



GTI ECONOMIC OUTLOOK OF THE NORTHEAST ASIA REGION

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GTI Greater Tumen Initiative
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ECONOMIC OUTLOOK OF THE NORTHEAST ASIA REGION

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ABBREVIATIONS

APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASEM	Asia-Europe Meeting
BEPA	Bilateral Economic Partnership Agreement
CRS	Congressional Research Service
EFTA	The European Free Trade Association
ERINA	The Economic Research Institute for Northeast Asia
FDI	Foreign Direct Investment
FIFTA	the Foreign Investment and Foreign Trade Agency (Mongolia)
GDP	Gross Domestic Product
GTI	The Greater Tumen Initiative
IMF	International Monetary Fund
JETRO	Japan External Trade Organization
METI	The Ministry of Economy, Trade, and Industry (Japan)
MIT	The Ministry of Industry and Trade (Mongolia)
MKE	The Ministry of Knowledge Economy (ROK)
MOF	The Ministry of Finance (Mongolia)
MOFA	The Ministry of Foreign Affairs (Japan)
MOFAT	The Ministry of Foreign Affairs and Trade (ROK)
MOFCOM	The Ministry of Finance and Commerce (China)
NAFTA	North American Free Trade Agreement
NDRC	The National Development and Reform Commission (China)
RMB	Renminbi (Chinese currency)
Rosstat	Federal State Statistics Service
TRADP	The Tumen River Area Development Programme
UN Comtrade	United Nations Commodity Trade Statistics Database
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
UNSD	United Nations Statistics Division
WEO	World Economic Outlook of IMF
WTO	World Trade Organization

PART I

NORTHEAST ASIA ECONOMIC OUTLOOK

1. Greater Tumen Initiative

The Greater Tumen Initiative (GTI) (originally known as the Tumen River Area Development Programme -TRADP), is an intergovernmental cooperation mechanism in Northeast Asia, supported by the United Nations Development Programme (UNDP), with a membership of four countries: the People's Republic of China, Republic of Korea, Mongolia and the Russian Federation.

In 1995, GTI member governments signed formal agreements to establish an intergovernmental cooperation mechanism, aimed at strengthening economic and technical cooperation, and attaining greater growth and sustainable development for the peoples and countries in Northeast Asia and the Greater Tumen Region in particular.



Map of the Greater Tumen Region

Since its inception, GTI has served as a unique intergovernmental platform for economic cooperation, fostering peace, stability and sustainable development in Northeast Asia. It has played and continues to play a significant role in expanding policy dialogue and strengthening a business-friendly environment across the region. Its role in promoting and supporting the development of infrastructure along with trade, investment, and a sustainable approach to development has contributed importantly to the improvement of living standards in the region.

GTI focuses on the border areas of countries that comprise the Greater Tumen Region. This region includes the three Northeast provinces (Jilin, Heilongjiang, & Liaoning) and Inner Mongolia of China; the Eastern Provinces of Mongolia; the Eastern port cities of the Republic of Korea; and the Primorsky Territory of the Russian Federation. The Tumen River, lying at a crossroads of trade, transport and energy routes, ties this region together. Rich in gas, oil and minerals, the region also has easy access to markets in the GTI member countries and Japan, representing millions of consumers. In addition, the Greater Tumen Region possesses enormous productive capacity in a range of sectors

with its skilled and low-cost labour pool. GTI offers a vehicle for the intraregional cooperation around infrastructure, investment, and resource development that is critical to harnessing the vast economic potential of the region.

The core decision-making institution of GTI is its Consultative Commission composed of government representatives from the GTI member countries. The Commission's role is to foster support for the development of Northeast Asia and the Greater Tumen Region in particular. Its activities offer member countries opportunities to enhance mutual understanding and collaboration around concrete actions to deepen economic, technical, and environmental cooperation in an array of areas related to the development of the region.

In the context of the region's dynamic political and economic environment, TRADP/GTI has overseen important results during its 15 year history. These include significant achievements in implementing the agreements signed by the participating governments, especially with regards to expanding policy dialogue and strengthening an environment friendly to business development in the region. The significance of GTI to the region was affirmed in the 2005 Changchun Agreement among the then TRADP-member states. The agreement also committed its members to deepening the involvement of the private sector in regional development, including through the addition of an annual investment forum in the region associated with the annual meeting of the Consultative Commission. The geographic coverage of GTI was also expanded to its present scope and member states agreed to focus resources and activities on priority sectors. Progress has been made toward implementing key GTI-led projects in the areas of transport, energy, tourism, investment, and environment.

2. Economic Overview in Northeast Asia

The Northeast Asia (NEA) region, which includes China, republic of Korea, DPRK, Mongolia, Japan and Russia, represents today one of the most dynamic developing regions in the world; at the same time it is characterized by the high distinctions in economic and political development of different countries. The Northeast Asian countries are close interconnected by trade, infrastructure and resource factors. The last decades show the growing activity in economic integration, the raise of regional trade and investments in Northeast Asia as the consequence of improving political climate and growing economic interdependence of the countries.

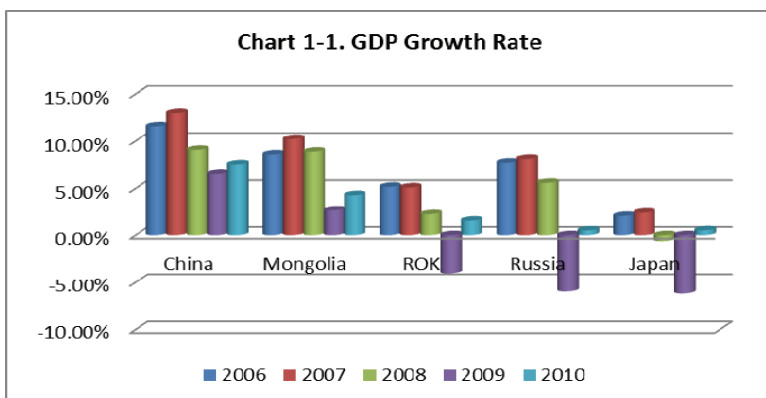
Northeast Asia is possessing enormous potential for investment and job opportunities with its skilled, educated and low-cost labor pool. The region is rich in energy and mineral resources and has favorable conditions for development of trans-regional transport corridors; the business community is interested in predictable, transparent and favorable conditions of functioning in NEA region and in harmonizing the economic rules.

Nevertheless, NEA remains till now the less integrated region in the world, without promoted regional organizations or Free Trade Agreements among the countries of the region. The main factors of the suspended integrative activities in the region are the differences in political order and economic development, the dramatic conflicts in the interstate relations in the past history, the difficulties in communication, including language barriers (till now the most people in the region, even high-level officials and businessmen, speak their native language only). The under-integration of the region creates serious obstacles for the business and provides a big contradiction to the globalizing economy. A close regional integration is needed in NEA because such

challenges as energy security, food security, environmental protection, natural catastrophes and others may be effectively solved only through the joint efforts.

Northeast Asian countries were hard hit by the global financial crisis that began in 2008, marked by plummeting growth rates across both the advanced and emerging economies of the region and Asia more broadly. The crisis was manifest in the sharp decline in global trade and FDI inflows, both for developed and developing countries, in the region mirroring the contraction in global demand and FDI inflows.¹ Access to cheap capital and high international consumer demand had been key drivers of the impressive growth rates of most Northeast Asian economies in recent years; with the collapse of these important pillars, the export-oriented economies lost momentum. Growth across East Asia slowed to 8.5% in 2008.²

Despite an initially sharp economic downturn, however, Northeast Asia's economies have proven resilient during the crisis, showing signs of rebounding earlier and more vigorously than the advanced economies. As in other parts of Asia, high savings and moderate debt, with solid balance sheets in both the household and corporate sectors, typify most economies in the region, enabling them considerable flexibility in implementing stimulus packages and policies. In addition, reforms introduced in the last decade to lower dependence on foreign borrowing, reduce non-performing loans, and strengthen official reserves have all contributed to giving most countries in the region a more solid foundation. Excluding Far Eastern Russia, Northeast Asia as a whole has seen its share in the global economy expand steadily, accounting for almost 18% of the global economy in 2008, putting it among the top three economic zones in the world.



Source:

- IMF – *World Economic Outlook Database*, April 2009
- *Figures of China, Republic of Korea, Russia, Democratic People's Republic of Korea, and Japan in 2009 and 2010 are estimated by IMF.*
- *Figures of Mongolia from 2008 to 2010 are estimated by IMF.*

¹ UNCTAD; Global economic crisis: implications for trade and development. May, 2009

² IMF; Regional Economic Outlook; Asia and Pacific – Global Crisis: the Asian Context. May, 2009; World Bank Data and Research.

Chart 1-2. Key Economy Indicators of Northeast Asia countries in 2009

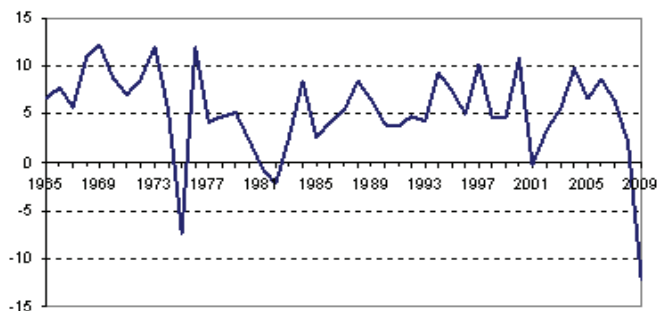
	China	ROK	Russia	Mongolia	DPRK	Japan
GDP (US\$ in billions)	4,833.0	727.1	1,163.6	4.0	N/A	4,992.8
GDP growth (annual %)	6.5	-4.0	-6.0	2.7	N/A	-6.2
Merchandise Trade (% of GDP) ³	67.8	75.1	44.8	101.9	17.7	30.4
Exports (US\$ in billions)	1,217.8	371.5	352.3	1.9	1.9	714.3
Imports (US\$ in billions)	956.0	356.8	199.7	2.1	3.2	622.2
FDI, net flows (US\$ in billions)	138.4	1.6	55.1	0.3	N/A	22.2
Inflation, GDP deflator (annual %)	7.4	0.3	13.5	2.2	N/A	-0.6
Population, total (millions)	1318.3	48.5	142.1	2.65	23.8	127.8

Source:

- IMF – *World Economic Outlook Database* (April, 2009) for GDP, GDP growth of China, ROK, Russia, Mongolia and Japan figures.
- World Bank – *World Development Indicators database* (April, 2009)
- ERINA – *Basic Economic Statistics* (May, 2009) for DPRK figures.

3. Current Trade and Investment Conditions in Northeast Asia

As the world pulls slowly out of the recession that saw a contraction of global output of 0.8% in 2009 (IMF data), Asia has emerged as a vital engine of the global recovery. While the U.S. economy may have suffered most from intensified financial strains and the continued fall in the housing sector, Western Europe and advanced Asia had also been hit hard by the collapse in global trade, as well as by rising financial problems of their own and housing corrections in some national markets.

Chart 2-1. Volume of world merchandise exports, 1965-2009 (Annual % change)

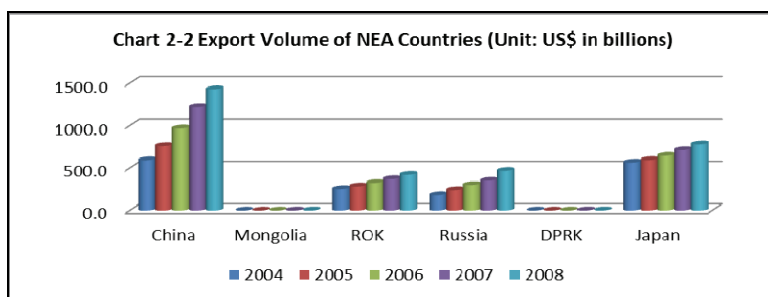
Source: WTO Secretariat

³ Merchandise trade as a share of GDP is the sum of merchandise exports and imports divided by the value of GDP

While the economic recovery in the United States and Western Europe remains fragile and still heavily dependent on fiscal policy stimulus amid such conditions as high unemployment and high household debt. Economic activity in Asia in contrast appears to have rebounded, despite the sharp contraction in exports beginning in mid-2008. Northeast Asian countries are highly dependent on trade and the drop in demand for exports from the region by the United States, European Union and Japan was an important factor in transmitting the crisis to the region.⁴ A UNESCAP report indicates that based on the most recent comparable figures, (2007 or 2008), the contribution of Asia and the Pacific to global merchandise exports was almost 34%. Two-thirds of the exports came from East and Northeast Asia, which include the region's two largest exporters, China and Japan.⁵

At the same time, **intra-regional trade** had also become an important ingredient in regional growth in Asia. The proportion of intra-regional trade to international trade, or intraregional trade dependency rate of Northeast Asian economies has increased steadily every year to till 2007. In part due to the global financial crisis, the proportion in 2008 remained at a similar level to that of 2007. With Northeast Asia, China, Korea and Japan have become each other's most important or second most important trading partner. Along with well-timed macroeconomic stimulus packages, it has been this intra-regional trade that has played a vital role in the region's economic recovery, a recovery which is itself playing a leading role in the resumption of global economic growth.

