

LEG. FINANCE - BILLS 1983 - 1984 1965

CSHB 650 cont. - HB 654 1963

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

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

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

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

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

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

THE LINE.

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

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

State urged to do more to lure foreign firms

By CHUCK KLEESCHULTE
Daily News business reporter

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

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

sources.

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

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

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

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

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

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

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

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Alaskans urged to seek out foreign firms

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

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

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

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

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

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

international political conditions in resource countries.

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

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

Korean firms to set up local offices

by Carl Gidlund
Times Business Writer

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

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

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

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

Korea Shipbuilding and Engineering will be negotiating with Seward

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

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

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

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

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

Breeze said the Koreans viewed

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

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

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

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

Breeze said Korean businessmen also were disappointed in a decision

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

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

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

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

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

Koreans talk trade with Alaska

Times staff

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

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

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

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

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

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

source development Council.

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

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

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

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

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

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

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

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

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

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

Several speakers, however, promised action to speed development.

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

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

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

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

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

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



Norris Klotman of The Times

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

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

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

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

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

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

passed in the Senate during the last session.

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

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

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

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

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

Koreans, natives form coal firm

1/18
by Carl Gidlund
Times Business Writer

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

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

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

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

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

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

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

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

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

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Coal

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from 60 million to 3 billion tons of coal of all grades, from anthracite to lignite. The partners hope to ship three to five million tons each year to Korea.

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

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

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

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

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

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

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

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

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

that it may go through this time.

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

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

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

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

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

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

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Koreans agree to buy coal

By ANN CONY

Daily News business reporter

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

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

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

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

He expressed confidence

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Korean firm signs pact to buy Alaska coal

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

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

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

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

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



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

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

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

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

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

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

enough to begin construction this spring.

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

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

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

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

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

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

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

Alaska-Korea Business Council plans sports, cultural exchange

by Carl Gidlund
Times Business Writer

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

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

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

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

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

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

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

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

training with the American national team in Alaska this winter.

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

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

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

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Korean firms to open offices in Anchorage

5/25

The Associated Press

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

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

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

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

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

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

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

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

Trade mission leader says Koreans insulted

By STEVE SEPLOCHA
Daily News business editor

5/24
A recent Alaska trade mission to Korea aimed at stimulating business ties turned into a diplomatic insult when Lt. Gov. Stephen McAlpine canceled plans to attend at the last moment, according to an organizer of the tour.

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

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

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

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

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

Spivey said Sheffield

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

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

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

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

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

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

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

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

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

Hickel taps natural gas market

by Ed Bennett
Times Writer

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Northwest plan of building it at Prudhoe Bay.

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

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

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

State readies for Korean coal ships

10/14/83

Times Business Staff

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

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

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

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

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

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

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

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

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

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

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

Usibelli readies for Healy-Korea link

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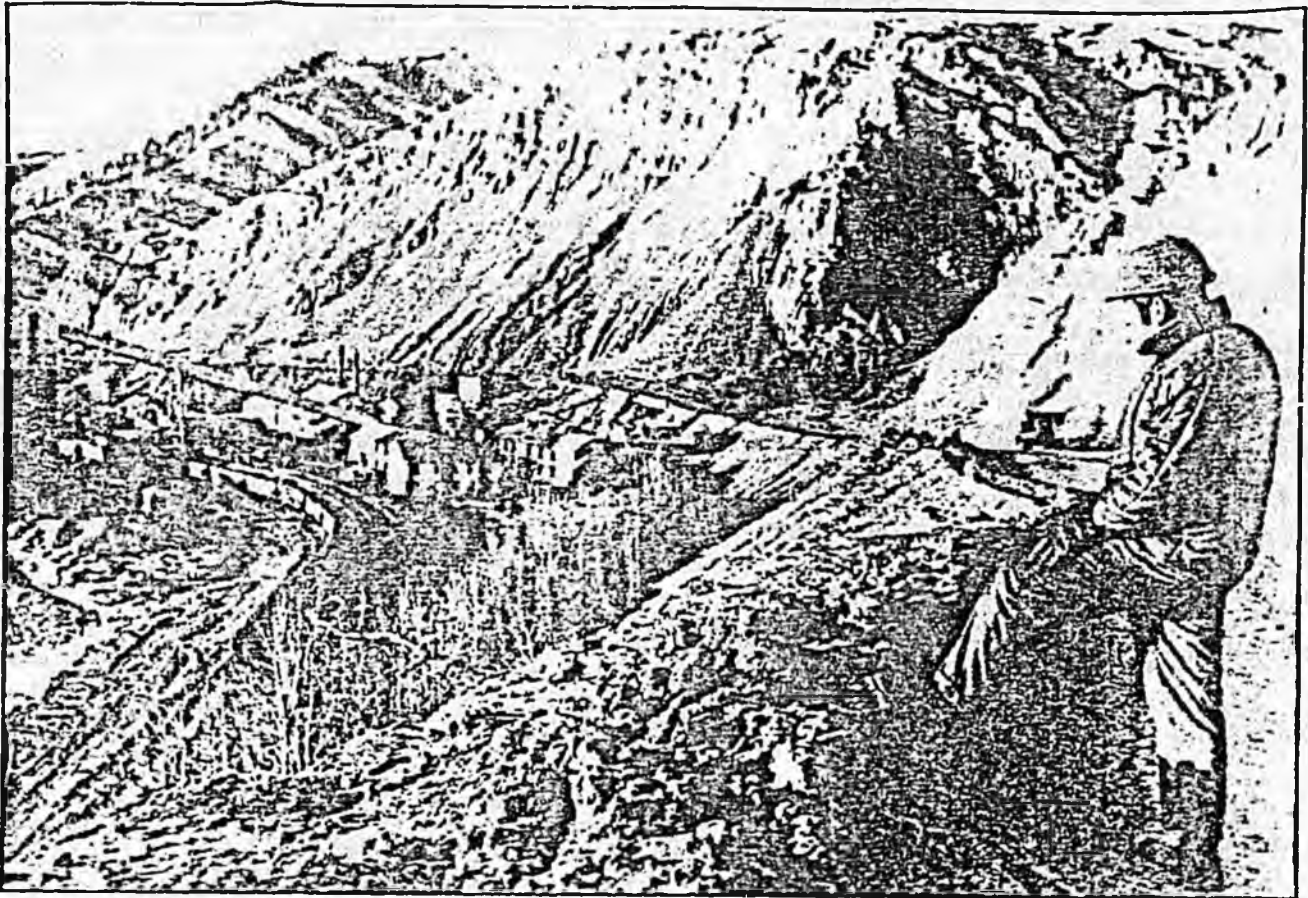
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Times file photo

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

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

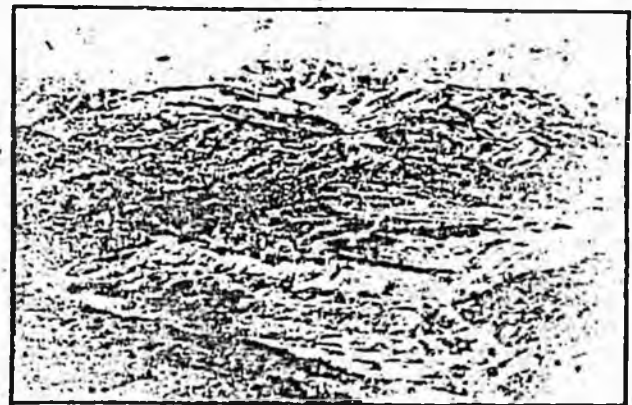
The city of Seward volunteered to handle harbor dredging and construction of an offshore dock and asked the legislature for the larger sum.

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

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

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

The Alaska Railroad signed a 55-year lease with



Times file photo

The Usibelli mine overlooks the Nenana River Valley

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

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

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

Usibelli readies for Healy-

Reprinted with permission of
Alaska Construction & Oil
by Betzi Woodman

10/24

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

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

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

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

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

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

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

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

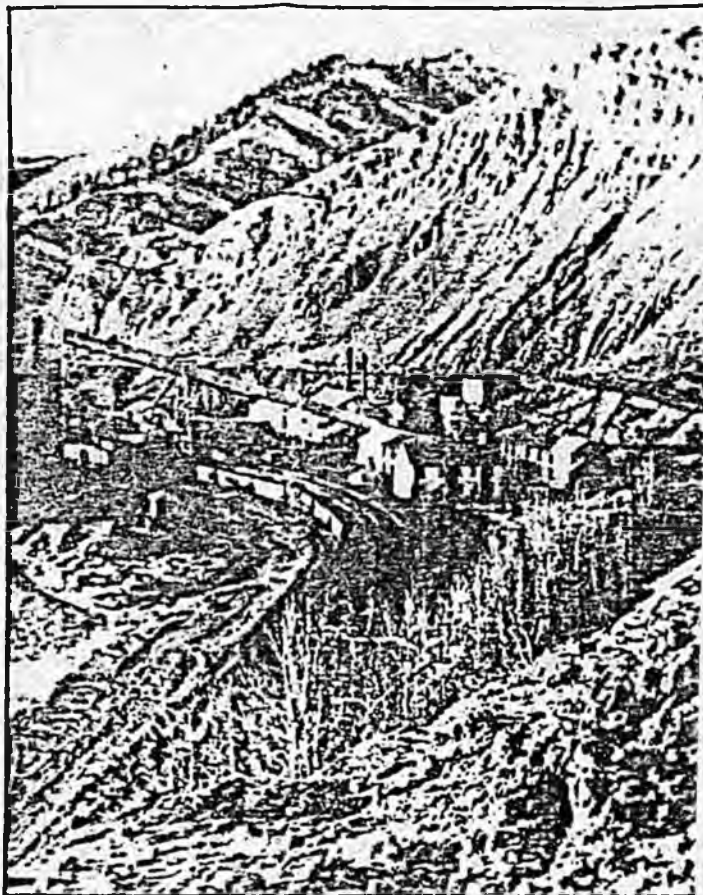
The six machines cost about \$2 million total, according to John Erp, territory manager for Howard-Cooper Corp. in Anchorage, the distributor. Manufacturing lead time was six months. The trucks were shipped disassembled to Usibelli via railroad.

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

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

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

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



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

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The Alaska Railroad signed a 55-year lease with

resentation here.

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

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

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

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

Korea seeks trade zones in Alaska

Carl Gidlund
Times Business Writer

5/6

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

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

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

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

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

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

Alaska resource trade tops \$1.3 billion in rim

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

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

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

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

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

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

Sheffield: Korea can help

Associated Press

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

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

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

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

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

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

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

coal pacts in trouble

COAL . . .

