

# 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-China Summit Vows Stronger Economic Ties



**Chinese President Hu Jintao (right) greets Kim Jong Il at their historic summit May 5.**

North Korean leader Kim Jong Il' s five-day visit to China at the beginning of May focused on boosting economic cooperation between the two countries, and raised prospects for the DPRK adopting a course of Chinese-style opening-up and economic reforms.

These topics topped the agendas when Kim met Chinese President Hu Jintao and Prime Minister Wen Jiabao.

China's Xinhua News Agency reported that during a meeting with Kim at the Diaoyutai State Guesthouse in Beijing May 5, Prime Minister Wen directly broached the issue of applying the Chinese reform and openness model to North Korea, saying, "China will support North Korea's economic development and improvement in its public welfare in the future, and we hope to share with North Korea China's experience with reform, openness and construction." Wen also emphasized economic cooperation between the two nations, saying, "There is great potential for Chinese-North Korean economic cooperation, and I hope that through joint efforts and cooperation, both parties will work actively at collaborative projects and enrich the livelihoods of the people of both countries by speeding up construction of infrastructure in the border region to find new areas and methods for collaboration."

In response, Kim said, "North Korea and China's continuous strengthening of cooperation in areas such as economy, trade, agriculture, and science and technology has great significance for the development of friendly relations between the two countries."

On his way to the Chinese capital, Kim visited the Northeast Chinese cities of Dalian and Tianjin. According to North Korea's Korean Central News Agency (KCNA), Kim said, "I was profoundly impressed to see the changes in Dalian, which has shaken off its backwardness and is brimming with vitality, advancing harmoniously at a cutting-edge level." It also reported Kim as saying, "The rapid development of the Northeast, including Dalian, vividly demonstrates the validity and vitality of the Northeast revitalization strategy presented by the Chinese party and government."

Chinese Deputy Prime Minister Li Keqiang discussed linking that strategy with development of the Rason Special Economic Zone in the DPRK, while accompanying Kim on his Dalian visit, according to KCNA.

During a meeting with Hu, Kim said that the construction of the new Amnok (Yalu) River Bridge would be a "new emblem of DPRK-Chinese amity and cooperation in the future" and that "in accordance with the principles of reciprocity and co-prosperity, North Korea welcomes investment by Chinese companies and the active heightening of the frequency and level of real China-DPRK cooperation."

The bridge is expected to be a new symbol of economic cooperation between the two countries following the building of the Taean Friendship Glass Factory at the time of Hu's North Korea visit in October 2005, and foreshadows the strengthening of economic cooperation in the border region between the two countries.

Hu stated that strengthening cooperation between Beijing and Pyongyang would help both countries build their socialist systems, and would be in their shared interests as it would further development and help to bring peace, stability and prosperity to the region. According to the China Daily, five suggestions were made to Kim by Hu Jintao, as follows:

- 1) To maintain high-level contacts. The leaders of the two countries should keep in touch by exchanging visits, as well as sending special envoys and messages.

- 2) To reinforce strategic coordination. The two sides should exchange views in a timely manner and regularly on major domestic and diplomatic issues, and on international and regional situations, as well as on governance experience.
- 3) To deepen economic and trade cooperation. The relevant departments of the two governments should discuss and explore ways to expand economic and trade cooperation.
- 4) To increase personnel exchanges. The two sides should expand exchanges in the cultural, sports and educational fields, and contacts between young people in particular, to inherit the traditional friendship from generation to generation.
- 5) To strengthen coordination in international and regional affairs to better serve regional peace and stability.

In response, Kim Jong Il expressed his appreciation for Hu Jintao's heartfelt invitation and warm greeting, and agreed with Hu's five suggestions for developing bilateral cooperation. He added that he "welcomes investment in North Korea by Chinese companies and boosting bilateral working-level cooperation based on the principle of mutual prosperity."

