

Recent Measures to Promote Investment within the Rajin-Sonbong Area

1. Currency Reform

Concerning currency within the Rajin-Sonbong Free Economic and Trade Zone, the system of “money vouchers being exchanged for foreign currencies” (Blue Money) has been abolished, and only the domestic currency (that is, North Korean Won) is to be used. Exchange rates within the zone can be different from those in other domestic regions. At present, one dollar amounts to approximately 210 Won.

2. Establishment of Private Firms

Unemployed persons or farmers are allowed to establish small private firms and engage in production and/or sales in the following sectors: Clothing, Processed Food, Domestic Necessities including Furniture, Hand-made Products, Local Products, Recycled Products, Excess Agricultural Products, Lodging, Repair and Transportation, Housing & Construction, Food, and Fishery. In addition, excess agricultural products can be sold at the Wonjeong Bridge free trade market that is located along the China-North Korea border in the Hunchun area.

3. Introduction of Self-supporting Accounting System for Public Firms

Beginning in June 1997, state firms and locally-owned firms can be independent economic actors with their own accounting system. These independent firms are not entitled to receive any subsidies, and they must survive on their own by introducing various market elements and techniques such as restructuring, down-sizing, and joint ventures.

4. Opening of Free Trade Market

In June 1997, a free trade market was established in Wonjeong Bridge along the China-North Korea border. The market is designed primarily to promote trade with North Koreans residing in China, and it opens three days a week (from Monday to Wednesday). According to sources, more and more people are using the free market, and the trend will continue.

5. More Infrastructure Building Efforts

The North Korean government decided to put more money in completing some of the most important infrastructure projects for the Rajin-Sonbong area. They include paving a road from Wonjeong to Rajin, building a new paved road from Wonjeong via the Tumen River Valley to Sonbong, housing development, and other urban planning.

6. Revision of Railway System

The province of Ham-Kyung-Puk-Do revised its railway management system. Previously, four to five small management offices were responsible for managing the railways in their respective regions. According to the new measure, the Rajin Railway Management Office would manage the section from Namyang Station (near the Chinese border) to the Tumen River Station (near the Russian border). With this more integrated system, railway management around the Rajin-Sonbong area is expected to become more efficient.

7. Expansion of Sea Route

The regular container route between Rajin and Pusan is to be expanded to Osaka, Japan. With the expansion, freight transportation from the three Northeast provinces of China, via Rajin, via Pusan, and to Japan will become easier, and accordingly freight fares might be reduced.

125

8. Establishment of Rajin Junior College

With financial and technical support from the UNDP and UNIDO, the North Korean authority will establish the Rajin Commercial Junior College within 2 years. Replacing the existing Rajin Maritime Junior College, the new college will teach many diverse subjects, including administrative and financial management of an economic special zone, tax system, corporate management, investment management, investment promotion, external trade, and transportation.

9. Permission to Cross the Border Through Wonjeong Bridge

Since February 1997, China has allowed those with foreign passports to cross the China-North Korea border through the Wonjeong Bridge. Although a provisional measure, it will greatly facilitate foreigners' travel to the Rajin-Sonbong area.