Given the demonstrated importance and tremendous potential for further development of intraregional commerce, an international investment and trade framework to deepen and expand areas of economic cooperation among Northeast Asian countries remains an important goal. A coordinated effort to boost intraregional market integration through improved transportation infrastructure and concerted efforts to remove barriers to trade and harmonize investment rules, for example, would facilitate sustained development in the region.



⁴ S. Y. Chia, Regional Trade Policy Cooperation and Architecture in East Asia. ADBI Working Paper 191. Tokyo: Asian Development Bank Institute, 2010: (<http://www.adbi.org/working-paper/2010/02/02/3450.regional.trade.policy.east.asia/>)

⁵ <http://www.unescap.org/stat/data/syb2009/22-International-trade.asp>

Chart 2-3 Import Volume of NEA Countries (Unit: US\$ in billions)

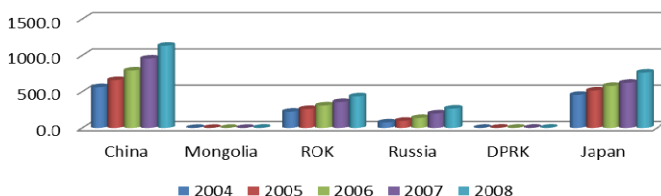
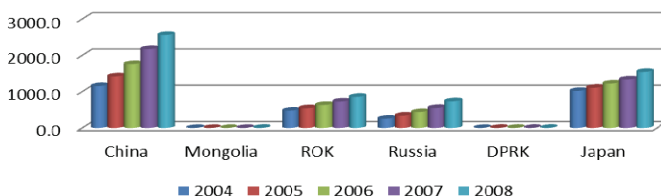


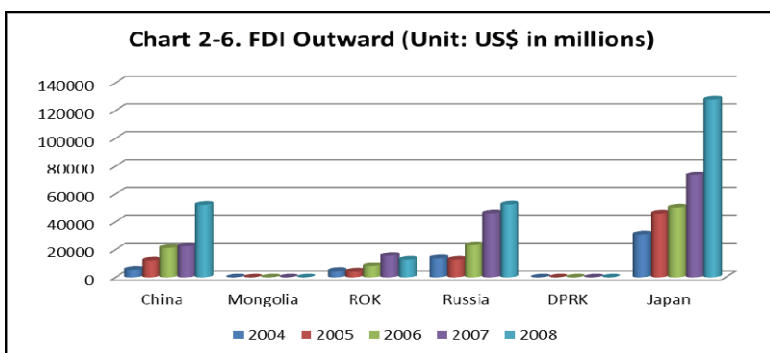
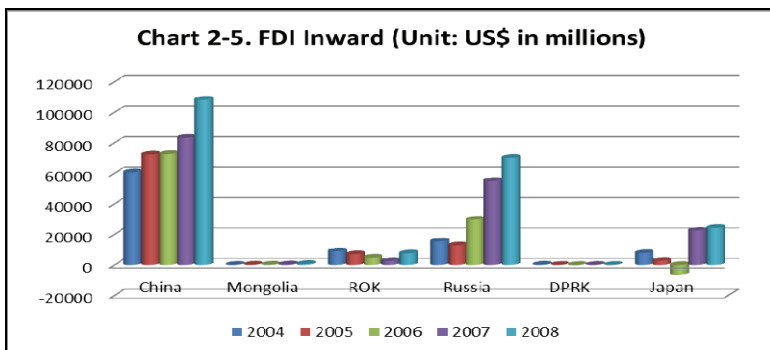
Chart 2-4 Trade Volume of NEA Countries (Unit: US\$ in billions)



Source:

- United Nations Statistics Division (UNSD) Annual Totals Table (ATT) (17 Nov, 2009) for China, ROK, Russia, Mongolia and Japan figures from 2004 to 2008.
- Congressional Research Service report "The North Korean Economy: Leverage and Policy Analysis" (August 14, 2009) for DPRK figures

Increased investment within the region has promoted production networks in Northeast Asia and the expansion of FDI has contributed to the development of a vertical division of labor in the region. To attract further foreign investment and achieve successful sustainable development, improvements to transportation infrastructure as well reform of domestic laws and regulations according to international standards should be encouraged. Although Northeast Asia has made progress toward facilitating trade and the free movement of goods and services, various types of non-tariff measures continue to distort markets. In order to advance market integration and expand market share, close policy cooperation within a regional framework, including a regional free trade agreement for Northeast Asia, should be adopted.



Source: UNCTAD – *World Investment Report* (2009)

PART II

TRADE AND INVESTMENT POLICY - COUNTRY OUTLOOK

1. PEOPLE'S REPUBLIC OF CHINA

Economic Overview

Since the Chinese government declared its strategy of "Going Global" in 2001, the flow of outbound investment from Chinese corporations and investors has grown steadily. Its total value rose from \$2.5 billion in 2002 to \$18.76 in 2007. In 2009, China announced it was prepared to support overseas acquisitions by Chinese companies with its massive foreign exchange reserves, promising to accelerate the accumulation by China of foreign corporate assets. At the same time, despite a decline from a high of exports constituting 40% of GDP in 2007 to 27% in 2009, Chinese growth remains heavily export dependent.⁶ Many of its exports are also from foreign-invested enterprises-- 85% of Chinese exports to the US are in this category, for example. In addition, China has played a significant role in the global supply chain as the location for both raw materials-based manufacturing and the processing of intermediate goods for export, making imports an important indicator of exports. A more recent development, however, reflecting rising domestic demand for consumer goods and manufacturing equipment, has been China's growing importance as a market for final goods, including importantly those imported from Asia. This demand for final goods from the Chinese market has played a significant role in the economic recovery underway in Asia.⁷

The Asian Development Bank lifted its 2010 GDP growth forecast to 9.6 percent, compared with 8.9 percent made in September 2009. For 2011, the ADB expects GDP growth to be slightly lower at 9.1 percent. Economists polled by Reuters expect growth this year to be around 9.5 percent, which would be enough for China to relegate Japan to No. 3 in the world economic rankings. Goldman Sachs expects China to eclipse the United States as the biggest economy by 2027.

Trade

The overall aim of China's trade policy is to open its economy to the outside world to facilitate the introduction of foreign technology and know-how, expand foreign trade, and contribute to economic development. China is actively engaged in the multilateral trading system and has also been intensifying its pursuit of bilateral/regional free-trade agreements with some of its trading partners. China has moved steadily toward achieving a level playing field for foreign and domestic investors in its economy. During the past two years, China has continued to take steps to improve predictability and transparency to enhance its business environment, including adopting a range of measures to enhance transparency in its public sector.

⁶ World Bank Office, Beijing, *Quarterly Update*, March 17, 2010; June 2010 : www.worldbank.org/china.

⁷ <http://www.imf.org/external/pubs/ft/reo/2010/apd/eng/areo0410.pdf>

China acceded to the WTO on 11 December 2001 and supports the multilateral trading system as the main channel to promote trade liberalization. At the same time, it views regional and bilateral trade arrangements as important platforms that interact with the multilateral trading system in a mutually beneficial way. China also supports the open regionalism approach of the Asia-Pacific Economic Cooperation (APEC) forum, and participates in various other regional trade forums, such as the Asia-Europe Meeting (ASEM), the ASEAN+3, and the East Asia Summit. These trade initiatives are complemented by China's participation in cooperative financial arrangements at the regional level, including the Chiang Mai Initiative (CMI) and the development of an Asian Bond Fund.

Trade between China and its neighbors has played an important role in accelerating the development of Northeast Asia in recent years. Chinese trade with Russia reached \$56.8 billion in 2008 ahead of the global financial crisis, falling to a still impressive \$38.8 billion in 2009. Two-way trade between China and the ROK has also been on an upward trajectory sustaining an average 25% annual growth rate for most of the 18 years since the two countries normalized relations, with the two countries becoming major players in each other's economies. By 2008, the volume of their bilateral trade represented more than 7% of China's total trade and more than 22% of total South Korea trade. China's trade with Mongolia has also grown. The establishment of a partnership of "good neighborliness and mutual trust" between China and Mongolia in 2003 has provided an impetus for the development of bilateral trade and economic cooperation between the two countries. China has been Mongolia's number one trading partner for a decade and in recent high-level meetings in 2010 proposed that a feasibility study be undertaken on a China-Mongolia free trade area (FTA). Closer economic ties have served the interests of both China and the DPRK and the two countries have sought opportunities to further develop bilateral economic cooperation. North Korean exports to China grew by more than 4% in 2009 from 2008.⁸ In mid-2010, the two countries signed an agreement to further economic and technological cooperation. China also announced plans in late 2009 for expanding its own domestic development initiatives along in its Northeast border region to facilitate both investment and trade. In addition to linking the city of Dandong, a city bordering North Korea along the Yalu, to other cities in Northeast China through expanded transit facilities, the so-called "Changchun-Jilin-Tumen" development scheme will also strengthen logistical links between Changchun, Jilin's capital, Yanbian, and other major provincial cities.⁹ China is also expanding rail lines to border ports with Mongolia amid expanding trade across the China-Mongolia border. In addition to new lines to Zhuengadabuqi,¹⁰ a line from Linhe in western Inner Mongolia to Ceke opened in late 2009, and a new line connecting Jinquan in Inner Mongolia to Ganqimaodu is also planned.

⁸ Hyung-Gon Jeong and Hokyung Bang, *An Analysis of North Korea's Principal Trade Relations*, Institut Français des Relations Internationales (IFRI), July 2010:

(<http://www.ifri.org/?page=detail-contribution&id=6155>); IMF, 2009.

⁹ China Economic Net, 2009.

¹⁰ "Border Railways to End Bottleneck on China Mongolia Trade," *People's Daily*, June 2, 2010: (<http://english.peopledaily.com.cn/90001/90776/90883/7009213.html>.)

Chart 3-1. China's Top Export Partners in 2008

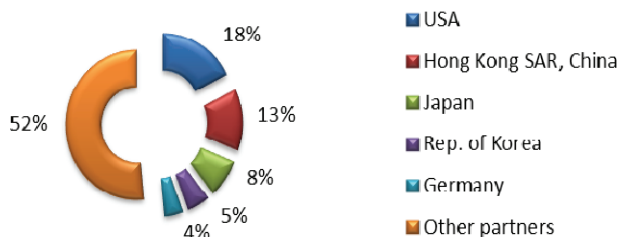
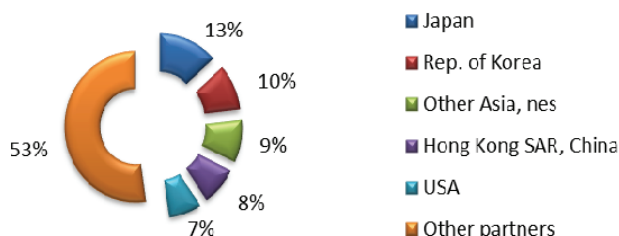


Chart 3-2. China's Top Import Partners in 2008



Source: United Nations Commodity Trade Statistics Database (UN Comtrade)

