

Tongsun Park's Assets May Be Out of Reach of IRS Tax Lien

1/23/77

By Maxine Cheshire
and Scott Armstrong

Washington Post Staff Writers

The Internal Revenue Service may have difficulty collecting much of the \$4.5 million in back taxes that it claims are owed by South Korean businessman Tongsun Park, even though the IRS filed tax liens against Park throughout the Washington area and as far away as Los Angeles last week.

According to a Washington Post analysis of Park's financial holdings, based on information from records and several of his associates, Park has transferred many of his assets out of this country during the past year.

Park is the central figure in a Justice Department investigation of South Korean government attempts to

corporation that operates the fashionable private George Town Club has not been contacted by the IRS and apparently no lien has been filed against the corporation.

Park associates insist that Park is well prepared to prove that he was not subject to U.S. taxes because since he was a nonresident alien throughout the tax years in question—1972 through 1975—and his income came only from foreign corporations.

Four years ago, they noted, the IRS also submitted a substantial bill to Park for back taxes, but Park's lawyers prevailed and the IRS ruled that Park was not liable for any U.S. tax. The IRS did not attach his assets at that time.

Park's U.S. corporations file tax returns, his associates said, but pay no taxes since they show no profits.

While the IRS may not collect any back taxes from Park, they are likely to discover a fascinating web of foreign and U.S. businesses that Park has operated over the past decade, sources close to Park said.

Among the mysterious business deals the IRS will soon be attempting to untangle is the transfer of \$275,000 from one of Park's Bermuda bank accounts through a U.S. bank account to former U.S. Rep. Cornelius Gallagher in the fall of 1975.

At the time, Park told his employees that he intended to invest in a pork slaughter house in New Jersey. After they advised against the purchase, however, Park decided not to invest according to the sources. Yet several months later, Park transferred to Gallagher the money that originally had been set aside as the down payment.

Park's business associates do not know of any interest he now holds in the slaughter house.

The Justice Department has been reviewing Park's financial records as part of its investigation of Korean in-

fluence peddling and has received grand jury testimony about the Gallagher payment and other unusual transactions.

The federal investigators have been unable to decipher much of Park's complicated finances, however. His funds were often commingled in accounts kept both here and abroad without identification of their original source and then transferred in huge cash payments to other accounts and commingled with other funds.

Park's complicated business affairs derive largely from his desire to conceal his true situation and his history of shaky finances, according to his former business associates.

During the 1960s, Park cultivated the image of the successful entrepreneur. In fact, Park was living one day at a time, a step ahead of his creditors, borrowing hundreds of thousands of dollars against his property from dozens of sources, pyramiding his properties with new loans, often going to unscrupulous lenders who charged tens of thousands of dollars off the top.

It was during this time that Park founded the company that operates the George Town club, a private social club used by members for entertaining, and bought several large homes here.

During the 1970s, however, Park's resources apparently began to match his princely life style. His commissions on rice purchased by the Korean government from American growers, his fees from providing ship crews to international oil companies, and his \$3 million commission from the Burmah oil company for assistance in negotiating a settlement of a dispute with Japan Line, Ltd., began generating huge amounts of cash.

In order to avoid U.S. income taxes, Park had these fees paid to foreign corporations. The Burmah Oil Co., for example, has acknowledged recently paying the \$3 million fee to Fontás, Ltd., a Park-owned corporation in Bermuda.

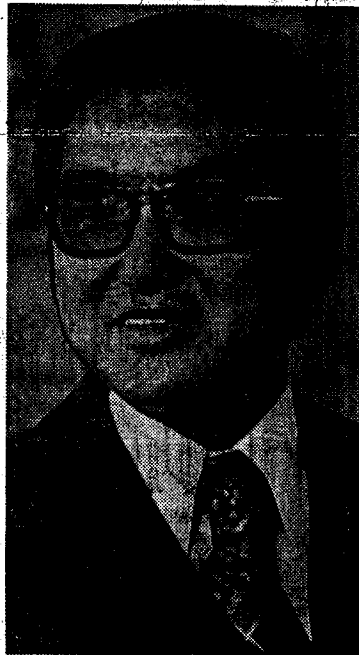
In order to generate cash for his use here, Park often transferred huge quantities of cash here from his foreign accounts. In one particular month, he wrote nearly \$1 million in checks to "cash," informed sources said.

Much of this cash was brought into the U.S. by courier and delivered to his house y armored car.

Park also used millions in these foreign funds to lend capital to his U.S. corporations, Pacific Development Corporation and Suters Tavern Inc.

One of Park's few nearly unencumbered assets, Suters Tavern, Inc., the

See PARK, A19, Col. 1



TONGSUN PARK

... central figure in probe.

Public Development... annual... Park regular... for two... other remaining assets have
...ment company... include...
... of the... Kelly...
... to Korea...
... in fact...
... of...
... of...

House to Begin 2 Probes Of Korean Lobbying on Hill

By Charles R. Babcock
Washington Post Staff Writer

Two promised House investigations of South Korean influence buying in Congress finally are expected to get under way this week, but key members of both committees caution that public hearings aren't likely before late spring.

Democrats on the ethics and international relations committees have scheduled their first organizational meetings for Tuesday. They will then consider how best to pursue allegations that South Korean President

Park Chung Hee personally directed a massive Capitol Hill lobbying effort that lavished hundred of thousands of dollars in cash and gifts on members of Congress.

The full ethics panel meets Thursday and will try again to hire former Watergate prosecutor Philip A. Lacovara to direct its investigation. The Committee tried to get its inquiry started just before Christmas but not enough members showed up then to allow a vote.

"We're anxious to get started, but there's going to have to be some hard investigating done before we go public," Rep. Floyd Spence (R-S.C.), ranking minority member of the Committee, said last week.

The International Relations Committee also plans an in-depth look at U.S.-South Korean ties, Rep. Clement Zablocki (D-Wis.), new chairman of the Committee, said in a recent interview. "I want to cooperate with Don Fraser's efforts in every possible way," he said.

Rep. Fraser is a Minnesota Democrat whose International Organizations Subcommittee already has held extensive hearings on activities of the Korean Central Intelligence Agency in this country.

Now, Fraser said in a recent interview, he plans a closer look at U.S. relations with South Korea. "We're thinking about a year or maybe 18 months of study, looking at it as a case study," he said.

Fraser originally hoped to use a special subcommittee, backed by a resolution from the full House, to pursue his investigation. But about 10 days ago, he said, House Speaker Thomas P. (Tip) O'Neill Jr. convinced him the House resolution wasn't necessary.

"I wanted the full House backing to ensure adequate funding, and cooperation with the executive branch agencies," Fraser said. "The speaker said he was concerned about the precedent such a special resolution would set. He said he'd support me in getting money, and if need be, he'd go to the CIA himself to get them to cooperate."

While the ethics committee investigation will focus on allegations of misconduct by individual members, Fraser's inquiry will examine broader foreign policy questions, he said.

Referring to published reports that the American CIA knew about the Korean lobbying effort as early as 1970, Fraser said, "We'll be asking that Watergate question, 'What did they know and when did they know it?' And 'What did they do about it?'"

The Senate Intelligence Committee is also interested in those kinds of answers. A Committee spokesman said Friday, "The staff already has looked into this in a preliminary way. It's still a matter of business before the Committee. The members just haven't decided to what extent they'll dig into it."