

HB

654

#1



Speaker of the House of Representatives

Official Business

Pruch V
State Capitol
Juneau, Alaska 99811
(907) 465-3720FEBRUARY 11, 1984
FOR IMMEDIATE RELEASEContact: Rep. Joe Hayes or
Jeff Day
465-3721HAYES 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.

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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
Sponsor: Hayes
Requestor:
Date of Request:

FISCAL DETAIL
Agency Affected Com. and Econ Dvo.
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		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)

Fiscal Note by House Speaker 1871/83

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

Revision Date: _____

(Page 1 of 2)

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						
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)

Fiscal Note by Dept of Comm 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

HB 654

HOUSE BILL 654 WILL ESTABLISH AN ALASKA FOREIGN OFFICE IN SEOUL, KOREA. THE VOLUME OF BUSINESS ACTIVITY BETWEEN THE STATE OF ALASKA AND THE REPUBLIC OF KOREA HAS RECENTLY INCREASED DRAMATICALLY. THE TOTAL VOLUME OF BUSINESS BETWEEN ALASKA AND KOREA NOW APPROACHES THE LEVEL OF BUSINESS ACTIVITY BETWEEN ALASKA AND JAPAN. THE CREATION OF A STATE OFFICE IN KOREA WILL GREATLY FACILITATE TRADE BETWEEN ALASKA AND KOREA.

THE DEPRESSED TIMBER AND FISHING INDUSTRY COULD BENEFIT SUBSTANTIALLY FROM THE DEVELOPMENT OF THE KOREAN MARKET.

HB 654 HAS THE SUPPORT OF MANY KOREAN OFFICIALS, THE CITY OF SEWARD, TIMBER INDUSTRY REPRESENTATIVES, AND MANY OTHER CONCERNED INDIVIDUALS.

*HB 654
passed the
House
36-3*

ADDITIONAL INFORMATION

THE HOUSE INCLUDED \$335,000 IN THE OPERATING BUDGET FOR THE OPERATION OF THE FOREIGN OFFICE IN SEOUL. THE SENATE DID NOT INCLUDE ANY MONEY. THIS BUDGET (DEPT. OF COMMERCE AND ECONOMIC DEVELOPMENT) IS STILL OPEN.

THE SENATE FINANCE COMMITTEE SUBMITTED A ZERO FISCAL NOTE FOR HB 654 AS THE MONEY WAS IN THE HOUSE OPERATING BUDGET.

Alaska State Legislature

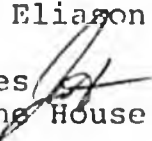


Speaker of the House of Representatives

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

Official Business

May 21, 1984

To: Senator Dick Eliason
From: Rep. Joe Hayes 
Speaker of the House
Re: HB 654/ Establishing an Alaskan Office in Korea

Attached is information which supports the need to establish an Alaskan Foreign Office in Seoul, Korea. I believe this would be a very important step toward increasing our ties with the Pacific Rim countries.

HB 654 would establish such an office and is now in the Senate Rules Committee. I would appreciate your support when this bill come to the floor for action.

Thanks.

APR 11 1984

사 단 인 한 미 경 제 협 의 회



KOREA U. S. ECONOMIC COUNCIL, INC.

SUITE 1302, WORLD TRADE CENTER/KOREA BLDG.
HWERYUN-DONG, JOONG-GU, SEOUL
CPO BOX 6754, SEOUL, KOREA

PHONE: 28-5496/8
CABLE: ECONOCOUNCIL
TELEX: KOTRASO K24265

April 3, 1984

Mr. Joe L. Hayes
Speaker of the House of Representatives
Alaska State Legislature
Pouch V
State Capitol
Juneau, Alaska 99811

Dear Speaker Hayes :

I wish to thank most sincerely for your kind letter and for your interest in the furtherance of good relations that nappily exist between the State of Alaska and Korea.

I appreciate very much the efforts you have been making to establish an official state office in Korea which, when realized, would no doubt render a valuable service for further promotion of good relations between us. On my part, I shall consider it a privilege for me to make whatever contributions that I can for the enhancement of close ties between Alaska and Korea.

Thank you again for your kind words addressed to me and I look forward to the pleasure of making personal acquaintance with you in the near future.

Sincerely,

Duk-Choo Moon
President
Korea-U.S. Economic Council

DCM/es

FEB 23 1984

The International Division of Samsung Group

SAMSUNG CO., LTD.

CORPORATION OF KOREA

Jan 10, 1984

Mr. Joe L. Hayes
Speaker of The House
Pouch V
State Capital
Juneau, Alaska 99811

Dear Mr. Hayes :

It is my great pleasure to take this opportunity to give our whole-hearted welcome and support to your initiating a feasibility study of opening a trade office in Seoul.