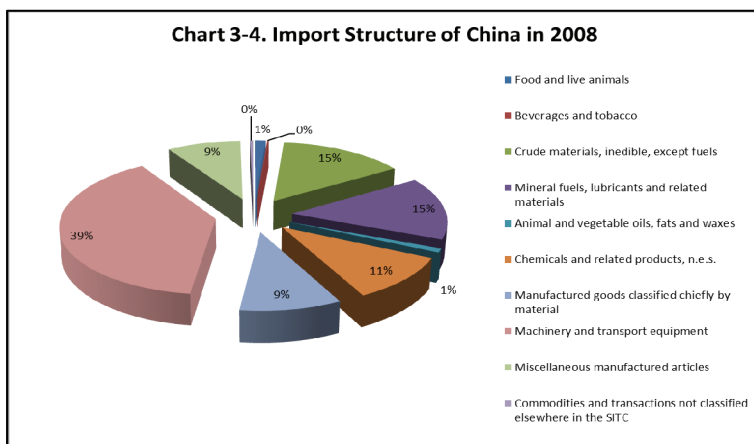
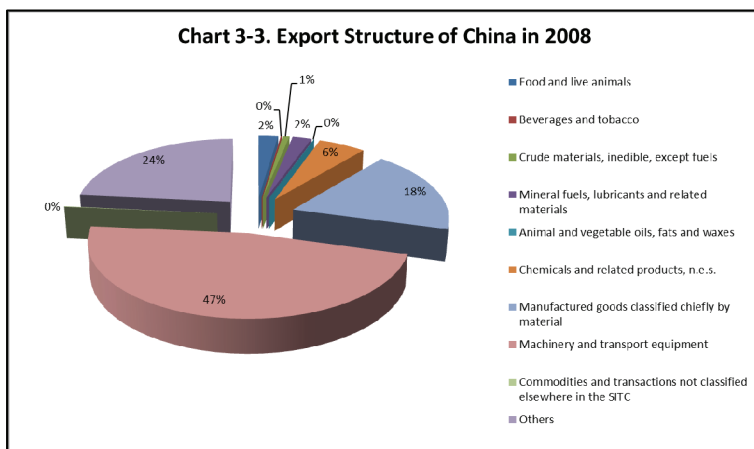
China's principal export products are machinery and transport equipment; its most important import products are the same. In 2009, machinery and transport equipment occupied about half of its exports, with other imported manufactured goods, including textiles, garments, electronics and arms, also weighing importantly in the composition of Chinese exports. More than 40% of Chinese imports in 2009 was machinery and transport equipment, with other major imports including inedible crude materials (except fuels), animal and vegetable oils, fats and waxes, and mineral fuels, lubricants and related materials.¹¹ Both China's production and trade structure is intermediate in Asia; less advanced Japan's and the first tier of newly industrialized economies (NIEs) (Singapore, the Republic of Korea, Taipei, China), but in some sectors considerably more sophisticated than that of the second tier NIEs (Indonesia, Malaysia, Thailand and the Philippines).¹²

In recent years, China's industry has become increasingly globally competitive. Even in the most robust global economy, however, downward pressure on the price of its exports represents a continual challenge for China's manufacturers, which generally face rising input costs. Under current global economic conditions, weaker-- although improving--markets for the capital intensive goods that now lead China's export sector have put pressure on this sector. Under these circumstances, many state-owned firms have

¹¹ United Nations International Merchandise Trade Statistics, 2009.

¹² "Trade Structure: PRC and the Region," Asian Development Bank Institute: Discussion paper No.13, 2004.

proved better able to weather the economic downturn, reversing a longstanding trend and strengthening the role of state-owned enterprises in the export sector. Labor intensive exports also faced declines, but at lower levels; however, they make up a relatively small share of China's total exports. That China has sustained economic growth during the crisis has been in large part the result of fiscal transfers, subsidies to consumers, and other policies, including tax cuts, although government-led investment is increasingly giving way to real estate which is playing a more and more important role.¹³



Source:

- United Nations Commodity Trade Statistics Database (UN Comtrade)

Note:

- General Imports CIF by commodities of SITC, Rev.3

- General Exports FOB by commodities of SITC, Rev.3

¹³ World Bank Office, Beijing, *Quarterly Update*, March 17, 2010; June 2010: www.worldbank.org/china.

All foreign trade-related laws, regulations, and rules are published in the *China Foreign Trade and Economic Gazette*, edited and published by MOFCOM. The Ministry of Commerce (MOFCOM) has main responsibility for policy coordination and implementation in respect of all trade-related issues. Other key agencies that have an influence on trade policy include: the National Development and Reform Commission (NDRC), which is in charge of overall national economic and social development policy; and the Ministries of Finance, Agriculture, Information Industries, Communications, and Land and Resources.

Foreign Direct Investment

China has received one-fifth of all foreign investment to developing countries over the past 10 years, including \$100 billion in 2008 alone. At this level it is also second only to the US in terms of FDI. But the ongoing financial crisis has brought about adverse impact on China's utilization of foreign capital impacted by worse conditions of the global FDI flows. FDI inflows to China decreased by 34.9% in 2009, although 2010 data indicates a possible reversal of this downward trend.¹⁴ According to China's Ministry of Commerce, not only are 50% of China's exports and imports attributable to foreign invested enterprises, foreign invested enterprises account for 30% of China's industrial output. FDI has thus been key to China double-digit growth since it opened to foreign participation in its economy.¹⁵

In recent years, however, as noted above, China has begun to increase its own Outbound Foreign Direct Investment (OFDI), from US\$ 12,261 million in 2005 to US\$ 21,160 in 2006 and US\$ 48,000 million in 2009.¹⁶ Excluding Hong Kong, OFDI from China has been flowing more rapidly to less developed economies than to advanced ones. Chinese OFDI is dominated by state-owned enterprises and is located in resource-rich countries, reflecting its role as the largest consumer of many commodities.¹⁷

¹⁴ The American Chamber of Commerce People's Republic of China (2009); Ding Qingfen and Matt Hodges "China has 'slim chance' to be top FDI site," *China Daily*, July 23, 2010: (http://www.chinadaily.com.cn/china/2010-07/23/content_11038384.htm.)

¹⁵ "Foreign Direct Investment-- The China Story," The World Bank, July 17, 2010: (<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/CHINAEXTN/0,,contenMDK:22648814~menuPK:318969~pagePK:2865066~piPK:2865079~SitePK:318950,00.html>.)

¹⁶ UNCTAD World Investment Report, Country Report: China, 2010.

¹⁷ Investment News, OECD, March 2008, Issue 6

2. REPUBLIC OF KOREA

Economic Overview

With a strong emphasis on exports and labour-intensive light industry, rapid debt-financed industrial expansion has allowed Gross Domestic Product (GDP) to increase rapidly in ROK since the 1960s. During the past four decades, ROK has achieved a remarkable record of growth and integration into the high-tech world economy. Government industrial policies created an environment for the country's extraordinary economic progress despite poor natural resource endowment, including import restrictions, directed credit and support of specific industries, benefitting at the same time from an exceptionally strong labor effort in the manufacturing sector.

Although this progress was stunted briefly during the 1997 Asian Financial Crisis, the ROK economy did not derail but continued integrating into global markets and gaining competitiveness. In the aftermath of the crisis, the government undertook structural reforms to improve supervision of the financial sector and corporate governance in line with international best practices as well as to further liberalize its trade and investment regime.

South Korea's recovery from the current global financial crisis has defied expectations; economic expansion resumed by the end of 2009. In addition to an expansionary monetary policy, an aggressive fiscal stimulus and public works projects to boost domestic consumption was one factor in rebound. Stronger than expected exports quickly emerged as the principal factor in the resumption of growth. A weaker won in combination with strong demand from China for Korean equipment and other products, including household appliances thanks to China's own fiscal stimulus that included subsidies to rural households for such goods.¹⁸

Trade

The ROK's general trade policy objective is to build a free economy based on market principles, and to promote international competitiveness of its businesses and economic growth through openness and reforms. Its economy has continued to become more outward oriented, with trade in goods and services rising; trade in goods and services as a share of GDP was 39.2% in 2000 and 53.5% in 2008 respectively.¹⁹ The ROK is actively seeking to diversify the nation's export market and import sources in order to avoid over-dependence on a few traditional trading partners, most notably China, Japan and the United States. The government acceded to the WTO in December 1994. While remaining committed to multilateralism, ROK has pursued free trade agreements (FTAs) with major trading partners or regional groups (ASEAN, Singapore, EFTA, United States) and continues or is planning negotiations with others, to establish an FTA network with large economic blocs and newly emerging markets. In 2009, the ROK signed an investment FTA for merchandise, services and investment with ASEAN. Expectations are that this agreement and other complementary measures will facilitate the expansion of the volume of trade between the ASEAN member nations and Korea to \$150 billion by 2015. The ROK also signed a free trade agreement with India in early 2010.

¹⁸ Asian Development Outlook 2010: Macroeconomic Management Beyond the Crisis: (<http://www.adb.org/Documents/Books/ADO/2010/KOR.pdf>).

¹⁹ OECD Country Statistic Profiles: Korea, 2010.

Among its trade partners, China has emerged as the ROK's most significant, accounting for 20.53% of its trade volume, an all time high, in 2009. As noted, South Korean exporters were beneficiaries of China's stimulus policies, which included subsidies for some of its most competitive products. Japan and the USA also have key trade relationships with the ROK.

The ROK regards trade with the DPRK as intra-Korean commerce in accordance with the 1992 Agreement on Reconciliation, Non-aggression and Exchange and Cooperation. Such trade is therefore exempt from tariffs. Trade with DPRK still requires approval from the Minister of Unification on the kind of products traded, the type of transaction, and the settlement method. Inter-Korean trade fell somewhat to \$1.66 billion from a record \$1.82 billion in 2008.²⁰

Chart 4-1. ROK's Top Export Partners in 2008

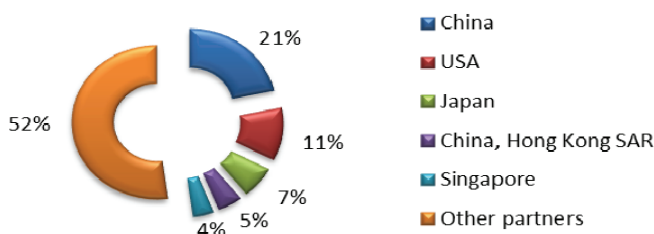
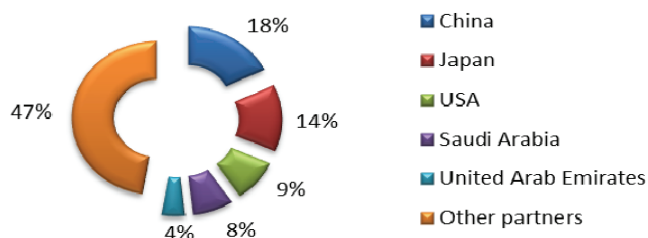


Chart 4-2. ROK's Top Import Partners in 2008

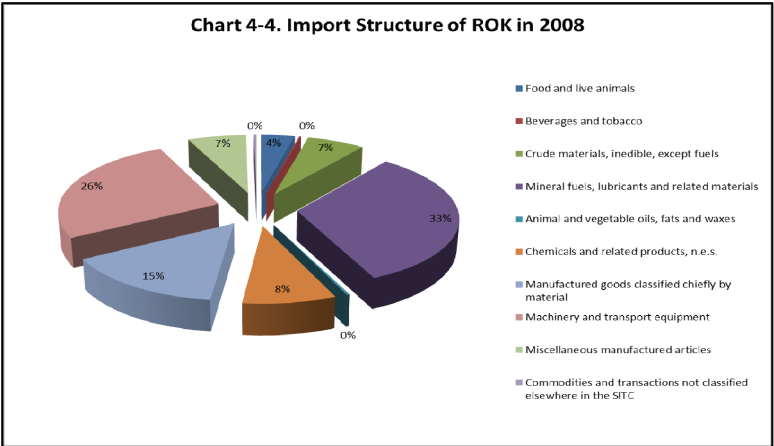
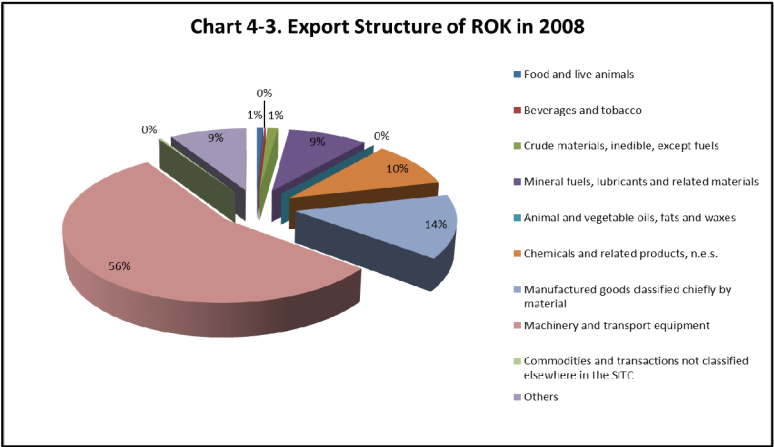


Source: United Nations Commodity Trade Statistics Database (UN Comtrade)

As mentioned above, the diversification of its exports over the past decade has proved an important factor in the resilience of its exports during the recent crisis. This reflects the deliberate pursuit by the ROK of a structural shift toward more skilled and technology-intensive production so as to upgrade its industrial structure and thus, enhance export competitiveness in the face of the loss of the comparative advantage Korea had enjoyed in labor-intensive manufactured exports in the 1970s.

²⁰ Deutsche Bank, February 2010.

Today the country's major export items are machinery and transport equipment (at 58.3% of the total exports), and manufactured goods (at 12.0% of the total). The ROK has established itself as one of the world's leading shipbuilders and manufacturers of electronics, semiconductors and automobiles. South Korea is highly dependent on imports of raw materials, particularly industrial raw materials such as mineral fuels and lubricants and foodstuffs.



