

**Is Kumgangsan the beginning or end of the road?  
Prospects and Problems for the development of DPRK inbound tourism**

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## ABSTRACT

For many countries international tourism has been a significant driver of economic growth, particularly over the last half century. International inbound tourism to the ROK is a relatively recent phenomenon, dating mainly from the Seoul Olympics, but by 2000 it was, according to World Tourism Organization data, the 7<sup>th</sup> largest market in East Asia, outstripping Japan.

Although tourism to the DPRK has captured attention recently, with the Hyundai Asan Kumgangsan venture, it is at a far lower level than ROK tourism. Because of the DPRK's particular international situation, inbound tourism has never been a feasible option until recently, although the country did join the WTO in 1987. Many countries, particularly ROK and the United States, expressly prohibited their citizens from visiting the DPRK and those countries which were friendly, such as the then Soviet Union or China, did not generate outbound tourism. Kim Dae-jung's 'sunshine policy', and the personal commitment of Hyundai founder Chung Ju-yung, were the catalysts that produced Kumgangsan tourism. However, the number of customers in the early months of 2001 was at half the level of a year earlier, and Hyundai's latest accounts show a loss of US\$385 million. At this stage, it is uncertain whether the Kumgangsan venture marks the beginning of a take-off for DPRK international tourism, or the end of a brief episode.

World, and particularly East Asian experience, show that tourism can produce significant economic benefits. However, it comes at a cost in social, cultural, environmental and political terms. It clearly requires a benign political environment that encompasses the host country and the main source countries. On a practical level it requires certain infrastructural, transportation and personnel resources, which often need foreign investment and expertise. From a marketing perspective, customer, and travel industry, perceptions of attractiveness, value for money and risk are crucial, and this must be set within the context of competing destinations.

This paper will survey the experience of developing international inbound tourism of a number of relevant countries, including ROK, Spain, China, Vietnam and Cuba. It will describe current developments in DPRK tourism and attempt to identify the potential for development and the constraints that impede it. .

## INTRODUCTION

This paper complements an earlier, and longer, paper which focussed largely on the potential for DPRK tourism as revealed both by ROK experience and by data on current and projected international tourism, especially in Northeast Asia (Beal 2001d).

In the paper I follow the Korean version of place names, such as Kumgangsan rather than ‘Diamond Mountains’, although anglicisations will be found in quotes and article titles. I also follow the usual romanisation used in each part of Korea for names from that part; that is Kim Dae-jung and Kim Jong Il. Again quotations may vary. I have tended to stick with the more familiar romanisation of Southern place names rather than the new, and controversial, official version – Pusan rather than Busan, Kumgang rather than Geumgang and Inchon rather than Incheon – but again I have not changed versions in quotes.

FIG 1: KUMGANGSAN



Source: Hyundai-Asan website

The subject of international inbound tourism to the DPRK is wrapped in paradox and wreathed in obscurity. In one sense the DPRK is an industrial economy, with industry contributing 43% of GDP, compared with 35% for both Japan and China (CIA 2000). It has substantial mineral resources and an educated but cheap workforce. Nevertheless, tourism probably accounts for as great a share of foreign exchange earnings as it does for the tourist islands of the Caribbean. The Bahamas, for instance, where industry accounts for a mere 5% of GDP, direct spending by tourists (‘visitor exports’) is 75% of export earnings (Beal 2001d:Statistical Appendix). Tourism is a product of peace, but the DPRK is still technically in a state of war with the ROK, its major current sources of tourists, and with United States, and diplomatic relations have yet to be established with Japan, the two countries that provide the bulk of tourists to the South.. The DPRK probably has one of the most negative images of any tourism destination in the world and yet derives substantial earnings from inbound

tourism. Although it undoubtedly has a very small share of international tourist arrivals, much smaller than the ROK, it has great tourism potential.

