

ALASKA LEGISLATURE COMMITTEE FILES 1983 - 1984 8672

2586 HLC HB 611 - HB 654

2586

THE PRESENT IS THERE A REQUIREMENT FOR CONTINUING EDUCATION AND IF SO HOW IS IT MEASURED ?

STATE OF ALASKA 1984 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date: _____

REQUEST

Bill/Resolution No.: HB No. 611
 Title: "An Act relating to
 dentists & dental hygienists"
 Sponsor: Rep. Furnace
 Requestor: L&C & H.E.S.S
 Date of Request: February 13, 1984

FISCAL DETAIL

Agency Affected: Commerce & Economic Dev.
 Program Category Affected: _____
Public Protection
 BRU, Program or Subprogram(s) Affected: _____
Occupational Licensing

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 84	FY 85	FY 86	FY 87	FY 88	FY 89
OPERATING						
100 PERSONAL SERVICES						
200 TRAVEL		1.2	0	0	0	0
300 CONTRACTUAL		1.5	1.3	1.4	1.5	1.6
400 SUPPLIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS						
800 MISCELLANEOUS						
TOTAL OPERATING	0	2.7	1.3	1.4	1.5	1.6
CAPITAL						
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	2.7	1.3	1.4	1.5	1.6
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

SOURCE OF FUNDS TO OFFSET FISCAL IMPACT OF BILL:

Not identified by the sponsor

ANALYSIS: Attach a separate page for analysis (see attached)

Prepared By: Darrell Miller Phone: 465-2535

Division: Occupational Licensing Date: 2/16/84

Approved by Commissioner: Richard A. Lyon Date: 3/16/84

Agency: Commerce & Economic Development

Distribution (by Agency preparing fiscal note):

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

12/1/83

HOUSE BILL NO. 611

FISCAL ANALYSIS:

Assumptions: If adopted in its present form, this bill would require regulations be adopted to implement the provisions of Sec. 17, paragraphs (10), (12) and (13), and Sec. 27. This would be a one time cost for FY '85 only for travel and contractual costs.

Sec. 17, paragraph (11), would require a continuing contractual cost for advertising of a summary of disciplinary actions by the board.

200 TRAVEL

1 staff travel to Fairbanks and Anchorage to conduct public hearings on proposed regulations.

Fairbanks: Transportation - 1 trip	\$ 450.00
Per Diem: 2 days @ \$90.00	180.00
Anchorage: Transportation - 1 trip	375.00
Per Diem: 2 days @ \$80.00	<u>160.00</u>
Total	\$1,165.00

300 CONTRACTUAL

Advertising costs for public notices of proposed regulations and public hearings; 3 major newspapers, one time only X \$100.00 each. (one time cost - FY '85 only) \$ 300.00

Advertising costs - for quarterly publication of the summary of disciplinary actions; 3 major newspapers, one time only X \$100.00 each = \$300.00 X 4 quarters = 1,200.00
(7% inflation factor projected for succeeding fiscal years) Total \$1,500.00

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907 465 3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

March 20, 1984

SUBJECT: Sectional analysis of HCS CSHB 611
(Dentists and Dental Hygienists)

TO: Representative John Cowdery
Chairman, Labor Commerce

FROM: Teresa B. Cramer *Teresa B. Cramer*
Legislative Counsel

You have asked for a sectional analysis of CSHB 611 (L&C). The bill can be considered in three parts. Sections 1-15 amend AS 08.32, regulating the practice of dental hygienists. Many of the amendments transfer regulations applying to hygienists but codified in AS 08.36, regulating dentists, into AS 08.32.

The second set of amendments, found in sections 16-21, relate to the Board of Dental Examiners which regulates both dental hygienists and dentists.

The third part of the bill amends the regulation of dentists and is contained in sections 22 through 41.

Sections Relating to Dental Hygienists

Sections 1 and 2 Clarify the requirement that hygienists be registered as well as licensed.

Section 3 Permits dental hygienists licensed in another state to apply for a temporary license pending receipt of their Alaska licensing examination results.

Section 5 Clarifies the composition and content of the licensing examination.

Sections 6 and 7 Clarify the requirement that registrations be renewed every four years. Section 7 is modeled on AS 08.36.250 which currently applies to hygienists as well as to dentists.

Section 8 The penalty for late renewal under AS 08.01.100(b) is \$10.

Section 9 Gives the board the power to set licensing fees by regulation. AS 08.36.190 currently sets fees for dental hygienists and dentists by statute.

Section 10 Adds reference in AS 08.32.110 to requirement that hygienists who administer local anesthetics be certified.

Section 11 Paragraph (2) adds fraudulent billing for services as a basis for imposing discipline. Paragraph (3) limits discipline for false or misleading advertising to instances in which the advertising violates regulations adopted by the board. Paragraph (6)(D) adds unfitness because of failure to keep informed of current professional theories and practices as grounds for imposing discipline.

Section 12 Adds a new section to provide that a panel of the board will screen consumer complaints before the complaint reaches an adjudicatory hearing under the Administrative Procedure Act.

Section 13 Transfers provisions in AS 08.36.320 to AS 08.32 and adds language in subsection (c) to permit the board to suspend the license of a dental hygienist who refuses to submit to a physical or mental examination.

Section 14 Makes failure to comply with a regulation of the board a violation and changes the penalty for a violation to a Class B misdemeanor (punishable by a fine of no more than \$1000 (AS 12.55.035) and by imprisonment for no longer than 90 days (AS 12.55.135).

Section 15 Adds new provisions modeled on AS 08.36.350 to permit the hygienists listed to practice without a state license. Subsection (b) holds those dental hygienists to the same standard of care as licensed hygienists.

Sections relating to the Board of Dental Examiners

Section 16 Adds a requirement that the dental hygienist on the Board of Dental Examiners have practiced in Alaska for five years.

Section 17 Adds language to suspend a dentist or dental hygienist from the board if an accusation alleging unprofessional conduct has been filed under the Administrative Procedure Act. The suspension lasts until the decision of the board is final under AS 44.62.520.

Section 18 Permits a majority of the board to call a meeting in the absence of a call of the president.

Section 19 Adds specific authorization for the department to reimburse board members for expenses.

Section 20 Paragraph (a)(3) expands the required content of the board's annual report. Paragraph (a)(10) requires that the board publish information about its disciplinary decisions annually. Paragraph (a)(11) permits the board to provide for education and training requirements for special procedures and to issue permits or certificates to those who meet those requirements. Paragraph (a)(12) clarifies existing powers of the board. Paragraph (b)(2) permits the board to authorize the inspection of records of dentists to monitor compliance with AS 08.32 and 08.36.

Section 21 Authorizes the board to hire an investigator. The board currently has no staff.

Sections relating to dentists.

Section 22 Deletes reference to permits. The bill repeals AS 08.36.280 which provides for temporary permits. Dentists practicing in isolated areas under AS 08.36.271 are exempt from the chapter under AS 08.36.350.

Sections 23 and 27 Require that all applicants for licensing pass the national board examination before taking the state exam.

Section 25 Clarifies the composition and structure of the licensing examination.

Section 26 The penalty under AS 08.01.100(b) for late renewal is \$10.

Section 28 Deletes the requirement that dentists register with the clerk of the superior court.

Sections 29 and 30 Require that applicants for specialist licenses be eligible for diplomate status with a specialty board and that a licensed specialist take part in the licensing procedures.

Section 31 Adds subsection (b) requiring that dentists who are renewing their registrations report to the board any suits filed against them based on the quality of their professional services.

Section 32 Rewrites the fee statute to allow the board to set fees by regulation rather than providing for specific amounts by statute.

Section 33 Paragraph (2) adds fraudulent billing for services as a basis for imposing discipline. Paragraph (3) limits discipline for false or misleading advertising to instances in violation of regulations adopted by the board. Paragraph (10) makes a dentist who fails to report a death occurring in the dentist's office liable to discipline.

Section 34 Adds a new section to provide that a panel of the board will review complaints about professional services before an accusation is filed under the Administrative Procedure Act adjudicatory hearing procedures. (See also Section 12)

Section 35 Deletes reference to dental hygienists

Section 36 Adds language to permit the board to suspend the license of a dentist who refuses to submit to a mental or physical examination.

Section 37 Makes dentists who violate regulations of the board subject to sentencing. A Class B misdemeanor carries a maximum fine of \$1000 (AS 12.55.035) and imprisonment for no more than 90 days (AS 12.55.135).

Section 38 Paragraph (a)(5) clarifies exemptions for licensed clinicians. Paragraph (a)(6) exempts from licensing instructors in an accredited dental educational institution. Paragraph (a)(7) exempts dentists providing emergency care. Subsection (b) holds dentists exempt from licensing to the same standard of care as licensed dentists.

Section 39 Paragraph (7) defines the practice of dentistry to exclude owners and managers of dental facilities.

Section 40 Adds a new section to provide rights to dentists. Paragraphs (3) and (4) permit dentists supervising research in a research institution chartered by the state or in a school accredited by the American Dental Association to perform procedures that would otherwise violate this chapter. Paragraph (4) requires that the dentist notify the board of any procedures to be performed on patients. The board may disapprove the procedures.

Section 41 Repeals five sections of the law.

AS 08.36.140 permits the board to hold a licensing exam outside the state.

AS 08.36.150 permits students in their last year of dental school to take the licensing examination and permits the board to give the exam in an out-of-state dental school.

AS 08.36.170 permits students to take sections of the state licensing examination at different times.

AS 08.36.200 permits the board to waive the state written exam for applicants who have passed the national board examination.

AS 08.36.280 provides for temporary permits to dentists practicing in a city or rural village which does not have a resident licensed dentist in active general practice.