Source:
- United Nations Commodity Trade Statistics Database (UN Comtrade)
Note:
- General Imports CIF by commodities of SITC, Rev.3
- General Exports FOB by commodities of SITC, Rev.3

Trade policy formulation and implementation involves several ministries: the Ministry of Foreign Affairs and Trade (MOFAT) has primary responsibility for international trade negotiations, including FTAs, and formulation and implementation of trade policies. In 2008, the Ministry of Commerce, Industry and Energy, which is responsible for export and import measures as well as for policies on industry, energy, and resources, was renamed the Ministry of Knowledge Economy (MKE); it now incorporates certain functions that were previously the responsibility of other ministries (i.e. Information and Communications, Science and Technology, Finance and Economy).

Foreign Direct Investment

In 2007, on the occasion of the 10th anniversary of the ROK's pro-FDI policy, the government initiated a new goal of increasing high value-added investment and established an action plan to support the national effort to attract foreign companies and expand FDI-related infrastructure. Inflows of foreign direct investment (FDI) are considerably lower in the ROK than in most other OECD countries. South Korean authorities recognize that FDI is of vital importance to economic growth. FDI stood at \$11.48 billion in 2009, down 1.9 percent from \$11.7 billion in 2008, according to the Ministry of Knowledge economy, a reduction far less than the more than 29% contraction in global FDI. This suggests that actions taken to boost the attractiveness of South Korea as a destination for FDI particularly after the Asian Financial crisis have had some effect. The included the simplification of the investment process, liberalization of the real estate sector, and tax and other incentives reserved for foreign-invested companies, as well as efforts to improve both the business and the living environment for foreign invested companies and their employees, may have been effective. The Foreign Investment Promotion Act (FIPA) now permits all FDI types, which include: establishment of new businesses, purchase of shares in existing businesses, mergers and acquisitions, with at least 10% foreign ownership; and loans of five years or longer from foreign parent or affiliated companies.²¹ Korea abides by OECD Codes of Liberalization of Capital Movements and of Current Invisible Operations, and the National Treatment Instrument. In addition, the relatively weak won relative to the US dollar reduced operating costs for many foreign investors in the country. However, the potential for FDI remains limited in some sectors as a result of restrictions, including television and radio broadcasting and nuclear power generation.

The ROK remains an important source of FDI for the rest of the world. OFDI from South Korea stood at 12,795 million in 2008.²² Various policy measures help support the expansion of overseas investment by South Korean firms, including SMEs. These include loan programs, such as a loan program under the Export-Import Bank of Korea to finance up to 80% of the total OFDI amount and loans under the International Economic Cooperation Fund for OFDI in developing countries. The Korean government has also signed investment protection agreements with more than 80 nations.

²¹ The legislation also recognizes foreign ownership of below 10% as FDI, where the investor enters agreements concerning officer's dispatch or appointment; a technical license or joint research/development; or the supply and purchase of products /raw materials exceeding one year. (KOTRA)

²² UNCTAD 2009.

3. RUSSIAN FEDERATION

Economic Overview

Russia is the largest country on earth, constituting more than one-ninth of the world's land area. It includes a collection of diverse territories at different stages of their development. Russia's economy is the tenth largest in the world and is centered on its key natural resources, oil and gas, heavy industry and more recently a growing commercial agricultural sector. Blessed with 20% of world oil and gas Russia is the global energy leader and able to fuel any industrial economy. Other chief exports are wood, wood products, metals, chemicals, weapons and military equipment.

The Russian economy underwent tremendous difficulties while converting to a free market economy in the 1990's. Its economic transition was exacerbated by lower international prices on Russia's major export earners and loss of investor confidence ensuing from the Asian financial crisis. Russia weathered the crisis well, however, and regained its confidence during the nine years leading up to 2008. Between the period of 1999 and 2007 it realized an impressive 83% growth partly due to the favorable commodity prices but also because of the important reforms that Russia was able to implement under Putin's first term. These economic reforms took place in the areas of tax, banking labor and land codes, and tight fiscal policy. Although these developments are ongoing the achievements thus far have steadily raised investor confidence and Russia's economic prospects.

This exemplary decade of growth was initially driven predominantly by a relatively weak ruble and high oil prices. Since 2003 domestic demand and most recently investment have played increasingly significant roles, however. Through 2007, Russia used its stabilization fund based on oil taxes to repay significant debts. Oil export earnings also allowed Russia to build up foreign reserves to \$470 billion at year end 2007. This meant Russia entered the financial crisis with strong macroeconomic fundamentals, making it in these respects better placed to deal with the sharp economic downturn than many other emerging markets.

At the other end of the spectrum, however, such a high dependence on a single commodity has meant the impact on Russia of the global crisis has been more pronounced. As the recession has set in more deeply, oil prices fell precipitously, with ripple effects on the stock market as investor confidence plummeted. The financial crisis deeply affected the Russian economy. In 2009, the GDP decreased by 8.5% as a result of sharp fall in investments, industrial production and consumption. The most considerable decrease was shown by the processing industry. Export decreased dramatically due to the fall in oil prices and raw materials on international markets, while import demonstrated also the negative tendencies due to shortage of internal demand. A swift and coordinated government policy response and substantial financial reserves proved invaluable in helping to contain the impact. Russia is experiencing a rebound in industrial growth in 2010, following an upsurge in new orders, which is contributing to a modest increase in employment opportunities.

Russia remains an attractive region for investment with a large population that has an increasingly higher purchasing power. A large consumer base with a growing percentage of consumer disposable income has been driving expansion in retail, healthcare, financial and medical segments. This has been extremely encouraging for an economy in need of sector diversification. Most encouraging though is that markets are far from

saturated. Russia's robust growth during much of the past decade has reduced poverty. Real GDP per capita grew on average by about 7 percent a year between 2000 and 2007. Meanwhile, the poverty headcount rate declined from 29 percent in 2000 to 13.4 percent in 2007. This implies that approximately 30 million people appeared to have moved out of poverty during 2000–2007.

In 2010, the Russian economy is demonstrating the signs of post-crisis recovery, started in the second half of the previous year. The most economic indicators got the positive tendency. Nevertheless, the investment activity remains rather slow, while the industry was showing some increase, especially, in the sectors of electronic equipment, chemistry and production of transport equipment. The raise of private consumption led to some the increase in domestic demand. The export and import are growing with expected amounts of 373 and 238 billion US\$ correspondingly by the end of the year. The GDP growth of Russia in 2010 is estimated by 4%.

Trade

Russia is geographically positioned to benefit from trade with both Europe and Asia. Most of its major export partners are European countries such as the Netherlands which occupies 12% of total export volume, Italy of 9%, and Germany of 7% (2008 figures). China is Russia's most chief import partner followed by Germany, Japan, the Ukraine, and US.

Chart 5-1. Russia's Top Export Partners in 2008

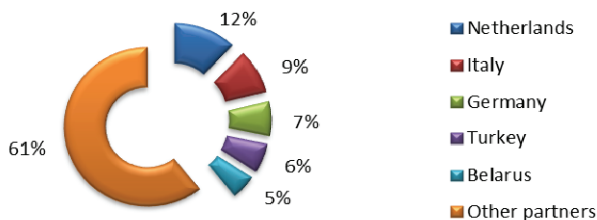
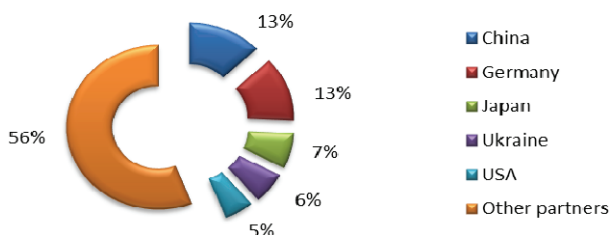
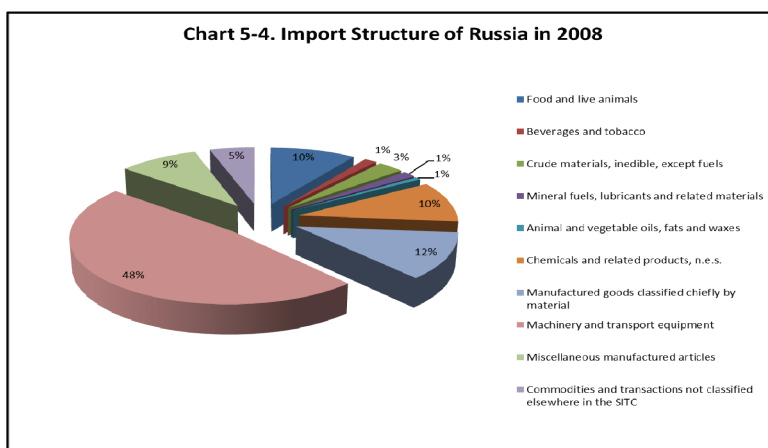


Chart 5-2. Russia's Top Import Partners in 2008



Source: United Nations Commodity Trade Statistics Database (UN Comtrade)

In 2008, 66 percent of the total value of Russian exports was gained from mineral fuels and lubricants. The next largest contributor was manufacturing which brought in 12 percent of total value. Crude materials (excluding fuel), took up about 8 percent in 2008 of total exports. Russia's main imports were mainly of mineral fuels, which made up 33% of total imports. Machines and transport equipment, manufactured goods took up 26%, 15% respectively of the total figure in 2008.



Source:

- United Nations Commodity Trade Statistics Database (UN Comtrade)

Note:

- General Imports CIF by commodities of SITC, Rev.3

- General Exports FOB by commodities of SITC, Rev.3

Russia has sought to diversify its exports. This has been done primarily through a purposeful effort to assist domestic businesses in further developing traditional markets and expanding into new ones, with a particular focus on science-intensive products and high technology goods, building on a highly educated workforce able to produce a wide range of technologically sophisticated products. There are very few countries able to offer such a broad a range of partnership opportunities or capabilities for cooperation in scientific or technical spheres. Discussions continue over Russia's accession to the WTO. Russia continues to maintain a number of barriers to with respect to imports and negotiations surround the modification of these measures in order for them to meet internationally accepted trade policies. Russia's foreign trade policy is regulated by the Ministry of Economic Development and the Ministry of Industry and Trade.

Foreign Direct Investment

Foreign direct investment (FDI) flows to Russia had risen steadily ahead of the crisis, reaching \$52.5 billion in 2007 compared to \$32.4 billion in 2006. Until recently, few of the profits from the fuel, gas and mineral industries were not substantially reinvested in Russia. Continuing political and economic stability, however, has encouraged successful industrialists to seek investment opportunities in high-growth sectors within Russia such as agribusiness, food processing, automotive, retail and telecommunication.

After a 2007 peak, the flow of capital flows suddenly reversed. The surplus of the capital account for the first three quarters of 2008 was only US\$ 0.5 billion, compared to US\$ 59.3 billion in the same period of 2007. The two main factors behind this abrupt change were firstly dampened investor sentiment and, second, a result of unwinding of ruble positions held by foreign investors betting on further ruble appreciation. Extraction industries had accounted for about half of the FDI in 2007. The initial fall in 2008 was largely due to decreased FDI in these particular industries. In addition, a new law governing foreign investment in companies with strategic importance also caused a move away from extractive industries.

Russia has sought to improve its climate for foreign investment and encourage investment in more diverse sectors in the past several years. In 2005 the Russian government passed a law on Special Economic Zones (SEZs). These zones target hi-tech industrial production business or progressive R&D zones. In November 2005, a tender was announced and six SEZs were established: in Zelenograd and Dubna in the Moscow region (focused on microelectronics and nuclear technology, respectively), St. Petersburg (information technology), Tomsk (new materials), Lipetsk (appliances and electronics), and Yelabuga (auto components and petrochemicals). Subsequent tenders for additional economic zones have since announced in addition to the above mentioned.

Foreign investment in Russia remains substantial. UNCTAD figures indicate an inflow of as much as \$70,320 million in 2008. The size of investment abroad by Russia the same year stood at \$US 52,390 million. Russia has remained among the largest markets for investment for the International Finance Corporation (IFC) and the European Bank of Reconstruction and Development (EBRD). Their 2007 investments, predominantly in the private sector of the Russian economy, amounted to \$US 2.8 billion and €10.5 billion respectively. Russia also top among beneficiary countries of the Multilateral Investment Guarantee Agency (MIGA).