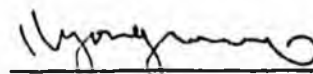
Samsung Co., Ltd. is already participating in the Bering coal field development project through our KADC/ consortium since 1981 and now we are also studying timber development project with Sealaska corp.

Moreover, we have expressed our keen interests in the Alaskan LNG and petrochemical project when Mr. Hickel visited Seoul last December. To facilitate our efforts, Samsung is opening Anchorage offices, beginning this January.

If your trade office would be established in Seoul, reciprocating our Korean efforts as soon as possible, we are sure a bilateral trade between Alaska and Korea can be tangibly activated. Economic cooperation, especially in the fields of natural resources, agriculture, construction and plants for Alaska based industry etc., would be something to watch with great expectations.

We hope your wise vision would bring success and good results.

Sincerely,



Joo Hyon Kyong
President
Samsung Co., Ltd.

CC : Mr. M. Gay



**KUKJE-ICC
CORPORATION**

TRADE & MANAGEMENT
C. P. O. BOX 437 Seoul, Korea
CABLE : KUKJE-ICC
TELE : 816-8111-2411
PHONE : 771-8771-81

CONSTRUCTION
C. P. O. BOX 438 Seoul, Korea
CABLE : "KUCON SOUL"
TELE : 816-8111-2411
PHONE : 771-8151-8721-7411-8

Date: January 15, 1984

His Excellency
Mr. Joe L. Hayes
Speaker of the House
Alaska State-Legislature

Your Excellency :

Few days ago, I had an opportunity of meeting Mr. Michael M. Gay who was introduced to me by Mr. Pio Y. Park. At this meeting we discussed many interesting topics regarding the Korea-Alaska business potentials and possibility of establishing a Alaskan office here in Korea.

As I am in the position of developing oversea businesses within our corporation, I am keenly aware of the fact that overall informations about the state of Alaska or lack of them may influence significant future business decisions. Most of the Korean business men, including myself, have very romantic notions about the Alaska but see few business potentialities. To be more specific, we do not know the details of the natives and Alaskan State, the commercial laws, the labor relationships and other federal laws that may govern the Korean side involvements.

EB 23 1984

Korea



KOLON INTERNATIONAL CORP.

C P O BOX 1052 SEOUL KOLON BLDG. 45 MUGYO-DONG, JUNG-GU, SEOUL, REPUBLIC OF KOREA
TEL 771-57 CABLE ADD KKK TRADE SEOUL TLX KKK TRDG K23226, KKK TRDG K24487,
KOLONT K26591

Mr. Joe L. Hayes
Speaker of the House of Representatives.
Alaska State Legislature

January 16, 1984

Dear Sir,

It is an honor for us to express our sincere gratitude to you for Alaska State's intention to open a trade office in Seoul. We firmly believe this planned office will do much to increase trade and business relations between Alaska and Korea.

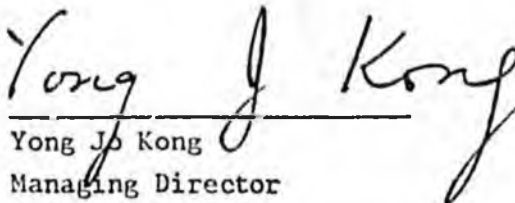
We, Kolon International Corp., very much welcome your proposal, and as an importer-exporter and investor, will be foremost to use this planned office in the future. And we sincerely hope that we may be able to offer you any assistance in the establishment and functioning of this office.

We hope that sometime in the near future your plan will include a trip to Korea and at that time you will offer us the opportunity of receiving you at our main offices.

We send you our best regards and intentions both to you and entire state of Alaska.

Sincerely Yours,

KOLON INTERNATIONAL CORP.


Yong Jo Kong
Managing Director

CC: Mr. Michael M. Gay

CITY OF SEWARD, ALASKA
RESOLUTION NO. 84-12

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SEWARD, ALASKA, IN SUPPORT OF HOUSE BILL 654 CREATING A
STATE OF ALASKA OFFICE IN KOREA

WHEREAS, House Speaker Joe Hayes has sponsored House Bill 654 which would create a State of Alaska office in Korea; and

WHEREAS, the City of Seward strongly supports this Bill; and

WHEREAS, the total volume of bi-lateral trade between Alaska and Korea now approaches the level of trade between Alaska and Japan; and

WHEREAS, the prospects for future trade and for Korean investments in Alaska, such as the projects now being undertaken in Seward, give added impetus to our need for a State office in Korea;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEWARD, ALASKA, that:

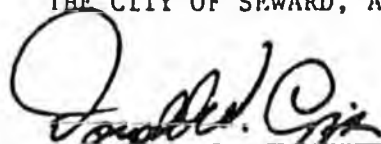
Section 1. The City of Seward urges both the House and the Senate to support the creation of a State of Alaska office in Korea.

