

SCOMM

108:3

Alaska State Legislature



Official Business
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State Capitol
Juneau, AK 99801-1182
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Speaker of the House of Representatives

DATE: March 30, 1998

TO: Representative Ramona Barnes *Ramona*
Chair – World Trade/State Federal Relations
Representative John Cowdery *John*
Chair – Trade and Tourism

FROM: SPEAKER GAIL PHILLIPS *Gail*

RE: Attached memo from Commissioner Sedwick

I think a legislative briefing by these trade representatives may be beneficial. Would you please put together a legislative briefing, jointly sponsored by your committees, and possibly in conjunction with the Senate?

I would recommend video-conferencing the meeting in order to save on expenses, unless they are already coming to Juneau.

Thank you for your cooperation. Please respond to the Commissioner with your suggestions, etc.

cc: Senator Mike Miller
Commission Debby Sedwick

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

3801 C STREET, SUITE 700
ANCHORAGE, ALASKA 99503-8834
PHONE: (907) 269-8100
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March 19, 1998

The Honorable Mike Miller
President of the Alaska Senate
Via fax: (907) 465-3883

The Honorable Gail Phillips
Speaker of the Alaska House of Representatives
Via fax: (907) 465-3472

Mike *Gail*
Dear President Miller and Speaker Phillips:

The Division of Trade and Development has just made arrangements with Bering Sea Fishermen's Association (BSFA) to have our state overseas trade staff from Japan, Korea and Taiwan come to Alaska next month. They will do workshops as part of the "CDQ Expo" to be held in Anchorage on April 23 and 24, 1998. BSFA will be paying their airfare to and from Anchorage.

While our staff members are in Alaska, we would like to give the legislature the opportunity for a briefing from Alaska's on-the-ground trade representatives in Japan, Korea and Taiwan. They are available to brief the two House Special Committees, as well as any interested Senate or House members. I ask your advice as to whether separate briefings or joint, as well as what topics would be of greatest interest to your members, whether our staff should travel to Juneau or do a briefing by video-conference, which we would prefer, due to the expense.

We have not yet reserved definite dates, except for the days of the Expo. At your convenience, they can be available April 21 or 22, or April 25, 26, 27 or 28. If those days are not convenient, please let me know other suggestions you might have. It is our expectation that overseas staff members will also visit CDQ areas in western Alaska while they are in the state, to better educate themselves about the challenges to exporting rural Alaska companies face.

If your members are interested in such a briefing, I would appreciate knowing your preferences at your earliest convenience, so we may make their reservations as soon as possible.

Sincerely,

Debby
Deborah B. Sedwick
Commissioner

cc: Representative Ramona Barnes, Chair, Special Committee on World Trade and State/Federal Relations
Representative John Cowdery, Chair, Special Committee on International Trade & Tourism

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

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Debby
Deborah B. Sedwick
Commissioner

cc: Representative Ramona Barnes, Chair, Special Committee on World Trade and State/Federal Relations
Representative John Cowdery, Chair, Special Committee on International Trade & Tourism

House Special Committee on International Trade & Tourism
House Special Committee on World Trade & State Federal Relations

April 21, 1998 5:15 PM – 6:20 PM

Briefing from Trade Representative from Japan, Taiwan, Korea

Call to Order:

Representative Barnes, Chairman House Special Committee on World Trade & State Federal Relations called the meeting to order at 5:15 PM.

Present:

Representative Barnes, Cowdery, Ryan and Austerman were present when meeting was called to order. Representative Kott arrived at 5:45 PM.

Summary of Information: (All presenters were via teleconference from Anchorage LIO)
Priscilla Wohl, Lead Trade Specialist, Division of Trade and Development introduced the Trade Representatives and helped to facilitate communication.

Mr. Kojiro Abe, State of Alaska Representative, Japan Office explained what is happening in the Japanese economy, tourism in respect to Northern Lights viewing, seafood, LNG market in Japan, deregulation of utility companies, and nuclear energy.

Ms. Idea Yao, State of Alaska Representative, Taiwan Office explained about the economy in Taiwan. She talked of trade shows she has participated in, representing Alaskan products. She mentioned the seafood industry, and the agriculture industry as future vehicles to work for more International activity.

Mr. K.S. Yang, State of Alaska Representative, Korean Office also explained about the economy in Korea. He spoke of crude oil, LNG, tourism, seafood. He mentioned the non-stop flights now available from Alaska to Korea. He would like to promote those more.

Committee members asked several questions, of which written answers are to be furnished immediately. All trade representatives mentioned the "various stories" that BP, Exxon, and Arco are confusing the end user with. The facts about who these end users are, what the three major companies are telling them, what the end users are saying, what type of dates are mentioned in conversations, were requested from all three-trade representatives respective to their area of representation. All three-trade representatives were also asked to respond to the amount available in the US Financial Reserve's for their area. Ms. Yao is to send first thing in the morning a copy of a contract between Formosa Regent Hotel and Backyard Cats. Any documents or contracts between a legislator or legislative staff is to be immediately forwarded to the committee chairs. The importance of paying US businesses for their services and goods was stressed. Mr. Yang was specifically asked to look into some matters pending in his area where Alaskan businesses are not being paid. He was reminded these businesses are not in business to watch and wait on the market, as seems to be the style of business in Korea at the present time. Mr. Yang said he would be doing "more than his best" to explain the real reason Alaskan businesses are not being paid and reconcile matters. Mr. Yang was also asked to look into the Export Assistance Program to see what type of program is being undertaken in North Korea with marketing seafood. Ms. Yao was asked to send a copy of a report relating to whom would be interested in buying cabbage or agriculture products to Representative Ryan. Mr. Abe was asked to reply to a question regarding Sony, and a statement made by the company in regard to the economy of Japan. This question will be in written form and faxed to Mr. Abe.

Committee Action:

The committee has requested the answers to their questions be immediately answered in written form. No other action was taken by the committee(s).

Adjournment:

Representative Barnes adjourned the meeting at 6:20 PM.

Note:

The meeting was recorded and handwritten log notes were taken. A copy of the tape and log notes may be obtained by contacting House Records at 130 Seward Street, Suite 211, Juneau, AK 99801, (907) 465-2214. After adjournment of the second session of the Twentieth Legislature these records will be available in the Legislative Reference Library.

**NOTES FOREIGN TRADE REP BRIEFINGS
APRIL 21, 1998**

JAPAN

Mr. Kojiro Abe

Ramona requested of Mr. Kojiro Abe of Japan --in writing -- what Exxon, BP and ARCO reps have been telling the 'end users' in Japan regarding the marketing of Alaska LNG. (re: delivery dates for LNG)

Cowdery will fax written questions to him for written responses.

TAIWAN

Ms. Ida Yao

Ramona requested ANYTHING ..including copies of contracts ...whatever she can get ...pertaining to the "Backyard Cats"...whose membership includes Rhonda Thompson. This information is to be faxed to our office tomorrow (4-22-98)

She is seeking any such contracts or related material which pertains to Legislators or legislative staff.

Rep Ryan requested a list of sought-after vegetables (sought by Taiwan)

Cowdery asked about their ranking with regard to US dollars held in reserve...she said 3rd ..but used to be #1.

KOREA

Mr. K.S. Yang

Expects the economic crisis to end in 1 1/2 to 3 years. Back to normal by about 2000.

BP told end users they would be able to send LNG about 2015. End users however, want a SINGLE message from the suppliers....not conflicting information as now.

Meantime, Korea is presently revising long term LNG needs - expect it to be completed by the end of May.

*** HE REQUESTED A LETTER OF APPRECIATION FROM THE GOVERNOR OF ALASKA -- TO KOREA ELECTRIC CO. ...FOR THE CONTINUOUS PURCHASE OF ALASKA'S COAL RESOURCES FOR THE PAST 1 1/2 DECADES. (the contract ends soon)

Ramona requested --in WRITING -- the story of US oil company stories re: LNG sales ...same for Taiwan....and requested any information they may have.