On his visit to the DPRK in October last year, Premier Wen introduced a development plan involving the North's cooperation in developing their border region. The plan to develop the Jilin Province and Tumen River areas calls for the establishment of a dynamic economic region by 2020, and the revival of the antiquated industrial areas of China's three northeastern provinces. To be successful, the plan requires North Korean cooperation on securing access to the East Sea. In 2008 North Korea granted China usage rights to Pier 1 at Rajin Port, and then signed an agreement with China last November on the joint development of the port into an "international distribution hub" providing a link for China to the global market. China's Jilin Province has already earmarked three billion yuan (about US\$2 billion) for the development of Rajin Port.

In March this year China began restoration of the bridge over the Tumen River linking Hunchun and North Korea, and is expected to move forward quickly with a road construction project linking the bridge to Rajin Port.

Another cooperative effort is focused on the development of the Hwanggeum Industrial Complex, a free trade zone on Hwanggeum Island in the Tumen River. The Ryongaksan General Trading Company, which currently holds the development rights to Hwanggeumpyeong and Uihwa islands, is actively seeking to attract foreign investment. Kim Jong Il's latest trip to China most likely included a push for increased Chinese investment and assistance in developing the region.

In this connection, it is noteworthy that Workers' Party of Korea Unification Strategy Department Director Kim Yang Gong, as chairman of the Korea Taepung International Investment Group, traveled with Kim Jong Il in China.

## **WHO Helps NK Launch Medical Conferencing Link**

North Korea formally launched a medical teleconference network in late April aimed at giving smaller, rural hospitals access to specialists in the capital Pyongyang with the help of the World Health Organization, the Associated Press reported.

WHO has been providing cameras, computers and other equipment to North Korea to help a main hospital in Pyongyang connect with medical facilities in other parts of the country. The system is designed to allow doctors to talk to each other to provide additional services to rural patients.

North Korean health officials and visiting WHO Director-General Margaret Chan held the formal inaugural ceremony for the system at the Kim Man Yu hospital in Pyongyang, according to footage from APTN, a British television broadcaster with an office in Pyongyang.

Chan later tested the system by talking with provincial doctors via video link.

One unidentified doctor in Jagang province, about 150 miles (240 km) north of Pyongyang, told Chan he is satisfied with the system because it's too far for his patients to visit specialists in the capital.

WHO opened its office in Pyongyang in 2001 and has co-ordinated the purchase of medical equipment and supplies for North Korea. The world's health body says on its Web site that it is currently focusing on strengthening the North's health infrastructure.

Chan arrived in Pyongyang on the same day as Red Cross and Red Crescent officials.

The WHO director general said that the North Korean health system was the envy of many developing countries because of the abundance of medical staff at its disposal, one "household doctor", she said, looking after every 130 families, a record for Asia. Chan told a news conference that her visit was a rare sign of the DPRK's willingness to cooperate with outside agencies.

She met North Korean officials, visited several hospitals, and also talked to Pyongyang-based diplomats, United Nations officials and representatives of the Red Cross.

Chan said the DPRK government's readiness to work with international agencies, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria, was encouraging. The Global Fund requires countries it works with to provide sound data, account for resources contributed and allow access by officials, she noted. "I can confirm that at least in the area of health the government is receptive to engagement with

international partners," she said. "They are receptive to requests for increasing transparency, better-quality data and being held accountable for the resources flowing into the country to improve health."

She also praised a joint project between North and South Korea to improve women's and children's health, which she said was promoting dialogue and trust between the two rivals. Last month, the WHO said North Korea has reduced deaths from surgery and among women in childbirth under the South Korea-funded program.

The DPRK especially welcomes outside help, as the decades-long US embargo prevents many essential drugs and items of medical equipment reaching the country. In 2005 the North Korean government allowed a Catholic delegation to visit the country's children's TB hospitals and talk with doctors and patients. Fr Gerald Hammond, a member of that delegation, said, "From 1 to 12 May 2005, we were in North Korea to bring medical supplies. We visited Pyongyang, Nampo and Pyongan Namdo Province. The Health Ministry gave us permission to visit 17 TB hospitals for children. At present, eight get aid from the Catholic Church." He added that the Catholic International Cooperation Medical Service built the Rason International Catholic Hospital in 2006 in North Hamgyong Province, in the northeastern part of the country. The three-story building covers 25,000 sq m, and is equipped with diagnostic and therapeutic equipment. It has 100 beds and an 80-strong medical and paramedical staff.