TC:ojb
J4/105

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6333

FEBRUARY 28, 1984

TO: JOHN
FROM: KEN
RE: OPENING COMMITTEE COMMENTS ON HB 633

HOUSE BILL 633, SPONSORED BY OUR COLLEAGUE REP. FURNACE, WOULD AMEND TITLE 21 OF THE ALASKA STATUTES. UNDER PRESENT LAW THE FEES REQUIRED FROM THOSE WORKING IN THE INSURANCE INDUSTRY, ARE ESTABLISHED BY THE LEGISLATURE. IF THIS BILL IS ADOPTED, THE LEGISLATURE WOULD NO LONGER BE RESPONSIBLE SETTING THESE FEES. INSTEAD, THIS BILL WOULD GRANT AUTHORITY, UNDER STATE REGULATIONS, TO THE DIRECTOR OF THE DIVISION OF INSURANCE TO ESTABLISH FEES FOR THE INDUSTRY .

QUESTIONS:

1. WHY CAN'T THE DIVISION OF INSURANCE SUBMIT CHANGES IN THE FEE STRUCTURE TO THE LEGISLATURE FOR APPROVAL RATHER THAN CHANGING THE STATUTE ?

2. HAS THE DIVISION OF INSURANCE EXPERIENCED PROBLEMS IN THE PAST WITH A LEGISLATURE WHICH REFUSED TO COOPERATE WITH THE DIVISIONS REQUESTS ?

3. what was the reason Behind The Present State.

4 - Needed. But no way of handling

5 - Report - For long time

HOUSE BILL 633
PROPOSED FEES

			FY 83	FY 84	FY 85
Sec. 21.06.250 (a)					
1 (A) domestic insurers	[\$100]	<u>1,000</u>	2,000	2,000	2,000
foreign insurers	[\$100]	<u>1,000</u>	7,975*	15,000	15,000
(B) annual continuation of certificate of authority	[\$ 65]	<u>100</u>	53,610*	85,000	85,000
(C) reinstatement of certificates of authority	[\$ 65]	<u>500</u>	-0-	-0-	-0-
(D) amending certificate of authority	[\$ 10]	<u>100</u>	200	2,000	2,000
(2) filing amendment of articles of incorporation, domestic and foreign insurers	[\$ 10]	<u>100</u>	470	4,700	4,700
(3) filing bylaws or amendments thereto as required	[\$ 10]	<u>100</u>	3,410	34,100	34,100
(4) filing annual statement of insurer, other than as part of application for original certificate of authority	[\$ 10]	<u>100</u>	8,800	88,000	88,000
(5) (A) application for original license, and including issuance of license, if issued,					
(i) individual	[\$ 35]	<u>50</u>	7,000	10,000	10,000
(ii) firm or corporation	[\$ 75]	<u>100</u>	2,000*	2,700	2,700
(B) annual renewal or continuation of license					
(i) individual	[\$ 35]	<u>50</u>	20,010*	28,600	28,600
(ii) firm or corporation	[\$ 75]	<u>100</u>	18,135*	24,200	24,200
(C) Appointment of agent or general agent, each insurer	[\$ 5]	<u>10</u>	2,000	4,000	4,000
(D) annual renewal of appointment of general agent or agent, each insurer	[\$ 5]	<u>10</u>	37,812*	75,620	75,620
(E) temporary license	[\$ 35]	<u>50</u>	-0-	-0-	-0-
(6) nonresident general agent or agent's license					
(A) individual	[\$ 75]	<u>100</u>	7,500	10,000	10,000
(B) firm or corporation	[\$150]	<u>200</u>	1,500	2,000	2,000
(C) annual renewal or continuation of license	[\$ 75]	<u>100</u>	65,000*	86,700	86,700
(7) broker license					
(A) application for original license and including issuance of license if issued--resident					
(i) all line broker	[\$100]	<u>200</u>	1,500	3,000	3,000
(ii) property-casualty broker	[\$ 75]	<u>150</u>	2,000*	4,050	4,050
(iii) life-disability broker	[\$ 75]	<u>150</u>	300	600	600
(B) annual renewal or continuation of license--resident					
(i) all line broker	[\$100]	<u>200</u>	5,050*	10,100	10,100
(ii) property-casualty broker	[\$ 75]	<u>150</u>	13,200	26,400	26,400
(iii) life-disability broker	[\$ 75]	<u>150</u>	3,600	7,200	7,200

(C) application for original license and including issuance of license, if issued--nonresident					
(i) all line broker	[\$250]	<u>500</u>	1,000	2,000	2,000
(ii) property-casualty broker	[\$150]	<u>300</u>	1,000	1,800	1,800
(iii) life-disability broker	[\$150]	<u>300</u>	450	900	900
(D) annual renewal or continuation of license-nonresident					
(i) all line broker	[\$250]	<u>500</u>	20,700*	41,500	41,500
(ii) property-casualty broker	[\$150]	<u>300</u>	4,500	9,000	9,000
(iii) life-disability broker	[\$150]	<u>300</u>	750	1,500	1,500
(8) solicitor license					
(A) application for original license, including issuance of license if issued	[\$ 15]	<u>50</u>	-0-	-0-	-0-
(B) annual continuation of license	[\$ 15]	<u>50</u>	-0-	-0-	-0-
(9) general agent or agent license, life, disability issuance and annuities					
(A) application for original license, including issuance of license, if issued,					
(i) individual	[\$ 35]	<u>50</u>	70	100	100
(ii) firm or corporation	[\$ 75]	<u>100</u>	150	200	200
(B) annual renewal or continuation of license,					
(i) individual	[\$ 35]	<u>50</u>	2,400*	3,400	3,400
(ii) firm or corporation	[\$ 75]	<u>100</u>	425*	500	500
(C) appointment of general agent or agent, each insurer	[\$ 5]	<u>10</u>	10	10	10
(D) annual renewal of appointment of general agent or agent, each insurer	[\$ 5]	<u>50</u>	20	200	200
(10) [examination] application for license as general agent, agent, broker, solicitor or adjuster, each [examination] application	[\$ 10]	<u>20</u>	8,130	16,260	16,260
(11) surplus line broker license					
(A) application for original license and for issuance of license, if issued--resident	[\$100]	<u>200</u>	200	400	400
(B) application for original license and for issuance of license, if issued--nonresident	[\$300]	<u>600</u>	1,200	2,400	2,400
(C) annual renewal or continuation of license--resident	[\$100]	<u>200</u>	3,700	7,400	7,400
(D) annual renewal or continuation of license--nonresident	[\$300]	<u>600</u>	14,850*	29,400	29,400
(12) adjuster license					
(A) application for original license and for issuance of license if issued--resident	[\$ 35]	<u>70</u>	70	140	140
(B) annual renewal or continuation of license--resident	[\$ 35]	<u>70</u>	3,710	7,420	7,420

(C) application for original license and for issuance of license, if issued--nonresident	[\$ 75]	<u>150</u>	75	150	150
(D) annual renewal or continuation of license--nonresident	[\$ 75]	<u>150</u>	2,443*	4,800	4,800
(13) insurance vending machine license, each machine, each year	[\$ 35]	<u>70</u>	-0-	-0-	-0-
(14) for issuing any other certificate required or permissible under law	[\$ 5]	<u>25</u>	2,080	10,400	10,400
(15) for accepting service of process	[\$ 5]	<u>25</u>	1,565	7,825	7,825
(16) for copy of insurance code, actual printing cost plus postage;			280	280	280
(17) for copy of insurance report, actual printing cost plus postage;			-0-	-0-	-0-
(18) for any printed material furnished by the director not mentioned above, the director may charge the actual cost of printing plus handling and postage;			485	485	485
(19) for limited license (travel insurance agent)	[\$ 25]	<u>40</u>	275	550	550
(20) [Repealed]					
(21) rating bureaus (for a three-year license)	[\$100]	<u>300</u>	450*	1,200	1,200
(b) The director shall promptly deposit with the commissioner of revenue to the credit of the general fund of this state all fees received by him under this section. (1 ch 120 SLA 1966; 1-6 ch 113 SLA 1974; 1 ch 206 SLA 1976)					
Surplus Lines Statement Fee**			261,358	225,000	225,000
Retalitary Fees			140,548	140,548	140,548
Penalties**			<u>67,418</u>	<u>96,720</u>	<u>96,720</u>
TOTALS			801,034	1,138,458	1,138,458
BUDGET			<u>976,000</u>	<u>991,600</u>	<u>1,083,900</u>
			- 174,966	146,858	54,558

* Figures given by Division of Insurance

** Vary with Volume

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D R A F T

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill amending the current structure for fees collected by the division of insurance, Department of Commerce and Economic Development under AS 21.

Insurance license and other related fees are currently set by statute and may be adjusted only through legislation. This bill proposes to remove these fee structures from the statutes and provide that they may be set instead by regulation. This will mean that the fees may be adjusted to more nearly reflect actual costs to the state for the services rendered, without the need to repeatedly request statutory changes. The director of the division of insurance, Department of Commerce and Economic Development, will have the responsibility for adopting the fee-setting regulations.

The statutes currently setting fees for the division of insurance do not provide adequate revenue to the state to cover the division's present budget. Most of the fees were set by statute in 1966 and have not been increased since. In order to permit adjustment of insurance fees to more closely approximate the actual cost of services, I urge your prompt action on this measure.