(Continued from page 1)

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

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

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

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

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

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

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

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

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

News-Miner staff and AP reports

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

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

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

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

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

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

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

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

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

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

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

(See COAL, page 3)

No trouble with Korean coal contract: Lyon

By DEAN FOSDICK
The Associated Press

1/20

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Korean firm may get Seward contract

By BILL WHITE

Daily News business editor

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cattle ranchers may work with Korean firm

By DIRK MILLER
Staff Writer

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Bruce Willard, a Homer rancher, says he

or heard any details about the proposal.

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

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

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

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

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

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

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

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

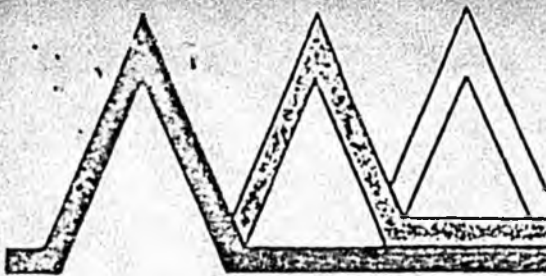
Kodiak though, has an obvious predator problem, Breeze said, the Kodiak brown bear. Homer was chosen because of the existing port and facilities.

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

He said that Koreans particularly like the quality of American beef, especially grain fed.

ATTACHMENT C

State Foreign Trade Offices



WESTERN CONFERENCE

THE COUNCIL OF STATE GOVERNMENTS

720 SACRAMENTO STREET, 3rd FLOOR SAN FRANCISCO, CALIFORNIA 94108 (415) 986-3760

December 19, 1983

John Sherwood
Alaska House Research Agency
Pouch Y
Juneau, AK 99811

Dear John:

Enclosed are the materials I found on states' foreign trade promotion offices.

Enclosure 1 is from a publication that the Council of State Governments (CSG) did earlier this year, Economic Development: A Survey of State Activities. The information from the study was gathered in a survey sent in September of 1982. Bob Reinshuttle, the contact person at CSG that I gave you, produced the finished report.

Enclosure 2 is from a report produced by the National Governors' Association in 1981. The report, Export Development and Foreign Investment: The Role of States and its Linkage to Federal Action, was developed using information NGA gathered through a survey of state officials.

Enclosure 3 is excerpted from a book written by John Kline, State Government Influence in U.S. International Economic Policy (Lexington Books, 1983). The chapter I have sent you provides more detailed background on state export promotional activities, including foreign trade offices. I recommend the entire book if you are looking for information on other aspects of state foreign-trade activities.

The National Association for State development Agencies (NASDA) did its own survey on states' export promotion activities (I gave you Marsha Clarke as a contact there). The NASDA survey is probably the most recent work in that area.

I hope all of this is helpful to you. Call me if you have any questions ^{or} if our office can provide you with further assistance.

Sincerely,

Mark Klender
Policy Analyst

MKsk/WC10a-01

Composed of Legislators, representing the following States

Alaska • American Samoa • Arizona • California • Colorado • Commonwealth of the Northern Mariana Islands
Guam • Hawaii • Idaho • Montana • Nevada • New Mexico • Oregon • Utah • Washington • Wyoming

1. CHAPTER 5

INDUSTRIAL DEVELOPMENT: ADVERTISING, MEDIA PROMOTION AND PUBLICATIONS

Comparison between state expenditures for non-tourist advertising and promotion in fiscal 1982 shows a striking contrast. Six states spent nothing, while 11 spent over \$500,000. The largest expenditures for advertising and promotion were by New York (\$6.95 million), Maryland (\$1.2 million), and Kentucky (\$1 million). Other significant expenditures were by Florida, Louisiana, Massachusetts and Pennsylvania.

In fiscal 1983 budgets, the recession was reflected in nearly every state, and there was much debate in the legislatures and executive offices as to whether promotional budgets should be increased to attract more business and industry to the state, or reduced as part of an overall budget reduction plan. Eight states chose the latter by reducing expenditures (Arizona, Florida, Georgia, Hawaii, Kentucky, Mississippi, Montana, and Wisconsin). Most states, however, decided that a greater commitment should be made to promote their state as a good place to do business. As a result, five states will spend above a million dollars on that activity: New York (\$9.38 million requested), Michigan (\$1.5 million), Maryland (\$1.3 million), Massachusetts (\$1.05 million), and New Mexico (\$1.033 million).

Of the states whose budgets have received final approval, the largest percentage increases will take place in Illinois, Michigan, Oregon, Tennessee, Utah, Vermont, Washington and West Virginia. It is interesting to note that many of these states have suffered the most severe budgetary and economic difficulties during the past few years.

Caution should be used in making direct comparisons between state budgetary figures. States which spend very different dollar amounts for advertising and promotion may nevertheless be spending comparable percentages of their total budgets for that purpose, and in a few cases a special promotional effort may have swelled the promotion budget out of proportion to past expenditures.

Of the 45 states responding to this question, 24 indicated that the amount allocated for promotion and advertising is determined exclusively by the legislature, while 19 said expenditures are determined by administrative decision. In Nevada and Virginia, the decision is made by both legislative and administrative action. (See Table 13.)

Advertising Media

Forty-four states indicated that they advertise through one or more of the following media: newspapers, magazines, radio, television, billboards and direct periodicals. California, Minnesota and New Hampshire do not advertise but produce their own publication. Colorado does not budget for advertising and promotion. (See Table 14.)

Field Representatives

Field representatives cover two basic areas: in-state, to provide services to local industry, communities and development groups; and out-of-state, to make contact with industrial prospects, provide them with information on locations in the state, and render location assistance to prospects once they move into the state. Overall, field representatives provide information, technical and coordinating services.

Twenty-four states employ in-state field representatives. Kansas has such a proposal under consideration, and Alabama uses regular line staff to meet these responsibilities. Eight states use field representatives for work outside the state, and 19 use field representatives outside the United States.

Seven states reported having information centers located outside their own jurisdiction. The two most popular locations are New York City and Washington, D.C. Centers there primarily provide industrial development and trade facility information to interested persons.

Foreign Offices to Promote Industrial Development and Trade

Twenty-three states reported having at least one foreign office engaged in promoting state products, providing information, and assisting foreign corporations who may be interested in locating a plant within their state. Most states have their offices in Japan, Belgium and West Germany; however, other locations include England, China, Canada, Mexico, Brazil, Switzerland, France and The Netherlands. Most foreign offices focus on a region rather than merely concentrating their efforts on the country in which they are located. The exceptions are Michigan, whose office in Tokyo works only with Japanese repre-

ular posture in its foreign offices in Japan and
ada. Virginia employs the largest staff in its
eign offices (six in Japan and eight in Belgium).
e average number of staff per foreign office is
hree; however, larger staffs are commonly placed
in European offices.

Within the past five years, 10 states have ex-
panded their foreign operations (Alabama, Florida,
Georgia, Illinois, Maryland, Missouri, Nebraska,
New York, North Carolina, Pennsylvania and
Virginia), while two states have reduced their
visibility in other parts of the world (Louisiana and
Washington). Ohio recently shifted its West Ger-
many office to Belgium. Three states (Maryland,
Missouri and Ohio) plan to expand their foreign
operations in 1983, and Illinois opened an office in
Japan in January. (See Tables 15 and 16.)

Number of Employees

State	Regional Focus	Number of Employees											Office Changes in Last Five Years	Planned Changes in 1983	
		Japan	Belgium	West Germany	England	China	Canada	Mexico	Brazil	Switzerland	Netherlands	France			
Alabama	Yes except Japan	4		1	2							2		Expand	None
Connecticut	Yes			2										None	None
Florida	Yes	•		2										Expand	None
Georgia	Yes	3	3					1						Expand	None
Illinois	Yes	1	7			2						5		Expand	Japan open 1/83
Indiana	Yes	1	2											None	None
Iowa	Yes			2										None	None
Kansas	...			•										None	None
Louisiana	Yes			1										Reduction from 2 to 1	None
Maryland	Yes	2	3											Expand	Expand
Massachusetts	...	•	•												
Michigan	Yes except Japan	2	5.5											None	None
Missouri	Yes	2	3		1							1		Expand	Expand
Nebraska	Yes	•	•											Expand	None
New York	Yes except Japan /Canada	2	2	2		4								Expand	None
North Carolina	Yes	2	2											Expand, Japan opened	None
Ohio	Yes	3	4											W. Ger. replaced by Belg.	Expand
Pennsylvania	Yes	•	•	•										Expand	None
South Carolina	Yes		2											None	None
Texas	No							2						None	None
Vermont	No					2.5								None	None
Virginia	Yes	6	8											Expand	None
Washington		3	contract staff											Reduction	None

• Consultant on contract.

Foreign Offices

An important part of trade organization for many states is the overseas offices. Although there has been some debate in the past over their utility and cost effectiveness, the continuing increase in the number of overseas offices indicate their importance to states' commercial interests overseas. Data compiled in 1976 show nineteen states with overseas offices. This survey, conducted in October 1980, indicates that thirty-three states are represented overseas and that there are sixty-six offices. Some of these offices (those organized by regional commissions) are shared by several states, while several states have more than one office to represent them around the world.

States have this kind of continuous representation in all parts of the world. Europe was the first target when states began to set up these offices more than a decade ago. Japan then became a focus of activity. Now seventeen different countries host state representatives. Most of these offices have regional responsibilities, making it clear that state economic activities reach into most parts of the world.