### **Computerized Machine Tools Popular at Spring Trade Fair**

The 13th International Spring Trade Fair was held in Pyongyang from May 17 to May 20, at the Three-Revolutions Exhibition Hall. Some 260 companies were represented, from the DPRK, China, China's Taibei (Taiwan), Germany, Mongolia, Brazil, Switzerland, Singapore, Australia, Austria, Italy, Indonesia, Thailand, Cuba and Poland.

Over 85,000 products in 5,000 categories were on display at the 200 booths, covering electrical machinery and equipment, electronic and light industrial goods, foodstuffs, daily necessities, medicines and vehicles.

Computer-controlled numerical machine tools that the DPRK manufactured for the first time last year drew particular attention.

Xinhua News Agency reported that PRC enterprises did plenty of business at the fair. More than 130 PRC enterprises were represented, and signed up 240 new clients at the fair, with deals totaling US\$4.46 million, according to Luo Lei, deputy director of the Exhibition Department of the China Council for the Promotion of International Trade. The fair was a good opportunity to promote trade and cooperation between the two countries, Luo said.

During the fair, representatives of the participating companies discussed business prospects through investment conferences and consultative meetings.

### **Chosun Energy to Buy 50% of Aminex DPRK**

AIM-listed [Aminex](#) (CEO Brian Hall) has agreed to sell a 50 percent stake in its North Korean interests to a fund headed by British businessman [Colin McAskill](#), according to Ireland's Sunday Independent.

The Irish resources firm received close to 600,000 euros for a 50 percent stake in its Korex vehicle, which is currently trying to develop oil assets in the sea around [North Korea](#), from McAskill's Chosun Energy.

McAskill is one of the few Westerners with access to top levels of government in the DPRK, having advised the country on debt and banking issues.

### **``Foreign Investors Agents of Change''**

[The following is an edited version of an article which appeared in Time magazine.]



**Felix Abt, founder of the Pyongyang Business School**

Few investors can boast the one-of-a-kind global pedigree of Felix Abt. Since 2002, the Swiss businessman has found his calling as a point man for Western investments in — of all places — North Korea, where he helped found the Pyongyang Business School in 2004. He also presided over the European Business Association in Pyongyang, a group in the capital that acts as a de facto chamber of commerce. A few years ago, that position led him to help set up the first "European Booth" featuring

around 20 European companies each year at the Pyongyang Spring International Trade Fair.

Abt, 55, laments the giant cloud hanging over the country: In recent years, political turmoil on the peninsula has raised the stakes even further for doing business in North Korea — even for the country's main patron, China. Though investors have always faced the prospect of sanctions, he says, the situation worsened after the United States ratcheted up sanctions on the government in 2006 on allegations that it was counterfeiting US dollars. And in 2006 and 2009 the DPRK tested two small nuclear bombs, prompting heavier sanctions from the United Nations. Recently, tensions with Seoul have risen over the mysterious March sinking of a South Korean corvette.

Those measures hit home for Abt. While he was running a pharmaceuticals company in Pyongyang called Pyongsu in the mid-2000s, he learned that the UN Security Council had imposed sanctions on certain chemicals — a move that could have forced him to completely stop manufacturing medicine. Thankfully, he adds, he had already secured a large stock of the substance beforehand. "Whatever business you are involved in," he says, "some day you may find out that some product or even a tiny but unavoidable component is banned by a US or UN sanction because it can, for example, also be used for military purposes."

Those dilemmas haven't stopped Abt. In 2007 he co-founded an information technology firm in Pyongyang called Nosotek, whose 50 or so employees design software applications for iPhone and Facebook. The venture has already seen its share of success: One of its iPhone games ranked first in popularity for a short while on Apple's Top 10 list for Germany.