Sincerely,

Bill Sheffield
Governor

WLET
AS 21.06.25

	<u>Current User Fee</u>	<u>Recommended User Fee</u>	<u>Projection on # of Applications</u>	<u>Estimated 1984 Income</u>	<u>Date of Last Statute Change</u>
Certificate of Authority () Domestic and Foreign	100	750	50	37,500	1966
Annual Continuation of Certificate of Authority	65	150	950	140,500	1966
Reinstatement of Continuation of CTF of A	65	150	1	150	1966
Amending CTF of A	10	100	40	4,000	1976
Filing Articles of Incorporation	10	25	1	25	1966
Filing Bylaws or Amendments	10	25	10	250	1966
Filing Bylaws or Amendments	10	25	20	500	1966
Filing Annual Statements	10	100	950	95,000	1966
Resident Agent License Individual Application	35	50	150	7,500	1966
Resident Agent-Firm Application	75	150	10	1,500	1966
Agent Renewal-Individual	35	50	350	17,500	1966
Agent Renewal-Firm	75	150	135	10,125	1966
Appointment of Agent or General Agent of Company	5	10	100	1,000	1966
Annual Renewal of Agent or General Agent Appointment	5	10	3,250	32,500	1966
Temporary License	35	35	0	0	1966
Nonresident General Agent or Agent's License	35	75	30	2,250	1966
Individual	35	75	30	2,250	1966
Firm	150	200	10	2,000	1966
Annual Renewal of Nonresident Agent or General Agent's License					
Individual	75	75	300	22,500	1966
Firm	75	100	250	25,000	1966

	<u>Current User Fee</u>	<u>Recommended User Fee</u>	<u>Projection on # of Applications</u>	<u>Estimated 1984 Income</u>	<u>Date of Last Statute Change</u>
Application for					
All Lines Broker	100	150	10	1,500	1974
Property Casualty Broker	75	100	10	1,000	1974
Life and Disability Broker	75	100	10	1,000	1974
Renewal-Resident Broker					
All Lines Broker	100	150	45	6,750	1974
Property Casualty Broker	75	100	20	2,000	1974
Life and Disability Broker	75	100	20	2,000	1974
Application for Original					
License-Broker/Nonresident					
All Lines Broker	250	250	4	1,000	1974
Property Casualty Broker	150	200	10	2,000	1974
Life and Disability Broker	150	200	5	1,000	1974
Renewal for					
License-Broker/Nonresident					
All Lines Broker	250	250	60	15,000	1974
Property Casualty Broker	150	200	70	14,000	1974
Life & Disability Broker	150	200	10	2,000	1974
Application for Solicitors					
License	15	25	10	250	1966
Renewal of Solicitors License					
License	15	25	5	125	1966
Application for General Agent					
Life and Disability					
Individual	35	50	20	1,000	1966
Firm	75	150	10	1,500	1966
Life and Disability Agent					
Renewal					
Individual	35	50	350	17,500	1966
Firm	75	150	135	10,125	1966
Appointment by Company to					
Agents and G/A	5	10	100	1,000	1966
Renewal Appointment					
Agents and G/A	5	10	3,250	32,250	1966
Examination Application for					
Agent-G/A, Broker, Solicitor or Adjuster	10	15	250	3,750	1974

	<u>Current User Fee</u>	<u>Recommended User Fee</u>	<u>Projection on # of Applications</u>	<u>Estimated 1984 Income</u>	<u>Date of Last Statute Change</u>
Examination Fee Payable to Testing Contractor					
Application for Surplus Lines Broker					
Resident	100	150	3	450	1966
Nonresident	300	500	3	1,500	1966
Renewal of					
Surplus Lines Broker	100	150	28	4,200	1966
Non Resident Surplus Lines Broker	300	500	58	29,000	1966
Application - Adjuster License	35	50	10	500	1966
Renewal - Adjuster License	35	50	125	6,250	1966
Application - Nonresident Adjuster	75	100	2	200	1966
Renewal-Nonresident Adjuster	75	100	35	3,500	1966
Insurance-Vending Machines	35	50	3	150	1966
Miscellaneous Certificates	5	10	60	600	1966
Service of Process	5	15	200	3,000	1966
For Limited License	25	25	16	400	1966
Rating Bureaus 3 Years	100	150	3	450	1966
				<hr/>	
				566,750	
Surplus Lines Filing Fee 1/2% of 50 million				<hr/>	
				250,000	
				816,750	
Retaliatory Fee				<hr/>	
				95,000	
				911,750	

1984 LEGISLATIVE PROPOSAL REQUEST FORM

AGENCY: Commerce and Economic Development

SUBJECT OF PROPOSED BILL: Repeal of insurance fees as set by statute in order that they can be set by regulation.

BRIEF SUMMARY: Insurance fees are currently set by statute. They can be adjusted only by means of the legislative process. The current fees, most of which were established as long ago as 1966. (see (Attach a more detailed explanation if you can.) attached)

ESTIMATED FISCAL IMPACT: _____

OTHER STATE AGENCIES CONSULTED/AFFECTED: none

CONSTITUENT GROUPS: Those opposed: _____

Those in favor: _____

Those yet to be contacted: _____

Has this or a substantially similar bill been introduced (and not passed) in the legislature in a previous session? Yes _____ No _____

If so, please state: Bill number _____ Dept. of Law log no: J-77-____ (if it was a Governor's bill)

PREFERRED HOUSE OF INTRODUCTION: _____

RATE THE BILL'S IMPORTANCE TO DEPARTMENT BY PRIORITY #: _____

DRAFT ATTACHED: Yes yy No _____ Not finalized _____

COMMISSIONER'S SIGNATURE: Richard A. Lyon

DATE: _____

are inadequate to reflect the costs of the services provided. It is proposed that fees would be more appropriately placed in regulation where they can be adjusted upwards or downwards to reflect true costs and eliminate the need to repeatedly ask for statutory change.

In FY 83, income from the various fee charges was \$801,034. The budget for the Division was \$939,823. The proposed fees would more closely approximate the actual cost to provide services to the user and balance the Division's budget.

Perhaps only sections 1, 11, 14 and 29 need be included in the bill and the revisor of statutes could pick up the remaining conflicting statutes. This would avoid a lengthy bill which appears more complicated than it is.

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654

Further Reflections on the Alaska Relationship with East Asia

Over the past two decades, a new international order has emerged in East Asia. Composed of twelve nations with market economies, fringed by four nations with socialist, or command economies, and one nation, China, moving from a command to a market economy, the order has at its center Japan and the United States.

The basis of the international order is mutual economic benefit. Each member nation hopes to stimulate its growth through economic cooperation. At present, trade is the most developed tie. Each East Asian nation trades more with the other East Asian nations than it does with nations outside of East Asia. Led by Japan and the United States, investment between the nation-states is also starting. Japan seems most interested in the developing nations; the United States seems most interested in the newly industrialized states.

The growth rates of developing and newly industrialized states is high, with some East Asian nations having growth rates in the double digits. Clearly, East Asia will be at the forefront of the world's economic activity in the years ahead.

Alaska, by both geographic and economic logic, belongs to this new international order. Yet, at the present time,

none of the other nations in the international order recognize the relationship. Alaska is seen as part of the United States, its fate immutably hooked to that of the United States, the articulation of its interests emanating from Washington.

Alaska's greatest task, then, is to demonstrate that it is part of this new international order. While part of the United States, its interests are not necessarily identical to the interests of the lower forty-eight states. It does not rely on Washington for the articulation of its interests. It can speak for itself. Alaska has much to contribute to the development of the other East Asian and Southeast Asian states. Alaska has much to gain from this contribution.

If the international order is cooperative, it is also competitive. Alaska belongs to the resource rich nations. Indonesia, Malaysia, Australia, and Thailand are other examples. It must compete with them. And, in many respects, Alaska is behind the power curve.

Political philosophy is a case in point. Alaska has derived its rules of governance from early American and European experience. It believes that the state should participate in business only to the extent of regulating it. The East Asian states, on the other hand, derive their rules of governance from the Japanese experience, the last of the big powers to modernize. They believe, and the Japanese believe, that the state has the responsibility of fostering development. Government should be a partner of business.

The developmental state is not a socialist state. In a socialist state, the authorities control all the factors of production, are relatively indifferent to price and to competition. In the developmental state, the authorities are most selective about where they intervene. They protect if not strengthen the terms of competition. They accept the discipline imposed by cutthroat pricing.

The East Asian nations have development strategies. These strategies are delineated in plans. These plans are important for two reasons. First, their preparation requires both government officials and businessmen to come together to establish goals and set priorities. Dreams are made real and practical. Second, the plans serve as advertisements. They inform other nations what will be happening. The other nations can shape their plans to make best use of their advantages. The other nations can learn whether or not they wish to invest in the plan-writing nation. There have been many instances where the plans have served as the basis for international cooperation.

The East Asian nations push their interests overseas. They do this three ways: through international organizations-- ASEAN is a case in point; through the rigorous training of its officials in diplomacy and developmental economics; and through the establishment of large embassies.

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What should Alaska be doing?

First of all, Alaska should look to its governing mechanisms. Should the Alaskan government reflect America at the time of the Civil War, should it remain in its philosophy a regulatory state? Or should the Alaskan government look overseas to late nineteenth century German, to postwar Japan, and now to South Korea, Singapore, and Taiwan to become a developmental state?

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Finally, Alaska should try to take advantage of conditions in the other Asian nations. Two examples immediately come to mind. Because of high power costs, the Japanese aluminum industry is no longer internationally competitive. It is declining and the Japanese government is prepared to look to foreign sources for its aluminum ingots. Why shouldn't this industry move to Alaska, where power is cheap?

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But not all factors favor Alaska. For over a century, the Japanese have said that they have the responsibility for leading Asia, for developing conditions of peace and prosperity in the other Asian nations. That means that the Japanese look more favorably south than they do north. Secondly, Japan has spent much time and treasure developing resources in Southeast Asia and Australia. It will not put aside this investment readily. Thirdly, Asians have the ties to and know how to sell to the Japanese, something that the Alaskans cannot do, yet.

Finally, the Japanese have become accustomed to and know how to deflect Washington complaints. They are aware that both Japan and the United States have again entered an upward phase of the business cycle and during these upward thrusts, Washington officials do not push their economic interests vigorously.

These negative factors lead me to conclude that Alaska will first be able to succeed in its overseas efforts in Korea. It has a booming economy. It has government officials in other states and these officials are favorably disposed towards the United States. It has an unfavorable balance of trade with the United States and both its businessmen and officials want to correct that. Korea does not have any political goals in Southeast Asia, though it is dallying with the idea of helping the Chinese develop Manchuria and the Russians to develop Siberia with the aim of outflanking the North Koreans. Finally, Korea has a healthy appetite for raw materials, particularly energy.

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February 8, 1984

The Honorable John Cowdery
Alaska State Legislature
Pouch V
Juneau, Alaska 99811

Dear Representative Cowdery:

Jim Clark has urged me to propose that you consider my continued association with the State to assist in making Alaska the focal point of a resource relationship with the Pacific Rim countries. As you know, these countries have historically looked to Southeast Asia and the South Pacific for their resources. The notion of looking north is something that they have really only recently considered.

