

AIRGRAM

DEPARTMENT OF STATE

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FROM . SECUL
SUBJECT . Technical Assistance Project History and Analysis Report
Control No. U-520 (Final Report)
REFERENCE . M.C. 1393.1

DATE SENT

12/23/64

A. Title Page:

1. Name of the Cooperating Country: Republic of Korea
2. Project Title: Fish Liver Oil Plant
3. Project Number: 489-23-459 (FY 57) sub-project #6 (489-14-230-459)
4. Date the Project was initiated: 2/26/58
Rural Policy Planning and Survey
5. Actual or planned termination date for the project: 11/20/64
~~11/1/65~~
6. Period covered by the report: 2/26/58 thru 11/20/64

1. The Background Situation

Because of its geography, the future of Korea is closely linked with the development of the fishery industry. It is very much dependent on marine resources for economic development and much of the population depends upon marine products as a means of livelihood. In processing fishery products, however, vital fish liver oil materials have been wasted due to lack of processing facilities. The demand for fish liver oil has been increasing steadily as an important source of vitamins both in the domestic and export market. The development of this project,

PAGE 1 OF 4

DRAFTED BY

C. R. Griffin:ckc

OFFICE

IMD-I

PHONE NO.

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APPROVED BY:

R. Ernst, D/DIR.

AID AND OTHER CLEARANCES

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Foreign Center
Room 1856 NS

W. J. Maddock, RDD
F. E. Werther, IMD

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therefore, will not only assist in increasing foreign exchange earnings, but also will satisfy domestic demand for vitamin A, thus this project will contribute towards a more viable Korean economy, and the overall AID program to stabilize/Korean ~~the~~ economy.
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Funding from US sources was necessary since dollars from private sources were not available.

Approval of this project was made on behalf of the United States by the Mission Director, and on behalf of the ROK Government by the EPD Minister.

2. Project Target and Goal Plan Objectives

This project provided funds for establishment of a modern fish liver oil processing plant to produce Vitamin A, technical services for installation of the imported equipment, and initial operation of the plant. The plant is located at #1307 Onchon Dong, Tongnai-Ku, Pusan and is owned and operated by the Jaeil Vitamin Oil Industrial Co., Ltd.

The objective of this project was to produce annually 200 drums of 200,000 USP unit Vitamin A to be exported at \$2,000/drum and 4,000 drums of refined fish oil to be sold in the local market, mainly to paint makers.

3. Project Results

This project was completed and put in trial operation in December 1963, which was 3 years and 6 months behind the originally estimated completion date of May 31, 1960.

This delay was mainly caused by the sponsor's failure to furnish sufficient collateral for the project loan, and prolonged negotiation with the equipment supplier, the Arthur F. Smith Company of the US for supply of a technician to supervise equipment installation, initial operation and training of Korean personnel. This caused the deobligation of \$13,998 for technical service included in the project due to expiration of "Financial Contribution Date" of 12/31/62 in the PIO/C. L/C for the technical service was opened on 2/6/63 in the amount of \$11,998 financed by KFX. The project was further delayed by inability of the Arthur F. Smith Company to furnish a qualified engineer. The technical service engineer supplied by the Arthur F. Smith Company arrived in Korea on 8/20/63, 6 months after opening of L/C, and he stayed in Korea until March 16, 1964. He had no previous experience in this industry. He was hired and trained for three weeks by the Arthur F. Smith Company and sent over to Korea.

When last visited in September, 1964 the plant was resuming operation after a temporary shut-down. By October 7 it was operating at approximately 30% of capacity. The principal reason for this operating capacity was the lack of financial capability to purchase raw materials and to develop the market potential.

4. Resources Employed

a. US Resources Employed

(1) US Funds

US \$109,713

CPT \$52,077 ($\frac{1}{6}$,770,000 at $\frac{1}{130}$ /\$1)

Total for FY 1963

Programmed for FY 1957

(2) Resources by type

(a) Commodities: \$109,713

For off-shore procurement of the project equipment, mainly consisting of a standby diesel generator, molecular distillation unit, and laboratory equipment.

(b) CPT Funds: \$52,077 ($\frac{1}{6}$,770,000)

for construction of plant buildings and utilities.

b. Cooperating Country Resources Employed

US \$11,990

For financing of technical services for this project.

5. Major Factors Affecting Progress

Equipment supplier, the Arthur F. Smith Co. of New York sold the equipment to the plant and agreed to furnish an experienced technician to assemble and start up the equipment. This Company delayed sending a technician for a year, and finally sent one who was inexperienced. After many difficulties the plant was finally started in Mar. 1964 with the help of Mr. Lee of the Pusan Central Marine Laboratory.

Since March, the project has been troubled by lack of money for raw materials and spare parts. The sponsor is about to sell some product of 200,000 unit concentration to a Japanese Co. for about \$0.22 per gram. It is hoped that the income from this sale will enable the company to stay in business.

a. Cooperating Country Performance

No interest shown other than by KTB in repayment of loan.

b. U.S. Performance

Not enough interest was shown in forcing the Arthur F. Smith Co. to furnish a competent technician. The project conception was sound, but it's execution poor. During the past 1 1/2 years a USOM advisor has called at the plant 4 times to offer technical advice and encouragement. However he could not solve the financial and sales problems.

6. Appraisal of Results

The results are not good. A total of \$173,788 (equivalent) has been tied up for about 4 years with very little to show for it, to date.

The reasons:

- (1) The original sponsor was inexperienced in the business and did not have enough money.
- (2) The equipment was bought thru a trader here in Seoul who disclaimed any interest after the sale was made.
- (3) The equipment manufacturer was dilatory about sending an erector to help the sponsor. When he finally sent a technician the man knew little of the equipment or process.

However, when the sponsor succeeds in resolving his financial problems as noted above, this project should be able to operate successfully.

As of the last visit, the plant was in operation and it appears that there is nothing further that USOM/K can do to assist the project; therefore the project is considered closed.

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