

## SUMMARY

Development directions for the major North Korean cities in the context of inter-Korean economic integration

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This study aims to suggest development directions for the major North Korean cities in the context of inter-Korean economic integration. Based on the case study on transition economies and quantitative analysis on industrial potentials of the North Korean cities, directions of industrial restructuring are suggested. This study consists of seven chapters including conclusions.

The first chapter discusses the background and need of the study, research objectives and methods. This chapter also briefly examines some major results of other research activities related with this study.

In Chapter 2, the prospects of inter-Korean economic integration and of direction for economic restructuring are suggested. Inter-Korean economic integration could be implemented in three

stages, which are the beginning stage, the expansion stage and the deepening stage.

At the beginning stage, we can prospect that North Korea will make use of the agricultural-fishery sector and labor intensive light industry for attracting foreign investments, and will foster new growth industry by bringing up IT sector.

At the expansion stage, North Korea will bring up low technology and labor-intensive light industries such as fiber, footwear and toy. Partial restructuring on heavy industries will be possible in this stage.

At the deepening stage, the fundamental change will happen in the course of economic reform of North Korea's industries. And labor forces will shift from the heavy chemical and munitions industry to light industries and services on a large scale in this stage.

Chapter 3 presents basic directions of industrial development in the North Korean cities. First, the positive upbringing of producer service is necessary by using geo-economic potentials. At the deepening stage, it will be possible to promote the Nampo-Pyeongyang or Rajin-Seonbong-Cheongjin linkage development as the case of Hongkong-Shenzhen shown. Second, it is necessary for North Korea to corporate positively with South Korea and foreign companies in terms of technology and investment. The corporation with South Korea's company has a special significance as the case of Shenzhen, which has a corporation with HongKong for its industrial development. Third, industrial developments of the North Korean major cities could be connected with some infrastructure development projects in Northeast Asia such as the TKR-TSR linkage project, Asian highway project, and Siberian natural gas exploitation project.

Basic directions of industrial development in the North Korean

cities could be suggested according to the phase of inter-Korean economic integration as followings.

At the beginning stage, it is necessary to foster export-driving industrial cities and to make use of existing resources. Gaeseong, Wonsan, Shinuiju and Rajin-Seonbong have potentials for export-driving industrial cities in this stage. At the expansion stage, logistic industry and tourist development could be activated in addition to export-oriented industry in Shinuiju, Nampo on the west coast and Rajin-Seonbong, Wonsan on the east coast.

At the deepening stage, it is necessary to seek a comprehensive industrial development of cities with compounding export-oriented industries, logistics, tourism, and other functions.

The industrial potential of the North Korean cities is reviewed in Chapter 4. The major findings are as followings. The conditions of industrial location of Pyeongyang, Nampo, Gaeseong and Haeju on the west coast and Cheongjin and Hamheung on the east coast are relatively nice at the beginning stage. Pyeongyang and Nampo are advantageous for labor-intensive industry and some heavy industries. Gaeseong has some comparative advantages over other cities in labor-intensive light industry. Haeju and Hamheung have some comparative advantages in petrochemistry and primary metal industry.

At the expansion stage, the results are similar with the beginning stage. At the deepening stage, Cheongjin, Rajin-Seonbong, and Gaeseong have the second best condition of location following Pyeongyang and Nampo. Pyeongyang has the best condition of all industries at each stage. Wonsan should foster the light industry considering Guemgang Mt. tour. Shinuiju has the comparative advantage on the light industry. Gaeseong is advantageous in the light industry and tourist industry, but it is needed to be developed as

cultural-historic city due to its abundant historical remains.

Chapter 5 suggests some directions of industrial development for 9 major cities. Conclusively speaking, the upbringing of export-oriented light industry and selective partial normalization of existing heavy industry are important and needed. And a road system to link peripheral areas, consolidation of a network of railroads and harbor facilities are needed as well. Especially Gaeseong, Shinuiju, Rajin-Seonbong and Wonsan which are built up as a special economic zone are pointed to consolidate to physical and institutional infrastructure urgently.

Some policy issues to the two Koreas for developing industries of the North Korean cities are suggested in Chapter 6. Industrial development in the North Korean cities should be implemented according to the changing demands of inter-Korean economic cooperation. Industrial development of North Korea cities is needed to be implemented step by step. At the beginning stage, the infrastructure corporation of governmental levels is very important. It is necessary for the industrial development in the North Korean cities to drive international cooperation especially with the Northeast Asian countries. Japan and China could be important cooperation partners to two Koreas.

To alleviate the tensions from nuclear-weapon developing programme is the first task for developing international cooperation with the Northeast Asian countries. Unless North Korea address the willingness of abolition of nuclear-weapon developing programme to the world, it could be impossible to drive industrial infrastructure corporations with other countries. Also, the openness of information about North Korea's infrastructure is needed because the international

society including South Korea, which will invest in North Korea enormously, needs to know about the actual conditions of infrastructure.