4. MONGOLIA

Economic Overview

A former Soviet state, Mongolia began its transition to market-based economy and democracy in 1990, adopting a constitution that enshrined principles of private ownership and democratic government in 1992. The Mongolian economy is considered an open economy with free government-administered prices, exchange rates, and interest rates, in addition to a two-tier banking system and opportunities for private initiatives. Mongolia's main economic partners are Russia and China, with China its principal trading partner and export destination. It imports heavily from both China and Russia, including a striking 80 percent of its food supplies. The country continues to face many development challenges and relies heavily on aid from international organizations.

Since its transition to an open market economy Mongolia has sought to implement policies to promote and support foreign investment and trade. The economy experienced a 22 % drop in GDP between 1990 and 1992 during the initiation of its transition but has been growing consistently well since. During the time of transition between 1994 and 1999 Mongolia experienced a mean growth rate of 3.5%. This climbed significantly thereafter to 7.3%, 8.6%, 10.2% and 8.9% respectively in 2004, 2005, 2006, 2007 and 2008. Wholesale and retail trade contribute the most to Mongolia's GDP, followed by agriculture and then mining and manufacture. According to data from Mongolia's national statistic office, Mongolia's GDP expanded by 0.6% in 2009 from 2008 (in current prices) to approximately \$4.2 billion. Of Mongolia's 30,817 active businesses registered in 2006, 97.5% of them were classified as small entities and make up 60% of Mongolia's GDP. The majority of these businesses are also located in the capital of Ulaanbaatar. The informal sector provides also, however, is a large source of employment as well, especially in the capital city where about one-third of Mongolia's population of approximately three million is concentrated.

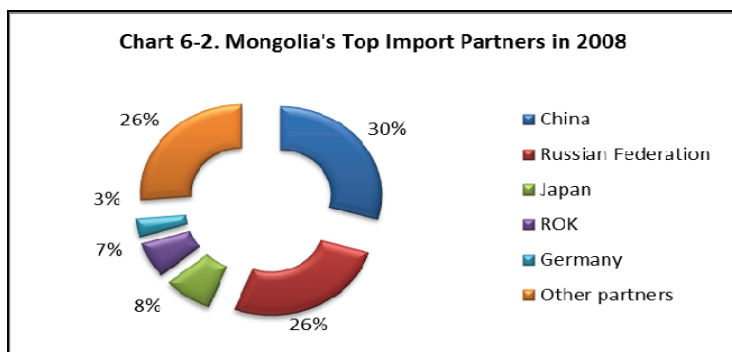
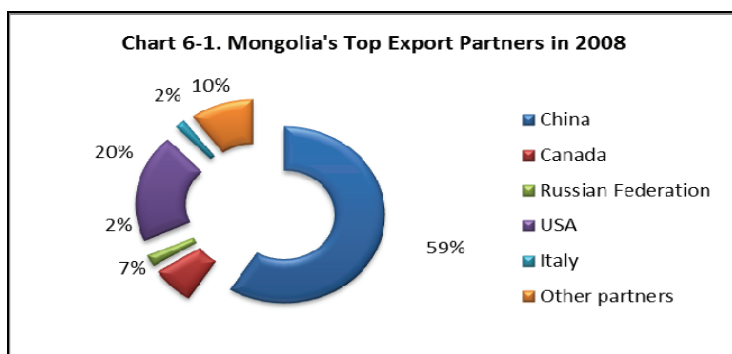
In response to the threat to its economy of the collapse of commodity prices associated with the global financial crisis, Mongolia introduced policies to help stabilize its economy. These included a fiscal stabilization law designed to contain fiscal spending within sustainable limits. This is in part also related as well to the substantial inflows of revenues expected from the development of the copper-gold Oyu Tolgoi mine beginning in the next several years, production from which alone may account for as much as 30% of the country's GDP. As of 2009 mineral sector revenues already fund a Human Development Fund through which cash and in-kind transfers are made to Mongolia citizens. The government has also focused on the development of infrastructure to facilitate trade and foreign and domestic investment. For instance, the Government of Mongolia approved a national program named "Transit Mongolia" aimed at making the landlocked country into transit country between Asia and Europe. It has also focused efforts on developing an information economy, expanding access to the internet and to digital information.

Trade

Since its accession to the WTO in 1997, most of Mongolia's laws covering trade, trade-related policies, and investment have been revised, updated or newly created to enable Mongolia to meet its commitments as a member of the multilateral trading system. Mongolia's overall trade policy objectives, as stated in the Action Programme of the Government of Mongolia for 2004-2008, are to support economic growth through an

active trade policy, promote the industrial, agricultural and services sectors, and increase exports. The Action Programme also aims to change Mongolia's export structure by diversifying export products and markets, and to work towards the establishment of free-trade agreements with its main trading partner, China, Russia and the United States.

Mongolia saw the value of its exports fall with the financial crisis as global demand softened and prices for many of the mineral and other commodities produces fell. Rapidly recovering demand from China helped ease the impact of the slowdown so that Mongolia's exports of \$1902.6 million in 2009 represented just a 3.1% decrease from the previous year.



Source: Asia Development Bank (2009)

Mongolia's main export commodities are crude materials, inedible, except fuels, occupies 71.0% in 2007. It imports are composed of machinery, transport equipment (29.5%) and mineral fuels, lubricants (27% in 2007. Mongolia has wide range of mineral resources and agriculture raw materials that could enable it to make significant contribution to the sustainable development of the region.

Chart 6-3. Export structure of Mongolia

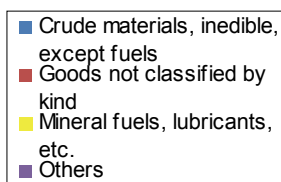
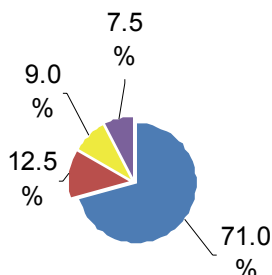
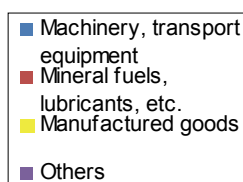
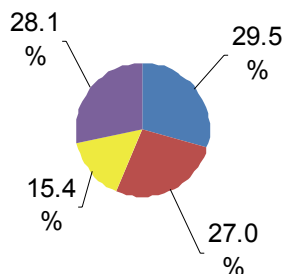


Chart 6-4. Import structure of Mongolia



Source:

- United Nations Commodity Trade Statistics Database (UN Comtrade)

Note:

- General Imports CIF by commodities of SITC, Rev.3
- General Exports FOB by commodities of SITC, Rev.3
- Data of 2008 is not available.

As applies to any new legislation in Mongolia, trade and trade-related laws may be initiated by a member of Parliament, the President, or the Government. Ministries and agencies of the Government prepare a draft bill for laws and regulations related to their executive jurisdiction. A draft bill is referred by the Chairperson of Parliament for submission to the relevant Standing Committee of Parliament, where it is discussed with the participation of ministries in charge. The Standing Committee on Economic Policy deals with Mongolia's main economic policy issues including trade policies. The formulation and implementation of trade policies is carried out by several ministries and agencies in consultation with representatives from the private sector. Currently, Mongolian trade policy is formulated and coordinated by the Ministry of Industry and Trade (MIT). The Ministry has the main responsibility for all issues related to trade, including trade promotion/facilitation and export development. Within the MIT, the Trade Policy and Cooperation Department is responsible for coordinating trade policy. The MIT supervises the Foreign Investment and Foreign Trade Agency (FIFTA) and the Mineral Resources and Petroleum Authority. The Customs General Administration, established

under the Ministry of Finance (MOF), is responsible for enforcing the customs legislation, levying and collecting customs duties and other taxes, and preparing and submitting customs statistical data to the National Statistical Office.

Foreign Direct Investment

From 1990 and to 2009, Mongolia attracted approximately \$3.8 billion in FDI. Most FDI has flowed to the mining (and exploration) sectors. China has been a major source of FDI to Mongolia in recent years. In late 2009 alone, China's sovereign wealth fund, the China Investment Corporation, committed \$1.2 billion to the coal and iron ore sector in Mongolia. In the last two years, Canada, South Korea, Japan, Singapore, the British Virgin Islands, and the Netherlands have been the top sources for FDI to Mongolia. Foreign direct investment has continued to focus on the mining industry with other funds going into banking and construction.

Mongolia's stable political environment and open economic policy stand as large attractions to foreign investors. Mongolia also has access to the significant Chinese and Russia economies, with which it shares 4677-km and 3,441 km long borders respectively, and is rich in reserves of raw materials and minerals. In addition to this, the favorable legal environment and a vast natural environment make Mongolia a diverse investment place. Through active encouragement of FDI the Mongolian government aims to reach its three primary development objectives of accelerated and sustainable growth, the transfer and application of skills and technology, and the development of an export-oriented and private sector driven economy with the further expansion of internationally competitive production. Government policies in this direction have included tax incentives and legal guarantees regarding investment protection, investor rights, property ownership and also removal of unnecessary administrative barriers and procedures.

The main law governing foreign investment in Mongolia is the Foreign Investment Law. Under this law, wholly foreign-owned business entities are allowed and inward foreign direct investment (FDI) receives national treatment. No restrictions are imposed on the size and content of FDI into Mongolia, except that investment in the production of weapons is prohibited. Foreign nationals or companies are not allowed to own land in Mongolia; however, they can lease land for up to 60 years. FDI into Mongolia cannot be legally expropriated. Foreign investors can remit income, profits and payments out of Mongolia without any barriers; they are subject to a 20% withholding tax. The Foreign Investment and Foreign Trade Agency (FIFTA) are responsible for foreign investment policy formulation and implementation. Mongolia has concluded agreements on avoidance of double taxation with 31 countries. It has also signed agreements on Mutual Protection and Promotion of Investments with 34 countries.

5. DEMOCRATIC PEOPLE'S REPUBLIC OF KOREA

Economic Overview

It is estimated that the economy of DPRK shrank by 2.3% in 2007 and industrial output and power production continued to decline in parallel from their highs in the 1990s. However, because of the DPRK's strategic location in East Asia, where it is surrounded by four major economies, and a young, cheap, skilled workforce, the economy has the potential to grow at 6 to 7 percent annually. Other estimates indicate that the economy may have rebounded somewhat thanks largely to the contribution of rising exports to grow at 3.7% in 2008 and has sustained that level of growth since then.

Currently, heavy and light Industry dominates the DPRK economy, contributing about 39% to the national economy. The service sector and agriculture follow at 31% and 30% respectively. Major industries include: machine building, electric power, chemicals; mining (coal, iron ore, limestone, magnesite, graphite, copper, zinc, lead, and precious metals), metallurgy; textiles, food processing; and tourism.

International trade is currently highly restricted in the DPRK, which relates to the country's commitment to a policy of self-development or self-reliance. Since 2005 – when the government terminated most international aid – the country has received foreign developmental assistance mostly in the form of grants and long-term loans. These have been used to feed the population as severe flooding and draughts as well as systematic problems such as a deficient arable land, poor farming practices and lack of fuel have led to food shortages over the past decade. The DPRK introduced partial marketization measures. In 1998 amendments to its constitution gave legal recognition to the concept of private property and relaxed controls on what entities were allowed to possess means of production. Several years later, state-set prices for selected commodities were allowed to adjust near their market levels, while wages in priority sectors were boosted. In 2003, authorities relaxed restrictions on farmers' markets, giving ordinary citizens limited freedom to buy and sell a range of food and manufactured goods.

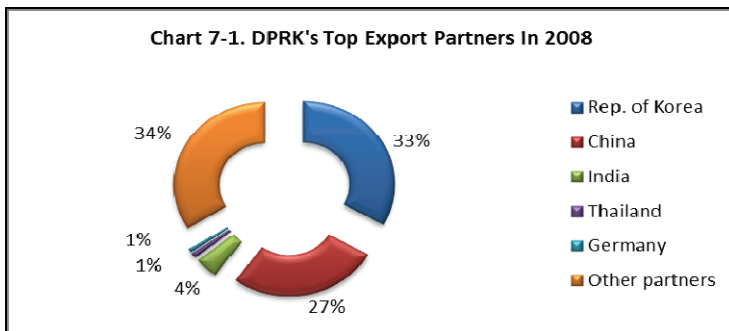
The DPRK has also issued extensive laws and regulations designed to foster foreign investment under conditions of partial openness. These include its Foreign Investment Law, the Foreign Enterprises Law, and the Foreign Economic and Trade Zone Law. The Foreign Investment Law provides preferential treatment for investment in "sectors that require high and modern technology, sectors that produce internationally competitive goods, the sectors of natural resource development and infrastructure construction, and the sectors of scientific research and technology development." The Foreign Enterprise Law provides the basic framework for the creation of wholly foreign-owned entities that are permitted only in free economic and trade zones. These zones, similar to those established in China, allow foreign enterprises involved in the high-tech manufacture of internationally competitive goods in electronics, automation, machine tool and power industries; food processing, garment and everyday consumer goods; building materials, pharmaceuticals and chemicals; construction, transportation and service sectors; and other sectors deemed necessary.