Section 2. The City Clerk is instructed to forward copies of this resolution to Governor Sheffield, House Speaker Hayes, Representative Cato, Senate President Kerttula, Senator Gilman and Senator Fischer.

Section 3. This resolution shall take effect immediately upon its adoption.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF SEWARD, ALASKA, this 12th day of March, 19 84.

THE CITY OF SEWARD, ALASKA



DONALD W. CRIPPS, MAYOR

AYES: Cripps, Gillespie, Hilton, Swartz, Williams
NOES: None
ABSENT: Meehan, Wilson
ABSTAIN: None

INTERNATIONAL

LOCAL 200

LONGSHOREMEN'S & WAREHOUSEMEN'S

307 SOUTH FRANKLIN STREET, JUNEAU, ALASKA 99801 • (907) 586-6642

FEDERAL 8422

UNION

LARRY COTTER
President

APR 23 1984

JAY BROWNE
Vice President

MIKE ELLERS
Secretary-Treasurer

Unit 60

Unit Address Box 657

Pres. R. Morgan

Seward, Alaska 99664

Secty. D. Calhoon

Senator Richard Eliason
Chairman
Labor & Commerce Committee
Senate Office Bldg.
Juneau, Alaska 99801

Dear Senator Eliason:

The Seward Longshoremen are pleased to hear that the House has included \$350,000.00 in the Commerce Department budget for a Korean Trade Office. We want to convey our support for this important step in a growing association between Alaska and Korea.

Seward has been chosen as the exit port for coal from Alaska to Korea. Ships coming to Seward from Korea will be bringing new cargo to Alaska. Also, the City of Seward is negotiating with Korea Ship Builders International to form a joint venture with an American and Alaskan company to lease and develop the ship repair yard in Seward.

As Seward is once again a growing and viable port, we strongly support the development of trade between the Pacific Rim countries. The establishment of an Alaskan trade office in Korea is a great step in the right direction.

Thank you very much.

Sincerely,

Don Calhoon

Don Calhoon
secretary,
Unit 60
Seward

*sent 4-12-84
D.C.*

MAR 26 1984

OF COUNSEL
M E MONAGLE

ROBERTSON, MONAGLE, EASTAUGH & BRADLEY

R E ROBERTSON (1885-1961)
F O EASTAUGH
J B BRADLEY
WILLIAM O RUDDY
JAMES F CLARK
PAUL M HOFFMAN
J P TANGEN
HAROLD E SNCW, JR
D ELIZABETH CUADRA
PAMELA L FINLEY
STEVEN W SILVER
JAMES M SHINE
STANLEY B HALOS

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

POST OFFICE BOX 1211

JUNEAU, ALASKA 99802

ROBERT B BAKER
MICHAEL T THOMAS
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L O BERRY
CARL W WINNER
SUSAN L MENDENHALL
JILL A DRIVER

ANCHORAGE OFFICE

801 WEST FIFTH, SUITE 510
ALASKA MUTUAL BANK BLDG
POST OFFICE BOX 679
ANCHORAGE, ALASKA 99510
PHONE (907) 277-8893
CABLE: ROMEA
TELEX: 090-28-486

March 23, 1984

JUNEAU OFFICE

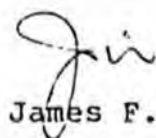
210 FERRY WAY, 2ND FLOOR
POST OFFICE BOX 1211
JUNEAU, ALASKA 99802
PHONE (907) 586-3340
CABLE: ROMEA
TELEX: 099-45-376
TELECOPY: 907-586-6618

The Honorable Joe Hayes
House of Representatives
Pouch V
Juneau, Alaska 99811

Dear Representative Hayes:

As you know, the establishment of an Alaska office in Korea is of great interest to me. With economics the way they are, I feel that the State of Alaska should be looking to Japan, Korea and other Pacific Rim countries for trade. In that regard, if there is anything I can do to support the bill you have sponsored, please let me know.

Yours very truly,



James F. Clark

JFC:sd

EXCERPTS FROM KOREAN OFFICE FEASIBILITY STUDY

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.³

³-----
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.

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.¹⁰

¹⁰-----
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.¹¹

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.¹²

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.¹³

II-----
¹¹ See notes on 1/13/84 interview with Mr. Sonh in Attachment B hereto.

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

¹³ 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.¹⁴

¹⁴-----
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.

VII. - FUNCTIONS, OBJECTIVES AND

EFFE CTIVENESS 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 study¹ 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,² 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.³

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

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

³ 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.⁴

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.⁵

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

⁴See footnote 2, above, and accompanying text.