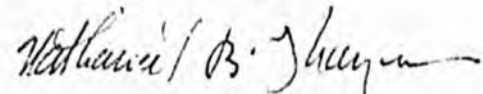
The exchange of legislative missions has created awareness among some Japanese political leaders of Alaska's potential, not only for supplying resources, but also for enhancing Japan's security relationship with the U.S. The same can be said for Korean political leaders. Efforts such as the legislative mission need to be continued and accelerated within these political establishments to broaden support for the concept.

This is a matter about which I feel very strongly. I share Ambassador Mike Mansfield's view that the United States' bilateral relationship with Japan is the most important in the world and I would like to do everything I can to enhance it. Korea is also important. Enhancing and protecting these relationships by the sale of Alaska's resources to the Pacific Rim and by Japanese and Korean investment in Alaska are obvious things we can do.

I am going to be in Japan for a good deal of this year working on a book. I believe that I would be in a good position to attempt to explain Alaska's potential within Japanese political circles, at the highest levels. Moreover, since it would be appropriate to include Bill Overstreet in these efforts, I believe we could create a mechanism to cause Alaska's viewpoint to be made known with these people on a continuing basis.

If you feel this warrants further discussion, please let me know.

Very truly yours,



Dr. Nathaniel Thayer

School of Advanced International Studies
The Johns Hopkins University

13 February 1984

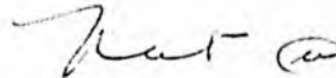
Representative John Cowdery
Pouch V
Juneau, Alaska 99811

Dear John,

I enclose a copy of my trip report. For some unknown reason, the hotel never cabled it to you, though I instructed them to do so.

I look forward to testifying tomorrow.

Sincerely,



Nathaniel B. Thayer
Director of Asian Studies

Enclosure

(202) 785-6267

セイヤー

PROF. NATHANIEL B. THAYER
DIRECTOR OF ASIAN STUDIES

SCHOOL OF ADVANCED INTERNATIONAL STUDIES
THE JOHNS HOPKINS UNIVERSITY
1740 MASSACHUSETTS AVENUE, N.W. WASHINGTON, D.C. 20036

Further Reflections on the Alaska Relationship with East Asia

Over the past two decades, a new international order has emerged in East Asia. Composed of twelve nations with market economies, fringed by four nations with socialist, or command economies, and one nation, China, moving from a command to a market economy, the order has at its center Japan and the United States.

The basis of the international order is mutual economic benefit. Each member nation hopes to stimulate its growth through economic cooperation. At present, trade is the most developed tie. Each East Asian nation trades more with the other East Asian nations than it does with nations outside of East Asia. Led by Japan and the United States, investment between the nation-states is also starting. Japan seems most interested in the developing nations; the United States seems most interested in the newly industrialized states.

The growth rates of developing and newly industrialized states is high, with some East Asian nations having growth rates in the double digits. Clearly, East Asia will be at the forefront of the world's economic activity in the years ahead.

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FEASABILITY STUDY:
ESTABLISHING A SEPARATE
ALASKAN TRADE OFFICE IN KOREA

Submitted To: The Honorable Joe Hayes,
Speaker of the House of Representatives
of the State of Alaska

Submitted By: Michael M. Gay
6917 Old Seward Highway
Anchorage, Alaska 99502
(907) 276-2733

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I - PURPOSE AND METHODOLOGY

A. Purpose and Scope.

The primary purpose of this report is to provide the Alaska House of Representatives with a feasibility study for the establishment of an Alaska trade office in Korea, as well as a set of guidelines and recommendations, including proposed goals and objectives, for the establishment, staffing and operation of such an office.

The scope of this feasibility study is limited to the following specifically requested topics and areas:

1. Outlining the current structure of the Alaska State Asian Office (ASAO) in Tokyo, including staffing and costs of operation;
2. Analyzing the operation and functions of the ASAO; evaluating its effectiveness and examining the option of extending its operation to include the rapidly increasing trade relations and activities in Korea;
3. Reviewing the activities of other states that have established trade offices in Korea;
4. Providing a history of Alaska-Korean trade efforts and activities;
5. Outlining the strongest areas of Korean interest in Alaska and examining the potential economic benefits to the state from increased trade with Korea and from increased Korean investment in Alaska;
6. Synthesizing the materials and information gathered from Korean business people and governmental officials, especially information regarding Korean government and business practices and protocol; and
7. Setting forth and discussing the main reasons for the desirability and feasibility of establishing a separate Alaska trade office in Korea and outlining a plan for the setting up, staffing and operation of such an office.

B. PROCEDURES FOLLOWED

This study was accomplished in three phases. The first was aimed at obtaining ideas and information from various Alaskan business people and public officials regarding the establishment, functions, goals and policies of an Alaskan trade office in Korea. The organizations contacted in this regard included the Alaska-Korea Business Council (AKBC), and the Anchorage offices of the U.S. Department of Commerce, the International Trade Administration, and the Resource Development Council for Alaska, Inc. Numerous Alaskans presently involved or contemplating being involved in trade with Korea were also interviewed.

The second phase was conducted in Seoul, Korea. Interviews were held with Korean government and business leaders to obtain their ideas and information regarding the establishment of an Alaskan trade office in their country.

Among the government agencies, trade associations and business groups contacted were the following:

- Korean Foreign Ministry;
- Korean Ministry of Commerce and Industry;
- Economic Planning Board;
- National Tax Administration;
- Korea-U.S. Economic Council;
- Korea Trade Association (KOTRA);
- Samsung Company, Ltd.;
- Hyundai Company, Ltd.;
- Kukge-ICC Corporation;
- Daewoo Corporation;
- Kolon Corporation;
- Namju Development Corporation;
- Various middle-sized and smaller Korean business entities;
- Seoul office of the U.S. Embassy, Commercial Section;
- Seoul office of the U.S. Chamber of Commerce.

The third and final phase of this study involved the synthesizing of all the data collected in the first two phases, focusing on the areas specifically requested by the Alaska State House of Representatives and as set forth in the preceding subsection.

C. General Results.

The contacts that were made and the interviews that were conducted in both Alaska and Korea revealed a remarkable degree of interest from all sources. The amount of candid and positive input from Alaskan and Korean business people and government officials was very encouraging, but somewhat unexpected in light of what appears to have been a very limited amount of communication and sharing of detailed business and trade information between Alaska and Korea in the past.

II - HISTORY OF ALASKA-KOREAN TRADE

A. Limitations.

There is very little documentation available that specifically deals with past and current trade activities between Korea and Alaska. Most of the information obtained for this study was the product of interviews with individuals familiar with , or was derived from publications that addressed only small portions of the overall picture or included information on Korea that was only incidental to other topics. As a result, it is impossible to present an accurate, comprehensive and up to date summary of Alaska-Korea trade activities. Thus, what follows is only a general overview with a capsule history and figures on the recent level of trade, as to which some examples and statistics were available.

B. Capsule History.

Until very recently direct trade between Alaska and Korea has been relatively sparse compared to trade activities between Alaska and Japan, for example.

Alaska-Korean trade activities have generally involved exporting Alaskan natural resource products, particularly fish, timber and coal, to Korea. In addition, some Korean firms have supplied industrial materials for Alaskan capital projects, and in a few cases Korean firms have been awarded contracts to construct all or substantial portions of such projects. In more recent years, Korean firms have participated and shown a strong interest in continuing to

participate in joint ventures with Alaskan businesses, especially those involved in natural resource extraction and development.

C. Level of Trade.

As to the specific level of Alaska-Korean trade activities, according to a table in the 1980 Alaska Statistical Review listing the value of Alaskan imports and exports by nation for selected years between 1970 and 1979, in 1970 Korea ranked 4th as a recipient of Alaskan exports, behind Japan, India and Canada. In 1979, Korea again ranked 4th, this time behind Japan, India, and the People's Republic of China. Japan was clearly the dominant export market for Alaska, receiving over 80% of all Alaskan exports, while Korea does not appear to have been a significant market during the 1970's.

According to statistics from the Alaska Department of Commerce and Economic Development on, Alaskan exports to East Asian markets for the years 1978 through 1982, Korea was consistently ranked behind Japan and the People's Republic of China until 1982, when it surpassed the latter. However, it should be noted that in 1982 the sale of 2 reconditioned jet aircraft to Korea accounted for over half the total yearly figure.

It should further be noted that the statistics mentioned above reflect only exports that were shipped directly to Korea from Alaska. Many Alaskan products have been and are being exported to Japan, whose trading companies then sell

them to Korea. Furthermore, some Alaskan products have been and are being transported to the contiguous United States before being shipped to Korea, and no statistics are available for all these types of transactions.

III - OTHER STATES' TRADE OFFICES¹

According to a 1980 survey, 33 states were represented in that year by trade offices in 66 foreign countries. This had increased from 20 states in 1977.² While some states may have added or closed foreign trade offices in the last three years, international trade staff for such national organizations as the National Association of State Development Agencies (NASDA), the National Conference of State Legislators (NCSL), and the Council of State Governments (CSG) indicated that the level of activity is about the same currently. NASDA is in the process of compiling an updated list of state foreign trade offices, which should be available later this year.

In almost all cases, the foreign trade offices are associated with their state's economic development agency. In a few cases, the office represents the state's agriculture agency, and in some states different agencies share an office. In some cases, rather than representing a state, an office will represent a port authority or some other regional entity. For the purposes of our discussion, we have not included any state offices which are limited to promoting tourism, although some state trade offices do serve this function in addition to other duties.

¹This section of the study was provided by Jonathan Sherwood of the House Research Agency.

²National Governors' Association, Export Development and Foreign Investment; The Role of States and its Linkage to Federal Action, 1981, p. 22.

Foreign trade offices are most frequently staffed by personnel employed directly by state government, as is the case with Alaska. In many cases, these are regular employees of the parent agency, who are routinely rotated to their home state. However, some states contract with one or more foreign consultants to represent their state. In addition, several western states operate the Old West Commission, which has had joint trade offices in both Europe and Asia.

