

The Weather

Today — Windy, high in teens, low near zero to 10. Chance of precipitation 10 per cent through tonight. Tuesday—Chance of snow, high in 20s. Yesterday's temperature range, 33 to 10. Details are on Page C2.

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Tongsun Park in Middle

117-1
By Scott Armstrong
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Washington Post Staff Writers

South Korean businessman Tongsun Park, who is under federal investigation for lavishing money and gifts on U.S. congressmen, has become a central figure in a billion-dollar struggle between giant multinational corporations for lucrative contracts for the shipping of liquefied natural gas (LNG) to Japan.

In an effort to influence a crucial, pending decision by U.S. Commerce

Secretary Elliot Richardson on a huge U.S. loan guarantee needed by one of the competing LNG shippers, each side of the controversy is accusing Tongsun Park of working improperly for the other.

Richardson is expected to decide this week whether the U.S. government will guarantee \$700 million in loans for the construction of seven LNG supership tankers by the General Dynamics Corp. for use by the Burmah Oil Co. of England to ship li-

quefied natural gas from Indonesia to Japan.

According to federal sources, this would be the largest such federal loan guarantee ever made, dwarfing the controversial \$250 million U.S. guarantee made to the troubled Lockheed Aircraft Corp. in 1971.

Without the \$700-million loan guarantee, General Dynamics may have to close its shipyard in Quincy, Mass., and a plant in Charleston, S.C., and lay off 6,000 American workers. Burmah Oil, already suffering from an ex-

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of Tanker Dispute

traordinary debt burden with \$170 million tied up in the tanker deal, likely would lose a 20-year contract to transport LNG to Japan and might go bankrupt, according to British observers.

The firms most likely to benefit from a U.S. refusal to make the loan guarantee to General Dynamics and Burmah Oil are I. U. International, an American conglomerate that already owns several of the rare, expensive LNG superships, and Japan Line Ltd. They would have an opportunity to

pick up the LNG shipping contract if Burmah Oil lost it.

In a behind-the-scenes campaign to stop the loan guarantee, I. U. International and others have accused Burmah Oil of passing \$3 million through Tongsun Park to pay off government officials here and abroad.

Burmah Oil acknowledges paying \$3 million to Tongsun Park, but denies any impropriety. It contends that the \$3 million is a fee to Tongsun Park for the negotiation of an unrelated \$56 million settlement of a \$200-mil-

lion shipping dispute with Japan Line Ltd.

On the other side, General Dynamics has accused Tongsun Park of working for its opponents and trying recently to obtain hundreds of millions of dollars in business from General Dynamics in return for not scuttling the loan guarantee with last-minute interference.

I. U. International and Japan Line, for whom Tongsun Park has regularly

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PARK, From A1

been a consultant, acknowledge meeting with Tongsun Park recently. But they deny asking or paying him to intervene in any way on their behalf in the LNG contract and loan guarantee affair.

The controversy reflects not only the complex, big money, cutthroat competition in international shipping, but also the hidden and sometimes ambiguous roles of middlemen like Tongsun Park and his Washington associate, entrepreneur C. Wyatt Dickerson. These middlemen sometimes receive in such deals millions of dollars in fees for "introducing" interested parties and "facilitating" negotiations.

Tongsun Park has been under intensive federal investigation for many months here for his role as a middleman in federally subsidized sales of U.S. rice to South Korea and his alleged dispensing of millions of dollars—much of it from the rice sales commissions—in cash, gifts and campaign contributions to U.S. congressmen on behalf of the South Korean government.

His involvement with the multinational shipping firms struggling for the LNG shipping contract raises questions about whether he had other sources of the cash he spent in Washington and whether he was acting on behalf of interests other than the South Korean government in his influence-buying here.

Although the charges involving Tongsun Park are the most sensational in the intense controversy, the most substantial issues involve questions of the legality of Burmah Oil's efforts to win the LNG contract and qualify for the loan guarantee.

