

# DPRK Business Monthly

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As a rich man is likely to be a better customer to the industrious people in his neighbourhood than a poor, so is likewise a rich nation. [Trade embargoes] by aiming at the impoverishment of our neighbours, tend to render that very commerce insignificant and contemptible.

Adam Smith, Wealth Of Nations

## International

### **DPRK Ready for Shanghai Expo**

The Democratic People's Republic of Korea (DPRK) has finished the preparatory work for its first-ever appearance at a World Expo, the 2010 Shanghai World Expo, according to DPRK Chamber of Commerce Vice-Chairman Ri Song Un.

Ri said the preparatory work started in July 2007, including sending delegations to Shanghai to review the Expo's requirements. The DPRK pavilion would undergo a test-run soon, he added.

He said the DPRK would exhibit Pyongyang's history, modern construction, folk-customs, culture, and the people's life in the DPRK in various forms, including sculptures, pictures and videos. More activities are planned for the "DPRK Pavilion Day," September 6.

"The 2010 Shanghai World Expo will be the most sweeping World Expo ever held, and it will also be the first time to be held by a developing country, which is a matter of pride and honor for China," Ri said.

He said the DPRK people thanked China for its great support for its preparatory work for the Expo, and said he believed the Expo would be a good opportunity for the DPRK to further get to know China and to communicate and cooperate with other countries.



DPRK citizens in their Sunday best. The slogan in the background reads, "The leader Comrade Kim Il Sung (will always be with us)."

### **NK Default Bonds "Good Buy": Exotix**

North Korean bank loans, in default since the 1970s, present an opportunity for investors willing to speculate that the country will seek to end its political isolation and honor its debts, Exotix Ltd told Bloomberg News.

BNP Paribas SA, France's biggest bank, in 1997 created bonds denominated in Deutsche marks and Swiss francs secured on non-performing loans owed by the Foreign Trade Bank of the DPRK. The notes matured in mid-March. Exotix plans to issue new ones with about a ten-year tenor.

"There are very few investments left in the world like this," said Andrew Chappell, head of the emerging markets fixed-income section of Exotix, a broker specializing in distressed securities. "The North Korean bonds are very cheap," they may rise on signs of improved international relations and they are easier to trade than the underlying loans, he said.

About 320 million marks and 240 million francs (about US\$225 million) of the zero-coupon 1997 bonds are outstanding, according to data compiled by Bloomberg. Exotix last quoted them at 12.75 percent of par value as of March 8 from 11.5 percent a month earlier and 33 percent in December 2007.

### **Second Bridge to Link NK, China**

A second bridge linking China and the Democratic People's Republic of Korea (DPRK) will be built at Dandong, Liaoning province, Dandong's Mayor Zhao Liansheng said. Construction work on the bridge linking Dandong with Sinuiju across the Yalu (Amnok in Korean) River.

Zhao, a deputy to China's National People's Congress, said the six-km, 33-m-wide two-way bridge is expected to cost about 1.7 billion yuan (about US\$250 million), which China will provide.

The existing bridge was built in the 1930s, and cannot meet the traffic demand as a result of rising commercial exchanges between the two countries, said Lu Chao, a researcher at the Liaoning Academy of Social Sciences.

Lu told China Daily that the new bridge, 10 km downstream from the old one, will be linked to the Dongbiandao railway, which will be connected to the Trans-Siberian Railway. "It will be part of a railway network connecting major countries in Northeast Asia," he said.

Ma Xiaohong, director of the Dandong Hongxiang Development Co. Ltd, a leading Sino-DPRK trade company, welcomed the project. "Currently, we have a long waiting time to cross the old bridge," she told the China Daily. "The new bridge will greatly increase trade volume and improve transportation."

An international trade and commerce center will also be built in Dandong, Zhao added. "Dandong will serve as the hub of bilateral ties in trade, investment and tourism," He added.

Official statistics show more than 70 percent of bilateral trade is handled in Dandong, and reached a record US\$2.79 billion-worth in 2008, up 41.7 percent from 2007.

## **China Accelerating Investment in NK**

China is the largest foreign direct investor in North Korea (not counting South Korean investment in the Kaesong Industrial Complex). In 2007, the total foreign direct investment into the DPRK reported to the United Nations amounted to US\$67 million (excluding investment from South Korea). Of this, China supplied US\$18.4 million. In 2008, of a total of US\$44 million, China supplied US\$41.2 million.

