaskan Fisheries Conservation Zone (FCZ) for the years 1977-1981 is provided in Attachment F. The table shows that Korea has consistently ranked third behind Japan and the U.S.S.R. in the number of permits issued to foreign vessels.

However, in recent years joint ventures between U.S. trawlers and foreign processors have been initiated. Foreign processors from Korea, the Soviet Union, Poland, Japan, and West Germany have participated in joint ventures in the Alaska region. U.S.-Korean operations have involved mainly pollock.<sup>7</sup>

U.S.-Korean joint ventures in the Alaska FCZ resulted in a catch of 1,384 metric tons in 1979. By 1981, this catch had increased to 41,683 metric tons. The table included on page 41 of Attachment G compares joint venture activities for five foreign countries in the Alaskan FCZ for 1979-81. It shows that Korea ranks second to the Soviet Union in total joint venture catch. In 1981, the Soviet Union accounted for 55 percent of the joint venture catch and Korea accounted for 32 percent.

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<sup>6</sup> Alaska Fisheries Development Foundation, Fisheries of Alaska, 1981, prepared by Natural Resources Consultants, July 1982.

<sup>7</sup> Ibid.

There are several indications that the potential for increased joint venture activities with Korea is great. Of the seventeen joint-ventures approved by the North Pacific Fisheries Management Council in December of 1983, eight involved Korean firms. In addition, some of the Native corporations we contacted reported that they were currently negotiating with Korean firms for joint ventures. Furthermore, foreign allotments of the Alaskan FCZ fisheries are now determined to some extent by that nation's level of joint-venture activity in the fishery. This increases the incentives to foreign processors to participate in joint ventures.

### Timber

For the period 1977 through 1982, forest products were the most consistent and most valuable export from Alaska to Korea. The value of forest products exported to Korea in the first eleven months of 1982 was \$9.7 million. However, for the same five-year period, 1977 to 1982, Korea generally ranked behind Japan and the People's Republic of China as a market for Alaska timber. Japan frequently imported twenty times the amount of Alaska forest products imported by Korea during this period.

The Alaska timber export market to Korea includes hemlock, used in the hidden interiors of homes, Sitka spruce, used in musical instruments, and red cedar, which has recently become a popular paneling material in Korea.

There have been some joint-timber ventures between Korean and U.S. firms in Alaska. According to Robert Breeze, Korean firms have been involved in joint timber ventures with some Native corporations. Robert Loescher, with the Sealaska Corporation, reported that his firm is undertaking a joint venture with the Korean Alaska Development Corporation (KADCO), a consortium of several Korean trading companies, including Hyundai Corporation and Samsung Corporation. Mr. Loescher also mentioned that his corporation has been exporting timber to Korea for the last several years. In 1983, Sealaska exported 25 million board feet of round logs to Korea.

A recent study of the markets for Alaska timber compiled for the U.S. Forest Service predicts that the Korean market for spruce will hold steady or increase slightly in the future. However, it also points out that the Korean market for hemlock is likely to decline as the Japanese market improves. This is because the Koreans are currently buying a higher grade of hemlock than they require, due to its low price compared to inferior quality woods from other sources. If Japan begins paying more for this hemlock, the Korean market will probably substitute other woods. The study does anticipate an increase in the demand for red cedar, and mentions that there may be some potential for selling Alaska cottonwood, white spruce, and possibly birch to Korean markets.

Attachment H contains the pertinent section of this Forest Service report, which includes tables with some Korean timber import information.

### Minerals

Coal. While there has been Korean interest in Alaska coal since the early 1970s, actual exports did not begin until 1980, when the Sun Eel Shipping Co., Ltd. Corporation purchased a test shipment of steam coal from the Usibelli Coal Mines near Healy for trial in power generators in Korea. Following a successful trial, Sun Eel signed a ten-year contract to buy 7 million metric tons of coal. Last year, Sun Eel, along with Korea Electric Power Corporation agreed to export 800,000 metric tons of coal annually through the coal loading facility currently under construction at Seward. As Usibelli is the only working coal mine in Alaska, this will represent the only regular export of coal from the state.

There is also a coal development project currently underway involving Korea. This is the Bering River Coal field located 60 miles east of Cordova on land owned by Chugach Natives, Inc. This field is being developed by the Bering River Development Corporation, a joint venture between Chugach Native, Inc. and KADCO. Although the coal lies approximately 30 miles from tidewater, and there is no existing transportation or loading facility, the coal has a higher BTU value than the Usibelli coal. To date, no mining has occurred, and it is uncertain if and when this field will actually begin exporting to Korea.

Petroleum. Petroleum exports do not appear to be significant part of the Alaska-Korea trade historically. Of course, export of crude oil, and the potential export of LNG for Alaska's North Slope is restricted by federal law. According to Robert Maynard, Assistant Attorney General, provisions in the Congressional authorization of the Trans-Alaska Pipeline make it almost impossible to export North Slope crude oil, and provisions in the Congressional authorization of the Northwest gasline project make it very difficult to export large amounts of LNG. This limits, to a large extent, the potential for trade in oil. However, in the first eleven months of 1982, Korea imported \$16.6 million worth of urea from Alaska. No urea was exported in the four previous years. We have not obtained any figures for 1983.

It was the general consensus of the individuals I interviewed that Korean firms would be very interested in importing liquified natural gas (LNG) if a gasline was built and might also import oil if federal laws were changed. However, it was mentioned that Korea does have other sources of energy, and that it was not clear the extent to which unrefined Alaska petroleum products would be competitive. Alaska

petroleum does have relatively high extraction costs associated with it. Any decision regarding the export of Alaska petroleum to Korea would be based on the price of Alaska petroleum relative to the price of petroleum from other sources.

According to Robert Breeze, the Korean trading company, Samsung, is considering importing unleaded gasoline and reformat from Alaska to Korea. He also stated that another Korean firm, Sangyong, is considering exporting leaded gasoline and #2 fuel oil from Korea to western Alaska. In addition, Korea Shipbuilding and Engineering Corporation is exploring the possibility of importing residual fuel oil to Korea, to be purchased from Tesoro.

Other Minerals. Although there does not appear to be any Alaska-Korea trade in minerals other than coal and petroleum at this time, both Loren Lounsbury and Robert Breeze mentioned strategic minerals as another source of future trade with Korea. However, as several individuals mentioned, Alaska presently lacks the infrastructure to develop these mineral resources. Presumably, any development of Alaska-Korea trade in this area is dependent on future infrastructure development.

#### Agriculture

To date, there does not appear to be much agricultural trade between Alaska and Korea. There has been some shipment of beef and livestock from Alaska to Korea; Loren Lounsbury cited an operation near Homer which is currently exporting beef. Robert Breeze stated that two Korean firms are currently attempting to lease University of Alaska lands in the Kenai area for cattle raising. Mr. Breeze stated that current plans call for the firms to export cattle as well as process cattle in Alaska.

Several of the people with whom we spoke mentioned the possibility of exporting barley to Korea. Japan and Korea are considered the primary markets for Alaska barley exports. However, the lack of a grain terminal at railhead appears to be a major impediment in the development of this market.

Finally, an article in Forbes (Attachment I) notes that without the Korean market for reindeer antlers, Nana Corporation's reindeer herd would cease to be an economically viable enterprise. In addition to the antlers, the herd also provides a source of fresh meat for local residents.

### Korean Investment in Alaska

We have already discussed many of the areas in which Korea has invested in Alaska in our discussion of joint ventures in resource development. These include timber, fisheries, and coal. It should be noted, however, that joint ventures in fisheries do not usually entail foreign investment onshore. The foreign processor simply buys fish from a U.S. fishing vessel and processes the fish on board.

Mr. Breeze also mentioned that the Korea Shipbuilding and Engineering Corporation has proposed building a ship repair facility in Seward that might eventually include a small rolling mill and some ship building facilities as well.

While many of the individuals with whom we spoke stated that there was the potential for substantial Korean investment, particularly in the extraction of Alaska's natural resources, Korea's Consul General Hwang cautioned that Korean firms are reluctant to invest in the infrastructure necessary to develop some of these resources. He explained that other natural resource producers, such as Canada, are willing to build the necessary facilities to make their resources available to foreign firms at dockside. This reduces the total cost to Korean firms purchasing these products.

### Imports

According to those we interviewed, Korean firms provide a significant amount of heavy industrial goods used in Alaska. We have not located any information which evaluates the relative size of Korean exports to Alaska in this field. However, our sources did provide several examples. The Korean firm, Daewoo, delivered a saltwater treatment plant to Atlantic Richfield Corporation on the North Slope last year valued at over \$200 million. The Hyundai Corporation provided the structural steel for the new Sohio building in Anchorage. Hyundai also is erecting the transmission towers for a section of the Anchorage-Fairbanks power intertie. In addition, Hyundai build the bridge at Hurricane Gulch on the Parks Highway in the late 1960s. Robert Breeze also mentioned that cement and electrical transformers were also imported from Korea.

For consumer goods, the potential for import does not appear great. Consul-General Hwang stated that Alaska is generally considered too small of a market to make importing likely. Although many Korean products eventually are consumed in Alaska, these are usually distributed by companies operating out of the contiguous U.S. A small Korean products import trade had existed in Anchorage for some years; however, this primarily serves the Korean community there and is not likely to increase significantly.

### Trade Promotion Activities

In addition to actual trade activities, there are a number of activities related to the promotion or enhancement of Alaska-Korea trade which merit mention. For example, for the last several years, delegations of business persons and/or political officials have either gone to Korea, or come from Korea to visit Alaska. According to Robert Breeze, trade delegations have regularly travelled from Alaska to Korea or vice versa for the last few years. Governor Hammond and several State officials (including legislators), made a tour of the Far East to discuss trade in early 1979 (see Attachment H), and Governor Sheffield led a similar delegation last fall.

In 1975, the Korean government appointed Loren Lounsbury, a long-time Anchorage businessman, honorary consul for Korea in Alaska. In 1980, the Korean government established a regular consulate in Anchorage, staffed by a Consul-General.

The Alaska-Korea Business Council, an Alaska organization, was formed a few years ago to enhance trade and other relations between the two locales. A similar organization, the Korea-Alaska Economic Cooperation Committee, exists in Korea.

Several major Korean trading companies have opened offices in Anchorage or announced plans to open offices in Anchorage. These include Hyundai, Sun Eel, Daewoo, and Korea Shipbuilding and Engineering.

### Potential for Future Trade

Virtually everyone with whom we spoke stated that there was the potential for greatly increased trade between Alaska and Korea. Export of Alaska's natural resources was cited as the most promising area of trade between the two. It should be noted, however, that the infrastructure necessary to develop many of these resources is not yet in place, and until it is, there are probably limited opportunities for increasing this trade. In addition, federal restrictions on the export of North Slope crude oil and LNG will have to be lifted before Korea can take full advantage of Alaska's petroleum resources.

Among the advantages cited for Alaska as a potential trading partner with Korea are:

- the proximity of Alaska to Korea;
- the quantity and diversity of Alaska's natural resources; and

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- the political stability of the United States compared to other resource exporting countries.

The individuals with whom we spoke also cited several negative features which the Koreans see as drawbacks to Alaska as a trading partner, including:

- the lack of adequate infrastructure for resource development;
- the lack of sophistication and expertise of Alaska business firms;
- the lack of consistent, positive State government policy concerning resource development; and
- State and federal restrictions and permit requirements which add time and expense to resource development.

Robert Breeze, Loren Lounsbury, and Bill Bittner, attorney for Hyundai in Alaska, all stated that Korean trading companies are interested in becoming involved in Alaska's infrastructure development, both as a supplier of industrial materials, and as a contractor. Korean companies reportedly have a similar posture toward Alaska Power Authority hydro-electric power projects.

While it appears that Korean companies are neither used to or inclined to invest heavily in infrastructure development, they have begun investing in Alaska's resource development, as evidenced by the Bering River Development Corporation and joint ventures in the timber industry.

\* \* \*

This concludes our research on Korean trade and foreign trade offices. As noted throughout this memorandum, we have supplied several attachments which should be useful to the consultant in preparing his report. We are, of course, willing to assist the consultant in obtaining further information to the degree that time permits. Should you have any questions, or if we can provide further information on any of the issues addressed in this memorandum, please do not hesitate to contact us.

JS

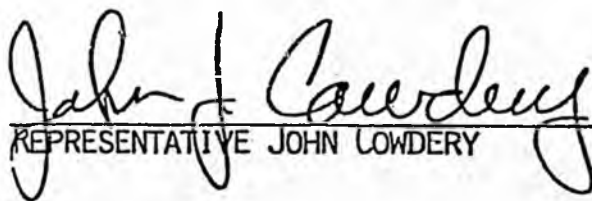
Attachments

cc w/attachments: Michael Gay

REPORT TO THE ALASKA LEGISLATURE  
OF THE  
LEGISLATIVE MISSION TO JAPAN AND KOREA  
JANUARY 14-21, 1984

  
SENATOR BETTYE FAHRENKAMP

  
REPRESENTATIVE ROBERT BETTISWORTH

  
REPRESENTATIVE JOHN COWDERY

JANUARY 24, 1984



## REPORT OF LEGISLATIVE MISSION TO JAPAN AND KOREA

### I. Executive Summary

This report describes the legislative mission of Senator Bettye Fahrenkamp, Representative Bob Bettisworth and Representative John Cowdery to Japan and Korea. The purpose of the mission was severalfold:

- 1) to return the visit of Japanese Diet members who visited Alaska in August 1983;
- 2) to join with Senator Murkowski in requesting Japan and Korea to formally request Alaska oil from the United States government;
- 3) to let Japan and Korea know of the Legislature's intent to seek a long term resource relationship, particularly energy resources, with those countries as provided in the respective communique signed during President Reagan's November 1983 trip to those countries; and
- 4) to seek a summit meeting on energy among Japan, Korea, the Republic of China and the United States to form a financing plan for the construction of a gas pipeline and the marketing of the North Slope gas. The briefing material contained in Appendix A was submitted to officials of each government.

The Export Administration Act, which contains the prohibition on the export of Alaska oil, will be considered in mid-February 1984 by the United States Senate. If Japan's and Korea's formal requests for the oil are to do any good, they must be made soon. This legislative mission went at this time to these countries along with Senator Murkowski to show Alaska's solidarity in making this request and to stress the need for immediate action.

In Japan we found continued interest in purchasing Alaskan crude oil if the law can be changed to allow its export. We recommend that Alaska continue to establish relations with our friends in the Japanese Diet who prescribe energy policy for Japan. The interest of these Diet members will insure closer cooperation of the officials in the Ministry of International Trade and Industry (MITI).

On natural gas the Japanese continue to talk of an oversupply of gas extending into the 1990's. The Japanese look to private enterprise to perform any necessary marketing or financing studies. The MITI ministry appears to desire to operate solely within the United States-Japan Energy Working Group. This working group does not now favor an energy summit. Continued efforts with the Diet should be pursued to convince MITI to participate. Further, if Korea and Taiwan agree to a summit meeting, it would be difficult for Japan to refuse to attend.

The Koreans were very positive with respect to the oil and the gas. On oil, Energy Minister Choi stated that Korea wanted to purchase Alaskan oil and that it would point that fact out to the United States government. The Koreans favor the energy summit on gas and have taken preliminary steps with private industry in Korea to participate in the financing and marketing study. We recommend increased efforts with the Korean government to encourage this continued positive attitude.

While the legislative mission did not visit the Republic of China, Senator Murkowski reports from his meetings there during the week of January 9, 1984 that the Republic of China's government has the same attitude as the Korean government with respect to the oil and gas. Again, this attitude should be encouraged.

A word needs to be said about Alaska's Asian Office, which is located in Tokyo. It is the mission's impression that the Office is doing an excellent job. In the opinion of the mission, its effectiveness could be increased if offices were established in Seoul and Taiwan. We urge a review of this proposal by the Alaska Department of Commerce and Economic Development with a report by Commerce to the Legislature during this legislative session. Bill Overstreet, Director of the Alaskan Asian Office, was with the mission in Japan and Korea. His assistance throughout was most helpful and appreciated. The mission is firmly committed to the Asian Office.

It is the observation of the authors of this report that Asians and students of American history recognize that the United States is entering the "Century of the Pacific". Alaska, as a central point in the Pacific Rim geography, should be an integral part of the future trade pattern of the Pacific Rim region. Further, it is our observation that the United States will not be Alaska's primary market in the years and decades to come. We believe that the real market

for Alaskan resources is with and in Pacific Rim nations with which the United States of America has economic and strategic treaties (Japan, Korea, and Taiwan).

Asian countries have historically looked to Southeast Asia for trade and commerce. Those countries must be made aware of Alaska's other resources. This will take an effort by Alaskans. Moreover, Alaskans must be made aware of the potential.

It is our perception that IF Alaska is to maintain its high production in hydrocarbons and IF Alaskans continue to receive revenues it believes it needs, then the State leaders must plan for the future.

It is asserted by some economists and futurists that the center of world commerce has already shifted from the historic north Atlantic to the north Pacific Rim region. We believe this to be true and want our State to be aware of the potentials, opportunities and/or hazards.

## II. Recommendations.

It is the opinion of the Alaska legislative mission that for Alaska to realize the promise of that portion of the Reagan/Nakasone communique of November 1983, that calls for Alaska to be the focal point of an energy relationship between the U. S. and Japan and other countries on the Pacific Rim, most notably Korea and the Republic of China (Taiwan), the State of Alaska must be an active party. Recognizing this, we recommend the following:

1. That in cooperation with the Alaska Congressional delegation and the Governor, the Alaska Legislature take an active role in seeking to market Alaska's energy resources in the Pacific Rim, recognizing that such an undertaking will require the expenditure of funds and will probably take some time;

2. That the Alaska Legislature establish a procedure for exchanging visits with members of the legislative bodies of Pacific Rim countries interested in Alaska's energy and other resources, with a view toward establishing with those legislators an understanding of Alaska's resources and the desirability of purchasing those resources. In particular, the Alaska Legislature should support Senator Murkowski's efforts to arrange an energy summit meeting between the United States, Japan, Korea and the Republic of China (Taiwan) with representatives from Alaska in attendance.

3. That the Alaska Legislature assist the Governor and the Alaska Congressional delegation in seeking to lift the ban on the export of Alaska crude oil, including the expenditure of funds for Congressional lobbying and general education efforts, recognizing that this may take some time to achieve.

If Congress fails to lift the ban on the export of Alaska crude when the issue is debated in the Senate in February this year, all appropriate action should be undertaken by the State of Alaska, assisted by the Alaska Congressional delegation, to permit the export of a portion of the State's royalty crude oil. Such actions may include a request by the Governor for an export permit for State royalty crude oil as suggested by Senator Murkowski, or a lawsuit to establish the State's right to sell its own oil as suggested by Congressman Young.

4. That the Alaska Legislature support the efforts of private groups to arrange for marketing of Alaska's gas and financing of a gas pipeline, including marketing of the gas to the Pacific Rim countries. The Alaska Legislature should consider procedures which would require that any foreign companies which obtain contracts to help build the natural gasline, are from countries that agree to provide markets or financing for the gasline.

5. That the State of Alaska take all appropriate measures to assure that existing coal contracts take place on schedule and that additional opportunities for the sale of Alaska coal be found. In proposing this, the Alaska legislative mission recognizes that large scale coal contracts with the Pacific Rim cannot be expected to occur earlier than the mid 1990's. However, some assurance of sales at this time would be of great assistance to the Legislature in making proper decisions for construction of the infrastructure needed for coal development.

6. That the mission of Alaska's Asian Office be expanded to aggressively market Alaska's resources on the Pacific Rim. In this regard we envision its mission for Alaska as similar to that which the Ministry of International Trade and Industry provides for Japan. To perform this function, Alaska's Tokyo office would have to be upgraded and offices established in Seoul and Taiwan. Given the interest in Alaska's resources we have seen in Japan and Korea, the money expended would be a wise investment. We recommend that the Alaska Department of Commerce and

Economic Development study this proposal and report back to the full Legislature before the end of this legislative session.

### III. Discussion of Trip Details

The mission left Juneau for Anchorage on January 13th. That evening the mission attended a dinner hosted by Consul General Huang of Korea, to which Consul General Inamura of Japan was invited. Energy matters were generally discussed. The main purpose of the dinner, however, was to firm up the arrangement for the visit. The mission very much appreciated the information provided by the Consuls General.

The mission left Anchorage on January 14, 1984 and arrived in Tokyo on January 15, 1984, having lost a day crossing the international dateline. January 16, 1984 was a holiday in Japan, during which the mission adjusted to the time and was briefed by the Alaska Asian office.

On the evening of January 16, 1984 the mission had dinner at Bill Overstreet's home, which was attended by Senator Murkowski, for the purpose of rehearsing for the meetings. It was decided that after the introduction of the legislative mission by Senator Murkowski, Senator Fahrenkamp, as the mission's senior member, would make the following points:

1. The mission was returning the August 1983 visit of the Diet with the idea of continuing such exchanges in the future;

2. The mission felt it was in the interest of both Japan and Alaska to work to implement that portion of the November 1983 communique from the meeting of President Reagan and Prime Minister Nakasone which named Alaska as the focal point for an energy relationship between Japan and United States;

3. The mission recognized that realizing Alaska's position as the focal point of an energy relationship will take time and commitment, which Alaska for its part was willing to pursue;

4. The mission endorsed the efforts of the Congressional delegation to change that portion of the

Export Administration Act which precluded the export of Alaska oil and the effort to arrange for an energy summit meeting.

It was agreed that Senator Murkowski would speak to these subjects on behalf of the combined group.

The first meeting on January 17, 1984 was a briefing by Ambassador Mansfield. After Senator Murkowski had introduced the legislative mission, Ambassador Mansfield gave an in-depth and exceptionally knowledgeable review of both the oil and gas issues from both the U. S. and Japanese perspectives. He stated his unequivocal support for the export of Alaskan crude oil, Pacific Rim, and promised to be of assistance in any appropriate way. He detailed the numerous publications and occasions in which he had made known his views on this subject. He is clearly a friend of Alaska.

The combined mission met with MITI Vice Minister Komatsu on January 17, 1984. Vice Minister Komatsu is one of the two senior Japanese officials who sit on the U. S.-Japan Energy Working Group. After Senator Murkowski had made the introductions and Senator Fahrenkamp had made the above listed introductory remarks on behalf of the legislative mission, Senator Murkowski made the following points to the Vice Minister:

- 1) The purchase of Alaska's energy resources would provide Japan an opportunity to redress its balance of payment problem with the United States that opening its market to U. S. citrus and beef cannot do;

- 2) The U. S. Senate would soon take up the Export Administration Act, while Japan has informally indicated its desire to purchase 50,000 barrels per day (bbl/d); a formal request by the government of Japan for the oil would be very helpful in Senate debate;

- 3) The group felt that an energy summit among the U.S., Japan, Korea and Taiwan to discuss Alaska oil and gas would be a good means of implementing the Reagan-Nakasone communique as it pertains to Alaska energy resources.