Foreign trade--and consequently the activities of state foreign offices--is often classified into two broad categories: (1) investment; and (2) trade. Investment, also called reverse investment or foreign investment, refers to business transactions in which foreign companies invest capital in the state, frequently by opening a manufacturing plant.

Trade, the second kind of activity, involves the exporting of goods to foreign markets. According to Marsha Clarke, with NASDA, state foreign trade office activity is fairly evenly divided between the promotion of these two functions, at least on the global scale. State offices in developed countries like Japan may place a higher priority on encouraging investment; in developing nations, state offices may place a greater priority on expanding markets, as these countries are less likely to have firms interested in developing operations in the U.S.

The trade offices of other states also collect trade intelligence for their state. However, according to Ms. Clarke, it is difficult to identify how much time is devoted to this activity, as it tends to be performed in conjunction with the office's promotional activities.

According to a 1983 study prepared for the Alaska Legislature by Dupere and Associates, once a state foreign office has made contact with a foreign firm interested in doing business with the U.S., the state's home office provides the U.S. business contact.

The Dupere report and other articles on foreign trade offices emphasize the importance of strong direction and support for state foreign offices from their parent agency. The home office must be able to identify the appropriate business contacts for foreign business interests who contact the state's foreign office, and to identify which in-state businesses expressing interest in exporting their products are serious candidates for foreign trade.

Ms. Clarke stated that the typical cost for a foreign trade office would be between \$100,000 and \$300,000. She noted that the upper limit generally provides for a large operation, but also cautioned that Tokyo was substantially more expensive than other locations. A 1982 survey indicated that the number of employees per office varied from 1 to 8, with 2 or 3 employees being the most common

staffing pattern. The largest number of employees in the Japanese offices surveyed was six.

Asian Offices.

According to Marsha Clarke, her most recent information shows that 19 states now have foreign trade offices in Japan.³ In addition, California, which does not have a state office there, has several port authorities, including Long Beach and Oakland, which operate offices in Japan. Most of these offices are regional in scope; however, some of the offices are intended to deal strictly with Japan. States which currently have offices in Japan are listed below:

Alabama	Indiana	Michigan	Pennsylvania
Alaska	Kentucky	Missouri	South Carolina
Florida	Louisiana	New York	Virginia
Georgia	Maryland	North Carolina	Washington
Illinois	Massachussettes	Ohio	

In addition, Illinois has an office in Hong Kong and Missouri has an agriculture representative in Singapore. None of the individuals we contacted was aware of any state with an office in Korea.⁴

According to Ms. Clarke, state foreign offices in Japan usually place much more emphasis on encouraging foreign investment and little emphasis on increasing exports. Ms. Clarke explained that this is a result of Japan's long-

³-----
³This compares with 14 states in 1980.

⁴We received an excerpt of a recently published book on foreign trade office activity which refers to a possible office in Korea. The excerpt does not provide detail on the status of the office; it is not clear whether an office has been opened or was merely planned.

standing trade restrictions on the importation of manufactured goods and agricultural products. Traditionally, these have made it very difficult for the U.S. businesses to export goods to Japan. While some of these restrictions have been lifted in recent years, Ms. Clarke stated that the direction of states' trade office activities in Japan have not changed significantly. The Dupere study also found that most state offices in Japan devote more time to promoting Japanese investment in the U.S. than to promote trade.

IV - KOREAN GOVERNMENT, BUSINESS AND CULTURAL PRACTICES AND PROTOCOL

A. Interrelationship.

There is a very close interrelationship between Korean governmental, business and cultural practices and protocol, the degree and extent of which is completely foreign to most Americans. This chiefly stems from the fact that modern Korean industrial society is founded on close cooperation between government and private sectors. Government agencies are responsible for establishing and implementing short and long term goals that set the tone for the private sector¹, and government agencies then openly and freely provide broad, efficient assistance to private enterprises willing and able to help pursue and fulfill the chosen goals.

The closely knit ties between government and private sectors regarding economic and industrial matters is interwoven, overlapped and, in essence, held together by unique cultural practices and rules of protocol and etiquette.

B. Basic Principles.

Like all other countries, and even specific regions within a country, in Korea there are many peculiarities and practices that have come to be recognized as proper and correct etiquette in the business community, as well as in governmental and social circles. And although they may differ in form and vary with specific circumstances, Korean

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The economic Planning Board (EPB), an agency within the Ministry of Commerce and Industry, sets and implements the economic and commercial plans, goals and policies for the entire country.

governmental, business and cultural practices and protocol are essentially based on certain fundamental principles which, to most effectively, efficiently and profitably conduct business in Korea, must be acknowledged, learned and adhered to.

The strongest and most basic principles of proper Korean etiquette and protocol are respect, courtesy and seniority. These are universal norms, but nowhere are they more strongly ingrained and adhered to than in Korea.

Furthermore, the concept of seniority does not merely refer to age, although that certainly is a valid consideration, but also applies to rank, status and relative position, with which Koreans are intensely concerned. Thus, it is equally improper to be overly courteous to someone of lesser social status, job position and age as it is to be curt and inattentive to someone of greater seniority.

For obvious reasons, this study cannot deal with all, or even most, of the specific practices and rules that apply to even the most basic of situations. The examples that follow, however, can serve as a general introduction and guide in this area.

C. Specific Customs.

Korean business people and government officials are very modern and westernized in their attire. They tend to dress formally and conservatively, wearing suits that are of traditional colors and muted patterns, with white shirts and subdued ties. The wearing of loud colored, leisure type

clothing and accessories is generally considered in poor taste when attending to business and governmental affairs, even if after normal business hours.

Koreans have an extremely strong work ethic that they are very proud and conscious of. It is bad form, even in jest, to condone the wasting of working time and resources. Long lunches or work breaks are frowned upon unless warranted by a special occasion or at the insistence of a higher ranking host, and it is equally frowned upon to show up too early for a business appointment, as it is considered rude and insulting to be more than a few minutes late.²

Normal handshakes are the accepted form of greeting. Bowing is usually reserved for greetings between Koreans themselves and westerners are not required or expected to engage in that particular custom.

The traditional Korean way of writing names is to place the family (or last) name first, followed by the first and then the middle name. This tradition is slowly changing, however, and many Koreans now use the western method of first, middle and then last name. It is proper etiquette to refer to an individual by his or her family (last) name preceded by Mr. or Mrs. It is not appropriate to use first names unless specifically requested by the individual involved.

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Actually, if one has a choice in the matter, it is better to be a few minutes late than early because this is apt to waste less of your Korean host's time.

At the first meeting with a Korean business person or government official, it is appropriate and expected to let the host initiate and lead the conversation and the meeting. First meetings are usually short and the Korean host will most often focus on non-essential matters. In-depth discussions about vital topics are normally reserved for later meetings, but even then it is not at all unusual for a Korean host to somewhat abruptly change the subject. This normally indicates that the former topic of discussion is closed for that meeting, and it is best not to insist on discussing that particular matter further.

As a general rule, Korean business people and government officials will not complete a transaction of any significance at the first meeting. The main reason for this is that they put a great deal more emphasis than Americans on establishing a personal rapport with the other party before entering into serious or final discussions and negotiations.

D. Culture and Arts.

A recent (December, 1982) publication of the Korean Ministry of Culture and Information titled Looking Ahead contains (at pages 56 and 57) the following colorful description of Korean culture and arts:

Korean culture has a special flavor all its own, a unique blending of change with traditions stretching back some 5000 years into the mists of mystery and myth, of animistic, Buddhist, and Confucian beliefs. Korea is a kaleidoscope of sights and its unique taste can be found in the resplendent rainbows of "tanchong" that color the palaces

and temples throughout the country; the lively motions of an ageless farmers dance; the richly vibrant sounds of exotic musical instruments; the slow, subtle movements of the shoulders, hands, and neck of the court dancers; and the soft, curving roof lines floating ever so gently heavenward.

Each dynasty produced its own unique artistic forms, not to mention the world's first moveable metal printing types some 220 years before the Guttenberg invention, and the Hangul alphabet, perhaps the most scientific system of writing in general use in any language.

Korea's arts are colored with symbolism reflecting a people who wanted to be happy, have progeny, live long, and enjoy good luck. Even today, furniture, linens, clothes, all accessories including hairpins, outside walls, gates, chimneys, etc., are adorned with the five elements, ten symbols of longevity, four directional animals, twelve animals of the oriental zodiac and propitious adeographs; a spicy mixing of shamanistic, Taoist, and Buddhist beliefs.

Much pottery and many paintings, especially folk paintings, are rather whimsical, reflecting the artist's own sense of humor and playfulness. While academic painters tended towards almost monochromatic landscapes conveying an impression of serenity and oneness with nature, the charmingly naive and unpretentious folk paintings reflect the actual life of the people.

Ceramics, especially the blue-green Koryo celadons produced more than a thousand years ago, are by far the most famous class of the nation's art objects. The Yi Dynasty forsook the delicate and intricate to produce simple, robust forms of an unpretentious and spontaneous style. No matter which of nature's shapes are suggested. Korean potters created some of the most beautiful elongated curves ceramic history has known, curvaceous lines soaring with energy, lines that were perfected and made more approachable and warm.

So too is Korean dance warm, earthy and alive with a character all its own. Unlike other Asian dances, the dance in and of itself never tells a story but strives only to communicate a mood. Stepped by silk-clad court ladies the ancient court dances are characterized by dignity and grace. Not so the folk dances farmers improvised

during planting and harvest times, a slithering of airborne paper streamers from the crown of gyrating headdress, while acrobatics mounting in a crescendo of frenzy, a fleeting flash of straw sandals, shuffling in the dust, competing with complex cross rhythms of drum, gong and bugle.

Music, especially court music, is both nasal and shrill; slow long-held notes dissolving into lacy arabesques punctuated by the single thump of a drum, one pungent stroke of gong, chime or cymbal. Outlining vast arching melodies, the tones sound strangely piquant.

Musical events, especially folk ones, are often punctuated by boisterous cries of delight and encouragement from the audience as traditionally, the enjoyment of these art forms is in the participation and not merely the watching.

