

COMMITTEE REPORT
SENATE

FURTHER:

4/18/84

Date 5/16/84

Mr. President

The Committee on FINANCE considered HB 654

Alaska Foreign Offices; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

- do pass
- do pass with attached amendment(s)
- replace with/or adopt CS for _____
- new title
- same title and recommends _____
- and attached a "LETTER OF INTENT" NEW FISCAL NOTE
- reports it back without recommendation
- recommends referral to _____ Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

Joe Joseph
Sergius

Miss Doherty - No rec.
Bob ... NR
Jan ... NR
V. Fischer NR

[Signature] NR
Chairman

Chairman recommendation _____

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 654

Title: Act relating to Alaska

Foreign Offices

Sponsor: Rep. Hayes

Requestor: Senate Finance Committee

Date of Request: May 15, 1984

FISCAL DETAIL

Agency Affected: Commerce & Economic Development

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
OPERATING						
100 PERSONAL SERVICES	0	0				
200 TRAVEL	0	0				
300 CONTRACTUAL	0	0				
400 SUPPLIES	0	0				
500 EQUIPMENT	0	0				
600 LAND & STRUCTURES	0	0				
700 GRANTS, CLAIMS	0	0				
800 MISCELLANEOUS	0	0				
TOTAL OPERATING	0	0				
CAPITAL	0	0				
REVENUE	0	0				

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0				
FEDERAL FUNDS	0	0				
OTHER	0	0				
TOTAL	0	0				

POSITIONS:

FULL-TIME	0	0				
PART-TIME	0	0				
TEMPORARY	0	0				

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: Attach a separate page for analysis

Prepared By: *John Sackett*
 Division: John Sackett, Co-chairman
Senate Finance Committee

Phone: 465-3753

Date: 5/15/84

Approved by Commissioner: _____
 Agency: _____

Date: _____

Distribution (by Agency preparing fiscal note):

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

12/1/83

STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT

POUCH D
JUNEAU, ALASKA 99811
PHONE: 465-2500

OFFICE OF THE COMMISSIONER

May 4, 1984

honorable John C. Sackett
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Senator Sackett:

Re: Foreign Office

As requested at the Senate Finance Committee hearing this morning, you have asked the department to provide a position on the establishment of a foreign office in Korea and also comment on the fiscal notes enclosed to House Bill 654: one submitted by this department and a second submitted by the House Speaker's office.

Department Position: The Department of Commerce and Economic Development believes that, as trade between Alaska and the Pacific Rim rises in the future, an increased Alaska presence in the area may be appropriate. In that regard, Korea makes sense for the next step. However, at the current time, given all the needs in general economic development, we believe that the Tokyo office provides appropriate and adequate State coverage for that area.

Fiscal Notes

1. The department submitted a fiscal note on February 22, 1984 which realistically represents the cost of establishing an office in Korea. That cost is projected at \$434.0.
2. A fiscal note for \$335.0 was submitted on February 24, 1984 by the House Speaker's office making the following assumptions:
 - a. A director (Range 26A) and a deputy director (Range 19A) will be appointed, both receiving equivalent Juneau/Anchorage scale salaries. No foreign assignment incentive pay would be granted.
 - b. Housing would not be provided as is customarily done by both the Federal Government and the State of Alaska.

Honorable John C. Sackett


-2-

May 4, 1984

- c. Funds are not provided for moving households goods and family members which could cost in excess of \$20,000 per employee. State furnishings are currently provided in Tokyo to specifically eliminate the moving costs each time a replacement employee is appointed.
 - d. Since the proposal of the House Speaker's office includes a deputy, the reduction to two contract nationals is reasonable.
3. It has been determined by the House that the development specialist in Juneau currently assigned exclusively for support of the foreign office is not necessary. It has been shown over the past year that, in order to have an effective office, whether it be Japan or Korea or both, dedicated support to their needs is required in Alaska.

If you have further questions, please do not hesitate to contact my office.