Mr. Komatsu replied that energy is an area where Alaska and Japan can cooperate. Japan told the U.S.-Japan Energy Working Group that it wanted the oil, and the Japan Refiners' Association said the same thing on its trip to Washington, D. C. Mr. Komatsu said that that request

constituted a "formal" request. Japan believes that lifting the crude oil ban is critical. However, it understands that lifting the export ban will be difficult in the short run; this must be a long-term effort.

Mr. Komatsu declared that the potential exists for Japan's purchase of LNG from Alaska in the 1990's. The development of this potential is up to private enterprise in each country.

Mr. Komatsu said that coal is also the responsibility of private industry, although there are many more difficulties connected with this resource than with LNG.

On January 17th the combined delegation met with Mr. Nagayama of the Japan Refiners' Association and his staff. After Senator Murkowski and Senator Fahrenkamp had made their prepared presentations, Senator Murkowski stated that the Export Administration Act and Senator Murkowski's amendment to allow the export of Alaska oil will be debated in February. The Senator described the proposed amendment and advised Mr. Nagayama that there is strong objection by the maritime unions to the export of Alaska oil. If this objection can be overcome there will be a market in the U. S. for replacement oil from Mexico and an opportunity for Japan to redress its balance of payments problems with the U. S. A formal request for the oil from Japan to the U. S. would help in the Senate debate.

Mr. Nagayama replied that he had made a request for the oil during his trip to Washington, D. C. on the issue. Furthermore, he felt that the Japanese side had requested the oil during the U. S.-Japan Energy Working Group discussions. Mr. Nagayama said he understood that it would be politically difficult to have the amendment pass.

Mr. Nagayama expressed concern about that portion of the Senator's proposed amendment that called for the oil to go to Japan on U. S. bottoms. He stated that he was concerned that this would make the price of the oil commercially unreasonable. A discussion then ensued which explained to Mr. Nagayama that the transportation price would be absorbed at some point in the distribution system and thus Japan would pay no more than the market price for the oil. Mr. Nagayama replied that even if the delivered price were the same the U. S. tanker proviso precluded Japanese oil companies from using their tankers which were surplus to the present demand. Dr. Thayer responded that

having the oil on American tankers provided security to the Japanese, because it would be an act of war to stop an American tanker. Mr. Nagayama acknowledged the point.

Mr. Nagayama then expressed concern that the proposed amendment called for the oil to be cut off in case of an emergency. Senator Murkowski explained that this was because Japan as an OECD nation would receive oil pursuant to the International Energy Act were there to be an emergency.

Mr. Nagayama stated that he agreed that importing Alaska crude oil would go a long way toward resolving Japan's imbalance of trade problems. He had spoken with people during his U. S. trip on the issue who had told him that changing the balance with Alaska oil was not a desirable way to do it. The reason he had been given was that this would possibly take the pressure off Japan to resolve other trade difficulties. He thus expressed concern that even if Japan purchased the oil, U. S. criticism of the trade imbalance would continue.

Nevertheless, Mr. Nagayama believed that Japan should buy limited quantities of oil to reduce the balance of payments problem. Furthermore, he felt it important to diversify Japan's source of supply and reduce its dependence on Middle East oil.

Senator Murkowski responded by saying that the efforts of the U. S. <sup>more</sup> in Lebanon and the Middle East to secure peace were of ~~less~~ <sup>more</sup> benefit to Japan than the U. S. because the U. S. was <sup>more</sup> dependent than Japan on oil from that area. Mr. Nagayama reiterated the desirability of a diversified oil supply but said it would be inappropriate for him to comment on the Lebanon situation.

There was some confusion on the Japanese side regarding the 200,000 bbl/d amendment. Mr. Takahashi asked if this represented royalty oil only. Senator Murkowski replied that the 200,000 bbl/d represented oil from all sellers including the State. The Senator said that the 200,000 bbl/d was selected because it was the amount of oil which could be sold without causing a job loss among existing maritime workers as a result of oil export. He cited the Putnam, Hayes and Bartlett report prepared for Alaska Lumber and Pulp Co., Inc. (ALP) as the authority for this proposition. He said it was only a coincidence that this 200,000 bbl/d was the same amount as the total of the State's royalty oil. Mr. Ishiyama of ALP later informed members of the group that because of the political good will

involved with it, the Japanese are far more interested in State royalty oil than oil from the other producers. As Mr. Ishiyama understood it this had a lot to do with the fact that the Japan Refiners' Association had expressed interest only in 50,000 bbl/d of royalty oil.

Representative Bettisworth told Mr. Nagayama that Alaska looked upon the oil export issue as a long-term proposition. He said the Alaska Legislature expected to push hard to achieve oil export over whatever period it took to succeed. During this period he hoped that further visits between the Diet and the Alaska Legislature could be arranged.

The combined group then met with Mr. Murata, the Director General of the Economic Affairs Bureau of the Ministry of Foreign Affairs. After Senator Murkowski and Senator Fahrenkamp made their initial presentation Senator Murkowski explained the amendment he intended to introduce to the Export Administration Act to permit the export of a limited amount of Alaska crude oil. Senator Murkowski told Mr. Murata that it would enhance chances for the amendment's success if Japan would formally request the oil. The Senator pointed out that the State of Alaska was prepared to spend money to help get the amendment passed. The Senator said that passage of this amendment would help the Japanese avoid criticism due to the balance of payments problem. The Senator then outlined his proposal for an energy summit.

Mr. Murata responded that Japan would like to purchase Alaska crude oil in order to diversify its sources of supply and to help its balance of payments problem. He stated that Japan was reluctant to make a formal request for the oil because it could be interpreted to be interference with the internal affairs of the United States (i.e., the deliberations on the Export Administration Act). Accordingly, the problem has "chicken and egg" aspects: Japan says the U.S. should make the oil available before it takes action to purchase it; Senator Murkowski wants Japan to indicate a desire to purchase the oil first.

Senator Murkowski stated that it would be very embarrassing if the U.S. lifted the oil export ban only to find that Japan was not interested in purchasing any oil. He stated that it was difficult to understand the rationale for Japanese refusal to make a formal request for the oil when Taiwan had agreed to do so. It was anticipated that Korea would also do so. The Senator pointed out that the U.S. was securing Japan's oil supply as well as that of the United States by its actions in the release. Thus, it was

hard to understand why the Japanese invested in Sakhalin rather than Alaska. The Senator asserted that it would be much better if Japan invested in Alaska.

Mr. Murata asked what would happen if no amendment to the Export Administration Act allowing crude oil export was achieved in February. Senator Fahrenkamp responded that Alaska would try again. She stated that the State Legislature was prepared to spend money to obtain the amendment but recognized that it could take some time to have this happen.

On January 18, 1984 the combined group met with Minister Okonogi, the Minister of International Trade Industry. Senator Murkowski and Senator Fahrenkamp made initial remarks as outlined previously. Senator Murkowski then stated that purchasing crude oil from Alaska would help Japan reduce the balance of payments problem. The Senator declared that opening the beef, citrus food barriers to U.S. producers would not provide sufficient balance of payment offset. The Senator stated that the answer to the balance of payments problem was not for the U.S. to restrict import of Japanese products, but for the Japanese to buy more U.S. products. The Senator then described his proposal for an energy summit as outlined above. Mr. Okonogi replied that he will be in Washington, D.C. at the end of the month and these issues will be discussed. Mr. Okonogi said he preferred using the U.S.-Japan Energy Working Group in the energy summit proposal, but would consider the proposal.

Senator Murkowski pointed out that Vice President Bush has responsibility to follow through on the Reagan/Nakasone communique. He stated his intention to meet with the Vice-President concerning the energy summit.

The combined group then had lunch with three of the four Diet members who had visited Alaska in August, 1983: Namely Mr. Watanabe, Mr. Harada, and Mr. Yosano. Mr. Kato, a Diet member interested in energy, also attended. Mr. Uetake, a former Diet member, was present as was Mr. Matsune, Chairman of Alaska Kai. Mr. Nakayama, senior counselor to the Industrial Bank of Japan, and a long-time friend of Alaska, attended as did Ishiyama, the President of Alaska Lumber and Pulp Company. The discussion focused on the desirability of exchanging visits between Diet members and members of the Alaska Legislature. Senator Fahrenkamp expressed the view that Alaska was prepared, on its part, to take the actions necessary to implement that portion of the Reagan/Nakasone communique which calls for Alaska to be the focal point of an energy relationship between Japan and the

U.S. Minister Watanabe stated that this was a worthwhile goal which he would be unable to pursue because of his recent promotion to Minister of Health and Welfare. He stated that the other Diet members present were prepared to be helpful in the effort. In their various remarks the Diet members expressed an interest in the energy summit proposed by Senator Murkowski and promised to consider it.

Following lunch the Alaska legislative mission held a press conference with the Japanese press. Senator Fahrenkamp presented the points she had made in meetings with government officials. The press was extremely interested in the oil and gas issues and the interview had to be terminated to allow the mission to take the flight to Korea.

The combined group was met at Kimball International Airport on the evening of January 18, 1984 by former Korean Energy Minister S.K. Lee, a strong advocate of development of Alaska's energy resources. The group was joined by another long-time friend of Alaska, Mr. T. J. Kim at the Shilla Hotel.

The first meeting of the morning of January 19, 1984 was breakfast with the corporate leaders of Sun Il Corporation concerning its coal purchase contract with Usabelli Coal Company. The group was assured that the project was on schedule.

The combined group then received a briefing from Mr. Walter Lundy, economic counselor to Ambassador Walker. Mr. Lundy briefly outlined the dramatic expansion of the Korean economy in the last ten years. The Korean economy is growing at approximately ten percent per year. Much of this is due to the expanding domestic market in Korea. The Koreans are presently trying to enter the export market and participate in the hi-tech area. For the first time, Korea will have an unfavorable balance of payments problem with the United States in 1983 - approximately \$1 billion. The Koreans are extremely worried about this.

Mr. Lundy felt that the Korean government would respond favorably to the proposal of formally requesting oil and to the idea of an energy summit. He warned that due to their recent prosperity the Koreans had been deluged with requests to purchase foreign goods. The Koreans have sufficient energy in the short run, but need assured, long-term supplies over the long run. Mr. Lundy viewed the

creation of the five company consortium to participate in the marketing and financing study of the gas as very favorable.

Mr. Lundy advised that although there was no specific mention of Alaska, as there had been in the Reagan/Nakasone communique, the communique between President Reagan and President Chun in November, 1983 contained a paragraph in which the United States pledged to be an energy supplier to Korea and to help Korea obtain energy resources in case of emergency. Mr. Lundy suggested that in its discussion with the Korean government, the group point to this paragraph as the basis for its proposal that the Koreans make a formal request for oil and an energy summit meeting. Mr. Lundy stated that the embassy would provide all possible assistance in achieving these goals.

The combined group met next with Minister of Commerce and Industry Kum. After Senator Murkowski and Senator Fahrenkamp had made their opening statements Senator Murkowski urged that the Korean government make a formal request for crude oil from Alaska that there be a four nation energy summit meeting. Mr. Kum responded that while Korea was interested in purchasing energy resources from Alaska, the specifics of that discussion would have to await the group's meeting with Energy Minister Choi. Mr. Kum stated that Korea would buy the oil if the export ban were lifted and asked Senator Murkowski to explain the procedures for changing the law. Following Senator Murkowski's explanation, Senator Murkowski did give reasons why Alaska was looking to Pacific Rim as a market.

The combined group had lunch with National Fisheries Administrator Kang. After an exchange of introductions, Senator Murkowski applauded Korea's adherence to the 200-mile limit. He asked if the Korean government was interested in obtaining more joint ventures with Alaska fishermen as opposed to fishermen from elsewhere. The conversation centered on these two points.

In the afternoon the combined group met with Ambassador Walker. The Ambassador stated his support for the export of Alaska crude oil and for the energy summit meeting. He promised to do everything he could to assist in Korea's purchase of natural gas from Alaska. To that end he planned to host a dinner for Yukon Pacific officials in the five company consortium which had agreed to do the financing and marketing study on the gas during Governor Bickel's visit in February, 1984. Senator Fahrenkamp thanked the

Ambassador and explained that Alaska intended to aggressively market its resources on the Pacific Rim and to make any necessary changes in federal or state law toward that aim.

The combined group then met with Minister Choi, Minister of Energy and Resources. Senator Murkowski and Senator Fahrenkamp made opening remarks. Senator Murkowski asked that Korea make a formal request for Alaska oil and that there be an energy summit between the U.S., Korea, Japan and the Republic of China (Taiwan). Senator Fahrenkamp asked the Minister to assist in making certain that the coal contracts between Sun Il Company and Usabelli Coal Company occur on schedule.

Minister Choi stated that Korea wanted to diversify its sources of energy supply. Korea would buy Alaska crude oil if it were made available and would seriously consider making a formal request for it. He said that while there was no need for gas right now because of purchases from Indonesia, his ministry's upgraded projections show a need by 1989. Accordingly, his ministry would assist private enterprise of Korea to coordinate Korea's portion of the financing and marketing feasibility study. Minister Choi said that he is uncertain that the Sun Il/Usabelli contract would occur on schedule. The Minister said that he views favorably the proposed energy summit. He then asked Senator Murkowski to explain his proposed amendment to export crude oil and to describe the prospects for passage in the Senate.

Senator Murkowski gave a detailed account of the proposed amendment. He stated that changing the law would be a hard fought battle. Accordingly, he appreciated the Minister's consideration of the proposal that Korea make a formal request for the oil as this would be a great help.

The group then met with Mr. Lee, Chairman of the Board of Samsung Corporation. Senator Murkowski pointed out that the gasline construction would involve assistance from companies such as Samsung. The Chairman stated that Samsung Corporation had always looked for natural resources, particularly in the United States, and more specifically Alaska.

The combined group then met with the President of the Korean Electric Power Company, Mr. Park. After Senator Murkowski and Senator Fahrenkamp had made initial remarks, Senator Murkowski stated that he hoped that the Sun Il Usabelli coal contract would go forward as scheduled. He was assured by Mr. Park that it would. Senator Fahrenkamp

then brought up the issue of all of Alaska's resources focusing specifically on Alaska's energy resources. An informal discussion ensued regarding the opportunities for marketing those resources on the Pacific Rim.

At this point Senator and Mrs. Murkowski left the group to return to the United States. Following departure of Senator Murkowski the discussion continued and was led by Senator Fahrenkamp.

The legislative mission met for breakfast on January 20, 1984, to discuss the points it would make in its meetings during the day, all of which were with Korean companies interested in Alaska's energy resources and their construction projects in Alaska. It was decided that Senator Fahrenkamp, as senior member, would make the following points at each of the meetings:

1. That the Alaska Legislature intended to make a major effort to market Alaska's resources on the Pacific Rim.

2. That the mission has come to Japan and Korea at this time to demonstrate the Alaska Legislature's support of the congressional delegation's effort to lift the ban on the export of Alaska oil to the Pacific Rim.

3. That this issue will be debated in Congress in mid-February. The Alaska legislative mission believes that the ban on Alaska crude oil exported is inconsistent with Paragraph 12 of the communique between President Chun and President Reagan, which provided that the U.S. would be a reliable supplier of energy and help Korea obtain stable energy supplies.

4. That the legislative mission urges the Korean government to contact the U.S. government to formally request the Alaska oil. In particular the U.S. Defense Department should be contacted regarding Korea's desire for the oil.

5. That Alaska has extensive natural gas supplies. Senator Murkowski is trying to put together a four-country energy summit meeting to discuss financing and marketing of the gas.

6. That the Alaska legislative mission understands that former Governor Hickel will be in Korea in February to discuss the natural gas issue. Ambassador Walker told the mission yesterday that he will help coordinate that visit

with key industry leaders. The Alaska legislative mission supports this initiative.

7. That coal is one of Alaska's major resources. Contracts have been entered to sell Alaska coal to Korea. The legislative mission is delighted to learn that arrangements for coal delivery are still on schedule. The Alaska legislative delegation would like to see more coal sold in Korea.

8. That in April a delegation from the Alaska Loggers' Association will be in Korea to discuss Alaska's timber resources. The Alaska legislative mission urges the Korean business community to work with the Alaska timber industry to sell more of Alaska's timber in Korea.

The Alaska legislative mission met with Fisheries Minister Kang for lunch. The Alaska legislative mission applauds the efforts made by the Korean fishing industry to comply with the requirements of the 200-mile limit and requests that the Korean fishing industry enter into more joint ventures with Alaska fishermen.

The mission met first with Mr. Kim, President of Ssangyong Construction Company. Senator Fahrenkamp made the remarks outlined above. Mr. Kim expressed the hope that Korea would enter into a long-term energy relationship with the United States. He stated that his firm had purchased some Alaskan coal in connection with its cement plant operations, but the coal was wet and had to be mixed with other coals. Ssangyong is not now using Alaska coal.

Mr. Kim expressed his company's interest in any construction contracts which may arise from construction of the gas pipeline. Senator Fahrenkamp responded that it was her personal view that in awarding such contracts consideration would be given to companies of nations that participated in the financing and marketing of the gas and were themselves helpful in causing the project to happen.

The legislative mission then met with officials of the Doosan group. Senator Fahrenkamp made the points outlined above. Mr. Keh stated that Korea was interested in Alaska's resources. While Doosan was smaller than the big Korean trading companies, he was quite interested in those resources and also interested in participating in the construction of the natural gasline. Senator Fahrenkamp repeated the point about assistance causing the project to happen, previously made to Ssangyong officials.

The group met next with Mr. Cheon of Hyundai Construction Company. Hyundai is the largest of the Korean trading companies. Mr. Cheon stated that he had prior experience in construction projects in Alaska. He plans to be in Alaska in April. He expressed interest in construction of the gas pipeline. Senator Fahrenkamp repeated what she had told the other companies. Mr. Cheon wanted to know if the Hyundai built the project, could it be paid in natural gas. Representative Bettisworth stated that in his opinion, this was the only way the project would work. General discussion about Alaska's potential then followed.

The legislative mission then met with Mr. Roh, Vice Chairman of the Federation of Korean Industries (FKI), which is similar to the Keidenren. Mr. Roh stated that approximately 400 of the largest Korean companies are members of FKI. The FKI makes recommendations to the government after reaching an internal consensus.

Senator Fahrenkamp delivered her prepared remarks, whereupon there was a general discussion about the desirability of Korea purchasing Alaska's energy resources and other resources. Mr. Roh stated that the business community was anxious to expand its activities in Alaska.

Following the FKI meeting, the legislative mission was met with Mr. Lee, Vice-President of Daelim Construction Company. After Senator Fahrenkamp delivered her prepared remarks there again was a general discussion about construction activity in Alaska. Senator Fahrenkamp repeated her remark that any construction company that participated in the natural gas line would have to be from a country which participated in the financing and marketing study and itself was helpful in causing the project to happen.

In the evening the group attended a reception put on by Ambassador Walker for the Alaska legislative mission and a congressional mission which was then in Korea. During the course of this reception, members of the Alaska legislative mission had the opportunity to talk with members of the Korean National Assembly and with members of Congress regarding these energy issues. In particular, there was an opportunity to talk with Congressman Jack Hightower of Texas. Congressman Hightower stated that the congressional attitude against exporting Alaska oil was not strongly held, although he doubted it would pass the Congress at this time because of the power of maritime unions. The members of the National Assembly with whom conversations were conducted were very anxious that the oil export ban be lifted and that Korea participate in the purchase of Alaska's energy

resources. Members of the legislative mission also talked with Ambassador Walker and economic counselor Lundy and were promised all possible support from the Embassy in assisting the legislative mission in achieving its goal.

On Saturday, January 21, the Alaska legislative mission traveled to Pamunjon. The purpose of the trip was primarily to view the demilitarized zone and, secondarily, to experience first hand, Korean life which has been dramatically affected by its relationship with North Korea.

#### IV. Conclusion.

In conclusion, we believe that the objectives of the mission we set out to achieve were accomplished. However, much more work needs to be done. In this regard, we would urge that the recommendations made in Section II of this report be adopted.

*FROM SEN. MURKOWSKI'S SPEECH  
2/16/84*

ISSUE, WE WOULD FAIL TO SHOW CONGRESS HOW IMPORTANT IT IS TO US. WE COULD LOSE THE OPPORTUNITY THE EXPORT ADMINISTRATION ACT HAS PRESENTED US TO MAKE OUR CASE FOR ALASKA OIL EXPORT.

BUT THERE'S MORE AT STAKE THAN JUST OIL.

EXPERTS PREDICT THAT THE 21ST CENTURY WILL BE THE CENTURY OF THE PACIFIC, AND THE POWER CENTER OF COMMERCE AND TRADE WILL SHIFT FROM THE ATLANTIC COAST TO THE PACIFIC.

ONE REASON FOR THE SWITCH IS THE INCREDIBLE GROWTH AND DEVELOPMENT WHICH IS EXPECTED TO OCCUR IN JAPAN, TAIWAN, SOUTH KOREA AND OTHER PACIFIC RIM NATIONS. ALASKA'S POTENTIAL TO SERVE AS A RESOURCE STOREHOUSE FOR THAT REGION IS VIRTUALLY LIMITLESS. MORE THAN A BILLION DOLLARS' WORTH OF OUR NATURAL RESOURCES WERE EXPORTED TO THE FAR EAST IN 1981.

IT IS MY GOAL TO DO ALL I CAN AS CHAIRMAN OF THE SENATE FOREIGN RELATIONS SUBCOMMITTEE ON EAST ASIAN AND PACIFIC AFFAIRS

TO PROMOTE ALASKA RESOURCES TO OUR NEIGHBORS AND TO LIFT THE BARRIERS TO EXPORT.

I RECENTLY TRAVELED TO TAIWAN, JAPAN AND KOREA. I WAS JOINED IN JAPAN AND KOREA BY SENATOR BETTYE FAHRENKAMP, REPRESENTATIVE BOB BETTISWORTH AND REPRESENTATIVE JOHN COWDERY, AND BILL OVERSTREET. I WANT TO COMMEND YOU ON YOUR FORESIGHT IN SENDING YOUR DELEGATION TO MEET WITH PACIFIC RIM LEADERS.

THEIR PRESENCE INDICATED TO THE JAPANESE AND THE KOREANS THAT THE WEIGHT OF THE ENTIRE STATE IS BEHIND OUR EFFORTS TO OPEN UP RESOURCE MARKETS IN THEIR COUNTRIES. IN ADDITION, THE OIL EXPORT PUBLIC RELATIONS PLAN WHICH YOU ARE NOW CONSIDERING WILL BE OF GREAT ASSISTANCE IN COMBATING THE MISCONCEPTIONS THAT MANY PEOPLE IN OUR OWN GOVERNMENT STILL HAVE ABOUT THIS ISSUE. GOVERNOR SHEFFIELD AND THE ALASKA LEGISLATURE HAVE AN IMPORTANT ROLE TO PLAY IN SETTING THE FUTURE COURSE FOR ALASKA EXPORTS, AND I BELIEVE YOU HAVE INITIATED A SOUND PROGRAM FOR REACHING THAT GOAL.