Data on DPRK tourism is nearly as scarce as data on any other aspect of its economy and, as with other international transactions such as trade, most of it comes from outside. In the case of tourism this is simplified to a large degree in that most of the current inbound tourism is controlled by one company, Hyundai Asan, and goes to one destination, Kumgangsan. However, whilst Kumgangsan is currently the major component of DPRK tourism, and even in the best of circumstances is likely to remain an important component, the real development of the tourism industry, if it is to happen, will take place on a much wider canvas, involving more of the country. If DPRK tourism is really to develop and achieve anything like its true potential then it will need to become like a 'normal' tourism industry. International experience, and especially that of countries with similarities in various ways to the DPRK – ROK, China, Vietnam and Cuba – can throw light on the opportunities and challenges it will face. That is discussed in more detail in Beal 2001d.

### **THE POLITICS OF DPRK TOURISM**

Traditionally, tourism has been seen in the DPRK not so much as a way of earning foreign exchange, but as a propaganda device, a way of wining friends and influencing people. This continues today, as the essay competition run by the Spain-based Korean Friendship Association illustrates (Fig 2). More substantially, the Kumgangsan venture was seen by both sides as serving, to a greater or lesser degree, the cause of Inter-Korean unity.

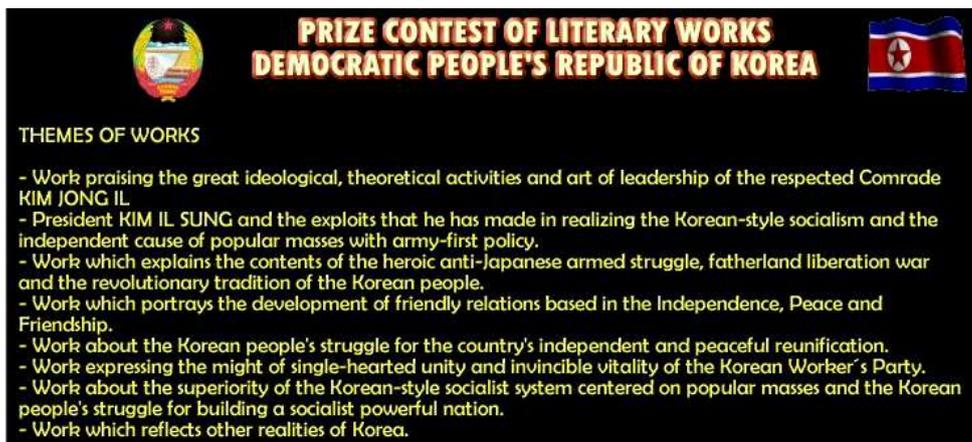
The Korean Central News Agency (KCNA), the official DPRK news agency puts all the emphasis on politics:

the Mt. Kumgang tour is a noble national project which started and has been under way in reflection of the unanimous aspiration of all the fellow countrymen after national reconciliation and unity and the reunification of the country and the wishes of the South Koreans to visit Mt. Kumgang, a famous mountain of the world. (U.S. urged to stop hampering Mt. Kumgang tour)

This is somewhat paralleled by the ROK newspaper *Korea Herald*:

Come to think of it, however, the Mt. Geumgang tour should be more than just moneymaking. What has moved South Koreans to join the tour program was not just the sightseeing but that they could set their foot on the long forbidden half of motherland. For students in particular, the four-day tour is better than 100 classroom lectures about their nation and history. (Enlivening Mt. Geumgang tours)

FIG 2: TRADITIONAL DPRK TOURISM: FREE TRIP AS PRIZE FOR EULOGY



Source: <http://www.korea-dpr.com/tourism.htm>

The development of DPRK tourism, and the economy as a whole, is clearly contingent on the geo-political environment and, most crucially, on DPRK relations with ROK and the United States. In turn, it is clear at the time of writing, that this hinges primarily on the policies of the Bush administration and Pyongyang's reaction to it. Despite brave words (Oh Young-jin 10 August 2001) and very substantial intervention to bail-out the Kumgangsan venture, which is discussed below, Seoul is unfortunately effectively sidelined at the moment. It is constrained by American pressure from providing electricity to the north (Kim Kwang-tae 31 July 2001) which is seen as one of Kim Jong Il's demands for reactivating the North-South dialogue (Hwang Jang-jin 8 August 2001). The other demands focus solely on the United States.

