

DPRK ESTABLISHES NATIONAL DEVELOPMENT BANK IN ORDER TO ATTRACT FOREIGN CAPITAL

On January 20, the (North) Korean Central News Agency (KCNA) reported that the North's most powerful government organization, the National Defense Commission, ordered the establishment of a 'National Development Bank' to "carry out investment affairs for projects important to national policy and to conduct business with international commercial banks and international financial institutions."

Furthermore, the committee decided to establish the main branch of the 'Korea Daepung International Investment Group' in Pyongyang, which will operate as an economic consortium attracting foreign monies and ensuring the flow of capital for the National Development Bank. The KCNA reported that an announcement was made at the Pyongyang Yanggakdo International Hotel explaining that "the first meeting of the Korea Daepung International Investment Group board of directors had opened, and that at the meeting, the National Defense Commission's decision regarding the establishment of the National Development Bank and the mediation committee of the Korea Daepung International Investment Group had been created."

The news agency went on to explain that the National Development Bank would conduct business with international financial institutions and commercial banks according to "modern financial standards and systems," ensuring necessary investments in support of projects central to the promotion of national policy. The KCNA also reported that at the meeting, an order from Kim Jong Il was passed down with the title "On Ensuring the Operations of the Korean Daepung International Financial Group."

Kim Yang-gun (a member of the National Defense Commission and director of the Unification Strategy Department) was selected as Chairman of the Korean Asia-Pacific Peace Committee, while Chinese-Korean Bak Cheol-su was chosen as president and chairman of the board. The 7-member board of directors is reportedly made up of representatives from the National Defense Commission, the Cabinet, the Ministry of Public Finance, the Korean Asia-Pacific Peace Committee, the Korea Daepung International Investment Group, and other related offices.

The board of directors meeting also discussed and voted on bylaws, a 2010 action plan and an annual budget for the Korea Daepung International Investment Group as well as activities for a



preparatory committee for the establishment of the National Development Bank. It was also decided to form a secretariat for the board of directors.

In September 2006 the Daepung International Investment Group was established in Hong Kong by North Korean authorities in order to serve as a window for foreign investment, and the group was part of the effort in October 2007 to entice investment from the Chinese Tangshan Iron and Steel Group. It also played a role in bringing the New York Philharmonic Orchestra to Pyongyang in February 2008.

This latest measure appears to indicate that the North Korean leadership is taking a more aggressive drive to entice foreign capital, but it is not yet clear if the move will have any significant impact. It stands out that as sanctions enforced against the North by the international community make it difficult for Pyongyang to attract foreign investment, the North is stressing its intention to uphold “modern standards” for those willing to invest.

The Daepung Group rose to prominence in 2007 as a new window for attracting foreign investment into the North when it reached agreements with China’s Dangshan Steel and Iron Group, the country’s 3rd largest steel company, and Datang Power to form a joint venture to build a 1.5 million-ton processing plant and a 600,000 kW coal-burning power plant in the Kimchaek Industrial District.