E. Sense of National Identity.

Modern Koreans are extremely conscious of and concerned with projecting, maintaining, enhancing and getting outsiders to acknowledge and accept their unique national identity. To say that Koreans are not pleased or even that they are insulted when associated or stereotyped or analogized with other oriental cultures, especially the Japanese, is to vastly understate the matter. At the very least, such behavior is considered a serious breach of etiquette and to most Koreans signifies a disrespectful and insulting ignorance of oriental cultures and history.

This is a very important point for any American who desires to have smooth, successful and profitable dealings with Korea to constantly keep in mind. Its significance cannot be overly emphasized.

For example, in the course of conducting this study in Korea, it was extremely difficult to even raise, much less

seriously discuss, the option of extending the operation of the ASAO office in Tokyo as a viable alternative to establishing a separate trade office in Korea. That particular notion of having to deal with outsiders through the Japanese carries a strong and extremely negative stigma among Korean business people and government officials who unanimously share in the goal of reversing the virtually complete economic control and exploitation that Japanese trading companies exerted for so many years over the Koreans.³

³This strong sense of national identity and feverish need to disassociate themselves from Japanese dominance underlies the Koreans' notorious aggressiveness and competitiveness in the area of international trade, which in turn provides the basis for their dramatic successes in that area.

V - KOREAN INTERESTS IN ALASKA

A. Korean Interests Generally.

Because of Korea's lack of natural resources, it must secure stable and longterm supply sources elsewhere. Thus, Alaska's natural resources are considered a prime source of acquisition by the Koreans, who are also interested in marketing their goods and services in Alaska. This study will highlight the most serious areas of interest the Koreans have in Alaska, which are as follows:

1. Potential Acquisitions in Alaska:

- a. Coal and hardrock minerals;
- b. Oil and petroleum products;
- c. Liquified natural gas (LNG);
- d. Fisheries;
- e. Timber resources;
- f. Agriculture.

2. Potential goods and services to be provided to Alaska:

- a. Heavy industrial machinery, equipment, tools and materials;
- b. Construction and infrastructure development projects;
- c. Joint ventures in various areas, especially those involving natural resource development;
- d. Airline passenger and cargo services.

B. Governmental Policy.

The Korean Ministry of Energy and Resources strongly encourages private businesses to get involved in the development and purchase of natural resources from foreign countries with which, as a part of the general plan, trade and commerce can also be implemented or increased. To the Koreans, the key to resource development abroad lies in securing a stable supply of energy sources on a long term

basis. Since this requires a great deal of capital, it is the recommendation of the Korean Ministry of Energy and Resources that energy exploring and consuming firms engage in natural resource development in foreign countries by way of consortiums and joint ventures.

C. Coal and Strategic Minerals.

Because of the oil shocks of 1972 and 1979, Korea has undertaken an aggressive program of increasing the uses of coal and nuclear power to supply its energy needs. Furthermore, the most recent trend has been to rely more heavily on coal than nuclear power, which has fallen into disfavor due to the escalating costs of nuclear power plant construction and the increased safety regulations and standards that must be established and implemented.¹

In 1980, a Korean corporation, the Sun Eel Shipping Company, Ltd., signed a long term (10 years) contract to purchase 7 million metric tons of coal from the Usibelli Coal Mine near Healy. In 1983, Sun Eel and another Korean company, the Korean Electric Power Corporation, further agreed to export 800,000 metric tons of coal annually from the Usibelli Coal Mine through the coal loading facilities that are presently being constructed in Seward.

¹This information was obtained primarily from interviews and discussions with various Korean Government officials, including: the director of the American Division of the Foreign Ministry, J.J. Ryung, and his subordinate in charge of the North American sector, S.H. Kim; and the director of the American Trade Division of the Ministry of Commerce and Industry, S.H. Chang.

The Koreans are also involved in another coal development project through a joint venture between a consortium of Korean corporations called the Korea Alaska Development Corporation (KADCO) and Chugach Natives Corporation, Inc., who are the owners of the coal field being developed near Cordova. This Alaskan-Korean joint venture is named the Bering River Development Corporation and it has very promising prospects because the coal to be extracted is of higher quality, and value, than that from the Usibelli Coal Mine. However, the joint venture faces and has been dealing with a major problem in that the coal fields are located approximately 30 miles from the ocean and transportation and loading facilities need to be constructed.

D. Oil and Petroleum Products.

Even though, as previously mentioned, Korea is gearing up to decrease her oil dependency, it will be some time before her oil imports are substantially reduced. Korea currently purchases a little over \$6 billion worth of oil annually from the Middle East, which is a highly unstable and distant market. Thus, in terms of stability and logistics, it is very clear that Alaska would be a much better source of crude oil for the Koreans, who have consistently expressed an interest in purchasing, and becoming involved in the development of, Alaskan crude, and who are also very interested in being allowed to explore that possibility if and when the federal export restrictions are removed.

If a gas line is constructed, and if existing federal restrictions are removed, Korea would also be an ideal potential consumer of Alaskan LNG. Of course, the level of LNG, as well as crude oil, imports by Korea depends on a host of other factors, especially price. But the interest is certainly there,² and the Koreans' entry as a competitor among potential buyers and investors would be of obvious benefit to Alaska.

As to other petroleum products, several Korean corporations are presently considering importing various items such as unleaded gasoline, reformate and residual fuel oil.³

In conclusion, although Alaska-Korean trade in oil and petroleum products has not yet gotten off the ground, it clearly appears that Korea is a potentially good customer who is willing and able to participate in the infrastructure development that is necessary to market those resources.

E. Fisheries.

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²Although there appears to be some question about Korea's potential as an Alaskan crude oil and LNG purchaser due to its long term commitments to obtain those resources from other countries, virtually all of the corporate and government officials contacted in Korea expressed a keen interest in these areas. In this regard, see the notes of interviews conducted in Korea Attachment D hereto; and also see the January 10, 1984 letter from Samsung President J.H. Kyong, in Attachment C hereto, which states: "we have expressed our keen interests in the Alaskan LNG and petrochemical project when Mr. Hickel visited Seoul (sic.) last December. To facilitate our efforts, Samsung is opening Anchorage offices (sic.), beginning this January."

³This information was obtained from two officials of the Alaska-Korea Business Council (AKBC), Loren Lounsbury and Robert Breeze.

The export of Alaskan seafood products to Korea has been one of the largest items of trade in the past several years.

As far as fisheries and fish processing activities are concerned, until very recently foreign entities, including Korea, conducted entirely self-sufficient operations. The more recent trend, however, has been the formation of joint ventures between American trawlers and foreign processors. Korea has been very active in this trend and there is every indication that it will continue to do so and that the number of Korean-Alaskan joint ventures will rapidly increase.⁴

F. Agriculture.

Although in the past there has not been much agricultural trade between Alaska and Korea, there is an existing beef exporting operation near Homer and two large Korean firms have initiated a project in the Kenai area that entails the leasing of University of Alaska land for the raising and slaughter of cattle to be shipped to Korea.⁵

Some work is presently being done in the area of growing and exporting grain products from the Mat-Su Valley to Korea and other Pacific Rim countries. It appears that the success of this project largely depends on experimental research being

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Thus, according to a memorandum dated January 17, 1984, from House Research agency analyst Jonathan Sherwood to Speaker Hayes' office, 8 of the 17 joint ventures approved by the North Pacific Fisheries Management Council in December, 1983, involved Korean firms.

⁵This information was also obtained from AKBC members Lounsbury and Breeze.

done at and in conjunction with the University of Alaska on the development of new types of grains capable of being produced in large quantities here in Alaska. Due to its high demand and needs, Korea is an ideal potential market for the export of these grain products, and if successful the venture promises to be very beneficial, in terms of jobs and revenue, to Alaska.⁶

G. Korean Investments in and Goods/Services Provided to Alaska.

As previously discussed, Korean investment in Alaska presently consists of joint ventures in coal, timber, fisheries and the raising of reindeer.⁷ The current level of this investment is significant, rapidly increasing and, as further discussed below, there is very strong Korean interest in its continued expansion.⁸

Korean firms have provided and are providing a large and increasing amount of heavy industrial products, materials and services to Alaska. Although there are no available

⁶This information was obtained from interviews with Hyoung "Henry" Kim, the president of Topex Industries, Inc., an Alaskan corporation with offices in Anchorage that is involved in the project discussed.

⁷The Nana Regional Native Corporation in Kotzebue is engaged in a Korean joint venture that involves raising and maintaining a herd of 6,000 reindeers, with the horns of slaughtered animals being exported to Korea and the meat being consumed by local Eskimos.

⁸In addition to the other specific joint ventures and projects mentioned in this report, AKBC member Robert Breeze recently indicated that a large Korean company, the Korea Ship Building and Engineering Corporation, has made serious and detailed proposals to build a modern ship repair and building facility at Seward.

figures as to the dollar level of these transactions, they include the following:

1. An \$118.4 million saltwater treatment plant that the Korean firm, Daewoo, constructed and delivered to ARCO on the North Slope in 1983;
2. The Hyundai Corporation, the largest in Korea, provided the structural steel for the new Sohio building in Anchorage; and
3. Hyundai is also erecting the transmission towers for a section of the Anchorage-Fairbanks power intertie.

The Koreans are especially interested in expanding the goods and services that have been and are being provided to Alaska. In terms of their potential to do so, it should be noted that in the last decade Korea has made a dramatic emergence in the world community as a heavily industrialized nation that does not need to take a back seat to anyone, with specific areas of expertise in the manufacturing of steel products; pipe; plant construction; heavy equipment; petrochemical industries; ship building and repairing; and general construction services.⁹

Because the Koreans are highly modernized and technologically sophisticated, and because they have a highly skilled and low priced labor force, they are very competitive in all the above areas, which has been and will be of substantial benefit to Alaska as Korean involvement in

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This information was obtained from interviews with officials of the largest Korean Corporations, or conglomerates, whose annual sales figures and diversity of interest, expertise and projects are extremely impressive, as indicated in the brochures found in Attachment "C" hereto.

construction and infrastructure development projects continues and expands.