Our survey data showed that overseas offices could be categorized by the type of authority administering them. First, there are offices maintained by the state unit charged with primary responsibility for increasing international commerce (the economic development office or similar department) or by closely allied offices (such as those in charge of tourism). Secondly there are offices maintained by quasi-public, semi-autonomous state organs, such as port authorities. Finally, there are offices operated by regional organizations such as non-state port authorities or planning commissions. Some states, particularly in the West, work through this kind of office rather than

TABLE 11.4 - () E OFFICES ABROAD

	BELGIUM	DENMARK	FED. REP. OF GERMANY	FRANCE	GREAT BRITAIN	GREECE	THE NETHERLANDS	SWITZERLAND	BRAZIL	COLUMBIA	MEXICO	PANAMA	AUSTRALIA	HONG KONG	JAPAN	SINGAPORE	CANADA
ALABAMA				X			X										
ALASKA		X	X														
ARIZONA																	
ARKANSAS	X																
CALIFORNIA																	
COLORADO																	
CONNECTICUT			X														
DELAWARE	*								*				*	*			
FLORIDA			X												X		
GEORGIA	X		*		*										X*		
HAWAII																	
IDAHO															**		
ILLINOIS	X							X						X			
INDIANA						X		X									
IOWA		X															
KANSAS																	
KENTUCKY	X																
LOUISIANA	X	X	X							X	X	X	X	X			
MAINE																	
MARYLAND	X			X									X	X			
MASSACHUSETTS	X														X		
MICHIGAN	X														X		
MINNESOTA																	
MISSISSIPPI																	
MISSOURI			X														X
MONTANA			**												**		
NEBRASKA			**												**		
NEVADA																	
NEW HAMPSHIRE																	
NEW JERSEY	*				*		*	*							*		
NEW MEXICO																	
NEW YORK				X											X		
NORTH CAROLINA			X												X		
NORTH DAKOTA			**												**		
OHIO	X														X		
OKLAHOMA																	
OREGON															**		
PENNSYLVANIA			***												***		
RHODE ISLAND																	
SOUTH CAROLINA	X														X		
SOUTH DAKOTA			**												**		
TENNESSEE																	
TEXAS										X							
UTAH																	
VERMONT																	X
VIRGINIA	X							X							X		
WASHINGTON															X	X	
WEST VIRGINIA																	
WISCONSIN																	
WYOMING			**												**		

X = one or more state offices
 * = Regional Ports Authority offices
 ** = Regional Planning Commission offices
 *** = Private state group offices

maintaining their own facilities abroad.¹⁰ Appendix III lists state overseas offices of all types.

Staffing arrangements for overseas offices also varied. In some cases the staffs were employed by the state and solely represented the state. In other cases, the state retained only a consultant or business contact, either on its own or through a regional planning commission.

Different state departments, such as economic development offices and port authorities (or even the same) sometimes maintained separate offices in different foreign country. In other cases, different departments from the same state shared offices or consultants in the same foreign country. For a list of overseas representation by state and country, see Table II.4.

Policy Implications and Recommendations

This chapter outlines the continuing increase in foreign trade activities by states. Figures on overseas trade missions, the hosting of foreign delegations (whether or not visits are directly tied to commercial exchanges), and the proliferation of state offices overseas suggest the scope of the states' activity. Organizational developments also give expression to expanding overseas interests. Traditional bureaucratic organs have been given new responsibilities and in some cases specialized agencies have been created. The emergence of a substantial number of trade-related interests within states has required special mechanisms to foster cooperative relations between state governments and their trade communities. Advisory councils in which the entire trade community is represented have been organized by some governors to deal with this situation. In other states the proliferation of trade activities and interests remain to be

^{10/} A fourth type, unofficially representing the state of Pennsylvania, was operated by a private state regional economic development association.

area within the state. New Hampshire, which targeted both rural and economically depressed areas, noted that a labor market sufficient to meet an industry's needs was one of its basic criteria used in assisting firms wishing to relocate there. Table III.8 provides a summary of internal targeting by the states.

Foreign Area Targeting

A look at where states choose to market state products or to seek overseas investors is instructive in several ways. It suggests the extensiveness of state-based commercial networks around the world. Foreign areas where state effort is most concentrated are identified, as is the presence of state activity in those international markets with the greatest potential.

Taken collectively, state overseas interests reach into most areas of the world. The major regions identified for market development are Europe, Asia and Latin America. It does not appear from the survey that states have given much attention to the trade opportunities available in Eastern Europe, Africa, or West Asia.

That states' export promotion efforts do give greater focus to well-established markets is apparent if we note those cases where specific countries are mentioned. In questionnaire responses, states tended to identify regions or continents rather than individual countries. The list of countries which were also specified includes only modern or rapidly modernizing countries. For the most part, specific countries within Third World markets were not identified.

The survey provides no surprises in the area of targeting investment. For most states the major sources of foreign investment are the developed countries. Western Europe, Canada, and Japan focus most state effort. A few states do look to the rapidly modernizing economies of Taiwan, Mexico, and South Korea.

A detailed breakdown of where states concentrate their overseas activities is provided in Table III.9. It illustrates the considerable diversity of states in their targeting of international business. Of the forty-four states from which data was collected regarding foreign targeting and export promotion,⁴ thirty-one concentrated on particular geographical areas. Vermont, while not engaging in targeting per se, has participated in trade shows and missions held in West Europe and Latin America. Wyoming had no targeting policy; it confined its international business activities to participation in the Old West Regional Commission, leaving to that organization such policy decisions. The eleven states did not specify any specific region or country for export promotion include: Arizona, Colorado, Delaware, Georgia, Iowa, Nebraska, Nevada, North Carolina, Pennsylvania, South Dakota, and Utah.

Among the thirty-two states targeting foreign areas for export promotion, regions or continents were specified sixty-two times, particular countries twenty-four times. Preferences for European and Asian regions were equal (twenty each), followed closely by Latin America (eighteen). Two states identified the Pacific Rim countries. The particular countries mentioned as targets for export promotion were: Canada (by 5 states); Mexico (by 4 states); Japan (by 3 states); Germany (by 2 states); and Taiwan (by 2 states). Argentina, Australia, Brazil, China, Denmark, New Zealand, South Korea, and Venezuela were each mentioned by one state.

Of the forty-six states for which data was collected regarding foreign targeting and reverse investment, thirty-five concentrated on particular areas overseas. As in the case of export promotion, Wyoming leaves such targeting up to its regional commission. The twelve states that do not target specific foreign areas for attracting investment

⁴/ Insufficient data for Louisiana, North Dakota, South Carolina, and West Virginia.

TABLE III.9 - REGION/COUNTRY TARGETS OF STATE
INTERNATIONAL BUSINESS ACTIVITY

	Export Promotion	Reverse Investment
ALABAMA	Central/South America, Far East, Europe	Europe, Far East
ALASKA	Japan, Germany Denmark, Taiwan	Germany, Denmark, Taiwan
ARIZONA	---NONE---	Japan, West Europe, Taiwan, South Korea
ARKANSAS	Europe, Far East	Europe, Japan
CALIFORNIA	Mexico, Canada Pacific Rim Countries, E.E.C., South America	Japan, E.E.C.
COLORADO	---NONE---	---NONE---
CONNECTICUT	Europe, South America, Asia	West Europe (Germany, Switzerland, England, Belgium, Netherlands), Scandinavia (Sweden, Denmark), Asia-Japan
DELAWARE	---NONE---	---NONE---
FLORIDA	Latin America, Europe, Far East	Canada, Europe, Japan
GEORGIA	---NONE---	Japan/Far East, Europe, Canada
HAWAII	Japan, Canada, Asia/Pacific	Japan, Canada
IDAHO	Latin America, Asia, Europe	---NONE---
ILLINOIS	E.E.C., Far East	---NONE---
INDIANA	South America, Europe, Far East	Europe, Japan
IOWA	---NONE---	Europe
KANSAS	South America, Far East, Europe	Europe
KENTUCKY	Europe, South America, Far East	Europe, Japan

TABLE III.9 (CONT)

	Export Promotion	Reverse Investment
LOUISIANA	(1)	(1)
MAINE	Europe, Canada, Far East	Europe, Canada, Far East
MARYLAND	Far East, West Europe	Far East/China, West Europe, Canada
MASSACHUSETTS	West Europe	West Europe, Japan, Canada
MICHIGAN	Latin America, Asia, Europe	Europe, Japan
MINNESOTA	Europe, Canada Latin America	---NONE---
MISSISSIPPI	Central America, South America	Germany, England, Canada
MISSOURI	West Europe, East and Southeast Asia, and Latin America	West Europe, East Asia, and Canada
MONTANA	Pacific Rim Countries, South America	---NONE---
NEBRASKA	---NONE---	---NONE---
NEVADA	---NONE---	---NONE---
NEW HAMPSHIRE	Europe (all countries), South America (Venezuela, Brazil, Argentina), Australia-Asia (Australia, New Zealand, Taiwan, South Korea, Japan, China)	Europe (England, France, Germany, Italy, Spain, Scandinavia), Canada, Australia, South Africa
NEW JERSEY	Latin America	West Europe, Japan
NEW MEXICO	Mexico	---NONE---
NEW YORK	(2)	North Europe, United Kingdom, Japan
NORTH CAROLINA	---NONE---	West Europe, Japan
NORTH DAKOTA	(1)	(1)
OHIO	Asia, Latin America, West Europe	West Europe, Japan
OKLAHOMA	Canada, Mexico West Germany	Canada, Mexico, West Germany, Japan

TABLE III.9 (CONT)

	Export Promotion	Reverse Investment
OREGON	Far East, Southeast Asia Western Latin America	Europe, Japan
PENNSYLVANIA	---NONE---	Japan, West Europe
RHODE ISLAND	E.E.C.	West Europe
SOUTH CAROLINA	(1)	(1)
SOUTH DAKOTA	---NONE---	---NONE---
TENNESSEE	Latin America, Asia, Europe	Japan, Germany, Other European Countries
TEXAS	Mexico	---NONE---
UTAH	---NONE---	---NONE---
VERMONT	(3)	Canada, Europe
VIRGINIA	Europe, Far East Latin America	West Europe, Japan
WASHINGTON	Asia-Pacific	Europe, Asia
WEST VIRGINIA	(1)	Japan, West Germany, England
WISCONSIN	South America, Far East	Europe, Far East
WYOMING	(4)	(4)

(1) Insufficient Data

(2) Target specific areas, but none listed

(3) No specific targeting, but have participated
in trade missions/shows in West Europe and
Latin America

(4) Left up to regional planning commission

include: Colorado, Delaware, Idaho, Illinois, Minnesota, Montana, Nebraska, Nevada, New Mexico, South Dakota, Texas, and Utah.

Europe and the Far East are, almost exclusively, the regions where states go to seek investment. A rank order of specific countries mentioned by number of states suggests what are regarded as the best sources of investment money. This pattern is illustrated in Table III.10.

TABLE III.10 - COUNTRIES TARGETED FOR STATE INVESTMENT
PROMOTION BY NUMBER OF TIMES MENTIONED ON QUESTIONNAIRE

Country	No. Of Times Mentioned
JAPAN	20
CANADA	11
GERMANY/WEST GERMANY	7
ENGLAND/UNITED KINGDOM	5
DENMARK	2
TAIWAN	2
AUSTRALIA	1
BELGIUM	1
FRANCE	1
ITALY	1
MEXICO	1
NETHERLANDS	1
SOUTH AFRICA	1
SOUTH KOREA	1
SPAIN	1
SWEDEN	1
SWITZERLAND	1

Six states targeted specific foreign areas for export promotion, but not for reverse investment. These states include: Idaho, Illinois, Minnesota, Montana, New Mexico, and Texas. In terms of general policy, all of these states strongly encourage export promotion and strongly discourage, mildly discourage, or at least are neutral toward, reverse

foreign investment. Six states also targeted specific foreign areas for reverse investment, but not for export promotion. These states include: Arizona, Georgia, Iowa, North Carolina, Pennsylvania, and Vermont.

