

The Background and the Outlook of North Korea's Economic Development Zones

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Summary

In March 2013, North Korea proposed "The Route of Both Economic Development and Nuclear Force Construction", and presented the desire to construct suitable "Economic Development Zones" as one of the actions to realize the dual-route. North Korea released "Economic Development Zone Law" in May 2013 and set up the "National Economic Development Committee", a central institution in charge of economic development zones. In November 2013 thirteen economic development zones and Sinuiju Special Economic Zones were established, and added six economic development zones reaching nineteen 19 in July 2014.

According to "Economic Development Zone Law ", the economic development zone is a special economic zone in which the economic activities were assigned special preference. These Economy Development Zones include industrial development zones, agricultural development zones, tourism development zones, export processing zones, as well as cutting-edge technology development zones etc, Economic Development Zone is divided into two levels: local level and central level. Foreign investors and the office and company of North Korea who obtained the permission can individually or jointly engage business in economic development zone. Foreign persons, individual and economic organizations, and residents overseas can set up company, branch office, business premises, and run their business freely. The preference measures provided by North Korea to investors include the right of land use, hiring labor force and tax incentives. Moreover, assets of investment, legitimate income, and personal safety will be protected by law.

North Korea sets up 19 contexts of economic development zones mainly considering the following four aspects. First, it is necessary to mobilize the enthusiasm of local governments and enterprises, to promote economic re-construction. Second, promoting trade diversification can increase export earnings. Third, remitting and improving international relationships by economic means. Fourth, accumulating their experience about special economic zones.

In 19 economic development zones, there are four synthesizing types of economic development zone with farming, manufacturing, trade and tourism, four industrial development zones, three agricultural development zones, three export processing zones, three tourism development zones, one cutting-edge technology development zone and one of the international green demonstration area.

Development zones are distributed throughout the country, of which six are located in the border areas of China and North Korea, six in the Yellow Sea coast areas, five are located in the East China Sea (Japan Sea) rim region, and Pyongyang and the rest of the interior each has one. It shows the intention that the introduction of foreign capital and technology, to build industry, agriculture, tourism, and export processing base and high-tech center, and realize diversifying and diversification trade, increasing export, promoting the coordinated development of the economy.

But the prospect of North Korea's economic development zone is still worrying. The main reasons are the following. First, there is no support of export-oriented economic development strategy. Second, North Korea is isolated in the international community. Third, the domestic economic structure and investment ability is limited. If North Korea wants to promote the process of economic development zones, it needs the fundamental transformation of economic development strategy and international environment improvement.