

# *The Current Status of and Prospects for the Economic and Trade Relations between China's Jilin Province and the DPRK*

WU Hao

Professor, Northeast Asian Studies Academy of Jilin University

## **Summary**

Within the economic and trade relations between China and the DPRK, the position of Jilin Province, which possesses 80% of the China-DPRK border, is important. In this paper, based on data for 1997-2007, in addition to bringing together the current state of play of the economic and trade relations between Jilin Province and the DPRK, I have analyzed the problematic points and the future prospects thereof.

First, in terms of the trade data, the high growth rate in the total exports and imports between Jilin Province and the DPRK is continuing. Jilin Province's share within the national total, however, is gradually shrinking, and depending on the fiscal year, there are also years where there are rapid fluctuations. The form of the trade is not the general form of trade, but a "petty border trade" which applies preferential tariffs for the most part on everyday necessities and the like. In terms of the commodities traded, the export goods of Jilin Province have come to be mainly low-value-added food and textile products, while the DPRK's export goods have come to be mainly the primary products of iron ore and coal, etc. Consequently, in trade structure, the international specialization between Jilin Province and the DPRK has stayed at a low level, and intra-industry specialization and specialization between industrial processes has not taken place to any large extent.

Next, in direct investment, there is almost no investment from the DPRK heading toward Jilin Province, but there is a lot more investment from Jilin Province into the DPRK. Jilin Province's investment into the DPRK increased greatly from 2006, and ranged across various sectors, from general consumer goods to mining. Regarding the movement of people, there is an increasing trend, and reciprocal visits between governments, tourism and business by private individuals, and the movement of the citizens of third countries into the DPRK via Jilin Province have become the principal matters.

In the economic relationship between Jilin Province and the DPRK, the following four points can be indicated as issues on the DPRK side. First, there is the serious problem of "the lack of ability to pay" from the delay in economic development. Second, the development of DPRK legislation is lagging, and there is the problem that transparency is not guaranteed. Third, via the tardiness in the development of infrastructure and in administrative services, the problem exists of investment costs being high. Fourth, there is the issue that a method of coping with the resolution of trouble in trading has not been established.

Concerning future prospects, I would like to point out the four points which follow below. First, if the sanctions on the DPRK by the United States and the international community are eased, the international economic environment surrounding the DPRK will improve, and the ability to pay will ameliorate. This assumes, however, that the international political situation surrounding the Korean Peninsula will improve. Second, as long as the DPRK's politico-economic system remains unreformed, for overseas investors an improvement in the investment environment is not to be expected. Third, with the impact of the global financial crisis, there is the possibility that the amount of trade between Jilin Province and the DPRK will decrease in the future. Fourth, there is the possibility, via the passive response of the DPRK side, that the "Tumen River Area Development Programme", which Jilin Province and the DPRK side are promoting jointly, will enter a critical phase in the future.

[Translated by ERINA]