Sincerely,



Richard A. Lyon
Commissioner

RAL/saA/20
5484b

COMMITTEE REPORT

SENATE

FURTHER:

FINANCE

3/15/84

Date

4/17/84

Mr. President

The Committee on LABOR & COMMERCE considered HB 654

relating to Alaska Foreign Offices; efd.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

do pass

do pass with attached amendment(s)

replace with/or adopt CS for _____

new title

same title and recommends _____

and attached a "LETTER OF INTENT"

NEW FISCAL NOTE

reports it back without recommendation

recommends referral to _____

Committee

MEMBERS SIGNING
DO PASS

MEMBERS HAVING
OTHER RECOMMENDATIONS

3 Walter Koles no rec.
3 Bob M. Pelt N/R
2 Delegated do not pass

McLain
Chairman

D. Pelt
Chairman recommendation

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

BY H/ YES, 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

Page 1 of 3

REQUEST
Bill/Resolution No.: HB 654
Title: An act relating to
Alaska Foreign Offices

FISCAL DETAIL
Agency Affected: Com. and Econ Dvp.
Program Category Affected:

Sponsor: Hayes
Requestor:
Date of Request:

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		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						
TOTAL OPERATING		335.0	351.7	369.3	387.9	407.4
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		335.0	351.7	369.3	387.9	407.4
FEDERAL FUNDS						
OTHER						
TOTAL						

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)

12/1/83

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.

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

OK

Revision Date: _____

(Page 1 of 2)

REQUEST

Bill/Resolution No.: HB 654
 Title: "An Act relating to Alaska Foreign Offices"
 Sponsor: Hayes
 Requestor: House Sponsor/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)

OPERATING	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
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						
TOTAL OPERATING		434.0	455.8	478.5	502.5	527.7
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		434.0	455.8	478.5	502.5	527.7
FEDERAL FUNDS						
OTHER						
TOTAL						

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: 2/22/84
 Agency: Commerce & Economic Development

Distribution (by Agency preparing fiscal note):

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

12/1/83

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

654

Introduced: 1/9/84
Referred: Senate: Labor and Commerce
House: State Affairs and
Labor and Commerce

EXECUTIVE ORDER NO. 57

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Under the authority of art. III, sec. 23, of the Alaska Constitution, and in accordance with AS 24.30.130(b), I order the following:

* Section 1. FINDINGS. As governor, I find that it would be in the best interests of efficient administration to rename the Alaska State Office and to move it from the Office of the Governor to the Department of Commerce and Economic Development, the department responsible for administration of economic development programs.

* Sec. 2. AS 44.33.020 is amended by adding a new paragraph to read:

(26) administer the Alaska Foreign Office established by AS 44.33.530.

* Sec. 3. AS 44.33 is amended by adding new sections to read:

ARTICLE 12. ALASKA FOREIGN OFFICE.

Sec. 44.33.530. ALASKA FOREIGN OFFICE ESTABLISHED. There is established in the Department of Commerce and Economic Development an Alaska Foreign Office to be opened and maintained in Tokyo, Japan, as an outlet for economic development, resource, and trade information, and as a contact point for government and private industry of Alaska and the Far East in promoting and carrying on trade between the state and the Far East.

Sec. 44.33.535. PERSONNEL. The office shall be staffed by personnel selected by the commissioner of the Department of Commerce and Economic Development on the basis of experience, training, and linguistic ability. The staff may include subordinate personnel whom the commissioner finds necessary to hire.

Sec. 44.33.540. INFORMATION. The governor, at the request of the commissioner of the Department of Commerce and Economic Development, shall direct the cooperation of all state agencies and request the cooperation of the federal government and private industry in

1 providing the office with necessary reports, brochures, and informa-
2 tion requested by that office.

3 Sec. 44.33.545. ANNUAL REPORT. The commissioner of the Depart-
4 ment of Commerce and Economic Development shall annually report to the
5 legislature on the activities and accomplishments of the office.

6 Sec. 44.33.550. EXPENSES. The expenses of operating the office
7 are to be included in the appropriations made to the Department of
8 Commerce and Economic Development.

