

UPF and IAED USA Conference: Special Economic Zones in North Korea

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United States - Over the last 25 years, North Korea has created several Special Economic Zones (SEZs) in an attempt to attract foreign investment and develop trade relationships with neighboring countries. These include the Rason SEZ on the border with Russia, the Sinuiji Zone on the border with China and the Kaesong Industrial Park on the border with South Korea. On February 10, 2016, the South Korean Ministry of Unification announced that the Kaesong Industrial Park would be "temporarily" closed and all staff recalled, and North Korea responded by expelling all South Korean workers. This webinar reviews the history and effectiveness of these zones in promoting trade and cooperation through the direct experience of two persons who have led trade and tourist delegations to North Korea during the past decade prior to the pandemic.



Mr. Alan Jessen gave a very warm welcome to the virtual audience and introduced IAED as part of the original vision of Universal Peace Federation (UPF) set by the founders, Rev. Dr. Sun Myung Moon and Dr. Hak Ja Han Moon.

The first speaker was Mr. Paul Tjia, founder of GPI Consultancy. Established in 1995, it is one of the few independent Dutch consultancy firms in the field of "offshore sourcing." As an expert in global sourcing, Mr. Tjia assists clients with offshore feasibility study and country and partner selection. He aims to combine CSR (Corporate Social Responsibility) with offshore outsourcing. Over the years he has brought numerous groups of media and business leaders to North Korea for the purpose of exploring trade opportunities.

The Netherlands have maintained an open relationship for trade with North Korea, whereas Americans are not allowed there for any reason. He gave examples and showed actual pictures of Dutch export products to North Korea, such as: Heineken beer, Philips brand consumer products, flowers and bulbs, agricultural greenhouses, potatoes, chicken, and revolving doors found in most hotels in North Korea. The Netherlands has provided academic research to North Korea and has consulted with them on developing their wind energy. He emphasized that the Dutch garment industry depends highly on the North Korean quality of production. However, due to UN Security Council sanctions, this industry is shut down causing severe unemployment.



Dutch tourism to North Korea is common and the Dutch consider North Korea quite safe for travel and cycling. Dutch companies also do considerable import business with North Korea. Examples are hair products such as wigs, stamps, North Korean art, cosmetics and out-sourcing of IT services, such as websites, mobile app development and production of animation and cartoons. Prior to the pandemic, North Korean restaurants could be found in the Netherlands and they hosted the National Pyongyang Circus annually. He stated that trade and investment continues despite the sanctions by America.

Concerning the economic zones, he stated that in the current environment they are primarily interested in foreign investment for larger infrastructure projects rather than commercial business, although that is not yet happening.



In the Q and A session at the end of the broadcast, Mr. Tjia alluded to the frustration that financial sanctions place on doing business with North Korea. He unequivocally criticized the way America has "misused its power," saying they should mind their own business and not interfere with how other nations choose to do business (he was referring to the forced closure of a Dutch bank in North Korea that many European companies used to facilitate payment for imports and exports). He also added that the sanctions don't have the intended effect of limiting the development of North Korean nuclear weapons. It only makes business more difficult and complicated.

The second speaker was Mr. Gareth Johnson, an Englishman who started Young Pioneer Tours in 2008. YPT is a budget-tour company to many destinations around the world. As its website infers, "Destinations

your mother would rather you stay away from."

He gave insight from his experiences in North Korea's Rason SEZ (special economic zone) located in the north. It is the most longstanding zone and is the one place in the country where they openly allow a "mixed" local economy where you can exchange money and go to private markets similar to other Asian countries. The private markets are mostly dominated by Chinese consumer goods but also Russian and Ukrainian. The Rason SEZ is the only part of North Korea that is "visa free." You can pick your own hotels and travel about, freely for the most part, but you do have your local guides. Citizens of Rason need special permission to go out of Rason and the same rules apply for coming into Rason. You may see private ex-pat businesses, whereas in the other zones you don't see that. There are three trade fairs in North Korea each year: two in Pyongyang and one in Rason. They exist to showcase North Korean goods and open possibilities.



Rason has (Russian developed) deep, ice-free ports, open to foreign business with its own regulatory side that is pro-investment toward large development like hotels, and a thriving real estate industry. They have a ten-year plan to grow the population to 800,000 from the current 100,000 and become the main economic hub for North Korea. In some ways he compared it to Hong Kong and mainland China, noting that there are central planners just focused on the future of SEZ's. However, Rason has been very much affected by the sanctions placed on North Korea by the UN Sanctions and big progress will likely not happen until they are lifted.

He briefly mentioned the other SEZ's but they seem to be inconsistent and not fully realizing their potential - again the sanctions have affected everything. The other factor is they are run "top down" and are mostly looking for the big investments. He would like to see that change.

These speakers succeeded in presenting a unique perspective inside North Korea of today. For this, we are better informed and filled with gratitude for their investment of time and expertise.