

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672

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Date

SCOMM 108: HOUSE SPECIAL COMMITTEE ON WORLD TRADE AND
STATE/FEDERAL RELATIONS, 1997-98

MEMBERS:

REPRESENTATIVE RAMONA BARNES, CHAIR
REPRESENTATIVE ALAN AUSTERMAN, VICE CHAIR
REPRESENTATIVE JOHN COWDERY
REPRESENTATIVE PETE KOTT
REPRESENTATIVE GENE KUBINA
REPRESENTATIVE IRENE NICHOLIA
REPRESENTATIVE GAIL PHILLIPS

Established by House Resolve No. 2, 1997.

Contents: 8 files. 7 cassettes are also available of meetings
held 1/23/97 - 4/21/98.

LIST OF FILES (PAGE 2)

MICROFICHE #

1. ALASKA SEAFOOD CENTER BRIEFING, 4/21/98
2. TRADE REPRESENTATIVES BRIEFING, 3/25/97
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4. HCR 1
5. HJR 14
6. HJR 22
7. HJR 54
8. SJR 38

SCOMM

108:1

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

April 21, 1998
12:00 PM - 1:00 PM

Call To Order: ✓

Representative Barnes, Chairman House Special Committee on World ^{Trade} ~~State~~ & ^{State} ~~Trade~~ Federal Relations called the meeting to order at 12:05 PM.

Present:

Representative Barnes, Cowdery, Phillips, Ryan, Nicholia, Rokeberg were present when meeting called to order. Representative Hodgins and Leman arrived at 12:10 PM. Representative Austerman arrived at 12:15 PM. Representative Ogan arrived at 12:20 PM. Representative Ivan and Senator Ellis arrived at 12:25 PM. Senator Leman arrived at 12:30 PM. Representative Joule arrived at 12:35 PM. Representative Kott arrived at 12:45 PM.

Summary Of Information:

Howard Benedict of Alaska Seafood Center, now known as Alaska Seafood International (ASI), gave a presentation of the center with visual aids. He emphasized the "value-added", product that they will be processing. He explained their products, business philosophy, marketing approach, economic growth projections, and Alaskan commitment.

Keld Anderson explained some of the logistics of the project, and the importance of consistent quality in their product.

Eric Tang, Comptroller for Central Investment Holdings (CIH) explained the company's position on this project as the 1st major project in North America.

Committee members asked the presenters some questions about the project. All questions were answered at that time.

Committee Action:

Speaker Phillips presented CIH company, with a Certificate of Appreciation from the Legislature. No other action was taken by the committee(s).

Adjournment:

Representative Barnes adjourned the meeting at 1:00 PM.

Note:

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



Official Business

MEMBER
Natural Resources
Committee

Alaska State Legislature

**Chair, Legislative Council
Chair, World Trade
And
State/Federal Relations**

REPRESENTATIVE
RAMONA L. BARNES
District 22

Anchorage
P.O. Box 103382
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State Capitol
Juneau, AK 99801-1182
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Alaska Seafood International BRIEFING ATTENDANCE April 21, 1998

Chair: Representative Ramona L. Barnes
716 W. 4th Avenue, Suite 600
Anchorage, AK 99501-2133

House Speaker Gail Phillips
126 W. Pioneer Avenue, Suite 3
Homer, AK 99603

Representative Alan Austerman
112 Mill Bay Road
Kodiak, AK 99615

Representative John Cowdery
716 W. 4th Avenue, Suite 320
Anchorage, AK 99501-2133

Representative Mark Hodgins
145 Main St. Loop, Suite 221
Kenai, AK 99611

Representative Ivan Ivan
P.O. Box 520147
Akiak, AK 99552

Representative Reggie Joule
P.O. Box 673
Kotzebue, AK 99752

Representative Peter Kott
10928 Eagle River Road
Eagle River, AK 99577

Representative Eldon Mulder
716 W. 4th Avenue, Suite 310
Anchorage, AK 99501-2133

Representative Irene Nicholia
Room 409
State Capitol
Juneau, AK 99801-1182

Representative Norman Rokeberg
716 W. 4th Avenue, Suite 640
Anchorage, AK 99501-2133

Representative Joe Ryan
716 W. 4th Avenue, Sui. 330
Anchorage, AK 99501-2133

Senator Johnny Ellis
716 W. 4th Avenue, Suite 440
Anchorage, AK 99501-2133

Senator Loren Leman
716 W. 4th Avenue, Suite 520
Anchorage, AK 99501-2133



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MEMORANDUM

TO: Senator Halford, Senate Resources Committee
Representative Ogan, House Resources Committee
Representative Austerman, Committee on Fisheries
Representative Cowdery, Committee on International Trade & Tourism

FROM: Representative Ramona L. Barnes, Chair *Ramona L. Barnes*
Committee on World Trade & State/Federal Relations

DATE: April 7, 1998

SUBJECT: Special Briefing/Update on the Alaska Seafood Center

A special legislative briefing has been scheduled for Tuesday, April 21st at 12 p.m. noon, in the House Finance Committee chambers.

The briefing will provide an update on construction and other progress of the \$125 million seafood center, located in Anchorage.

The briefing will be offered by Howard Benedict and others from Alaska Seafood International, in addition to Eric Tang of Central Investment Holding Company, of Taiwan.

For additional information, please contact Mark Riehle of my staff at 6585.

*Greg Gayleck - Audlund Marketing - 561-2009
FAX: 562-8647*



Advisory - ALASKA SEAFOOD INTERNATIONAL

Delegation visit to the State Of Alaska Legislature - Juneau, Alaska - April 21st, 98

WHO

Howard Benedict, Founder & Chairman
Keld Andersen (and wife Hannah) - Chief Operating Officer
Eric Teng, Senior Financial Analyst - Central Investment Holding, Ltd -
Taipei, Taiwan - Rep of China
Gregory Galik, AADLAND Marketing: Communications & External Affairs

DOING WHAT

1. Brief key committees of House & Senate on vision and future of Alaska's Seafood Industry.
2. Update members on progress with construction of \$125MM facility in Anchorage. Set for completion June of 1999.
3. Receive special Legislative Citation to Central Investment Holdings (CIH) in appreciation and recognition of \$28MM investment in the ASI project and Alaska. Project marks the first investment by CIH on North American soil.

WHY

1. Alaska's current seafood industry and worldwide marketing of seafood is in need of new markets and products that can boost Alaska's declining worldwide market share.
2. ASI will be the first major producer of value-added (sauced & coated portion-controlled) fresh and frozen seafood products.
3. The plant being constructed is the largest facility of its type on North American continent.
4. Central Investment Holding, Ltd of Taiwan came forward in May of 1996 with a \$28MM investment to complete financing requirements of \$125MM for the project.
5. The project is currently in final stages of AIDEA approval of \$50MM in financing.
6. Construction site preparation and steel procurement for construction has been completed. The project is out to bid with the contracting community.



*Alaska
Seafood
International*

FOR IMMEDIATE RELEASE

Contact: Howard Benedict
(907) 562-8833
Gregory Galik
(907) 561-2009

**ONE OF NORTH AMERICA'S LARGEST VALUE-ADDED SEAFOOD
MANUFACTURING FACILITIES BEING BUILT IN ANCHORAGE, ALASKA**

(Anchorage, Alaska) Construction is now underway on a modern value-added seafood manufacturing facility to be located on a 45-acre site near Anchorage International Airport. The \$125 million operation is a joint venture of Anchorage-based Alaska Seafood International (ASI) and Central Investment Holding Company of Taiwan.