For some companies, the stigma of a "Made in North Korea" label matters less than the competitive edge gained from having low overhead costs and a diligent workforce whose wages remain less than in outsourcing powerhouses like China, Vietnam and India. In the past, North Korea has attracted the interest of multinational corporations looking for cheap labor in fields as diverse as electrical machinery, infrastructure, transportation and mining.

Not all foreign ventures in the North are driven by profit margins alone. The 2005 animated Korean movie *Empress Cheung*, a popular fantasy film drawn jointly by South and North Korean animators, brought attention to the animation industry in North Korea. Nelson Shin, head of the Seoul-based animation studio that started the project, claims he worked with North Korea for a greater cause than cheap labor. "It wasn't so much because of cost efficiency as because of cultural exchange between the two Koreas," he said.

For a country so poor, North Korea has churned out a remarkable number of talented engineers and scientists who fuel some of these small sectors. In the 1960s and 1970s the government pushed the country to become self-sufficient through development projects, a part of its ideology of "Juche" that promotes absolute autonomy from foreign powers. Under its founding president Kim Il Sung North Korea prided itself on its universities and public housing system, in particular. "It was an advance from pre-World War II days," says Helen-Louise Hunter, a former CIA analyst who researched North Korea during those decades. "Kim Il Sung was genuinely interested

in improving his people's standard of living, and was off to a good start in a couple of areas compared to South Korea in those early days."

Abt sees himself and other foreign investors as helping the DPRK emerge from the isolation and embargoes imposed upon it by its enemies. "Cornering a country is ethically more questionable than engagement," he says. "Foreigners engaging with North Koreans are agents of change. The North Koreans are being confronted with new ideas, which they observe, test, reject or adopt."

## **DPRK Makes Debut at Shanghai World Expo**



Interior of the DPRK pavilion [Photo: Adam Minter]

The DPRK has set up a pavilion at a World Expo for the first time, making its debut at the ongoing World Expo 2010 in Shanghai, China's most vibrant city.

The theme of the pavilion is "Pyongyang Thriving on Taedong River Culture." The Taedong is the river that winds through the North Korean capital. On display at the pavilion are reproductions of the Chollima (a legendary winged steed) statue, the Tower of the Juche Idea, dedicated to the DPRK's guiding ideology, and ancient tomb murals. There is also a large video screen depicting the everyday life of people in North Korea and their achievements in education, health care, and science and technology, as well as scenes from the Arirang Festival mass games.



# Inter-Korean

## **ROK Firms Fret Over Mount Kumgang Losses**

The Korea Times reported that South Korean investors are anxious about going bankrupt as inter-Korean relations have hit rock bottom, resulting in the DPRK's seizure of ROK properties at the Mount Kumgang resort. Executives of 26 small businesses who risked their fortunes by operating amenities and facilities in the resort, located just across the Demilitarized Zone in the DPRK, are suffering the consequences of tough business decisions from years ago, the paper commented. According to the Korea Logistics Forum, the estimated business forfeiture facing Hyundai Asan, the operator of the Mount Kumgang tours, amounts to 225 million won (about US\$18 million). The combined losses of 26 businesses, which signed contracts with Hyundai as partner businesses, total 75 million won.

## **``Inter-Korean Trade Nearly Doubles in March''**

Trade between the DPRK and the ROK nearly doubled in March compared with a year ago amid a nascent economic recovery in the South Korea, a ROK government report showed. Inter-Korean trade jumped 88.5 percent from a year ago to US\$204.03 million-worth in March, according to the report by the Korea Customs Service. Compared with two years ago, before the ROK economy was hit by the global financial crisis, trade between the two Koreas rose 29.7 percent in the reported month.

## **Comment**

Relations between the two regimes on the Korean peninsula have hit an all-time low since the sinking of a South Korean navy ship in March. Accusations have flown back and forth, and conspiracy theories abound. However, nobody seems to have wondered why Chairman of the DPRK National Defense Commission Kim Jong Il would have wanted to go to Beijing to seek investment in May and have to first explain to President Hu Jintao why he had just started the Third World War on China's doorstep.