Although serious questions have been raised about the legal qualifications of corporations involved in the venture, sources close to Commerce Secretary Richardson say his staff believes that Burmah and General Dynamics are probably now in full technical compliance with the law.

The deadline for the U.S. government's decision on the loan guarantee is Jan. 31, when the Japanese government can take the LNG shipping contract away from Burmah Oil if it is not assured of getting the necessary LNG tankers from General Dynamics.

The Carter administration's designated Commerce Secretary, Juanita Kreps, has agreed that Richardson should make the decision before the Ford administration ends at noon Thursday because Richardson's staff has already studied the case carefully.

Diplomatic sources here say that Great Britain, to prevent possible bankruptcy of its second largest oil company and damage to Britain's already shaky economy, is likely to intervene with the U.S. government if Richardson does not approve the loan guarantee. Burmah Oil owns 25 per cent of the giant British Petroleum

Co. of which the British government owns another 50 per cent.

Through weeks of interviews with dozens of participants in the controversy and with the aid of a number of internal documents made available to The Washington Post, the following account has been put together.

Anticipating that liquefied natural gas—a compacted form of natural gas—would be supplying a large part of the world's energy needs by 1980, shipowners not long ago considered LNG tankers to be the wave of the future.

Some 30 of these highly sophisticated tankers have already been built in shipyards around the world at costs of as much as \$180 million each. Another 40 are scheduled to be built by 1981, despite the fact that at least eight of those already constructed have been lying idle at a cost of about \$45 million a year to their owners.

Costly and complex, the huge vessels are fitted with spheres that must be insulated to keep the liquid natural gas at a temperature of minus 260 degrees Fahrenheit.

Heavy cost overruns are common. Also, the situation has been made worse by the fact that plants to liquefy the gas cost up to \$850 million each and have been delayed by financial and technical problems. On the other end, plants being built to turn the liquid back into usable gas are facing the same problems of costs and delays.

Under Title XI of the Merchant Marine Act of 1936, the U.S. government can guarantee private construction loans for U.S. flag vessels whose owners and operators are U.S. citizens so that the ships can be taken over by the government in a national emergency.

Burmah Oil's problems began in the boom energy market of the early 1970s when the Greek president of Burmah's oil tanker subsidiary, Elias

J. Kulukundis, began traveling the globe signing agreements to transport oil and liquefied natural gas wherever he could and obligating as many specialized tankers as were necessary to fulfill the agreements.

The crunch came in 1974 with the rapid downturn in the energy market. Kulukundis, a jovial, grandfatherly appearing man who weighs close to 300 pounds, found himself stuck with two Ultra Large Crude oil carriers chartered from Japan Line Ltd. for five years at a cost of \$40 million each year, but with no oil to carry in them.

Kulukundis also had signed long-term agreements to transport liquefied natural gas from Algeria to the United States and from Indonesia to Japan beginning in 1977. Kulukundis contracted with General Dynamics to build 10 LNG carriers for Burmah at a cost of over \$1 billion.

Faced with major losses at home

from the energy market's impact on British Petroleum, Burmah had difficulty scraping together its progress payments to General Dynamics for the LNG ships. The Bank of England gave Burmah emergency help by acquiring 20 per cent of its stock on the condition that its management be changed. That forced Kulukundis out.

In his place came John J. (Jack) McMullen, former president of U.S. Lines, who had two top priorities: to get Burmah out of the \$200-million commitment to Japan Line Ltd. and to get out of or refinance the LNG ship contracts with General Dynamics.

Japan Line Ltd. asked for \$120 million to settle Burmah's \$200-million obligation to it, insisting that he would pay no more than \$30 million. McMullen was told by his attorneys, however, that Burmah had little or no defense to Japan Line's claim.

In the spring of 1975, C. Wyatt Dickerson learned about the dispute and offered to have himself and Tongsun Park contact Park's business acquaintance and good friend, Hisashi Matsunaga, senior managing director of Japan Line Ltd. Meetings were arranged with Matsunaga in Tokyo and, after several weeks of intensive negotiations, a settlement of \$56 million was reached.

