

Policy Forum 07-003: DPRK Pursuing Factory Modernization Through Foreign Joint Ventures, Cooperatives

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Article by The Institute for Far Eastern Studies

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I. Introduction

This report, published by the Institute for Far Eastern Studies at Kyungnam University, notes, "North Korean authorities are emphasizing the modernization of factories and enterprises throughout the country since 2000. They are faced, however, with shortages of the necessary capital, materials, and equipment, not one of which is easily resolved. Because of this, North Korea has pulled out all the stops with a policy of pursuing the formation of foreign joint-ventures and cooperatives."

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II. Article by The Institute for Far Eastern Studies

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by The Institute for Far Eastern Studies

North Korean authorities are emphasizing the modernization of factories and enterprises throughout the country since 2000. They are faced, however, with shortages of the necessary capital, materials, and equipment, not one of which is easily resolved. Because of this, North Korea has pulled out all the stops with a policy of pursuing the formation of foreign joint-ventures and cooperatives.

One example of this is the recently formed "Pyongyang Food Processing Joint Corporation," created through the combined efforts of the Pyongyang Grain Processing Company and a Hong Kong-based investment group. This joint corporation opened last October, with the Chinese group providing capital and equipment to back North Korean labor while the two entities split the profits from sales of dozens of different food products, including cream-filled pastries, high quality milk treats, flour, and walnut powder.

It is currently operating in the Pyongyang Grain Processing Factory's sugar refinery, which has been remodeled for the new joint venture. The newly installed equipment is thought to be the most modern food processing equipment in use in the entire country. According to the management plan for the factory, profits will continue to be reinvested in new technology. The joint project is scheduled to operate for 10 years, at which time, if the costs of production have been recovered, equipment will be transferred to the North Korean group and continue operations as a DPRK firm.

III. Nautilus invites your responses

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: napsnet-reply@nautilus.org . Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

Produced by The Nautilus Institute for Security and Sustainable Development
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