AS WE APPROACH THE YEAR 2000, ASIA WILL BE SCRAMBLING FOR THE VERY ENERGY AND NATURAL RESOURCES WHICH ABOUND IN ALASKA. WE MUST BEGIN PREPARING NOW SO WE WILL HAVE THE INFRASTRUCTURE IN PLACE WHEN THEY ARE READY TO BUY.

FOR THAT REASON, I URGED THE JAPANESE, TAIWANESE AND KOREAN LEADERS TO HOLD A PACIFIC BASIN SUMMIT MEETING, AT WHICH THEY WOULD DISCUSS THEIR FUTURE NATURAL RESOURCE NEEDS AND THE SOURCE OF THEIR SUPPLIES FOR THE COMING DECADE. I SUGGEST TO YOU TODAY THAT ALASKA SHOULD TAKE A LEADING ROLE IN ORCHESTRATING THIS SUMMIT. I URGE OUR GOVERNOR TO INVITE OUR PACIFIC RIM NEIGHBORS TO HOLD THEIR FIRST MEETING IN ALASKA, WHERE THEY CAN GET A FIRST-HAND LOOK AT WHAT WE HAVE TO OFFER.

THE ENERGY SUMMIT APPROACH IS PARTICULARLY APPROPRIATE FOR DEVELOPING ALASKA NATURAL GAS. OUR SUPPLY FAR EXCEEDS WHAT ANY OF THOSE NATIONS WOULD CONSUME IN THE FORESEEABLE FUTURE. THEREFORE, A COLLECTIVE EFFORT IS IN ORDER--A CONSORTIUM WHICH WOULD SERVE AS A BASE FOR THE ACCUMULATION OF CAPITAL TO BUILD

THE LINE.

MAKE NO MISTAKE, I'M NOT PROPOSING THAT WE ABANDON THE ALASKA NATURAL GAS PIPELINE SYSTEM, WHICH PROPOSES TO SHIP THE GAS TO THE LOWER 48. I SIMPLY BELIEVE THAT WE SHOULD SUPPORT AND PURSUE ANY PROJECT THAT HAS A REASONABLE CHANCE OF SUCCEEDING IN MARKETING ALASKA'S TREMENDOUS GAS RESERVES.

HOWEVER, FINDING MARKETS FOR OUR GAS IS NOT OUR ONLY CHALLENGE. AGAIN, WE FACE THE COMPULSION OF THE FEDERAL GOVERNMENT TO STEP IN AND MAKE OUR DECISIONS FOR US. IN ORDER TO RECEIVE CONGRESSIONAL BLESSING FOR GAS EXPORT, WE WILL HAVE TO LOBBY EXTENSIVELY AT THE NATIONAL LEVEL USING THE FOLLOWING FACTS. FIRST, AS I MENTIONED EARLIER, THERE'S TOO MUCH GAS FOR ANY ONE COUNTRY, EVEN THE UNITED STATES, AND SECOND, THE ONLY WAY TO MAKE A SERIOUS DENT IN OUR TRADE IMBALANCE WITH JAPAN, KOREA AND TAIWAN IS TO SELL THEM SOMETHING OF SIGNIFICANT VALUE. AND THAT IS ENERGY.

# State urged to do more to lure foreign firms

By CHUCK KLEESCHULTE  
Daily News business reporter

Alaskans need to take more steps to increase foreign investment in the state, a Korean business executive said Wednesday.

Dr. H. Joo Shin, general counsel and director of the Korea Alaska Development Corp., said the state needs to display an attitude that it will embrace partnership agreements between foreign investors and state firms to encourage development of Alaska's natural re-

sources.

Shin, speaking before about 400 Alaskans during the first day of the Resource Development Council's northern development conference at the Sheraton Hotel, said Alaska also needs to help fund, either through direct appropriations or tax incentives, the cost of building transportation systems to move resources to market.

He said the state also could spur investment by setting up a single business research agency to

answer foreign investment questions and match foreign investors to interested Alaskan businesses.

"There used to be arranged marriages. While the practice has faded from use, it should be revived concerning international investment," Shin said.

"There are many businesses in Korea who might want to arrange relationships with Alaskan firms, but don't know how to proceed. They need one central state agency with which to deal, not a separate

transportation, commerce and natural resources department," Shin said.

A host of speakers, ranging from Lloyd Vasey, president of the Honolulu-based Pacific Forum, to Johannes Dohmes, economist and commercial counselor for West Germany, all lauded the state's future mineral and natural resource potential. But all warned that the state needs to work to

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## Alaskans urged to seek out foreign firms

Continued from Page D-1

improve its transportation infrastructure to lower costs to spur development of resources for sale in foreign markets.

Gov. Bill Sheffield opened the conference, which will continue today, by repeating his call for legislative and then voter approval of a major project fund to pool money for use in building infrastructure, a main part of an administration northern development strategy.

Sheffield said the state, by setting aside 10 percent of its

petroleum revenues for the next five years, would have between \$2 billion and \$3 billion for use in building major state projects.

"As yet, I don't know which projects might qualify, but I do know that Alaska must begin diversifying her economy. And I do know that unless we begin setting aside more money now for the future, we'll lose the ability to make that future all it can be," Sheffield said.

Vasey said it was vital for the state to spur development of Alaska's strategic mineral deposits in light of unstable

international political conditions in resource countries.

West Germany's Dohmes said it was important that Alaska encourage petroleum exploration because of Europe's and Asia's strong dependence on Middle Eastern oil deposits.

Gerald Decker, president of Decker Energy International and a former top executive at both Dow Chemical and Kaiser Aluminium, in his keynote address said pro-development-minded Alaskans could speed development by starting a better dialogue with environmental groups.

# Korean firms to set up local offices

by Carl Gidlund  
Times Business Writer

3/24  
Three Korean companies will establish offices in Anchorage, partially as a result of an Alaskan trade delegation to that country, the president of the Alaska-Korea Business Council, Anchorage lawyer Bob Breeze, said Monday.

But, he said, the mission was not as successful as it might have been because of a last-minute cancellation by its leader, Lt. Gov. Steve McAlpine.

Breeze said the Samsung Corp., Korea Shipbuilding and Engineering Corp., and ICC Construction Co. will open Anchorage offices before the end of the year.

Samsung, which he described as the third largest corporation in Korea, is a trading conglomerate that will seek to export Alaskan natural resources and import Korean-made consumer and manufactured goods.

Korea Shipbuilding and Engineering will be negotiating with Seward

and Veco Corp. officials over participation in a new maritime facility in that community.

And the construction company, which Breeze said is one of the largest in Korea, is interested in participating in several Alaskan projects, he said.

As a result of McAlpine's cancellation, the Korean government called off a series of meetings between the 14-man Alaska delegation and top government leaders, Breeze said.

Those included scheduled sessions with the ministers of foreign affairs, commerce and energy, and a tentatively scheduled meeting with the nation's prime minister.

Gov. Bill Sheffield decided May 6 that McAlpine could not participate in the trip "because he said he wanted me in Juneau to oversee legislative business," McAlpine said. That occurred three days before the group's departure for Korea, too late to substitute another high state official, he said.

Breeze said the Koreans viewed

that last-minute cancellation as "indicative of a lack of sophistication on the part of state government in its efforts to encourage resource development.

"They are very much like the Japanese. Protocol is important and, when they determined that government participation was not at a high level, they immediately downgraded our mission." As a result, Breeze said, the only Korean government official who met with the delegation was a vice-minister of energy.

"Abrupt acts like that make the Koreans feel insecure," Breeze said. "And businessmen there also commented on (former Gov. Jay) Hammond's veto of the state's dredging of the harbor at Seward to accommodate coal exports by the Sun Eel Co.

"They were surprised that here in Alaska the coal shipper apparently has to build a loading facility and do the dredging. Elsewhere, it's done by the government or by the seller."

Breeze said Korean businessmen also were disappointed in a decision

by Sheffield to cancel construction of a grain terminal at Seward which, he said, is a more logical location for a such a facility than Valdez.

"Several feel there is great potential in Alaska grain and said they would probably buy our products if the terminal were at a place where ground transportation would cost less," Breeze said.

"The Koreans have a difficult time reconciling the state's rhetoric in support of development with its actions."

The Valdez terminal is supported by a local bond initiative and grain must be trucked to it; the now-suspended state facility at Seward is served by the Alaska Railroad.

Breeze said Korean officials were encouraged by briefings given them by James Lexo, a Washington, D.C., assistant to Congressman Don Young, on legislative activities associated with attempts to abolish restrictions on Alaska oil exports. Lexo, a member of the delegation, paid for the trip himself, Breeze said.

# Koreans talk trade with Alaska

Times staff

Twenty top Korean business executives began a week-long series of meetings with Alaska government and industry leaders today, with aims of stimulating commerce between the Republic of Korea and the 49th State.

The group, headed by Moon-Joon Chung, chairman of the recently formed Korea-Alaska Economic Cooperation Committee and president of Hyundai Heavy Ind. Co., Ltd., arrived in Anchorage yesterday aboard a Korean Airlines flight that had received a special exemption from the Civil Aeronautics Board to discharge passengers here. Korea Airlines regularly stops at Anchorage International Airport but does not have passenger rights on flights from Seoul to Anchorage.

The business sessions of the group began with a 7 a.m. breakfast with members of Commonwealth North at the Hotel Captain Cook, and continued with a schedule of briefings lasting throughout the day.

Richard A. Lyon, Alaska's commissioner of Commerce and Economic Development, who in private life had frequent business dealings in Korea and the Far East, was among those slated to brief the Korean group today.

Others on today's agenda included former Gov. Walter J. Hickel, speaking on the prospects of transporting Alaska's North Slope natural gas to market via an all-Alaska route for sale to Pacific Rim markets; John Daly, president of Kodiak Lumber Mills, discussing timber prospects in Alaska; Sarah Hemphill, president of the Trading Company of Alaska, speaking on commercial fishing operations in Alaska waters; Richard Lenahan, president of the Export Council of Alaska, speaking on trade relationships, and Robert R. Richards, vice chairman of Alaska Pacific Bank Corp., discussing Alaska's economic future.

On Wednesday the group is scheduled to receive a day-long briefing on minerals and petroleum, under a program arranged by the Re-

source development Council.

Thursday's agenda will concentrate on coal prospects, and on Friday the members of the Korean group will travel to Prudhoe Bay as guests of Arco. Friday and Saturday members are at liberty to attend Fur rendezvous events and the World Championship Sled Dog races.

On Sunday, the Korean delegation will travel to Juneau and on Monday attend a luncheon hosted by House Speaker Joe Hayes and Senate President Jalmar Kerttula, and a dinner hosted by Gov. Bill Sheffield. The Koreans will return to Anchorage Tuesday and connect with a Korean Airlines flight to Seoul.

Members of the Korean group, in addition to Chairman Chung, include Kwang-Won Rhim, executive director of the Korea-U.S. Economic Council, Inc.; Ho-Yong Chung, a director of Korean Airlines; Tae-Il Kim, president of Sun Eel Shipping Co., Ltd.; Moon-Hong Lee, advisor, Sun Eel Shipping, and In-Jae Kim, manager, Sun Eel.

Other members include Kang-Soo Choo, executive director, Korea-Alaska Development Co.; Chung-Woo Kim, general manager, Korea-Alaska Development Corp.; Pio Y. Park, senior manager, Korea-Alaska Development Corp.; In-Yu Rha, managing director, Daewoo Corp.; Young-Pyo Hong, manager, Vancouver office, Daewoo Corp.; Chu-Won Lee, president, Jin Hung Development Co. Ltd., and Suk-Hyun Kwon, managing director, Jin Hung Development Co., Ltd.

Also attending are Douk-Young Kim, senior executive vice president, ICC Construction Co., Ltd.; Keong-Ho Chong, director, ICC Construction; Jong-Se Park, director, Korea Shipbuilding & Engineering Corp.; Ji-June Park, manager, Bando Sangsa Co., Ltd.; Jung-Joong Yoon, manager, Anchorage office, Hyundai Corp.; Young Shin, general manager, Hyosung Corp., and Hyoung-Ser Park, project officer, Korea-U.S. Economic Council, Inc.

Times 2-15

Alaskans — at least those in attendance at the Resource Development Council's symposium on coal, minerals and petroleum — want to export Alaskan oil to Pacific Rim nations.

To do so, the development-oriented government and industry representatives say, "would generate sound economic and geo-political benefits to the nation and the citizens of Alaska and, thus, merits the most serious and favorable consideration by state and national policymakers."

That was one of several consensus statements developed by the 500 who attended the two-day conference at the Hotel Captain Cook. They heard 30 speakers describe the state's mineral resources and the obstacles that stand in the way of development.

For instance, to export Alaskan North Slope crude would require amendment of a federal law which prohibits such shipments.

Other speakers called for improvements in the state's surface transportation systems and ports. Still others decried government regulations and permitting procedures which, they said, delay or prevent economical development.

Several speakers, however, promised action to speed development.

Gov. Bill Sheffield announced the state's first competitive coal lease sale in 11 years, for a 1,600-acre tract in the Beluga field on the west side of Cook Inlet. That will occur on May 17, the same day the rights to two other state resources will be auctioned — Beaufort Sea oil and gas, and geothermal springs in the Mt. Spurr area.

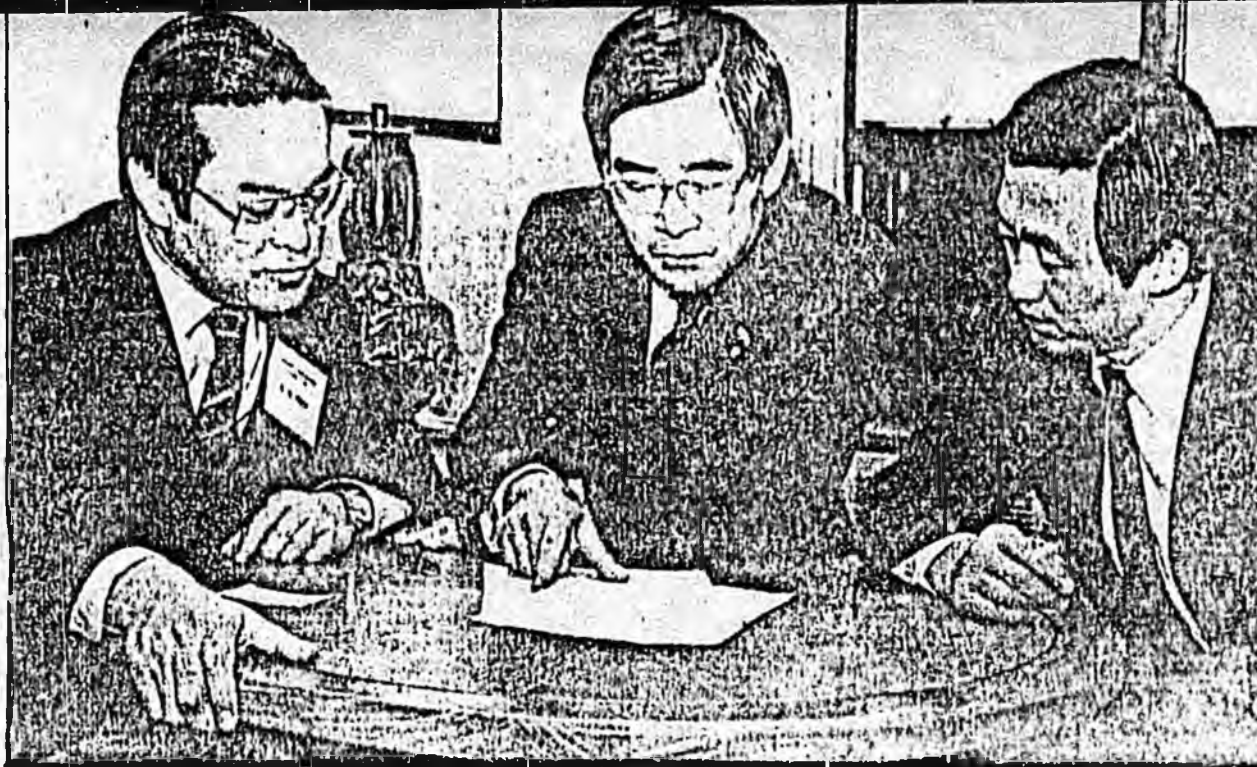
The governor's Commissioner of Natural Resources, Esther Wunnicke, said more such sales will follow, the areas to be offered depending on industry interest.

She also promised reform of her department's permitting systems which even she said are frustrating, and said department personnel are attempting to clean up a backlog of applications for mineral development activities. She admitted progress might be slow because of a lack of personnel and money.

While speakers like Rep. Don Young and state geologist Ross Schaff bragged of the state's five trillion tons of coal reserves, others cautioned against over-enthusiasm.

The chairman of the national Coal Exporters Association, Mark Joseph, said worldwide supplies far exceed demand. He recommended that the state not commit vast sums for transportation and handling systems solely to develop that resource.

On the other side, the leader of a 24-man Korean



Norris Klotman of The Times

From left, Kwang Won Rhim, Dr. Bong-Suh Lee and Mong-Joon Chung, Korean officials, are interested in state oil

trade delegation described his nation's conversion to coal for both power and manufacturing because of an uncertain worldwide oil market.

His nation's demand "is expected to increase to 43 million tons in 1986 from the present level of 29 million tons," according to Dr. Bong-Suh Lee, an adviser to the Korean president.

Further, he said, "Korea's energy policy for the next decade and beyond promises to provide an important coal market in the Far East, and the United States with its ample reserves of coal, could certainly play an important role as a stable supply source."

Relief — or the hope of it — was held out to the state's ailing timber industry as well. Sen. Frank Murkowski said he would participate in an industry trade mission to mainland China and Japan during March with the intent of opening a new market and revitalizing the traditional one for Southeast Alaska's timber and pulp.

Murkowski also said Florida Democratic Rep. Don Fuqua would conduct hearings in Alaska this year related to establishment of a national arctic research policy. A bill that would have established such a policy was introduced by Murkowski and

passed in the Senate during the last session.

According to Murkowski, the policy would take into account national security, military, communications, ecological and social implications related to arctic development.

And that idea appealed to the conference delegates too, for another consensus statement backed Murkowski's bill.

Vern Wiggins, federal co-chairman of the Alaska Land Use Council, promised continued cooperation by the Interior Department to facilitate natural resource development within the state.

He said Interior is terminating "unnecessary federal land withdrawals," soon will publish regulations to facilitate transportation across federal lands, and will continue to give high priority to state and native land conveyances.

And, in one of the final consensus statements, the conference participants called for a "comprehensive assessment of the minerals values of all Alaskan public lands, both open and withdrawn, to as to gain a minimum inventory of what the state possesses in mineral resources which could, with access, contribute to the national security."

# Koreans, natives form coal firm

1/18  
by Carl Gidlund  
Times Business Writer

Korea's heightened interest and investment in Alaska's huge coal reserves — estimated at 1.5 trillion to 5 trillion tons — became more apparent this week, as a native corporation moved forward with its Korean partners, and a long-time Alaska mine owner is trying to renew its Far Eastern connection.

The Chugach Natives, Inc., with four Korean partners, has formed a corporation to develop the rich

Bering River fields, 60 miles east of Cordova on Prince William Sound.

And the president of another major Korean coal firm was expected to arrive in Anchorage today to discuss extending a contract with the Usibelli Coal Co. Owner Joe Usibelli hopes a new contract will more than double the production at his Healy operation within three years.

The Bering River joint venture operation involves the Chugach Corp. with the Hyundai Corp.,

Samsung Co., Samchok Co. and Daesung Co. They've formed the Bering Development Corp. which will continue exploring and begin developing the field.

The combine — Chugach Corp. is a 50-percent owner and the four Korean firms together own the other half — has spent more than \$2 million during the past two years to explore the association's 75,000 acres there, according to Chugach spokesman Carl Propes. And, he said, it will spend at least another \$1 million this year.

Propes, who calls the field the richest in Alaska based on the energy value of the coal in it, said construction of the transportation system and a new port — probably at Katalla, 15 miles south-southwest of the field — could begin by the spring of 1985. By 1988, the corporation hopes, the mines could be in production.

Based on what Propes described as the "incredibly complex geology" of the field, estimates of its reserves are uncertain, ranging  
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# Coal

(Continued from page A-1)  
from 60 million to 3 billion tons of coal of all grades, from anthracite to lignite. The partners hope to ship three to five million tons each year to Korea.

At least 200 will be employed in the construction, he said, and plans call for initial strip mining operations; possible later development could include underground or hydraulic mining or both, Propes said, with employment depending on the level of activity.

A transportation and ports study regarding the development is underway with a \$500,000 state grant to the City of Cordova which has named the Wheelabrator-Frye Coal Services Co. of Salt Lake City as its prime contractor.

And a meeting this week between Usibelli and T.I. Kim, president of the Sun Eel Co. Ltd may result in extension for several more years a 10-year contract signed last year between the Interior Alaska company and the Korean coal firm.

"I understand Sun Eel is about to conclude negotiations for our coal with the Korean Electric Power Co." Usibelli said. "It would fuel a power plant that's to

be converted from oil. If the Sun Eel deal goes through, our production would go from our current 800,000 tons a year to 1.6 million tons."

Usibelli said he hopes that production level would be reached in 1986. "But whenever we get there, we'll have to add about 30 people to our work force which is now 97." However, he said, the rate of production increase — and the accompanying growth in employment — is tied to the speed of conversion in the Korean power plant.

A joint-venture proposal to develop a coal-to-methanol plant in the Beluga coal fields across Cook Inlet from Anchorage looks less certain for the near future. However, George Kriste, executive vice president of the Cook Inlet Region, Inc. said he's reasonably confident the project will go forward as the current world energy surplus tightens.

Last year, the Synthetic Fuels Corp., a government development agency, rejected an application for price and loan guarantees that was formulated by CIRI and the native corporation's development partner, the Placer Amex Co.

"But they've asked us to resubmit it with new information," Kriste said, "and, based on that request, we have some confidence

that it may go through this time.

That development too is keyed to the Pacific Rim which Kriste calls "the natural market" for Alaska's coal and its byproducts, such as methanol.

CIRI's reserves on its 8,000 acres of Beluga land amount to about 500 million tons, Kriste said, and total reserves in the area are 1 billion-1.5 billion tons.

"And the coal's location is ideal. It's close to tidewater and shipping lanes. But on the minus side, Beluga coal is low in BTU — energy — content," he said.

Kriste said that the deciding factor in developing coal — or any fuel — is its transportation cost per BTU. "Right now, it's not economical, but it could be soon, either in methanol form or in direct export of the coal itself."

Also on standby until there's greater demand — and higher prices — is Placer Amex's Evan Jones Coal Mine 15 miles east of Palmer in the Matanuska Valley.

The company's development manager, Benno Patch, said that mine, which the company operated from the late 1950s until 1968 when local military bases converted to natural gas, still has plenty of low-sulphur coal in reserve. However, he said, Placer Amex does not have plans to reopen the mine.