North Korea's Estimated GDP in 1996

1. Comparison of North-South Korea's Major Economic Indicators

	Unit	North		South		Comparison (B/A)
		1995	1996(A)	1995	1996(B)	
Population	1,000 People	23,261	23,558	45,093	45,545	1.9
Total GNP(Nominal)	\$100 Million	223	214	4,526	4,804	22.4
Per Capita GNP	\$	957	910	10,037	10,548	11.6
Growth Rate						-
GDP	%	-4.6	-3.7	8.9	7.1	
GNP		-4.5	-3.7	8.7	6.9	
External Economy						
Total Trade	\$100 Million	20.5	19.8	2,601.8	2,800.5	141.4
Exports	"	7.4	7.3	1,250.6	1,297.2	177.7
Imports	"	13.1	12.5	1,351.2	1,503.4	120.3
Total Trade/Total GNP	%	9.2	9.3	57.5	58.3	
Foreign Debt	\$100 Million	118.3	120.0	784.0	1,044.7	8.7
Net Foreign Debt	"	-	-	171.0	346.3	-
Foreign Debt/Total GNP	%	52.9	56.1	17.4	21.7	-
Exchange Rate	Won/U.S. \$	2.05	2.14	771.04	804.78	-
Budget	\$100 Million	-	-	648.3	720.2	-
Military Expenditure	"	-	-	149.2	158.3	-
Energy						
Coal	10,000 Tons	2,370	2,100	567	495	0.2
Electric Power(Capacity)	10,000 kw	724	739	3,218	3,572	4.8
Electric Power(Actual)	100 Million kwh	230	213	1,847	2,055	9.6
Oil Imports	10,000 Tons	110	94	8,493	9,818	104.4
Agriculture Production						
Grain	10,000 Tons	345.1	369.0	547.6	614.5	1.7
Rice	"	121.1	134.0	469.5	532.3	4.0
Fisheries	"	105.2	87.6	334.8	324.4	3.7
Minerals Production						
Iron/Steel	10,000 Tons	422.1	344.0	18.4	22.1	0.06
Non-ferrous Metals	"	15.4	11.6	64.4	62.1	5.4
Heavy & Chemical Industries						
Automobile	10,000 Units	0.87	0.85	252.5	281.3	330.9
Shipbuilding	10,000 G/T	5.1	5.0	566.2	779.8	156.0
Steel	10,000 Tons	153.4	120.8	3,677.2	3,890.3	32.2
Cement	"	422.0	379.0	5,513.0	5,726.0	15.1
Fertilizer	"	120.9	95.6	430.1	429.4	4.5
Light Industries						
Textiles	100 Million m ²	1.8	1.5	38.9	34.4	22.9
Synthetic Fibers	10,000 Tons	5.6	5.6	186.3	203.0	36.3
SOC						
Rail	Km	5,112	5,112	6,559	6,559	1.3
Roads	"	23,339	23,369	74,237	82,342	3.5
Port Capacity	10,000 Tons	3,501	3,501	28,520	29,526	8.4
Ship Tonnage	"	89	92.1	633	699.3	7.6

2. Comparison of North-South Korea's Growth Rate by Industry

(%)

	North			South	
	1994	1995	1996	1995	1996
Agriculture, Forestry & Fisheries	2.7	-10.5	1.0	3.7	3.5
Mining & Manufacturing	-4.2	-4.6	-9.6	10.6	7.3
Mining	-5.5	-2.3	-11.8	-4.6	-5.3
Manufacturing	-3.8	-5.3	-8.9	-4.6	-5.3
(Light Industries)	(-0.1)	(-4.0)	(-7.1)	(-0.4)	(-2.6)
(Heavy Industries)	(-5.2)	(-5.9)	(-9.7)	(14.8)	(10.5)
Electric, Gas, and Sanitary Services	4.2	0.1	-7.8	8.7	10.7
Construction	-26.9	-3.2	-11.8	8.6	6.7
Services	2.2	1.5	0.8	8.7	7.4
(Government)	(3.3)	(2.8)	(1.7)	(0.9)	(3.0)
(Other)	(0.4)	(-0.7)	(-0.7)	(9.9)	(8.0)
GDP	-1.8	-4.6	-3.7	8.9	7.1
GNP	-1.7	-4.5	-3.7	8.7	6.9

3. Comparison of North-South Korea's Industrial Structure

(%, Nominal GDP = 100)

	North			South	
	1994	1995	1996	1995	1996
Agriculture, Forestry & Fisheries	29.5	27.6	29.0	6.5	6.3
Mining & Manufacturing	31.4	30.5	28.0	27.1	26.1
Mining	7.8	8.0	7.1	0.3	0.3
Manufacturing	23.6	22.5	20.9	26.8	25.8
(Light Industries)	(7.0)	(6.8)	(6.9)	(6.4)	(6.1)
(Heavy Industries)	(16.6)	(15.7)	(14.0)	(20.4)	(19.7)
Electric, Gas, and Sanitary Services	4.8	4.8	4.3	2.3	2.2
Construction	6.3	6.7	6.4	13.9	14.5
Services	27.9	30.3	32.3	50.1	50.9
(Government)	(18.6)	(20.7)	(22.5)	(7.9)	(8.1)
(Other)	(9.3)	(9.6)	(9.7)	(42.3)	(42.8)
GDP	100.0	100.0	100.0	100.0	100.0

127

Source: The Bank of Korea, 1997. 7.