When the incoming Bush administration suspended negotiations with the DPRK it came under pressure and sometimes scarcely disguised attack even from Chong Wa Dae and the European Union (Beal 2001c). To use a phrase which had wide currency, 'the ball was in the US court'. (Kim Ji-ho, 8 May, 2001; 'Koreas: The ball's back in US court'). In early June the United States announced that it was willing to resume talks (Hwang Jang-jin 8 June 2001) but as had been predicted, it imposed conditions which the DPRK found intolerable (Beal 2001b). Although Secretary Powell claims that Washington is willing to talk "at any time and any place" ('Powell Puts More Pressure on NK for Talk: AFP'), and 'with no strings attached' (Hwang Jang-jin 28 July 2001), Pyongyang clearly sees that the US negotiating stance has hardened to an unacceptable level (Rodong Sinmun on DPRK-U.S. negotiation').

Though still small by international standards, inter-Korean tourism, or more precisely tourism from South to North, has increased remarkably since 1998; In 2000 475,691 from South to North and about 700 the other way. (Soh Ji-young 4 May 2001). However, if that is to continue and to develop, and if DPRK tourism is to expand its intake beyond Korea then the political situation must move forward from the present impasse towards normalisation. That is, of course, a necessary condition but not a sufficient one. However, if the political framework can be established then the development of tourism, however difficult, can be achieved. Other countries have built up a tourism industry once peace has been established, including ROK itself; examples include Cyprus (Ioannides 1999), Israel (Mansfield 1999) Philippines, Sri Lanka and Pakistan (Richter 1999) although, as the list attests, peace is regrettably not always permanent.

The importance of US policy, even in respect to the Kumgangsan venture, which is virtually entirely a Korean affair, was highlighted by recent articles by the Korean Central News Agency (KCNA) in Pyongyang attacking the United States for hampering and obstructing the venture ('U.S. urged to stop hampering'; 'U.S. obstructions to tour of Mt. Kumgang assailed') The articles rebutted claims that the income from the venture was being used exclusively for military purposes. Whether the US has really been putting pressure on the ROK government, and Hyundai Asan as alleged, is unclear but as the bail-out, discussed below, indicates any such pressure does not seem to have been effective. When the visit of Hyundai Asan chairman Kim Yoon-kyu to Pyongyang to have discussions with the Asia-Pacific Peace Committee, the DPRK counterpart organisation, was announced on 12 August press reports mentioned the DPRK allegation but gave no details (Oh Young-jin, 12 August 2001; Kim Ji-ho, 13 August 2001).

Even if US-DPRK relations improve, the memory of 50 years of hostility will linger on in popular consciousness and make it difficult to develop a positive image of DPRK as a tourism

destination. Country image, of course, is a key component in tourism choice (Tapachai and Waryszak 2000). 'Political stability' is one aspect of this (Bull 1994) but there is a wide range of factors. The ROK for instance, faces image problems which run the gamut from eating dog (Kim M H 28 July 2001; Lee Chi-dong, 5 August 2001) to lack of things which appeal to foreign tourists, from boutique beers to salami (Lee, Justin 13 June 2001). The DPRK unfortunately has yet to reach those problems; its difficulties are at a more fundamental level.

There is a dreadful dilemma in the case of the DPRK, and other similar afflicted societies. Tourism offers a powerful contribution to the relief of the current humanitarian crisis, and to long-term development, but tourists tend to avoid, for moral and practical reasons, going to famine-ridden countries or those which are perceived to infringe 'human rights'. Koryo Tours, a British tour company based in Beijing specialising in travel to the DPRK frankly addresses this issue on its website (<http://www.koryogroup.com/koryoindex.htm>). In another example the winner of the 2000 cross-border motor rally Shin Hyun-soo, commented

*"The North Korean hosts were very hospitable. But when the night came, we could see no light at all in the North," ..."It was eerie, and I felt ashamed that we were engaged in a luxury sport in such a destitute country." (Choe Sang-hun, 2 June 2001)*

It would be foolish to minimise the problems of the DPRK's foreign political relations, nor the difficulties of its internal political-economy, which are inter-related. The current economic situation, with its shortages especially of electricity, are scarcely conducive to the development of tourism. However, it is also important to look beyond that at potential for tourism income revealed elsewhere in the world. To get from A to B may be extremely difficult, perhaps impossible, but it is important to ascertain how worthwhile getting to B is. This is covered in much more detail in (Beal 2001d); some highlights are touched on here.