H. Potential for Future Trade .

Most Alaskans who are involved or contemplating being involved in trade with Korea unanimously agree that there is vast potential for increased trade, with the export of Alaskan natural resources as the most promising area. Of course, the major drawbacks of inadequate infrastructure and governmental regulations are usually also focused on by both Alaskans and Koreans interested in seeing trade in this area expand.

In general, Koreans view Alaska as an ideal trading partner because of its wealth of natural resources; its proximity to Korea; and its political stability compared to other sources of vital natural resources.

All of the major Korean corporations and government agencies contacted as part of this study expressed a keen interest in initiating or expanding their trade with Alaska.

For example, Director K.S. Choo, speaking for himself and on behalf of president M.J. Chung of Hyundai Heavy Industry, the largest private business entity in Korea, stated that his group of companies is interested in the following areas of trade with Alaska: steel; pipe; coal; timber; heavy industrial products; construction machinery and materials; and red meat.¹⁰

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See notes on 1/11/84 interview with Mr. Choo in Attachment B hereto.

Mr. S.N. Sonh, the manager of natural resources of the Daewood Corporation, Korea's second largest private business entity, stated that his companies are interested in pre-cast cement; rolling stocks; LNG; coal; oil; ship building and repair; and textiles.¹¹

Mr. J.H. Kyong, the president of Samsung Corporation, the third largest private business entity in Korea with annual gross revenues of approximately \$2.5 billion, stated that his group of companies are interested in coal; timber; LNG; steel; heavy industrial products; oil and petroleum products; steel structures; pipe; heavy construction machinery, vehicles and tools; and joint ventures with Alaskan native corporations and other Alaskan entities, especially those involved in natural resource development.¹²

Mr. J.J. Kim, the executive vice-president of Kukje-ICC Corporation, the fourth largest private business entity in Korea with annual gross revenues of approximately \$2.2 billion, stated that his group of companies are interested in LNG; coal; timber; oil and petroleum products; heavy component parts; heavy equipment; and joint ventures with Alaskan native coporations and other Alaskan entities, especially those involved in natural resource development.¹³

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

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

¹³ See notes on 1/9/84 interview with Mr. Kim in Attachment B hereto.

The contacts undertaken for this study in Alaska and Korea leave little doubt that the potential for future trade is extremely promising. Indeed, given the strong interest and enthusiasm, and considering the mutually compatible needs and desires, on both sides, it appears to be inevitable that Alaska-Korean trade will continue and will expand. And it seems quite possible that this expansion will take place at an unprecedented rate, with obvious and potentially substantial benefits to both trading partners. Furthermore, it is also obvious that the Alaska state government can be of great assistance in fostering and enhancing this fruitful climate. Thus, the establishment and maintenance of an Alaskan trade office in Korea which can provide, as part of its functions, information about business and investment opportunities to both groups, and can serve as a contact point for Alaskan and Korean businesses, seems to be a logical and appropriate step in the right direction at this time.¹⁴

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The major drawbacks to the rapid expansion of Alaska-Korea trade, as expressed by business and government leaders on both sides, are Alaska's lack of adequate infrastructure for resource development; the lack of sophistication and expertise in international trade among Alaskan businesses; the lack of consistent and positive governmental policies regarding resource development; and state and federal governmental restrictions and requirements. Of course, the Alaska state government can also be of major assistance in mitigating or removing some of these obstacles.

VI. - POTENTIAL ECONOMIC BENEFITS TO ALASKA

A. Generally.

As a general proposition, it is obvious that Alaska will reap economic benefits from increased trade with Korea, and from increased Korean investments in the state.

B. Level and Frequency.

As to the level and frequency of those benefits, there is inadequate, up to date information available on which to base any detailed estimates, other than to say that, as reflected in other sections of this report, there are various factors indicating that they are apt to be substantial, frequent and capable of rapidly increasing.

Those factors include but are not limited to the following:

1. The vast natural resources that Alaska possesses;
2. The great and increasing needs that Korea has for those resources;
3. Alaska's acute need to develop infrastructure to successfully and profitably market its resources;
4. Korea's willingness and ability to invest and participate in the development of Alaskan infrastructure;
5. Korea's rapidly growing capability and expertise in providing high quality goods and services at highly competitive prices; and
6. Korea's commercial and industrial aggressiveness and the healthy competitive affect this will have among potential providers of goods and services to Alaska, and among potential purchasers of Alaska's exports.

C. Nature and Extent.

As to the nature and extent of the benefits, the immediate benefit will be a broadening of Alaska's economic base stemming from the steady, thoughtful development of its

natural resources.¹ This should result in more jobs for Alaskans and a broader tax base as the infrastructure needed to market the resources is expanded and refined.

Just as success breeds success, a strong economy will breed a stronger economic base to sustain and benefit future generations of Alaskans. The long-term view shows that the potential for development of Alaska's resources, and the infrastructure necessary to market them, has barely begun, and that the process now under way can be controlled and guided in the proper direction, so as to make the Alaskan economy steadier and safer in the coming years.

For example, the imminent purchase of the Alaska Railroad will need to be coupled with private investments in further infrastructure development before the state can reap the maximum benefits. And the continuing expansion of the petroleum industry also needs to be tied to further infrastructure development so as to assure that the diversification necessary to stabilize and thoughtfully expand the Alaskan economy will occur.

The Korean business and government officials interviewed for this study understand and are more than willing to participate in fulfilling these Alaskan goals. And they openly acknowledge that it is in their best, long range interest to do so, as part of the price they are willing and

¹Of course, it is the Alaska legislature's function to make sure that the development of the state's natural resources takes place in a steady and thoughtful manner.

able to pay to obtain the vital natural resources so desperately needed by their country.

VII. - FUNCTIONS, OBJECTIVES AND

EFFECTIVENESS OF ASAO

A. ASAO's Primary Area of Service.

The Alaskan State Asian Office (ASAO) located in Tokyo, Japan, has an interesting and intriguing history dating back to its founding in 1965 that was detailed in a recent study¹ and clearly indicates that despite its recently changed name, the ASAO has been and is primarily, if not solely, involved in providing contacts and services with and regarding Japan, rather than any other Asian country. This conclusion is further supported by an examination of pertinent documents and an interview conducted for this study by House Research Agency analyst Jonathan Sherwood with Vince O'Reilly, Deputy Commissioner of Commerce and Economic Development,² which indicates that the ASAO has devoted very little, if any, time or resources to Korea or the two other countries--Taiwan and China--that it is supposed to service.³

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

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

³ For examples, Mr. O'Reilly stated that the contacts and activities of the ASAO with Asian countries other than Japan is so negligible that virtually no records thereof are kept and no estimates can be made; and the 2 ASAO monthly reports detailing activities in September and October of 1983, which are in Attachment "D" hereto, show that the only contact with Korea during the 2 month period involved was a trip on October 12, 1983, to attend a funeral of the Korean government officials killed in the Rangoon bombing.

B. FUNCTIONS AND OBJECTIVES.

As mandated in the appropriate executive budget documents, the primary purposes and functions of the ASAO are to:

1. Provide the Alaska business community with pertinent intelligence on market prices and conditions, product utilization, etc.;
2. Locate and establish business contacts which are interested in Alaskan products and investments;
3. Act as a catalyst to assist Alaska and foreign business persons to meet and conduct business;
4. Establish foreign government contacts which are important to Alaska, and introduce them to the state's economic trade and development policies; and
5. Establish a favorable image of Alaska in foreign countries.⁴

As previously mentioned, it is quite clear that the ASAO is only exercising the functions and fulfilling the objectives listed above in regard to Japan. For example, as to the first function and objective, it is obvious that the ASAO cannot provide "pertinent intelligence on market prices and conditions" in Korea if its only contacts with that country in a 2 month period is a single trip there to attend a funeral.⁵

C. Effectiveness.

It is difficult, if not impossible, to evaluate the effectiveness of the ASAO without some measurable and meaningful criteria. However, during its years of operation Alaskan exports to Japan have risen dramatically and it is predicted that they will reach the \$1 billion mark

4See footnote 2, above, and accompanying text.

5See footnote 3, above, and accompanying text.

in the next year or two,⁶ and this is in itself an indication of the ASAO's strong effectiveness.

However, once again it must be pointed out that the ASAO's effectiveness is only in relation to Alaskan trade with Japan. Certainly, based on the previously mentioned information, it would be unwarranted to attribute the dramatic recent rise in Alaskan exports to Korea⁷ to the ASAO.

6A U.S. Department of Commerce, Division of International Trade, study listing the level of Alaska exports to Asian countries through November, 1982, indicated that in 1981 the total exports to Japan were approximately \$934 million. This decreased in 1982 to approximately \$888 million, but the director of the U.S. Department of Commerce's Anchorage office, Richard Lenahan, concurs with the \$1 billion in the next year or two prediction.

⁴The same study mentioned in footnote 6, above, shows that exports to Korea rose from approximately \$20 million in 1981 to around \$95 million through November of 1982.

VIII. - EXPANDING THE ASAO TO SERVICE KOREA

A. Only Protocol Functions and Objectives Being Provided Re Korea.

As pointed out in the previous section of this report, the ASAO is not, in any meaningful sense, providing any services in regard to Korea.

The ASAO is not, in any meaningful sense, providing the Alaska business community with pertinent intelligence on market prices and conditions, product utilization, etc., in regard to Korea. It is not and it cannot perform this function because to do so would require a presence or representation in Korea, and that has not occurred and is not occurring.

The ASAO is not and cannot locate and establish business contacts in Korea which are interested in Alaska products and investments because to do so would require a presence or representation in that country, and that has not occurred and is not occurring.

The ASAO is not and cannot act as a catalyst to assist Alaska and Korea business persons to meet and conduct business because to do so would require a presence or representation in Korea, and that has not occurred and is not occurring.