Austernam asked about their past/present involvement - contact with ASMI ...in Korea?

NO

Taiwan? Asmi hired a contractor in Taipei this year.

country

Questions for Foreign Trade Contractors

- Q. Korea: How is the Asian market crisis projected to affect tourism from the Pacific Rim to Alaska?
- Q. Korea/Japan: The House is proposing budget cuts that could take up to 65 thousand dollars from the Japan and Korean offices. At this time, we do not know how much will be cut from each office. Can you do the job if your office is cut up to 65 thousand?
- Q. Taiwan: Currently Taiwan businesses are heavily investing in mainland China. Should Alaska be looking to mainland for new markets for our natural resources?
- Q. Japan: Why does our Japan office cost so much more than our Korean office? (536K vs. 235K).
- Q. Japan: Do you see any potential Alaskan made products that may be successfully marketed in Japan?
- Q. Korea: Since the markets fell, my office has learned of an Alaskan company that is not being paid by their Korean customer. Is there anything you can do to facilitate payment?
- Q. Taiwan: It was mentioned today that the new Alaska Seafood Center in Anchorage will cause relocation of other seafood manufacturers from the U.S. east coast to Alaska. I believed this since I first heard about the project. It is the beginning of a sea change for the food manufacturing industry in the U.S. Are any of the foreign or domestic offices of the Department of Commerce doing anything to attract the follow on investments?

- Q. Japan: Two weeks ago the Chairman of Sony Corporation in Tokyo announced that the Japanese economy was on the brink of collapse. He said the government was failing to exercise discipline and take corrective steps to save it. Have you written any reports, or provided us with any intelligence on this subject? Please update us on this situation. Tell us if it will have any impact on Japanese trade and tourism with Alaska?**
- Q. Korea: The Heritage Foundation reports that North Korea's economy is on the brink of collapse. Food is in short supply. Does this situation present an opportunity for export of Alaskan fish products through the international assistance programs that are underway. Is anybody looking into this situation?**

From the office of . . . **Representative John J. Cowdery**

State Capitol Bldg., Room 416

Juneau, AK 99801

907-465-3879 phone

907-465-2069 fax

MEMORANDUM

TO: House Chief Clerks Office

FROM: Representative Cowdery

DATE: April 20, 1998

RE: **Scheduled Committee Meeting ITT & WTSF Time Change**

CC: Rep Barnes, Rep Ryan, Rep Mulder, Rep Phillips, Rep Kott, Rep Joule,
Rep Elton, Rep Austerman, Rep Nicholia, Rep Kubina

Notes:

Please note time change only: New time is 5:00 PM

The International Trade & Tourism Committee and World Trade & State/Federal Relations Committee will have a joint committee meeting at the following time:

The previously scheduled time for 3:30 PM has been changed to 5:00 PM.

Tuesday, April 21, 1998

~~Butrovich Room #205~~

House Judiciary #120

5:00 PM

Briefing by Trade Representatives from Japan, Korea & Taiwan

From the office of . . . Representative John J. Cowdery

State Capitol Bldg., Room 416

Juneau, AK 99801

907-465-3879 phone

907-465-2069 fax

MEMORANDUM

TO: House Chief Clerks Office

FROM: Representative Cowdery *J.C.*

DATE: April 15, 1998

RE: **Scheduled Committee Meeting ITT & WTSF**

CC: ✓ Rep Barnes, Rep Ryan, Rep Mulder, Rep Phillips, Rep Kott, Rep Joule,
Rep Elton, Rep Austerman, Rep Nicholia, Rep Kubina

Notes:

The International Trade & Tourism Committee and World Trade & State/Federal Relations Committee will have a joint committee meeting at the following time:

Tuesday, April 21, 1998

Butrovich Room #205

3:30 PM

Briefing by Trade Representatives from Japan, Korea & Taiwan

Briefing for Alaska State Legislators

Tuesday, April 21, 1998

**By the representatives of
Alaska's Overseas Trade Offices in
Tokyo, Seoul and Taipei**

**Mr. Kojiro Abe
Tokyo, Japan**

**Mr. K.S. Yang
Seoul, Korea**

**Ms. Ida Pei-Hua Yao
Taipei, Taiwan**

State of Alaska
Overseas trade staff

Mr. Kojiro Abe, *State Representative*
State of Alaska, Japan Office

Mr. Abe began working for the State of Alaska as Japanese Representative of Alaska Division of Tourism in 1982, following 24 years in the private sector. He brought the first Northern Lights Tour from Japan to Alaska in 1983. In July 1996 the state combined its tourism and trade offices, and Mr. Abe was named State Representative, State of Alaska, Japan Office. Last year he shared in the success of obtaining direct scheduled flights between Alaska and Japan on Northwest Airlines, which will begin this summer.

Mr. K.S. Yang, *Trade Representative*
Alaska State Office Seoul, Korea

After graduating with a degree of liberal arts from Korea University, Mr. K. S. Yang served the Korean government for over 20 years (1958-1979) including positions as Director of Labor Affairs of the Foreign Investment, and Labor Attache at the Korean Embassy in Saigon and Indonesia. He joined private industry in 1979 and gained international experience with major Korean companies including becoming executive director for overseas operations for Yulsan Construction Company. In 1985 when the State of Alaska opened its office in Seoul, Korea, he joined the Alaska State government and since then has directed the office as State Representative. He has received a citation from the Korean President for meritorious service to Korea.

Ms. Ida Pei-Hua Yao, *Alaska Trade Representative in Taiwan*

Ida Yao was named Alaska State Trade Representative in Taiwan in February 1996. Her responsibilities include seeking business opportunities for Alaska seafood business in Taiwan, and courting Taiwanese seafood importers, plus promoting Alaska trade and tourism in Taiwan. Before her contract with Alaska she was vice president and general manager for a Taiwanese importing company, and established its sales program in mainland China.

BRIEFING FOR LEGISLATORS

JAPAN ACTIVITIES

Mr. Kojiro Abe, Alaska State Representative, Japan

April 21, 1998

My name is Kojiro Abe and I am the State Representative in Alaska's Japan Office in Tokyo. I have worked promoting Alaska since 1982. When the Japan Office of the State of Alaska was established in 1965, it was the first state office in Japan established by any U.S. state.

I appreciate the opportunity to address the honorable members of the legislature today. During my brief presentation, I will describe the current economic condition and outlook in Japan. Then I will talk about the activities of our office and results of those activities. I will address activity in sectors in the following order: 1) tourism, 2) seafood, 3) LNG, 4) Alaskan small manufactured products.

First, let me speak about Japan's economy.

It is not only foreign countries but also the Japanese people themselves who are disappointed with the current Japanese Government. Recent opinion polls by the national newspaper showed only a 36% approval rating for the current cabinet council. This is low by Japanese standards. The Japanese Government has worked very slowly towards improving its sluggish economy.

At this time, however, the Government has enacted several pieces of legislation that supposedly will bring about financial reform. Nobody knows how well these recent actions will work for the economy. The enactments came eight years after the meltdown of Japan's famed "Bubble". That 1990 meltdown left the financial industry in crisis and

a recession in its wake. Since the beginning of this decade, Japan has gone through, on average, more than one finance minister per year.

The big question for the Japanese people is, what has the government been doing all those years? Successive administrations have implemented only belated, piecemeal measures to deal with the aftermath of the collapse of the economic bubble. As a result, there have been a series of bankruptcies. It is no use regretting past policy failures, but if financial stabilization measures and a tax-cut package, similar to those revealed recently had been announced sixteen months ago, the Tokyo Stock Market's key Nikkei average might have recovered to the 20,000 yen level. Now it stands at the 15,000 yen level. Falling land prices would have stabilized, which would have facilitated write-offs of land-backed bad loans. After "the bubble" burst, government and banking officials failed to foresee the serious effects that fast-developing deflation of assets was to have on financial markets. Nor did they expect that such deflation, combined with excessive investments and the erosion of Japanese competitiveness in the global market, would produce a downward spiral in the economy. The Government failed to deal with the bad loans, as well as other policy and systemic problems that needed urgent attention.