In the course of the settlement negotiations, the possibility of Japan Line participation in Burmah's LNG deal was discussed, both as an attempt to help Burmah bargain with Japan Line and possibly to help solve Burmah's LNG ship financing problems. Tongsun Park and Dickerson took part in periodic discussions of this option late in 1975, but nothing came of the talks and Burmah has overtly denied Park and Dickerson took part.

In any event, Tongsun Park and Dickerson demanded and received from Burmah \$3 million fee. Since the fee had no apparent direct connection to the LNG deal, Commerce Secretary Richardson has written Rep. Les Aspin (D-Wis.) to say that no evidence has surfaced to show improper use of the money.

However, Richardson noted, "its size would appear to make it questionable."

Not so, say Burmah and associates of Park, who point out that Burmah saved \$150 million in its settlement with Japan Line.

The \$3 million was paid by a Burmah subsidiary to a Tongsun Park

corporation in Bermuda—Fontas Ltd. Then, \$1.2 million was passed on to a C. Wyatt Dickerson corporation in Bermuda—Forel Ltd., according to informed sources.

The Washington Post has learned from informed sources that Fontas Ltd. is one of the Tongsun Park accounts the Justice department is au-

ditig in its investigation at South Korean influence buying here. Substantial quantities of cash were reportedly transferred out of the account from time to time.

According to sources close to the federal investigation, little can be learned directly from the Fontas Ltd. records, which were turned over to the government last fall by Park, because they show large deposits of funds commingled from many sources and massive withdrawals in both cash and bank transfers.

After successfully extricating Burmah from the Japan Line commitment, McMullen turned to the more difficult problem of financing its expensive agreement to purchase LNG tankers from General Dynamics.

In a complicated nexus of corporations Kulukundis had set up to try to meet the requirement that a recipient of a U.S. government loan guarantee be a U.S. citizen, McMullen and his aides and lawyers found what they believed to be numerous improprieties.

To make it possible for Burmah, if necessary, to use these as the means to extricate Burmah from the LNG tanker purchase agreement, McMullen had his attorneys investigate them thoroughly. Memorandums summarizing the lawyers' findings have since become available to Burmah's competitors and through them to the press.

In maritime practice and leverage lease financing it is common for ships being built to be owned technically by one "owner" corporation that holds them only on behalf of banks lending money for their construction. The ships then are "bareboat" chartered to a second corporation, that actually mans and operates them. The "bareboat" charterer then "time" charters the ships to a third corporation that directs where the ship will go and what it will carry. The "time" charterer may then sign a "management" contract with a fourth corporation that can take over the authority for directing where the ships are to go and what they are to carry.

To qualify for Title XI U.S. government loan guarantees, both the "owner" corporation and the "bareboat" charter corporation must be U.S. citizens. To qualify as U.S. citizens, the corporations may not be directly or indirectly owned or controlled by any alien.

Burmah attorneys, under McMullen came to believe that both the initial "owner" and "bareboat" charter corporations for the LNG ships were created at the direction of Kulukundis, that over \$170 million in costs associated with the operation of the corporations were paid for by Burmah, and that the controlling interest in the corporations were held by Burmah attorneys or longtime associates of Kulukundis.

The still-disputed citizenship questions involving the "owner" corporations were apparently mooted when, under a new financing plan begun last August, General Dynamics agreed to

buy all the "owner" corporations involved. However, a question of whether fraud was committed in the initial filing of applications by Burmah attorneys is still the subject of a Justice Department inquiry in New York.

Richardson expects a report on the fraud question today.

Some federal investigators have suggested that Burmah really controls the other corporations involved in the matter. Burmah's management acknowledges its ability to influence the other corporations in the arrangement, but it insists that the arrangement technically falls within the law.

The ownership of the agreement to transport the liquefied natural gas from Indonesia to Japan also has been questioned. It was originally held by a Burmah subsidiary in which stock that would yield millions of dollars had been transferred by Burmah to undisclosed parties for a total of about \$17,000.

