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SUMMARY OF CONTENTS

North Korea's Experiments of Special Economic Zones

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This paper aims at analyzing North Korea's experiments of SEZs. It mainly consists of three parts for each SEZ. They are reconstructing of North Korea's plan for each SEZ, summarizing of the process of each SEZ and criticizing of North Korea's strategy for each SEZ. The main arguments of this paper are as follows.

Firstly, we can understand the concept of SEZ (s) in general as follows.

1) A so-called SEZ is particular area established by a country where special economic policies are intended to be introduced which are different from those of the general area [the part of a country excluding special zones]. The main types of SEZs are Tourist Zone, Free Trade Zone, and Export Processing Zone, etc.

2) Therefore, in case a socialist country established special economic zones, there are "two special meanings" other than general meanings subscribed above. One is that the country is to change from a "closed" economic system to an "open" one. The other is that it is a part of the change by which the country changes from the earlier "orthodox " economic system to a "reformative" one.

3) For a long time, socialist countries had considered SEZs negative where

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capitalist firms could perform their activity for profit. For, they thought that SEZs are economic space where they could be exploited by such capitalist firms. But, A big change occurred in China in the late 1970s. That is, China, a socialist country, began to establish SEZs where outer investors could perform their activity quite freely.

Secondly, we can understand the overall process of North Korea's SEZs as follows.

1) North Korea maintained its negative position towards SEZs, not only during the era when socialist countries rejected any possible intrusion of capitalist firms into them but also even after witnessing the prominent success of Chinese SEZs. But, as a aftermath of the historical process that East European socialist countries gave up socialist systems one after another during the years of 1989～1991, North Korean economy plunged into deep crisis. At last, North Korea changed its policy line towards SEZs and established its first SEZ, namely Najin-Sunbong Free Economic Trade Zone in 1991.

2) North Korean strategy towards SEZs could be divided into two phases. The first phase (1991～2002) is that North Korea established Najin-Sunbong Free Economic Trade Zone and tried to develop it. The second phase (after 2002) is that North Korea tested some evolved schemes of SEZs in their three SEZs established in 2002. In the case of Sinuiju SEZ, exploiting its form as "self-governed SEZ", North Korea adopted the strategy to appeal its "autonomy". And in the case of Mt. Kumgang SEZ and Kaesong SEZ, North Korea adopted still a new strategy of appointing a "developer firm" and entrusting the concrete developing process to the firm.

3) North Korea's establishment of SEZs means that its economic system changes from a closed one to an open one and constitutes a part of the change of the economic system from an orthodox one to a reformative one.

Thirdly, we can assess North Korea's experiments of SEZs as follows.

1) In the case of Najin-Sunbong SEZ, considering its conditions of situation, its possibility to be a Export Processing Zone or a General Connecting Point of International Trade. But its possibility to be a Free Trade Zone is quite high. So, they need to improve their relationship with international society which

might promote outer investment, preparing its basic social infrastructure, such kind of work as they could do with their own.

2) In the case of Sinuiju, its possibility to be a Export Processing Zone is not so high, just compared to other North Korean areas, such as Wonsan, Heju, Nampo, etc. But its possibility to be a Free Trade Zone is quite high. So, they need to establish action plan to develop Sinuiju SEZ as a Free Trade Zone. It if goes well, they could consider developing Sinuiju SEZ as a Export Processing Zone and a General Connecting Point of International Trade.

3) In the cases of Mt. Kumgang SEZ and Kaesong SEZ, three strategic changes are prominent. The first is that North Korea agreed to accept South Korean investment, Hyundai Group in concrete. The second is that not North Korea, but an outer firm will be the "developer" of each SEZ. North Korea would appoint a "developer firm" for each SEZ and entrust its concrete development to the firm. The third is that they came to establish SEZs in more relevant areas responding to desires of outer investors. Only after these kinds of strategic changes, there appeared "developer firm" and North Korea could acquire quite good outcome in the subsequent development process and after.

4) In the case of Mt. Kumgang SEZ, though it shows quite well-refined development scheme, there remains a weak point and a task. The weak point is that it might be influenced strongly by political environments. The task is that the developer firm, Hyundai Asan should make its both ends meet. For the success or failure of the SEZ depends on the appealing power of it as a Tourist Zone.

5) In the case of Kaesong SEZ, different from Najin-Sunbong SEZ or Sinuiju, it has high possibility to be a industrial zone, that is to say, as a Export Processing Zone. And According to North Korea's strategic changes concerning this SEZ like in the case of Kumgang SEZ, there appeared the "developer firm" and North Korea could acquire quite good outcome in the subsequent development process and af Finally, Schemes of North Korean SEZs may be summarized as follows, including comments not referred to in this abstract. (end)