North Korea's External Trade in 1996

1. North Korea's Trade Performance

(Unit: \$ Million)

	Exports		Imports		Total		Balance
	Amount	△ %	Amount	△ %	Amount	△ %	Amount
1990	1,960	-	2,760	-	4,720	-	- 800
1991	1,010	- 48.5	1,710	- 38.0	2,720	- 42.4	- 700
1992	1,020	1.0	1,640	- 4.1	2,660	- 2.2	- 620
1993	1,021	0.1	1,620	- 1.2	2,641	- 0.7	- 599
1994	839	- 17.8	1,269	- 21.7	2,108	- 20.2	- 430
1995	736	- 12.3	1,316	3.7	2,052	- 2.7	- 580
1996	726	- 1.3	1,250	- 5.0	1,976	- 3.7	- 524

2. North Korea's 10 Biggest Trading Partners

(Unit: \$1,000, %)

Rank	Country	NK's Exports		NK's Imports		Total		Share	
		1995	1996	1995	1996	1995	1996	1995	1996
1	China	63,606	68,638	486,187	497,029	549,793	565,667	26.8	28.6
2	Japan	339,680	291,412	254,957	226,994	594,637	518,406	29.0	26.2
3	India	76,440	72,804	50,423	42,947	126,863	115,751	6.2	5.9
4	Germany	41,976	41,074	39,002	33,829	80,978	74,903	3.9	3.8
5	Singapore	1,271	4,508	45,502	66,373	46,773	70,881	2.3	3.6
6	Russia	15,518	28,978	67,893	35,840	83,411	64,818	4.1	3.3
7	Hong Kong	23,586	16,439	59,527	45,523	83,113	61,962	4.1	3.1
8	U.K.	273	361	35,142	36,895	35,415	37,256	1.7	1.9
9	Sweden	902	880	11,408	36,233	12,310	37,112	0.6	1.9
10	France	21,873	30,840	12,976	5,636	34,849	36,476	1.7	1.8
Total Trade with Top 10		585,125	555,933	1,063,017	1,027,299	1,648,142	1,583,232	80.3	80.1
Total Trade		736,008	726,676	1,315,913	1,249,617	2,051,921	1,976,293	100.0	100.0

3. North Korea's Exports by Category

(Unit: \$1,000, %)

H.S. Type	1995		1996		
	Amount	Share	Amount	Share	△%
1. Woven Textiles & Textile Goods	233,668	31.7	210,464	29.0	- 9.9
2. Non-ferrous Metals & Goods	96,272	13.1	88,228	12.1	- 8.4
3. Machinery, Electric Machinery & Related Goods	57,188	7.8	81,819	11.3	43.1
4. Live Animals & Animal Products	83,436	11.3	67,821	9.3	- 18.7
5. Mineral Products	52,471	7.1	58,433	8.0	11.4
6. Plant Products	86,262	11.7	51,892	7.1	- 39.8
7. Plastic & Rubber Products	12,164	1.7	34,101	4.7	180.3
8. Other	114,547	15.6	133,918	18.4	16.9
Total	736,008	100.0	726,676	100.0	- 1.3

4. North Korea's Imports by Category

(Unit: \$1,000, %)

H.S. Type	1995		1996		
	Amount	Share	Amount	Share	△%
1. Mineral Products	286,313	21.8	240,430	19.2	- 16.0
2. Plant Products	122,349	9.3	181,362	14.5	48.2
3. Woven Textiles & Textile Goods	197,199	15.0	151,760	12.1	- 23.0
4. Machinery, Electric Machinery & Related Goods	177,359	13.5	144,429	11.6	- 18.6
5. Automobile, Airplane, Shipping, & Other Transportation-related Goods	61,147	4.6	117,213	9.4	91.7
6. Chemical & Related Goods	81,576	6.2	70,416	5.6	- 13.7
7. Plastic & Rubber Products	71,059	5.4	68,362	5.5	- 3.8
8. Foods, Beverages, Alcohol, Vinegar, Tobacco & Products	42,260	3.2	51,810	4.1	22.6
9. Non-ferrous Metals & Goods	78,799	6.0	50,892	4.1	- 35.4
10. Other	197,852	15.0	172,943	13.8	- 12.6
Total	1,315,913	100.0	1,249,617	100.0	- 5.0