According to the recent government report, personal consumption continues to be sluggish coupled with the ambiguous feeling of households against the future economic conditions. Housing construction, which recently leveled off after several years of decline, is at as low a level as ever. It declined to minus 0.5% from previous year. With these sluggish trends as the background, inventory of finished goods is at a high level, which is 5.8% growth, this January.

In reviewing the employment statistics, the situation is quite severe. The actual unemployment rate, 3.6% in February 1998, marked the highest level ever for Japan. USA or European countries routinely have more than 5% unemployment; thus Japan's rate of 3.6% is comparatively low.

Imports through February 1998 have decreased to minus 12.5% from the previous period due to the lower yen currency value and slow markets.

The so-called "Big Bang" financial system deregulation took effect on April 1, 1998. Restrictions on foreign exchange transactions were eased. A system of prompt corrective action will be introduced for banks with low capital adequacy and the Bank of Japan, the central bank, will gain some autonomy. As a result, consumers will be able to make purchase at supermarkets and mail-order catalogs in currencies other than yen, and firms such as trading houses will be able to make settlements through multi netting schemes and bypass banks. In fact, restaurants quickly emerged in Japan, which receive US dollars straight from the customers. The Japanese government has not seemed to be so serious about the economic or financial reform because Japan has still 1,200 trillion yen (923 billion dollars) private assets.

On April 9, Prime Minister Hashimoto announced the latest stimulus plan for additional tax reductions by 4 trillion yen (about 31 billion dollars). Details of the total for 16 trillion yen (about 123 billion dollars) including the 4 trillion yen tax reductions of comprehensive economic package will be announced by April 24. The government expresses a greater optimism for the 16 trillion-yen comprehensive economic package. Officials of Economic Planning Agency said that GDP (Gross Domestic Production) would grow 1.9% in fiscal 1998 by this package.

Japan's Economic Forecast - How It Relates to Alaska Businesses

Tourism

According to the estimates of Japan National Tourist Organization, the number of Japanese overseas travelers in 1997 increased by 0.7%, but still at 16,806,000, this represented the highest number on record. A number of factors contributed to dampening the appetite for overseas travel including a fairly consistent low exchange value of the

yen and the prolonged recession, which has cast a shadow over future economic prospects in Japan.

Recently, it has become clear that popular destinations such as Hawaii, Hong Kong and Australia are going to lose Japanese tourists. The tourists that have visited Hawaii twice a year are decreasing to once per year. Or they are selecting other destinations than the regular destination. The Japanese are even more carefully planning their travel because of their increasingly limited travel budget. While these popular destinations are losing Japanese market share, unique destinations that have a particular attraction, like Alaska are not losing market share. Actually, the Northern Lights Tour was successful in this winter Alaska. Popular destinations like Hong Kong and Hawaii worry about cheaper tour prices these days, as there are too many competitive tours in the market. Tour operators and travel agents are not able to achieve a healthy rate of return because of price wars for these more traditional Japanese vacation destinations.

However, unique destinations like Alaska and South America are able to sustain a healthy tour price. When the tourists have to choose how to use their limited money for vacation, they are more frequently selecting fresh and unique destinations over the destinations that they have previously visited.

Although the economy itself is slow in Japan now, there is no inflation. Japanese have the highest rate of personal savings in the world. Therefore, the nation has significant individual cash deposits. The Japanese are somewhat nervous about spending this money since they can not predict the future economy. This makes them even more selective about destinations or tours. However, once they have made a chose, they do spend freely. Alaska will clearly draw even more attention from tour operators than before.

Seafood

According to the trade statistics, the import volume declined with 1.1% in 1997, compared to the previous year. But the import value increased with 1.7%. This reflects

the yen currency's drop in value. According to the Government Agency's report, public consumption in January 1998 decreased 2.1% compared to the previous period.

However, the food consumption decrease was only 0.6%. The public appeared to be saving money, spending mainly on leisure, furniture, and home appliances.

Seafood consumption decreased 1.7% while meat consumption increased 0.9%. This is primarily because meat is comparatively cheaper than seafood price per gram. In seafood products, purchase of cheaper seafood like skipper cod, sardine, fresh salmon increased, but purchase of high-grade seafood like fresh tuna, shrimp, bonito, sea bream, octopus, scallop decreased.

It is important to remember that although 1997 seafood consumption decreased, Japan with its population of 120 million, still imports one third of the total world seafood trade. Even if Japan were to encounter severe economic recession, it will continue to be the largest seafood import country. As the closest neighborhood to Japan, Alaska must maintain and expand its efforts to export seafood to Japan. Our office is willing to help the business.

LNG

Current LNG market in Japan

Natural gas is a fourth energy supply after oil, coal, and nuclear energy in Japan. The quantity of LNG imports in 1997 amounted to 49.4 million tons, up from 46.5 million tons the previous year. LNG imports have been growing rapidly during the latter part of the decade. Since the middle of the 1970's, Japan primarily has been importing LNG from Indonesia. Today 40% of its total imports come from Indonesia.

How the economic situation may affect future Alaska LNG Project

However, while Japan has shown confidence with the rapid growth of LNG imports, the Asian currency crisis hit the world economy (including Japan) unexpectedly last fall. At the same time, Japanese economy weakened.

Under these circumstances, business people in LNG who are electric power companies, gas companies, LNG investors (trading companies in Japan's case) have told us recently that nobody can forecast future LNG market - demand and supply for at least in a couple of years. Forecasts must wait until economic recession and Asian economic crises are over.

There are a variety of opinions from Japanese companies with LNG interests. Some of the Japanese LNG interests forecast Japanese economy will not still recover this year but they hope it will recover next year, albeit slowly. A few trading companies have told us that when this economic recession and Asian economic crisis are over, the LNG market after 2005 will be almost the same as our current forecast. However, some other trading companies and electric utility companies have told us that there would be more serious factors than current economic recession which would affect future Alaska LNG project as well as other new LNG projects.

Here are some of the concerns that have been relayed to me:

1. Deregulation for electricity Japanese utility companies

End users are seriously watching the government deregulation of electricity. The Japanese Government, unveiled the latest three-year deregulation plan on March 31, 1998 targeted 624 areas for deregulation of which the liberalization of retail sales of electricity was stated as to consider. The issue of the liberalization of retail sales of electricity and how to pursue it has been discussed at the Advisory Panel of Electricity Utility Industry, advisory panel to Ministry of International Trade and Industry, MITI. According to one of MITI officials, it may not be so easy to liberalize the retail sales of electricity in Japan and may take much time to pursue. However, deregulation will arrive sooner or later. Electric utility companies are preparing for the time of liberalization. Under such circumstances, some of the electric power companies told us that they have to consider following factors which may affect future Alaska North Slope LNG project.

- A) LNG is expensive, comparing to other energy sources
- B) Making a commitment for long term purchase by end users is getting difficult.
- C) Quantity of spot sales, rather than under the long-term contract, will be increased.
- D) Small quantity of LNG will be better chance to go into the Japanese market. Some trading companies worry that 14 million tons of Alaska LNG will be too much as a single source. However, there might be better opportunities for future Alaska LNG project because of the following factors.

2) The Third Conference on Global Warming

This issue is the concern of everybody who is in that LNG Business. At the 3rd Arrest Global Warming and Framework Convention on Climate Change which was held last December in Kyoto, Japan, Japan agreed to reduce Co2 emissions from 1990 level by 6% during the period between 2008 to 2012. It is said that Co2 emissions in Japan have already exceeded the 1990 level by about 10%. Thus, to reduce Co2 emissions by 16% in total by 2008 will be extremely difficult. LNG will be in better market share position than oil and coal, in such a case.