Chinese companies have made major investments aimed especially at developing the mineral resources located in the northern region of the DPRK. Bloomberg News noted the following:

China Tonghua Iron and Steel Group (a state-owned but partially privatized enterprise) has invested seven billion yuan (about US\$875 million) in developing the DPRK's Musan Iron Mine, the largest open-cut iron mine in Asia, with verified iron-rich ore reserves reaching seven billion tons.

Tangshan Iron and Steel Company (Hong Kong capital) is building a steel smelting plant in the DPRK with an annual steel output of 1.5 million tons. It is to be jointly funded by the DPRK side and is to involve joint development and utilization of nearby iron ore.

The China Iron and Steel Group (a joint-stock enterprise) is developing a molybdenum mine in the DPRK with the goal of producing more than 10,000 tons of molybdenum concentrate per year.

China's Jilin Province is cooperating with the Hyesan Youth Copper Mine, Manp'o Lead and Zinc Mine and Hoeryong Gold Mine in the DPRK. One project is to transmit electricity from Jilin's Changbai County to the DPRK in exchange for gold, copper and other ores. In 2007 the Luanhe Industrial Group and another unnamed Chinese privately owned company took a 51% controlling interest in the Hyesan Youth Copper Mine.

China's Heshi Industry and Trade Company (a private company) along with the International Mining Company have set up a joint venture with the DPRK's Sogyong 4 Trade Company called the "DPRK-China International Mining Company."

China Minmetals (a state-controlled enterprise) has established a joint venture for mining coal with the DPRK at the Ryongdung Coal Mine.

China's Zhaoyuan Shandong Guoda Gold Stockholding Company and the DPRK Committee for the Promotion of External Economic Cooperation have established a joint-venture gold mining company at the DPRK's Mount Sangnong. The gold ore will be smelted at Zhaoyuan in China.

## **Russia to Export Flour to NK**

Itar-Tass reported that Russia's Altai Territory will supply a test batch of 200 tons of flour to North Korea. Altaiskiy Melnitsy (Altai Mills) signed a contract with the state foreign trade department of North Korea.

"Increase in the supply will mainly depend on the export price of flour," General Director of Altai Mills Sergei Klinov said. At present, the railway tariff from the Altai Territory to the border with North Korea exceeds half the cost of flour, he pointed out. "In such a situation, the issue of quality may become secondary for North Korea, and it will continue buying flour in China."

## **US Team Helps NK Build TB Lab**

CISAC reported that in an unprecedented collaboration between US and DPRK tuberculosis experts, Stanford University specialists are working with doctors from Pyongyang's Ministry of Public Health to develop that country's first diagnostic

laboratory for drug-resistant tuberculosis (TB). A US team led by Stanford epidemiologist Sharon Perry, a CISAC senior research scientist, recently returned from North Korea after completing installation of the lab. This was an important step in the project led by the Bay Area TB Consortium, which Perry directs. "The new laboratory will fill a critical gap in North Korea's TB control program," Perry said.

## **Chinese Groups to Tour DPRK**

Global Times reported that PRC travel enthusiasts can now plan a trip to the DPRK, which will open as a tourism destination for PRC nationals from April 12. Several Beijing-based travel agencies have already planned travel routes to take tourists there. Zhao Hui, who is responsible for tours to the ROK and DPRK at China Comfort Travel Agency, said that the first tour group organized by tourism bureaus of the two countries, and composed of 400 tourists, will depart on April 12 and 13.

China restricted group tours to the DPRK in 2006, allegedly because wealthy Chinese were gambling in casinos set up exclusively for them across the border.

Chinese officials have announced plans to increase the number of Chinese tourists visiting North Korea from the border region of Yanbian, and are hoping to involve South Korean airlines and to include Vladivostok on the itinerary.

A Yanbian tourism official said there were already tours from the border town of Sanhe to the industrial city of Chongjin, Mount Paektusan, Samji Lake and Pyongyang, and he was hoping to add a Rajin-Pyongyang-Panmunjom tour.

Meanwhile, a travel agency in Zhejiang Province is about to offer railway trips from Hangzhou to Sinuiju from April 20. From Sinuiju the Chinese passengers will transfer to a North Korean train and embark on an 11-day tour that includes stops in the border truce village of Panmunjom, Mount Myohyang and the childhood home of former North Korean leader Kim Il-sung. The tours will cost 5,280 yuan (about US\$650) for first-class compartments and 4,680 yuan for regular ones.