Policy Implications and Recommendations

To speak of state trade policy is really only to refer to the collective activities that states perform in promoting international business. No state appears to have anything approximating an articulated policy relating to trade. A few states are so minimally involved in international trade it would be difficult to accurately identify a trade posture, much less a policy. Yet the idea of trade policy, and its development in the states, gives an instructive focus to the findings of this chapter.

From the collective activities of the typical state it is possible to derive the elements of a policy framework. Foreign investment and export promotion are both strongly encouraged. The longstanding interest of states in investment continues, although there is increasing interest in export promotion. The higher priority given exports is evident. Larger allocations of the state's international budget go for trade expansion. States offer a full range of export services in response to a whole range of needs within an expanding state trade network. It seems that states have generally rejected a strategy of making state exports more profitable. That approach would only serve one category of business within the state -- the experienced exporter. In providing a number of programs, the state reaches firms with no experience, those who might export but don't know how, those who want to but need assistance, and those who do export and want greater market opportunities. By sponsoring a variety of promotion programs, states assure that there is an appropriate program for most businesses in the expanding trade environment. This strategy is compatible with the finding that state programs are generally geared to small manufacturing firms with fewer than five years of experience in

ATTACHMENT E

Alaska Exports to East Asian Markets

ALASKA EXPORTS: EAST ASIA AND PACIFIC
Totals and Major Products (000)

COUNTRY (PRODUCT)	1977	1978	1979	1980	1981	1982 (N)
JAPAN	<u>288,164.0</u>	<u>471,161.5</u>	<u>738,445.7</u>	<u>757,959.4</u>	<u>934,205.7</u>	<u>887,967</u>
Seafood	47,623.7	203,479.6	396,895.2	297,494.2	406,279.6	332,491
Forest Products	141,096.1	135,410.5	236,306.5	273,337.1	206,214.7	205,081
Pet & Pet/Chem*	95,325.6	121,448.4	131,649.3	222,647.4	297,350.7	281,947
CHINA	<u>7,196.2</u>	<u>18,711.4</u>	<u>32,352.5</u>	<u>67,795.1</u>	<u>43,841.7</u>	<u>58,665.</u>
Urea	6,938.6	15,174.6	27,179.2	35,036.6	18,953.6	43,860.
Forest Products	0.0	3,393.2	1,303.6	32,173.3	24,412.5	9,562.
TAIWAN	<u>8,573.6</u>	<u>8,090.6</u>	<u>12,096.4</u>	<u>14,600.6</u>	<u>16,916.0</u>	<u>4,374.</u>
Urea	0.0	0.0	2.4	0.0	4,109.7	0.
Forest Products	7,349.2	5,614.2	9,479.0	9,201.5	7,036.6	3,658.
Seafood	0.0	0.0	0.0	9.6	0.0	0.
KOREA	<u>8,302.5</u>	<u>8,653.5</u>	<u>23,528.6</u>	<u>36,121.0</u>	<u>19,807.4</u>	<u>95,185.</u>
Urea	0.0	0.0	0.0	0.0	0.0	16,612.
Coal	0.0	0.0	0.0	0.0	635.7	0.
Forest Products	5,314.0	2,420.3	12,773.9	8,030.8	9,430.0	9,469.
Seafood	0.0	3,453.5	1,446.0	24,345.0	4,088.4	9,345.
THAILAND	<u>3,821.3</u>	<u>4,306.8</u>	<u>3,468.4</u>	<u>5,539.4</u>	<u>4,099.8</u>	<u>9,331.</u>
Urea	0.0	994.6	800.9	4,283.9	0.0	2,884.
Forest Products	4,219.3	2,662.8	2,568.9	1,069.7	2,347.6	5,995.
HONG KONG	<u>309.1</u>	<u>1,303.9</u>	<u>2,963.3</u>	<u>1,859.3</u>	<u>5,611.5</u>	<u>917.</u>
Pet & Pet/Chem	0.0	0.0	1.2	0.0	.7	0.0
Forest Products	402.2	0.0	0.0	0.0	982.2	0.0
Seafood	0.0	0.0	82.6	1.5	0.0	0.0
INDONESIA	<u>0.0</u>	<u>1,102.4</u>	<u>1,188.4</u>	<u>10,942.4</u>	<u>2,969.5</u>	<u>22,199.0</u>
Urea	0.0	0.0	0.0	0.0	0.0	15,552.0
Forest Products	0.0	0.0	0.0	0.0	545.7	5,247.0
PHILLIPINES	<u>22.0</u>	<u>367.2</u>	<u>3,270.6</u>	<u>14,598.3</u>	<u>28,326.4</u>	<u>12,551.8</u>
Urea	0.0	0.0	2,217.9	14,442.4	26,362.6	12,256.0
MALAYSIA	<u>0.0</u>	<u>166.2</u>	<u>4,859.9</u>	<u>4,901.2</u>	<u>10,627.2</u>	<u>14,038.0</u>
Urea	0.0	0.0	2,219.0	3,579.6	6,408.4	11,898.2
AUSTRALIA	<u>1,173.4</u>	<u>6,965.9</u>	<u>18,318.6</u>	<u>3,069.0</u>	<u>9,096.0</u>	<u>33,576.6</u>
Urea	0.0	0.0	3,742.6	0.0	0.0	8,028.2
NEW ZEALAND	<u>0.0</u>	<u>2.0</u>	<u>27.1</u>	<u>0.0</u>	<u>0.0</u>	<u>1.5</u>
TOTAL EXPORTS	<u>392,157.3</u>	<u>611,825.7</u>	<u>913,047.4</u>	<u>987,519.0</u>	<u>1,182,597.2</u>	<u>1,199,536.7</u>

Pet & Pet/Chem exports to these countries are included in these figures.

ALASKA EXPORTS: WORLDWIDE TOTALS

Major Products (000)

Product	1977	1978	1979	1980	1981	1982 (NOV)
Forest Products	179,212.5	168,484.4	271,135.9	339,037.1	278,026.5	252,815.6
Seafood Products	52,106.3	205,707.1	356,047.6	327,205.3	427,142.8	349,391.0
Natural Gas	95,325.6	111,442.0	122,536.0	218,044.4	310,024.5	266,148.0
Urea	20,059.1	59,837.6	73,719.5	87,481.3	133,417.2	100,734.7
Ammonia	6,517.5	9,433.5	913.8	2,648.7	0.0	19,371.3
<u>TOTAL</u>	<u>392,157.3</u>	<u>611,825.7</u>	<u>913,047.4</u>	<u>987,519.0</u>	<u>1,182,597.2</u>	<u>1,199,356.7</u>

ATTACHMENT H

Markets for Alaska Timber--Pacific Rim Countries

Development Planning and Research Associates, Inc.,
200 Research Drive, Manhattan, Kansas 66502
with
The Tuolumne Corporation
and
International Investments Consultants, Inc.

MARKETS FOR ALASKAN
TIMBER PRODUCTS
PACIFIC RIM COUNTRIES

To

Forest Service, Region 10
U.S. Department of Agriculture

P-509
May 1983

B. The Market for Alaskan Timber Products in Korea

Korea is a country of few forest resources but a sizeable wood-products industry that relies heavily on the export market. It exports large volumes of plywood worldwide and some lumber to Japan and the Middle East where Korean contractors are very active.

1. Market Structure for Alaskan Timber

Our investigation of the Korean market showed that only four firms import from southeast Alaska and one of these, a red cedar importer, was beyond the scope of the study. Each of the three applicable users is an integrated importer/processor importing hemlock and spruce directly from Alaska. The three importers used 75,500 m³ of Alaska spruce and hemlock timber in 1981, most of which (83%) was western hemlock imported by one firm. Table 5 summarizes survey results of the three Alaskan timber importers. Alaskan timber represented 29 percent of their total timber volume, ranging from 25 percent to 75 percent. For all Korea, Alaskan timber represented only about one percent of the total timber usage in 1981.

2. End Use

The greatest single use of Alaskan timber is western hemlock in hidden interiors of houses. Western hemlock is also used in exposed house interiors and boxes and crates. Sitka spruce usually goes into the growing musical instruments industry, particularly Korean pianos.

3. Timber Quality and Desirable Characteristics

Most Korean concern about quality pertain to Sitka spruce which is used in the higher valued musical instruments industry. They are less concerned about the quality of western hemlock which they use primarily because of price consideration. The quality of hemlock logs is not good but acceptable at the low price Koreans pay (recently \$200 per MBF, p.a.s.).

Table 5. Information summary on sawmills importing SE Alaskan timber, Korea 1/

Item	Survey results
Total annual volume:	
• Timber processed, all sources	260,667 m ³
• SE Alaskan timber	75,500 m ³
• SE Alaskan logs (n=1)	67,500 m ³
• SE Alaskan cants (n=2)	8,000 m ³
• SE Alaskan Sitka spruce (n=3)	13,000 m ³
• SE Alaskan western hemlock - all logs	62,500 m ³
Alaskan timber as % of total	1 mill - 27%, 2 mills - 75%
Recovery on logs	Sitka spruce - 65%, hemlock - 60%
Recovery on cants (n=2)	Sitka spruce - 70% and 75%
End Use	
o SE Alaskan western hemlock logs (n=1)	50%, House const. - hidden interiors 20%, House const. - exposed interiors 30%, boxes and crates
o SE Alaskan Sitka spruce scants	100%, Musical instruments

1/. A total of three integrated sawmills were surveyed and to the best of our knowledge they are the only Korean users of SE Alaskan Sitka Spruce and western hemlock. Each does its own importing of timber.

Koreans prefer the same qualities in Sitka spruce as the Japanese; high ring count, free of small knots and specific uniform grain angle. There have been problems attaining acceptable quality in most of these areas.

4. General Timber Situation in Korea

Demand

In 1981, total timber demand was 7.3 million m³ (log equivalents), sawn from 11.6 million m³ in 1978. Traditionally, most of Korea's demand for timber was for re-export. Recently domestic demand has become dominant mainly due to declines in the export market. In 1982, domestic demand is expected to account for 65 percent of the timber use and lower export demand will account for only 35 percent of the log use.