Howard Benedict, founder and Chairman of the Board, reports that 95% of the design phase of the project is complete and site work is underway in preparation for construction. The multi-million dollar facility, which has been in development for eight years, is scheduled for completion in June 1999, with the first product shipping during the third quarter of the year.

The ASI concept is to provide a consistent supply of value-added seafood through the addition of coatings of herbs, sauces, marinades and other ingredients resulting in table-ready items needing only heating and serving. When completed and on line in 1999, the 200,000 square foot plant will ship more than 100 million pounds of high quality, fresh and frozen seafood each year to waiting markets worldwide.

The plant will meet the rapidly growing worldwide ISO 9000 Quality Management Standard. This will enable ASI to enter overseas markets inaccessible to companies with uncertified, older facilities. The importance of the ASI concept is that it allows Alaska's seafood industry to move beyond primary processing, developing new markets for one of the State's most important industries. As a result, ASI will be a major customer of the primary processors and fishermen operating in Alaska.

-More-

Add 1
Alaska Seafood

Financing for the project is provided by the joint venture partners with additional assistance from the State of Alaska. The Legislature voted \$50 million for ASI to be administered through the Alaska Industrial Development and Export Authority. ASI is now finalizing financing requirements with AIDEA. These funds will help ensure timely start up of the operations by financing construction, leases and equipment.

The operation will have a major economic impact on Anchorage as well as rural communities throughout Alaska. Some 450 year-round manufacturing jobs will be created at the facility, with another 750 indirect jobs created in support of the operations. The majority of these positions (94%) will be local hire.

-End-

The Alaska Seafood Center is being capitalized as follows:

Central Investment Holding Co. (CIH) equity	\$16 million
CIH - contingent commitment (if needed)	\$10 million
AIDEA - equity investment	\$ 2 million
AIDEA - Buildings, facilities, to be leased	\$48 million
Equipment leasing, financing	\$35 million
National Bank of Alaska - operating credit	\$ 5 million

Guarantees, in addition to capitalization

CIH Letter of Credit	\$17 million
Howard Benedict, guarantee to AIDEA	\$500,000

According to a Memorandum of Understanding signed in July, 1996, Alaska Seafood International, Inc., the company formed to operate the seafood plant, will be a joint venture between Alaska Seafood Center, 52.42 percent, and Central Investment Holding Co., 47.58 percent. CIH's equity investment in the company is a contingent commitment of \$10 million, to be required.

Source: Alaska Seafood International, Inc., 1100 E. 11th Avenue, Anchorage, Alaska 99501. Prepared by AIDEA, May 1997.



Artist's concept of the new \$125 million Alaska Seafood Center slated for construction this summer.

By Tim Bradner
Journal Reporter

At Minnesota Drive and Raspberry Road, near Anchorage's International Airport, there's a building site prepared and waiting for steel.

The steel, ordered in January, arrives in May, and if an ambitious plan by entrepreneur Howard Benedict stays on track, the buildings for a new \$125 million seafood manufacturing plant will be under construction in June.

In operation, the plant will sell 100 million pounds of frozen and 25 million pounds of fresh seafood products a year in prepared, ready-to-heat meals, under private label contracts with major food retailers.

It would be a big employer in Anchorage, creating more than 400 full-time jobs.

Benedict has spent 10 years promoting and planning his idea, and has met with a lot of skepticism from the Alaska Fisheries industry.

That's partly because his idea of ready-to-heat seafood meals hasn't been done before, at least on the scale he proposes. It's also because the industry sees the plant as a competitor for supply, and possibly because some established Alaska processors are moving into various kinds of value-added seafood products themselves.

Another reason for industry skepticism may be that Benedict will be a big,

new player in the fish business. He isn't part of the club, the tightly connected group of long-established firms, mostly Seattle-based, that runs the fish business in Alaska.

Alaska Seafoods International Inc.'s product line won't compete with processors because it does not include any of the value-added products now manufactured in Alaska, said Greg Galik of Aaland Marketing of Anchorage, who is helping ASI with its marketing.

Whenever possible, Galik said, the company intends to work with smaller Alaska processors to help them market

their value-added products through ASI's market outlets.

"We're not here to take business away from anybody," Benedict told a group of processors and fishermen in Kodiak in February.

"Think of us as your customers. Your finished product (processed blocks of fish) is our raw material" for making prepared, packaged meals, he said.

The key to ASI's business plan is the trend toward pre-prepared meals among U.S. consumers who increasingly want meals that are quick to cook as well as nutritious.

Despite the skepticism of the Alaska fish processors, Benedict found a group of Taiwanese investors willing to take a gamble on his idea. He also is being helped by the Alaska Industrial Development and Export Authority, the state development

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PROCESSI

corporation whose business is helping get new industries off the ground to create new jobs in the state.

Central Investment Holdings, Inc. of Taiwan has pledged \$43 million so far toward the project. AIDEA has put in \$10 million of what will eventually be a \$50 million commitment.

CIH's investment in ASI will buy it about 50 percent of the new company. The state authority will invest \$48 million in the 200,000 square foot building being built to house the plant, which will be leased to ASI, and another \$2 million in equity.

The project has not been easy going. A key part is a 65,000 square foot cold storage plant to be built alongside the seafood plant, to be financed and owned separately. Benedict originally courted Americold, a major owner and operator of cold storage plants in many states.

Americold expressed interest, but then backed out. Benedict then found another company to build the freezer plant, which would serve his seafood plant as well as other customers.

The construction plan hasn't been easy to put together, either. Originally, Kiewit Pacific was hired to complete the project on a guaranteed-bid basis. Then Kiewit backed out, and Benedict decided to put the project out for competitive bid.

The design of the plant is now complete, and a solicitation for bids will be issued shortly.

Despite the changes in the business plan caused by withdrawals of Americold and Kiewit, AIDEA's board kept faith in the project and went ahead last fall with its initial \$10 million investment to allow acquisition of the property, site preparation and the ordering of steel, a long lead-time item.

That was crucial to the project stay.

Management hand-picked

By the Journal Staff

The senior managers who will run the Alaska Seafood Center are:

• Howard Benedict, board chairman, is interim CEO until a permanent CEO is selected.

• James Daniels, vice president of manufacturing. He was formerly director of purchasing for Tyson Seafood Group, director of Research and Development and purchasing, Mrs. Paul's Division of Campbell Soup Co., VP Frozen Seafoods, Richardson International.

• Gail Marshall, vice president R&D. She previously was with ConAgra, Brown-Ferman and North Pacific Seafoods. Most recently with Clear Springs Foods, a startup company developing rainbow trout products for high volume food service and retail grocery chains.

• Art Hummell, vice president of sales. He was formerly vice president of merchandising and marketing at Robert Orr-SYSCO.

• Eric Tang, controller. Formerly senior financial analyst with Central Investment Holding Co., Taipei; former auditor with KPMG Peat Marwick.



Benedict

PLASH

6 YEARS, LAYER IS DIBID FOR SEAFOOD MARKET

ing on schedule. If construction isn't under way by summer, the project will not meet its planned June 1999 opening. Being in business for the 1999 salmon season is a key part of the company's business plan.

The project still needs final approval of AIDEA's board, said Bob Poe, the authority's manager for new development projects. ASI still needs to complete several steps to secure that approval, including a signed agreement with a cold storage firm to build a separate freezer plant, a plan for equipment leasing and having construction financing in place.

ASI's plan is to buy blocks of fresh and frozen salmon, pollock, cod, halibut and surimi from processors, as well as crab, to make packaged, ready-to-heat meals.

For the first two years the company will process raw fish itself to ensure quality specifications are met, but the plan is to extend ISO 9000 quality specifications as quickly as possible down through the supply chain.