“Until now, people in Zhejiang Province have visited North Korea by flying from Hangzhou either to Beijing or Shenyang and transferring to trains,” said a spokesman for the tour agency. “But the train tours are both cheaper than existing options and offer more sightseeing stops, including Beidahe and Dandong in China. More than 300 people have signed up already.” China halted tours to North Korea in February of 2006 but decided to start them again this year.

Tours of North Korea for Chinese residents have started to be sold in Beijing and Guangdong Province, the China Daily reported.

## **NK Rice Experts Assist Malaysia**

Farmers in Pahang, Malaysia will soon be able to use North Korean technology to commercially grow paddy rice, following the formation of an alliance between the DPRK and Syarikat Sungai Duri Plantations Sdn Bhd.

Sungai Duri Plantations Managing Director Datuk Normala A. Kahar said the technology acquired from North Korea has been successfully applied in countries like China, Uganda, Angola and the Philippines.

Normala said five experts from North Korea would be involved in a project that covers an area of 263 ha, and would conduct a study and research to help soil enrichment and identify pests.

She added that the test results from an area of 60 ha were very encouraging, “and we are optimistic that the project will be a success,” she told reporters after sealing an agreement with North Korean government representatives.

The DPRK’s Mansudae Overseas Projects Group built the Rice Museum in northern Malaysia.

## **Huge NK Demand for Chinese Solar Lamps**

Chinese-made solar reading lamps are selling like hot cakes in North Korea, which is suffering severely from a fuel shortage. According to a North Korean source, the reading lamps sell for 10,000 to 20,000 North Korean won, a price several times the average monthly wage. The customers are chiefly parents of children preparing for college entrance exams. The solar-powered reading lamps provide a measure of independence from the power grid.

## **NK Helping South Africa Build Stadiums**

Yonhap reported that the DPRK has sent workers to South Africa to help build stadiums for the upcoming World Cup finals there. The numbers are estimated at 1,000.

North Korea has a good reputation for erecting first-class sports stadiums in record time, as exemplified in Pyongyang itself.

# **Inter-Korean**

## **Inter-Korean Trade Up 52.1%**

Inter-Korean trade soared 52.1 percent from a year ago to US\$153.49 million in February, according to a report by the South Korean Customs Service.

The surge came as the global economy is on the road to recovery. Inter-Korean trade is expected to soar this year thanks to rising demand amid an economic turnaround, the customs office said.

Nearly half of the ROK companies participating in inter-Korean trade responded that two-way trade will increase this year, according to a survey by the Korea International Trade Association.

South Korea's exports to the North amounted to US\$79.91 million-worth, while its imports came to US\$89.46 million-worth, the report said. In December 2009 South Korea posted a surplus of US\$23.91 million from its trade with the North for the first time in 16 months amid the global economic crisis.

South Korea's surplus in inter-Korean trade grew 11-fold from US\$37.9 million in 1998 to US\$417.7 million in 2005, then fell to US\$262.2 million in 2007. However, when the current ROK administration came into power two years ago, the ROK dropped into the red in inter-Korean trade, with a US\$54-million deficit in 2008 and a US\$200.9-million deficit last year.

Last year, electrical products made up the majority of ROK exports to the DPRK, at 24.8 percent (about US\$182 million). Following electrical products were short, synthetic "staple fibers" (US\$160 million) and cotton fabrics (US\$67 million), followed by computers and other electronic devices (US\$60 million).

On the other hand, clothing (US\$390 million), fish (US\$131 million) and electrical goods (US\$122 million) were the top three imports from the DPRK last year. The growth in inter-Korean trade was driven largely by processing-on-commission manufacturing and products from the Kaesong Industrial Complex, according to the Korea Customs Service.

## **"WHO Health Project Brings North, South Closer"**

The DPRK has reduced deaths from surgery and among women in childbirth under a program funded by the ROK that is building trust across the divided peninsula, the World Health Organization (WHO) said in early March. Rates of deadly diarrheal disease in children have fallen dramatically because of the project, which has provided training for 6,000 DPRK doctors and nurses, the United Nations agency said. The program, begun in late 2006 and costing US\$30.2 million so far, has benefited seven million people in the DPRK.