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# Koreans agree to buy coal

By ANN CONY

Daily News business reporter

Korea Electric Power Corp., the largest electric utility in Korea, has signed a 15-year contract to buy Alaska coal from Suneel Alaska Corp., Suneel officials said Wednesday night.

The first-ever Alaska coal export contract calls for base annual shipments of 800,000 metric tons from the Joe Usibelli mine in Healy.

Tae Il Kim, president of the Seoul-based affiliate Suneel Shipping Co. Ltd., confirmed that the contract was signed last week.

Bill Noll, local vice president of Suneel Alaska, said the company did not intend to publicize the signing of the contract this soon because it will not take effect until Suneel meets conditions imposed by the state-owned Korea utility.

He expressed confidence

See Back Page KOREAN

# Korean firm signs pact to buy Alaska coal

Continued from Page A-1

that the company can satisfy the conditions — possibly in the next two to six weeks — but declined to disclose the conditions.

"You can't do that kind of business in public. They're very simple, but they're important (conditions)," Noll said.

In 1981, Suneel obtained an option to buy 800,000 tons of Usibelli coal a year, and has long talked of transporting it by rail from Healy to Seward and then shipping across the Pacific to Korea.

Although a test shipment of 26,000 tons of Usibelli coal reportedly rated well in an early 1981 Korean analysis and officials of the Korean Suneel affiliate were said to have impeccable business and political connections, some observers were skeptical Suneel would negotiate a contract with Korea Electric Power.

The skepticism was largely due to lack of an export track record for Alaska coal, lack of export facilities, the small-scale nature of coal production here and stiff competi-



tion for the Korea utility contract from established coal exporters in Canada, Australia and other countries.

Noll said more than 60 companies were vying for contracts with Korea Electric Power.

"We've been working on it for a long time. Mr. Kim started working on this in 1977," he said. "We're thrilled beyond words."

Noll said though the contract calls for base exports of 800,000 tons annually, the tonnage will fluctuate.

"Contracts almost always do with a major user whose demand is going to ebb and flow," he said.

Exports will not begin until Suneel builds shipping facilities in Seward, which Noll said the company is "quite confident" of financing without trouble, probably soon

enough to begin construction this spring.

"What's required really is not much more than a series of conveyors," he said. "All we need is a system to unload the rail cars and load the ships."

Noll declined to estimate the cost of such facilities, saying the company is obtaining estimates.

"We're confident we can finish the terminal in less than a year," he said.

While in Alaska this week, Kim is participating in discussions with Usibelli on increasing output from the surface mining operation in Healy, Noll said.

With the opening of the Korean market, Usibelli will have to roughly double his output.

"It's not something you just do overnight," Noll said. "But he has all the tools that he needs."

Korea Electric Power Corp. has a 10,000-megawatt capacity and distributes electricity throughout South Korea, according to Noll. That capacity compares to about 1,000 megawatts in the Alaska Railbelt.

# Alaska-Korea Business Council plans sports, cultural exchange

by Carl Gidlund  
Times Business Writer

The Alaska-Korea Business Council is asking its 100 member companies for contributions to support a series of sport, educational and cultural exchanges between the Republic of Korea and the state in 1983 and 1984.

Council President Bob Breeze said he hopes to raise an initial \$25,000 to help offset transportation and per diem expenses, principally for exchange of sport teams and cultural groups. Scientific exchanges also may require some support, he said, but those efforts generally have some funding.

The exchange program would enhance cultural as well as economic ties between the 49th state and the Far East nation, he said.

Currently, the Anchorage attorney said, the council is negotiating with the

University of Alaska and Korean Air Lines in anticipation of a winter visit by the Korean National Hockey Team to the university's Anchorage and Fairbanks campuses.

The team's visit would be for training under Alaska coaches, he said, but if it took part in a January tournament, it would be eligible for a stipend paid by the university to all participating teams.

Further, he said, KAL may be willing to provide transportation at reduced rates and any contributed funds would be used to make up the difference between those contributions and actual expenses.

During a recent trade mission to Korea, Breeze said he discussed with the chairman of that nation's new pentathlon and biathlon teams the possibility of biathlon team members'

training with the American national team in Alaska this winter.

"They have great marksmen," he said, "but they need help in cross-country skiing which could be provided by our university coaches during regularly scheduled training on Fort Richardson."

Also while he was in Korea, Breeze said, he helped four Korean agronomists obtain American visas. Those scientists now are working in the Matanuska-Susitna Valley to develop barley, wheat, rye and oat strains suitable for export.

And, he anticipates a reciprocal visit to Korea next year by Alaska agronomists who now are attempting to develop grains suitable for growth in Alaska based on hybrids grown in Scandinavian countries.

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## Korean firms to open offices in Anchorage

The Associated Press

Three major South Korean firms plan to open offices in Anchorage before the end of the year, the president of the Alaska-Korea Business Council said Tuesday.

Attorney Bob Breeze of Anchorage, a member of an Alaska trade delegation that recently visited Korea, identified the three companies as the Samsung Corp., the Korea Shipbuilding and Engineering Corp., and ICC Construction Co.

Breeze said Samsung is the third largest corporation in Korea and the trading company is interested in exporting natural resources from Alaska to the Orient and sending Korean goods to the Alaska market.

He said the shipbuilding company is interested in participating in building a

new maritime facility at Seward, and the construction firm is considering participation in several Alaska projects.

Breeze said scheduled meetings between the 14-member trade team and top Korean government leaders were called off by the Koreans after Lt. Gov. Stephen McAlpine pulled out of the trip three days before the Alaskans left for Korea.

He said McAlpine's last-minute cancellation as leader of the trade mission was considered by the Koreans as an indication of a lack of sophistication on the part of Alaska in its efforts to encourage resource development.

McAlpine said Gov. Bill Sheffield asked him to skip the trade mission because he was needed in Juneau to oversee legislative business.

5/25

# Trade mission leader says Koreans insulted

By STEVE SEPLOCHA  
Daily News business editor

5/24

A recent Alaska trade mission to Korea aimed at stimulating business ties turned into a diplomatic insult when Lt. Gov. Stephen McAlpine canceled plans to attend at the last moment, according to an organizer of the tour.

Bob Breeze, president of the Alaska-Korea Business Council, said the group

learned on arrival in Korea May 9 that firm appointments with three government ministers were canceled as was a tentative invitation to meet with the prime minister of that country.

Breeze said McAlpine's withdrawal and the failure of the administration to send an appropriate substitute were privately viewed as an insult by Korean leaders.

Pete Spivey, Gov. Bill Sheffield's press secretary, said the cancellation was unavoidable.

"Initially, the governor thought the legislative session would be over in time for the trip," Spivey said. "When it became apparent it would not, he asked the lieutenant governor to stay and assist with the workload."

Spivey said Sheffield

wrote letters to the Korean leaders and checked with them later and was told they understood. "The governor feels the only person slighted was Mr. Breeze," Spivey said.

The 15 remaining members of the delegation completed the eight-day mission meeting only with private business people. Breeze said the pri-

See Back Page, TRADE

## Trade

Continued from Page A-1

private exchanges were successful, but the protocol exchanges that he said "are very important in countries like Korea and Japan" fell apart.

The trade mission was designed to reciprocate a Korean mission to Alaska in February that was headed by Dr. B.S. Lee, principal secretary to the Korean president for economic affairs. Breeze said Lee's position was similar to that of a U.S. Cabinet officer.

Breeze said McAlpine called him 48 hours before the mission was to depart and canceled "indicating the governor required him to remain in Juneau."

Work on the trade mission began five months before the trip. Breeze said Sheffield and Commerce and Economic Development Commissioner Dick Lyon were originally invited but could not attend. He said the governor's office made a firm commitment that McAlpine would attend about a month before departure.

Because of the heavy emphasis on protocol, Breeze said much work was done to prepare the itinerary and clear the official calendars of the Korean government leaders.

"It is an opportunity lost," Breeze said. He said the visit was to have been significant in exchanging views on the prospects of exporting Alaska oil and natural gas to Korea.

"Koreans view Alaska as somewhat of a schizophrenic," he said. "On the one hand we preach development of natural resource markets, and on the other hand the fruits of our preaching are hard to discern."

# Hickel taps natural gas market

by Ed Bennett  
Times Writer

Top government officials in Japan and Korea responded positively to the idea of buying Alaska's North Slope natural gas.

So said former gov. Walter J. Hickel Tuesday. Hickel has just returned from a 10-day trip to those countries.

Hickel and former Gov. William A. Egan co-chair the Governor's Economic Committee on North Slope Natural Gas. The committee is charged with studying alternatives to the proposed 4,800-mile Northwest Energy Co. pipeline, currently stalled by financing problems.

Hickel met with the ministers of energy and finance for Japan, as well as with Japan's former prime minister Fukuda. In Korea, Hickel met with the minister of energy. Hickel also held talks with the largest trading associations of both countries.

"We found tremendous interest," said Hickel. "We weren't selling gas — we were trying to open the door to the idea. And we did just start to open that door."

Hickel said Korea and Japan have simply not included the United States in their energy plans, largely because of the law which prohibits the export of any oil which flows through the trans-Alaska pipeline.

But there is no such prohibition on liquefied natural gas, and Hickel said now is the time to move on selling it to Pacific countries. "The sooner the better," Hickel said.

Hickel said Korea and Japan have committed themselves to other suppliers of natural gas for most of the decade, but that contracts that begin in 1988 and 1990 are still available. "That looks good to us, because our gas would be coming on line then," Hickel said.

Hickel said selling natural gas to our allies in the Pacific would be of major benefit to the United States. Currently, prohibitions on exporting American energy to Japan have forced that country to buy oil and gas elsewhere, including Russia.

Besides decreasing our allies' dependence on the Soviet Union, Hickel sees another national benefit from selling energy to Japan and Korea: it would improve the balance of payments. Americans buy huge amounts of goods from both countries, but the Japanese and Koreans buy far less from us. That could change with the sale of natural gas, Hickel said.

Hickel said he hopes the Koreans and Japanese will support the notion of buying Alaska's gas when they come in contact with U.S. government officials in Wash-

ington. And Hickel believes Washington would be receptive. "The attitude is good now," Hickel said.

Hickel says the Governor's Economic Committee should have an alternative pipeline to recommend by January. Two recently-released studies both point to an all-Alaska gas line as the most feasible, both from a legal and an economic standpoint.

One study, commissioned by the committee itself and submitted by the law firm of Birch, Horton, Bittner and Monroe, says shipping liquified gas to Japan would pose the fewest legal obstacles.

Another study, just released by the U.S. Maritime Administration, says the most economical plan would be to move the gas south in a pipeline, liquefy it, and transport it by tanker to Japan.

Hickel is enthusiastic about such a scheme. "If we can't do it for about half (the cost of the Northwest Proposal), then we don't have an alternative," he said. "And currently it looks like it's about there. It looks good."

Hickel says the all-Alaska system could be financed in pieces — some for the pipeline, some for the conditioning plant, some for the tankers — and would thus be easier for the banks to handle.

In addition, Hickel said building a conditioning plant at tidewater would be far cheaper than the

Northwest plan of building it at Prudhoe Bay.

Finally, Hickel said the liquefaction plant would remove heavy liquids from the gas, and those liquids could form the basis for a petrochemical industry in Alaska.

But said Hickel, "If Northwest goes, that's fine. We would stop looking for alternatives." In the meantime, he says, the committee will continue to look at every alternative, including LNG tanker submarines.

In the meantime, Hickel suggested that the federal government also look at alternatives to the Northwest proposal.

# State readies for Korean coal ships

10/14/83

Times Business Staff

Chris Berg Inc. of Anchorage has been awarded a \$970,000 state contract to dredge a portion of Seward Harbor and prepare a site for loading Korea-bound coal ships.

Dan Casey, commissioner of the Department of Transportation and Public Facilities, said Thursday the initial phase of the \$3.6 million project should be completed in about two months, "and design for structural work is under way, keeping the July 1984 completion date right on target."

Casey said it appears likely the state's budget estimate is on target, too. "We saved money on drainage redesign associated with the dredging contract, and are making every effort to spare costs in constructing the dock facility," he said.

"By staying within the \$3.6 million, we will save over \$500,000 compared with the original conceptual design as envisioned by the project's sponsors."

The principal use of the facility is to handle coal from the Usibelli mines near Healy. Owner Joe Usibelli has a 15-year contract to deliver 800,000 tons a year to the Suneel Shipping Co. of Korea to fuel new generators owned by the Korean Electric Power Co.

The coal will be shipped by rail, stockpiled at Seward, then loaded aboard deep-draft ships for the run to the Orient.

Casey said a key element of the project is an agreement recently forged with the Alaska Railroad that provides the state an exclusive free permit to build the facility on railroad property. That contract, he said, cleared land title issues and permits the construction to proceed.

"The unique position of the state as the preferred transferee under the Alaska Railroad Transfer Act has allowed us to structure an arrangement whereby the state will retain ownership of the facility until transfer," Casey said.

"Then, title will be merged with the entity chosen to run the state-owned railroad. If transfer does not occur, a long-term lease will go into effect in lieu of the permit."

Casey said the state doesn't plan to operate the dock. "We are not in that business. Once construction is complete, then Suneel, the City of Seward, the railroad, or some combination will be the operator," he said.

"Suneel has expressed a strong preference that it operate the dock when its ships are being loaded. Negotiations are being held now on dock operation responsibilities with the various parties," Casey said.

# Usibelli readies for Healy-Korea link

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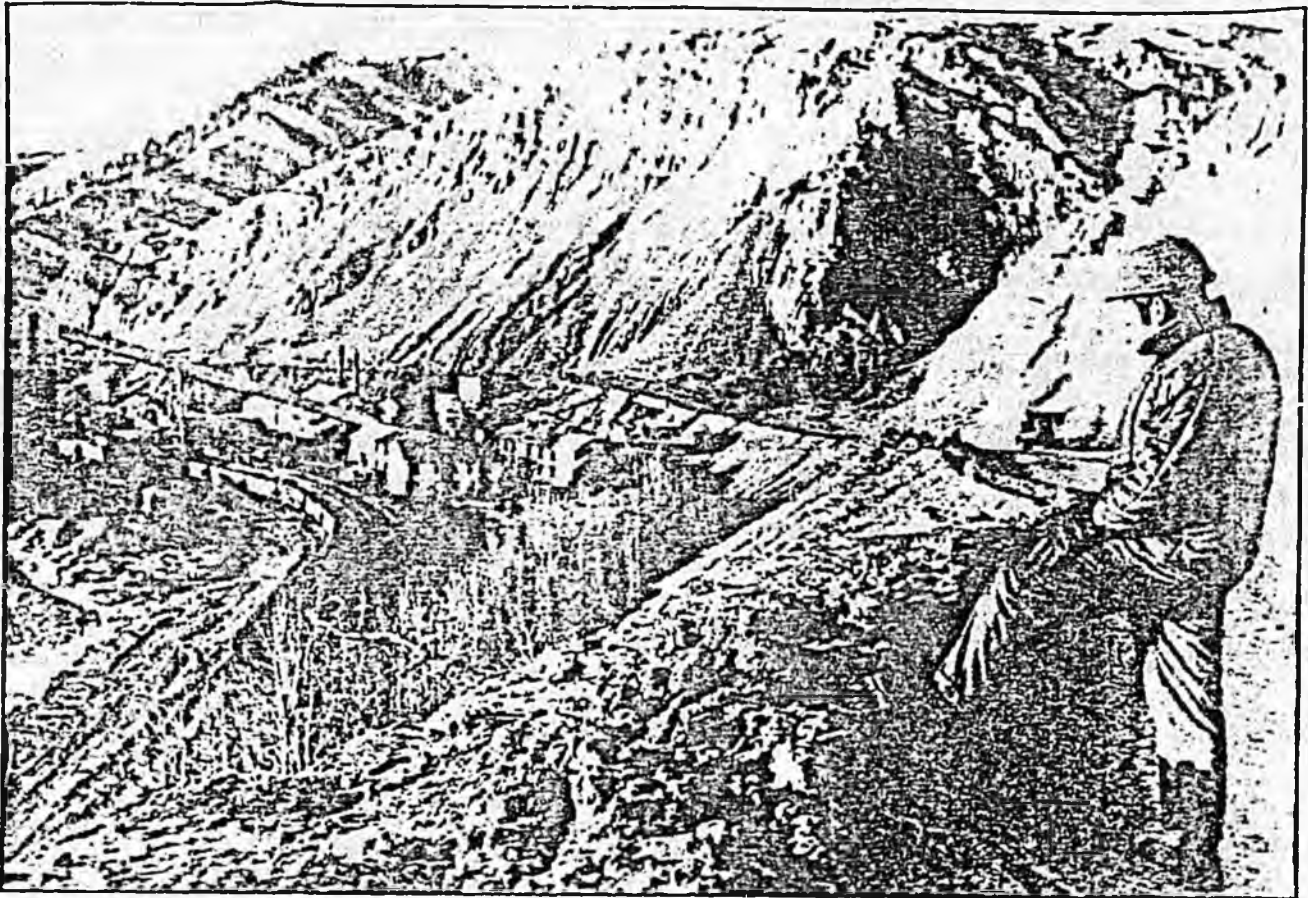
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Times file photo

Miner Joe Usibelli looks over his coal mine operation at Healy in Alaska's Interior near Denali National Park

The engineering firm that did preliminary design work for the project estimated dredging and basic dock construction at Seward would cost \$3.8 million. Seward officials calculate insurance, administrative and other related costs would bring the total to \$4.3 million.

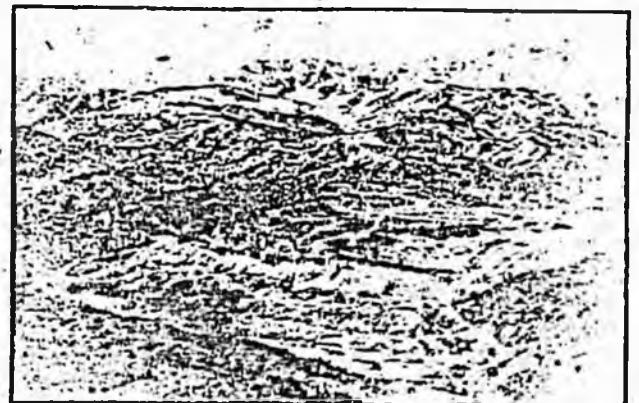
The city of Seward volunteered to handle harbor dredging and construction of an offshore dock and asked the legislature for the larger sum.

Sun Eel plans to spend about \$8 million for on-shore coal storage facilities, a conveyor running from the shore to an offshore, deep-draft dock and coal loading equipment on the dock, according to Bill Noll, vice president. He estimated his company will need to spend another \$18 million to \$25 million for rail cars — 75 hopper cars and five locomotives — and a 100,000-ton ship. The money will be used specifically to lease railroad-owned tidelands and to purchase and erect mooring dolphins and support pilings for the offshore loading system.

The ship, trestles, conveyors and other equipment will make Seward a world-class coal facility, the equivalent of Vancouver, B.C., and a couple of ports in Australia, Noll said. The only West Coast rivals, in terms of capacity, would be Vancouver and Long Beach, Calif., he said.

Equipment would be available for rental to other exporters or importers of bulk products such as gravel, mineral concentrates, wood chips and agricultural products, Noll noted. And there is hope for products from the Orient on the returning carrier.

The Alaska Railroad signed a 55-year lease with



Times file photo

The Usibelli mine overlooks the Nenana River Valley

Sun Eel in October 1981 for 15 acres at the port. An agreement also has been reached with the Korean firm for Alaska Railroad employees to run a full Sun Eel train round trip between Healy and Seward every 2½ days.

The first shipment would be in September 1984 to fuel a boiler being built by Korean Electric in the city of Honam. That boiler will be fired up in December 1984, Noll said, and a second coal-burning boiler would become operational in March 1985.

Frank Jones, Alaska Railroad general manager, said the railroad already has a Corps of Engineers permit to dredge material from the port's bottom immediately adjacent to the dock in Seward.

# Usibelli readies for Healy-

Reprinted with permission of  
Alaska Construction & Oil  
by Betzi Woodman

10/24

Joe Usibelli Sr. is pouring millions of dollars into capital investments at Usibelli Coal Mine to poise himself for the first 50,000-ton shipment of coal from the mine at Healy to Korea Electric Power Co.

Investments in capital improvements at the mine have totaled nearly \$20 million over the past two years as negotiations in an export contract with Sun Eel Corp. ground on. Results include a new tippie, six huge new trucks, a load reduction plant and new shop complex.

Sun Eel Alaska Corp. and Usibelli signed a contract in January that calls for Kepco's purchase of over 1 million metric tons of sub-bituminous coal.

The \$6.5 million tippie went into operation last year. It feeds coal into railroad cars and consists of a circular chute into which coal is dumped from trucks, a conveyor that carries the coal across the Nenana River and, on the other side of the river, an A-frame building that feeds the railroad cars running beneath it.

The new steel frame shop complex is located closer to operations than the old facilities and puts maintenance and the warehousing office under one roof.

The \$8-million complex has a 46,000 square feet. Floor space totals more than an acre and is equipped with the most modern repair equipment and warehouse facilities.

The \$2-million load reduction plant refers to power load, not coal. When the 32-foot dragline begins to swing in its overburden-clearing task, it draws on the power supply and causes a brown out. An 85,000-pound flywheel counteracts and when the swing begins, the load reducer automatically sends power into the line. When it slows, it takes power out so there is no power surge.

The newest pieces of equipment are six Wabco trucks with chassis painted bright blue and steel bins a brilliant yellow. These hues are not only fancied by Usibelli for their relation to Alaska's state colors of blue and gold, but make the vehicles more visible, the mine owner said.

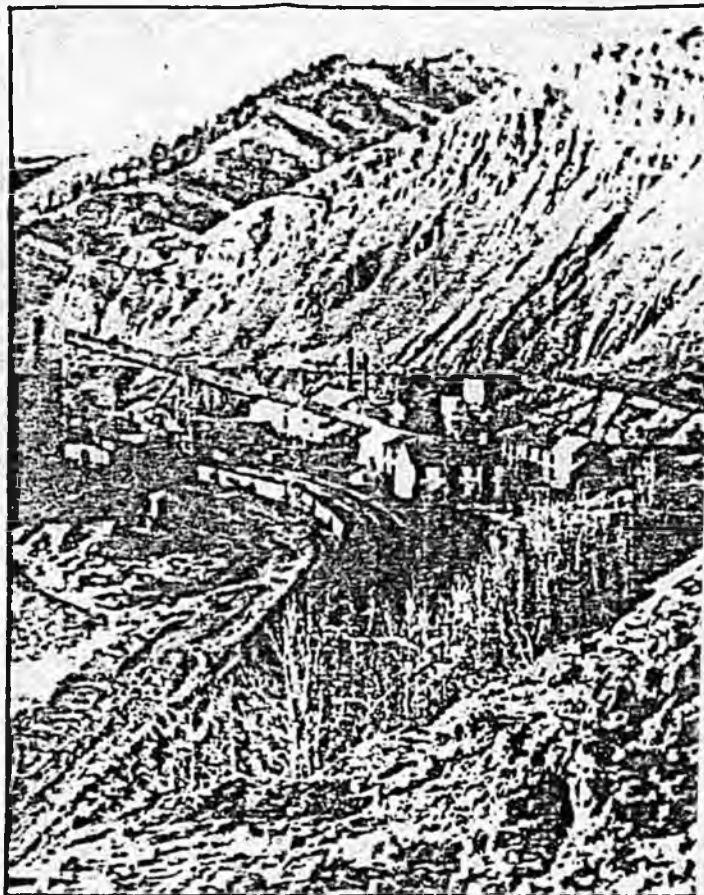
The six machines cost about \$2 million total, according to John Erp, territory manager for Howard-Cooper Corp. in Anchorage, the distributor. Manufacturing lead time was six months. The trucks were shipped disassembled to Usibelli via railroad.