⁵See footnote 3, above, and accompanying text.

in the next year or two,⁶ 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 Korea⁷ to the ASAO.

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.

⁷The 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,¹ to establish government

¹This 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 liaison 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.² 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.³

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.⁴ 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,

²See section IV, subsection E, above.

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

⁴See 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.⁵

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

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 increased¹ 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.²

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.

¹See 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..

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



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

Pouch Y. State Capitol
Juneau, Alaska 99811
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January 17, 1984

MEMORANDUM

TO: Representative Joe Hayes
Attn: Jeff Day

FROM: Jonathan Sherwood *J.S.*
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

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 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

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.

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.

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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 built 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

Representative Hayes
January 17, 1984
Page Nineteen

- 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

CITY OF SEWARD

P.O. BOX 167
SEWARD, ALASKA 99664



- Main Office (907) 224-3331
- Police (907) 224-3338
- Harbor (907) 224-3341
- Telecopier (907) 224-3248

SEWARD INTERNATIONAL TRADE AND INDUSTRY DEVELOPMENT ADVISORY BOARD

April 30, 1984

The Honorable Richard Eliason
Chairman, Labor and Commerce Committee
Alaska State Senate
Pouch V
Juneau, Alaska 99811

RE: HOUSE BILL 654 KOREA ALASKA TRADE OFFICE

Dear Senator Eliason,

The Seward International Trade and Industry Development Advisory Board is pleased to note that the House has included \$350,000 in the Commerce Department budget for a Korean Trade Office. We wish to convey our support for what we feel is an important step in a growing Alaska/Korea association.

As you know, Seward is to be the exit port for coal from Healy to Korea. Ships arriving in Seward from Korea will be bringing new trade materials to Alaska. In addition, the City of Seward is currently negotiating with Korean Shipbuilding and Engineering Corporation and their Alaskan partners to lease and develop a ship repair yard and steel fabrication facility at the Seward Marine Industrial Center at 4th of July Creek.

As Seward is once again growing and a viable port, we strongly support the development of trade between the Pacific Rim nations and Alaska. The establishment of an Alaskan Trade Office in Korea is a great step in the right direction.

Sincerely,

CITY OF SEWARD, ALASKA

A handwritten signature in cursive script, reading "Albert S. Kawabe".

ALBERT S. KAWABE
BOARD CHAIRMAN

NOTE REGARDING THE FOLLOWING FRAME(S) ON MICROFILM:
COMPLETE DOCUMENT IS AVAILABLE IN ORIGINAL FILES.
TITLE PAGE ONLY HAS BEEN FILMED.

FEASIBILITY STUDY

ESTABLISHMENT OF AN ALASKAN

TRADE OFFICE IN KOREA

PREPARED FOR THE ALASKA STATE HOUSE
OF REPRESENTATIVES

BY MICHAEL M. GAY

FEBRUARY 1984

854 TITLE & SPONSOR SUMMARY

ENDED TITLE:

ACT RELATING TO ALASKA FOREIGN OFFICES, AND PROVIDING AN EFFECTIVE DATE

GENERAL DOLLARS: 40 (7. NOTE)

THE SPONSOR: HAYES.

OTHER DOLLARS: 50

CO-SPONSORS: BETTISWORTH, COWLEY, HERRMANN.

CURRENT STATUS: 5/28/84 TRANSFER TO GOVERNOR

DATE	SEQ	PAGE	LEGISLATIVE ACTION
2/13/84	01	2555	FIRST READING -- COMMITTEE REPORTS
2/28/84	02	2733	L&C -- DP05, NR01
2/28/84	03	2733	L&C F/NOTE HSE SUPPL #90
3/13/84	04	2903	FIN -- DP07, NR02
3/13/84	05	2903	FIN F/NOTE HSE SUPPL #100
3/14/84	06	2926	SECOND READING
3/14/84	07	2926	ADVANCED TO 3RD READING BY UNAN CONSENT
3/14/84	08	2926	THIRD READING
3/14/84	09	2926	PASSED BY DIV 33-03-01
3/14/84	10	2927	EFFECTIVE DATE VOTE SAME AS PASSAGE
5/28/84	23	4120	TRANSMITTED TO GOVERNOR