## **CONTEMPORARY INTERNATIONAL TOURISM**

International tourism is already a major component of the global economy, and may well become even more important in the future if present widespread, albeit uneven, trends towards greater disposable income and longer holidays, combined with falling real transportation costs, continue. Even in the giant US economy tourism counts for 2.2% of GDP and employs 3.5% of the workforce (Table 1)

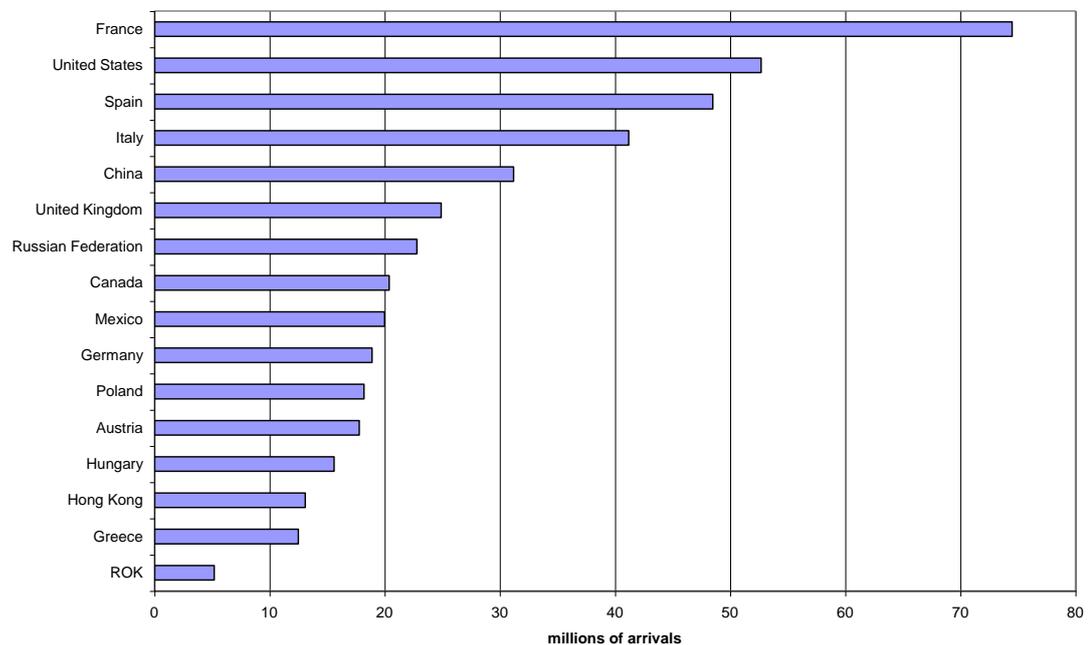
**TABLE 1 : ECONOMIC IMPACT OF TOURISM, SELECTED COUNTRIES**

<i>Country</i>	<i>% of GDP</i>	<i>% of workforce</i>
Australia	4.5	5.4
Canada	2.4	3.5
Chile	3.8	3.2
New Zealand	3.4	4.1
United States	2.2	3.5

Source: World Tourism Organization, 'TSAs - Revolutionizing the View of the Tourism Industry', Press release, 10 May 2001 (note this includes both domestic and international tourism)

World tourism grew by an estimated 7.4 per cent in 2000, with 698 million international arrivals and receipts from international tourism of US\$476 billion. ( World Tourism Organization 31 January 2001) Europe, not surprisingly given its combination of wealth and multiplicity of countries, captured by far the largest share, 57% or 403 million arrivals but the Asia Pacific is the fastest growing region. (Beal 2001d)