However, the ASAO is apparently making some effort, and planning to increase those efforts,¹ to establish government

¹This information was obtained by House Research Agency analyst Jonathan Sherwood through interviews with Alaska state officials and review of applicable documents for this study.

contacts which are important to Alaska, and introduce them to the state's economic trade and developmental policies, and to establish a favorable image of Alaska in Korea.

It should be noted that the latter activities being performed and contemplated by the ASAO in regard to Korea are in the nature of a liason or protocol function and objective.

B. Feasability.

The question of whether it is feasible for the ASAO to expand its present or contemplated functions and objectives so as to perform and fulfill them in regard to Korea, has already been answered in the negative, for obvious reasons.

The gathering of pertinent, or useable, intelligence on market prices, conditions, product utilization, etc., in Korea is a function that cannot conceivably be performed without being present or represented in that country. And the same is true for locating and establishing business contacts and acting as a catalyst for business transactions. These are activities that require virtually day to day attention and cannot be performed in any meaningful sense from another country.

C. Other Considerations.

Thus, the only way to expand the ASAO to service Korea is to limit its activities in that country to those it is already performing or contemplating, which is mainly a liaison or protocol function. Increasing the contacts the ASAO has with Korea will not substantially alter the nature of that

function unless those contacts are increased to the point where it becomes practical and necessary to have a representative permanently stationed in Korea, and to establish a permanent ASAO branch office there.

However, there are reasons that such an alternative to establishing a separate Alaskan trade office in Korea is ill-advised and should be rejected.

As previously mentioned and discussed in this report Koreans have a strong sense of national identity and they are very sensitive about being rated second to Japan.² Indeed, all the Korean business and government officials interviewed for this study pointed this out, and some of them expressly stated that they would consider the expansion of the ASAO in Tokyo to service Korea as relegating Korea to the position of being a second class citizen.³

Other Koreans interviewed for this study had more practical objections. Thus, Mr. Rhim, the executive director of the Korea-U.S. Economic Council (KUSEC) pointed out that to be effective, an Alaskan representative in Korea must be knowledgeable of Korean business protocol and must have an understanding of Korean business practices and their ramifications.⁴ Mr. Kyong, the president of Samsung Corporation, stated that a Tokyo liaison office would not be efficient because of the amount of time lost due to travel,

²See section IV, subsection E, above.

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

⁴See notes of 1/31/84 interview with Mr. Rhim in Attachment B hereto.

reporting and follow up. He also pointed out that his company had experienced these very difficulties with their own corporate branch office structure in other parts of the world.⁵

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

IX - PROS AND CONS OF ESTABLISHING A SEPERATE

ALASKA TRADE OFFICE IN KOREA

A. The Pros Among Koreans.

Virtually all of the Korean business people and government officials interviewed as part of this study agreed that the establishment of a seperate Alaska trade office in Korea would not only be of great potential benefit to both Koreans and Alaskans, but would also constitute a positive and much needed step in the direction of fostering better trade relations that might have immediate, practical results.

The Koreans were sophisticated and realistic enough to understand that although Alaska is a wealthy state in many respects, like most other governmental bodies throughout the world, it also has limitations on the amount of public funds it can devote to business promotional activities such as the establishment, staffing and operation of a foreign trade office. Nevertheless, virtually all of them seemed to have a very difficult time understanding why the Alaska state government doesn't already recognize that the tremendous potential economic benefits to be derived from fostering trade relations with Korea at this time far outweigh the

costs of establishing, staffing and operating a modest trade office in their country.¹

Koreans are very aware and proud of the fact that their country is presently the United States' 12th largest trading partner; that Korea is one of the largest importers of U.S. grain products and livestock; and that Korea has incurred and continues to incur a substantial trade deficit in its dealings with the United States.

Koreans are also very keenly aware of the rapid, unprecedented increase in trade with Alaska during the past few years, and they generally view the opening of an Alaskan trade office in Korea as an ideal way to encourage Korean businesses, who can usually obtain extensive cooperation and assistance from the Korean government, to actively get involved in trade activities with Alaska.

As indicated in the notes of the interviews conducted in Korea contained in Attachment D hereto, virtually all the Korean business and government leaders contacted felt that an Alaskan trade office in their country could fulfill the vital and necessary functions of providing detailed information about Alaska and being a point of contact for Korean and Alaskan business entities. Furthermore, there

¹ Attachment "C" hereto contains letters from three of the major Korean corporations contacted whose expression of support for the proposed trade office are representative of all the other business and government leaders interviewed. Furthermore, one of those letters, from Jung Ju Kim, Executive Vice President of the Kukje - ICC Corporation, expresses the widespread desire and need for detailed information about Alaska, which is a perceived function of an Alaskan trade office in Korea.

was widespread interest in being provided access to information about government regulations affecting trade, and other technical matters necessary to engage in or expand business activities in and with Alaska.

B. The Pros Among Alaskans.

The view among Alaskan business persons and officials interviewed was equally one-sided in favor of establishing a separate trade office in Korea, and virtually all the Alaskans who are presently involved or contemplate being involved in trade with Korea emphasize the strong need for such a source of detailed information about Korean groups, opportunities, procedures and other factors vital to efficient and profitable trade with that country.

C. The Cons.

From the Korean side there were not any objections to the proposed Alaskan trade office, and from the Alaskan side the only negative point to the establishment, staffing and operation of a separate trade office in Korea was its cost. In this regard, although it can be said that setting up an office the size of the ASAO in Tokyo is prohibitive and perhaps unjustifiable at this time, virtually everyone will agree that a smaller office in Korea, with a small staff, does not seem excessive in light of the substantial potential benefits to be derived by fostering trade with Korea at the present time.

X - CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions.

Based on the information obtained in this study, the conclusion that is not only feasible but appropriate and even necessary to establish a separate Alaskan trade office in Korea is inescapable.

In just the past few years, the level of Alaskan exports to Korea has dramatically increased¹ and there has been an increase in Korean investment in Alaska, with every indication that these trends will continue and rapidly expand in the future, thus providing substantial potential economic benefits to Alaska.²

All these things, and more, indicate that the state should endeavor to realize these potential economic benefits, and that the establishment of a separate trade office in Korea that can fully perform and fulfill all the functions and objectives of the ASAO in Tokyo will be a significant, positive step in that direction. In this regard, the option of expanding the ASAO to adequately service Korea is unfeasible and, insofar as the Koreans themselves are concerned, unthinkable, demeaning and thus inherently contradictory to the basic objective of improving Alaska's image in that country.

¹See section V, subsection F, and section VII, subsection C, footnote 7, above. The latter refers to a study showing that the level of Alaskan exports to Korea rose from \$20 million in 1981 to \$95 million in 1982..

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

B. Recommendations.

In addition to recommending that a separate trade office in Korea be established as soon as possible, the following recommendations are also offered:

1. Location: as suggested and explained by the executive director of KUSEC³ and the vice-president of the US Chamber of Commerce in Korea,⁴ the Alaskan trade office should be located in the central business district of Seoul, close to the United Government Building and the U.S. Embassy, not only because of easier access to government and business headquarters, but also because such a location is perceived by Koreans as a status symbol of which they are extremely conscious.
2. Staffing: the Alaskan trade office should have, as a minimum staff, an executive director, a deputy director and a secretary. It is important to have a deputy director because there should always be someone in the office of sufficient rank to host important visitors while the executive director is attending important functions.
3. Qualifications: either the executive or deputy director must be fluent in Korean and be able to read and write the language. In general, these individuals should be business oriented professionals, preferably with experience in Korean-Alaskan trade, rather than dignitary types. This is in keeping with the tenor of the office, which should be oriented more toward the business functions than

3See notes on 1/10/84 interview with Mr. Rhim in Attachment D hereto.

4See notes on 1/10/84 interview with Brigadier General (retired) Frederick C. Krause in Attachment D hereto.

5See section IV, subsection B, above, where the basic principles of seniority, courtesy and respect and discussed, pursuant to which, having an office in an inferior location would be a breach of Korean business etiquette.

the liaison or protocol functions.⁶

4. Duties and Goals: The Alaskan trade office should have the same basic functions and objectives that are presently mandated for the ASAO in Tokyo, which are to:

- a. Provide the Alaska business community with pertinent intelligence on Korean market prices, conditions, product utilization and related matters;
- b. Locate and establish Korean business contacts which are interested in Alaska products and investments;
- c. Act as a catalyst to assist Alaskan and Korean business persons to meet and conduct business;
- d. Establish Korean government contacts which are important to Alaska, and introduce them to the State's economic trade and development policies; and
- e. Establish a favorable image of Alaska in Korea.

5. Proposed Annual Budget.⁷

Executive Director	\$ 60,000.
Deputy Director	40,000.
Secretary	10,000.
Office Rent	24,000.
Office Equipment	10,000.
Office Expenses	12,000.
Office Supplies	1,200.
Printing	1,200.
Entertainment	12,000.
Misc. Costs (licenses, etc.)	10,000.
Total	<u>\$180,400.</u>

⁶ As previously discussed in section VI, subsection B, above, this is in recognition of and in compliance with the strong Korean work ethic, pursuant to which the appointment of dignitary-type individuals with no prior experience in or detailed knowledge of Korean-Alaskan trade would be viewed as inefficient and unwise. This is not to say, however, that the protocol or liaison function and objective should be ignored.

⁷ Detailed estimated costs of office space, housing, transportation, schooling and other expenses were provided by the vice president of the U.S. Chamber of Commerce in Korea. See notes on 1/10/84 interview with Brigadier General (retired) Frederick C. Krause in Attachment B hereto.

6. Placement.⁸

The Alaskan trade office in Korea should be placed under the jurisdiction of the Department of Commerce and Economic Development, where the ASAO in Tokyo is presently placed. This is consistent with the practice followed by virtually all states that have foreign trade offices.⁹

⁸Detailed estimated cost of office space, housing, transportation, schooling and other expenses were provided by the vice president of the U.S. Chamber of Commerce in Korea. See notes no 1/10/84 interview with Brigadier General (retired) Fredrick C. Krause in Attachment B hereto.
⁹See section III, above, containing the following statement: "In almost all cases, the foreign trade offices are associated with their state's economic development agency."