The first (and let's hope -- only) casualty has been economic relations between the two sides, which are now at a virtual standstill. ROK President Lee Myung-bak has blocked nearly all economic exchanges, the most notable exception being ROK investors' activities in the Kaesong Industrial Region. This is because no firm which voluntarily pulls out is entitled to compensation from the Inter-Korean Economic Cooperation Fund, and if the ROK government orders them out it will have to pay for loss of investments estimated at over one trillion won.

In the meantime, the DPRK -- perhaps seeing the writing on the wall -- has been guiding high-powered Chinese investors around Kaesong. But, as Beijing-based lawyer James Zimmerman points out, ``Pyongyang should understand that direct investment from a diversity of foreign sources is in its best interest, and that there is a

real risk of excessive dependency if Beijing is allowed to become the near-exclusive source of investment and aid."

Here then is an opportunity for European and other investors: The Kaesong zone will not be closed; its brand-new buildings and equipment, and its low-cost workforce are only awaiting new operators.

Looking at the wider picture, Zimmerman suggests a formula for the DPRK to seek a better investment and development balance: "A multilateral regional partnership such as the UN Development Program's Greater Tumen Initiative [Zimmerman's on the board] may be the best vehicle for building stable and sustainable economic relationships with all the players in Northeast Asia. China, as the host country for the GTI, as well as the other members — Russia, Mongolia and South Korea — should encourage North Korea to rejoin the Initiative, from which it resigned in 2009.

## Domestic

### **DPRK Cell Phone Sales Double**

Koryolink, the DPRK's only 3G cellular operator, saw sales more than double in the first three months of this year, as it expanded its network coverage and enjoyed continued demand for its service, PCWorld reported.

By the end of March it had 125,661 subscribers, a gain of 34,000 in the three months, according to majority shareholder (75%) Orascom Telecom.

"Contrary to initial speculation that the mobile service would only be available to government officials and other members of elite DPRK society, the fact is that currently mobile phones are used by people of all walks of life," an Orascom spokesman said.

The network achieved a profit of more than US\$58 million in the quarter, before accounting for interest payments, taxes, depreciation and amortization. This figure is a vast improvement on the US\$312,000 profit in the previous quarter, the spokesman noted.

He acknowledged that Koryolink closed its sales outlets for three weeks following the currency revaluation in the DPRK early this year.

Koryolink was launched in late 2008, using WCDMA (Wideband Code Division Multiple Access) technology.

The only other cellular network in operation in North Korea is Sunnet, according to PCWorld, which uses older GSM technology.

Koryolink has widened its service from exclusively Pyongyang to five other cities in the DPRK, as well as eight highways and railways.

## **Commerce Officials Stress Consumer Goods, Processed Food**

A national meeting of officials in the field of commerce was held in Pyongyang May 18.

It was attended by Premier Kim Yong Il, Vice-Premier Pak Myong Son, officials concerned and exemplary commercial workers from across the country.

The meeting reviewed the successes and experience gained in the operation of the teams producing goods by use of various materials in the field of commerce over the past few years, and discussed tasks and ways to improve this work.

General Secretary Kim Jong Il clearly indicated the tasks and ways for those teams to mass-produce children's wear and sundry goods for daily use, etc., with unused materials and by-products available from the industrial establishments, and provide them to the people.

The speakers said that the meeting would mark an important occasion in fully satisfying the increasing need of the people for goods and for developing socialist commerce.

They called on all the officials in the field of commerce to boost the production of varieties of quality, and cheap consumer goods and processed food by their own efforts, and supply them to the people, and thus contribute to glorifying this significant year marking the 65th anniversary of the Workers' Party of Korea as a year bringing prosperity and happiness.