3) Nuclear Energy

Japan needs to increase its nuclear energy supply—it is a country that does not own most of energy resources. Especially after the third conference for Arrest Global Warming and Framework Convention on Climate Change, nuclear energy became the most important energy supply source among other energy sources. However, constructing nuclear energy power plant has faced serious problems in finding the site. Residences have been strongly against the new plant construction. According to the long-term energy supply outlook by Japanese government, nuclear energy supply must reach 70.5 GW by 2010. To reach that goal, 20 new nuclear power plants must be constructed. Nobody believes it will be pursued. It is said that LNG could be replaced to cover the shortage.

Two different messages

Japanese end users (electric power companies and gas companies) and potential LNG investors (major trading companies) have been receiving a visit by three oil companies together since three years ago. Japanese end users (electric power companies and gas companies) and potential LNG investors (major trading companies) have been receiving regular visits by three oil companies together for the past three years. They have been told various dates by these companies, ranging from 2005 to 2010. The Japanese end users feel that this is a business matter between the buyers and suppliers. Japanese end users say that they decide the time when they need LNG by themselves. They do not wish to be told from the suppliers' side.

Japanese end users say that they decide the time when they need LNG by themselves. They will not be told from suppliers' side.

Also, I must take this time to reiterate that Alaska government must speak with one voice on this issue. Last year in March, Mr. Yang and Ms. Ida and myself had a great chance to make briefing for the both committees for House Oil & Gas and House International Trade and Tourism. At that time, we had asked that a message from Alaska government must be by one voice. The consumers are confused. Accordingly, we should not contribute to confusion on this issue.

Interesting success stories



Both Philips oil and Marathon oil will celebrate the thousandth tanker delivery of LNG to Japan from Alaska in October 1998. They plan an "1000th anniversary" party for either Japan or Alaska. The Kenai LNG tankers have been exporting Alaska LNG to Japan since 1969. I recommend that the State of Alaska formally extend congratulations on this point to the Japanese buyers. Both Tokyo Electric Power Company and Tokyo Gas Company are very satisfied with the import, which has occurred regularly over 28 years without any serious problems. Through that decades-long experience, they have secured good impressions of Alaska and its government. These impressions will favorably influence our future North Slope LNG project.

Next, I would like to report two successful projects in tourism. One is the Northern Lights Watching Tour. I personally pioneered and developed this idea back in 1982 when there was much skepticism about whether or not Japanese would come to Alaska in the winter. Before developing the tour, I researched what was of interest to the Japanese in Alaska's winter season. The answer was the Northern Lights. Japanese felt it as a romantic phenomenon that they cannot watch in Japan. Started with only 2 or 3 Japanese tourists in 1982, this tour idea now attracts over 10,000 tourists every winter, mainly to Fairbanks. By watching Alaska's success, other northern countries such as Norway and Canada are now trying to imitate this. However, as these other destinations have tried to compete for Northern Lights business, Alaska remains Number 1. The competition is increasingly severe.

 The second success story is the new seasonal nonstop flights between Tokyo and Anchorage. We lost our Japan service approximately seven or eight years ago. My office has promoted this concept during over the past years by faithfully visiting potential airlines including Japanese airlines. We worked closely with Anchorage International Airport and kept the concept of Alaska/Japan service in front of executives at a handful of airlines. This has paid off. Now, my goal is to promote the concept of year-round nonstop flights. Since 1982, I have also successfully promoted charter flights operation from major towns of Japan to Anchorage during summer time.

Japanese Journalist

Small Alaskan Manufactured Products

Now, I will talk about small Alaskan products. During the past several years, Alaskan produced products have begun to be exported to Japan:

Alaska Herb tea	Alaska Herb Tea Company
Alaskan beer	Alaska Brewing and Bottling Co.
Outdoor clothing	Apocalypse Design, Inc.
Glacier water	Alaska Mountaintop Sprits Co

Glacier mineral water Alaska Mountaintop Sprits Co.

My office participated in the Tokyo International Gift show this February for the first time. Ten Alaskan companies participated in the show:

Ballard Studios

Caribou Crafts

Fretworks

These companies received keen interests from Japanese companies and they are now in negotiations for selling their products. Our office is able to help Alaskan small businesses to take a chance on exporting their products to Japanese market through this gift show.

The Japan Office Serves Many Alaskan Companies -

Next, I would like to report how many and how the state's Japan office has served Alaskan companies in the past. Those companies could be categorized as "Tourism", "Energy and General" and "Seafood".

When I talk about tourism related Alaskan companies we have served, I would like to particularly emphasize those companies whom my office has helped by providing a chance to make direct sales to Japanese tourism industry people. The primary way we assist Alaskan companies towards this goal is to encouraging them to participate in the Alaska Travel Work Shop which my office organizes and conducts every year. It was already conducted four times this year in major cities like Tokyo, Osaka and, last week, Fukuoka. I am eager to continue organizing the workshop for many Alaskan travel companies. The companies who participated in the workshop this year were;

A Taste of Alaska Lodge

A & P America Pacific Tours

Anchorage Convention & Visitors Bureau

AIE Alaska International Express
Alaska Airlines
Alaska Network Tours
Alaska Railroad
Alaska Tourism Marketing Service
Alaska Resort
Bettles Lodge
Era Aviation
Fairbanks Convention and Visitors Bureau
HAI Shirokuma Tours
Northwest Airlines
Princess Cruises and Tours
Rivers Edge Resort
Snow Monkey Tours
The Resort at Chena Hot Springs
Ultima Thule Outfitters
That's 20 companies and bureaus in total!

Attached please find a list of the participants for the other three workshops. Also attached are the lists of the 96 Alaskan hotels & lodges and 62 Alaskan tour companies whom my office has been helping indirectly by introducing their information in Alaska tourism brochures, monthly Alaska travel news release and travel newspaper, all edited and printed in Japanese in our office.

Also attached are company names for energy, general and seafood businesses. My office has been providing updated Japanese market information and assisting their Japan visits.

How many	Sector	How helped
----------	--------	------------

84	Tourism	Alaska Travel work shops
158	Tourism	Distributing their information by office's brochures, news lease, newspaper
11	Energy & Minerals	Provided updated information and & assisted their Japan visits
71	General Products	Introduced their products in the "Alaska Products Catalog" and Tokyo Gift Show.
11	Seafood	Provided updated Japanese market and assisted their Japan visits.
60	Seafood	Providing weekly Seafood market report

U.S. Imports have been growing rapidly -

BRIEFING FOR LEGISLATORS

TAIWAN ACTIVITIES

Ms. Idea Yao, Alaska State Representative, Taiwan

April 21, 1998

Trade Shows

In 1997, on behalf of State of Alaska, I participated two trade shows in Taiwan, which were 1997 Taipei International Food Industry Show and American Food Show.

Following are the highlights of these two trade shows:

1997 Taipei International Food Industry Show

The 1997 Taipei International Food Industry Show was held by Taipei World Trade Center and China External Trade Development Council on June 12-16 1997. Total show participation was 660 exhibitors. Canada alone fielded 48 separate booths, Australia 42 booths, the US pavilion had 36 booths. The show was 60% targeting people in trade, 40% in consumers.

This was my first time participating this show on behalf of the State of Alaska. We had one booth in the US pavilion. All the cost involved with this booth were paid by Department of Trade Development, including the sample purchasing: in order to awake consumers' awareness of "best salmon is Alaska wild salmon," we offering sample testing of smoked Alaska salmon from the booth. When offering the samples, we also distributed the introductions of Alaska wild salmon and other seafood.

There were 5 Alaska companies sending their samples to me for displaying in the booth, including canned salmon, salmon jerky, skate, salmon bits, salmon gift pack, and

brochures from two processors. Total 87 requests were obtained in the show from the traders. All of them were send to the individual participants for them to start contact the prospects. As my understanding, there are still several business negotiations proceeding now.