Most of the wood product exports is in the form of plywood, 2.5 million m³ log equivalents in 1981 or 93 percent of exports. However, this is down sharply from a peak of 4.9 million m³ in 1977.

The reduction in plywood exports is attributed to decreased supplies of suitable hardwood logs, more so than reduced plywood markets. Key hardwood exporting countries have significantly restricted log exports in recent years.

By 1990, Korean forestry officials expect annual timber demand to be 19 million m³ annually. They expect the domestic demand to be 14.5 million m³ and export demand to be 4.8 million m³. We believe the export demand projection may decline faster than the government estimates. Domestic demand projections are reasonable if Korea can maintain its economic growth and increase housing starts which recently ranged from 200,000 to 250,000 per year.

Supply

In 1965 domestic timber accounted for 48 percent of the total supply. Imports became more and more important as the plywood and lumber re-export industry grew, and domestic sources supplied only 8 percent in 1978. Their proportional importance has increased sharply since 1978, however, up to 16 percent in 1981. This is largely because of reduced hardwood imports for the plywood re-export industry as discussed earlier. The actual volumes have been 800,000 to 900,000 cubic meters since the mid 1960's, topping 1 million m³ in 1981.

Imported supplies reached a peak of 10.6 million m³ in 1978, declining to 6.1 million m³ in 1981. Most of this decline has been in the hardwood area and while the volume of imported softwoods is down some. Softwoods now represent a larger share of imports, 22 to 23 percent in 1978 to 1981 versus 8 percent in 1975.

5. Trends and Opportunities in the Korean Market

Due to a combination of increased demand for softwood and limited domestic resources, use of North American softwoods will presumably grow. Most of this will be in the form of logs but the share of processed timber is expected to grow.

If Alaska suppliers can be price competitive, they should expect increased exports to Korea. If current manufacturing practices hold, demand for Sitka spruce in musical instruments should increase. However, if spruce is replaced by other woods in piano keys, legs and frame, spruce demand could decline but such substitution does not appear likely.

While Korea can probably use more hemlock in the future, their actual hemlock imports will depend on what the Japanese do. If the Japan market strengthens, the Koreans will not likely compete with the Japanese for hemlock logs and cants. They will seek lower cost and lower quality substitutes. Thus, relative to Japan, the hemlock market in Korea does not look particularly good.

- Alaskan Sitka spruce is preferred over essentially all foreign spruces. Assuming prices are competitive no major threats to substitution exist and Alaskan volume should be a direct function of Japanese demand for spruce. At higher prices, substitutes do exist and will be used.
- The Japanese sawmills have had problems with quality control on Alaskan timber. We recommend Alaskan exporters start a program with key traders to identify specific problems and improve sorting and grading of timber for Japanese customers.
- The Japanese sawmillers are very interested in discussing their trading problems and establishing long-term trading relationships.

Korea is a much smaller importer than Japan but offers potential for growth in Alaskan timber imports. We offer the following specific conclusion and recommendations:

- Korea sawmillers and importers, compared to Japanese, are more price conscious and less quality conscious, particularly regarding hemlock.
- We recommend that Alaskan traders develop a sort specifically for the Koreans, like the K-sort used in the Pacific Northwest. This will complement the need to maintain higher quality and prices for the Japanese market. The lower quality material can be sorted out and sold to Korea at a fair price.
- Korean plywood mills are facing great difficulty securing Southeast Asian hardwood. They may be able to substitute some Alaskan species, e.g., cottonwood or the larger white spruce logs, to replace part of the hardwood needs and Alaska should investigate this potential.

and Sitka spruce from Alaska. This is to be expected considering that Japan has been the traditional market for Alaska and that higher production costs and the Jones Act 1/ inhibit marketing in the lower 48 states

Japan will remain Alaska's strongest customer for logs and for cants and the major customer for U.S. timber products in the Pacific Rim Countries. While exports of timber product from the lower 48 states have declined substantially over the past five years, Alaskan exports have increased slightly through 1981. As a result, Alaska's share of the U.S. exports to Japan has risen considerably, from 18 percent to 27 percent over that period.

The Japanese represent a very quality oriented market and purchase with specific quality standards oriented to specific end uses. They rescale and regrade all purchased logs, upon arrival in Japan.

b. Korea

Exports to Korea have historically consisted of low grade hemlock and spruce logs and a minimal volume of piano grade spruce cants. In the Pacific Northwest the grade just above pulplogs is the so-called "K-sort", K standing for Korea. The Alaskan equivalent is a somewhat larger rough log from which some clears can be obtained through time-consuming turning on the carriage.

c. Taiwan

Taiwan is Alaska's smallest customer in volumes of product sold, all in cants of hemlock and spruce in 1981. Taiwan has purchased hemlock logs and cants primarily from the PNW with limited supplies from Alaska. Only a limited amount of Sitka spruce has been imported and only recently from Alaska.

1/ The Jones Act requires that all interstate-intercoastal water borne freight be carried on U.S. bottoms.

V. THE POTENTIAL MARKETS FOR ALASKAN TIMBER PRODUCTS IN KOREA

A. Background

Korea is a country with few forest resources, but with a sizeable wood products export industry. The domestic forests were heavily cut in the later years of Japanese occupation for military construction purposes and before they could recover were again cut over for firewood during and just after the Korean War. They now consist largely of planted pines, growing slowly on rather poor sites, and planted poplars, plus limited old growth hardwoods, pines, and other conifers. The acreage is extensive but stocking is low, except in the poplar plantations. Total forest area is 6.6 million hectares, with an estimated 111 million cubic meters of growing stock, or 16.8 cubic meters per hectare.

Exports consist mostly of plywood produced from imported Southeast Asia hardwood logs. In recent years American softwood logs have provided the raw material for construction lumber exported to Japan and the Middle East, where Korean contractors are very active. As of 1981, Korea depended on imports for 83 percent of its timber requirements.

B. The Market Structure for Alaskan Timber in Korea

1. Importers, Sawmills and Channels of Distribution

To the best of our knowledge there are four firms that import from southeast Alaska, but only three fall strictly within the scope of this study. The fourth is a red cedar importer and falls outside the scope of this study. For the applicable cases, the market structure is the same. Each is an integrated importer/processor who imports directly from Alaska. One importer does sell a minor quantity to small independent sawmills.

The three importer/processors imported about 75,500 m³ of Alaskan timber in 1981 according to survey responses. Most of this, 83 percent, was K-sort hemlock logs imported by one firm (Table V-1). Sitka spruce imports totaled 13,000 m³ of which 8,000 m³ were cants. In 1980, one firm reported they had imported hemlock cants also, but lost money on the venture and have not repeated it.

The Alaskan timber represents about 29 percent of the total volume of the three processors and ranges from 27 percent to 75 percent. For the total Korean industry, Alaskan imports represented only about one percent of total timber usage in 1981.

2. End Use

As shown in Table V-1, the greatest share of the Alaskan timber, 31,250 m³ of western hemlock, went into hidden interiors of houses. The remainder of the western hemlock was used in exposed house interiors and boxes and crates. Sitka spruce, logs or cants, usually went into the growing musical instruments industry, particularly Korean pianos.

3. Preferences

Korean preferences for Sitka spruce require a high ring count, an even knot distribution and a specific uniform grain angle. They tend to be less concerned about quality characteristics in hemlock which is used in lower value or hidden end products.

In the case of the hemlock logs, they are generally satisfied and accept the trade-off in quality for the low price they pay (recently \$200 per MBF, FAS). Alaskan logs are criticized, however, for a high percentage of center defects. While specifications do allow up to 40 percent deduction from gross for these defects, the usual deduction is less than 20 percent. Also, the overall recovery rate on logs is relatively high, 60 percent, considering the low grade of logs imported.

Table V-1. Information summary on sawmills importing SE Alaskan timber, Korea ^{1/}

Item	Survey results
Total annual volume:	
• Timber processed, all sources	260,667 m ³
• SE Alaskan timber	75,500 m ³
• SE Alaskan logs (n=1)	67,500 m ³
• SE Alaskan cants (n=2)	8,000 m ³
• SE Alaskan Sitka spruce (n=3)	13,000 m ³
• SE Alaskan western hemlock - all logs	62,500 m ³
Alaskan timber as % of total	1 mill - 27%, 2 mills - 75%
Recovery on logs	Sitka spruce - 65%, hemlock - 60%
Recovery on cants (n=2)	Sitka spruce - 70% and 75%
End Use	
• SE Alaskan western hemlock logs (n=1)	50%, House const. - hidden interiors 20%, House const. - exposed interiors 30%, boxes and crates
• SE Alaskan Sitka spruce cants	100%, Musical instruments

^{1/} A total of three integrated sawmills were surveyed and to the best of our knowledge they are the only Korean users of SE Alaskan Sitka Spruce and western hemlock. Each does its own importing of timber.

1-3

Preferences or criticisms of the spruce timber were at least more vigorous, if not more serious. One importer notes that only 40 percent or so of the Sitka spruce is really suitable for sounding boards in pianos, its intended use. They complain about knots, unacceptably wide grain, wavy grain, pitch pockets or lines, excessive hardness and instability in drying. As a result of these defects, one processor has accumulated about 500 MBF of material that they cannot use--presumably it could be used for legs but the requirement for legs is not large enough to use defective material. In contrast, the other Sitka spruce importer did not have major complaints about quality.

C. The General Situation for Timber in Korea

Given the status of Alaskan timber imports in Korea, we now provide an overview of the aggregate timber market. Topics covered include demand and supply which will lead to a final section on opportunities for Alaskan timber in Korea.

1. Demand

The total demand for timber in Korea was 11.6 million cubic meters (log equivalent) in 1978, declining to 7.3 million in 1981. The Office of Forestry forecasted, about a year ago, that 1982's demand would be up to 8.3 million cubic meters. 1982 data were not available at the time of the visit, but it is apparent that there has been an appreciable increase over 1981. Table V-2 shows the demand from 1965 to date by category of domestic use, and by domestic vs. re-export requirements.

According to the Korean Office of Forestry, Korea's domestic needs were much less than those of the Korean re-export industry through the late 1960's and up to 1977. During those years the re-export sector took almost 60 percent of the total demand, reaching 66 percent in 1976. Still, its importance has declined recently, and is likely to decline even more in the future.