ISO 9000 certification is a key part of the company's plan because it will help ASI sell its products to major buyers.

ISO certifications are granted by the International Standards Organization, a body formed after World War II to establish uniformity in manufacture of goods in international trade.

In recent years the ISO certifications have been expanded from products to management systems, and Anderson expects ISO 9000, the standard for seafood processing, to be virtually worldwide in the next six to 10 years.

"It's a guarantee to customers that when they buy from a plant with an ISO 9000 certification, they are buying a product produced at a high level of quality," said Keld Anderson, Benedict's pro-

ject manager.

"We believe in quality, and we decided to be out in front on this and invest in securing an ISO 9000 certification at the outset," he said.

The goal is to have the certification, which requires an audit by an outside firm for verification, by 2000, and then to extend ISO 9000 certification down through the company's supply chain to processors, transportation firms and others.

ASI would be the first U.S. seafood plant to seek ISO 9000 certification, Anderson said.

The ISO certification worries some processors who might be suppliers to ASI because of the added costs. Benedict, in a talk to fishermen and processors in Kodiak, said it would be in the best interests of the industry to get processing plants, and even fishing boats, certified.

"If we want a higher standard, we're going to have to pay for it," Benedict said.

Anderson is particularly sensitive about quality standards for the fresh fish part of the company's business. ASI must be able to guarantee its customers

shelf-life of the product, he said.

Poe, of AIDEA, said Anderson gives the project a lot of credibility because he managed the development of a similar plant in northern Denmark, which is now selling prepackaged seafood meals in Europe. It is somewhat smaller than ASI but the concept, even the types of fish, are essentially the same.

Poe also credits ASI for very substantial market research. "They consulted very knowledgeable people," he said. ASI's also has recruited good people for its board and key management positions.

"They have no contracts to sell their products yet, but they seem confident they will get them," Poe said.

Galik, of Andland Marketing, said the company has spent five years in market research and sees its plan as being "market-led" rather than "industry-driven," which is why some previous efforts at value-added Alaska seafood products have been less than stellar successes.

Salmon nuggets, for example, was a product sold through the national school lunch program to help proces-

sors shed excess inventory, but was shunned by school children.

ASI's marketing plan also has a heavy emphasis on Asia, and having Central Investment Holdings as a partner will be a key advantage in gaining access to markets like Taiwan and Hong Kong.

The plant's Anchorage location has prompted some of the skepticism from the industry, but being close to the source of raw material and the air, sea and highway transportation links from Anchorage are important.

Also, the cost of developing a plant like this in Anchorage is now about the same as in the Seattle area. Land costs are the same or less, and labor costs are no longer a big factor.

Benedict said the plant has to be of sufficient size to achieve economies of scale, and in Alaska only Anchorage has a large enough labor and supplier network to support the plant.

Change doesn't come easy in any industry, AIDEA's Poe said. "Twenty years ago people were just as skeptical that fish could be offloaded in Dutch Harbor, processed there or shipped to Seattle for processing, then shipped to Japan," he said.

AIDEA's investment is secured by an irrevocable Letter of Credit from Central Investment Holdings and the value of the building in an alternate use, as a warehouse, if the seafood plant fails.

But the authority wants the project to succeed, for two reasons, Poe said.

"If this flops, Seattle will say 'we told you so,' that it couldn't be done in Alaska; second, the Taiwanese are big investors in this and we want to make sure their experience here is positive. It could lead to a lot of other investments," he said.

Taiwanese investors boast profitable past

By the Journal Staff

According to a report to AIDEA by financial advisers, Public Finance Management, Inc. and Clancy, Gardiner & Pierce, LLP, Central Investment Holdings Co. was founded in 1971 as an investment firm to promote investment in Taiwanese petrochemical and financial sectors.

As of December 1995, Dun & Bradstreet reported CIH has seven stockholders, with a controlling interest held by the Nationalist Party, the KMT, the ruling political party of Taiwan.

In January 1996, CIH and another private firm were the lead investors in a \$57.7 million private preferred stock offering by International Wireless Communications.

CIH reported \$1.485 billion in total assets as of Dec. 31, 1995, up 19 percent from 1994. In its fiscal year 1995, CIH produced a \$160 million net profit, compared with a \$160 million net profit in the previous year. This was a return in equity of 16 percent and a return on assets of 11 percent.

CIH has investments in various industries with the largest concentrations in banking and finance with 32 percent of total holdings, and 26 percent of holdings in petrochemicals. In November 1994, CIH entered a joint venture with the government of Singapore and other private partners to build a 100 megawatt coal plant in Singapore.

Major employer in the making

In operation, the Alaska Seafood Center will provide 451 new jobs in Anchorage. Here's the breakdown:

✓ Managers and employees	115
✓ Labor on processing lines	315
✓ Storage rooms, transportation, maintenance	115
✓ Senior executives	8
Total	451

In addition to permanent jobs in operations, about \$100 million will be spent in construction. Over the long term, it is anticipated that Alaska Seafood International will pay over \$9 million annually in state fish taxes, and \$1.9 million yearly in local property taxes.

Source: Alaska Seafood International, Inc.



Presenting the ALASKA SEAFOOD CENTER

FACTS & FIGURES

The Alaska Seafood Center (ASC) is a state-of-the-art value-added seafood manufacturing facility to be built in Anchorage, Alaska. ASC is designed to meet the growing worldwide demand for a reliable and consistent supply of quality fresh and frozen seafood.

- ASC is a 200,000 square foot state-of-the-art facility to be located near the Anchorage International Airport.
- ASC will be a low cost high tech manufacturer of value-added, table ready seafood.
- ASC will not compete with existing Alaska processors. ASC will be their customer and their products will be ASC's raw materials.
- ASC will use Alaskan caught salmon, halibut, pollock and other ground fish.
- Value will be added to fresh and frozen seafood by portioning, shaping and adding sauces or other coatings.
- ASC will provide custom designed, private label products to a small number of high volume customers under advance contracts.
- ASC will offer customers research and development services for new products.
- ASC will build a forty million pound cold storage production warehouse adjacent to the ASC facility comprising 65,000 sq feet.
- A portion of this cold storage will be available to Alaska's processors and fishermen.
- The facility will be certified to the worldwide ISO 9000 Quality Management Standard, which will enable ASC to enter overseas markets inaccessible to companies with uncertified, older plants.
- Since value added manufacturing and ISO 9000 standards are new to Alaska, ASC will provide intensive training programs for its raw material suppliers to upgrade existing skills and teach new skills.

WHY BUILD ASC IN ANCHORAGE?

- ASC's location provides competitive access to the clear, cold, unpolluted waters of Alaska, one of the largest and best managed fishing grounds in the world.
- Anchorage is the air crossroads of the world . Their International Airport is the largest cargo airport in the US with less than six days of downtime for weather per year.
- ASC will ship fresh, value-added products to any market in the US, Asia and Europe within 8 hours...at competitive pricing.

ECONOMIC ADVANTAGES FOR ANCHORAGE AND ALASKA

- ASC will employ 450 people in full time year round manufacturing jobs.
- Additional jobs will be created in Alaska's rural fishing communities
- An additional 750 jobs will be created in transportation by rail, truck, barge and air, and in the infrastructure required to service the plant.
- ASC's annual payroll will be in excess of \$18 million which will add \$129 million to the local economy each year.
- The Port of Anchorage will benefit from increased shipment of raw product.
- ASC will make it's low cost transportation available to other Alaska processors.
- ASC will help develop a broadened economic base in Alaska as ASC's raw material suppliers participate in ASC's substantial domestic and international markets.
- To benefit the seafood industry as a whole, ASC will assist smaller processors in locating additional niche markets within ASC's customer base.