5. North Korea's Grain Imports

(Unit: 10,000 Tons)

	1991	1992	1993	1994	1995	1996
China	30	62	74	30.5	15.3	54.7
Syria	-	-	-	-	-	14
Thailand	9	2	7.8	5.2	16.2	3
Canada	35	8	16	-	-	-
Japan	-	-	-	-	37	13.2
Others	55	11	11.5	13.3	27.7	20.1
Total	129	83	109.3	49	96.2	105

6. North Korea's Oil Imports

(Unit: 10,000 Tons)

	1991	1992	1993	1994	1995	1996
China	110	110	105	83	102	93.6
Libya	-	20	10	8	8	-
Iran	75	22	21	-	-	-
Russia	4	-	-	-	-	-
Total	189	152	136	91	10	93.6

Source: KOTRA, *North Korea Newsletter*, 1997. 6.

South-North Exchanges and Cooperation

1. Inter-Korean Travel (89.6.12. ~ 97.9.30.)

(1) Travel to North

Year	Persons/(Cases)		
	Applied	Permitted	Actual
1989	1 (1)	1 (1)	1 (1)
1990	199 (7)	187 (6)	183 (3)
1991	244 (12)	243 (11)	237 (10)
1992	303 (17)	257 (8)	257 (8)
1993	21 (6)	19 (5)	18 (4)
1994	78 (12)	54 (7)	12 (1)
1995	567 (66)	546 (59)	539 (53)
1996	249 (50)	170 (35)	146 (28)
1997. 3	164 (11)	78 (7)	33 (3)
6	295 (32)	286 (29)	213 (22)
9	835 (91)	787 (82)	703 (69)
Total	2,497 (262)	2,264 (214)	2,096 (177)

Note: Statistics for 1997 represents data as of the end of the month.

131

(2) Travel to South

Year	Persons/(Cases)		
	Applied	Permitted	Actual
1989	-	-	-
1990	306 (5)	306 (5)	291 (4)
1991	175 (3)	175 (3)	175 (3)
1992	113 (4)	103 (3)	103 (3)
1993	6 (2)	6 (2)	6 (2)
1994	-	-	-
1995	7 (1)	7 (1)	-
1996	-	-	-
97. 1~9	-	-	-
Total	607 (15)	597 (14)	575 (12)

Note: Statistics for 1997 represents data as of the end of the month.

(3) Inter-Korean Private Contacts

Year	Persons/(Cases)		
	Applied	Permitted	Actual
1989	70 (36)	22 (21)	-
1990	687 (235)	652 (206)	377 (62)
1991	2,195 (753)	2,047 (685)	1,173 (266)
1992	2,420 (801)	2,250 (744)	1,015 (238)
1993	2,220 (1,172)	2,182 (1,148)	707 (313)
1994	2,864 (1,338)	2,673 (1,261)	691 (237)
1995	2,769 (1,011)	2,703 (1,007)	1,222 (494)
1996	2,338 (729)	2,029 (692)	1,003 (465)
1997. 3	465 (189)	393 (153)	105 (65)
6	1,389 (707)	969 (403)	328 (189)
9	2,427 (1,129)	2,269 (1,061)	904 (364)
Total	17,990 (7,204)	16,827 (6,825)	7,092 (2,439)

Note: Statistics for 1997 represents data as of the end of the month.