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DATE	SEQ	PAGE	LEGISLATIVE ACTION
3/15/84	11	2357	FIRST READING -- COMMITTEE REPORTS
3/18/84	12	2701	L&C -- DP01, DP01, NR02
3/16/84	13	3108	FIN -- DP02, NR05
5/16/84	14	3108	FIN F/NOTE EQUALS ZERO
5/25/84	15	3201	RLC -- OTHER04
			TAKEN UP IMMEDIATELY
5/25/84	16	3206	SECOND READING
5/25/84	17	3206	ADVANCED TO 3RD READING BY UNAN CONSENT
5/25/84	18	3206	THIRD READING
5/25/84	19	3206	PASSED BY DIV 16-03-01
5/25/84	20	3206	EFFECTIVE DATE VOTE SAME AS PASSAGE
5/25/84	21	3206	NOTICE OF RECONSIDERATION GIVEN
5/24/84	22	3206	RECONSIDERATION NOT TAKEN UP

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COMMITTEE REPORT

SENATE

FURTHER: PASSED

Date 11-15-54

Mr. President

The Committee on LABOR & COMMERCE considered H.R. 1034

relating to Alaska Foreign Investment

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

Chairman

Chairman recommendation

4848 Palo Verde
Fairbanks, Alaska 99701
March 9, 1984

The Honorable Richard I. Eliason
Chairman, Labor and Commerce Committee
Alaska State Senate
Pouch V (US 3100)
Juneau, Alaska 99811

Dear Senator Eliason:

I would like to urge support for
House Bill 654, to establish an Alaskan
business office in Korea.

I believe that Korea represents an
important potential market for a variety
of resource commodities that can be
produced in Alaska. An Alaskan
business office in Korea will help to
develop this market for Alaska.

Many authorities on economic
development believe that new wealth is
created primarily by industries which
provide products for export. Industries

with external markets bring new money into a region, but industries with local markets merely circulate money within the region.

It seems to me that Alaska should strive to develop export products for products that can be produced in the state.

I believe that HB 654 can make a strong contribution toward this end.

Sincerely,

James V. Drew

INTERNATIONAL LOCAL 200
LONGSHOREMEN'S & WAREHOUSEMEN'S UNION

307 SOUTH FRANKLIN STREET, JUNEAU, ALASKA 99801 • (907) 586-6642



LARRY COTTER
President

JAY BROWNE
Vice President

MIKE ELLERS
Secretary-Treasurer

Unit 60
Pres. R. Morgan
Secty. D. Calhoon

Unit Address Box 657
Seward, Alaska 99664

Senator Richard Eliason
Chairman
Labor & Commerce Committee
Senate Office Bldg.
Juneau, Alaska 99801

Dear Senator Eliason:

The Seward Longshoremen are pleased to hear that the House has included \$350,000.00 in the Commerce Department budget for a Korean Trade Office. We want to convey our support for this important step in a growing association between Alaska and Korea.

Seward has been chosen as the exit port for coal from Alaska to Korea. Ships coming to Seward from Korea will be bringing new cargo to Alaska. Also, the City of Seward is negotiating with Korea Ship Builders International to form a joint venture with an American and Alaskan company to lease and develop the ship repair yard in Seward.

As Seward is once again a growing and viable port, we strongly support the development of trade between the Pacific Rim countries. The establishment of an Alaskan trade office in Korea is a great step in the right direction.

Thank you very much.

Sincerely,

Don Calhoon
secretary,
Unit 60
Seward

Rose & Breeze

Attorneys at Law - a Professional Corporation
921 W. 6th Ave. - Anchorage, Alaska 99501-2094

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E. Sean Donahue
W. J. Shen, Ph.D.
(not admitted in Alaska)

Telephone
(907) 277-0533
Telex
26474
Cable Address
"Breeze"

February 22, 1984

John C. Sackett
Alaska State Senate
Pouch V
Juneau, Alaska 99811

Dear Senator:

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/sh

ALASKA-KOREA BUSINESS COUNCIL, INC.



February 22, 1984

John C. Sackett
Pouch V
Juneau, Alaska 99811

Dear John:

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.

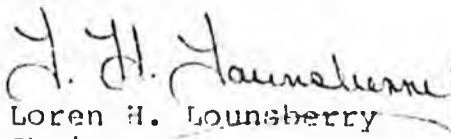
The volume of business activity between the State of Alaska and the Republic of Korea has increased dramatically. The total volume of business between Alaska and Korea now approaches the level of business activity between Alaska and Japan.

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

Poor manners can kill Asian deals, expert says

By CHUCK KLEESCHULTE
Daily News business reporter

Alaskan businessmen have a great opportunity to cash in on trade with Pacific Rim nations, provided they learn how to unlock the region's markets by avoiding embarrassing blunders, an expert on Asian business affairs said Thursday.

Alaska is in the prime geographic location to sell its products and resources to North Asia, said Steve Willard, president of Stephen W. Willard & Associates and a partner in Asian Business Consultants, a Portland, Ore., consulting firm.

But typical American business styles are unacceptable in much of the Far East, and Americans must learn how to deal with Asian business leaders on their terms, Willard told the Resource Development Council.