"I've spent 30 years in the field, and you don't always get such a high rate of return on investment," said Dr. Eric Laroche a French aid veteran, after a four-day trip to North Korea. He added that maternal mortality has declined by over 20 percent since 2005, and diarrhea cases and deaths in the course of operations have also dropped.

Specialization marks a change in health strategy in North Korea, which has about 90,000 family doctors who care for about 130 families each, according to Laroche. "They know each family one by one," he said. But, he added, "they're extremely keen to be trained."

Laroche said hospital staff have been trained in hygiene, and clinics have received better materials for operations, blood transplants and other medical interventions.

Numerous hospitals have been renovated, and material has also been distributed to 1,200 rural clinics.

Between 2007 and 2009, the number of patients dying in operations in the DPRK fell 73.4 percent, said Laroche, citing a study by the University of Melbourne.

## **ROK to Cut Imports of NK Sand**

South Korea is phasing out sand imports from the DPRK. Sand was the biggest export to the ROK from the DPRK in 2008, earning Pyongyang US\$73 million. This represents about twice as much as it gains annually from wages at factories in Kaesong. ROK officials told the Financial Times that Seoul would phase out sand exports when existing contracts expired.

North Korea is trying to compensate for South Korea's decision by seeking alternative sand markets in Russian construction projects. Russia's Itar-Tass news agency reported late last year that North Korea would ship sand to Vladivostok for use in building projects for the Asia-Pacific Economic Cooperation summit in 2012.

Sand shipments to South Korea started in 2002, amid inter-Korean rapprochement, but were suspended by the ROK government last March.

Pressed by construction companies that have been affected by the import ban, Seoul resumed imports from North Korea in November 2009. The current flow, however, is less than one-fifth of previous levels.

In an effort to salvage the trade with South Korea, Pyongyang has offered to provide sand to South Korean companies in exchange for other building materials and fuel.

But the South Korean Unification Ministry said domestic companies were not interested and had not applied for export licenses to conduct such swaps.

## **P'yang May Seize ROK Kumgang Assets**

The DPRK has threatened to seize ROK assets at a resort in its territory, as a result of its growing impatience at Seoul's refusal to let its citizens travel there, following the shooting death of a ROK tourist at Mount Kumgang last year. The DPRK's Asia-Pacific Peace Committee, a state body in charge of cross-border exchanges, announced that all ROK citizens with assets at Mount Kumgang should visit the resort by March 25. "All assets of those who do not meet the deadline will be confiscated and they will not be able to visit Mount Kumgang again," the ROK's Unification Ministry quoted the DPRK's faxed message as saying.



A group of business and tourism officials were given permission by the ROK government and traveled to Mount Kumgang on the deadline day, March 25. A total of 53 people from 33 companies were in the delegation, including a representative of Hyundai Asan, which is the biggest investor.

## **ROK Cuts NK Agricultural Product Imports**

South Korea has significantly reduced import quotas for eight DPRK agricultural goods. According to a public notice posted by the Unification Ministry, the amounts of six DPRK goods allowed to be shipped to the country, including crab, shrimp and peanut products, have been reduced to half of those of last year, while the import quota for sesame seed has been reduced from 300 tons to 100 tons.

## **South Needs to Use NK Workers: ROK Think Tank**

Yonhap reported that the ratio of the economically-active population aged between 15 and 64 to the total population of the DPRK is likely to surpass that of the ROK in 2020, the Hyundai Economic Research Institute said in a report.

As the ROK's birthrate drops to one of the world's lowest in a fast-aging society, the ROK's economy could face a slowdown by then, it said. "To cope with such an economic slowdown, the South needs to actively use the North's laborers," said Lee Hae-jeong, a researcher at the institute.

## **Comment**

Regarding the DPRK's ultimatum, a South Korean security official said, "The North apparently wants South Korean firms that are in danger of losing their assets in the North to put pressure on the (ROK) government, but the government won't back down." Seoul, however did back down, and allowed investors concerned to travel to the North to sort the matter out. ROK businesses have known for a long time that their privileged access to manpower and resources in North Korea will be essential if they are to survive the present global financial crisis. Worries are being raised in the South about China gobbling up the DPRK's resources. A commentator in the Choson Ilbo said, "Seven out of 10 underground mines and reserves under joint development with foreign companies are dominated by China. The more it has access to the land and sea borders, the easier it can drain North Korean resources, the potential value of which the (South) Korea Resources Corporation estimates at 3,700 trillion won (about US\$3.26 trillion). But how about us? The Lee Myung-bak administration's so-called diplomacy of practicality has no tolerance for North Korea. Inter-Korean exchanges have been deadlocked since the shooting of a South Korean tourist at Mount