## **North Korea: Changing but Stable**

[The following is an edited version of an article by Alexander Mansourov of the Nautilus Institute. For the full text:

<http://www.nautilus.org/fora/security/10027Mansourov.html>]

Contrary to the popular view, North Korea is not being torn apart by an epic battle between the state and markets. The two have over time established an uneasy but symbiotic relationship. The state still considers the markets as parasites, and vice versa, but each has learned to exist with the other. The popular argument that the reopening of markets in the North after their alleged (but unverified) closure is a sign of government capitulation before their power is not persuasive.

In spite of recent speculation in the New York Times and other Western media about North Korea's growing economic desperation and political instability, Pyongyang is, in fact, on a path of economic stabilization. Last year's harvest was relatively good—

the second in a row—thanks to a raft of developments including favorable weather conditions, no pest infestations, increased fertilizer imports from China, double-cropping and the refurbishment of the obsolete irrigation system. Thanks to the commissioning of several large-scale hydro-power plants which supply electricity to major urban residential areas and industrial zones, North Korea generated more electricity in 2009 than the year before, although losses in the transmission system remain significant.

According to China's Xinhua news agency, industrial production in North Korea grew by almost 11 percent last year and 16 percent in the first quarter of 2010, compared to the first quarter of 2009. That positive development was facilitated by two nationwide labor mobilization campaigns—the “150-day campaign” and “100-day campaign,” as well as growth in extractive industries, construction, a revival of heavy industries, modernization of the consumer-oriented industries and the expansion of the high-tech sector, especially, information and biotechnology.

Foreign trade did not contract in any meaningful way thanks to burgeoning ties with China. Moreover, Beijing seems to be committed to dramatically expanding its direct investments in the development of the North's infrastructure, manufacturing, and service sectors.

As the state-owned economic sector began to recover in the past two years, it had to confront labor shortages, rising production costs, and a powerful competitor—China. Whereas the extractive industries (especially coal and ore mining) benefited from skyrocketing global raw materials prices as well as proximity and access to the ever-hungry Chinese market, the manufacturing industries hit the “Great Chinese Wall” of cheap consumer goods and industrial products that flooded the country.

The recent redenomination of the currency could be viewed as a populist measure aimed at inflicting pain on less than ten percent of the population through wealth redistribution in order to win support from more than 90 percent of the population who still live on state salaries and have not seen any improvement in their life despite burgeoning market activities. North Korea is still fundamentally a socialist society, and the government probably won some measure of support from the vast majority of North Koreans for its crackdown on corruption and abuses by rich traders and corrupt government officials who benefited the most from bustling activity in black markets.

Private merchants may have felt some pain (although likely had stored their wealth in goods, commodities or foreign exchange rather than the old North Korean currency). But the heaviest losses appear to have been suffered by corrupt low- and mid-ranking officials from the “power organs” (People's Security and State Security officers as well as officials from courts and prosecutors' offices) and government bureaucrats who wield licensing, auditing, or controlling authority.

The North Korean government released another broadside of legislation in December and January: the Presidium of the Supreme People's Assembly revised a number of laws pertinent to economic management ranging from those governing real estate management and commodities consumption to general equipment import, labor accounting, agriculture, water supply, sewage and ships' crews. These measures were aimed at bringing the existing regulatory framework in line with the new realities of an emerging market economy, where a growing number

of corporate and private interests compete for access to and use of public assets. For example, the Real Estate Management Law stipulates the new right to grant “long-term land leases” to foreigners, which is especially important in promoting foreign investment in special economic zones such as Rason and Kaesong.

Subsequently, we may see the establishment of a new—more protectionist and statist—equilibrium in the relationship between domestic producers (industrial factories and plants), importers (trading companies), financiers (state bankers and foreign capital), and consumers (state retail industry and private markets). This might involve the government’s efforts to further control the demand, regulate the supply of imported goods through selective protectionist tariff measures, raise funds for new infrastructure and facility investment, and boost the supply of domestically manufactured goods and make them more competitive and affordable.

### **Indigenous Fertilizer Production Process Unveiled**

A new fertilizer production process based on anthracite gasification went into operation at the Namhung Youth Chemical Complex, South Pyongan Province, at the end of April.