Opponents of the U.S. loan guarantee for General Dynamics and Burmah charge that Indonesian officials involved in Burmah's securing of the contract may have given some of the minority interest. Burmah has since bought the minority stock back for a reported price of less than \$25,000. If any fraud had occurred, however, in the securing of the contract through the use of the minority equity, the agreement could be canceled.

McMullen's efforts to free Burmah of Kulukundis' corporate entanglements ultimately failed when, in January, 1976, the Burmah board, apparently fearing harmful open litigation, fired McMullen.

However, during his last six months, McMullen tried to arrange alternative financing for the construction of the LNG tankers. McMullen's efforts were concentrated on possibly taking on two partners, I.U. International and Japan Line.

Negotiations over these prospective arrangements brought together Tongsun Park, C. Wyatt Dickerson and I.U. International's chairman, John M. Seabrook. By December, 1975, McMullen and Seabrook were sufficiently close to working out an LNG financing package that they signed a letter of intent and held a joint board meeting in England. On the day of the meeting, however, Burmah pulled out.

The following day, Burmah agreed with General Dynamics to bring in that firm as equity owner of the ships, and thus, the new, U.S. citizen, applicant for Title XI U.S. loan guarantee.

Throughout 1976, I.U. International officials through their Washington lawyers, conducted a behind-the-scenes campaign to stop the loan guarantee. In addition to Rep. Aspin, Rep. Philip E. Ruppe (R-Mich.) and Sen Daniel Inouye (D-Hawaii) were approached by a lawyer for I.U. International, who provided them docu-

ments with which to raise questions to the Commerce Department. All three legislators recently backed away from the controversy when they were made aware that the information was coming from a competitor.

According to General Dynamics officials, similar information has been leaked to reporters in England, Japan and the United States. They claim that some articles based on docu-

tation distributed by I.U. International have jarred their stock.

At the end of last August, Tongsun Park and C. Wyatt Dickerson again involved themselves in the business of General Dynamics and Burmah Oil. Convinced that he could persuade the two firms to accept two of I.U. International's LNG vessels, now being built in Japan, to become permanently part of the needed fleet of seven LNG tankers, Dickerson approached I.U. International chairman Seabrook. Each vessel could yield as much as \$8 million profit annually.