Kumgang in July 2008. The number of people traveling between the countries plunged by 35 percent last year from 2008. Humanitarian aid came in at 63.7 billion won, half the amount in 2008. Discussions on developing North Korean resources have not even come up. A Chinese tourism agency is now offering a six-day tour of both Kaesong and Mount Kumgang. This could encourage the North to deprive South Korean companies of their right to run first tourism and then other businesses in the North. The government should make concessions and call for joint development of natural resources.”

A former deputy minister said, “If we just sit around, we probably will see all North Korean resources end up in Chinese hands.”

Ilyeon Investment Chairman Ahn Gyo-shik launched a tour to Mount Kumgang in 2003. Since then, he has built the Kumgang Family Beach Hotel and a sashimi restaurant in the North. He has served as chairman of the Corporate Conference for South Korean Companies Doing Business at Mount Kumgang, a gathering of Hyundai Asan’s subcontractors.

Ahn told the Dong-A Ilbo that the head of a conference member company recently died of a heart attack due to stress after the suspension of inter-Korean tours caused his company to teeter on the verge of bankruptcy. Ilyeon’s prospects are no better. Ahn has invested 14.7 billion won (US\$12.9 million) in his North Korea ventures. His company is six billion won (US\$5.3 million) in the red due to the suspension of the Kumgang tours. Ilyeon has had to slash the number of hotel staff from 119 (including North Korean workers) to three, and Ilyeon’s office in South Korea has also downsized from 15 workers to four.

Ilyeon director Kim Rae-hyeon said, “Most member companies of the conference are almost bankrupt but cannot file for bankruptcy since their assets are in North Korea.”

The South Korean economy is itself in danger of being gobbled up -- by giant US companies if the stalled free-trade agreement comes into force. A healthy share of the DPRK’s resources, manpower and land would cushion it against predatory takeovers.

China is indeed eager to develop NK mineral deposits to fuel its construction boom, and at the same time stabilize an ally on its border. Meanwhile, the DPRK doesn’t want to get locked into one customer, and have that customer dictate the prices. It wants to do business with the South and other countries to widen its economic and other exchanges. It makes both political and economic sense for Seoul to reverse its negative stance.

## Domestic

### **New Law to Spur Coal Exploitation**

The DPRK has enacted a new law on the exploration, supply and use of coal, which it claims is the “food of the manufacturing industry.” The magazine Minju Joson, the organ of the DPRK’s cabinet, carried a five-installment series on the new coal law in

January and February. North Korea has ample reserves of coal, but has difficulty in importing oil and other energy sources due to a lack of foreign currency.

## **Special Foreign Trade Bank Set Up**

The DPRK formally launched a development bank aimed at attracting foreign funds to revive its economy March 18.

The directors of the State Development Bank held their first meeting to elect the officers of the new bank, and decide on a management structure and annual budget, the Korean Central News Agency said.

The bank, set up on the orders of leader Kim Jong Il, will have “advanced banking rules and system for transactions with international monetary organizations and commercial banks,” the agency said.

The board is made up of members of the National Defense Commission, the nation’s top ruling body; the Korea Asia-Pacific Peace Committee, a state agency in charge of exchanges with South Korea; the finance ministry; the Korea Taepung International Investment Group, and two independent directors.

NDC representative Jon Il Chun was elected director-general, and Pak Chol-Su, described as a Korean resident in China, as his deputy.

## **“Taepung Concentrating on Foreign Investment”**

North Korea's official investment agency, the Taepung International Investment Group, led by Korean-Chinese businessman Pak Chol-su, consists of six departments, including international finance, infrastructure investment, and exports and imports.

Lee Jo-won, a professor of North Korean studies at the ROK’s Chungang University, said the structure is reminiscent of a general trading company in South Korea during the 1970s.

According to an organizational chart of the group obtained by the Chosun Ilbo, it seems that the group is giving weight to infrastructure development through foreign investment, rather than to export or import of consumer goods.

Prof. Cho Dong-ho of the ROK’s Ewha Womans University said Taepung stands about halfway between the government and a general trading company in terms of structure. "It seems that the group is determined to deal with foreign investment, exports and imports, legal affairs, and infrastructure investment all at once," he said.