Present at the opening ceremony were Kim Yong Il, Choe Thae Bok, Kim Ki Nam and other leading officials of party and power bodies, working people's organizations, ministries and national institutions, and officials, workers, technicians and builders.

A congratulatory message from the Central Committee of the Workers' Party of Korea was sent to the ceremony.

After being briefed on the complex, the visitors inspected the newly built gas purification process, gas generation process, fertilizer forwarding site and other places.

Ri Mu Yong, minister of the chemical industry, explained that the process relies solely on raw materials plentiful in the DPRK. He said that the scientists and technicians working on the project succeeded in producing ammonia synthetic catalyst through anthracite gasification with their own technology while introducing the latest scientific and technological achievements to suit the specific conditions of the country.

They also developed computer-control programs for gas generation and ammonia production on the principle of profitability, equipped with automatic control, sequential control, warning and breakdown system, and self-checking functions. The huge construction project was completed in a little over one year.

The development of an indigenous DCS system in putting part of the chemical industry on automatic control opened up a bright prospect for establishing integrated computer-control systems in other large chemical bases of the country.

The completion of the anthracite gasification also made it possible to remarkably increase fertilizer production while cutting the production cost by more than two-

thirds as compared with the method of producing ammonia by naphtha. This also helps spur the development of the country's petrochemicals industry.

The completion of the anthracite gasification process opened up a bright prospect of drastically developing agriculture and bringing about a decisive turn in improving the people's standard of living, KCNA reported.

### **“Kim Il Sung University Has World-Standard E-Library”**

According to KCNA, Kim Il Sung University, North Korea's leading institute of learning and located in Pyongyang, has a five-story e-library with a total floor space of over 15,000 sq m. It is world-standard in terms of data base and service capacity. It has the latest digital facilities capable of converting information from almost any source into e-books and animation files.

All units of the university are connected by a CDMA network. The e-library, equipped with the latest stereophonic sound system, radio network, projection and other facilities, can provide convenient conditions for hosting international academic exchanges, scientific symposiums, presentations of treatises, and other events.

## **Economic Zones**

### **“DPRK Labor + ROK Capital = Economic Force”**

[The following is an edited version of an article by Shen Dingli, professor and executive dean at the Institute of International Studies at Shanghai's Fudan University.]

Thirty years ago, being a poor country was seen as a liability. But then China showed that there was opportunity to be tapped. China allowed foreign capitalists to use its cheap labor. This took a major change in mind-set. Chinese leaders used to consider such investment exploitative; now the leadership sees it as allowing the country to benefit from the money, technology, and skills of the investors. It's good for the Chinese too. Cheap labor, lack of independent unions, the protection (under the Communist Party) of foreign investment—all of these help to create good economic returns, and China has used this base to develop an increasingly sophisticated economy.

What China has been to the international market economy, North Korea can be to South Korea. The south has capital; the north has labor. Together, they could create a peninsular economic force.



**North Korean workers turn out apparel at a South Korean factory in the inter-Korean industrial park in Kaesong, North Korea. The man on the right is supervisor Pak Yong-shim of the ROK's Shinwon Company.**

With patience from Seoul, the China model could apply to North Korea: As its economy became more advanced, people would be more satisfied, and the party itself would be strengthened. The leaders of North Korea have to see such economic engagement as being in their interest—not a potential trap for the ruling elites to lose power. Indeed, greater engagement could increase the party's power, while also improving the lives of its people.

South Korea has to keep in mind that, with the rise of the BRIC nations, and particularly China, its economic position is likely to come under threat. Nevertheless, with consistent, imaginative policies and the DPRK's labor and resources to back it, Seoul can sustain a healthy level of economic growth.

## Touring North Korea

### **UK Firm Allowed to Take US Citizens to DPRK**

Regent Holidays, the only UK tour operator to deal directly with the North Koreans (other UK operators have to deal with an intermediary in China), has been advised by its agents in North Korea that visas to the country will now be granted to US passport holders.

