

CHINA STRIVING TO SECURE DPRK MINERAL RIGHTS AND NATURAL RESOURCES

Toward the end of 2006, a Chinese enterprise, Liuzhou Iron and Steel Company, acquired a 51 percent stake in the largest copper mine in Hyesan, the provincial capital of Ryanggang, North Korea. According to the contract, Liuzhou Iron and Steel will have mining rights for fifteen years, beginning in 2007. Since 2006, North Korea has also sold mining rights for more than ten other mines to Chinese ventures, including the largest strip mine in all of Asia, located in Musan, which went to the Tonghua Iron and Steel Group Company, Ltd.

According to a Korea Development Bank (KDB) Research Institute report titled, “Analysis of Trends in Recent Chinese Investment in North Korea,” due to this kind of widespread sale of mining rights, North Korea has now reached a point at which there are concerns about Chinese ‘occupation’ of DPRK underground natural resources.

The report states, “In recent times, China is investing in mining and other aspects of North Korea’s natural resource sector . . . 13 million USD, or over 70 percent of China’s investment in North Korea since 2002, has been in steel, copper, molybdenum, and other areas of DPRK mining.” In addition, “The Chinese investment in North Korea is mainly from industries in the three provinces in Northeast China, and appears to be consistent with the strategy of promoting the northeast region.” “Earlier investment by small-scale independent businesses has shifted to strategic investment in mining and energy in order to secure natural resources.” The Wu Guang Group now has mineral rights for the Yongdeung Coal Mine, North Korea’s largest anthracite mine, and Chinese companies have also invested in the exploration and exploitation

of oil under the East Sea.

North Korea also signed an agreement allowing Chinese craft to fish in the waters near Wonsan from 2005 until 2009, on the condition that 25 percent of the catch be turned over to DPRK authorities, meaning that Pyongyang is going as far as to sign away the rights to marine resources, as well.

A wide range of cooperative development projects for underground resources between North Korea and China are mutually attractive for a DPRK starved of foreign currency and a PRC concerned about natural resources.