Americans tend to expect business deals to be conducted formally and quickly, he said.

But Asians expect dealings to be the outgrowth of close personal ties and mutual respect developed over a long period of time.

"You have to learn the cultures, develop personal relationships, travel in Asia, and most importantly, have an open, curious attitude toward Asian customs," Willard said.

Americans traditionally spoil business deals by impatience, he said. They won't accept that it will take five to 10 times longer to complete a business deal in Japan than in the United States. And they refuse to accept long periods of silence during negotiations, a normal Oriental negotiating style.

He said American ignorance of local customs also hurts dealings. For example:

- Americans never should wear white suits while in Japan on business. White is the Japanese color for mourning.

- Samples, or gifts, never should be boxed in groups of four in Japan. Four is an unlucky number for the Japanese, similar to 13 in the United States.

- Business cards should be printed in all the foreign languages a businessman may encounter. He should learn how to organize cards to keep track of people to whom he has been introduced.

- Gift-giving is important in Asia. Businessmen need to learn not to open gifts in the presence of Asian counterparts and not to expect more than a tactful acknowledgement of gifts exchanged.

- The most important part of negotiations usually is conducted

during social meetings. Americans need to acquire a taste for oriental food and a respect for oriental drink, because drunkenness never is acceptable professional conduct.

Willard added American businessmen need to learn simple strategies to make business travel easier in the Orient. They should remember to have addresses for hotels and appointments written in Japanese or Chinese to avoid becoming lost.

And during long business trips, Americans need to be willing to sneak off to the Toyko McDonald's when a Big Mac attack strikes.

"There are going to be times when the cultural shock just gets to you. Rather than be short-tempered, give in. You need to take care of yourself and feel good about yourself to be at your best in negotiations," Willard said.

3/22

When West meets I

American business bows to Asi

by Paul Laird
Alaska Journal of Commerce
and Pacific Rim Reporter

Usibelli Coal Mine will begin exporting more than 800,000 tons of coal annually to Suneel Corp., of Korea later this year, in part because Joe Usibelli never offered a Korean counterpart one of his business cards and handed it to him using his left hand.

If he had, it might have been the end of negotiations and the end of a beautiful business relationship that's bound to benefit companies for many years.

"It's easy to commit social faux pas when you're dealing with Asians in business because there are so many different customs," said Usibelli, owner and president of Usibelli mine.

"If you're going to offer someone a business card, you'd better be sure you offer it with your right hand. If you use your left hand, it's taken as an insult."

It's little wonder that many Americans feel a little like Dorothy in the Land of Oz when they decide it's time to test the waters in the markets of the Orient — "I don't think we're in Kansas, Toto."

Prof. John Kim of the University of Alaska-Anchorage's School of Business and Public Affairs, said the language barrier is only the most obvious of the obstacles standing between Americans and Asians and successful business relationships.

"Little teeny things can be major stumbling blocks in executing a business deal because of a simple breakdown of communications," said Kim, a public policy and administration professor. "There are some real fundamental differences in personality between Americans and Asians in how they do business."

With the export potential of Alaska's vast resources, it's particularly important for Alaskan businesses to understand those differences and deal with them accordingly, says a partner in a Portland-based consulting firm that specializes in Asian business affairs.

Steve Willard, a partner in Asian

Business Consultants, said the most significant of those differences may be the perception of time.

"I could fly to Alaska today and negotiate a business deal, but when you're dealing with Asians, you have to build trust and a personal relationship before you can even think of doing business," he said.

"Americans are always in a hurry — time is money. They're short-term oriented. In Asia, there's a sense of timelessness.

"When you do business with an Asian, you have to think of it as a courtship. In America, it's more of a 'slam, bam, thank you ma'am' relationship, and Americans are very temporary in the eyes of Asians."

Usibelli said the negotiating process with Suneel sometimes became tedious and time-consuming because all decisions were made by consensus by the Koreans. Until everybody agreed, there was no agreement.

"It was more of a committee approach," he related. "It took more time, and I guess the end result may be better since that way everyone ends up pulling in the same direction."

He said the groups making decisions for Suneel were composed of four or five negotiators at a minimum.

"I've always felt a committee of three was ideal . . . as long as two of the members were absent," he quipped.

Usibelli said he made a point of learning as many cultural differences as possible before negotiations began on the Suneel deal, but the senior vice president of international banking for Alaska's largest bank said many business people make the mistake of entering Asian markets thinking they are just like American markets.

"If people want to sell something someplace, they should try to know market conditions and how people do business in that place," said Steve Hasegawa, senior vice president at National Bank of Alaska.