A South Korean government official said the group is clearly working hard to attract investment "by making itself look just like a capitalist enterprise."

Taepung was established in September 2006, and signed a letter of intent for a joint venture with China's Tangshan Iron and Steel in 2007 to build an iron and steel works in the North.

## **Kim Jong Il Tours Vinalon Factory**

North Korean leader Kim Jong Il attended a massive rally celebrating the reopening of a long-suspended factory, official media reported March 20.



Kim Jong Il on an on-the-spot guidance tour

Kim and top aides attended the 100,000-strong rally held in Hamhung to celebrate the reopening of the February 8 Vinalon Complex in that northeastern city. The factory resumed operations after shutting down 16 years earlier. Vinalon, an artificial fabric, is used in many of the country's textile products.

There are two other vinalon factories in operation in the DPRK, in South Pyongan Province.

Vinalon, also known as Juche fiber, after the

country's ideology of "self-reliance," has become the national fiber of North Korea, outstripping fibers such as cotton or nylon, which are only produced in small amounts in North Korea. Other than clothing, Vinalon is also used for canvas shoes, ropes and quilt wadding. Vinalon is resistant to heat and chemicals but has numerous disadvantages: it is stiff, uncomfortable, shiny, prone to shrinking and difficult to dye.

## **DPRK Has Own Internet Operating System**

The Red Star OS Internet operating system is a Linux-based OS, developed by North Korean IT specialists to meet the needs and requirements of the North Korean people and the government. News of its existence became known, thanks to a Russian student at Pyongyang's Kim Il Sung University.

According to the student, Red Star is available for the equivalent of US\$5, and comes in Server and Desktop editions. But the applications available for the OS are selling at twice the price and need to be bought separately.

The language of the OS is "Korean only," and it takes around 15 minutes to install. The minimum system requirement is 256 MB of RAM and a Pentium III processor coupled with a 3 GB hard-disk space. The web browser is named "My Country."

## **Kim Jong Il Backs "Cutting-edge Technology"**

Kim Jong Il, top leader of the DPRK, inspected the industrial establishments in Huichon City, the official news agency KCNA reported. Kim said the pioneer of cutting-edge technology in the present era of the knowledge-based economy will be the future victor, adding that it is important for all sectors and units to dynamically accelerate modernization based on the latest science and technology.

## Economic Zones



NK workers at a watchmaking factory in the Kaesong Joint Economic Zone

### **NK Relaxes Rason Zone Rules**

On January 27, 2010 the DPRK revised a law on the Rajin-Sonbong Special Economic Zone, making it possible for overseas residents to do business there. Article 8 of the revised law makes it possible for "Koreans living outside the DPRK" to do business in the special zone. It also removes a clause requiring foreign companies to obtain government approval when they open sales offices or branches in the zone, making it easier to enter the DPRK market. Instead, approval is with a new agency overseeing the Rajin-Sonbong zone.

According to the South Korean officials, a clause allowing "Korean compatriots living outside the Democratic People's Republic of Korea" to engage in economic and trade activities in Rason has been newly included in the legal code. This implies that the door is open for South Korean businesses to enter the zone; they had been explicitly barred previously.

The two border towns of Rajin and Sonbong in the northeastern part of the Korean Peninsula merged to form Rason, which became the North's first free trade zone in December 1991. Rason lies near where the borders of North Korea, China and Russia meet.

The Seoul officials said the North may have signaled its intent to reopen Rason to South Korean businesses through the latest legal revision, according to the Choson Ilbo.

The North has also lowered tax rates and simplified administrative procedures for foreign investors who want to establish branch and agent offices in Rason, said the officials.

The reported legal revision in late January came after North Korea upgraded the status of Rason to a "special city" at the beginning of this year.

North Korea is actively looking into further development of Rajin Port by extending China's lease on port facilities for another decade, and granting Russia 50-year rights to Rajin port facilities, as well. Li Longxi, a deputy to China's National People's Congress and head of Jilin Province's Yanbian Korean Autonomous Prefecture, said, "The North gave Russia the right to use Pier 3 for 50 years, and is actively looking at extending the right to use Pier 1 granted to China in 2008 for another 10 years."

Rajin Port has five piers, with Pier 3 being larger than Pier 1. The rights to Pier 1 were granted to the Changli Group, which specializes in the manufacture of environmental materials in Dalian. Ten-year use and development rights had already been granted to this company.