American Food Show (Mini Food Show)

Taipei (September 22-23, 1997)

Taichung (September 25-26, 1997)

Kaohsiung (October 1-2 , 1997)

The American Food Show is annually organized by Agricultural Trade Office, American Institute in Taiwan (AIT). The target audience was businessmen in trading, manufacturing, and distributing food service and wholesale business. Other than Taipei, the show also travels to another two major cities in Taiwan: Taichung and Kaohsiung. As Taiwan was the US No.7 agricultural products buyers in 1997, the new products from US in this year was more than 120 items. Eleven states and the US Meat Association participated the show this year. Overall Taiwan is a very friendly market for American products.

This is the second time that State of Alaska has participated the show. Other than canned salmon, pouch pack pink salmon, bottle water, salmon gift pack, jerky and herb products, we also displayed an Alaska giant cabbage in the show, which immediately became the attention focus for all media. The media exposure attracted many businessmen from other cities to see this 50 pounds giant cabbage. The taste of the cabbage also brought a lot of interested vegetable importers and distributors.

Though the cost of participating in this show was very limited, but the results of it were always very encouraging. The door of this show is only opened to the businessmen, which creates a perfect environment for buyers and sellers to talk, I would suggest that we should attend this show every year as we can.

1997 International Travel Fair at Taipei

I had a chance to attend the 1997 International Travel Fair at Taipei World Trade Center in a cooperative effort with the Anchorage Convention and Visitors Center.

The 1997 International Travel Fair was held on November 6-9, 1997 at the Taipei World Trade Center with 50 foreign nations and areas participating. The total exhibition booths was 527, a sharp rise from 312 at the previous show held two years ago. Over 300 of the booths are set up by foreign nations that aim to lure the rapidly growing affluent Taiwanese. Visitors to ITF '97 totaled more than 79,000.

The foreign participants have sent over 1,200 staff members and performers to manage the booths. A stage was set up for different exhibitors to give traditional performances of their respective nations to entertain visitors to the show.

According to an official record, Taiwan residents made over 6 million trips abroad in 1997, up 7.85% from the 5.71 million trips recorded in 1996. In terms of destinations, Asian countries witnessed a 5.49% growth, the U.S. 4.6%, and European countries 13.49%. Among the major attractions were cruise tours, seasonal packages offered by world-class hotels, travel agencies, and airlines, and cultural presentations that drew large crowds of spectators. Taiwan's residents attended to seek new destinations for their leisure travel.

As the Alaska Trade Representative in Taiwan, I helped ACVB's Mr. Garvin in the booth. I prepared a Chinese handout to be distributed to the public and tour operators.

ACVB attended two slide presentations taking place during the show. Eighteen people attended the first presentation, which was hosted by AIT. Around 120 people attended the second slide presentation which was hosted by the show organizer. The attendees were invited to come to our booth for our handouts.

There is fierce competition for the Taiwanese travellers. If Alaska wishes to target Taiwan, we will need to commit to serious outreach through printed material and active face-to-face promotion.

For almost all of Taiwanese consumers, Alaska is far away, unreachable, yet elegantly standing there. That is why even though the cost is high, still people are eager to go. I think it is good to give people an impression that Alaska is special so we will get higher-quality visitors to pay high cost to visit our state. But still, I feel that we are responsible to tell people how special Alaska is, and how should they prepare before visiting Alaska.

In order to help independent travelers and tour operators to arrange the travel schedules in Alaska, I have translated the major spots into Chinese, and made a sample itinerary for visiting Alaska based on my past travels.

I also found a local web site specializing in tour and travel. The manager kindly offered us free space in the Internet to introduce Alaska to the visitors. This project will materialize by late May.

Trade Delegations to Alaska

In 1997, there were two delegations from Taiwan to Alaska. The first was the Delegation of Taichung City Government's officials and members of Taichung Importers and Exporters Association. The other was the annual seafood trade mission from Taiwan to Alaska which consisted of eight seafood buyers. Following are the highlights of their visits:

Delegation of Taichung City Government's officials and members of Taichung Importers and Exporters Association

The Delegation of Taichung City Government's officials and members of Taichung Importers and Exporters Association were on a friendship mission to attend the 41st

Sisterhood Cities International convention in San Diego, California. 32 members, mostly also the member of Taichung Importers and Exporters Association, visited Anchorage on their way home. Our division organized one full day's presentations given by several members of the Alaska private sector, with a focus on investment opportunities in Alaska. The presentation included more than 10 briefings. The visitors were impressed by the host's hospitality and seriousness.

Comments after the return to Taiwan proved that the visit left very good impression on the visitors' mind. Most of them were considering possible investment in Alaska in the near future. Many of them talked about bring their families or their whole company staff to Alaska next summer. Some of them talked about the possibility of buying properties or investing in Anchorage. Their biggest concern, however, is the transportation difficulties from Taiwan to Alaska, as well as the high travel cost.

Seafood trade mission from Taiwan

(September 6-12, 1997)

and the AYK/CDQ Projects

The seafood trade mission consisted of eight members from Taiwan. None of them were in business with Alaska at that time. The trade mission visited Anchorage, Kodiak, Homer, Kenai and Dutch Harbor.

The group consisted of 2 from restaurant business, 4 from in trading business, one a factory owner, one ship owner. Since the salmon season was closed we focused on halibut and groundfish. In Dutch Harbor, it was the season for surimi, which was a very popular product in Taiwan. It was helpful for these potential buyers to see what Alaska has to offer.

The responses after trade mission:

1. The factory owner Mr. Shi was eager to buy his seafood directly from Alaska. A few months after his visiting Alaska, he finally achieved this goal.
2. The ship owner Mr. Wu was considering buying fish from Alaska and bring the fish back to Taiwan and China using his own ships, then selling the fish through his channels. Mr. Wu's ships are now the tender ships for Japanese to transport fishes from Dutch Harbor to Japan and China. When he mentioned this idea, three other members in the group agreed with him, and they decided to seek the ways of working together. They would like to do business with western Alaska suppliers. These 4 members talked about the possibility of more involvement in western Alaska for ice storage or other facilities. If investments in that area are welcomed and the people in that area agreed to work with them for partnership, they would pursue the idea further.

I expect to learn more about possibilities like this when I visit western Alaska CDQ areas next week. As one of the division staff members working on the federal grant aimed at finding export markets for rural Alaska products, I am looking at opportunities like this in Taiwan.

Promotions for Alaska Goods and Services, present and future:

Alaskan Grown potatoes, giant cabbages, and other vegetables

In February 1998, I was advised to investigate the marketability of Alaska potatoes in Taiwan, especially the table-stock potatoes, on behalf of Dr. Jenifer McBeath of the University of Alaska. The most up-dated information for potatoes: Alaska is the only place in the world that ROC government allows to supply seed potatoes, because they are virus-free.

My research indicated that it is not only seed potatoes and tablestock potatoes that should have good future in Taiwan -- other kinds of vegetables also show some promise.

As I mentioned earlier, at Representative Ryan's suggestion, our division shipped two Alaska giant cabbages by air cargo to Taiwan to participate the 1997 American Food Show. The cabbages were displayed in the three major cities of Taiwan - Taipei, Taichung and Kaohsiung, created great publicity for Alaska. Its photos became the mouthpiece for the American agricultural products on the major media in each city.

The major attractions to the importers are:

1. The growing place is Alaska, which is a place enjoying the good reputation of being a clean and healthy environment.
2. The taste of giant cabbages was very good ,
3. The size of the cabbages was never seen in Taiwan before.

The problem, however, was major: the price of our giant cabbages is almost 45 times of the cabbages imported from Southeast Asia in the peak season. (US\$1.99 per pound to US\$0.10 per kg) It would be not wise to start the vegetable business by using the giant cabbage as the pioneer.

After discussion with several major vegetable importers in Taiwan, I suggested that we should have a market plan for Alaska vegetables in Taiwan market.

Taiwan has a population of 21 millions people. The farming size in Alaska is not enough to support the demand. Our production and transportation costs are high. Yet, the Alaska vegetables could enjoy a healthy market that has a group of loyal customers who recognize and trust the logo ALASKA GROWN. They are vegetarians, hospital, healthy food takers...They want to enjoy the vegetables without insecticide residue. Alaskans can provide that.