Table V-2. Korea's wood products demand

	1965	1970	1975	1978	1979	1981	1982
-----1000 m ³ log equivalents-----							
<u>Domestic use</u>							
Pit props	304	450	542	617	626	628	637
Pulpwood	41	206	188	313	233	497	737
Plywood	-	-	-	541	1,792	1,345	1,132
Other	403	1,057	2,159	4,875	3,965	2,115	2,911
Total	<u>748</u>	<u>1,713</u>	<u>2,889</u>	<u>6,346</u>	<u>6,616</u>	<u>4,585</u>	<u>5,417</u>
<u>Export use</u>							
Plywood	511	2,270	3,226	4,528	3,031	2,497	2,413
Other	1	17	350	737	1,293	183	460
Total	<u>511</u>	<u>2,287</u>	<u>3,576</u>	<u>5,265</u>	<u>4,324</u>	<u>2,680</u>	<u>2,873</u>
Total Demand	1,259	4,000	6,465	11,611	10,940	7,265	8,290

Note: 1982 figures are a forecast prepared at the end of 1981, apparently reasonably accurate.

Source: Assembled from data obtained from the Korean Office of Forestry.

a. Domestic requirements

The categories of domestic use into which the Office of Forestry groups its figures, and which are shown in Table V-2, are pitprops, pulpwood, plywood and general use (presumably lumber in its various applications and particle board). The plywood and general use categories cover housing and other construction, furniture and musical instruments, and boxes and crating material.

Since Korea is heavily export-oriented, an unknown but certainly quite large part of domestic use should perhaps be assigned to the re-export sector - e.g., furniture, musical instruments and the packing materials needed for all kinds of export items. These requirements would exist in most countries, but in Japan and the United States, for example, they are small compared to other domestic needs. In Korea, they probably inflate domestic demand to a significant degree.

Domestic use peaked in 1979, at 6.6 million cubic meters, declined to 4.5 million in 1981. Government stimulation of the housing industry was to increase domestic use to 5.4 million in 1982.

The current rate of housing starts is between 200,000 and 250,000 annually, and is expected to increase slightly. Data were not available on the number of multi-unit vs. single-family dwellings. However, in terms of wood use it is probably not as significant as in Japan because there are very few wood-frame buildings. Wood is used primarily in door and window frames, floors, ceilings and roofs to some extent, doors and some cabinetry, and in concrete forming.

The volume of wood used per housing unit is estimated to be 7.1 m³. Housing, therefore, would be using 1.4 to 1.8 million cubic meters per year, plus whatever is used temporarily for concrete forming, perhaps another 0.2 or 0.3 million. Plywood and general use took 3.5 million cubic meters in 1981, so roughly another 0.5 million were required for other construction, furniture, crating, etc.

b. Re-export

Starting in the early 1960's, Korea became the world's most important in-transit processor/producer of hardwood plywood, using Southeast Asian logs. This activity peaked in 1977, with 4.9 million cubic meters of logs--half of Korea's total log requirements in that year. It has since dropped sharply, to 2.5 million in 1981.

Reduced plywood markets in North America, Europe, Japan, etc. are not the only factor in the decrease in Korea's plywood re-export trade. The declining availability of suitable logs is more significant and promises more future problems for the industry. Indonesia and the Philippines have severely restricted log exports, leaving only Papua New Guinea and the Malaysian states of Sabah and Sarawak as places from which logs may be exported on a reasonably open market basis. As a result, Korea must compete with Taiwan, Singapore and Japan for these remaining log sources.

The Korean plywood industry has two options for dealing with this problem. They are:

- shift their operations to the resource country which many companies either have done or are planning to do. This, of course, removes their log requirements from Korea's total demand.
- Substitute other woods for Southeast Asian hardwoods, in core and cross-band veneer. The possibilities include Korean plantation poplar, cottonwood from North America, tight-knotted softwood logs from North America, or imported veneer of softwoods, aspen, etc.

Korea also exports lumber, moldings and other remanufactured wood products, although this is much less important than plywood export. The raw material for this includes North American softwoods, re-exported to Japan and to

Korean construction companies working in the Middle East. This sector took 1,293,000 cubic meters of logs in 1979, dropping to 183,000 in 1981 and supposedly increasing to 460,000 in 1982.

Export statistics cast doubt on the above figures, however. In 1981, Korea apparently exported 262,000 cubic meters of lumber, moldings, and other processed lumber of which 219,000 cubic meters were softwoods for Japan and the Middle East. Probably about 400,000 cubic meters of logs would have been needed to produce this volume, suggesting that lumber re-export is much more important than the 183,000 cubic meters shown in Table V-2.

c. Future demand

The Office of Forestry has prepared a forecast of timber demand and supply up to the year 2030. This was done in 1978 and their estimate for 1980, not surprisingly, missed significantly as the world-wide economic climate suddenly worsened. Their long-term forecasts are presumably more reliable, if their analysis of underlying domestic trends is soundly based. These forecasts are:

	<u>Domestic</u> <u>use</u>	<u>Export</u> <u>use</u>	<u>Total</u>
	-----million cubic meters-----		
1990	14.5	4.8	19.3
2000	19.5	3.0	22.5
2010	22.7	2.5	25.2
2020	24.6	2.0	26.6
2030	25.6	1.5	27.1

It would not be surprising if the export sector's demand declined faster than these figures suggest, particularly with respect to plywood. As domestic demand increases and as the plywood industry struggles with its raw materials problems, a larger decline in exports is possible.

2. Supply of Timber

a. Domestic supplies

In 1965 domestic timber accounted for 48 percent of the total supply. Imports became more and more important as the plywood and lumber re-export industry grew, and domestic sources supplied only 8 percent in 1978. Their proportional importance has increased sharply since 1978, however, up to 16% in 1981. This is largely because of reduced imports for the plywood re-export industry as discussed earlier. The actual volumes have been 800,000 to 900,000 cubic meters since the mid 1960's, topping 1 million in 1981.

Data were not obtainable on the species composition of domestic production, but from our knowledge of Korea it estimated that well over half would be pine, about one-tenth plantation poplar, and the balance other conifers, oak, chestnut and miscellaneous other hardwoods (e.g., walnut, persimmon, Paulownia).

Domestic logs are mostly small and of rather low grade and poor form. Their end uses are:

- Conifers: construction, generally utilizing small cross-section and short lengths.
- Poplar: packing material, chopsticks, blockboard.
- Hardwoods: furniture, sliced veneer (particularly in narrow widths and short lengths for items such as plywood parquet), and specialty purposes such as golf club heads (persimmon), and Japanese-style solid or veneered furniture (Paulownia).

Table V-3 shows the sources of Korea's timber supply from 1965 to date.

Table V-3. Sources of Korea's timber supply

Source and species	1965	1970	1975	1978	1979	1981
	-----1000 m ³ log equivalents-----					
Domestic supplies	503	845	896	996	952	1,130
Imports						
Tropical hardwood	718	2,863	5,116	8,197	7,886	4,792
Softwood						
North American	18	236	448	1,719	1,252	929
Chile & New Zealand	20	56	-	622	832	414
Total	<u>38</u>	<u>292</u>	<u>448</u>	<u>2,401</u>	<u>2,084</u>	<u>1,343</u>
Other	-	-	5	17	18	-
Total	<u>756</u>	<u>3,155</u>	<u>5,569</u>	<u>10,615</u>	<u>9,988</u>	<u>6,135</u>
Total supplies	1,259	4,000	6,465	11,611	10,940	7,265

Source: Assembled from data obtained from the Korean Office of Forestry.

b. Imports

Imports reached a peak of 10.6 million cubic meters in 1978, declining to 6.1 million in 1981. Industry sources consider an increase to 6.3 million, likely in 1982. Southeast Asia and the South Pacific are the principal sources, and from 1965 to 1977 this area supplied 85-95 percent of imports. Softwood imports increased sharply in 1978, and as of 1981 they reduced tropical hardwoods' share of the market to 72 percent.

Tropical hardwoods are used mostly for plywood, but also for other purposes such as lumber and remanufactured product exports, furniture, domestic moldings, window frames, and construction. Table V-4 compares the Office of Forestry data on domestic and export plywood raw material requirements, and on tropical hardwood imports, in order to get some idea of the hardwood volume that goes into these uses.

Softwood imports have so far come mainly from the United States. New Zealand and Chile are suppliers of Monterey pine, accounting for about 27 percent in 1981. Korea has also started to buy Siberian logs, either transhipped or redocumented in Japan. There has been some imports from Canada in the past few years, the volume is not available. We suspect that it is quite small.

With a few exceptions, Korean importers have but one criterion for softwoods--price. Color, grain characteristics, knot placement, ring count and log size mean little. Knot size is of some significance, however, since Korea, like other Asian countries, uses lumber in some very small cross-section, it does not seem to be a serious problem. Also, logs with smaller knots are selected for this type of end product. One product that can accept large knots, provided they are tight, is crating material for machinery exports, etc. Monterey pine, from New Zealand and Chile, is used for this, as it is in Japan.

Table V-4. Korean plywood requirements and tropical hardwood imports

Item	1978	1979	1981
	-----1000 m ³ log equivalents-----		
Plywood requirements			
Domestic	541	1,792	1,345
Export	4,528	3,031	2,497
Total	<u>5,069</u>	<u>4,823</u>	<u>3,842</u>
Tropical hardwood imports	8,197	7,886	4,792
Tropical hardwood used for lumber, moldings, etc. (domestic and export)	3,128	3,063	950

Source: Assembled from data obtained from the Korean Office of Forestry and the Korean Traders Association.

West Coast exporters prepare a class of logs for the Korean market, appropriately called "K Sort." Ideally this consists of small second-growth logs, in long lengths, so that the Korean mills can benefit from the very high Scribner MBF/cubic meter conversion factor. While the Japanese market accepts small logs (down to 6":), the Koreans also accept a considerable degree of roughness, i.e. more knots, sweep, crook bark seams, center rot and, catfaces. The Korean market will also accept larger logs with considerable center defect (say, up to 35-40 percent of the gross volume), provided it is scaled out and the poorer stowage on board ship is accounted for in the price.

U.S. lumber grading rules are not applicable to Korean usage, because with a wide variety of small sizes the Korean sawmillers can recover clear lumber where U.S. sawmillers could not. However it may be useful to describe Korea's lumber use in terms of these rules to provide an idea of what is needed from their softwood supplies. Some characteristics are:

- A moderate amount of improvement in recovery--upgrading from purchase basis by remanufacturing into small sizes. This end result, achievable directly in the sawmill, will not be very large because most of the logs imported are small second-growth, with tight knots.
- A moderate amount of utility grade lumber, used domestically, probably most of it as boxes or packing material.
- A moderate amount of Standard grade, used domestically or exported to Japan or the Middle East.
- Some Construction grade--probably most of which is exported to Japan.
- A little No. 1, Select Structural, Shop Grades, or Clears, probably used locally for miscellaneous special uses or exported to Japan.