SCOMM

108:2



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MEMORANDUM

TO: Members of the House Committee on World Trade & State/Federal Relations

FROM: Representative Ramona Barnes, Chair
House Committee on World Trade & State/Federal Relations

DATE: February 24, 1997

SUBJECT: **MEETING NOTICE**

I have scheduled a meeting for 1 p.m. to 3 p.m. Wednesday, March 5th in the House Resources Committee Room (#124) to receive a briefing from Debbie Sedwick of the Division of Trade and Development.

For additional information, please call Mark #6585.

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

DIVISION OF TRADE AND DEVELOPMENT

TONY KNOWLES, GOVERNOR

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January 17, 1997

The Honorable Ramona Barnes
Chair, World Trade Committee
State Capital, Room 403
Juneau, AK 99801-1182

8115

Dear Representative Barnes:

In March, we will be asking our trade representatives from Japan, Korea and Taiwan to come to Alaska. They will be spending time meeting with Alaska businesses and updating them on significant trade and tourism opportunities in each of their markets.

✓✓
To maximize their time here, I would be very interested in having them brief you, members of your committee and other interested legislators on their international trade activities. Such a briefing will help give our overseas staff an opportunity to share directly with you their impressions of Alaska's potential abroad, as well as provide an important forum for them to learn about legislative priorities and initiatives.

Before we fix dates for their visit, I would like to see if you are interested in arranging such a briefing. (I am sending a similar invitation to Representative Cowdery.) I will call your office in a few days to speak with you more on this topic. Please accept my best wishes for a successful and productive legislative session. As always, if I or my staff can be of any assistance, please don't hesitate to contact me at 907-269-8110.

Sincerely,

Deborah B. Sedwick

Deborah B. Sedwick
Assistant Commissioner

P.S. -- In our continuing effort to keep you apprised of trade issues, I'm attaching a list of upcoming trade activities involving our Division. Please let us know if we can provide additional information on any of these activities.

cc: Rep. John Cowdery, Chair, International Trade and Tourism
David Ramseur, Deputy Chief of Staff, Office of the Governor
Comm. William Hensley, DCED

Upcoming Trade Activities: Highlights January - June, 1997

Below is a look at international trade activities we expect to participate in during the next six months.

January:

- * Sakhalin Airport Delegation to visit Alaska; meet potential contractors. DTD/Anchorage assisting
- * Alyeska Alloys mission to Japan, Korea and Taiwan; DTD offices to assist

February:

- * Division establishes formal trade presence on Sakhalin Island (tentative)
- * Issue RFP for Alaskan companies to conduct oil spill demonstration project in Sakhalin; with DEC
- * Japan Office produces Alaska Products Catalog, Alaska Seafood Guide
- * Division co-staff's ASMI trade mission to Taiwan
- * Pacific Rim Construction, Oil and Mining Expo; Sakhalin Governor Farkhutdinov invited

March:

- * FoodEx Trade Show in Japan; three to four Alaska companies to participate. Tokyo Office staffs
- * Overseas staff to Alaska, focusing time on:
 - Possible presentation to legislature on overseas activities
 - Seminar on seafood opportunities in Taiwan/China
 - Meetings with oil-spill technology companies joining trade mission to Korea in May
 - Meetings with industry joining trade mission to Taiwan in April
 - Possible industry/legislative briefings on LNG markets
- * Seminar on seafood opportunities in Taiwan, Hong Kong and PRC; with DTD staff, ACIB, USDA, ASMI
- * Possible gubernatorial mission to Sakhalin Island (late February or March)

April:

- * Korean Maritime Affairs and Fisheries Minister Shin invited to visit Alaska; DTD staffs (tentative)
- * Trade Mission to Taiwan; likely focus on energy, environmental services, other; DTD staffs (tentative)
- * Anchorage Chamber of Commerce conference: "Working with the State"

May:

- * Oil Spill Technologies Mission to Korea; tabletop demos/seminar on Alaska expertise (tentative)
- * ISCORD Conference in Anchorage May 4-10; DTD on steering committee
- * Pac Rim Coal Conference May 10-15; DTD arranging industry tours
- * Exporter of the Year banquet, May 22; DTD handling nominees and selection of winners

June:

- * US-AEP Mission to Alaska from Korea; focus on oil spill technologies (tentative)
- * KUSEC Trade Mission to Alaska (tentative)
- * Taiwanese seafood group to visit Alaska/Seattle; USDA-arranged (tentative)

Alaska

Trade and Development
TIP SHEETRECEIVED
MAR 22 1997

Ans'd.....

E X T R A

OVERSEAS STAFF TO VISIT ALASKA**Meet with Legislative Committees, Government, Private Sector**

Deborah Sedwick, Assistant Commissioner for Tourism, Trade and Development announced that overseas staff from Alaska's state offices in Japan and Korea, and the state's contractor in Taiwan, will be visiting Alaska during the week of March 24-28. During that time they will make presentations at legislative hearings, confer with officials in the Departments of Natural Resources, Revenue and Environmental Conservation, and meet with Alaskans from the private sector.

Seafood seminar: "Exploring the Taiwanese and Chinese Seafood Markets." Thursday afternoon, March 27, Ida Yao, Alaska Trade Representative in Taipei, will speak to the seafood industry at a seminar on market opportunities in Taiwan and China. The seminar, co-sponsored by the Division of Trade and Development and the World Trade Center Alaska, will be available to Alaskans statewide via audio conference, and will also include presentations by the Alaska Center for International Business and the Alaska Seafood Marketing Institute. Attached is the flyer for the seminar.

To register for the seminar, contact the World Trade Center Alaska, telephone 907-278-7233; fax 907-278-2982. Let them know whether you will attend in person at the Sheraton Boardroom 311, or via teleconference. The cost is \$25 for WTC members and \$35 for non-members.

Alaska Companies: Individual appointments available with overseas staff. Friday, March 28 is set aside for Alaskans to meet with these overseas staff:

- Mr. K.S. Yang, Trade Representative, Alaska State Office Seoul, Korea
- Ms. Ida Yao, Trade Representative in Taiwan
- Mr. Kojiro Abe, State Representative, State of Alaska Japan Office
- Ms. Mariko Kuroda, Trade Specialist, State of Alaska Japan Office

Alaskans may schedule appointments by calling the Division of Trade and Development, 907-269-8110. Although these staff will be in Anchorage at the Frontier Building, telephone meetings may also be scheduled, for Alaskans outside of Anchorage. In addition, overseas staff members speak Friday at the Alaska World Affairs Council luncheon, from noon to 1:00 pm, at the Captain Cook Hotel. Topic: Alaska's Role in Asia: Views from our Trade Reps in Japan, Korea and Taiwan.

BR
w/Rep.
Barne's
Cowdery's
office to
see if
they have
not
scheduled
for us
to listen
to this
teleconference
I want to
do it =
let me know
what they set up.
Thanks.

WORLD TRADE CENTER ALASKA**FAX INVITATION****421 West First Avenue, Suite 300, Anchorage, Alaska 99501 * Tel: (907) 278-7233 Fax: (907) 278-2982****"Exploring the Taiwanese and Chinese Seafood Markets"****Ida Yao, State of Alaska Trade Representative in Taiwan****Duff Mitchell, Alaska Dried Foods****Bob Waldrop, NorQuest Seafoods****Eric Downey, Alaska Center for International Business****Linda Delarosa, Alaska Seafood Marketing Institute**

This informative briefing introduces Alaskan seafood exporters to the business of the opportunities available for Alaska seafood in Taiwan and China, including seafood markets, will be discussed. Participants will hear updates and impressions from Taiwan and China, as well as receive listings of Taiwanese and Chinese trade companies.

