



NORTH KOREA LURES LARGE-SCALE CHINESE INVESTMENT

It has been reported that the recent visit to Pyongyang by Wang Jiarui, head of the international department of the Communist Party of China, brought with it a windfall in foreign investment. Yonhap News reported on February 15 that the Chinese delegation reached an agreement with North Korean authorities on investments totaling as much as 10 billion USD, or nearly 70 percent of the North's annual GDP.

A source close to the head of the (North) Korea Daepung International Investment Group leaked that “two or three large banks and several multinational enterprises from China have practically concluded an agreement with the Daepung Group on investment in the North.” The source also revealed that “a signing ceremony is planned at the National Development Bank in Pyongyang in mid-March, and the overall size of the investment is over 10 billion USD.”

The Korea Daepung International Investment Group is an overseas economic cooperation agency that secures foreign investments and sources of capital for the North's National Development Bank. The group is a multinational investment company formed in September 2006 with the creation of the Daepung International Investment Delegation, the No. 2 Economy Committee, which is in charge of the North's military economy, and the Overseas Economic Cooperation Promotion Committee.

Yonhap's source reported, “When Director Wang Jiarui visited the North, deep discussions were carried out through the Daepung Group regarding China's capital investment issue,” and, “More than 60 percent of overall investments announced each month can be considered Chinese



capital.” The source also inferred that this latest investment deal was directed by the Chinese government.

The source explained that the foreign investment project to be announced in March includes linking Pyongyang and Sinuiju by rail as well as a cross-border railway from Tumen to the ‘Rason Special City’, construction of 100,000 new homes in Pyongyang, construction of new harbor facilities, and more. The projects are said to be set to get underway immediately after next month’s signing ceremony. Yonhap News also reported that dozens of Chinese and other overseas reporters will be invited to the ceremony in Pyongyang so that the North can capitalize on the opportunity.

In addition, unlike the investment negotiations made behind closed doors up to now, beginning in March, the North will attract foreign investment by advertising opportunities to and receiving bids through the Daepung Group’s homepage. The source also explained that North Korea does not see receiving foreign direct investment through the Daepung Group and the National Development Bank as being in violation of UN sanctions. “Since not only North Korea, but also overseas enterprises and organizations, interpreted the investment plan the same way, it was possible to attract large-scale investment.”

If this latest plan to lure investment is real, it could have tremendous impact on improving the lives of North Koreans and rebuilding the country’s dilapidated infrastructure. However, as other investment criteria have yet to be revealed, and no mid- to long-term plans have been announced, this deal could also turn out to have no visible impact.

North Korea’s efforts to earn foreign investment through China appear to be part of an attempt to strengthen relations with Beijing in order to overcome ongoing domestic unrest caused by the failure of currency reform measures attempted at the end of November 2009. Chinese



assistance is essential if North Korea is to better the lives of its people, which have grown considerably worse since the failed reforms, but to what degree China will listen to Pyongyang's pleas remains to be seen.