The truck portions were outfitted for cold weather with arctic hose and suspension, radiator shutter and air dryers to remove moisture from the air brake system.

The turning radius of the trucks, Erp said, will dictate the kind of haul road and pit used for the mine. And spare tires for the huge vehicles, he said, are "costly." Life of the trucks, for constant use, is about seven to 10 years.

The six new vehicles, four to carry away overburden from the mining site and two to transport coal to the tippie, replace a fleet of 11 older and smaller (50-ton capacity) trucks acquired in 1976.

Beginning in 1984, Usibelli Mine is scheduled to begin shipping coal to South Korea via the Alaska Railroad through a coal loading facility in Seward. The state legislature voted to fund \$3.6 million for that facility.



Miner Joe Usibelli looks over his coal mine operation at Healy.

The engineering firm that did preliminary design work for the project estimated dredging and basic dock construction at Seward would cost \$3.8 million. Seward officials calculate insurance, administrative and other related costs would bring the total to \$4.3 million.

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The Alaska Railroad signed a 55-year lease with

resentation here.

To that end, delegation members will be discussing with Korean businessmen and government officials short-and long-term prospects for the exportation of Alaskan crude oil, liquefied natural gas, natural gas liquids, coal and other minerals, he said. And the possibility of increasing tourism between the countries also is on the agenda, according to Breeze.

Lt. Gov. Steve McAlpine will lead the 16-man delegation on an itinerary that includes visits with the ministers of the Korean government's Departments of Foreign Affairs, Commerce and Energy and Resources in addition to top officials of several industrial corporations. Cities to be visited include Seoul, Kimhae, Busan, Changwon, Ulsan, Suwon and Anchorage's Korean sister city, Incheon.

A 22-member Korean trade delegation visited Alaska in February.

In addition to McAlpine and Breeze, the Alaska delegation comprises Kyu Jin Cho, Four Royal Parkers, Inc.; Won "Terry" Chung, Amasia International, Inc.; Mike Colletta, Colletta Corp.; Seward Mayor Donald Cripps; Frank Danner, a partner in Peat, Marwick, Mitchell; Robert Frascati, Anchorage Travel Bureau; Michael Gay, legislative assistant to state Rep. Tony Liska; Albert Kawabe, chairman of Seward's International Trade and Industry Development Board; Henry Kim, Topex Industries; James Lexo, executive assistant to Rep. Don Young; Loren Lounsbury, Hewitt V. Lounsbury and Associates; Ray Metcalfe; William Noll, Suneel Alaska Corp.; and Robert Richardson of the Alaska Vocational Technical Center in Seward.

# Korea seeks trade zones in Alaska

Carl Gidlund  
Times Business Writer

5/6

The Alaska-Korea Business Council wants to establish at least two free trade zones within Alaska, in Anchorage and Seward, according to the organization's president Bob Breeze.

The Anchorage lawyer said a principal purpose of a week-long trade mission to Korea that begins Monday is to determine industrial and government interest in the proposal which would allow duty-free storage of goods plus fabrication and manufacturing on the sites.

"We want to create Alaska jobs through bilateral trade," Breeze said. "We know Korea will be importing our coal and other natural resources but we feel there should be a reasonable balance.

"Specifically, we'd like to encourage the development of steel rolling and fabricating facilities for pipelines and refineries. And we'd also like to see Korean-owned ship construction and repair facilities in the state."

Breeze said several such free trade zones already exist in the U.S., including Los Angeles, Long Beach and Seattle. To establish them in Alaska would require sponsorship by a non-profit organization — which could be the state government — specific state legislation, then approval by the U.S. Department of Commerce, he said.

A previous mission to Korea by Alaska businessmen in 1981 resulted in the establishment of Anchorage offices by Korean industrial conglomerates Suneel and Hyundai. Breeze said the council would like additional rep-

## Alaska resource trade tops \$1.3 billion in rim

Juneau — Alaskan resources worth more than \$1.3 billion were sold in 1982 in East Asia and Pacific Rim countries, according to a state official.

Nearly all of that amount — \$1.1 billion — was sold in Japan, said Bill Beardsley, director of the division of finance and economics. Sales to Japan were about evenly divided between three products: liquefied natural gas, seafood, and timber, he said.

The state Department of Commerce and Economic Development has only recently collected statistics on foreign trade, Beardsley said. More regular information will be provided in the future, he said, as Alaskan businesses and the Sheffield administration put more emphasis in Far East sales.

About \$96 million worth of Alaskan products were sold in 1982 to Korea, Beardsley said. Fertilizer, timber and seafood dominated Korean sales.

Red China received \$66 million of Alaskan products, — \$51 million of urea fertilizer produced in Kenai and \$10 million of timber.

Other Pacific countries receiving Alaskan products were Australia, Indonesia, Malaysia and the Philippines, he said.

## Sheffield: Korea can help

Associated Press

Seoul, South Korea — Gov. Bill Sheffield said today Alaska will need more Korean participation in developing his state's natural resources, including oil, natural gas and coal.

Sheffield, who arrived Sunday on a trade mission, told newsmen that South Korea has an "unlimited opportunity" to join in such large-scale projects in Alaska as road-building, pipeline and steel tower construction and natural gas development.

He said he hoped for increased trade and other contacts between Alaska and South Korean business concerns.

Economic cooperation between South Korea and Alaska is expected to be a topic discussed when President Reagan visits Seoul in November, Sheffield said.

The Alaska governor visited Hyundai Heavy Industries Co. and met with Energy and Resources Minister Suh Sang-chul and Commerce and Industry Minister Kim Dong-whie.

Sheffield said in his meeting with President Chun Doo-hwan, the downing of a Korean airliner by the Soviet Union was discussed.

Sheffield is scheduled to leave for Japan on Thursday en route home.

# coal pacts in trouble

## COAL . . .

(Continued from page 1)

declined to meet with him during a Far East trade mission.

"Ever since, we've been trying by letter and mail to find out exactly where things stand. Now we felt it was time to do it personally," said Pete Spivey, Sheffield's press secretary.

John Sims, director of the state's Office of Minerals Development, said he has "grave concerns" about what would happen to state efforts to spur coal development should Suneel be unable to fulfill its contract on time.

"It's my perception that a default would be extremely damaging to Alaska's image," he said. "Once we can successfully complete an export agreement it will galvanize our promise as a coal source. But, if we fail, it would make future agreements doubly difficult to complete."

Moss this morning had not read the news article, but was aware of the problem. He said those could have implications for the state's potential purchase of the railroad.

Coal is one of the key bulk items expected to be carried on the railroad.

"Let's face it, if you don't have bulk commodities to ship on the railroad you're looking at a possible red-ink railroad," Moss said.

Moss said the price of coal is now less than the price when the contract was signed. He said Usibelli may have \$10 million or more invested in the Healy mine in anticipation of foreign shipment of coal.

The investment, Moss said, may put Usibelli out on a limb. The issue is going to be of great concern to Interior legislators and the whole state.

News-Miner staff and AP reports

ANCHORAGE—A potential collapse of long-term contracts for sale of Alaska coal to Korea's electric power company could have dire ramifications for the Alaska Railroad, an Interior legislator said today.

State Sen. Pappy Moss, D-Delta Junction, who chairs the Senate Transportation Committee, said today that the coal contract is critical to operations of the Alaska Railroad. The state is considering an offer by the federal government to sell the line for \$22.7 million.

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Legislative delegation in Japan hopes to strike an oil deal with the Orient. Story, page 3.

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Commerce and Economic Development Commissioner Dick Lyon was sent to Korea Saturday to try and prevent the potential collapse of the coal contracts, which call for shipping 800,000 tons annually from Usibelli Mines in Healy to Korea.

The contract, worked out by Suneel Alaska Corp., a Korean-backed Alaska trading company, is seen by state officials as essential if Alaska is to crack the world's highly competitive coal export market.

Gov. Bill Sheffield said Saturday his administration has been "concerned" for several months about the contract and Suneel.

"Right now we are told things aren't going well, they are sick," Sheffield said. "But we hope to help them get well again. We want to see what we can do to make the deal work."

Sheffield would not comment on specific problems with the export pact. Shipments were to begin this fall.

But the Anchorage Daily News said sources indicated Suneel apparently is having difficulties raising sufficient capital for a timely payment on its share of the \$20 million in transportation facilities needed to move the coal to tidewater.

While lawmakers last year appropriated \$3.6 million to pay for dredging of Resurrection Bay at Seward, and for the pier and foundation of the coal-loading facility, Suneel has been committed to pay for an \$8 million train that will run on Alaska Railroad tracks and construction of off-loading conveyors at Seward.

Sheffield said his concerns about the health of the project started last November, when the head of Korea's government-owned electric company

(See COAL, page 3)

# No trouble with Korean coal contract: Lyon

By DEAN FOSDICK  
The Associated Press

1/20

A top state official said Thursday he feels "a high level of comfort" following talks with South Korean government, industry and banking representatives about contracts calling for the sale of 800,000 tons of Alaska coal a year to Korea's electric power company.

Dick Lyon, commissioner of the Department of Commerce and Economic Development, made the comment a day after returning from a trouble-shooting trip to that Pacific Rim nation.

Gov. Bill Sheffield dispatched Lyon last week to find out if problems had developed with the contract, worked out between Usibelli Coal Mine Inc., near Healy, and Suneel Alaska, a Korean-backed Alaska trading company.

"The contract never was in trouble but a couple of elements concerned us," Lyon said.

One was a missed deadline on a letter of credit from Suneel for buying the coal. That since has been extended to Feb. 25, he said.

Another dealt with questions about financing for some of the equipment at the deep-water coal loading facility scheduled for construction at Seward, Lyon said. And the third was the fact that world coal prices have skidded since the contract was signed.

"We are aware that Koreans can buy their coal at a better price," Lyon said. "So we wondered if everything was still in place."

After talks with people in the Ministry of Energy and Resources and other public

and private agencies, Lyon said he was assured the lower prices were not an issue.

"The Korean nation will import in excess of 12 million tons of soft coal this year," Lyon said. "When you're dealing with that kind of quantity, you don't do it on the soft market, you do it in contracts."

Some of Suneel's reported capital-raising problems are linked to loans Korean banks have made to nations like Iraq, which are fighting a war and can't come up with hard cash, he said.

It's bill-paying time and some of the countries want to pay the banks in oil instead of dollars, Lyon said.

"Right now, the banks are goosey about overseas commitments," he said, adding that the Korean government is behind the coal contracts, so that's removing some of the jitters.

"I feel a lot better about this thing than before I went on the trip," he said. "I have a high level of comfort."

Lyon said, however, that officials will continue carefully monitoring the deal through mid-February.

"If we have to do something more, we'll do it," he said.

John Sims, director of the state's Office of Minerals Development, has expressed "grave concerns" about what would happen to state efforts to spur coal development should Suneel be unable to fulfill its contract.

"Once we can successfully complete an agreement, it will galvanize our promise as a coal source," he said. "But, if we fail, it could make future agreements doubly difficult to complete."

# Korean firm may get Seward contract

By BILL WHITE

Daily News business editor

A major Korea shipbuilding firm has signed a tentative agreement with Seward officials to spend at least \$5 million to develop the city's industrial park.

The agreement calls for Korea Shipbuilding and Engineering Corp. of Seoul to find an American partner within 30 days to help it build and operate a ship repair and construction facility.

The Korean firm and its partner would create an Alaska subsidiary and give it at least \$5 million for use at the industrial park, under the memorandum of understanding signed Tuesday.

Korea Shipbuilding, if it ultimately wins the contract, also could build a plant for construction

of oil and gas field modules, and modular fish processing facilities, said Bob Breeze, an Anchorage lawyer for the firm.

The agreement comes in the wake of Seward City Council action 18 days ago to void a 2½-year-old contract with VECO Inc., said Darryl Shaefermeyer, deputy city manager for Seward.

The VECO contract involved building and operating over 50 years a ship repair facility and steel fabrication plant at the 100-acre industrial park, Shaefermeyer said.

But VECO, which had been undergoing financial difficulties, had put only a warehouse on the site, he said.

Seward officials hope its 700-acre Fourth of July Creek site becomes

the state's premiere industrial center and a major harbor for export of coal, grain and other resources.

Development costs so far total about \$36 million, much of it on the harbor and 325-foot dock, said Ron Garzini, the city manager.

"We will have an operating ship lift (a device that lifts boats from the water) in June, and we need an operator," he said.

If the Korea company can meet the terms of the agreement within 30 days, the city council likely will authorize a contract with the firm, he said.

The memorandum of understanding calls for both parties to try to conclude negotiations for land Korea Shipbuilding can lease and for the city's part ownership of facilities to be built.

Korea Shipbuilding also agreed that about 90 percent of the employees would be Alaskans.

H. Joo Shin represented the company in the two days of talks this week that resulted in the agreement. He said Korea Shipbuilding has two shipyards in Korea and one in Saudi Arabia. Including its construction and steel fabrication arms, the company employs about 10,000 people and has annual sales of about \$350 million.

Shin reportedly has been negotiating with the Bechtel Group Inc. of San Francisco, among others, about becoming a partner.

Garzini said he asked Shin to try to involve VECO in any development.

# Cattle ranchers may work with Korean firm

By DIRK MILLER  
Staff Writer

Homer area cattle ranchers will be offered an opportunity to participate in a Korean firm's plan for a major cattle rearing operation stretching from Ninilchik to the head of Kachemak Bay.

Han-A Samick America Corporation, the Korean firm that has submitted a \$20 million proposal that includes leasing from the University of Alaska about 8,000 acres of grazing land, may provide a wholesale outlet for Homer ranchers.

Bob Breeze, Han-A Samick's Anchorage representative, said Saturday the firm will either purchase beef from ranchers, offer to

lease land owned by the ranchers or invite the ranchers to join a profit sharing cooperative with the Koreans. He spoke to the borough's outlook forum in Soldotna.

The University of Alaska is considering Han-A's proposal to lease the Homer Agricultural Experimental Station, known as the "Red Meat Center," Breeze said. He expects a decision by April 1.

The station was closed in December because of a lack of funding. Breeze said research done at the center would be continued by Kon-Kuk, Korea's largest university.

The Korean project calls for cattle grazing on about 100,000 acres of both public and private lands, including some native lands,

stretching from Ninilchik south to Bradley Lake, at the head of Kachemak Bay, Breeze said.

Within a year, 5,000 head of cattle would be grazing on southern peninsula grass, Breeze said.

Edna Anderson, a member of the board of directors for the Kenai Peninsula Agricultural Association and a member of the Kenai Peninsula Stockgrowers Association, said the Korean proposal could be a "shot in the arm" for ranchers.

"We want to be sure that they don't just buy Canadian beef," she said. She said the Koreans have offered to buy all Alaskan beef offered to them.

"They can just about write any ticket they want. Almost any deal would be beneficial to us," she said.

Homer ranchers and Alaska ranchers wouldn't be able to provide most of the cattle the Koreans want. Most would be shipped up from Canada as yearlings and fattened up during spring and summer.

Anderson said she understood the Koreans might want to begin shipping cattle into Homer in April.

As far as leasing, the state won't allow subleasing of land already leased to Homer area ranchers. But ranchers could pasture Korean cattle for grazing, she said.

In mid-August Alaskan cattle would be at their best for finishing up on grain and slaughtering, she said.

Homer-area ranchers, according to her husband, Anchor Point rancher Elton Anderson, have not yet been approached by the Koreans.

Anderson said most ranchers he's talked to are in support of the Korean proposal to graze up to 5,000 head of cattle along the southern peninsula.

"It's not going to hurt us," he said. The area could support as much as 30,000 head of cattle, according to Anderson.

Bruce Willard, a Homer rancher, says he

or heard any details about the proposal.

"Nothing makes sense yet," he said. "You can't just dump 5,000 of them here in one year."

The cattle grazing season lasts anywhere between three to four months, according to Willard, who has about 340 head of cattle at his ranch. It takes between 60 to 100 days to finish up the cattle on grain.

Breeze said the Koreans plan on bringing grain from the Big Delta region to finish up the cattle. The cattle would be shipped by air to Korea.

After two years of grazing cattle, Breeze said, the Koreans would consider building a slaughterhouse near Homer.

"The reaction has been overwhelmingly positive. Once people realize that we do not intend to have a gargantuan slaughterhouse here they're agreeable," Breeze said.

What makes the proposal economically viable is the high price of beef in Korea, Breeze said. Filet mignon goes for \$17 a pound in Korea and other cuts of beef are up to nine times more expensive than local prices.

About 80 percent of all beef is imported to both Japan and Korea, he said. Because Alaska is four to five hours closer than other possible locations, the Koreans chose the state as a grazing site.

Further feasibility studies showed that the southern end of the Kenai Peninsula would be the best place to start, Breeze said. Other possible locations would be the Aleutian Islands, Kodiak and the Matanuska-Susitna Valley.

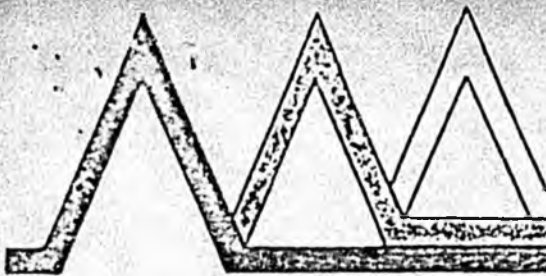
Kodiak though, has an obvious predator problem, Breeze said, the Kodiak brown bear. Homer was chosen because of the existing port and facilities.

If the University turns down the Homer proposal, the Koreans would likely begin grazing beef on the Aleutian Islands.

He said that Koreans particularly like the quality of American beef, especially grain fed.

ATTACHMENT C

State Foreign Trade Offices



# WESTERN CONFERENCE

THE COUNCIL OF STATE GOVERNMENTS

720 SACRAMENTO STREET, 3rd FLOOR SAN FRANCISCO, CALIFORNIA 94108 (415) 986-3760

December 19, 1983

John Sherwood  
Alaska House Research Agency  
Pouch Y  
Juneau, AK 99811

Dear John:

Enclosed are the materials I found on states' foreign trade promotion offices.

Enclosure 1 is from a publication that the Council of State Governments (CSG) did earlier this year, Economic Development: A Survey of State Activities. The information from the study was gathered in a survey sent in September of 1982. Bob Reinshuttle, the contact person at CSG that I gave you, produced the finished report.

Enclosure 2 is from a report produced by the National Governors' Association in 1981. The report, Export Development and Foreign Investment: The Role of States and its Linkage to Federal Action, was developed using information NGA gathered through a survey of state officials.

Enclosure 3 is excerpted from a book written by John Kline, State Government Influence in U.S. International Economic Policy (Lexington Books, 1983). The chapter I have sent you provides more detailed background on state export promotional activities, including foreign trade offices. I recommend the entire book if you are looking for information on other aspects of state foreign-trade activities.

The National Association for State development Agencies (NASDA) did its own survey on states' export promotion activities (I gave you Marsha Clarke as a contact there). The NASDA survey is probably the most recent work in that area.

I hope all of this is helpful to you. Call me if you have any questions <sup>or</sup> if our office can provide you with further assistance.

Sincerely,

Mark Klender  
Policy Analyst

MKsk/WC10a-01

Compendium of Legislators, representing the following States

Alaska • American Samoa • Arizona • California • Colorado • Commonwealth of the Northern Mariana Islands  
Guam • Hawaii • Idaho • Montana • Nevada • New Mexico • Oregon • Utah • Washington • Wyoming

# 1. CHAPTER 5

## INDUSTRIAL DEVELOPMENT: ADVERTISING, MEDIA PROMOTION AND PUBLICATIONS

Comparison between state expenditures for non-tourist advertising and promotion in fiscal 1982 shows a striking contrast. Six states spent nothing, while 11 spent over \$500,000. The largest expenditures for advertising and promotion were by New York (\$6.95 million), Maryland (\$1.2 million), and Kentucky (\$1 million). Other significant expenditures were by Florida, Louisiana, Massachusetts and Pennsylvania.

In fiscal 1983 budgets, the recession was reflected in nearly every state, and there was much debate in the legislatures and executive offices as to whether promotional budgets should be increased to attract more business and industry to the state, or reduced as part of an overall budget reduction plan. Eight states chose the latter by reducing expenditures (Arizona, Florida, Georgia, Hawaii, Kentucky, Mississippi, Montana, and Wisconsin). Most states, however, decided that a greater commitment should be made to promote their state as a good place to do business. As a result, five states will spend above a million dollars on that activity: New York (\$9.38 million requested), Michigan (\$1.5 million), Maryland (\$1.3 million), Massachusetts (\$1.05 million), and New Mexico (\$1.033 million).

Of the states whose budgets have received final approval, the largest percentage increases will take place in Illinois, Michigan, Oregon, Tennessee, Utah, Vermont, Washington and West Virginia. It is interesting to note that many of these states have suffered the most severe budgetary and economic difficulties during the past few years.

Caution should be used in making direct comparisons between state budgetary figures. States which spend very different dollar amounts for advertising and promotion may nevertheless be spending comparable percentages of their total budgets for that purpose, and in a few cases a special promotional effort may have swelled the promotion budget out of proportion to past expenditures.

Of the 45 states responding to this question, 24 indicated that the amount allocated for promotion and advertising is determined exclusively by the legislature, while 19 said expenditures are determined by administrative decision. In Nevada and Virginia, the decision is made by both legislative and administrative action. (See Table 13.)

### Advertising Media

Forty-four states indicated that they advertise through one or more of the following media: newspapers, magazines, radio, television, billboards and direct periodicals. California, Minnesota and New Hampshire do not advertise but produce their own publication. Colorado does not budget for advertising and promotion. (See Table 14.)

### Field Representatives

Field representatives cover two basic areas: in-state, to provide services to local industry, communities and development groups; and out-of-state, to make contact with industrial prospects, provide them with information on locations in the state, and render location assistance to prospects once they move into the state. Overall, field representatives provide information, technical and coordinating services.

Twenty-four states employ in-state field representatives. Kansas has such a proposal under consideration, and Alabama uses regular line staff to meet these responsibilities. Eight states use field representatives for work outside the state, and 19 use field representatives outside the United States.