DATE: Thursday, March 27, 1997**TIME: 3:00 p.m. - 5:00 p.m.****LOCATION: Available Statewide by Audio-Conference
In Anchorage - Sheraton Anchorage Hotel, Board Room 311****COST: \$25 World Trade Center Alaska members; \$35 nonmembers****Sponsored by:****Alaska Division of Trade & Development, DCEID
World Trade Center Alaska****PROGRAM REGISTRATION FORM**

**Please make reservations at \$25/\$35 per person for Exploring the Taiwanese and Chinese Seafood Markets, Thursday, March 27, 1997.
You may fax this application to 907-278-2982.**

☐ I would like to attend by audio-conference ☐ I will attend in person at the Sheraton Anchorage Hotel

Name: _____

Company: _____

Address: _____

City: _____ State: _____ Zip: _____

Phone: _____ Fax: _____

A division of the University of Alaska, Anchorage

FAX TRANSMISSION

DIVISION OF TRADE AND DEVELOPMENT

3601 C STREET, SUITE 700
ANCHORAGE, ALASKA 99503-5934
907-269-8110
FAX: 907-269-8125

To: Members of the
Alaska State Legislature

Date: March 21, 1997

From: Deborah B. Sedwick
Assistant Commissioner, DCED

Pages: 3, including this cover sheet

Subject: Information for your constituents

COMMENTS:

I am pleased to announce to you that four Division staff members from the State of Alaska overseas offices will be in Alaska next week, making presentations before legislative committees, meeting with key industry and trade groups and conducting a seminar for the seafood industry. There are also opportunities for meetings between private sector Alaskans and any or all of these overseas staff. I would like to let you know about these opportunities so you may inform your constituents about them.

Enclosed are two information sheets for your interested constituents. The first is information about the seafood seminar Thursday, March 27. This seminar, co-sponsored by the Division of Trade and Development and the World Trade Center Alaska, will be available to Alaskans statewide via audio conference. Registration is through the World Trade Center, and that fax number is on the registration form.

Second is a special edition of the DTD Tip Sheet, which talks about the seminar and also informs readers of the opportunity for individual businesses to meet with our trade reps on Friday, March 28. These appointments may be scheduled by calling the Division of Trade and Development, 907-269-8110. Although the trade reps will be in Anchorage, your constituents outside of Anchorage may conduct their meetings via phone.

Thank you for the opportunity to help us get the word out.



Official Business
MEMBER
Natural Resources
Committee

Alaska State Legislature

Chair, Legislative Council
Chair, World Trade
And
State/Federal Relations

REPRESENTATIVE
RAMONA L. BARNES
District 22

House Special Committee

on

WORLD TRADE & STATE/FEDERAL RELATIONS

AGENDA

MARCH 25, 1997

4 p.m.

Butrovich Room (Cap. #205)

I Call To Order

II Roll Call

III New Business

Briefing from Division of Trade & Development
(trade related overview)

Presentation: Commissioner Wilson Condon -
Introduction/brief review of MOU signing

Presentation: Briefings by Overseas Trade Offices in Japan,
Korea, and Taiwan

IV Adjournment

Anchorage
P.O. Box 100382
Anchorage, AK 99510
907/258-4183

State Capitol
Anchorage, AK 99501-1182
907/465-1408

ENERGY PRESENTATION

Tuesday, March 25, 1997

Korea

Good morning --- I am K.S. Yang-- the Alaska State Trade Representative in Korea. I am pleased to be here today to talk to you about the Korea energy market.

The notion of Korea as a struggling, third world developing country are gone. Korea was the 11th largest market in the world in 1995 and is expected to be among the top 7 by 2010. Korea had a 1996 growth rate of 6.8 percent and slightly slower growth of 6.0 percent is expected in 1997.

Korea has long been Alaska's second largest trading partner with annual exports in the area of \$230 million. Coal, timber, seafood and minerals all go to this market -- which has been relatively stable. This picture changed dramatically last year -- 1996 -- with the purchase of North Slope crude by L.G. Caltex of the Lucky Goldstar Group. L.G. Caltex has agreed to a long-term -- 20 years -- contract to purchase 30,000 barrels per day of North Slope crude at an annual cost of some \$241 million dollars. Hyundai Oil Refinery Co., Ltd. also purchased 800,000 barrels last year and plans to increase that amount to 2.4 million barrels in 1997. These are some of the energy players Alaska can expect to deal with in the future -- players who doubled Alaska's annual exports to Korea with just two deals.

Since 45,000 tons of LNG was first supplied to the Pyongtaek thermoelectric power plant in late 1986, Korea's LNG consumption has been increased steadily and reached 7.259 million tons during January through October of 1996 -- a 35.0% increase over the same period in 1995.

The increase in LNG consumption is due to the intensified movement of environmental regulations at home and abroad. According to the long-term LNG demand and supply plan released by Korea Gas Corporation recently, Korea's LNG demand is expected to reach ~~18.3~~^{18.23} million tons in 2000 and 29.316 million tons in 2010.

To prepare for the expansion of the nationwide demand, Korea has not only increased LNG imports but also diversified its import sources. Ever since the first LNG import was made in October 1986, Korea has imported LNG from Indonesia, Malaysia, Brunei and Australia. Starting in 1999, Korea is going to import LNG from Qatar. Furthermore, Korea has concerns in the development of overseas gas fields, especially in Russia.

Local consumption of LNG has been steadily increasing and reached 7.117 million tons in 1995, 21.4% increase in comparison to 1994. In 1996 alone (January through October), Korea's LNG consumption 7.259 million tons, showing a 35.0% increase over the previous year.

Imported LNG has been utilized as power generation fuel and city gas. LNG consumption for electricity, which accounts for more than half of the current LNG consumption has shown a rising trend without any fluctuation. City gas consumption has greatly increased, approaching 45.6% of all LNG consumption from January through October 1996 from just 4.6% in 1987.

Total LNG consumption in the first three quarters of 1996 was 7.259 million tons -- 3,812 tons for power generation and 3,307 tons as an input for city gas manufacturing. Consumption for power generation and city gas in 1996 was up 30.8% and 38.8 % respectively, compared with the same period of 1995.

According to the revised long-term LNG demand and supply forecast by Korea Gas Corporation, Korea's demand for LNG is likely to reach 18.223 million tons in 2000 and 29.316 million tons in 2010.

Korea settled on a policy towards diversifying its energy sources and emphasizing the use of clean-burning, environmentally safe fuels in the early 80s. In 1981, an LNG project was approved by the 11th Conference of Economy-Related Ministers and Korea Gas Corporation, the sole LNG importer in Korea, was established in 1983. The first LNG import was made from Indonesia in 1986

To meet the ever-increasing demand for LNG, Korea has increased the import volume and diversified the import sources by purchasing LNG from Malaysia, Brunei, Australia and Qatar to secure a stable energy supply.

Meanwhile, LNG production capacity of Asia-Pacific region is expected to be sharply expanded. The production capacity of Indonesia, Malaysia, Brunei, Australia and Alaska is likely to be up to 80.7 million ton in 2003. In addition, considering that LNG production capacity of Middle East would be increased to 29.4 million tons in 2003, total LNG supply by Asia-Pacific and Middle East regions is estimated to reach 110.1 million tons in early 2000's. Therefore, there is a high chance that LNG market in the Asia-Pacific would be converted to buyer's market in early 2000's, so that fierce competition among suppliers ~~are~~ expected.