2. Inter-Korean Trade (88.10. ~ 97.9.)

(1) Processing on Commission (POC) Basis Trade

(Unit: \$1,000)

	North to South		South to North		Total	
	Amount	POC Basis	Amount	POC Basis	Amount	POC Basis
1989	18,655	-	69	-	18,724	-
1990	12,278	-	1,187	-	13,465	-
1991	105,722	-	5,547	-	111,269	-
1992	162,863	638	10,563	200	173,426	838
1993	178,166	2,985	8,425	4,023	186,591	7,008
1994	176,298	14,321	18,248	11,342	194,546	25,663
1995	222,855	21,174	64,435	24,718	287,290	45,892
1996	182,399	36,238	69,638	38,164	252,037	74,402
1997. 1	11,219	2,475	4,388	2,165	15,607	4,640
2	7,954	2,746	11,612	2,603	19,566	5,349
3	19,175	3,112	4,359	1,179	23,534	4,291
4	29,494	2,601	7,893	3,961	37,387	6,562
5	14,345	2,152	11,486	5,848	25,831	8,000
6	14,870	3,239	8,647	3,941	23,517	7,180
7	19,347	5,224	17,231	6,161	36,578	11,385
8	16,846	4,601	9,810	2,156	26,656	6,757
9	18,802	7,003	21,811	1,808	40,613	8,811
97. 1~9	152,052 (135,756)	33,153 (26,487)	97,237 (59,024)	29,822 (31,487)	249,289 (194,780)	62,975 (57,974)
Total	1,211,288	108,509	275,349	108,269	1,486,637	216,778

Note: Figures in parentheses () represent data on approval basis for the same period in 1996.

(2) Customs Cleared Trade

(Unit: \$1,000)

Year	North to South			South to North			Total		
	Total	Type of Goods	Total	Cases	Type of Goods	Total	Cases	Type of Goods	Total
1989	66	24	18,655	1	1	69	67	25	18,724
1990	78	21	12,278	4	3	1,187	82	24	13,465
1991	300	50	105,722	23	17	5,547	323	67	111,269
1992	510	81	162,863	63	24	10,563	573	105	173,426
1993	601	77	178,166	97	21	8,425	698	98	186,591
1994	708	83	176,298	267	42	18,248	975	125	194,546
1995	976	99	222,855	1,668	90	64,435	2,644	189	287,290
1996	1,475	125	182,399	1,908	102	69,638	3,383	227	1,237,348
1997. 1	155	40	11,219	120	20	4,388	275	60	15,607
2	126	34	7,954	188	24	11,612	314	58	19,566
3	126	33	19,175	105	28	4,359	231	61	23,534
4	140	49	29,494	184	17	7,893	324	66	37,387
5	159	49	14,345	296	27	11,486	455	76	25,831
6	157	42	14,870	181	21	8,647	338	63	23,517
7	181	49	19,347	361	29	17,231	542	78	36,578
8	183	44	16,846	136	38	9,810	319	82	26,656
9	197	49	18,802	221	27	21,811	418	76	40,613
97.1~9	1,424 (1,054)	122 (107)	152,052 (135,756)	1,792 (1,515)	104 (87)	92,237 (59,024)	3,216 (2,569)	226 (194)	249,289 (194,780)
Total	6,138		1,211,288	5,823		275,349	11,961		1,486,637

133

Note: 1) Figures in parentheses () represent data on approval basis for the same period in 1996.

2) The figure for 1995 does not include the rice aid sent by the South to the North (150,100 tons worth \$237.2 million).

(3) North-to-South Trade by Category (On Approval Basis)

(Unit: \$1,000)