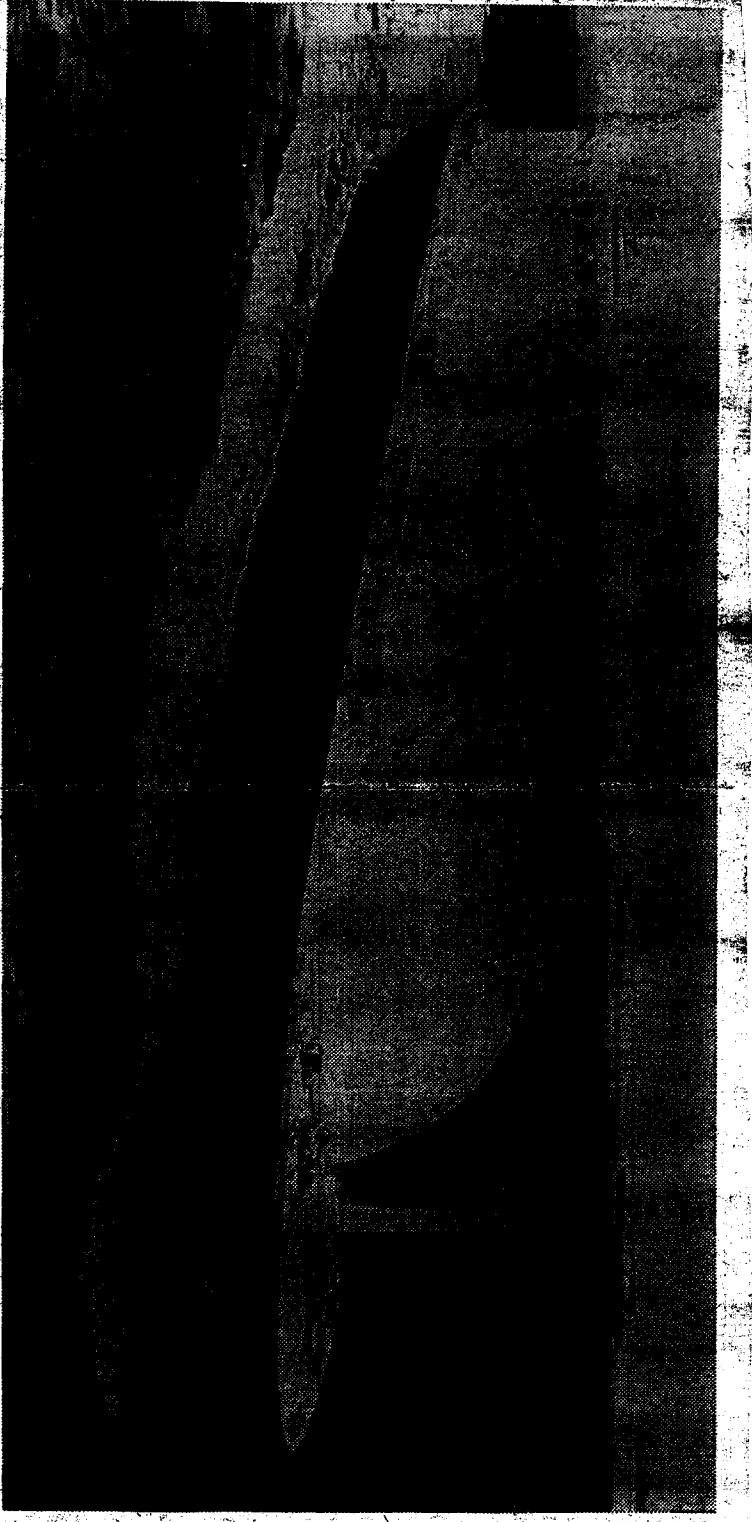
Dickerson and Tongsun Park also approached Kulukundis about joining with them to help persuade Burmah and General Dynamics to accept their deal. Although accounts of what happened next vary, all parties agreed that Kulukundis, like Park, is feared as someone who might upset the loan guarantee application by revealing what he knows of past events.

Unable to get a commitment from Kulukundis, Tongsun Park and Dickerson met again with Seabrook in New York. Seabrook insists that he did not want to meet the two men, but that Dickerson persistently "romanced my secretary over the phone through the summer" and got the appointment. Tongsun Park again suggested to Seabrook that he and Dickerson broker a deal with Burmah and General Dynamics for I.U. International's two LNG ships in Japan.

Seabrook insists he was not interested and told the two men so.

Artist's rendering of LNG tanker, seven of which would be built by General Dynamics for England's Burmah Oil Co. under \$700-million loan guaranteed by U.S.

General Dynamics



...thereafter, Dickerson and Kulkundis met again. According to Kulkundis, Dickerson again solicited his support and said that General Dynamics and General Dynamics did not accept their offer, "they will have problems. There will be trouble for this deal to survive."

Kulkundis has told General Dynamics lawyers that he took this to be a threat that Park would use his placed friends in the U.S. government to stop the loan guarantee.

Dickerson denies that he made the threat. "That is an absolute bare faced lie. I can't believe he thought that. There must be some ulterior motive," Dickerson said.

Dickerson, who was in Seoul at the time, said he was in Seoul for a few days.

...Park when he was in Seoul. He said of Park's alleged activities on behalf of the South Korean government.

Kulkundis himself was also invited by Tongsun Park to meet with General Dynamics lawyers in Seoul. He said he specified that he was not to discuss anything with Park.

Seabrook, an attorney in New York, said he was in Seoul at Park's invitation.

...there, he said, he wanted to see Park. Park might have some information for him. He said he was in Seoul for a few days.

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