Seven states reported having information centers located outside their own jurisdiction. The two most popular locations are New York City and Washington, D.C. Centers there primarily provide industrial development and trade facility information to interested persons.

### X Foreign Offices to Promote Industrial Development and Trade

Twenty-three states reported having at least one foreign office engaged in promoting state products, providing information, and assisting foreign corporations who may be interested in locating a plant within their state. Most states have their offices in Japan, Belgium and West Germany; however, other locations include England, China, Canada, Mexico, Brazil, Switzerland, France and The Netherlands. Most foreign offices focus on a region rather than merely concentrating their efforts on the country in which they are located. The exceptions are Michigan, whose office in Tokyo works only with Japanese repre-

ular posture in its foreign offices in Japan and  
ada. Virginia employs the largest staff in its  
eign offices (six in Japan and eight in Belgium).  
e average number of staff per foreign office is  
hree; however, larger staffs are commonly placed  
in European offices.

Within the past five years, 10 states have ex-  
panded their foreign operations (Alabama, Florida,  
Georgia, Illinois, Maryland, Missouri, Nebraska,  
New York, North Carolina, Pennsylvania and  
Virginia), while two states have reduced their  
visibility in other parts of the world (Louisiana and  
Washington). Ohio recently shifted its West Ger-  
many office to Belgium. Three states (Maryland,  
Missouri and Ohio) plan to expand their foreign  
operations in 1983, and Illinois opened an office in  
Japan in January. (See Tables 15 and 16.)

Number of Employees

State	Regional Focus	Number of Employees											Office Changes in Last Five Years	Planned Changes in 1983	
		Japan	Belgium	West Germany	England	China	Canada	Mexico	Brazil	Switzerland	Netherlands	France			
Alabama	Yes except Japan	4		1	2								2	Expand	None
Connecticut	Yes			2										None	None
Florida	Yes	•		2										Expand	None
Georgia	Yes	3	3					1						Expand	None
Illinois	Yes	1	7			2							5	Expand	Japan open 1/83
Indiana	Yes	1	2											None	None
Iowa	Yes			2										None	None
Kansas	...			•										None	None
Louisiana	Yes			1										Reduction from 2 to 1	None
Maryland	Yes	2	3											Expand	Expand
Massachusetts	...	•	•												
Michigan	Yes except Japan	2	5.5											None	None
Missouri	Yes	2	3		1								1	Expand	Expand
Nebraska	Yes	•	•											Expand	None
New York	Yes except Japan /Canada	2	2	2		4								Expand	None
North Carolina	Yes	2	2											Expand, Japan opened	None
Ohio	Yes	3	4											W. Ger. replaced by Belg.	Expand
Pennsylvania	Yes	•	•	•										Expand	None
South Carolina	Yes		2											None	None
Texas	No							2						None	None
Vermont	No					2.5								None	None
Virginia	Yes	6	8											Expand	None
Washington		3	contract staff											Reduction	None

• Consultant on contract.

## Foreign Offices

An important part of trade organization for many states is the overseas offices. Although there has been some debate in the past over their utility and cost effectiveness, the continuing increase in the number of overseas offices indicate their importance to states' commercial interests overseas. Data compiled in 1976 show nineteen states with overseas offices. This survey, conducted in October 1980, indicates that thirty-three states are represented overseas and that there are sixty-six offices. Some of these offices (those organized by regional commissions) are shared by several states, while several states have more than one office to represent them around the world.

States have this kind of continuous representation in all parts of the world. Europe was the first target when states began to set up these offices more than a decade ago. Japan then became a focus of activity. Now seventeen different countries host state representatives. Most of these offices have regional responsibilities, making it clear that state economic activities reach into most parts of the world.

Our survey data showed that overseas offices could be categorized by the type of authority administering them. First, there are offices maintained by the state unit charged with primary responsibility for increasing international commerce (the economic development office or similar department) or by closely allied offices (such as those in charge of tourism). Secondly there are offices maintained by quasi-public, semi-autonomous state organs, such as port authorities. Finally, there are offices operated by regional organizations such as non-state port authorities or planning commissions. Some states, particularly in the West, work through this kind of office rather than

TABLE 11.4 - OFFICES ABROAD

	BELGIUM	DENMARK	FED. REP. OF GERMANY	FRANCE	GREAT BRITAIN	GREECE	THE NETHERLANDS	SWITZERLAND	BRAZIL	COLUMBIA	MEXICO	PANAMA	AUSTRALIA	HONG KONG	JAPAN	SINGAPORE	CANADA
ALABAMA				X				X									
ALASKA		X	X														
ARIZONA																	
ARKANSAS	X																
CALIFORNIA																	
COLORADO																	
CONNECTICUT			X														
DELAWARE	*								*				*	*			
FLORIDA			X												X		
GEORGIA	X		*		*										X*		
HAWAII																	
IDAHO															**		
ILLINOIS	X							X						X			
INDIANA						X		X									
IOWA		X															
KANSAS																	
KENTUCKY	X																
LOUISIANA	X	X	X							X	X	X	X	X			
MAINE																	
MARYLAND	X			X									X	X			
MASSACHUSETTS	X														X		
MICHIGAN	X														X		
MINNESOTA																	
MISSISSIPPI																	
MISSOURI			X														X
MONTANA			**												**		
NEBRASKA			**												**		
NEVADA																	
NEW HAMPSHIRE																	
NEW JERSEY	*				*		*	*							*		
NEW MEXICO																	
NEW YORK				X											X		
NORTH CAROLINA			X												X		
NORTH DAKOTA			**												**		
OHIO	X														X		
OKLAHOMA																	
OREGON															**		
PENNSYLVANIA			***												***		
RHODE ISLAND																	
SOUTH CAROLINA	X														X		
SOUTH DAKOTA			**												**		
TENNESSEE																	
TEXAS										X							
UTAH																	
VERMONT																	X
VIRGINIA	X							X							X		
WASHINGTON															X	X	
WEST VIRGINIA																	
WISCONSIN																	
WYOMING			**												**		

X = one or more state offices  
 \* = Regional Ports Authority offices  
 \*\* = Regional Planning Commission offices  
 \*\*\* = Private state group offices

maintaining their own facilities abroad.<sup>10</sup> Appendix III lists state overseas offices of all types.

Staffing arrangements for overseas offices also varied. In some cases the staffs were employed by the state and solely represented the state. In other cases, the state retained only a consultant or business contact, either on its own or through a regional planning commission.

Different state departments, such as economic development offices and port authorities (or even the same) sometimes maintained separate offices in different foreign country. In other cases, different departments from the same state shared offices or consultants in the same foreign country. For a list of overseas representation by state and country, see Table II.4.

Policy Implications and Recommendations

This chapter outlines the continuing increase in foreign trade activities by states. Figures on overseas trade missions, the hosting of foreign delegations (whether or not visits are directly tied to commercial exchanges), and the proliferation of state offices overseas suggest the scope of the states' activity. Organizational developments also give expression to expanding overseas interests. Traditional bureaucratic organs have been given new responsibilities and in some cases specialized agencies have been created. The emergence of a substantial number of trade-related interests within states has required special mechanisms to foster cooperative relations between state governments and their trade communities. Advisory councils in which the entire trade community is represented have been organized by some governors to deal with this situation. In other states the proliferation of trade activities and interests remain to be

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<sup>10/</sup> A fourth type, unofficially representing the state of Pennsylvania, was operated by a private state regional economic development association.

area within the state. New Hampshire, which targeted both rural and economically depressed areas, noted that a labor market sufficient to meet an industry's needs was one of its basic criteria used in assisting firms wishing to relocate there. Table III.8 provides a summary of internal targeting by the states.

### Foreign Area Targeting

A look at where states choose to market state products or to seek overseas investors is instructive in several ways. It suggests the extensiveness of state-based commercial networks around the world. Foreign areas where state effort is most concentrated are identified, as is the presence of state activity in those international markets with the greatest potential.

Taken collectively, state overseas interests reach into most areas of the world. The major regions identified for market development are Europe, Asia and Latin America. It does not appear from the survey that states have given much attention to the trade opportunities available in Eastern Europe, Africa, or West Asia.

That states' export promotion efforts do give greater focus to well-established markets is apparent if we note those cases where specific countries are mentioned. In questionnaire responses, states tended to identify regions or continents rather than individual countries. The list of countries which were also specified includes only modern or rapidly modernizing countries. For the most part, specific countries within Third World markets were not identified.

The survey provides no surprises in the area of targeting investment. For most states the major sources of foreign investment are the developed countries. Western Europe, Canada, and Japan focus most state effort. A few states do look to the rapidly modernizing economies of Taiwan, Mexico, and South Korea.

A detailed breakdown of where states concentrate their overseas activities is provided in Table III.9. It illustrates the considerable diversity of states in their targeting of international business. Of the forty-four states from which data was collected regarding foreign targeting and export promotion,<sup>4</sup> thirty-one concentrated on particular geographical areas. Vermont, while not engaging in targeting per se, has participated in trade shows and missions held in West Europe and Latin America. Wyoming had no targeting policy; it confined its international business activities to participation in the Old West Regional Commission, leaving to that organization such policy decisions. The eleven states did not specify any specific region or country for export promotion include: Arizona, Colorado, Delaware, Georgia, Iowa, Nebraska, Nevada, North Carolina, Pennsylvania, South Dakota, and Utah.

Among the thirty-two states targeting foreign areas for export promotion, regions or continents were specified sixty-two times, particular countries twenty-four times. Preferences for European and Asian regions were equal (twenty each), followed closely by Latin America (eighteen). Two states identified the Pacific Rim countries. The particular countries mentioned as targets for export promotion were: Canada (by 5 states); Mexico (by 4 states); Japan (by 3 states); Germany (by 2 states); and Taiwan (by 2 states). Argentina, Australia, Brazil, China, Denmark, New Zealand, South Korea, and Venezuela were each mentioned by one state.

Of the forty-six states for which data was collected regarding foreign targeting and reverse investment, thirty-five concentrated on particular areas overseas. As in the case of export promotion, Wyoming leaves such targeting up to its regional commission. The twelve states that do not target specific foreign areas for attracting investment

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<sup>4</sup>/ Insufficient data for Louisiana, North Dakota, South Carolina, and West Virginia.

TABLE 111.9 - REGION/COUNTRY TARGETS OF STATE  
INTERNATIONAL BUSINESS ACTIVITY

	Export Promotion	Reverse Investment
ALABAMA	Central/South America, Far East, Europe	Europe, Far East
ALASKA	Japan, Germany Denmark, Taiwan	Germany, Denmark, Taiwan
ARIZONA	---NONE---	Japan, West Europe, Taiwan, South Korea
ARKANSAS	Europe, Far East	Europe, Japan
CALIFORNIA	Mexico, Canada Pacific Rim Countries, E.E.C., South America	Japan, E.E.C.
COLORADO	---NONE---	---NONE---
CONNECTICUT	Europe, South America, Asia	West Europe (Germany, Switzerland, England, Belgium, Netherlands), Scandinavia (Sweden, Denmark), Asia-Japan
DELAWARE	---NONE---	---NONE---
FLORIDA	Latin America, Europe, Far East	Canada, Europe, Japan
GEORGIA	---NONE---	Japan/Far East, Europe, Canada
HAWAII	Japan, Canada, Asia/Pacific	Japan, Canada
IDAHO	Latin America, Asia, Europe	---NONE---
ILLINOIS	E.E.C., Far East	---NONE---
INDIANA	South America, Europe, Far East	Europe, Japan
IOWA	---NONE---	Europe
KANSAS	South America, Far East, Europe	Europe
KENTUCKY	Europe, South America, Far East	Europe, Japan

TABLE III.9 (CONT)

	Export Promotion	Reverse Investment
LOUISIANA	(1)	(1)
MAINE	Europe, Canada, Far East	Europe, Canada, Far East
MARYLAND	Far East, West Europe	Far East/China, West Europe, Canada
MASSACHUSETTS	West Europe	West Europe, Japan, Canada
MICHIGAN	Latin America, Asia, Europe	Europe, Japan
MINNESOTA	Europe, Canada Latin America	---NONE---
MISSISSIPPI	Central America, South America	Germany, England, Canada
MISSOURI	West Europe, East and Southeast Asia, and Latin America	West Europe, East Asia, and Canada
MONTANA	Pacific Rim Countries, South America	---NONE---
NEBRASKA	---NONE---	---NONE---
NEVADA	---NONE---	---NONE---
NEW HAMPSHIRE	Europe (all countries), South America (Venezuela, Brazil, Argentina), Australia-Asia (Australia, New Zealand, Taiwan, South Korea, Japan, China)	Europe (England, France, Germany, Italy, Spain, Scandinavia), Canada, Australia, South Africa
NEW JERSEY	Latin America	West Europe, Japan
NEW MEXICO	Mexico	---NONE---
NEW YORK	(2)	North Europe, United Kingdom, Japan
NORTH CAROLINA	---NONE---	West Europe, Japan
NORTH DAKOTA	(1)	(1)
OHIO	Asia, Latin America, West Europe	West Europe, Japan
OKLAHOMA	Canada, Mexico West Germany	Canada, Mexico, West Germany, Japan

TABLE III.9 (CONT)

	Export Promotion	Reverse Investment
OREGON	Far East, Southeast Asia Western Latin America	Europe, Japan
PENNSYLVANIA	---NONE---	Japan, West Europe
RHODE ISLAND	E.E.C.	West Europe
SOUTH CAROLINA	(1)	(1)
SOUTH DAKOTA	---NONE---	---NONE---
TENNESSEE	Latin America, Asia, Europe	Japan, Germany, Other European Countries
TEXAS	Mexico	---NONE---
UTAH	---NONE---	---NONE---
VERMONT	(3)	Canada, Europe
VIRGINIA	Europe, Far East Latin America	West Europe, Japan
WASHINGTON	Asia-Pacific	Europe, Asia
WEST VIRGINIA	(1)	Japan, West Germany, England
WISCONSIN	South America, Far East	Europe, Far East
WYOMING	(4)	(4)

(1) Insufficient Data

(2) Target specific areas, but none listed

(3) No specific targeting, but have participated  
in trade missions/shows in West Europe and  
Latin America

(4) Left up to regional planning commission

include: Colorado, Delaware, Idaho, Illinois, Minnesota, Montana, Nebraska, Nevada, New Mexico, South Dakota, Texas, and Utah.

Europe and the Far East are, almost exclusively, the regions where states go to seek investment. A rank order of specific countries mentioned by number of states suggests what are regarded as the best sources of investment money. This pattern is illustrated in Table III.10.

TABLE III.10 - COUNTRIES TARGETED FOR STATE INVESTMENT  
PROMOTION BY NUMBER OF TIMES MENTIONED ON QUESTIONNAIRE

Country	No. Of Times Mentioned
JAPAN	20
CANADA	11
GERMANY/WEST GERMANY	7
ENGLAND/UNITED KINGDOM	5
DENMARK	2
TAIWAN	2
AUSTRALIA	1
BELGIUM	1
FRANCE	1
ITALY	1
MEXICO	1
NETHERLANDS	1
SOUTH AFRICA	1
SOUTH KOREA	1
SPAIN	1
SWEDEN	1
SWITZERLAND	1

Six states targeted specific foreign areas for export promotion, but not for reverse investment. These states include: Idaho, Illinois, Minnesota, Montana, New Mexico, and Texas. In terms of general policy, all of these states strongly encourage export promotion and strongly discourage, mildly discourage, or at least are neutral toward, reverse

foreign investment. Six states also targeted specific foreign areas for reverse investment, but not for export promotion. These states include: Arizona, Georgia, Iowa, North Carolina, Pennsylvania, and Vermont.

### Policy Implications and Recommendations

To speak of state trade policy is really only to refer to the collective activities that states perform in promoting international business. No state appears to have anything approximating an articulated policy relating to trade. A few states are so minimally involved in international trade it would be difficult to accurately identify a trade posture, much less a policy. Yet the idea of trade policy, and its development in the states, gives an instructive focus to the findings of this chapter.

From the collective activities of the typical state it is possible to derive the elements of a policy framework. Foreign investment and export promotion are both strongly encouraged. The longstanding interest of states in investment continues, although there is increasing interest in export promotion. The higher priority given exports is evident. Larger allocations of the state's international budget go for trade expansion. States offer a full range of export services in response to a whole range of needs within an expanding state trade network. It seems that states have generally rejected a strategy of making state exports more profitable. That approach would only serve one category of business within the state -- the experienced exporter. In providing a number of programs, the state reaches firms with no experience, those who might export but don't know how, those who want to but need assistance, and those who do export and want greater market opportunities. By sponsoring a variety of promotion programs, states assure that there is an appropriate program for most businesses in the expanding trade environment. This strategy is compatible with the finding that state programs are generally geared to small manufacturing firms with fewer than five years of experience in

ATTACHMENT E

Alaska Exports to East Asian Markets

ALASKA EXPORTS: EAST ASIA AND PACIFIC  
Totals and Major Products (000)

COUNTRY (PRODUCT)	1977	1978	1979	1980	1981	1982 (N)
<u>JAPAN</u>	<u>288,164.0</u>	<u>471,161.5</u>	<u>738,445.7</u>	<u>757,959.4</u>	<u>934,205.7</u>	<u>887,967</u>
Seafood	47,623.7	203,479.6	396,895.2	297,494.2	406,279.6	332,491
Forest Products	141,096.1	135,410.5	236,306.5	273,337.1	206,214.7	205,081
Pet & Pet/Chem*	95,325.6	121,448.4	131,649.3	222,647.4	297,350.7	281,947
<u>CHINA</u>	<u>7,196.2</u>	<u>18,711.4</u>	<u>32,352.5</u>	<u>67,795.1</u>	<u>43,841.7</u>	<u>58,665.</u>
Urea	6,938.6	15,174.6	27,179.2	35,036.6	18,953.6	43,860.
Forest Products	0.0	3,393.2	1,303.6	32,173.3	24,412.5	9,562.
<u>TAIWAN</u>	<u>8,573.6</u>	<u>8,090.6</u>	<u>12,096.4</u>	<u>14,600.6</u>	<u>16,916.0</u>	<u>4,374.</u>
Urea	0.0	0.0	2.4	0.0	4,109.7	0.
Forest Products	7,349.2	5,614.2	9,479.0	9,201.5	7,036.6	3,658.
Seafood	0.0	0.0	0.0	9.6	0.0	0.
<u>KOREA</u>	<u>8,302.5</u>	<u>8,653.5</u>	<u>23,528.6</u>	<u>36,121.0</u>	<u>19,807.4</u>	<u>95,185.</u>
Urea	0.0	0.0	0.0	0.0	0.0	16,612.
Coal	0.0	0.0	0.0	0.0	635.7	0.
Forest Products	5,314.0	2,420.3	12,773.9	8,030.8	9,430.0	9,469.
Seafood	0.0	3,453.5	1,446.0	24,345.0	4,088.4	9,345.
<u>THAILAND</u>	<u>3,821.3</u>	<u>4,306.8</u>	<u>3,468.4</u>	<u>5,539.4</u>	<u>4,099.8</u>	<u>9,331.</u>
Urea	0.0	994.6	800.9	4,283.9	0.0	2,884.
Forest Products	4,219.3	2,662.8	2,568.9	1,069.7	2,347.6	5,995.
<u>HONG KONG</u>	<u>309.1</u>	<u>1,303.9</u>	<u>2,963.3</u>	<u>1,859.3</u>	<u>5,611.5</u>	<u>917.</u>
Pet & Pet/Chem	0.0	0.0	1.2	0.0	.7	0.0
Forest Products	402.2	0.0	0.0	0.0	982.2	0.0
Seafood	0.0	0.0	82.6	1.5	0.0	0.0
<u>INDONESIA</u>	<u>0.0</u>	<u>1,102.4</u>	<u>1,188.4</u>	<u>10,942.4</u>	<u>2,969.5</u>	<u>22,199.0</u>
Urea	0.0	0.0	0.0	0.0	0.0	15,552.0
Forest Products	0.0	0.0	0.0	0.0	545.7	5,247.0
<u>PHILLIPINES</u>	<u>22.0</u>	<u>367.2</u>	<u>3,270.6</u>	<u>14,598.3</u>	<u>28,326.4</u>	<u>12,551.8</u>
Urea	0.0	0.0	2,217.9	14,442.4	26,362.6	12,256.0
<u>MALAYSIA</u>	<u>0.0</u>	<u>166.2</u>	<u>4,859.9</u>	<u>4,901.2</u>	<u>10,627.2</u>	<u>14,038.0</u>
Urea	0.0	0.0	2,219.0	3,579.6	6,408.4	11,898.2
<u>AUSTRALIA</u>	<u>1,173.4</u>	<u>6,965.9</u>	<u>18,318.6</u>	<u>3,069.0</u>	<u>9,096.0</u>	<u>33,576.6</u>
Urea	0.0	0.0	3,742.6	0.0	0.0	8,028.2
<u>NEW ZEALAND</u>	<u>0.0</u>	<u>2.0</u>	<u>27.1</u>	<u>0.0</u>	<u>0.0</u>	<u>1.5</u>
<b>TOTAL EXPORTS</b>	<b>392,157.3</b>	<b>611,825.7</b>	<b>913,047.4</b>	<b>987,519.0</b>	<b>1,182,597.2</b>	<b>1,199,536.7</b>

\*Pet & Pet/Chem\* exports to these areas are included in these figures.

## ALASKA EXPORTS: WORLDWIDE TOTALS

## Major Products (000)

Product	1977	1978	1979	1980	1981	1982 (NOV)
Forest Products	179,212.5	168,484.4	271,135.9	339,037.1	278,026.5	252,815.6
Seafood Products	52,106.3	205,707.1	356,047.6	327,205.3	427,142.8	349,391.0
Natural Gas	95,325.6	111,442.0	122,536.0	218,044.4	310,024.5	266,148.0
Urea	20,059.1	59,837.6	73,719.5	87,481.3	133,417.2	100,734.7
Ammonia	6,517.5	9,433.5	913.8	2,648.7	0.0	19,371.3
<u>TOTAL</u>	<u>392,157.3</u>	<u>611,825.7</u>	<u>913,047.4</u>	<u>987,519.0</u>	<u>1,182,597.2</u>	<u>1,199,356.7</u>

ATTACHMENT H

Markets for Alaska Timber--Pacific Rim Countries

Development Planning and Research Associates, Inc.,  
200 Research Drive, Manhattan, Kansas 66502  
with  
The Tuolumne Corporation  
and  
International Investments Consultants, Inc.

MARKETS FOR ALASKAN  
TIMBER PRODUCTS  
PACIFIC RIM COUNTRIES

To

Forest Service, Region 10  
U.S. Department of Agriculture

P-509  
May 1983

## B. The Market for Alaskan Timber Products in Korea

Korea is a country of few forest resources but a sizeable wood-products industry that relies heavily on the export market. It exports large volumes of plywood worldwide and some lumber to Japan and the Middle East where Korean contractors are very active.