There are many LNG projects in various stage of development around the world, beside those projects listed above. Thus, LNG is currently very much a buyer's market and Korea is one of dominant consumers of LNG. Under these circumstances, a favorable long-term contract with Korea is crucial to advance into Korean market.

Korea Gas Corporation has been the sole LNG importer in Korea although any Korean company is allowed to buy LNG subject to approval from the Korean Ministry of Trade, Industry and Resources. The largest LNG end-users in Korea are KEPCO (Korea Electric Power Corporation) and POSCO (Pohang Iron & Steel Co., Ltd.). Korea Gas Corporation is also the exclusive wholesaler of LNG to the local market and distributes LNG to 33 retail city gas companies.

It is worth noting that the growth rate of liquefied natural gas was very high due to Korea's need for economic development and a clean environment. Korea is currently a buyer's market -- we recommend that Alaska form a strong united front to pursue its North Slope natural gas project. Korean participants are likely not only to purchase LNG, but also willingly participate in hard asset financing of the pipeline construction and LNG tankers. An example of a recent Korean deal is seen in Korea Gas Corporation's participation in Ohman's LNG project. KGC has 5% ownership of the

project and signed a 25-year-contract for the purchase of 1.4 million tons of LNG annually beginning in early 2000.

Korea is also a growing market for crude oil -- as I mentioned -- purchases of North Slope oil last year doubled Alaska's exports to Korea, which is fully dependent upon imports from abroad for its entire demand for crude oil. Crude oil is being imported by five oil refiners: Yukong Limited, LG-Caltex Oil Refinery Co., Ltd., Hanwha Energy Co., Ltd., Ssangyong Oil Refining Co., Ltd., and Hyundai Refinery Co., Ltd. in most cases -- and if it is deemed necessary -- the Korea Petroleum Development Corporation would import crude oil for stockpiling purposes.

Korea's crude oil stood at 11 million barrels in 1965, and crude oil imports in 1995 reached 625 million barrels, up 57 times from the 1965 figure -- due largely to a whopping expansion in domestic demand. Taking in mind the first and second world oil crises, the government has adopted a top policy directive designed to ensure a stable supply of crude oil.

Under the policy directive, the government has been exerting strong effort to maintain the optimum level in crude oil imports -- the ratio of crude oil imports under a long-term contract basis to crude oil imports on a spot deal -- and to diversify import sources of crude oil. Recently, however, despite the government's policy of diversifying crude oil import sources with the intention of avoiding over concentrated dependence upon the Middle East, Korea's import dependency on the Middle East was still high at 77.9% in 1995.

Korea imported 625 million barrels of crude oil from 23 countries in 1995, and the 1995 crude oil import amounts reached over US 10 billion, thus accounting for 8.0 percent of the nation's overall merchandise imports during the year. Meanwhile, Korea began importing self-developed crude oil from abroad in 1988 through participation in equity ownership for overseas oil field development projects. The 1995 imports of self-developed crude oil came to 3 million barrels -- excluding crude oil sold on the spot -- or 0.5 percent of the 1995 overall crude imports.

Korea will continue to grow in the expanding energy trade of the Pacific Rim. The government plays an important role in guiding this growth. Development of the North Slope natural gas project -- with Korea as a player -- will depend on a well-defined project and well-informed participants. Our office can provide necessary market intelligence -- two-way information between potential buyers and Alaska sellers of all forms of energy resources.

Thank you for this opportunity and I would be happy to answer your questions.

Energy Presentation on Japanese Market

Good morning (afternoon). It is my pleasure to talk about the energy market in Japan for Alaska's energy resources. My name is Kojiro Abe and I am the State of Alaska Trade Representative in Tokyo. I am accompanied today by Mariko Kuroda, the energy specialist on our Japan staff.

To begin, I will give you a brief overview of the history of energy use in Japan.

Japan is the world's fourth largest energy consuming country, following the USA, Russia and China.

In FY 1994, Japan's total energy supply was 577 million kiloliters of crude oil equivalent. Japan has few indigenous resources, and its dependence on imported energy exceeds 80%, the highest rate among major industrialized countries.

The oil shocks in 1973 and 1978 had a devastating impact on Japan's energy supplies and inflicted considerable damage on Japan's economy. The Japanese government and private sectors were forced to recognize the vital need for national energy security.

Recent guidelines issued by the Japanese government outline three principles of national energy policy for the 1990's:

1. **Energy Security - secure a stable supply of energy**
2. **Economic efficiency**
3. **Environmental issues**

Allow me to explain the current status of each of Japan's main energy supplies:

FY 1994, oil occupied 57.4% of Japan's total primary energy supply and was the largest part of Japan's total energy mix. In 1993, imported oil accounted for 99.7% of Japan's oil supply. During the same time period 76.4% of Japan's imported oil came from the Middle East.

In FY 1994, coal demand in Japan amounted to 126 million metric tons. Coal makes up 16.4% of Japan's primary energy supply and the country's second largest energy component. Japan is the largest coal importing country in the world.

Due in large part to its lack of natural resources, Japan considers nuclear energy as one of its most promising oil-alternative energy. During FY 1995, nuclear power supplied 12.0% of Japan's energy needs -- or third largest energy supplier.

In Japan, natural gas use was minimal through the early 1970's, but grew rapidly during the latter part of the decade. In FY 1994, total consumption of natural gas amounted to 59.3 billion m3, about 11% of Japan's total energy supply -- the nation's fourth largest energy product.

Natural gas is expected to play an increasingly important role as a clean burning fuel and one that can reduce Japan's dependence on imported oil.

Most of Japan's natural gas supply comes from imports; in FY 1994, this amounted to 42.4 million tons -- 74.5% was imported from ASEAN countries. To ensure a stable supply of LNG, Japan has been endeavoring to diversify its import sources. 44% of total imports of LNG has come from Indonesia since the middle of 1970's.

Next, let me describe the major players in Japan's LNG industry; they can be divided into three distinct groups: end-user utilities, trading companies, and the government.

The end-users, electric power companies and gas companies, are major players as buyers of LNG. They purchase LNG, but are not willing to invest in energy projects. This is due to the social responsibility held by the utility companies for their customers – utilities are traditionally very conservative with their investment dollars.

HVC

Japanese electric power companies and gas companies make their own long term energy outlook by following Japanese government energy policy and revise it every year. Following their independent studies, utilities choose competitively priced LNG supplies timed to match their needs.

The second type of major energy players are the trading companies. They have been investors in overseas LNG development projects and are very interested in promising future LNG prospects.

The third prong in securing Japan's energy supplies is the government.

In order to secure a stable supply of natural gas, the Japanese government has been trying to improve overseas' investment conditions for Japanese companies. The Japan National Oil Corporation Law was revised in June 1994 for JNOC to be able to provide capital and loan guarantees toward Japanese companies to develop gas fields and the liquification of natural gas.

Finally, I will talk about the outlook for future Japanese energy (LNG) demand.

LNG's future in Japan looks positive for three main reasons: 1) it has the potential to reduce Japan's dependence on imported oil; 2) it can be used to replace delayed nuclear

power supplies; and 3) it is a clean-burning fuel that can be used to reverse the effects of CO2 emissions on the Japanese environment.

According to Japanese end-users, Japan's LNG supply is secured to the year 2005 by current long-term contracts. Some of the contracts are expected to be extended after 2005. Due to demand increases in Japan, however, additional supplies will need to be located to fill the extended contracts and to meet new energy requirements. The Ministry of International Trade & Industry now predicts that Japan's LNG needs in the year 2010 will be 60 million metric tons; Japanese industry estimates that figure to be 70-80 million metric tons.

