



North Korea's Current Policy on Introducing Foreign Capital and Associated Problems

——A Comparison With Levels in China

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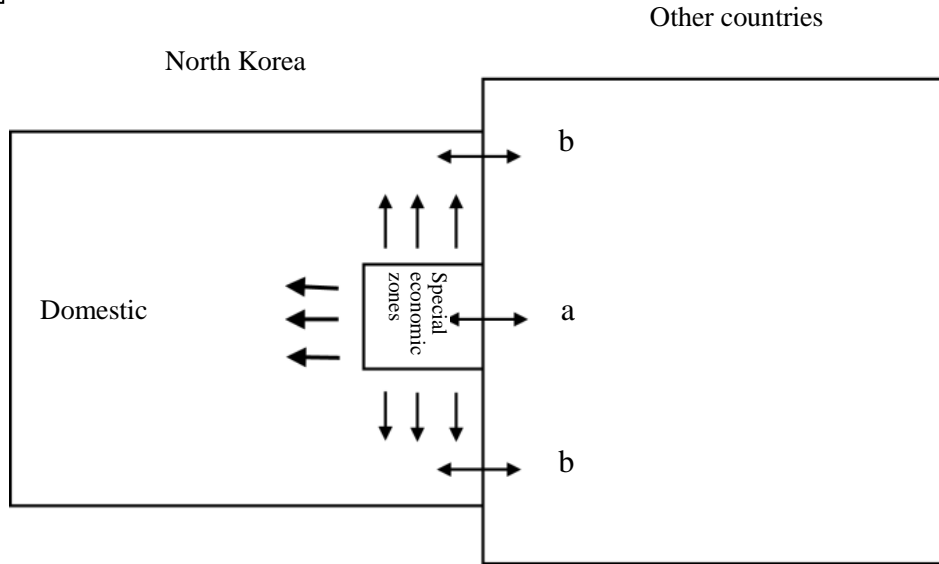
[Key Points]

- Despite a raft of economic management improvement measures, such as the July 1 Measures, and the construction of special economic zones, North Korea's policy on the introduction of foreign capital remains rigid and inefficient, so institutional reforms have failed to perform effectively.
- To provide greater encouragement to foreign companies to expand into North Korea, it must open up currently closed domestic markets and implement thorough reforms of the economic system throughout the country to provide institutional guarantees of the development of domestic markets.
- Political and diplomatic stability are essential to attracting foreign capital, so party, political, and military bodies must be consistent in expressing their desire for reform and opening up of the country. A policy of preferential treatment for investment by compatriots in other countries will also be required. Once North Korea has taken these steps, the extent to which foreign investors, who are currently confined to small-scale, piecemeal projects, are able to achieve results and repatriate their profits will be one yardstick by which the success or failure of efforts to attract foreign capital to North Korea will be measured going forward.



Key Data

The Relationship Between the Special Economic Zones, Other Parts of North Korea, and Other Countries



a: Most accessible route between North Korea and other countries
b: Less accessible routes than via the special economic zones

Source: Compiled by the author