Two exceptions to these remarks are:

- Sitka spruce for the musical instrument manufacturers, whose requirements are even more stringent than those of their Japanese counterparts. Korea does not have the same outlets as Japan for spruce which, while not meeting musical instrument specifications, is still of rather high grade, and
- Red cedar, which has come into fashion in Korea for wall panelling. In this case the Koreans are forced into taking lower grade sawlogs in order to get the larger logs that yield clear lumber for panelling; the lower grade logs then go into general uses, probably including crating.

D. Trends and Opportunities in the Korean Market

1. Future Timber and Lumber Supplies

The production forecasts developed by the Office of Forestry indicates an aggressive production level for domestic timber. Supplies are projected to increase to 13 million m³ by 2030 or 48 percent of the projected demand in that year. By 1990, however, domestic supplies are expected to be at only the 3 million m³ level, or 15 percent of demand. These forecasts rely heavily on poplar, which of course grows much faster than any native species. Poplar volume is expected to reach a plateau of 5 million cubic meters per year by 2010.

Imports are forecast to grow, with domestic demand, to 16.4 million cubic meters in 1990, but to decline to 14.1 million in 2030, as domestic supplies increase. The importance of North America as a supply source is likely to increase, as Korea's overall demand comes to consist more of domestic construction needs and less of (mostly plywood) re-export raw material.

Table V-5 shows the Office of Forestry's estimates of where supplies will come from between now and 2030, plus our own estimate of how much North America might provide. Our estimate is based on these assumptions:

- Korea's re-export industry will continue to have difficulties competing for South Seas hardwoods to supply the necessary component for the plywood component.
- The domestic plywood requirement will account for about one-third of total domestic demand. A part of the domestic demand will be filled by softwood plywood imports; some softwoods will be used for veneer in domestic plywood production.
- As a result of increasing difficulty in obtaining tropical hardwood logs, the volume of tropical hardwoods used for purposes other than plywood will decline. The combined domestic and export plywood demand will approximate the extent of tropical hardwood imports.

Up to now Korea has imported almost all its lumber requirements as logs, with relatively little material in cants, squares, lumber, particle board, etc. From our analysis of the market, we believe Korea will gradually import more and more finished or semi-finished wood products. It is difficult to quantify this, but the areas in which such imports are likely to show the most growth are:

- Korean specification construction lumber sawn in North American mills from K Sort logs--similar to those mills that now produce to Japanese specifications,
- hardwood lumber as by-products of Korean plywood operations in Indonesia, etc.,
- softwood veneer and plywood, and

Table V-5. Future sources of Korea's timber supply

	1988	1990	2000	2010	2020	2030
-----million m ³ log equivalents-----						
Domestic supplies						
Native species	1.4	1.5	2.0	4.0	6.0	8.0
Poplar	0.9	1.5	4.4	5.0	5.0	5.0
Total	<u>2.3</u>	<u>3.0</u>	<u>6.4</u>	<u>9.0</u>	<u>11.0</u>	<u>13.0</u>
Imports						
North American	4.8	5.1	4.7	4.4	3.9	3.0
Other areas	10.9	11.3	11.4	11.8	11.7	11.1
Total	<u>15.7</u>	<u>16.4</u>	<u>16.1</u>	<u>16.2</u>	<u>15.6</u>	<u>14.1</u>
Total	18.0	19.4	22.5	25.2	26.6	27.1

Source: Assembled from data obtained from the Korean Office of Forestry.

- North American particle board.

2. Opportunities for Alaskan Timber Species

Within the general setting, it is also possible to gain some insight about opportunities for Sitka spruce, western hemlock and some other Alaskan products.

a. Sitka spruce

As mentioned, the Korean musical instrument industry uses about 5 million BF or (13,000 cu. m.) of spruce per year. This figure is likely to increase somewhat, according to the largest piano manufacturer. They report increasing demand for Korean-made pianos, and to satisfy this they are increasing their capacity. Within a couple of years the total demand will probably be about 7 million BF or (18,000 m³).

Also as mentioned, the demand could theoretically be halved, or at least reduced, if spruce are supplied only in sounding board quality and basswood and other species are used for keys, legs, etc. In practice, basswood might not be as convenient to import as spruce, and so it seems rather likely that spruce will maintain its position.

Since even the highest grade log is bound to contain considerable non-music grade material, we think it is reasonable to say that cants, containing as much as possible of music grade cuttings, would be preferred if the end-users could get them. Some of the smaller companies are now making efforts in this direction.

b. Hemlock and lower grade spruce

Only a very small percentage of Southeast Alaska hemlock and spruce is really suitable for the Korean market - top grade spruce for musical instruments, and small, knotty and preferably sound logs of either species.

What lies in between is too good, in the sense that it possesses characteristics (tight grain and generous yield of clear lumber) that command a premium in Japan but are in most cases of no importance in Korea.

Korea's current log imports from Alaska are covering not only the small low quality, knotty logs but also the next layer of quality upwards - as previously described, logs that will yield a considerable amount of clear lumber but which have a lot of defect. This is probably due to two factors:

- the current low prices for all logs which brings more logs within the range that Korean importers are willing to pay, and
- the overall lower level of logging activity in the Pacific Northwest, which reduces the volume of K Sort logs available there.

When the Japanese market improves, or as the yen strengthens against the dollar, it is almost certain that some of the logs now being bought by Korea will be priced out of the Korean's reach, and either imported by Japan in the round or custom sawn into cants. When this happens exports to Japan from the Pacific Northwest will pick up, producing more K Sort logs as a kind of by-product; some of the Koreans' buying will presumably then shift back to that area.

One might suppose that the small percentage of "true K Sort" logs produced from National Forest land in Southeast Alaska could be sawn into cants that would then be suitable and reasonably priced for the Korean market. We do not think so, for these reasons:

- such logs are, at most, 16" in diameter, and the lower productivity with small logs makes the canting process inordinately expensive, and

- with larger logs, the cost of producing cants may be partly offset by a real freight saving, as defective material is sawn out. With small, knotty but reasonably sound logs this saving is not available.

In short, these logs should, perhaps, be available for export to Korea in the round.

c. Red cedar

Unless red cedar panelling is a passing fad, the projected growth of Korean domestic demand, based on housing and other building construction, will mean more demand for red cedar, and more opportunities to supply it to small scale importers or end users in the form of cants.

d. Other Alaskan possibilities

Moving north and west along the Gulf of Alaska coast, the percentage of logs that are suitable for Korea rises sharply. In places such as Seldovia, Port Chatham and Afognak and Kodiak Islands about half of the volume could be considered K Sort.

Possibilities for Korea's plywood industry exist in cottonwood, white spruce, and perhaps birch, as log or maybe even veneer imports.

In general, the Korean market prospects are good for high grade spruce logs or cants and for red cedar. The market size is small compared to Japan, however. The Korean market does not look particularly good for hemlock or low grade spruce, as Koreans will not compete price-wise with the Japanese for this timber. As described above, some other Alaskan timbers also have some market potential and deserve some attention.

ATTACHMENT I

Forbes, November 7, 1983--"Northwest Passage"

Asia covets Alaskan fish, timber, coal and, especially, oil, and the state's little-known Native corporations are finding new trading partners.

Northwest passage

By Allan Dodds Frank

WHEN THE residential housing market slumps in Tokyo, it hurts Alaska Natives in Juneau and Sitka. When South Koreans get depressed, aphrodisiac prices there decline and Eskimos in Kotzebue lose

profits. What's going on is that the Natives of Alaska, the Eskimos, Indians and Aleuts, are establishing business empires increasingly tied to the fortunes of the Pacific Rim. Japan and South Korea provide major markets for timber, fish, minerals and, yes, even reindeer horn, which old-fash-



Cook Inlet Region, Inc. President Roy Hulmuhof at headquarters in Anchorage. Alaskan coal to Japan?

ioned apothecaries in Seoul finely grind into much-savored sex potions.

Being in the export business is just one offshoot of the 1971 settlement, enacted by Congress, of the land claims of Alaska's 80,000 Eskimos, Indians and Aleuts. The Natives were granted 44 million acres, a land area equal to 2% of the entire U.S. To help them enter the capitalist mainstream, \$962.5 million was thrown into the pot (FORBES, 6/7/74) to establish 203 village and 12 giant regional corporations. These are to administer the land and begin profitmaking ventures. Each Native received 100 shares in a regional corporation. To prevent takeovers by outsiders, Congress prohibited any stock sale until 1991.

"Until I became a Native American businessman, I always thought a strong American dollar was a good thing," says Roger Lang, a Tsimshian Indian who fishes commercially for salmon and halibut when not attending to his duties as a director of Sealaska Corp., a company with estimated timber assets in hemlock, spruce and cedar worth more than \$200 million. He now knows a weak yen means weak sales. Lang adds that Canada, which he accuses of dumping logs, has hurt Sealaska timber sales to Japan, which last year were nearly 190 million board feet, mostly in round logs.

Overall the 12 Alaska Native corporations' profits have been improving (see table, p. 222), but the big move forward will occur when world prices for oil, timber and fish improve. Until then the corporations will work on honing skills in scouting out new joint ventures. Several Native corporations have opened branches in Tokyo and Seoul, and more will follow. Alaska is midway between Tokyo and New York by air, and by water it's far easier to ship bulk commodities to the Pacific Rim than to the U.S. East Coast. Raw salmon is a big seller in the Orient, so several Native corporations, like Cahsta Corp. in southwest Alaska and Nana Regional Corp. in Kotzebue, have negotiated wholesale deals to sell fish caught by Natives to Japan.

For Nana, the South Korean market for reindeer horn is the margin that makes it possible to maintain a herd of 6,000 animals that also provides fresh meat for local Eskimos, all of whom are stockholders. The herd still loses money, which makes it a tax-loss carryforward on the hoof, but the slaughterhouse also is used in summer to process fish. Besides, Nana stockholders are constantly entertained by management's amusing efforts at rounding up the reindeer. Using tax-deductible toys—helicopters,

aircraft, three-wheeled vehicles and dog teams—they try to separate the reindeer from thundering herds of wild caribou (They look alike and are compatible.) Nana also mines decorative quality jade that it sells to Taiwan for carving into clocks, ashtrays and little animals, even reindeer.