9 * Sec. 4. AS 44.19.074 -- 44.19.082 are repealed.

10 * Sec. 5. TRANSITION. All litigation, hearings, investigations, and
11 other proceedings pending under a law repealed by this Order, or in con-
12 nection with functions transferred by this Order, continue in effect and
13 may be continued and completed notwithstanding a transfer or repeal
14 provided for in this Order. Certificates, orders, and regulations issued
15 or adopted under authority of a law repealed by this Order remain in effect
16 for the term issued, or until revoked, vacated, or otherwise modified under
17 the provisions of this Order. All contracts, rights, liabilities, and
18 obligations created by or under a law repealed by this Order, and in effect
19 on the effective date of this Order, remain in effect notwithstanding this
20 Order's taking effect. Records, equipment, and other property of the
21 office whose functions are transferred under this Order shall be trans-
22 ferred commensurate with the provisions of this Order.

23 * Sec. 6. NAME CHANGE. To be consistent with the changes made by this
24 Order, wherever in the Alaska Statutes and in regulations adopted under
25 those statutes "Alaska state office" and other terms identifying that
26 office are used, they must be read as referring to the Alaska foreign
27 office. Under AS 01.05.031, the revisor of statutes shall implement this
28 section in the statutes, and, under AS 44.62.125(b)(6), the regulations
29 attorney shall implement this section in the administrative regulations.

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* Sec. 7. This Order takes effect July 1, 1984.

DATED: Jan 9, 1984

Bill Sheffield

Bill Sheffield

Governor

Alaska exports add up to more than \$1.1 billion

By BILL WHITE
Daily News business editor

Did you know that Alaska exported \$47.7 million worth of goods to China last year?

Or \$8.2 million worth of goods to India?

In all, more than \$1.1 billion worth of goods exited Alaska ports or airports for foreign nations last year, according to U.S. Commerce Department figures.

That figure compares with \$1.3 billion in 1982 and \$1.2 billion 10 years ago, said Richard Lenahan of the department's International Trade Administration.

The state exports mostly fish, and most of it goes to Japan, the state's leading foreign trading partner, Lenahan said.

Besides fish, he said, the state exports large quantities of timber and urea, a product made from

Alaska exports

4/20/84

Japan	\$832,732,606
South Korea.....	65,336,077
China.....	47,718,670
Singapore.....	38,500,701
Taiwan	26,112,517
Canada.....	15,999,467
Philippines	9,572,717
India	8,178,618
Thailand.....	7,685,906
West Germany.....	6,515,078

U.S. Department of Commerce

ammonia at a Union Oil Co. refinery near Kenai.

Lenahan said the \$1.1 billion figure shouldn't be taken as gospel for the value of Alaska exports.

The figure excludes goods shipped first to Seattle or elsewhere in the Lower 48 and then

exported.

And it includes some goods that originate in the Lower 48 but registered for export in Alaska, he said. For example, if Flying Tigers transferred freight flown from Los Angeles to another cargo plane in Anchorage, the freight was regis-

tered for export with customs officials here; and thus became part of Alaska's export figures.

The state's top foreign trading partners and their main imports are:

- Japan, with herring, herring roe, salmon, timber, natural gas and small amounts of other natural resource products.

- Korea, logs and fish.
- China, logs and urea.
- Singapore, \$38.5 million, urea and residual oil from the Tesoro Alaska Petroleum Co. refinery in Nikiski.

- Taiwan, \$26.1 million, fish.
- Canada, \$16 million, fish.
- Philippines, \$9.6 million, urea and fish.

- India, urea.
- Thailand, \$7.7 million, urea.
- West Germany, \$6.5 million, fish.



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 *JS*
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.

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

Representative Hayes
January 17, 1984
Page Four

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.¹

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.² 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.

¹ 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.

² 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 1977.³ 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 Marsia 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

³ 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.⁴ 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	

⁴This 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.⁵

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.

⁵ 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.

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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.⁶

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.⁷

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.

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

⁷ 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.

Röbert 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.

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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