"A lot of Alaskans assume Japan has the same distribution and marketing systems

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ican business bows to Asian tradition

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Usibelli said he made a point of learning as many cultural differences as possible before negotiations began on the Suneel deal, but the senior vice president of international banking for Alaska's largest bank said many business people make the mistake of entering Asian markets thinking they are just like American markets.

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See Asian, page J-7

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American women confront particular difficulty when trying to do business in Asia "because business in Asia is basically a man's world," Willard said.

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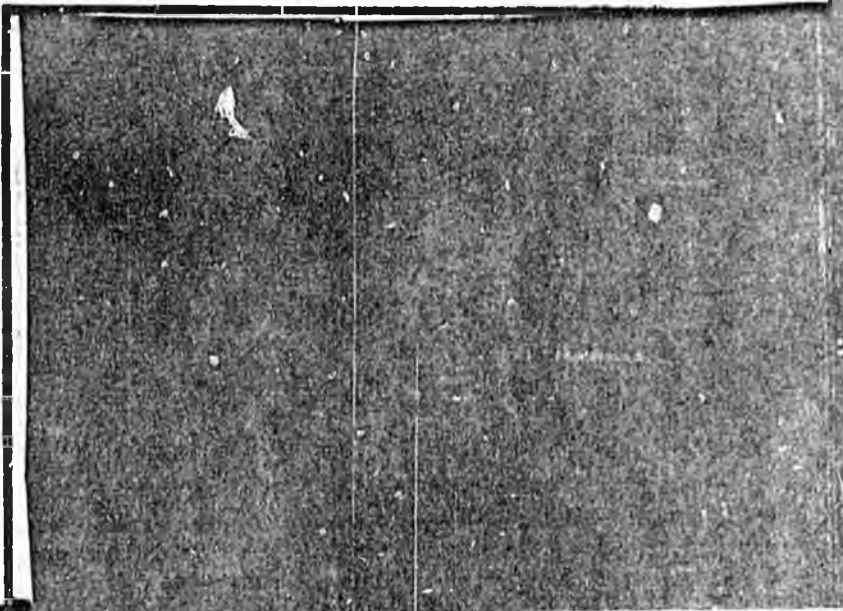
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Usibelli said becoming accustomed to Asian business practices was a major factor in his success in dealing with Suneel on the coal transaction.

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CITY OF SEWARD, ALASKA
RESOLUTION NO. 84-12

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
SEWARD, ALASKA, IN SUPPORT OF HOUSE BILL 654 CREATING A
STATE OF ALASKA OFFICE IN KOREA

WHEREAS, House Speaker Joe Hayes has sponsored House Bill 654 which would create a State of Alaska office in Korea; and

WHEREAS, the City of Seward strongly supports this Bill; and

WHEREAS, the total volume of bi-lateral trade between Alaska and Korea now approaches the level of trade between Alaska and Japan; and

WHEREAS, the prospects for future trade and for Korean investments in Alaska, such as the projects now being undertaken in Seward, give added impetus to our need for a State office in Korea;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEWARD, ALASKA, that:

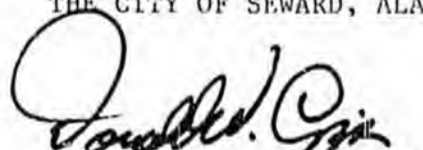
Section 1. The City of Seward urges both the House and the Senate to support the creation of a State of Alaska office in Korea.

Section 2. The City Clerk is instructed to forward copies of this resolution to Governor Sheffield, House Speaker Hayes, Representative Cato, Senate President Kerttula, Senator Gilman and Senator Fischer.

Section 3. This resolution shall take effect immediately upon its adoption.

PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF SEWARD, ALASKA, this 12th day of March, 19 84.

THE CITY OF SEWARD, ALASKA



DONALD W. CRIPPS, MAYOR

AYES: Cripps, Gillespie, Hilton, Swartz, Williams
NOES: None
ABSENT: Meehan, Wilson
ABSTAIN: None

CITY OF SEWARD, ALASKA
RESOLUTION NO. 84-12

ATTEST:

APPROVED AS TO FORM:

HUGHES, THORSNESS, GANTZ, POWELL
AND BRUNDIN, Attorneys for the
City of Seward, Alaska

CHRISTY AUDETTE
Christy Audette, Deputy City Clerk
(City Seal)

Fred B. Arvidson
Fred B. Arvidson, City Attorney

Poor manners can kill Asian deals, expert says

By CHUCK KLEESCHULTE
Daily News business reporter

Alaskan businessmen have a great opportunity to cash in on trade with Pacific Rim nations, provided they learn how to unlock the region's markets by avoiding embarrassing blunders, an expert on Asian business affairs said Thursday.

Alaska is in the prime geographic location to sell its products and resources to North Asia, said Steve Willard, president of Stephen W. Willard & Associates and a partner in Asian Business Consultants, a Portland, Ore., consulting firm.