Given these predictions, there are a number of advantages for Alaska North Slope LNG in Japan:

- ONE: Alaska's operating gas reserve has been confirmed.
- TWO: The distance from Alaska to Japan is very short - only about one-half of the distance from Japan to the Middle East.
- THREE: There already exists a good relationship between Alaska and Japan. We have a track record: Tokyo Electric Power and Tokyo Gas have long purchased Alaska LNG from the Cook Inlet. Since 1969, these utilities have worked through Mitsubishi trading company to secure more than 1 million metric tons per year. **There have been no accidents, no problems, no delays in the delivery of Alaska LNG.** Alaska is considered to be an extremely reliable supplier.
- FOUR: Japanese government and utilities want to diversify their LNG sources. Most LNG is imported from Indonesia and the Middle East .

- FIVE: North Slope producers -- British Petroleum, ARCO and Exxon are known reliable suppliers.
- SIX: Japanese trading companies have shown strong interest in Alaska North Slope LNG and are carefully watching its progress.
- SEVEN: Demand for LNC is increasing due to CO2 emission issues and accidents in recent years at Japan's nuclear power plants.

There are, however, some fundamental concerns of Japanese government and industry with regard to Alaska's North Slope gas project:

- ONE: Purchasing decisions are long-term. As mentioned earlier, Japanese end-users make long-term decisions by studying demand and supply carefully, they are conservative in nature and take a considerable amount of time to reach a final decision.
- TWO: Commercial business negotiations are important. It is critical that the Alaska North Slope gas project be negotiated on a commercial basis. Too much government involvement or the use of political pressure has the potential of making end-users uncomfortable, may discourage them and may cause them to reduce the size of their participation. It must be noted that Japanese government does not have the authority to force end-users to buy any specific LNG.
- THREE: It is important for Alaska to speak with one voice -- end-users, trading companies and government officials are often confused by the number of options to develop North Slope gas. Between the

producers, the Alaska government and the pipeline project developers, the message is not always the same. A coordinated front on the part of Alaska will be important to any future Japanese participation in the project.

Demand for LNG by the Japanese market looks promising for any new Pacific Rim project. However, because of existing Pacific Rim competition, it is recommended that the Alaska side offer a coordinated proposal with a competitive price.

Thank you very much for allowing us time today to discuss the potential for Alaska's North Slope natural gas and we would be happy to answer any questions you might have.

ENERGY PRESENTATION

Tuesday, March 25, 1997

Taiwan

Good morning (afternoon). Thank you for the opportunity to speak with you today about the emerging energy market in Taiwan. My name is IDA YAO and I am the State of Alaska representative for Taiwan.

Today I will give you an overview of Taiwan's energy picture and the players involved in energy production and sales. Please understand that I have only been a contractor for Alaska for one year and I will have to research any highly technical questions you have.

In Taiwan, there are two major energy users: Taipower and China Petroleum Corporation. Both are currently government-owned. For the time-being, only China Petroleum Corporation -- also known as CPC -- has the government okay to import petroleum products. This situation is going to be changed very soon -- within the next two years, Taipower and other private-sector energy companies will be granted the right to import petroleum products.

China Petroleum Corporation is now government-held and in the process of becoming a publicly held corporation. As part of the Taiwan government's policy to achieve full liberalization, CPC is being forced to sell 51% of its stock to the public by the turn of the century. CPC is currently undergoing corporate reorganization to both become a public company and increase its global competitive edge. Its petroleum topping capacity is 720,000 barrels per day and CPC is working to cut production costs and improve efficiency. CPC sets up different business units and various task teams according to functional requirements. It also maintains liaison offices in Saudi Arabia, Kuwait and Singapore to handle crude oil purchases and joint venture projects. With annual sales of \$13 billion US in 1995, almost equivalent to 5% of the country's total GNP, it is not only ranked the

biggest enterprise in Taiwan, but also one of the 500 biggest around the globe. It is also increasing the storage and transportation capacity in northern Taiwan, expanding LNG treating facilities, and upgrading product quality to acquire international quality certificates. A third refinery will be constructed jointly with private investors in Kaohsiung. Growing cooperation with mainland China is expected to lead to more global marketing of petroleum products and additional investments in the PRC.

With regard to LNG specifically, Taiwan possesses few natural resources and energy diversification has long been stressed in the country's energy policy to ensure stable and long-term supply. Natural gas, with its high efficiency and low pollution, has been targeted as a real option. Since most of Taiwan's natural gas reserves have been depleted, the government has decided to import LNG from abroad to help improve natural gas supplies. CPC began construction of an LNG receiving terminal project at Yungan, Kaohsiung, in 1984. This project carried a total investment of \$1.2 billion US with an annual handling capacity of 1.5 million tons. The terminal began operations in March of 1990 under a 20 year supply contract with Pertamina, the national petroleum company of Indonesia.

Since beginning its work with LNG, CPC has found the demand for this clean and efficient fuel is expanding very fast. Taiwan's economy is booming and the citizens have growing concerns about the environment. CPC began to expand its Yungan project the same year the terminal opened. An additional \$700 million US was invested to expand the receiving and storage facilities and the long distance distribution trunkline. This expansion was completed at the end of 1996.

Imported LNG to ^{the} Yungan project will now total 4.5 million tons per year. Half of the volume will be supplied by the expanded contracted ~~ed~~ with Pertamina, while Petronas, Malaysia is to supply the other half.

Taipower is the other major energy user in Taiwan. 94% of Taipower stock is currently government-owned, but by the end of this century, the corporation will be made public. Taipower, with its 30,000 employees, is the second largest energy supplier to Taiwan's consumers. LNG represents the third largest of Taipower's energy stocks -- the first being oil and the second being coal. Nuclear energy and hydroelectric also play an important role in Taiwan -- nuclear power is 29.1% of the total mix and hydroelectric is 7.1%.

Two different types of projects are operated by Taipower -- a total of 59 power stations nationwide. The first are projects which are operated completed under the control of the corporation. These range from hydroelectric plants, coal, oil, nuclear and natural gas.

The second type of project are those in which Taipower purchases its energy from independent power producers. These projects total eleven and are either coal, LNG or oil fired.

According to data provided by the Council for Economic Planning and Development, Taiwan's 1997 economic growth rate will be 6.7%. We expect the demand for power to continue growing. Based on Taipower's 1996 Long-Term Power Development Program, our high-peak electricity reserve margin will increase from 5.6% on 1996 to 11.8% in 1997.

A reasonable margin would be 20-25% -- Taiwan will fall far short. The looming threat of power shortages will, therefore, still exist.

Over the course of the next 13 years -- or the year 2010 -- Taiwan's energy needs are expected to grow some 3.9%. LNG is the clear winner in energy source increases -- the imported supply of LNG is expected to top 8.8% in the same time period -- declines are anticipated in nuclear, and coal.

Additionally, our government corporate structure is currently changing rapidly.

Industrial consumption of energy continues to grow at a rapid rate. As Taiwan develops, its energy needs are increasing. Both of the major energy suppliers -- CPC and Taipower -- as well as the privately held utilities -- have expressed interest in investing in foreign energy projects in order to secure adequate energy supplies.

I have brought with me details of Taiwan's energy supply and demand trends and would be happy to provide any additional information you may request.