Li added, "Currently, China is in the process of constructing the facilities necessary to use the pier, and will begin to move goods through the port when construction is complete." He noted that, by being able to use Rajin Port, Yanbian, currently lacking export channels, will be able to transport Jilin Province's abundant coal resources, not only through the Yellow Sea to Shanghai and other domestic cities, but to Japan and other countries in the Asia-Pacific region, giving landlocked Northeast China access to the Pacific.

On February 28, Sun Zhengcai, Party Secretary of Jilin Province, met with Kim Yong Il, head of the Korean Workers' Party International Department, and introduced to him China's 'Greater Tumen Initiative' development project. At the time, it was reported that Sun explained to Kim that the Jilin provincial authorities had reached an agreement with North Korea on a joint venture to construct a network of roads and basic infrastructure facilities. Jilin provincial and city officials, as well as Changchun city representatives, are involved in the project. China is focused on the Tumen river basin and Rajin Port because of their strategically valuable economic role in developing the country's northeast region.

Russia is also eyeing Rajin Port as an outlet to export Sakhalin and Siberian crude oil and natural gas to neighboring countries. In July 2009 Russia and North Korea reached an agreement to repair the rail connection between Rajin and Hasan, and to improve Rajin Port facilities, with an investment of 1.4 billion euros.

The Korea Daepung International Group, serving as North Korea's window to foreign capital, is said to have a plan to entice international investment in order to support the Tumen river development plan, and plans to develop Rasun Special City and Chongjin Port into key outlets for DPRK-PRC-Russian trade and commerce in Northeast Asia. However, the participation, and investment, of private-sector enterprises will likely depend on the success of the Rajin Port development.

In addition to speeding up Jilin's coal exports, the Rajin port could also serve as an export outlet for Siberian crude oil and natural gas to neighboring countries.

North Korea also reportedly plans to develop eight cities including Rason and Pyongyang into special economic zones and rejoin the Tumen River area development project, supported by the United Nations Development Program, which it quit last November.

## **China to Develop Two of NK's Yalu River Islands**

Pyongyang has announced that two of its islets in Yalu River will be developed by Chinese enterprises in an attempt to strengthen international economic ties and increase foreign investment.

The islets, adjacent to China's northernmost port city of Dandong, have been leased for 50 years to Chinese firms for development. The planned investment scales are about US\$300 million and US\$500 million, respectively.

The DPRK has designated the two islets as free-trade areas, allowing foreigners enter and leave visa-free, according to the ROK's Yonhap News Agency.

Dandong Chinese Business Overseas Investment Company has posted details of the preparation of the proposed developments on its website.

The planned projects include the construction of hotels, a golf course, entertainment facilities and agricultural parks.

The foreign firms would also be offered cheap rents for 50 years, either on their own or jointly with a local partner.

## **Korea Compass**

[The purpose of this section is to provide some background knowledge, especially for people making their first trip to the DPRK. If you know something about what you are going to see beforehand you will greatly impress your hosts, not to mention other foreign visitors, and save yourself having to listen to long-winded explanations when you really want to get down to business. Proverbs have the handy function of offering a quick insight into the thinking and attitudes inherent in a different culture.]

## **South Pyongan Province**



This province surrounds Pyongyang and occupies the middle region of the northwest of the peninsula. The terrain slopes from high mountains in the east to plains and the coast of the West Sea. The Taedong River flows through the middle of the province, and through Pyongyang. Pyongsong is the provincial seat. South Pyongan Province is the center of anthracite coal production in the DPRK, as well as having abundant thermal and electric power. The Sunchon Cement Complex has a production capacity of three million tons a year, and there are slate and granite quarries in the vicinity. The provincial machine-building industry includes the Sungri General Motor Works, which produced the DPRK's first haulage truck in 1958. Vinalon, a DPRK-invented synthetic fiber, is produced at the Sunchon Vinalon Complex and the Namhung Youth Chemical Complex. Farm machinery and general automobiles are made in South Pyongan. An extensive irrigation system ensures bumper crops of grain and tobacco.



Irrigated fields cover a North Korean plain. [photo: Matthijs Gall]

## Korean Proverb

Name tounpabi naeshigunbamman mothada

Another's warm rice is not as good as one's own cold rice.

(It's better to be poor and keep your self-respect than to beg from another.)