The Alaska Grown vegetable promotion is another way to promote "Alaska clean and fresh" If we succeed in this promoting vegetables, this could even help our

salmon exports.

**ASOA Environmental Show and USA-ROC Joint
Economic Conference in November 1998**

The members of ASOA - American State Office Association are now in Taipei working on an environmental show which may be held during the USA-ROC Joint Economic Conference. The ASOA members are planning to take the publicity advantage of this conference to draw as many as possible attention from the related business.

Taiwan for years has had problems in water pollution, soil pollution oil spills, etc. Already many US pollution control companies have established business relationships with Taiwan end users. Attending this show will help us to establish our own potential partners list.

Should this trade show come to pass, I sincerely hope that Legislators and businessmen in the environmental protection area will be willing to come to Taiwan for the conference and show, so this market will learn of Alaska's skills in this area.

**Alaska Seafood Festival in Taipei Formosa Regent Hotel
November 20, 1998 to January 3, 1999**

I have worked with the Formosa Regent Hotel for over one year. This Alaska Festival is an opportunity to get the word out about Alaska to a huge number of people - those who live in Taipei and those who visit. We can show them our seafood, our tourism, our environmental services, our investment potential ... even our vegetables! We're working now on getting a guest chef from Alaska, and Alaskan entertainment. [It is my understanding the Formosa Regent Hotel has sent an invitation and contract draft to the Backyard Cats, one of whose members I believe you know -- Ronda Thompson.]

ALASKA - SPRIT OF THE WILD

Taipei Metropolitan Children Recreation Center(TMCRC)

January 1 – December 31, 1998

Taipei Metropolitan Children Recreation Center (TMCRC) is an educational organization of Taipei City Government. Its main function is education. However, since the programs it provides in the movie theater are up to date and informative, it attracts more parents and adults than school students every weekend.

The program the TMCRC is presenting from January 1 of 1998 till the end of 1998 is a documentary titled ALASKA - SPRIT OF THE WILD. This 45 minutes' IMAX movie was produced by Graphic Films Corporation in association with the Houston Museum of Natural Science. According to the theater's estimation, the total audience in 1998 for the ALASKA - SPRIT OF THE WILD should be around 250,000.

I am distributing a one-page introduction about Alaska – mostly tourist and economic information -- to the audience when they enter the theater.

On the first day of 1998, I was invited to give a slide presentation to the audience before the first show. Around 120 people attended the slide presentation. Many questions were raised - the audience really liked to know more about Alaska.

Since the movie is a very good guide to Alaska, and the management of TMCRC is grateful for our support, we have a lot of flexibility to make the best use of this movie to introduce Alaska to the public.

ROC Official Statistics

1-1

POPULATION CENSUS OF 1997

/KM ² DIMENSION OF TAIWAN	NUMBERS OF ADMINISTRATIVE UNIT	NUMBERS OF FAMILY	PERSON/ FAMILY	POPULATION DENSITY (PERSON/KM ²)
36006	359	6185	3.51	602.21

1-2

NATIONAL ECONOMY OF 1997

GROSS NATIONAL PRODUCT		PER CAPITA GNP		GROSS NATIONAL SAVINGS	
AMOUNT BILLION/NT\$	GROWTH RATE %	AMOUNT NT\$	AMOUNT US\$	AMOUNT BILLION/NT\$	SAVING RATE %
8,181,215	8.51	379,432	13,233	2,015,269	24.63

1-3

1996, 1997 NATION'S GROSS DOMESTIC PRODUCT(GDP) (US\$)

YEAR	REP. OF CHINA	UNITED STATES	JAPAN	KOREA
1996	12,732	28,646	36,575	10,645
1997	13,154	*****	*****	*****

2-1

MAIN CAUSE OF DEATH 1996-1997(PERSON)

MAIN CAUSE OF DEATH	1995	1996
MALIGNANT NEOPLASM(CANCER)	25,788	27,961
CEREBRAL VASCULAR ACCIDENTS	14,117	13,944
ACCIDENTS	12,963	12,422
CARDIAC AFFECTION HEART DISEASE	11,207	11,273
DIABETES	7,223	7,525
CHRONIC HEPATITIS & CIRRHOSIS	4,456	4,610
NEPHRITIS	3,515	3,547
PNEUMONIA	3,068	3,200
HYPERTENSION;HIGH BLOOD PRESSURE	2,613	2,656
BRONCHITIS PULMONARY EMPHYSEMA & GASP	1,990	2,036
TUBERCULOSIS (TB)	1,598	1,699

3-1

1990 ~1997 NT\$ - US\$ EXCHANGE RATE

(US\$1.00=NT\$)

1990	1991	1992	1993	1994	1995	1996	1997
27.11	25.80	25.47	26.72	26.26	27.32	27.54	32.62

4-1

1996, 1997 ROC INTERNATIONAL TRADE

(1000 MILLION US\$)

	IMPORT	EXPORT
1996	102.4	115.9
1997	111.5	103.7

5-1A

AVERAGE WHOLESALE PRICE OF VEGETABLE 1995,1996
(NT\$/KG%)

	PRICE OF '96	INDEX NRS. '96	PRICE OF '95	INDEX NRS.'95	'96/'95*100 %
JAN.	12.34	71	17.88	103	69
FEB.	11.87	68	15.43	89	77
MAR.	11.91	68	15.43	89	77
APR.	11.91	68	15.29	88	78
MAY	17.22	99	17.42	100	99
JUN.	17.00	97	19.26	111	88
JULY	16.26	93	18.99	109	86
AUG.	30.45	174	21.03	121	145
SEP.	23.33	134	18.55	107	126
OCT.	20.28	116	16.00	92	127
NOV.	18.57	106	16.55	95	112
DEC.	17.35	99	16.75	96	104
AVER GE	17.47	100	17.39	100	100

5-1B

AVERAGE WHOLESALE PRICE OF FRUIT 1995,1996
(NT\$/KG%)

	PRICE OF '96	INDEX NRS. '96	PRICE OF '95	INDEX NRS.'95	'96/'95*100 %
JAN.	25.41	110	24.49	108	104
FEB.	27.84	121	23.87	105	117
MAR.	27.84	121	23.87	105	117
APR.	24.40	106	27.14	112	79
MAY	18.85	82	19.17	84	98
JUN.	21.44	93	20.95	92	102
JULY	14.34	62	22.17	98	65
AUG.	24.36	106	23.89	105	102
SEP.	28.16	122	21.14	93	133
OCT.	25.29	110	20.27	89	125
NOV.	27.93	121	22.26	98	125
DEC.	27.11	118	24.08	106	113
AVER GE	23.03	100	22.72	100	101

6-1

1994-1997 UNEMPLOYMENT RATES IN TAIWAN
(%)

1994	1995	1996	1997
1.6	1.8	2.6	2.7

6-2

**AVERAGE MONTHLY, WEEKLY WORKING HOURS, DAYS OF PER EMPLOYEE IN
MANUFACTURING IN MAJOR COUNTRIES**

COUNTRY YEAR	R.O.C. AVE. MONTHLY HRS.	JAPAN AVE. MONTHLY HRS.	KOREA, R.O. AVE. MONTHLY DAYS	U.S.A. AVE. MONTHLY HRS.
1982	209.7	117.0	24.9	38.9
1983	209.7	178.0	25.0	40.1
1984	211.7	180.5	25.0	40.7
1985	205.4	179.7	24.9	40.5
1986	209.0	178.2	25.0	40.7
1987	209.1	179.1	25.0	41.0
1988	206.6	181.1	25.1	41.1
1989	203.6	179.3	24.8	41.0
1990	201.7	176.7	24.8	40.8
1991	201.9	173.2	24.7	40.7
1992	201.9	168.1	24.6	41.0
1993	201.9	163.4	24.7	41.4
1994	202.4	163.1	24.7	42.0
1995	201.5	164.0	24.6	41.6
1996	201.1	165.8	24.4	41.6
1997	201.9			42.0