### 1. Market Structure for Alaskan Timber

Our investigation of the Korean market showed that only four firms import from southeast Alaska and one of these, a red cedar importer, was beyond the scope of the study. Each of the three applicable users is an integrated importer/processor importing hemlock and spruce directly from Alaska. The three importers used 75,500 m<sup>3</sup> of Alaska spruce and hemlock timber in 1981, most of which (83%) was western hemlock imported by one firm. Table 5 summarizes survey results of the three Alaskan timber importers. Alaskan timber represented 29 percent of their total timber volume, ranging from 25 percent to 75 percent. For all Korea, Alaskan timber represented only about one percent of the total timber usage in 1981.

### 2. End Use

The greatest single use of Alaskan timber is western hemlock in hidden interiors of houses. Western hemlock is also used in exposed house interiors and boxes and crates. Sitka spruce usually goes into the growing musical instruments industry, particularly Korean pianos.

### 3. Timber Quality and Desirable Characteristics

Most Korean concern about quality pertain to Sitka spruce which is used in the higher valued musical instruments industry. They are less concerned about the quality of western hemlock which they use primarily because of price consideration. The quality of hemlock logs is not good but acceptable at the low price Koreans pay (recently \$200 per MBF, p.a.s.).

Table 5. Information summary on sawmills importing SE Alaskan timber, Korea 1/

Item	Survey results
Total annual volume:	
• Timber processed, all sources	260,667 m <sup>3</sup>
• SE Alaskan timber	75,500 m <sup>3</sup>
• SE Alaskan logs (n=1)	67,500 m <sup>3</sup>
• SE Alaskan cants (n=2)	8,000 m <sup>3</sup>
• SE Alaskan Sitka spruce (n=3)	13,000 m <sup>3</sup>
• SE Alaskan western hemlock - all logs	62,500 m <sup>3</sup>
Alaskan timber as % of total	1 mill - 27%, 2 mills - 75%
Recovery on logs	Sitka spruce - 65%, hemlock - 60%
Recovery on cants (n=2)	Sitka spruce - 70% and 75%
End Use	
o SE Alaskan western hemlock logs (n=1)	50%, House const. - hidden interiors 20%, House const. - exposed interiors 30%, boxes and crates
o SE Alaskan Sitka spruce scants	100%, Musical instruments

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1/. A total of three integrated sawmills were surveyed and to the best of our knowledge they are the only Korean users of SE Alaskan Sitka Spruce and western hemlock. Each does its own importing of timber.

Koreans prefer the same qualities in Sitka spruce as the Japanese; high ring count, free of small knots and specific uniform grain angle. There have been problems attaining acceptable quality in most of these areas.

#### 4. General Timber Situation in Korea

##### Demand

In 1981, total timber demand was 7.3 million m<sup>3</sup> (log equivalents), sawn from 11.6 million m<sup>3</sup> in 1978. Traditionally, most of Korea's demand for timber was for re-export. Recently domestic demand has become dominant mainly due to declines in the export market. In 1982, domestic demand is expected to account for 65 percent of the timber use and lower export demand will account for only 35 percent of the log use.

Most of the wood product exports is in the form of plywood, 2.5 million m<sup>3</sup> log equivalents in 1981 or 93 percent of exports. However, this is down sharply from a peak of 4.9 million m<sup>3</sup> in 1977.

The reduction in plywood exports is attributed to decreased supplies of suitable hardwood logs, more so than reduced plywood markets. Key hardwood exporting countries have significantly restricted log exports in recent years.

By 1990, Korean forestry officials expect annual timber demand to be 19 million m<sup>3</sup> annually. They expect the domestic demand to be 14.5 million m<sup>3</sup> and export demand to be 4.8 million m<sup>3</sup>. We believe the export demand projection may decline faster than the government estimates. Domestic demand projections are reasonable if Korea can maintain its economic growth and increase housing starts which recently ranged from 200,000 to 250,000 per year.

## Supply

In 1965 domestic timber accounted for 48 percent of the total supply. Imports became more and more important as the plywood and lumber re-export industry grew, and domestic sources supplied only 8 percent in 1978. Their proportional importance has increased sharply since 1978, however, up to 16 percent in 1981. This is largely because of reduced hardwood imports for the plywood re-export industry as discussed earlier. The actual volumes have been 800,000 to 900,000 cubic meters since the mid 1960's, topping 1 million m<sup>3</sup> in 1981.

Imported supplies reached a peak of 10.6 million m<sup>3</sup> in 1978, declining to 6.1 million m<sup>3</sup> in 1981. Most of this decline has been in the hardwood area and while the volume of imported softwoods is down some. Softwoods now represent a larger share of imports, 22 to 23 percent in 1978 to 1981 versus 8 percent in 1975.

### 5. Trends and Opportunities in the Korean Market

Due to a combination of increased demand for softwood and limited domestic resources, use of North American softwoods will presumably grow. Most of this will be in the form of logs but the share of processed timber is expected to grow.

If Alaska suppliers can be price competitive, they should expect increased exports to Korea. If current manufacturing practices hold, demand for Sitka spruce in musical instruments should increase. However, if spruce is replaced by other woods in piano keys, legs and frame, spruce demand could decline but such substitution does not appear likely.

While Korea can probably use more hemlock in the future, their actual hemlock imports will depend on what the Japanese do. If the Japan market strengthens, the Koreans will not likely compete with the Japanese for hemlock logs and cants. They will seek lower cost and lower quality substitutes. Thus, relative to Japan, the hemlock market in Korea does not look particularly good.

- Alaskan Sitka spruce is preferred over essentially all foreign spruces. Assuming prices are competitive no major threats to substitution exist and Alaskan volume should be a direct function of Japanese demand for spruce. At higher prices, substitutes do exist and will be used.
- The Japanese sawmills have had problems with quality control on Alaskan timber. We recommend Alaskan exporters start a program with key traders to identify specific problems and improve sorting and grading of timber for Japanese customers.
- The Japanese sawmillers are very interested in discussing their trading problems and establishing long-term trading relationships.

Korea is a much smaller importer than Japan but offers potential for growth in Alaskan timber imports. We offer the following specific conclusion and recommendations:

- Korea sawmillers and importers, compared to Japanese, are more price conscious and less quality conscious, particularly regarding hemlock.
- We recommend that Alaskan traders develop a sort specifically for the Koreans, like the K-sort used in the Pacific Northwest. This will complement the need to maintain higher quality and prices for the Japanese market. The lower quality material can be sorted out and sold to Korea at a fair price.
- Korean plywood mills are facing great difficulty securing Southeast Asian hardwood. They may be able to substitute some Alaskan species, e.g., cottonwood or the larger white spruce logs, to replace part of the hardwood needs and Alaska should investigate this potential.

and Sitka spruce from Alaska. This is to be expected considering that Japan has been the traditional market for Alaska and that higher production costs and the Jones Act 1/ inhibit marketing in the lower 48 states

Japan will remain Alaska's strongest customer for logs and for cants and the major customer for U.S. timber products in the Pacific Rim Countries. While exports of timber product from the lower 48 states have declined substantially over the past five years, Alaskan exports have increased slightly through 1981. As a result, Alaska's share of the U.S. exports to Japan has risen considerably, from 18 percent to 27 percent over that period.

The Japanese represent a very quality oriented market and purchase with specific quality standards oriented to specific end uses. They rescale and regrade all purchased logs, upon arrival in Japan.

b. Korea

Exports to Korea have historically consisted of low grade hemlock and spruce logs and a minimal volume of piano grade spruce cants. In the Pacific Northwest the grade just above pulplogs is the so-called "K-sort", K standing for Korea. The Alaskan equivalent is a somewhat larger rough log from which some clears can be obtained through time-consuming turning on the carriage.

c. Taiwan

Taiwan is Alaska's smallest customer in volumes of product sold, all in cants of hemlock and spruce in 1981. Taiwan has purchased hemlock logs and cants primarily from the PNW with limited supplies from Alaska. Only a limited amount of Sitka spruce has been imported and only recently from Alaska.

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1/ The Jones Act requires that all interstate-intercoastal water borne freight be carried on U.S. bottoms.

## V. THE POTENTIAL MARKETS FOR ALASKAN TIMBER PRODUCTS IN KOREA

### A. Background

Korea is a country with few forest resources, but with a sizeable wood products export industry. The domestic forests were heavily cut in the later years of Japanese occupation for military construction purposes and before they could recover were again cut over for firewood during and just after the Korean War. They now consist largely of planted pines, growing slowly on rather poor sites, and planted poplars, plus limited old growth hardwoods, pines, and other conifers. The acreage is extensive but stocking is low, except in the poplar plantations. Total forest area is 6.6 million hectares, with an estimated 111 million cubic meters of growing stock, or 16.8 cubic meters per hectare.

Exports consist mostly of plywood produced from imported Southeast Asia hardwood logs. In recent years American softwood logs have provided the raw material for construction lumber exported to Japan and the Middle East, where Korean contractors are very active. As of 1981, Korea depended on imports for 83 percent of its timber requirements.

### B. The Market Structure for Alaskan Timber in Korea

#### 1. Importers, Sawmills and Channels of Distribution

To the best of our knowledge there are four firms that import from southeast Alaska, but only three fall strictly within the scope of this study. The fourth is a red cedar importer and falls outside the scope of this study. For the applicable cases, the market structure is the same. Each is an integrated importer/processor who imports directly from Alaska. One importer does sell a minor quantity to small independent sawmills.

The three importer/processors imported about 75,500 m<sup>3</sup> of Alaskan timber in 1981 according to survey responses. Most of this, 83 percent, was K-sort hemlock logs imported by one firm (Table V-1). Sitka spruce imports totaled 13,000 m<sup>3</sup> of which 8,000 m<sup>3</sup> were cants. In 1980, one firm reported they had imported hemlock cants also, but lost money on the venture and have not repeated it.

The Alaskan timber represents about 29 percent of the total volume of the three processors and ranges from 27 percent to 75 percent. For the total Korean industry, Alaskan imports represented only about one percent of total timber usage in 1981.

## 2. End Use

As shown in Table V-1, the greatest share of the Alaskan timber, 31,250 m<sup>3</sup> of western hemlock, went into hidden interiors of houses. The remainder of the western hemlock was used in exposed house interiors and boxes and crates. Sitka spruce, logs or cants, usually went into the growing musical instruments industry, particularly Korean pianos.

## 3. Preferences

Korean preferences for Sitka spruce require a high ring count, an even knot distribution and a specific uniform grain angle. They tend to be less concerned about quality characteristics in hemlock which is used in lower value or hidden end products.

In the case of the hemlock logs, they are generally satisfied and accept the trade-off in quality for the low price they pay (recently \$200 per MBF, FAS). Alaskan logs are criticized, however, for a high percentage of center defects. While specifications do allow up to 40 percent deduction from gross for these defects, the usual deduction is less than 20 percent. Also, the overall recovery rate on logs is relatively high, 60 percent, considering the low grade of logs imported.

Table V-1. Information summary on sawmills importing SE Alaskan timber, Korea <sup>1/</sup>

Item	Survey results
Total annual volume:	
• Timber processed, all sources	260,667 m <sup>3</sup>
• SE Alaskan timber	75,500 m <sup>3</sup>
• SE Alaskan logs (n=1)	67,500 m <sup>3</sup>
• SE Alaskan cants (n=2)	8,000 m <sup>3</sup>
• SE Alaskan Sitka spruce (n=3)	13,000 m <sup>3</sup>
• SE Alaskan western hemlock - all logs	62,500 m <sup>3</sup>
Alaskan timber as % of total	1 mill - 27%, 2 mills - 75%
Recovery on logs	Sitka spruce - 65%, hemlock - 60%
Recovery on cants (n=2)	Sitka spruce - 70% and 75%
End Use	
• SE Alaskan western hemlock logs (n=1)	50%, House const. - hidden interiors 20%, House const. - exposed interiors 30%, boxes and crates
• SE Alaskan Sitka spruce cants	100%, Musical instruments

<sup>1/</sup> A total of three integrated sawmills were surveyed and to the best of our knowledge they are the only Korean users of SE Alaskan Sitka Spruce and western hemlock. Each does its own importing of timber.

1-3

Preferences or criticisms of the spruce timber were at least more vigorous, if not more serious. One importer notes that only 40 percent or so of the Sitka spruce is really suitable for sounding boards in pianos, its intended use. They complain about knots, unacceptably wide grain, wavy grain, pitch pockets or lines, excessive hardness and instability in drying. As a result of these defects, one processor has accumulated about 500 MBF of material that they cannot use--presumably it could be used for legs but the requirement for legs is not large enough to use defective material. In contrast, the other Sitka spruce importer did not have major complaints about quality.

### C. The General Situation for Timber in Korea

Given the status of Alaskan timber imports in Korea, we now provide an overview of the aggregate timber market. Topics covered include demand and supply which will lead to a final section on opportunities for Alaskan timber in Korea.

#### 1. Demand

The total demand for timber in Korea was 11.6 million cubic meters (log equivalent) in 1978, declining to 7.3 million in 1981. The Office of Forestry forecasted, about a year ago, that 1982's demand would be up to 8.3 million cubic meters. 1982 data were not available at the time of the visit, but it is apparent that there has been an appreciable increase over 1981. Table V-2 shows the demand from 1965 to date by category of domestic use, and by domestic vs. re-export requirements.

According to the Korean Office of Forestry, Korea's domestic needs were much less than those of the Korean re-export industry through the late 1960's and up to 1977. During those years the re-export sector took almost 60 percent of the total demand, reaching 66 percent in 1976. Still, its importance has declined recently, and is likely to decline even more in the future.

Table V-2. Korea's wood products demand

	1965	1970	1975	1978	1979	1981	1982
-----1000 m <sup>3</sup> log equivalents-----							
<u>Domestic use</u>							
Pit props	304	450	542	617	626	628	637
Pulpwood	41	206	188	313	233	497	737
Plywood	-	-	-	541	1,792	1,345	1,132
Other	403	1,057	2,159	4,875	3,965	2,115	2,911
Total	<u>748</u>	<u>1,713</u>	<u>2,889</u>	<u>6,346</u>	<u>6,616</u>	<u>4,585</u>	<u>5,417</u>
<u>Export use</u>							
Plywood	511	2,270	3,226	4,528	3,031	2,497	2,413
Other	1	17	350	737	1,293	183	460
Total	<u>511</u>	<u>2,287</u>	<u>3,576</u>	<u>5,265</u>	<u>4,324</u>	<u>2,680</u>	<u>2,873</u>
Total Demand	1,259	4,000	6,465	11,611	10,940	7,265	8,290

Note: 1982 figures are a forecast prepared at the end of 1981, apparently reasonably accurate.

Source: Assembled from data obtained from the Korean Office of Forestry.

a. Domestic requirements

The categories of domestic use into which the Office of Forestry groups its figures, and which are shown in Table V-2, are pitprops, pulpwood, plywood and general use (presumably lumber in its various applications and particle board). The plywood and general use categories cover housing and other construction, furniture and musical instruments, and boxes and crating material.

Since Korea is heavily export-oriented, an unknown but certainly quite large part of domestic use should perhaps be assigned to the re-export sector - e.g., furniture, musical instruments and the packing materials needed for all kinds of export items. These requirements would exist in most countries, but in Japan and the United States, for example, they are small compared to other domestic needs. In Korea, they probably inflate domestic demand to a significant degree.

Domestic use peaked in 1979, at 6.5 million cubic meters, declined to 4.5 million in 1981. Government stimulation of the housing industry was to increase domestic use to 5.4 million in 1982.

The current rate of housing starts is between 200,000 and 250,000 annually, and is expected to increase slightly. Data were not available on the number of multi-unit vs. single-family dwellings. However, in terms of wood use it is probably not as significant as in Japan because there are very few wood-frame buildings. Wood is used primarily in door and window frames, floors, ceilings and roofs to some extent, doors and some cabinetry, and in concrete forming.

The volume of wood used per housing unit is estimated to be 7.1 m<sup>3</sup>. Housing, therefore, would be using 1.4 to 1.8 million cubic meters per year, plus whatever is used temporarily for concrete forming, perhaps another 0.2 or 0.3 million. Plywood and general use took 3.5 million cubic meters in 1981, so roughly another 0.5 million were required for other construction, furniture, crating, etc.

b. Re-export

Starting in the early 1960's, Korea became the world's most important in-transit processor/producer of hardwood plywood, using Southeast Asian logs. This activity peaked in 1977, with 4.9 million cubic meters of logs--half of Korea's total log requirements in that year. It has since dropped sharply, to 2.5 million in 1981.

Reduced plywood markets in North America, Europe, Japan, etc. are not the only factor in the decrease in Korea's plywood re-export trade. The declining availability of suitable logs is more significant and promises more future problems for the industry. Indonesia and the Philippines have severely restricted log exports, leaving only Papua New Guinea and the Malaysian states of Sabah and Sarawak as places from which logs may be exported on a reasonably open market basis. As a result, Korea must compete with Taiwan, Singapore and Japan for these remaining log sources.

The Korean plywood industry has two options for dealing with this problem. They are:

- shift their operations to the resource country which many companies either have done or are planning to do. This, of course, removes their log requirements from Korea's total demand.
- Substitute other woods for Southeast Asian hardwoods, in core and cross-band veneer. The possibilities include Korean plantation poplar, cottonwood from North America, tight-knotted softwood logs from North America, or imported veneer of softwoods, aspen, etc.

Korea also exports lumber, moldings and other remanufactured wood products, although this is much less important than plywood export. The raw material for this includes North American softwoods, re-exported to Japan and to

Korean construction companies working in the Middle East. This sector took 1,293,000 cubic meters of logs in 1979, dropping to 183,000 in 1981 and supposedly increasing to 460,000 in 1982.

Export statistics cast doubt on the above figures, however. In 1981, Korea apparently exported 262,000 cubic meters of lumber, moldings, and other processed lumber of which 219,000 cubic meters were softwoods for Japan and the Middle East. Probably about 400,000 cubic meters of logs would have been needed to produce this volume, suggesting that lumber re-export is much more important than the 183,000 cubic meters shown in Table V-2.

c. Future demand

The Office of Forestry has prepared a forecast of timber demand and supply up to the year 2030. This was done in 1978 and their estimate for 1980, not surprisingly, missed significantly as the world-wide economic climate suddenly worsened. Their long-term forecasts are presumably more reliable, if their analysis of underlying domestic trends is soundly based. These forecasts are:

	<u>Domestic</u> <u>use</u>	<u>Export</u> <u>use</u>	<u>Total</u>
	-----million cubic meters-----		
1990	14.5	4.8	19.3
2000	19.5	3.0	22.5
2010	22.7	2.5	25.2
2020	24.6	2.0	26.6
2030	25.6	1.5	27.1

It would not be surprising if the export sector's demand declined faster than these figures suggest, particularly with respect to plywood. As domestic demand increases and as the plywood industry struggles with its raw materials problems, a larger decline in exports is possible.

## 2. Supply of Timber

### a. Domestic supplies

In 1965 domestic timber accounted for 48 percent of the total supply. Imports became more and more important as the plywood and lumber re-export industry grew, and domestic sources supplied only 8 percent in 1978. Their proportional importance has increased sharply since 1978, however, up to 16% in 1981. This is largely because of reduced imports for the plywood re-export industry as discussed earlier. The actual volumes have been 800,000 to 900,000 cubic meters since the mid 1960's, topping 1 million in 1981.

Data were not obtainable on the species composition of domestic production, but from our knowledge of Korea it is estimated that well over half would be pine, about one-tenth plantation poplar, and the balance other conifers, oak, chestnut and miscellaneous other hardwoods (e.g., walnut, persimmon, Paulownia).

Domestic logs are mostly small and of rather low grade and poor form. Their end uses are:

- Conifers: construction, generally utilizing small cross-section and short lengths.
- Poplar: packing material, chopsticks, blockboard.
- Hardwoods: furniture, sliced veneer (particularly in narrow widths and short lengths for items such as plywood parquet), and specialty purposes such as golf club heads (persimmon), and Japanese-style solid or veneered furniture (Paulownia).

Table V-3 shows the sources of Korea's timber supply from 1965 to date.

Table V-3. Sources of Korea's timber supply

Source and species	1965	1970	1975	1978	1979	1981
	-----1000 m <sup>3</sup> log equivalents-----					
Domestic supplies	503	845	896	996	952	1,130
Imports						
Tropical hardwood	718	2,863	5,116	8,197	7,886	4,792
Softwood						
North American	18	236	448	1,719	1,252	929
Chile & New Zealand	20	56	-	622	832	414
Total	<u>38</u>	<u>292</u>	<u>448</u>	<u>2,401</u>	<u>2,084</u>	<u>1,343</u>
Other	-	-	5	17	18	-
Total	<u>756</u>	<u>3,155</u>	<u>5,569</u>	<u>10,615</u>	<u>9,988</u>	<u>6,135</u>
Total supplies	1,259	4,000	6,465	11,611	10,940	7,265

Source: Assembled from data obtained from the Korean Office of Forestry.

b. Imports

Imports reached a peak of 10.6 million cubic meters in 1978, declining to 6.1 million in 1981. Industry sources consider an increase to 6.3 million, likely in 1982. Southeast Asia and the South Pacific are the principal sources, and from 1965 to 1977 this area supplied 85-95 percent of imports. Softwood imports increased sharply in 1978, and as of 1981 they reduced tropical hardwoods' share of the market to 72 percent.

Tropical hardwoods are used mostly for plywood, but also for other purposes such as lumber and remanufactured product exports, furniture, domestic moldings, window frames, and construction. Table V-4 compares the Office of Forestry data on domestic and export plywood raw material requirements, and on tropical hardwood imports, in order to get some idea of the hardwood volume that goes into these uses.

Softwood imports have so far come mainly from the United States. New Zealand and Chile are suppliers of Monterey pine, accounting for about 27 percent in 1981. Korea has also started to buy Siberian logs, either transhipped or redocumented in Japan. There has been some imports from Canada in the past few years, the volume is not available. We suspect that it is quite small.

With a few exceptions, Korean importers have but one criterion for softwoods--price. Color, grain characteristics, knot placement, ring count and log size mean little. Knot size is of some significance, however, since Korea, like other Asian countries, uses lumber in some very small cross-section, it does not seem to be a serious problem. Also, logs with smaller knots are selected for this type of end product. One product that can accept large knots, provided they are tight, is crating material for machinery exports, etc. Monterey pine, from New Zealand and Chile, is used for this, as it is in Japan.

Table V-4. Korean plywood requirements and tropical hardwood imports

Item	1978	1979	1981
	-----1000 m <sup>3</sup> log equivalents-----		
Plywood requirements			
Domestic	541	1,792	1,345
Export	4,528	3,031	2,497
Total	<u>5,069</u>	<u>4,823</u>	<u>3,842</u>
Tropical hardwood imports	8,197	7,886	4,792
Tropical hardwood used for lumber, moldings, etc. (domestic and export)	3,128	3,063	950

Source: Assembled from data obtained from the Korean Office of Forestry and the Korean Traders Association.