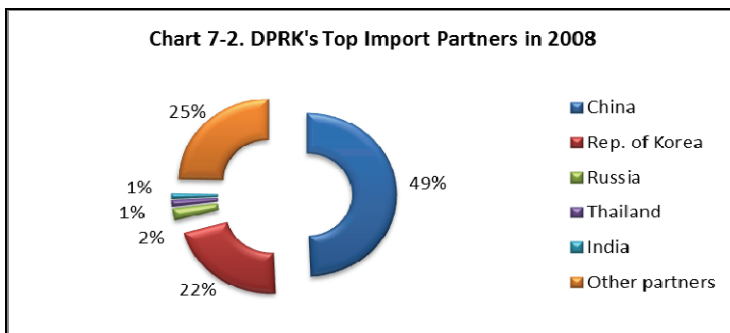
The Foreign Economic and Trade Zone Law was the DPRK's initial step to creating market-oriented development zones to attract foreign investment. So far, it has mostly been companies from neighboring countries that have invested in these zones. The Republic of Korea joined the DPRK to initiate the Kaesong Industrial Complex and China

has shown an interest in seeing a number of proposed zones move forward, including cooperative development between China's Dandong and the DPRK's Sinuiju cities on the Yalu River, and the Rajin-Sonbong (later Rason) free economic trade zone, including the port of Rajin and Sonbong City, move forward. The Sinuiju zone was launched in 2002, but failed to move forward. The Rajin-Sonbong zone was initiated in December 1991 at a time when discussions about the TRADP were underway. In 1993, the two cities were merged and in 2004 officially renamed "Rason." As will be discussed below, new development in these two areas appears to have resumed recently. The establishment of the Kaesong Industrial Zone, just north of the DMZ and only 50 kilometres from Seoul, was seemingly a sign of improving relations between the DPRK and ROK. The zone, run by the Hyundai Asan Corporation is a production and re-export platform for ROK's small and medium enterprises, employing several thousand North Koreans. It has been an important source of hard currency for North Korea. A rail link connecting Seoul to the zone started to operate in December 2007. Kaesong has been a key symbol of cooperation between North and South Korea but the disruption of all official relations between the two countries amid military tensions and the removal by North Korea of South Korean personnel from the complex has cast some doubt over its future prospects.

Trade

Although the relationship between DPRK and ROK has grown tense recently, ROK has remained DPRK's second largest trading partner for years, behind only China, and followed by India, Russia and Thailand. In 2008, Algeria, Venezuela and Brazil joined these countries as among the more prominent actors in North Korean trade. China and South Korea dominate the share of two-way trade with North Korea, with China an increasingly important destination for North Korean exports of extracted resources and source of imports, including refined petroleum products, agricultural good, chemical products, plastics, equipment and apparel. The bulk of North Korea's trade deficit is with China (an estimated 60.3% in 2008); the North's trade with South Korea, however, has historically been in its favor.





Source: Congressional Research Service report "The North Korean Economy: Leverage and Policy Analysis" (August 14, 2009)

Foreign Direct Investment

Kaesong Industrial Complex

The DPRK started experimenting with market system in 2002 with the opening of the Kaesong Industrial Complex. Kaesong allowed joint ventures between both Koreas and helped boost trade between the two sides over US \$1 billion for the first time in 2005. As of September 2008, 79 firms from the ROK were manufacturing goods in the KIC, employing more than 33,000 DPRK workers. Most of the goods that had been produced until the expulsion of ROK personnel had been sold in the South; a small quantity had been exported to foreign markets.

Siniju-Wi Hwa Island Free Trade Zone

The DPRK plans to develop Wi Hwa Island or Jo-chung Uigyo in the Yalu River, which separates the country and China, into a free trade zone, according to some recent reports. Part of the DPRK's city of Sinuiju and near the Chinese city of Dandong in Liaoning province, Wi Hwa Island is approximately 15.5 square kilometers in size. Pyongyang is said to have plans to set up trade exhibition facilities on the island and allow Chinese to visit the island without visas. Chinese citizens will be able to freely buy and sell daily necessities, food and other goods in the zone. Late last year, North Korea opened a Dandong branch office of its consulate general in Shenyang to stimulate border trade with China. During the visit of General Secretary of the Workers' Party of Korea and chairman of the National Defense Commission of the DPRK, Kim Jong Il to China, the two sides announced plans to build a new bridge to replace the deteriorating China-North Korea friendship bridge in this area across the Yalu.

Rajin-Sonbong/Rason Special City

The Rajin-Sonbong Free Economic Trade zone created by the DPRK in 1991, recognized for its development potential in the TRADP and of subsequent efforts by the DPRK to attract investment, including a 1996 investment fair, has been slow to gain traction as a venue for FDI. Investments have included Hong Kong investment in a hotel (through 2005) and the selection of an energy plant at Sonbong to receive heavy fuel oil under the Geneva Agreed Framework. More recently, however, with the elevation of Rason to "special city" status by North Korea in January 2010, following the visit of Kim Jong Il to the zone in late 2009, this ice-free port area has attracted new attention as a

venue for investment by foreign entities. Some news sources suggest that a new investment group along with a State Development Bank have been established to finance and facilitate development of Rason.²³

While in the 1990s, China's capacity to play a role was limited, current plans by Chinese investors include the lease and modernization of a pier at Rajin and reports indicate that Hunchun, a Chinese border city near Rason, will pave the dirt road from the China-North Korea border crossing between Quanhe-Wonjong custom facilities and the port. Russian investments are also planned, such as the 50-year lease of a pier at Rajin as well and the Khasan-Rajin Railway project. Success of the latter would ultimately mean greater trade volumes and more efficient and less expensive trade between the Koreans and Europe, contributing to improved socioeconomic development throughout the Northeast region. Successive negotiations led to the official launch of project October 2008. Russia has started repairs on the track some 50 km north east of the Rajin port to link this special economic zone to its town of Khasan. To implement the project, the joint venture "RasonConTrans" was set for a term of 49 years, with the Russian Railways Trading House holding 70% of the registered capital and the port of Rajin the remaining 30%. A total of 10 stations, two tunnels, and over 40 bridges have been planned. Construction of a container terminal at Rajin port--to be built on 20 hectares of port territory owned -- is an element of the project. The project will enhance Russia's import and export capability in the Sea of Japan where South Korean and Japanese goods enter Russia's Far East. The rail link will provide raw materials, food stuffs and manufactured goods to undersupplied areas of North Korea.

Mt Kumgang Tourist Special Economic Zone (SEZ)

In 1998, Hyundai and North Korea's Asia-Pacific Peace Committee (APPC) signed an agreement for a special tourist project at Mt. Kumgang. The project not only served to boost tourism to the DPRK and people-to-people exchanges, it also boosted inter-Korean trade and sparked efforts to improve transportation links between the North and South Korea to facilitate tourism from the ROK. Some problems related to the security of tourists to the site led to the suspension of tourist visits. Tourist activity is expected to resume, however; a ceremony of the Inter-Korean Buddhists was held in the fall of 2009.

²³ Park In Ho, "Rason need Big changes to Succeed," *DailyNK*, January 6, 2010: (<http://www.dailynk.com/english/read.php?catald=nk00400&num=5872>).

6. JAPAN

Economic Overview

Japan was hard hit by the global financial crisis which saw a contraction in real GDP through mid-2009. Official data indicates a positive growth rate for the year of 2.0%, however. Both investment activity and private consumption fell more in Japan than in other advanced economies, while a strong yen reduced the competitiveness of Japanese exports. With higher-end products dominating its export mix, its exports were harder hit than were those from countries whose sales included machinery and household goods, like South Korea. Japan saw the sharpest decline in exports among Asia's export-oriented economies.²⁴

The world's second largest economy is forecast to grow modestly in 2010, with some projections calculating a real growth rate of as much as 3.0%.²⁵ Massive stimulus measures, including cash handouts, and other policies to deal with the crisis are starting to have an effect. The government amended the Act on Special Measures for Strengthening Financial Functions to help protect those financial institutions that had not been deeply affected by the crisis. In addition, thanks in part to effective policy measures under new Emergency Economic Measures formulated in mid-2009, ²⁶ Japanese unemployment figures were far stronger than those in the US-- 5.2% compared to more than 9% in the US; however, wages are still falling in nominal terms.²⁷

Japanese firms trying to make the most of their competitive advantage in energy saving and environmentally friendly technology could play a positive role in the country's economic revival and sales of goods from plastic materials to vehicle parts to China are already helping the economy post stronger than expected gains.

Nonetheless, Japan's economy continues to underperform as the supply of goods in the economy continues to outstrip demand, and associated deflation is contributing to public borrowing, expected to exceed tax revenue for the first time this year. Japan's aging population and low birth rate is also a drag on productivity. Implementing plans to liberalize labor markets, including through greater regional integration, will help improve productivity.

Trade

Japan's trade policy priorities include strengthening the multilateral trading system. Japan's overall objective is to ensure long-term prosperity and growth by promoting business activities in Japan and at an international level. Nonetheless, Japan is of the view that its regional and bilateral free-trade agreements complement trade liberalization at the multilateral level. Japan grants preferential treatment to products from certain developing and least developed countries under its Generalized System of Preference (GSP) scheme. The current GSP scheme, which is valid until 2011, extends to 141 countries and 14 territories. On 1 April 2007, Japan expanded the preferential (i.e.

²⁴ IMF Regional Economic Outlook: Asia and Pacific 2010:
(<http://www.imf.org/external/pubs/ft/reo/2010/apd/eng/areo0410.pdf>.)

²⁵ OECD

²⁶ Japan, Cabinet Office, June 22, 2010: (<http://www5.cao.go.jp/keizai1/2010/2010ep.pdf>)

²⁷ IMF Regional Economic Outlook: Asia and the Pacific 2010.

tariff-free and quota-free) treatment granted to 49 least developed countries (LDCs), covering 98% of all tariff lines. The main beneficiaries of Japan's GSP include China, Thailand, Indonesia, the Philippines, and Vietnam. The GSP scheme excludes many agricultural products and some industrial products. Concurrently, Japan has been intensifying its pursuit of bilateral/regional arrangements involving free-trade agreements; Japanese authorities state that this is not just in areas covered by existing WTO Agreements, but also in areas like trade facilitation, investment, movement of natural persons, competition policy, and improvement of the business environment.

Chart 8-1. Japan's Top Export Partners in 2008

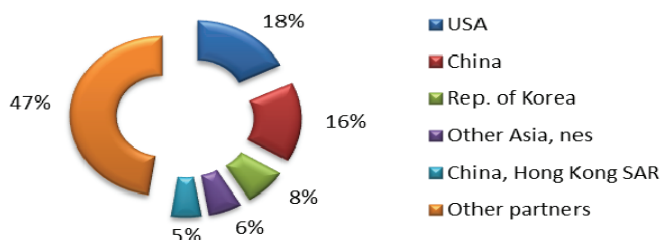
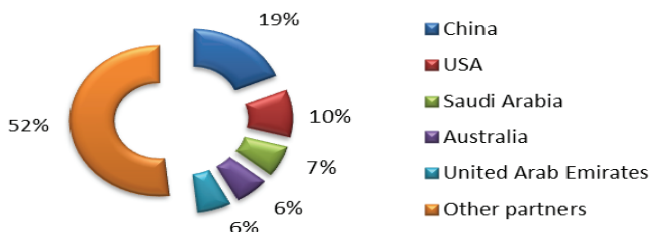


Chart 8-2. Japan's Top Import Partners in 2008



Source: United Nations Commodity Trade Statistics Database (UN Comtrade)

Japan is the world's largest maker of machinery and transport equipment. Historically, the United States has been Japan's largest export market. Japan imports mineral fuels, lubricants and other raw materials from mostly Middle East and Australia and uses these resources to make high technology items. In the face of anemic demand for Japanese automobiles from a still fragile US economy, sales of Japanese goods to China came to occupy the lion's share of the country's exports in 2009. As Japan's leading source of imports, China has been Japan's top trading partner since 2006.