6-3

**EARNINGS PER HOUR(H), PER DAY(D), PER WEEK (W), OR PER MONTH(M)
IN MANUFACTURING INDUSTRY IN MAJOR COUNTRIES**

COUNTRY, UNIT, YEAR & MONTH	R.O.C. NT\$/(M)	JAPAN 1000 YEN/(M)	KOREA, R.O. 1000 WON/(M)	U.S.A. DOLLAR/(HR.)
1985	12,697	299.5	269.7	9.54
1986	13,983	305.4	294.5	9.73
1987	15,356	313.2	328.7	9.91
1988	17,012	318.7	393.1	10.19
1989	19,461	336.6	491.6	10.48
1990	22,048	352.0	590.8	10.83
1991	24,469	368.0	690.3	11.18
1992	26,972	372.6	798.5	11.45
1993	28,829	371.4	885.4	11.74
1994	30,727	378.6	1,022.5	12.07
1995	32,441	390.6	1,123.9	12.37
1996	33,765	401.1	1,261.2	12.77
1997	35,275			13.17

6-4

**PERSON NOT IN THE LABOR FORCE BY EDUCATIONAL ATTAINMENT
AND REASON WHY NOT IN TAIWAN AREA
JAN. 1998 UNIT: THOUSAND PERSON**

ITEM	TOTAL	ILLITERATE & SELF-EDUCATED	PRIMARY SCHOOL	JUNIOR HIGH	SENIOR HIGH	VOCATIONAL	JUNIOR COLLEGE	COLLEGE & GRADUATE SCHOOL
TOTAL	6778	1050	1602	931	793	1319	504	579
INTEND TO WORK BUT NOT SEEKING FOR	102	2	18	25	13	27	11	6
ATTENDING SCHOOL OR REBRUSHING TO TAKE ENTRANCE EXAMS	2066	-	0	160	450	722	296	437
BUSY IN HOUSEKEEPING	2626	362	888	530	211	461	118	56
OLD AGE & DISABLE	1619	654	553	156	93	48	58	58
OTHERS	365	33	144	58	26	62	20	22

6-5

**OCCUPATION AND NUMBER OF PARTICIPATION
JANUARY 1998**

OCCUPATION	NUMBER (1,000 PERSON)	%	COMPARE WITH LAST YEAR %	COMPARE WITH SAME MONTH LAST YEAR %
TOTAL	9333	100.00	0.01	1.67
AGRICULTURE	851	9.12	-3.24	-4.71
INDUSTRY	3534	37.87	0.12	2.50
MINERAL	12	0.13	-2.71	-2.07
MANUFACTURE	2636	28.25	0.44	3.94
PUBLIC UTILITY	34	0.37	-1.66	0.94
CONSTRUCTION	852	9.13	-0.76	-1.57

SERVICES	4948	53.01	0.52	2.25
WHOLESALE,RETAIL & MEAL	2082	22.31	0.93	2.55
TRANSPORTATION, STORAGE TELEGRAPHIC COMMUNICATIONN	486	5.21	1.42	3.70
BANKS & INSURANCE	360	3.86	-0.39	5.71
SERVICE INDUSTRY	244	2.61	-3.80	-2.27
SOCIAL WALFARE	1457	15.61	0.81	1.90
ADMINISTRATION OF PUBLIC AFFAIRS	318	3.41	-0.41	-0.36

7-1A

PER CAPITAL INCOME OF FAMILIES IN TAIWAN PROVINCE 1995

	PER CAPITA INCOME (NT\$)	FARM FAMILY INCOME AS % OF NORFARM FAMILY INCOME
FARMERS	172,206	
NONFARMS	227,637	75.6
EMPLOYEES	211,100	81.6
LABORERS	192,193	89.6

7-1B

CONSUMPTION EXPENDITURES OF FARM AND NONFARM FAMILIES IN
TAIWAN PROVINCE 1995

	PER HOUSEHOLD CONSUMPTION EXPENDITURE (NT\$)	PER CAPITA CONSUMPTION EXPENDITURE (NT\$)
FARMERS	357,715	98,874
NONFARMS	545,130	135,163
EMPLOYEES	544,933	127,070
LABORERS	510,475	115,325

7-2

PER CAPITA ANNUAL FOOD AVAILABILITY 1995
(KGS)

POLISHED RICE	59.10
WHEAT FLOUR	31.88
SWEET POTATOES	2.51
SUGAR	24.20
PULSES,NUTS AND SEEDS	31.71
VEGETABLES	101.86
FRUITS	137.42
MEAT	76.07
EGGS	16.23
FISH	38.35
MILK	58.80
OIL AND FATS	36.28

REMARKS:FOOD CONVERSION RATIOS: SOYBEAN=3.5:1 ;
CONDENSED MILK:FRESH MILK=1:2 ; POWDERED MILK:FRESH
MILK=1:8

7-3

PER CAPITA DAILY NUTRIENT AVAILABILITY 1995

ENERGY (KCAL.)	PROTEIN (GM.)			FAT. (GM.)
	TOTAL	ANIMAL PROTEIN	VEGETABLE PROTEIN	
3.103	97.64	50.24	47.40	137.75

BRIEFING FOR LEGISLATORS

KOREA ACTIVITIES

Mr K.S. Yang, Alaska State Representative, Korea

April 21, 1998

Tuesday, April 21, 1998

Good afternoon, distinguished members of the legislatures --- I am K S Yang --- Alaska State Trade Representative in Korea. I am pleased to be here today to talk to you about the recent economic situation in Korea and its impact on international trade between Alaska and Korea.

A brief outline of my presentation is as follows:

Summary of Korean Economic Situation

Impact of Korea's Economic Crisis on Alaska's Trade with Korea

Impact on Alaska Exports to Korea by Industry

LNG

Crude Oil

Seafood

Coal

Technology & the Environment

Tourism

Forest Products

State Korea Office Performance

Summary of Korean Economic Situation

Korea's impressive growth performance over the past 25 years has been part of what is described as the East Asia miracle. Korea was the 11th largest economy in the world in 1995 and had an annual growth rate of 6.8 percent in 1996. However, the financial crisis of late 1997 brought this miracle to an abrupt end, raising questions of future prospects for the Korean economy.

In 1997, a number of powerful business groups declared bankruptcy in Korea. What they all had in common was aggressive business expansion into areas unrelated to their core business - based on excessive borrowing from government-directed banks.

This has been a severe blow to local financial institutions, whose easy and unregulated lending is heavily concentrated on the big business groups, due to long collusion between government and business. International credit rating firms then downgraded Korea's national credit standing as well as that of many Korean corporations and financial institutions. This made it more difficult for Korean companies to obtain offshore financing.

Korea is now suffering from a financial crisis, in both the banking and corporate sectors. While Korea may have come through the worst of the crisis, the next 12 months will NOT be easy ones for the Korean economy.

On the other hand, Korea is projected to post first trade surplus in nearly a decade. This year's surplus - an estimated 50 billion dollars - is due to steady rise of Korean exports - much of which is a result of the weak Korean currency. Presently, the Korean government and citizens are working actively to rebuild the economy. The government feels that the current structural adjustments will lead to recovery by early 2000.

Despite the current crisis, over the medium and long term, the Korean economy should emerge stronger than ever. According to U. S. Foreign Commercial Service in Korea a

number of fundamentals remain sound in Korea.

More importantly, the changes forced by this crisis are radically changing the face of the Korean economic model and, through it, that of Korean business. This will be good news for Alaska businesses, which have extensive business dealings with Korean companies.

Also, McKinsey Global Institute's findings are very encouraging for Korea's medium and long-term economic prospects. They believe that the current crisis situation is an opportunity for the Korean government to undertake far-reaching changes. This would allow the economy to return to a rapid, but this time balanced, growth based on higher productivity in manufacturing and services.