	Iron/Steel/ Metals	Textiles	Agricultural / Forestry Products	Fishery Products	Mineral Products	Chemical Products	Other	Total
1988	660 (63.6%)	-	-	233 (22.5%)	-	-	144 (13.9%)	1,037 (100%)
1989	15,945 (71.7%)	1,479 (6.7%)	510 (2.3%)	357 (1.6%)	3,596 (16.2%)	-	348 (1.6%)	22,235 (100%)
1990	6,625 (32.6%)	249 (1.2%)	6,843 (33.6%)	2,080 (10.2%)	3,257 (16.0%)	89 (0.4%)	1,211 (5.9%)	20,354 (100%)
1991	91,720 (55.3%)	2,870 (1.7%)	17,426 (10.5%)	25,821 (15.6%)	23,231 (13.9%)	3,141 (1.9%)	1,787 (1.1%)	165,996 (100%)
1992	123,395 (61.5%)	3,878 (1.9%)	24,485 (12.2%)	13,685 (6.8%)	31,916 (15.9%)	1,630 (0.8%)	1,696 (0.9%)	200,685 (100%)
1993	151,316 (80.3%)	11,182 (5.9%)	16,060 (8.5%)	4,163 (2.2%)	1,084 (0.6%)	617 (0.3%)	4,106 (2.2%)	188,528 (100%)
1994	130,351 (64.0%)	22,918 (11.3%)	34,645 (17.0%)	4,200 (2.1%)	4,522 (2.2%)	952 (0.5%)	5,933 (2.9%)	203,521 (100%)
1995	163,262 (69.2%)	32,311 (13.7%)	25,463 (10.8%)	4,691 (2.0%)	3,633 (1.5%)	52 (-)	6,663 (2.9%)	236,075 (100%)
1996	106,109 (58.2%)	32,742 (17.9%)	22,622 (12.4%)	9,101 (5.0%)	1,332 (0.7%)	1,071 (0.6%)	9,467 (5.2%)	182,444 (100%)
97.1~9	83,551 (54.9%)	37,042 (24.4%)	9,414 (6.2%)	11,191 (7.4%)	229 (0.2%)	2,550 (1.7%)	8,075 (5.3%)	152,052 (100%)
Total	872,934 (63.6%)	144,671 (10.5%)	157,468 (11.5%)	75,522 (5.5%)	72,800 (5.3%)	10,102 (0.7%)	39,430 (2.9%)	1,372,927 (100%)

Note: 1) Figures in parentheses () represents percentage of total trade.

2) Traditional Korean medical products have been included with the "Agricultural/ Forestry Products"; machinery, electronic goods and goods for light-water reactor have been included in "Other."

(4) South-to-North by Category (On Approval Basis)

(Unit: \$1,000)

	Iron/Steel/ Metals	Textiles	Agricultural/ Forestry/ Fishery Products	Chemical Products	Machinery/ Electronic Goods	Other	Total
1989	-	69 (100.0%)	-	-	-	-	69 (100%)
1990	-	2,450 (51.8%)	-	83 (1.8%)	2,188 (46.2%)	10 (0.2%)	4,731 (100%)
1991	-	7,196 (27.5%)	1,750 (6.7%)	13,530 (51.7%)	1,560 (6.0%)	2,140 (8.2%)	26,176 (100%)
1992	2,102 (16.4%)	467 (3.6%)	410 (3.2%)	9,493 (74.1%)	23 (0.2%)	323 (2.5%)	12,818 (100%)
1993	39 (0.4%)	7,217 (70.4%)	491 (4.8%)	936 (9.1%)	679 (6.6%)	900 (8.7%)	10,262 (100%)
1994	151 (0.6%)	13,794 (54.3%)	50 (0.2%)	5,957 (23.4%)	80 (0.3%)	5,391 (21.2%)	25,423 (100%)
1995	1,592 (2.2%)	46,013 (62.4%)	2,164 (2.9%)	6,960 (9.4%)	1,987 (2.7%)	15,035 (20.4%)	73,75 (100%)
1996	150 (0.2%)	34,624 (56.1%)	441 (0.7)	13,923 (22.6%)	3,645 (5.9%)	8,891 (14.4%)	61,674 (100%)
97.1~9	212 (0.2%)	33,880 (34.8%)	7,870 (8.1%)	27,961 (28.8%)	3,126 (3.2%)	24,188 (24.9%)	97,237 (100%)
Total	4,236 (1.4%)	145,710 (46.7%)	13,176 (4.2%)	78,843 (25.3%)	13,288 (4.3%)	56,878 (18.2%)	312,141 (100%)

Note: 1) Figures in parentheses () represents percentage of total trade.

2) Goods for light-water reactor have been included in "Other."

Source: National Unification Ministry, Inter-Korean Exchanges and Cooperation Bureau, *Monthly Trends in South-North Exchanges and Cooperation*, (respective months).