Chart 8-3. Export Structure of Japan in 2008

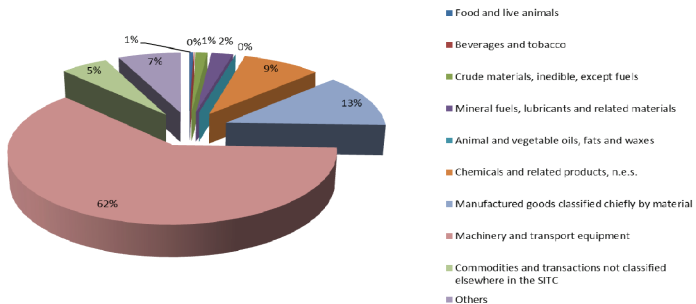
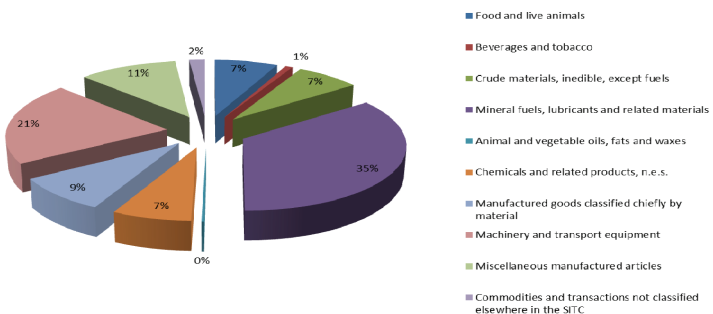


Chart 8-4. Import Structure of Japan in 2008



Source:

- United Nations Commodity Trade Statistics Database (UN Comtrade)

Note:

- General Imports CIF by commodities of SITC, Rev.3

- General Exports FOB by commodities of SITC, Rev.3

Trade-related issues remain the responsibility of a number of ministries, including the Ministry of Foreign Affairs (MOFA), and the Ministry of Economy, Trade, and Industry (METI). Other ministries and agencies with responsibility for sectoral issues are also involved in trade policy formulation and implementation.

Foreign Direct Investment

Inward FDI in Japan remains substantially lower than outward FDI, and is relatively low compared with that in other large OECD economies. Taking the year of 2007 as an example, inward FDI was US\$ 22,549 million, while outward FDI flow was \$73,549. Against this background, Japan has continued to take measures to make itself an attractive investment destination for foreign firms; in March 2006, it set a new goal of doubling the share of FDI in GDP by 2010. The authorities consider that FDI brings benefits to Japan by, for example, creating new management resources, such as personnel, capital, and sales networks and bringing in new technologies; creating employment opportunities; and increasing benefits to consumers by providing wider choices and better quality of goods and services resulting from intensified competition introduced by FDI.

The regulatory regime on inward and outward FDI is governed mainly by the Foreign Exchange and Foreign Trade Act, together with relevant cabinet and ministerial ordinances. There are no tax measures aimed specifically at FDI promotion (excluding provisions of tax treaties). The authorities maintain that no estimates are available for tax revenue forgone through measures to promote FDI, partly because some tax measures with other objectives may also contribute to increasing FDI. No financial measures have been introduced specifically to promote FDI in Japan. Japan's current measures, aimed at removing obstacles to FDI, appear to be associated largely with institutional reforms, such as those of regulations on cross-border mergers and acquisitions as well as movement of natural persons, improvement in infrastructure related to logistics and R&D, improvement in medical care and education for foreigners, and seminars and sales campaigns by ministers and local government leaders to invite FDI into Japan.

PART III

1. Regional Challenges and Potential Opportunities

Countries in NEA region have different national situations, political systems, regulations, and levels of development. It is critical for the region to intensify inter-governmental cooperation to increase mutual trust and promote mutual understanding. To reduce barriers to capital flows and direct investment, regional cooperation should be institutionalized and policy dialogue and coordination should be strengthened. In addition, micro-policy guidance is required for regional investment cooperation to improve current information sharing facilities to better serve business activity.

Issues of sustainability, equal opportunities and social fairness, and social and welfare policies are among the shared concerns of Northeast Asian nations. The region's overall economic performance will benefit from ongoing and increased efforts to build the rule of law in all aspects of economic life. Most countries in question are pursuing successful macroeconomic policies for currency and price stability as well as in terms of market structure. Also, the protection of private property, an essential precondition for foreign direct investments is on the rise.

The economic performance of all countries is impressive; however, the risks to its sustainability from a wide range of factors are high. These include the rapid rise of energy needs to support rapid growth, with the economic, investment, environmental and geopolitical issues associated with it; rising pollution and ecological pressures that carry implications for food supplies; the region's demographic transition; and ongoing international political tensions, among other concerns.

Despite these challenges, Northeast Asia remains well endowed with natural resources and market potential. The Greater Tumen Region offers the range of resources for economic development while the GTI provides the multilateral framework for identifying areas for policy cooperation to develop sustainably and opportunities for accelerating regionally balanced economic growth, reducing poverty, and raising productivity and employment. The more active regional political and economic actors have been in the GTI process and the more they have joined forces across borders to coordinate their domestic policies and planning, the greater the benefits to all. Dialogue around sustainable development of the region among its member countries with their rapidly transforming economies contributes to regional stability. Further and proactively promoting public-private partnerships across the region will help further speed regional infrastructure development and identify additional investment opportunities.

According to data of 2008, China is the largest intraregional trade partner for other Northeast Asian countries, who takes up 18% of annual total trade with ROK, 8% with Russia, 42% with Mongolia, 40% with DPRK, and 17% with Japan. Japan also played an important role in the intraregional trade following China, while Mongolian doesn't have much trade within the NEA region, except with China. Russia, ROK, and DPRK had relatively tight trade relationship with other NEA countries.

2. Economic Forecast for Northeast Asia

Despite improved growth in 2009, advanced economies will expand at no more than about 3% through 2010. Sustained unemployment, accumulating inventories, and the wind down of government stimulus spending amid a still weak housing market are among the factors constraining growth. In addition, credit remains tight, uncertainty remains in financial markets, and the fiscal positions of some countries in the euro zone will continue to fuel worries about contagion.²⁸ In emerging economies, financing conditions will likely remain acute for some time—especially for corporate sectors that have very high rollover requirements.²⁹ Much tighter credit conditions, improved but still weak capital inflows to middle-income countries, and a sharp reduction in global import demand are expected to be the main factors slowing recovery in developing countries. Trade volumes are recovering momentum, led by imports to emerging markets, which will return to 2008 levels. Revised IMF predictions expect world trade flows to grow by over 5% this year. While equity markets will continue to return to health, bank credit to the private sector has not recovered, tightening consumer markets for goods and limiting growth for SMEs. After a decline in net private debt and equity flows to developing countries in 2009, they are expected to recover this year, however, rising only 3.5 percent in middle-income countries, compared to a 13.2 percent increase in 2007.³⁰

Chart 9-1. World Economic Forecasts

Global Conditions	2006	2007e	2008f	2009f	2010f
World Trade Volume	9.8	7.5	6.2	-2.1	6.0
Consumer Prices					
G-7 Countries ^{a,b}	2.2	1.7	3.3	1.6	1.8
United States	3.3	2.6	4.5	2.5	2.8
Commodity Prices (expressed in U.S. dollars)					
Non-oil commodities	29.1	17.0	22.4	-23.2	-4.3
Oil Price (U.S. dollars per barrel) ^c	64.3	71.1	101.2	74.5	75.8
Oil Price (percent change)	20.4	10.6	42.3	-26.4	1.8
Manufactures unit export value ^d	1.6	5.5	9.0	2.1	1.3
Interest Rates					
\$, 6-month (percent)	5.2	5.3	3.3	1.9	2.5
€, 6-month (percent)	3.1	4.3	4.9	3.8	4.2
Real GDP Growth ^e	2006	2007e	2008f	2009f	2010f
World	4.0	3.7	2.5	0.9	3.0
Memo item: World (PPP weights) ^f	5.0	4.9	3.6	1.9	3.9

²⁸ World Bank, "Global Economic Prospects," (2010).

²⁹ IMF World Economic outlook (April, 2010)

³⁰ World Bank; Global Economic Prospects (2009)

High Income	3.0	2.6	1.3	-0.1	2.0
OECD Countries	2.9	2.4	1.2	-0.3	1.9
Euro Area	2.9	2.6	1.1	-0.6	1.6
Japan	2.4	2.1	0.5	-0.1	1.5
United States	2.8	2.0	1.4	-0.5	2.0
Non-OECD Countries	5.5	5.6	4.3	3.1	5.3
Developing Countries	7.7	7.9	6.3	4.5	6.1
East Asia and Pacific	10.1	10.5	8.5	6.7	7.8
China	11.6	11.9	9.4	7.5	8.5
Indonesia	5.5	6.3	6.0	4.4	6.0
Thailand	5.1	4.8	4.6	3.6	5.0

Source: World Bank; *Global Economic Prospects* (2009)

Note: PPP = purchasing power parity; e = estimate; f = forecast.

^a Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.

^b In local currency, aggregated using 2000 GDP Weights.

^c Simple average of Dubai, Brent, and West Texas Intermediate.

^d Unit value index of manufactured exports from major economies, expressed in U.S. dollars.

^e GDP in 2000 constant dollars; 2000 prices and market exchange rates.

^f GDP measured at 2000 purchasing power parity (PPP) weights.

GDP for Asia as a whole is projected to grow as much as 7.9% this year thanks to continued effects from stimulus policies in the context of improving exports, rising consumer confidence, and higher prices for oil and other resources.³¹ However, Northeast Asia should brace for a sustained fall in US consumption and continue to seek to generate more regional demand. Industrialized countries excluding Japan are under pressure themselves to change their economic structures, as the global crisis has dealt a huge blow to their financial assets, making any of their attempts to increase asset values and maintain economic growth futile. According to the ADB, the global crisis wiped a staggering \$50 trillion off the value of financial assets in 2008--the equivalent of over one year's worth of global GDP. Northeast Asia must adjust to these changing economic conditions to maintain growth for the future. The fact that Northeast Asian economies have been based on international production networks, and that markets for final goods within the region have been underdeveloped, has made the region vulnerable to external shocks. Boosting regional demand is not a choice but a necessity for Northeast Asian economies to continue to prosper.³² China is expected to continue to play a major role in contributing to a return to steady economic expansion worldwide, thanks to both improvement in external trade aided by strong growth from within the region, but also as a result of internal demand, including from a strong labor market.³³ In order to promote demand within Northeast Asia as a whole and ease the conditions that have constrained consumption, regional cooperation is vital as the region makes the changes it must to industrial infrastructure, social infrastructure, including education, energy infrastructure, and to transportation and communications infrastructure to improve connectivity.

³¹ "Special Note: Developing Asia's Recovery Gains Momentum," ADB, July 2010.

³² Institute of World Economics & Politics. Chinese Academy of Social Science.

³³ World Bank, *Global Economic Prospects*, 2010.

3. Regional Free Trade Agreements

FTAs and bilateral trade agreements among Northeast Asia and the rest of the world will help increase areas of cooperation, but more significant economic integration, international collective action, and multilateral partnerships enable greater policy coordination, technical cooperation, and efficiency in resource use for sustainable growth and development. Ongoing financial weaknesses in Europe amid other challenges remain a threat to long term global recovery. Deepening cooperation to enable not only improved flows in traditional areas of economic exchange but in order to facilitate opportunities for expansion into new areas is critical to fulfilling the region's remarkable potential. In May of 2010, China, ROK and Japan issued a document outlining a blueprint for cooperation within the coming 10 years. They made joint pledges to further trilateral cooperation in such areas as economy, security, environmental protection and cultural exchange.