Impact of Korea's Economic Crisis on Alaska's Trade with Korea

Korea had long been Alaska's second largest trading partner with annual imports of \$230 million. Coal, forest products, seafood and minerals all go to this market – which had been relatively stable. This picture changed dramatically in 1996 – with the purchase of North Slope crude oil by Korean oil refineries. The figures for 1996 and 1997 were nearly doubled to \$ 460 million and \$480 million respectively.

According to the Korean government, Korea's imports are projected to drop 1.8% to \$142 billion this year. Fortunately, Korea will buy Alaskan products continuously because most of Alaskan exports are resources, which Korea needs for its economy.

However, Korea's current financial turmoil and the weakened won will slow Korea's purchase of Alaskan goods and services. After the Korean economy gets back to normal, project to be around 2000, Alaskan exports to Korea are expected to increase.

Therefore, it is essential that, during this difficult period, Alaska companies stay engaged or become engaged in the Korean market place, so that they are positioned for the inevitable recovery of one of the world's largest and most dynamic economies.

Impact on Alaska Exports to Korea by Industry

LNG

Since 45,000 tons of LNG were first supplied to Korea in 1986, Korea's LNG consumption has been increased steadily, reaching 9.6 million tons in 1996 and 11.6 million tons in 1997 respectively. However, the growth in the nation's LNG consumption is likely to slow this year due to the economic slowdown and unusual warm winter caused by El Nino. Consequently, Korea Gas Corporation (KOGAS), the state-owned sole LNG importer, plans to scale back LNG purchases this year.

Meanwhile, the Korean government had planned to announce a 20-year LNG Demand & Supply Plan by the end of December 1997. But the government decided to postpone the announcement since they will have to review and revise the plan based on the current economic situation. It is expected to announce the long-term LNG Demand & Supply Plan some time this year.

Under these circumstances, I do not think KOGAS is in a position to give us any definite answer to the best timing for the sale of North Slope Gas to Korea or long-term LNG demand and purchase contracts. However, KOGAS predicts that LNG demand will go up around 2000 when Korean economy gets back to normal.

The Korean government has imposed that the Korean Gas Corporation is the sole importer of LNG. Currently there is a proposal being discussed to liberalize LNG imports. The proposal allows utilities, steel, and other private industries to directly import LNG. The proposal is expected to pass as early as this year. Negotiations among interest holders should begin immediately and the State Korea office will work as a facilitator in these negotiations.

The Korean government has imposed that the Korean Gas Corporation is the sole importer of LNG. Currently there is a proposal being discussed to liberalize LNG imports

2005
Cruel Fil

and it is expected to pass either the end of this year or early next year. With the passing of this proposal, companies within the utility, steel, and other private industries will be able to directly import LNG. Alaska LNG exporters should also begin negotiating directly with these companies and the State Korea office will work as a facilitator in these negotiations.

Crude Oil

Korea is also a growing market for crude oil - as I mentioned - purchases of Alaska's North Slope oil doubled last year. Korea is fully dependent upon imports from abroad for its entire supply of crude oil. LG-Caltex, Korea's second largest refiner, purchased a total of 11 million barrels of Alaskan oil from BP in 1997, which amounted to approximately \$200 million. LG-Caltex will continue to import the same volume this year.

Meanwhile, Hyundai Oil Refinery Co., who imported 3 million barrels of Alaskan oil last year, is unlikely to buy Alaskan oil this year due to lower demand caused by unusually warm weather and the current economic situation in Korea. As crude oil is essential to the Korean economy, Korea is likely to purchase oil and even increase its oil imports from Alaska, as soon as the exchange rate becomes stable and the economy returns to normal.

Seafood

Korea is an important market for Alaska seafood suppliers. Alaska fish exports to Korea approached \$ 88 million in 1996. As all fishery products were completely liberalized from import bans - effective July 1, 1997 - there are expanded opportunities for Alaskan seafood suppliers.

However, China and Russia threaten Alaska as major competitors in the Korean market. Alaskan seafood exporters need to aggressively market their products to Korea to meet this strong challenge.

Coal

Alaska coal exports to Korea reached 650,000 tons worth US\$ 27 million in 1997. Annual

exports from Alaska average 600,000 ~ 700,000 tons.

1998 is a very important year for the export of Alaskan coal to Korea. Alaskan coal suppliers will have to finalize 1998 coal price negotiation with KEPCO. What is more important for Alaskan suppliers is that they will also have to negotiate a new coal supply contract with KEPCO because the current 15 years supply contract will expire December 1998.

In this regard, Usibelli and Alaska Railroad are making all-out efforts to reach a satisfactory contract negotiation. Sun Eel Shipping Co. here in Seoul expects that the Alaskan coal supply can be extended until 2010 if Alaskan coal meets the price competitiveness and the new pollution control.

Technology and the Environment

As part of our promotional efforts to advance environmental technologies from Alaska to Korea, the State Korea Office signed a MOC with the U.S.- Asia Environmental Partnership Korea Office in 1995. It paved the official way for cooperation with the federal government in promoting advanced environmental products and services from Alaska to Korea.

For that end, the State Korea Office and U. S.- Asia Environmental Partnership jointly organized environmental trade mission from Korea to Alaska in 1996 and 1997.

Korea also needs advanced technology and services in the prevention and cleanup of oil spills in the coastal sea and in environmental bunker removal as the number of shipwrecks causing environmental damage increases.

There are opportunities for Alaska to participate actively in the Korean environmental and oil spill prevention & clean up market with advanced technologies. The State Korea Office has paved the way to access the market.

Tourism

Among major industries, tourism is especially sensitive to any downturn in the economy. Korea's current economic crisis has not only frozen outbound travel, but has also hit the Korean outbound travel agents hard.

But, there is some encouraging news for the Alaskan tourism industry. Korean Air has decided to maintain the number of its flight services to Anchorage because its Seoul-Anchorage-New York route is still busy with business travelers and visitors.

And, starting in July of this year, the Korean government will allow outbound tourists to take up to \$20,000, up from the current \$10,000 limit. It is, therefore advisable for the Alaskan travel industry to target the Korean market after the latter half of 1998 in order to prepare itself for normal recovery of Koreans' outbound travel from 2000.

Forest Products

Korea's import of Alaskan forest products for 1997 is up 26% from 1996, to \$70 million. However, due to Korea's economic problems and the timber industry's situation in Alaska, exports in 1998 are likely to remain flat or even decrease. It should be noted that despite the economic downturn in South Korea, our office continues to receive a constant stream of inquiries for a variety of Alaska forestry products.

State Korea Office Performance

The State Korea Office has been a contact point for government and private industry for both Alaska and Korea since its establishment in 1985. In 1985 it received 70 written trade lead inquiries. By March 1998 there were an accumulated 1,000 plus cases in, covering a vast array of industries, including fishery, timber, environmental services, coal, airport projects and tourism.

The number of Alaska business people visiting Korea has increased significantly. So too has well as the number of Koreans visiting the Seoul Office to learn more about trade and investment opportunities with Alaska.

In 1997 alone, 130 people visited the State Korea Office for business discussion and 170 people contacted the State Korea Office for inquiries. The State Korea Office serves more than 100 Alaskan companies each year. The State Korea Office assisted 22 trade missions from Alaska to Korea in 1996 and 16 missions in 1997.

Due to our office activities, the State Korea Office is considered to be one of the most active state offices in Korea. Currently, 22 U. S. States operate trade offices in Korea. Connecticut has just opened its Korea trade office. Pennsylvania will open its trade office soon. Korea has more than 50 foreign trade/tourism offices.

I believe Korea will overcome the current economic crisis within 2 years and trade with Alaska will continue to grow. Our Office will reinforce and invigorate trade through promotion activities that serve the best interests of Alaska. This will contribute to better trade opportunities between Alaska and Korea, thus increasing job opportunities in Alaska.

Thank you.