"In Japan they understand the Alaska market much better than anyone else," says Alex Raider, Calista Corp. president. Raider has enticed several major Japanese corporations, including Mitsui Engineering & Shipbuilding, Ltd. and Kawasho International Corp., into joint ventures to supply engineering expertise and steel for building offshore oil rigs in the Bering and Chukchi seas. It's not just the Asians who are doing business with the Native corporations. Remember, the dozen corporations control 44 million acres of the state and deal with the

major U.S. oil companies, handling service and construction contracts. Natives and oilmen lobby together against environmentalists for sale of Alaska oil to Japan.

In the main, the Native corporations have staked their future on resource development, with nearly every corporation involved in joint ventures with oil companies.



Roger Long, a Tsimshian Indian who is a Sealaska director. Learning that a strong dollar doesn't always help.

The most profitable Native corporation, Cook Inlet Region, Inc., is seeking a blend of Pacific Rim and domestic markets that other Native corporations are trying to duplicate. Cook Inlet President Roy Huhndorf says improvement of coal prices could make it economically feasible to ship to Japan from the corporation's massive Beluga coalfield near Anchorage, to be operat-

ed under lease by Placer Amex Inc. In the meantime, with proved oil and gas reserves, Cook Inlet "is going to stick to joint ventures with expert operators like Arco and Texaco," says Huhndorf.

The Native corporations always look for ventures that will employ shareholders, a notion that produces company ties akin to the Japanese cradle-to-grave employment approach. The Native leaders strive to create shareholder loyalty—William L. Hensley, president of Nana Development Corp., a Nana subsidiary, calls it "Sivuniigvik," spirit in Eskimo—to work against the temptation to sell out when 1991 comes around.

The Native corporations, however, have lost a friend with the resignation of James Watt, the Interior Secretary. Watt had pushed hard to unlock their lands for exploration and to get their land titles to them. He put federal lawyers to work on projects to make the Natives self-sufficient, even if it meant fighting The Sierra Club, which it has. As he told FORBES before his resignation, "The no-growth advocates who try to destroy the success of these corporations shouldn't be tolerated."

But then Watt believed in self-reliance for the Natives, not handouts. ■

On native ground

These 12 corporations, established by Congress, control most subsurface and surface rights to 44 million acres of Alaska and were given \$962.5 million to set up

businesses and manage the assets to make Alaskan Natives self-supporting. They can't sell their stock until 1991. Here's a situation report.

Corporation	Reporting year	Stockholders	Acreage (millions)	Settlement money	Equity	Long term debt	Current assets	Current liabilities	Earnings per share	Equity per share
Ahtna Inc	1983	1,074	1.8	\$15,085	\$17,755	\$ 877	\$12,304	\$1,354	\$ 2.69	\$17.34
Aleut Corp	1982	3,249	1.5	19,504	15,839	2,110	8,346	1,208	1.53	48.75
Arctic Slope Regional Corp	1982	3,738	5.2	22,535	20,002	16,299	15,684	14,938	(18.38)	50.84
Bering Straits Native Corp	1981-82	7,425	2.2	51,225	8,360	24,391	5,640	3,404	(5.01)	13.20
Bristol Bay Native Corp	1983	5,401	3.2	32,695	37,194	14,527	7,980	3,761	5.88	62.87
Calista Corp	1982	13,306	6.5	80,133	54,716	23,865	21,571	3,600	1.18	41.12
Chugach Natives Inc	1982	1,908	1.0	11,454	6,049	906	8,828	9,710	(4.62)	31.64
Cook Inlet Region Inc	1982	6,264	2.4	43,026	75,880	9,685	65,209	26,677	24.98	121.14
Doyon Ltd	1982	9,491	12.2	53,609	57,991	3,374	11,602	19,144	0.74	64.00
Koniag Inc (9 mos ending 3/31/82)		3,432	1.1	26,904	15,043	2,886	8,696	8,315	(3.33)	33.35
Nana Regional Corp Inc	1982	4,828	2.3	43,583	44,669	2,751	20,594	20,184	1.80	60.85
Sealaska Corp	1982	15,787	0.6	2(13,948	176,000)	36,889	100,756	101,828	(17.72)	111.41

Source: Native corporations' annual reports

Rose & Breeze

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**(not admitted in Alaska)*

February 22, 1984

Telephone
(907) 277-0539
Telex
26-474
Cable Address
'Breeze'

Albert P. Adams
Alaska State Representative
Pouch V
Juneau, Alaska 99811

Dear Representative:

My law firm represents a number of the major Korean business groups doing business in Alaska or who are evaluating projects in Alaska. I am President of the Alaska-Korea Business Council and Secretary-Treasurer of the State Chamber of Commerce International Trade Council. I am writing to you, however, in my capacity as legal representative for Korean business groups doing business in Alaska.

On behalf of the Korean business groups that I represent, I wish to express our very strong support for House Bill 654 which would create a State of Alaska office in Korea. All Korean business groups doing business in Alaska wholeheartedly support the creation of an Alaska office in Korea.

As I am sure you have read from newspaper accounts, Korea Shipbuilding and Engineering Corporation is in the final stages of negotiating an agreement with the City of Seward to undertake a major industrial project at Seward's Forth of July Creek harbor. As now contemplated, private investment in that project will exceed fifty million dollars within five years.

The Han-A Samick-America Corporation, which is a joint venture between two major Korean business groups, is currently negotiating with the University of Alaska and numerous private land owners the development of a major livestock project on the Southern Kenai Peninsula. These companies will be investing in excess of twenty-two million dollars in their proposed project within five years and may invest an additional fifteen million dollars in a meat processing facility if ongoing feasibility studies are positive.

Page Two

The Samsung Corporation is currently fabricating a coal loading facility which will be shipped and erected at Seward for coal shipments from the Usibelli Coal Mine to Korea. Samsung has just this past month opened an office in Alaska, joining Hyundai, Suneel, Han-A Samick and Korea Shipbuilding and Engineering Corporation in opening offices in Alaska. Samsung is also now evaluating a major timber project in Southcentral Alaska.

A number of major Korean construction companies including Samsung, Hyundai, Ssangyong, Samwhan and Dongsan are evaluating construction projects and joint venture relationships in Alaska.

Total bilateral trade between Alaska and Korea now approaches the level of trade between Alaska and Japan. In fact, imports from Korea exceeded imports from Japan in 1983. The level of commercial activity just from the projects I have described above alone warrant the creation of a State trade office in Korea.

Regardless of the qualifications of the State's trade representative in Japan, no trade representative in Japan can adequately cover trade relations with Korea. While Korea admires and emulates Japan in many regards, there exists a very strong historical animosity between these countries. Occasional visits to Korea by the State's trade representative in Japan is viewed in Korea as placing upon Korea's relationship with the State of Alaska a second class status. This has been reiterated to me over and over again by government and business leaders in Korea.

The State of Alaska could be very well served by opening a trade office in Korea. Such an office can facilitate trade, promote tourism, and increase cultural and educational ties. The office should be able to pay back the State many fold by enhancing trade between Alaska and Korea. Both personally and on behalf of the major Korean business groups doing business in Alaska, I urge your support for House Bill 654.

Best regards,

ROSE & BREEZE, P. C.

By: 

ROBERT A. BREEZE

RAB/sb

ALASKA-KOREA BUSINESS COUNCIL, INC.



Loren

February 22, 1984

Albert P. Adams
Pouch V
Juneau, Alaska 99811

Dear Albert:

I am writing to you on behalf of the 150 members of the Alaska-Korea Business Council to urge your support for House Bill 654 which would create a state office in Seoul, Korea.

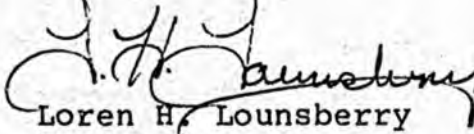
The volume of business activity between the State of Alaska and the Republic of Korea has increased dramatically. The total volume of business between Alaska and Korea now approaches the level of business activity between Alaska and Japan.

We can expect a great deal more activity between Alaska and Korea in the years to come. In fact, Korean investments in Alaska may soon exceed that of any other foreign nation.

The creation of a state office in Korea will greatly facilitate trade between Alaska and Korea. The creation of an office in Korea would cement this important relationship. In Korea such a move would be most favorably received and would be viewed as an indication of the State of Alaska's support for the activities of Korean companies doing business in Alaska.

I am sure you are aware of the great sensitivity and competitiveness that Korea has towards Japan. A state official based in Japan cannot be viewed in Korea in the same light as a state representative based in Korea. Given the increasing level of commercial activities between Alaska and Korea and given the prospects for future growth in this relationship, the State of Alaska would be well served by opening an office in Seoul, Korea.

Sincerely,


Loren H. Lounsberry
Chairman

cc: Board of Directors

LHL/sb

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

BY HAYES, BETTISWORTH,
COWDERY AND HERRMANN

1 IN THE HOUSE

2 HOUSE BILL NO. 654

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 THIRTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

COMMITTEE REPORT
SENATE

FURTHER:

4/18/84

Date 5/6/84

Mr. President

The Committee on FINANCE considered HB 654

Alaska Foreign Offices; efd.

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

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

MEMBERS SIGNING
DO PASS

Joe Joseph
Sergius

MEMBERS HAVING
OTHER RECOMMENDATIONS

Miss Doherty - No rec.
Bob [unclear] NR
[unclear] NR
V. Fischer NR

[Signature] NR
Chairman

Chairman recommendation _____

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB 654

Title: Act relating to Alaska

Foreign Offices

Sponsor: Rep. Hayes

Requestor: Senate Finance Committee

Date of Request: May 15, 1984

FISCAL DETAIL

Agency Affected: Commerce & Economic Development

Program Category Affected: _____

BRU, Program or Subprogram(s) Affected: _____

Economic Development Advocates BRU

International Trade Component

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES	0	0				
200 TRAVEL	0	0				
300 CONTRACTUAL	0	0				
400 SUPPLIES	0	0				
500 EQUIPMENT	0	0				
600 LAND & STRUCTURES	0	0				
700 GRANTS, CLAIMS	0	0				
800 MISCELLANEOUS	0	0				
TOTAL OPERATING	0	0				
CAPITAL	0	0				
REVENUE	0	0				

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

ANALYSIS: (Attach a separate page for analysis)

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

Phone: 465-3753

Date: 5/15/84

Approved by Commissioner: _____
 Agency: _____

Date: _____

Distribution (by Agency preparing fiscal note):

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

12/1/83