This significant change follows an improvement in diplomatic relations between North Korea and the USA, and means that visas will now be granted to Americans for a minimum stay of three nights and a maximum stay of ten nights, but only on an individual tailor-made basis or as part of a group that is made up entirely of other Americans. Before this rule change, Americans were only allowed to visit North Korea during the Arirang Mass Games. The new relaxed legislation means that US visitors will be able to visit at any time of year (excluding December-February, when the country effectively closes down for refurbishment), said Carl Meadows, tours manager for Regent Holidays, and will be given much more freedom to explore. They will not, however, be able to join any group tours that are made up of other nationalities.

Regent Holidays can now book any of their individual tours to North Korea for ex-pat Americans living in the UK and for Americans living within the USA, according to Meadows. Travelers flying in from America would need to fly to Beijing and stay one night before taking an onward flight to Pyongyang.

Trips can be taken at any time from February to November. Regent Holidays would need between eight and 12 weeks' notice to make a booking and obtain visa authorization. Visas can be rescinded at the last minute should cultural and diplomatic relations deteriorate, and itineraries may be subject to change at short notice depending on local conditions and political sensitivities.



### *The Tuman Triangle Tour 2010*

Dear All

At long last we are proud to bring you news of our brand new tour, on a route that no other company offers and that Koryo Tours has spent great effort pioneering. From June 30th to July 10th this year we are offering a **3 country, 3 cultures, 3 time zone tour** in an area you may well have never heard of before - we're calling it the "**Tuman Triangle**" and if you're interested in learning more then please hit the following links to download our brochure and itinerary for this remarkable journey:

[Information Brochure](#)

[Full Itinerary](#)



In brief, this tour travels from Beijing up to the North East Chinese city of Yanji from where we enter North Korea's Rajin-Sonbong free trade zone, we then journey into DPRK-proper and the industrial city of Chongjin and the stunning and remote Chilbo mountains before heading back up the coast and crossing into Russia by train, visiting some remote areas and then heading by boat to Vladivostok from where we fly back to Beijing having seen a vast variety of sites, experienced several distinct cultures and seen places and things that almost no western tourists have ever been anywhere near.

**Simon Cockerell** will accompany this tour and we have a mere 20 spaces open for this first time trip, if you'd like to know more then please get in contact with us and we hope you can come along with us, this is the first time such a tour has ever been offered by anyone. Be a part of regional tourism history!

Best regards from Beijing

Koryo Tours

## 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.]

### Jagang Province

Jagang Province is landlocked, located in the northwestern part of the peninsula. Traditionally one of the poorest areas in Korea, the area was made a province in 1949, soon after the founding of the DPRK. Its provincial capital is Kanggye City. Mountains cover some 98 percent of its territory, and it has long, cold winters. However, Jagang abounds in mineral wealth -- there are deposits of lead, zinc, gold, copper, molybdenum, tungsten, antimony, graphite, apatite, alunite, limestone, calcium carbonate, anthracite and iron ore. A modern smelter is located at Manpho. There are also deposits of crystals and precious stones. The province is the center of hydro-electric power for the DPRK, being home to the Jangjagang, Kanggye Youth and Unbong power stations, in addition to many smaller power stations. One of the country's biggest machine-tool factories is located in Jagang: The Huichon General Machine-tool Factory was set up in what was then a remote area during the Korean War (1950-1953), and since then has pioneered the introduction of automation and

computerization into DPRK industry. The Electronic Business Research Institute was opened in Kanggye in 2009. Timber, silk production and beekeeping are other important industries.

The “Kanggye Spirit” has been lauded by the DPRK leadership since the people of Jagang took the initiative in weathering the harsh years of the Arduous March of the 1990s by building a hydro-electric plant entirely with their own efforts to solve their power problem.



Construction site of a dam in Jagang Province. The slogan on the left reads “Towards a Powerful Country.” [Picture: Uriminjokkiri]

## Korean Proverb

Kildongmuga choumyon mongildo  
kakkapta

(“With a good traveling companion, a long road becomes a short one.”)

A companion's smiles shorten the miles.