Chart 9-2. Status of FTAs in the Northeast Asia Region (as of year 2008)

	Russia	Mongolia	Japan	ROK	China
Russia		-	-	BEPA – 2 nd Fusibility Studies meeting	-
Mongolia	-		-	-	-
Japan	-	-		Under considering resumption negotiations	Fusibility Studies
ROK	BEPA – 2 nd Fusibility Studies meeting	-	Under considering resumption negotiations		5 th Fusibility Studies meeting
China	-	-	Fusibility Studies	5 th Fusibility Studies meeting	

Source:

- *The Economic Research Institute for Northeast Asia (ERINA)*
- *Ministry of Foreign Affairs and Trade of ROK*

ANNEX

STATISTICS

Table 1-1 GDP, GDP per capita and Growth Rate of GDP

	2006			2007			2008			2009			2010		
GDP (US\$ in billions)/GDP per capita (US\$) / GDP Growth Rate (annual %)															
China	2657.8	2022.0	11.61%	3382.4	2560.4	13.01%	4401.6	3315.3	9.05%	4833.0	3622.1	6.52%	5302.7	3915.4	7.51%
Mongolia	3.2	1223.8	8.56%	3.9	1502.8	10.22%	5.3	1980.8	8.86%	4.0	1497.7	2.65%	4.3	1584.1	4.28%
ROK	952.0	19712.0	5.18%	1049.3	21655.0	5.11%	947.0	19504.5	2.22%	727.1	14945.6	-4.02%	740.6	15192.4	1.53%
Russia	989.4	6928.8	7.70%	1294.4	9102.6	8.10%	1676.6	11806.9	5.60%	1163.6	8230.0	-5.98%	1329.4	9470.7	0.50%
DPRK	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Japan	4363.6	34158.6	2.04%	4384.4	34318.0	2.39%	4923.8	38559.1	-0.64%	4992.8	39115.9	-6.20%	4724.7	37051.5	0.52%

Source:

- IMF – World Economic Outlook Database, April 2009

- Figures of China, Republic of Korea, Russia, Democratic People's Republic of Korea, and Japan in 2009 and 2010 are estimated

- Figures of Mongolia from 2008 to 2010 are estimated

Table 2-1. Annual Total Trade Volume by Northeast Asia Countries (US\$ in billions)

		China	Mongolia	ROK	Russia	DPRK	Japan
Export	2004	593.3	0.9	253.8	181.6	1.6	565.8
	2005	762.0	1.1	284.4	241.5	1.6	594.9
	2006	968.9	1.5	325.5	301.2	1.9	646.7
	2007	1217.8	1.9	371.5	352.3	2.5	714.3
	2008	1430.7	2.5	422.0	468.0	2.8	781.4
	2008	1430.7	2.5	422.0	468.0	2.8	781.4
Import	2004	561.2	1.0	224.5	75.6	2.6	455.3
	2005	660.0	1.2	261.2	98.7	3.4	515.9
	2006	791.5	1.5	309.4	137.8	2.9	579.1
	2007	956.0	2.1	356.8	199.7	3.4	622.2
	2008	1132.6	3.6	435.3	267.1	4.1	762.5
Total	2004	1154.6	1.9	478.3	257.2	4.2	1021.0
	2005	1421.9	2.2	545.7	340.2	5.0	1110.8
	2006	1760.4	3.0	634.8	439.1	4.8	1225.8
	2007	2173.7	4.0	728.3	552.0	6.0	1336.6
	2008	2563.3	6.2	857.3	735.0	6.9	1543.9

Source:

- United Nations Statistics Division (UNSD) Annual Totals Table (ATT) (17 Nov, 2009) for China, ROK, Russia, Mongolia and Japan figures from 2004 to 2008.

- Congressional Research Service report "The North Korean Economy: Leverage and Policy Analysis" (August 14, 2009) for DPRK figures

Table 3-1. Foreign Direct Investment (in US\$ millions)

	2004		2005		2006		2007		2008	
	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward	Inward	Outward
China	60630.0	5498.0	72406.0	12261.2	72715.0	21160.0	83521.0	22468.9	108312.0	52150.0
Mongolia	92.9	0.0	185.3	0.0	191.1	0.0	360.0	0.0	682.5	0.0
ROK	8997.1	4657.9	7055.4	4298.1	4881.2	8126.8	2628.4	15620.4	7603.2	12795.0
Russia	15444.4	13782.0	12885.8	12767.5	29701.4	23151.0	55073.2	45915.6	70320.0	52390.0
DPRK	196.9	2.5	50.2	0.0	-104.6	0.0	66.7	0.0	43.8	0.0
Japan	7815.7	30951.2	2775.4	45781.1	-6505.6	50266.1	22548.7	73549.1	24425.5	128019.8

*Source:

UNCTAD – World Investment Report 2009

Intra-Regional Trade Share (2008)

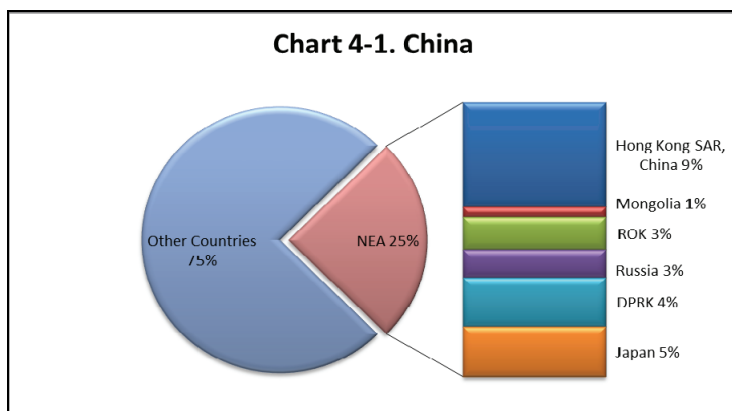


Chart 4-2. ROK

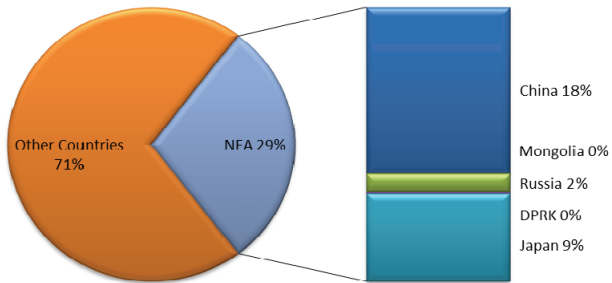


Chart 4-3. Russia

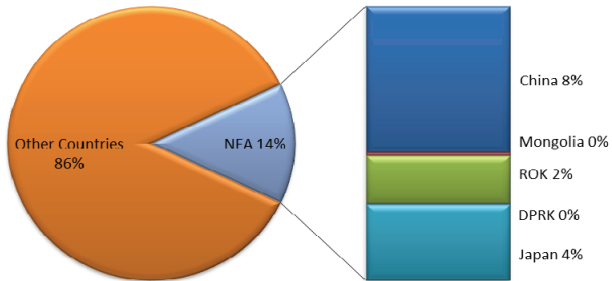
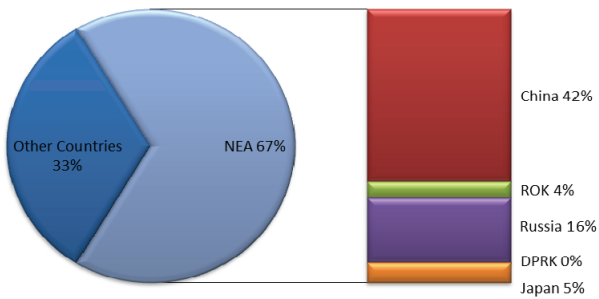
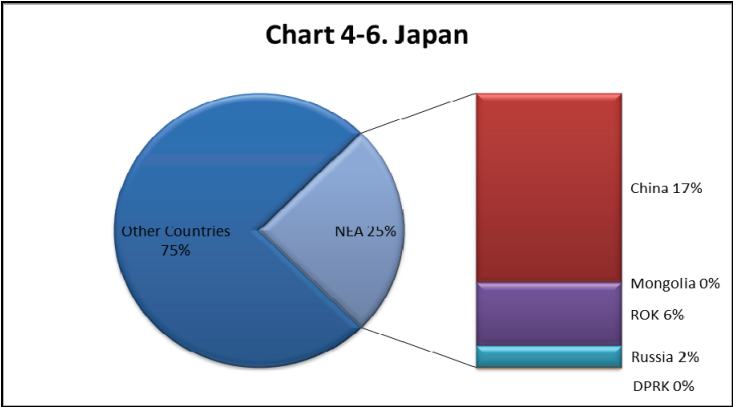
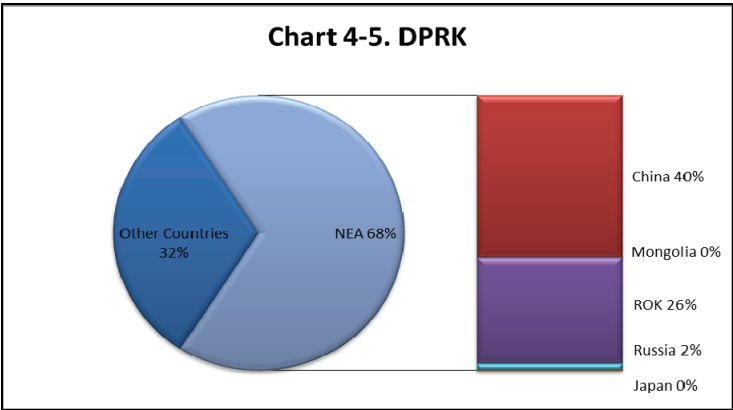


Chart 4-4. Mongolia





Source:

*United Nations Commodity Trade Statistics Database (UN Comtrade) for China, ROK, Russia, and Japan.
 Asia Development Bank for Mongolian figures.
 Congressional Research Service report "The North Korean Economy: Leverage and Policy Analysis" (August 14, 2009) for DPRK figures*

Note:

General Imports CIF by country of origin and General Exports FOB by country of last known destination

Table 5-1 Intra-Regional Export volume by Country in 2008 (US\$ in millions)

From To	China	Mongolia	ROK	Russia	DPRK	Japan
China	-	907.83	73931.99	33075.85	2032.43	116132.45
Mongolia	1496.20	-	21.50	55.30	N/A	32.90
ROK	91388.90	238.23	-	9747.96	N/A	28252.42
Russia	21147.33	1098.49	7787.22	-	96.88	10429.04
DPRK	754.00	N/A	930.00	14.00	-	0.00
Japan	124900.52	229.92	59492.56	16534.10	7.64	-

Table 5-2 Intra-Regional Import volume by Country in 2008 (US\$ in millions)

From To	China	Mongolia	ROK	Russia	DPRK	Japan
China	-	1525.61	112137.92	23832.76	760.41	150600.04
Mongolia	960.40	-	213.20	855.80	N/A	253.10
ROK	76926.97	31.15	-	8340.05	N/A	60956.29
Russia	34768.72	70.90	10521.14	-	13.94	18589.77
DPRK	2033.00	N/A	888.00	97.00	-	8.00
Japan	143229.98	36.24	29475.96	13417.76	N/A	-

Source:

- UN comtrade for China, ROK, Russia, and Japan figures. (2010)
- Asia Development Bank for Mongolian figures. (2009)
- Congressional Research Service report "The North Korean Economy: Leverage and Policy Analysis" (August 14, 2009) for DPRK figures

Note:

- General Imports CIF by country of origin
- General Exports FOB by country of last known destination

Table 6-1 Commodity Export Structure in 2008 (in US\$ Million)

	China	DPRK	Japan	Mongolia	ROK	Russia
Food and live animals	32761.99	N/A	3328.44	N/A	3046.59	6546.16
Beverages and tobacco	1529.43	N/A	538.27	N/A	792.38	880.02
Crude materials, inedible, except fuels	11318.90	N/A	10227.14	N/A	5104.85	16728.14
Mineral fuels, lubricants and related materials	31772.92	N/A	18775.80	N/A	38454.69	307370.95
Animal and vegetable oils, fats and waxes	595.03	N/A	110.24	N/A	50.18	808.76
Chemicals and related products, n.e.s.	79312.60	N/A	69136.57	N/A	42705.18	22358.92
Manufactured goods classified chiefly by material	262391.22	N/A	97629.72	N/A	59559.91	56293.07
Machinery and transport equipment	674065.00	N/A	484399.13	N/A	233714.87	15771.76
Miscellaneous manufactured articles	335235.95	N/A	55186.93	N/A	37196.53	2905.52
Commodities & transactions not classified elsewhere in the SITC	1710.03	N/A	42079.93	N/A	1378.30	38330.65
All Commodities	1430693.07	N/A	781412.16	N/A	422003.48	467993.95

Table 6-2 Commodity Import Structure in 2008 (in US\$ Million)

	China	DPRK	Japan	Mongolia	ROK	Russia
Food and live animals	14051.18	N/A	53712.44	N/A	16405.53	25850.61
Beverages and tobacco	1920.05	N/A	6223.03	N/A	859.24	3805.72
Crude materials, inedible, except fuels	166695.13	N/A	54841.05	N/A	28272.07	7956.23
Mineral fuels, lubricants and related materials	169241.99	N/A	267784.35	N/A	142515.62	4079.93
Animal and vegetable oils, fats and waxes	10672.84	N/A	1735.68	N/A	1226.76	1945.45
Chemicals and related products, n.e.s.	118996.80	N/A	54543.27	N/A	36526.57	27008.59
Manufactured goods classified chiefly by material	107164.91	N/A	67685.07	N/A	64983.50	31174.02
Machinery and transport equipment	441952.56	N/A	158860.31	N/A	114631.29	127742.41
Miscellaneous manufactured articles	97457.99	N/A	83952.74	N/A	28554.55	24033.43
Commodities and transactions not classified elsewhere in the SITC	4408.72	N/A	13195.97	N/A	1296.26	13454.85
All Commodities	1132562.16	N/A	762533.92	N/A	435271.38	267051.24

Source:

- United Nations Commodity Trade Statistics Database (UN Comtrade)

Note:

- General Imports CIF by commodities of SITC, Rev.3

- General Exports FOB by commodities of SITC, Rev.3



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