West Coast exporters prepare a class of logs for the Korean market, appropriately called "K Sort." Ideally this consists of small second-growth logs, in long lengths, so that the Korean mills can benefit from the very high Scribner MBF/cubic meter conversion factor. While the Japanese market accepts small logs (down to 6":), the Koreans also accept a considerable degree of roughness, i.e. more knots, sweep, crook bark seams, center rot and, catfaces. The Korean market will also accept larger logs with considerable center defect (say, up to 35-40 percent of the gross volume), provided it is scaled out and the poorer stowage on board ship is accounted for in the price.

U.S. lumber grading rules are not applicable to Korean usage, because with a wide variety of small sizes the Korean sawmillers can recover clear lumber where U.S. sawmillers could not. However it may be useful to describe Korea's lumber use in terms of these rules to provide an idea of what is needed from their softwood supplies. Some characteristics are:

- A moderate amount of improvement in recovery--upgrading from purchase basis by remanufacturing into small sizes. This end result, achievable directly in the sawmill, will not be very large because most of the logs imported are small second-growth, with tight knots.
- A moderate amount of utility grade lumber, used domestically, probably most of it as boxes or packing material.
- A moderate amount of Standard grade, used domestically or exported to Japan or the Middle East.
- Some Construction grade--probably most of which is exported to Japan.
- A little No. 1, Select Structural, Shop Grades, or Clears, probably used locally for miscellaneous special uses or exported to Japan.

Two exceptions to these remarks are:

- Sitka spruce for the musical instrument manufacturers, whose requirements are even more stringent than those of their Japanese counterparts. Korea does not have the same outlets as Japan for spruce which, while not meeting musical instrument specifications, is still of rather high grade, and
- Red cedar, which has come into fashion in Korea for wall panelling. In this case the Koreans are forced into taking lower grade sawlogs in order to get the larger logs that yield clear lumber for panelling; the lower grade logs then go into general uses, probably including crating.

#### D. Trends and Opportunities in the Korean Market

##### 1. Future Timber and Lumber Supplies

The production forecasts developed by the Office of Forestry indicates an aggressive production level for domestic timber. Supplies are projected to increase to 13 million m<sup>3</sup> by 2030 or 48 percent of the projected demand in that year. By 1990, however, domestic supplies are expected to be at only the 3 million m<sup>3</sup> level, or 15 percent of demand. These forecasts rely heavily on poplar, which of course grows much faster than any native species. Poplar volume is expected to reach a plateau of 5 million cubic meters per year by 2010.

Imports are forecast to grow, with domestic demand, to 16.4 million cubic meters in 1990, but to decline to 14.1 million in 2030, as domestic supplies increase. The importance of North America as a supply source is likely to increase, as Korea's overall demand comes to consist more of domestic construction needs and less of (mostly plywood) re-export raw material.

Table V-5 shows the Office of Forestry's estimates of where supplies will come from between now and 2030, plus our own estimate of how much North America might provide. Our estimate is based on these assumptions:

- Korea's re-export industry will continue to have difficulties competing for South Seas hardwoods to supply the necessary component for the plywood component.
- The domestic plywood requirement will account for about one-third of total domestic demand. A part of the domestic demand will be filled by softwood plywood imports; some softwoods will be used for veneer in domestic plywood production.
- As a result of increasing difficulty in obtaining tropical hardwood logs, the volume of tropical hardwoods used for purposes other than plywood will decline. The combined domestic and export plywood demand will approximate the extent of tropical hardwood imports.

Up to now Korea has imported almost all its lumber requirements as logs, with relatively little material in cants, squares, lumber, particle board, etc. From our analysis of the market, we believe Korea will gradually import more and more finished or semi-finished wood products. It is difficult to quantify this, but the areas in which such imports are likely to show the most growth are:

- Korean specification construction lumber sawn in North American mills from K Sort logs--similar to those mills that now produce to Japanese specifications,
- hardwood lumber as by-products of Korean plywood operations in Indonesia, etc.,
- softwood veneer and plywood, and

Table V-5. Future sources of Korea's timber supply

	1988	1990	2000	2010	2020	2030
-----million m <sup>3</sup> log equivalents-----						
<b>Domestic supplies</b>						
Native species	1.4	1.5	2.0	4.0	6.0	8.0
Poplar	0.9	1.5	4.4	5.0	5.0	5.0
Total	<u>2.3</u>	<u>3.0</u>	<u>6.4</u>	<u>9.0</u>	<u>11.0</u>	<u>13.0</u>
<b>Imports</b>						
North American	4.8	5.1	4.7	4.4	3.9	3.0
Other areas	10.9	11.3	11.4	11.8	11.7	11.1
Total	<u>15.7</u>	<u>16.4</u>	<u>16.1</u>	<u>16.2</u>	<u>15.6</u>	<u>14.1</u>
<b>Total</b>	<b>18.0</b>	<b>19.4</b>	<b>22.5</b>	<b>25.2</b>	<b>26.6</b>	<b>27.1</b>

Source: Assembled from data obtained from the Korean Office of Forestry.

- North American particle board.

## 2. Opportunities for Alaskan Timber Species

Within the general setting, it is also possible to gain some insight about opportunities for Sitka spruce, western hemlock and some other Alaskan products.

### a. Sitka spruce

As mentioned, the Korean musical instrument industry uses about 5 million BF or (13,000 cu. m.) of spruce per year. This figure is likely to increase somewhat, according to the largest piano manufacturer. They report increasing demand for Korean-made pianos, and to satisfy this they are increasing their capacity. Within a couple of years the total demand will probably be about 7 million BF or (18,000 m<sup>3</sup>).

Also as mentioned, the demand could theoretically be halved, or at least reduced, if spruce are supplied only in sounding board quality and basswood and other species are used for keys, legs, etc. In practice, basswood might not be as convenient to import as spruce, and so it seems rather likely that spruce will maintain its position.

Since even the highest grade log is bound to contain considerable non-music grade material, we think it is reasonable to say that cants, containing as much as possible of music grade cuttings, would be preferred if the end-users could get them. Some of the smaller companies are now making efforts in this direction.

### b. Hemlock and lower grade spruce

Only a very small percentage of Southeast Alaska hemlock and spruce is really suitable for the Korean market - top grade spruce for musical instruments, and small, knotty and preferably sound logs of either species.

What lies in between is too good, in the sense that it possesses characteristics (tight grain and generous yield of clear lumber) that command a premium in Japan but are in most cases of no importance in Korea.

Korea's current log imports from Alaska are covering not only the small low quality, knotty logs but also the next layer of quality upwards - as previously described, logs that will yield a considerable amount of clear lumber but which have a lot of defect. This is probably due to two factors:

- the current low prices for all logs which brings more logs within the range that Korean importers are willing to pay, and
- the overall lower level of logging activity in the Pacific Northwest, which reduces the volume of K Sort logs available there.

When the Japanese market improves, or as the yen strengthens against the dollar, it is almost certain that some of the logs now being bought by Korea will be priced out of the Korean's reach, and either imported by Japan in the round or custom sawn into cants. When this happens exports to Japan from the Pacific Northwest will pick up, producing more K Sort logs as a kind of by-product; some of the Koreans' buying will presumably then shift back to that area.

One might suppose that the small percentage of "true K Sort" logs produced from National Forest land in Southeast Alaska could be sawn into cants that would then be suitable and reasonably priced for the Korean market. We do not think so, for these reasons:

- such logs are, at most, 16" in diameter, and the lower productivity with small logs makes the canting process inordinately expensive, and

- with larger logs, the cost of producing cants may be partly offset by a real freight saving, as defective material is sawn out. With small, knotty but reasonably sound logs this saving is not available.

In short, these logs should, perhaps, be available for export to Korea in the round.

#### c. Red cedar

Unless red cedar panelling is a passing fad, the projected growth of Korean domestic demand, based on housing and other building construction, will mean more demand for red cedar, and more opportunities to supply it to small scale importers or end users in the form of cants.

#### d. Other Alaskan possibilities

Moving north and west along the Gulf of Alaska coast, the percentage of logs that are suitable for Korea rises sharply. In places such as Seldovia, Port Chatham and Afognak and Kodiak Islands about half of the volume could be considered K Sort.

Possibilities for Korea's plywood industry exist in cottonwood, white spruce, and perhaps birch, as log or maybe even veneer imports.

In general, the Korean market prospects are good for high grade spruce logs or cants and for red cedar. The market size is small compared to Japan, however. The Korean market does not look particularly good for hemlock or low grade spruce, as Koreans will not compete price-wise with the Japanese for this timber. As described above, some other Alaskan timbers also have some market potential and deserve some attention.

ATTACHMENT I

Forbes, November 7, 1983--"Northwest Passage"

Asia covets Alaskan fish, timber, coal and, especially, oil, and the state's little-known Native corporations are finding new trading partners.

## Northwest passage

By Allan Dodds Frank

**W**HEN THE residential housing market slumps in Tokyo, it hurts Alaska Natives in Juneau and Sitka. When South Koreans get depressed, aphrodisiac prices there decline and Eskimos in Kotzebue lose

profits. What's going on is that the Natives of Alaska, the Eskimos, Indians and Aleuts, are establishing business empires increasingly tied to the fortunes of the Pacific Rim. Japan and South Korea provide major markets for timber, fish, minerals and, yes, even reindeer horn, which old-fash-



Cook Inlet Region, Inc. President Roy Hulmuhof at headquarters in Anchorage. Alaskan coal to Japan?

ioned apothecaries in Seoul finely grind into much-savored sex potions.

Being in the export business is just one offshoot of the 1971 settlement, enacted by Congress, of the land claims of Alaska's 80,000 Eskimos, Indians and Aleuts. The Natives were granted 44 million acres, a land area equal to 2% of the entire U.S. To help them enter the capitalist mainstream, \$962.5 million was thrown into the pot (FORBES, 6/7/74) to establish 203 village and 12 giant regional corporations. These are to administer the land and begin profitmaking ventures. Each Native received 100 shares in a regional corporation. To prevent takeovers by outsiders, Congress prohibited any stock sale until 1991.

"Until I became a Native American businessman, I always thought a strong American dollar was a good thing," says Roger Lang, a Tsimshian Indian who fishes commercially for salmon and halibut when not attending to his duties as a director of Sealaska Corp., a company with estimated timber assets in hemlock, spruce and cedar worth more than \$200 million. He now knows a weak yen means weak sales. Lang adds that Canada, which he accuses of dumping logs, has hurt Sealaska timber sales to Japan, which last year were nearly 190 million board feet, mostly in round logs.

Overall the 12 Alaska Native corporations' profits have been improving (see table, p. 222), but the big move forward will occur when world prices for oil, timber and fish improve. Until then the corporations will work on honing skills in scouting out new joint ventures. Several Native corporations have opened branches in Tokyo and Seoul, and more will follow. Alaska is midway between Tokyo and New York by air, and by water it's far easier to ship bulk commodities to the Pacific Rim than to the U.S. East Coast. Raw salmon is a big seller in the Orient, so several Native corporations, like Cahsta Corp. in southwest Alaska and Nana Regional Corp. in Kotzebue, have negotiated wholesale deals to sell fish caught by Natives to Japan.

For Nana, the South Korean market for reindeer horn is the margin that makes it possible to maintain a herd of 6,000 animals that also provides fresh meat for local Eskimos, all of whom are stockholders. The herd still loses money, which makes it a tax-loss carryforward on the hoof, but the slaughterhouse also is used in summer to process fish. Besides, Nana stockholders are constantly entertained by management's amusing efforts at rounding up the reindeer. Using tax-deductible toys—helicopters,

aircraft, three-wheeled vehicles and dog teams—they try to separate the reindeer from thundering herds of wild caribou (They look alike and are compatible.) Nana also mines decorative quality jade that it sells to Taiwan for carving into clocks, ashtrays and little animals, even reindeer.

"In Japan they understand the Alaska market much better than anyone else," says Alex Raider, Calista Corp. president. Raider has enticed several major Japanese corporations, including Mitsui Engineering & Shipbuilding, Ltd. and Kawasho International Corp., into joint ventures to supply engineering expertise and steel for building offshore oil rigs in the Bering and Chukchi seas. It's not just the Asians who are doing business with the Native corporations. Remember, the dozen corporations control 44 million acres of the state and deal with the

major U.S. oil companies, handling service and construction contracts. Natives and oilmen lobby together against environmentalists for sale of Alaska oil to Japan.

In the main, the Native corporations have staked their future on resource development, with nearly every corporation involved in joint ventures with oil companies.



Roger Long, a Tsimshian Indian who is a Sealaska director. Learning that a strong dollar doesn't always help.

The most profitable Native corporation, Cook Inlet Region, Inc., is seeking a blend of Pacific Rim and domestic markets that other Native corporations are trying to duplicate. Cook Inlet President Roy Huhndorf says improvement of coal prices could make it economically feasible to ship to Japan from the corporation's massive Beluga coalfield near Anchorage, to be operat-

ed under lease by Placer Amex Inc. In the meantime, with proved oil and gas reserves, Cook Inlet "is going to stick to joint ventures with expert operators like Arco and Texaco," says Huhndorf.

The Native corporations always look for ventures that will employ shareholders, a notion that produces company ties akin to the Japanese cradle-to-grave employment approach. The Native leaders strive to create shareholder loyalty—William L. Hensley, president of Nana Development Corp., a Nana subsidiary, calls it "Sivuniigvik," spirit in Eskimo—to work against the temptation to sell out when 1991 comes around.

The Native corporations, however, have lost a friend with the resignation of James Watt, the Interior Secretary. Watt had pushed hard to unlock their lands for exploration and to get their land titles to them. He put federal lawyers to work on projects to make the Natives self-sufficient, even if it meant fighting The Sierra Club, which it has. As he told FORBES before his resignation, "The no-growth advocates who try to destroy the success of these corporations shouldn't be tolerated."

But then Watt believed in self-reliance for the Natives, not handouts. ■

### On native ground

These 12 corporations, established by Congress, control most subsurface and surface rights to 44 million acres of Alaska and were given \$962.5 million to set up

businesses and manage the assets to make Alaskan Natives self-supporting. They can't sell their stock until 1991. Here's a situation report.

Corporation	Reporting year	Stockholders	Average (millions)	Settlement money	Equity	Long term debt (in thousands)	Current assets	Current liabilities	Earnings per share	Equity per share
Ahtna Inc	1983	1,074	1.8	\$15,085	\$17,755	\$ 877	\$12,304	\$1,354	\$ 2.69	\$17.34
Aleut Corp	1982	3,249	1.5	19,504	15,839	2,110	8,346	1,208	1.53	48.75
Arctic Slope Regional Corp	1982	3,738	5.2	22,535	20,002	16,299	15,684	14,938	(18.38)	50.84
Bering Straits Native Corp	1981-82	7,425	2.2	51,225	8,360	24,391	5,640	3,404	(5.01)	13.20
Bristol Bay Native Corp	1983	5,401	3.2	32,695	37,194	14,527	7,980	3,761	5.88	62.87
Calista Corp	1982	13,306	6.5	80,133	54,716	23,865	21,571	3,600	1.18	41.12
Chugach Natives Inc	1982	1,908	1.0	11,454	6,049	906	8,828	9,710	(4.62)	31.64
Cook Inlet Region Inc	1982	6,264	2.4	43,026	75,880	9,685	65,209	26,677	24.98	121.14
Doyon Ltd	1982	9,491	12.2	53,609	57,991	3,374	11,602	19,144	0.74	64.00
Koniag Inc (9 mos ending 3/31/82)		3,432	1.1	26,904	15,043	2,886	8,696	8,315	(3.33)	33.35
Nana Regional Corp Inc	1982	4,828	2.3	43,583	44,669	2,751	20,594	20,184	1.80	60.85
Sealaska Corp	1982	15,787	0.6	2(13,948	176,000)	36,889	100,756	101,828	(17.72)	111.41

Source: Native corporations' annual reports

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*\*(not admitted in Alaska)*

February 22, 1984

*Telephone*  
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*'Breege'*

Albert P. Adams  
Alaska State Representative  
Pouch V  
Juneau, Alaska 99811

Dear Representative:

My law firm represents a number of the major Korean business groups doing business in Alaska or who are evaluating projects in Alaska. I am President of the Alaska-Korea Business Council and Secretary-Treasurer of the State Chamber of Commerce International Trade Council. I am writing to you, however, in my capacity as legal representative for Korean business groups doing business in Alaska.

On behalf of the Korean business groups that I represent, I wish to express our very strong support for House Bill 654 which would create a State of Alaska office in Korea. All Korean business groups doing business in Alaska wholeheartedly support the creation of an Alaska office in Korea.

As I am sure you have read from newspaper accounts, Korea Shipbuilding and Engineering Corporation is in the final stages of negotiating an agreement with the City of Seward to undertake a major industrial project at Seward's Forth of July Creek harbor. As now contemplated, private investment in that project will exceed fifty million dollars within five years.

The Han-A Samick-America Corporation, which is a joint venture between two major Korean business groups, is currently negotiating with the University of Alaska and numerous private land owners the development of a major livestock project on the Southern Kenai Peninsula. These companies will be investing in excess of twenty-two million dollars in their proposed project within five years and may invest an additional fifteen million dollars in a meat processing facility if ongoing feasibility studies are positive.

Page Two

The Samsung Corporation is currently fabricating a coal loading facility which will be shipped and erected at Seward for coal shipments from the Usibelli Coal Mine to Korea. Samsung has just this past month opened an office in Alaska, joining Hyundai, Suneel, Han-A Samick and Korea Shipbuilding and Engineering Corporation in opening offices in Alaska. Samsung is also now evaluating a major timber project in Southcentral Alaska.

A number of major Korean construction companies including Samsung, Hyundai, Ssangyong, Samwhan and Dongsan are evaluating construction projects and joint venture relationships in Alaska.

Total bilateral trade between Alaska and Korea now approaches the level of trade between Alaska and Japan. In fact, imports from Korea exceeded imports from Japan in 1983. The level of commercial activity just from the projects I have described above alone warrant the creation of a State trade office in Korea.

Regardless of the qualifications of the State's trade representative in Japan, no trade representative in Japan can adequately cover trade relations with Korea. While Korea admires and emulates Japan in many regards, there exists a very strong historical animosity between these countries. Occasional visits to Korea by the State's trade representative in Japan is viewed in Korea as placing upon Korea's relationship with the State of Alaska a second class status. This has been reiterated to me over and over again by government and business leaders in Korea.

The State of Alaska could be very well served by opening a trade office in Korea. Such an office can facilitate trade, promote tourism, and increase cultural and educational ties. The office should be able to pay back the State many fold by enhancing trade between Alaska and Korea. Both personally and on behalf of the major Korean business groups doing business in Alaska, I urge your support for House Bill 654.

Best regards,

ROSE & BREEZE, P. C.

By: 

ROBERT A. BREEZE

RAB/sb

ALASKA-KOREA BUSINESS COUNCIL, INC.



*Loren*

February 22, 1984

Albert P. Adams  
Pouch V  
Juneau, Alaska 99811

Dear Albert:

I am writing to you on behalf of the 150 members of the Alaska-Korea Business Council to urge your support for House Bill 654 which would create a state office in Seoul, Korea.

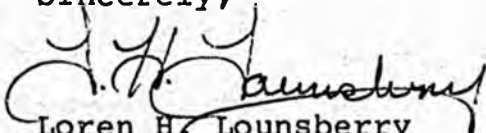
The volume of business activity between the State of Alaska and the Republic of Korea has increased dramatically. The total volume of business between Alaska and Korea now approaches the level of business activity between Alaska and Japan.

We can expect a great deal more activity between Alaska and Korea in the years to come. In fact, Korean investments in Alaska may soon exceed that of any other foreign nation.

The creation of a state office in Korea will greatly facilitate trade between Alaska and Korea. The creation of an office in Korea would cement this important relationship. In Korea such a move would be most favorably received and would be viewed as an indication of the State of Alaska's support for the activities of Korean companies doing business in Alaska.

I am sure you are aware of the great sensitivity and competitiveness that Korea has towards Japan. A state official based in Japan cannot be viewed in Korea in the same light as a state representative based in Korea. Given the increasing level of commercial activities between Alaska and Korea and given the prospects for future growth in this relationship, the State of Alaska would be well served by opening an office in Seoul, Korea.

Sincerely,

  
Loren H. Lounsberry  
Chairman

cc: Board of Directors

LHL/sb

Introduced: 2/13/84  
Referred: Labor & Commerce  
and Finance

BY HAYES, BETTISWORTH,  
COWDERY AND HERRMANN

1 IN THE HOUSE

2 HOUSE BILL NO. 654

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to Alaska Foreign Offices; and  
7 providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 \* Section 1. AS 44.33.020(26) as enacted by Executive Order No. 57 is  
10 amended to read:

11 (26) administer the Alaska Foreign Offices [OFFICE] estab-  
12 lished by AS 44.33.530.

13 \* Sec. 2. AS 44.33.530 as enacted by Executive Order No. 57 is repealed  
14 and reenacted to read:

15 Sec. 44.33.530. ALASKA FOREIGN OFFICES ESTABLISHED. There are  
16 established in the Department of Commerce and Economic Development two  
17 Alaska Foreign Offices. The offices are to be located in Tokyo,  
18 Japan, and Seoul, Republic of Korea. The offices shall serve as  
19 outlets for information related to economic development, resources,  
20 and trade, and as contact points for government and private industry  
21 of Alaska and the Pacific Rim nations of Asia to promote and maintain  
22 trade between the state and those countries.

23 \* Sec. 3. AS 44.33.535 as enacted by Executive Order No. 57 is repealed  
24 and reenacted to read:

25 Sec. 44.33.535. PERSONNEL. The commissioner of commerce and  
26 economic development shall staff the offices with persons the commis-  
27 sioner selects based on their experience, training and linguistic  
28 ability. The commissioner shall solicit ideas from the legislature  
29 regarding desirable staff qualifications and its recommendations of

1 persons to staff the offices. The commissioner may hire additional  
2 personnel as necessary.

3 \* Sec. 4. AS 44.33.540 as enacted by Executive Order No. 57 is repealed  
4 and reenacted to read:

5 Sec. 44.33.540. INFORMATION. The governor, at the request of  
6 the commissioner of commerce and economic development, shall direct  
7 all state agencies and request the federal government and private  
8 industry to provide the foreign offices with necessary reports, bro-  
9 chures, and information requested by the staffs of the foreign of-  
10 fices.

11 \* Sec. 5. AS 44.33.545 as enacted by Executive Order No. 57 is repealed  
12 and reenacted to read:

13 Sec. 44.33.545. ANNUAL REPORT. The commissioner of commerce and  
14 economic development shall report annually to the legislature on the  
15 activities and accomplishments of the offices.

16 \* Sec. 6. AS 44.33.550 as enacted by Executive Order No. 57 is repealed  
17 and reenacted to read:

18 Sec. 44.33.550. EXPENSES. The expenses of operating the offices  
19 shall be included in appropriations made to the Department of Commerce  
20 and Economic Development.

21 \* Sec. 7. This Act takes effect July 4, 1984