As Alaska's trade representative in Taiwan, I fill several roles. The first is market intelligence -- provided necessary information to both potential Alaska customers and to Alaska government and industry. Secondly, in Taiwan, government is very important and I am viewed as the official government contact for the State of Alaska. As a Taiwan national, I am aware of the different ways to approach situations with both government and industry in my country. There are often requests for information from the Taiwan government that they feel best asking of a government official. Finally, information can strategically distributed -- to benefit Alaska's goals -- to target Taiwan companies and officials via my office. Please remember that your trade representatives act as your eyes and ears in very dynamic markets -- we can be used in a variety of ways to benefit Alaska.

Thank you very much for the opportunity to address you today.

SCOMM

108:3

Alaska State Legislature



Official Business
Fax: (907) 465-3472

State Capitol
Juneau, AK 99801-1182
(907) 465-3720
(907) 465-2689

Speaker of the House of Representatives

DATE: March 30, 1998

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

FROM: SPEAKER GAIL PHILLIPS *Gail*

RE: Attached memo from Commissioner Sedwick

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

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

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

cc: Senator Mike Miller
Commission Debby Sedwick

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

3801 C STREET, SUITE 700
ANCHORAGE, ALASKA 99503-8834
PHONE: (907) 269-8100
FAX: (907) 269-8125
TDD: (907) 465-5437

March 19, 1998

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

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

Mike *Gail*
Dear President Miller and Speaker Phillips:

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

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

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

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

Sincerely,

Debby
Deborah B. Sedwick
Commissioner

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

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

OFFICE OF THE COMMISSIONER

3801 C STREET, SUITE 700
ANCHORAGE, ALASKA 99503-5934
PHONE: (907) 269-8100
FAX: (907) 269-8125
TDD: (907) 485-5437

March 19, 1998

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

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

Mike *Gail*
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Sincerely,

Debby
Deborah B. Sedwick
Commissioner

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

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

April 21, 1998 5:15 PM – 6:20 PM

Briefing from Trade Representative from Japan, Taiwan, Korea

Call to Order:

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

Present:

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

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

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

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

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

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

Committee Action:

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

Adjournment:

Representative Barnes adjourned the meeting at 6:20 PM.

Note:

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

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

JAPAN

Mr. Kojiro Abe

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

Cowdery will fax written questions to him for written responses.

TAIWAN

Ms. Ida Yao

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

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

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

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

KOREA

Mr. K.S. Yang

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

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

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

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

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

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

NO

Taiwan? Asmi hired a contractor in Taipei this year.

country

Questions for Foreign Trade Contractors

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

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

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

State Capitol Bldg., Room 416

Juneau, AK 99801

907-465-3879 phone

907-465-2069 fax

MEMORANDUM

TO: House Chief Clerks Office

FROM: Representative Cowdery

DATE: April 20, 1998

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

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

Notes:

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

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

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

Tuesday, April 21, 1998

~~Butrovich Room #205~~

House Judiciary #120

5:00 PM

Briefing by Trade Representatives from Japan, Korea & Taiwan

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

State Capitol Bldg., Room 416

Juneau, AK 99801

907-465-3879 phone

907-465-2069 fax

MEMORANDUM

TO: House Chief Clerks Office

FROM: Representative Cowdery *J.C.*

DATE: April 15, 1998

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

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

Notes:

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

Tuesday, April 21, 1998

Butrovich Room #205

3:30 PM

Briefing by Trade Representatives from Japan, Korea & Taiwan

Briefing for Alaska State Legislators

Tuesday, April 21, 1998

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

**Mr. Kojiro Abe
Tokyo, Japan**

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

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

State of Alaska
Overseas trade staff

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

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

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

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

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

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

BRIEFING FOR LEGISLATORS

JAPAN ACTIVITIES

Mr. Kojiro Abe, Alaska State Representative, Japan

April 21, 1998

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

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

First, let me speak about Japan's economy.

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

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

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

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

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

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

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

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

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

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

Tourism

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

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

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

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

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

Seafood

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

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

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

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

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

LNG

Current LNG market in Japan

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

How the economic situation may affect future Alaska LNG Project

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

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

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

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

1. Deregulation for electricity Japanese utility companies

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

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

2) The Third Conference on Global Warming

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

3) Nuclear Energy

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

Two different messages

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

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

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

Interesting success stories



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

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

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

Japanese Airlines

Small Alaskan Manufactured Products

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

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

Glacier mineral water Alaska Mountaintop Sprits Co.

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

Ballard Studios

Caribou Crafts

Fretworks

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

The Japan Office Serves Many Alaskan Companies -

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

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

A Taste of Alaska Lodge

A & P America Pacific Tours

Anchorage Convention & Visitors Bureau

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

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

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

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

U.S. Imports have been growing rapidly -

BRIEFING FOR LEGISLATORS

TAIWAN ACTIVITIES

Ms. Idea Yao, Alaska State Representative, Taiwan

April 21, 1998

Trade Shows

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

Following are the highlights of these two trade shows:

1997 Taipei International Food Industry Show

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

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

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

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

American Food Show (Mini Food Show)

Taipei (September 22-23, 1997)

Taichung (September 25-26, 1997)

Kaohsiung (October 1-2 , 1997)

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

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

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

1997 International Travel Fair at Taipei

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

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

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

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

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

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

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

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

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

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

Trade Delegations to Alaska

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

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

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

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

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

Seafood trade mission from Taiwan

(September 6-12, 1997)

and the AYK/CDQ Projects

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

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

The responses after trade mission:

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

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

Promotions for Alaska Goods and Services, present and future:

Alaskan Grown potatoes, giant cabbages, and other vegetables

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

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

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

The major attractions to the importers are:

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

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

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

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

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

salmon exports.

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

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

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

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

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

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

ALASKA - SPRIT OF THE WILD

Taipei Metropolitan Children Recreation Center(TMCRC)

January 1 – December 31, 1998

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

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

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

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

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

ROC Official Statistics

1-1

POPULATION CENSUS OF 1997

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

1-2

NATIONAL ECONOMY OF 1997

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

1-3

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

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

2-1

MAIN CAUSE OF DEATH 1996-1997(PERSON)

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

3-1

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

(US\$1.00=NT\$)

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

4-1

1996, 1997 ROC INTERNATIONAL TRADE

(1000 MILLION US\$)

	IMPORT	EXPORT
1996	102.4	115.9
1997	111.5	103.7

5-1A

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

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

5-1B

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

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

6-1

1994-1997 UNEMPLOYMENT RATES IN TAIWAN
(%)

1994	1995	1996	1997
1.6	1.8	2.6	2.7

6-2

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

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

6-3

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

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

6-4

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

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

6-5

**OCCUPATION AND NUMBER OF PARTICIPATION
JANUARY 1998**

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

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

7-1A

PER CAPITAL INCOME OF FAMILIES IN TAIWAN PROVINCE 1995

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

7-1B

CONSUMPTION EXPENDITURES OF FARM AND NONFARM FAMILIES IN
TAIWAN PROVINCE 1995

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

7-2

PER CAPITA ANNUAL FOOD AVAILABILITY 1995
(KGS)

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

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

7-3

PER CAPITA DAILY NUTRIENT AVAILABILITY 1995

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

BRIEFING FOR LEGISLATORS

KOREA ACTIVITIES

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

April 21, 1998

Tuesday, April 21, 1998

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

A brief outline of my presentation is as follows:

Summary of Korean Economic Situation

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

Impact on Alaska Exports to Korea by Industry

LNG

Crude Oil

Seafood

Coal

Technology & the Environment

Tourism

Forest Products

State Korea Office Performance

Summary of Korean Economic Situation

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

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

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

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

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

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

number of fundamentals remain sound in Korea.

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

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

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

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

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

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

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

Impact on Alaska Exports to Korea by Industry

LNG

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

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

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

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

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2005
Chris Fil