But typical American business styles are unacceptable in much of the Far East, and Americans must learn how to deal with Asian business leaders on their terms, Willard told the Resource Development Council.

Americans tend to expect business deals to be conducted formally and quickly, he said.

But Asians expect dealings to be the outgrowth of close personal ties and mutual respect developed over a long period of time.

"You have to learn the cultures, develop personal relationships, travel in Asia, and most importantly, have an open, curious attitude toward Asian customs," Willard said.

Americans traditionally spoil business deals by impatience, he said. They won't accept that it will take five to 10 times longer to complete a business deal in Japan than in the United States. And they refuse to accept long periods of silence during negotiations, a normal Oriental negotiating style.

He said American ignorance of local customs also hurts dealings. For example:

- Americans never should wear white suits while in Japan on business. White is the Japanese color for mourning.

- Samples, or gifts, never should be boxed in groups of four in Japan. Four is an unlucky number for the Japanese, similar to 13 in the United States.

- Business cards should be printed in all the foreign languages a businessman may encounter. He should learn how to organize cards to keep track of people to whom he has been introduced.

- Gift-giving is important in Asia. Businessmen need to learn not to open gifts in the presence of Asian counterparts and not to expect more than a tactful acknowledgement of gifts exchanged.

- The most important part of negotiations usually is conducted

during social meetings. Americans need to acquire a taste for oriental food and a respect for oriental drink, because drunkenness never is acceptable professional conduct.

Willard added American businessmen need to learn simple strategies to make business travel easier in the Orient. They should remember to have addresses for hotels and appointments written in Japanese or Chinese to avoid becoming lost.

And during long business trips, Americans need to be willing to sneak off to the Toyko McDonald's when a Big Mac attack strikes.

"There are going to be times when the cultural shock just gets to you. Rather than be short-tempered, give in. You need to take care of yourself and feel good about yourself to be at your best in negotiations," Willard said.

3/22

Newspaper

When West meets American business bows to As.

by Paul Laird
Alaska Journal of Commerce
and Pacific Rim Reporter

Usibelli Coal Mine will begin exporting more than 800,000 tons of coal annually to Suneel Corp., of Korea later this year, in part because Joe Usibelli never offered a Korean counterpart one of his business cards and handed it to him using his left hand.

If he had, it might have been the end of negotiations and the end of a beautiful business relationship that's bound to benefit companies for many years.

"It's easy to commit social faux pas when you're dealing with Asians in business because there are so many different customs," said Usibelli, owner and president of Usibelli mine.

"If you're going to offer someone a business card, you'd better be sure you offer it with your right hand. If you use your left hand, it's taken as an insult."

It's little wonder that many Americans feel a little like Dorothy in the Land of Oz when they decide it's time to test the waters in the markets of the Orient — "I don't think we're in Kansas, Toto."

Prof. John Kim of the University of Alaska-Anchorage's School of Business and Public Affairs, said the language barrier is only the most obvious of the obstacles standing between Americans and Asians and successful business relationships.

"Little teeny things can be major stumbling blocks in executing a business deal because of a simple breakdown of communications," said Kim, a public policy and administration professor. "There are some real fundamental differences in personality between Americans and Asians in how they do business."

With the export potential of Alaska's vast resources, it's particularly important for Alaskan businesses to understand those differences and deal with them accordingly, says a partner in a Portland-based consulting firm that specializes in Asian business affairs.

Steve Willard, a partner in Asian

Business Consultants, said the most significant of those differences may be the perception of time.

"I could fly to Alaska today and negotiate a business deal, but when you're dealing with Asians, you have to build trust and a personal relationship before you can even think of doing business," he said.

"Americans are always in a hurry — time is money. They're short-term oriented. In Asia, there's a sense of timelessness.

"When you do business with an Asian, you have to think of it as a courtship. In America, it's more of a 'slam, bam, thank you ma'am' relationship, and Americans are very temporary in the eyes of Asians."

Usibelli said the negotiating process with Suneel sometimes became tedious and time-consuming because all decisions were made by consensus by the Koreans. Until everybody agreed, there was no agreement.

"It was more of a committee approach," he related. "It took more time, and I guess the end result may be better since that way everyone ends up pulling in the same direction."

He said the groups making decisions for Suneel were composed of four or five negotiators at a minimum.

"I've always felt a committee of three was ideal... as long as two of the members were absent," he quipped.

Usibelli said he made a point of learning as many cultural differences as possible before negotiations began on the Suneel deal, but the senior vice president of international banking for Alaska's largest bank said many business people make the mistake of entering Asian markets thinking they are just like American markets.

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See Asian, page J-7

Continued from page J-1

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