**FIG 3: TOP INTERNATIONAL TOURISM DESTINATIONS, AND ROK, 2000**

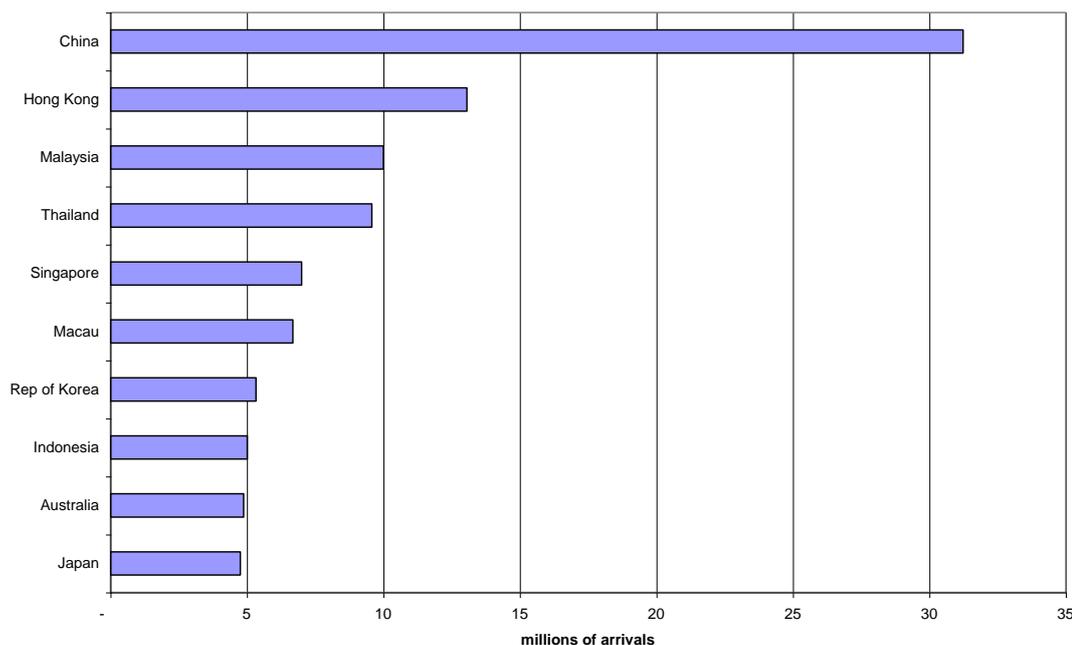


Source: Beal 2001d Statistical Abstract Table A10

The Republic of Korea is quite a small player by world standards (Fig 3) although tourism is a government priority latest figures suggest a slowdown in arrivals (.'Inbound Tourism Falls'). However, in Asian terms ROK does quite well (Fig 4). China, along with the Special Administrative Regions of Hong Kong and Macau which are counted as separate destinations

(and Taiwan) is by far the major destination in Asia. However ROK just outstripped Japan, with 5.3 million arrivals compared with 4.8 million. In terms of growth 1999-2000, ROK did twice as well as Japan, 14.5% against 7.2%, nearly equalling China's 15.5% (Beal 2001d Table A11).

FIG 4: TOP INTERNATIONAL TOURISM DESTINATIONS IN ASIA/PACIFIC, 2000



Source: Beal 2001d Statistical Abstract Table A11

The development of inbound tourism in ROK and the current situation offers lessons and encouragement for the DPRK. There are also all sorts of opportunities for joint activities, such as dual-destination marketing. ROK may be able to utilise DPRK landing rights in a way similar to the scheme under consideration between the US and Mexico; the proposal is to build an airport which straddles the border near San Diego. The terminals would be on the US side, so catering for inbound and outbound US traffic, while the runways, hangers, and fuel storage would be on the Mexican side, thus qualifying for unused Mexican landing rights in Asia. (PATA Strategic Information Centre)

In 1961 the Republic of Korea was seen as late developer in international tourism in the Pacific Asia region. A US Department of Commerce study published that year noted:

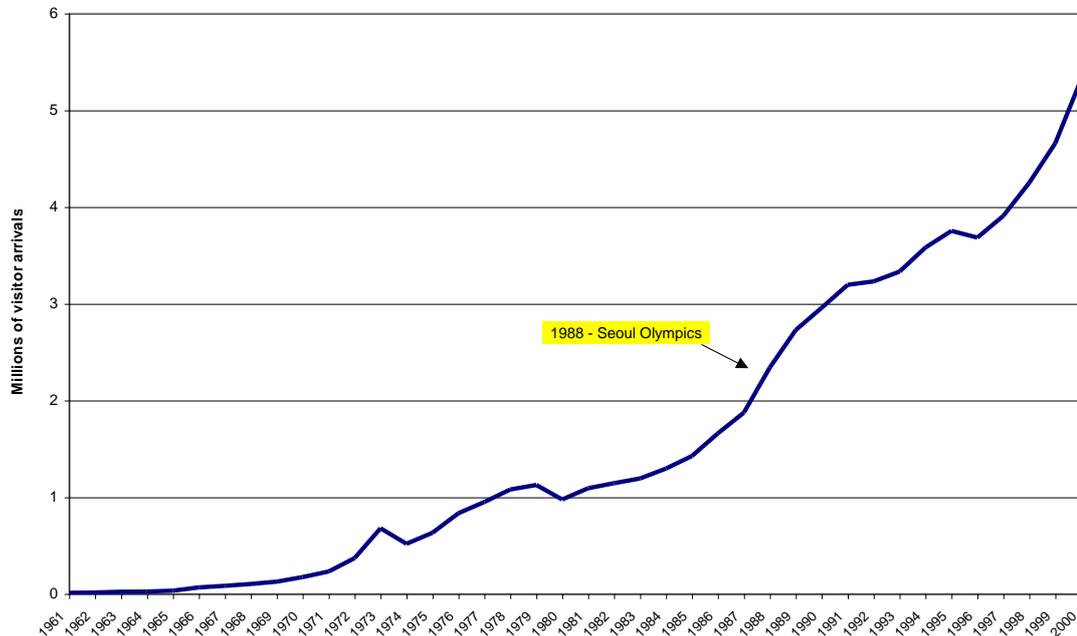
No matter how it is analysed, tourism in the Republic of Korea is extremely small. In fact, compared with that of its neighbouring countries, Korea's international tourist business is so small it suggests the presence of important major obstacles. These would certainly include the attitude of international travellers toward visiting

Korea. For I stance, an attitude study completed in the United States and Canada (see chapter I) shows that, out of 19 countries in the Pacific and Far East, potential travellers rate Korea next to last as a place they want to visit. Korea ranked high in the North American market as a place potential tourists considered “unsafe”. Clement (1961:279).

That was relatively soon after the Korea War, and at a time when China was still invisible to American eyes, and certainly those of tourists (China was not even mentioned in the this report). Most crucially, it was way before the Seoul Olympics, which was a key event in propelling ROK inbound tourism in higher growth. Sports events are important catalysts for tourism. Korea’s share of the World Cup events in 2002 is forecast to ‘create 350,000 Jobs, Boost GNP by 11.4 Trillion Won’ (‘World Cup to create 350,000’). “The World Cup is the largest event in Korea’s history”, President Kim Dae-jung was quoted as saying and it was estimated that it would attract some 4 billion television viewers, twice that of the Olympics (Kim Cheong-won 21 June 2001). As for the Beijing Olympics there have been conflicting opinions as to how much impact it will have on ROK, and no discussion, as yet, on implications for DPRK (Nho Joon-hun, 29 July 2001; Yoo Cheong-mo, 30 July 200; ‘Seoul sees windfall from Beijing Games’).

Joint sports events between North and South have had a chequered history. The joint march at the Sydney Olympics touched a chord and President Kim has advocated sports (and tourism) as important ways of promoting inter-Korean relations (‘Kim stresses promotion of sports’). However neither inter-Korean sports events nor DPRK participation with ROK-hosted events, such as the 2002 World Cup, have achieved anything like their potential, although talks do continue (‘Kim Un-yong to Visit North Korea’).

FIG 5 KOREAN INBOUND TOURISM, 1961-2000



Source: Beal 2001d Statistical Appendix Table A20

Today, on the eve of the World Cup, tourism is embraced as a key component of ROK's move towards the 'knowledge-based economy'-

.....new motifs for economic growth will be developed as the nation advances into a knowledge-based economy.

First, infrastructure of information and telecommunication industries will be established, and new strategic industries of the future, such as culture and **tourism**, nurtured. In addition, industries in general will be transformed into ones suitable for the knowledge-based economy. ('Transformation into a knowledge-based economy')

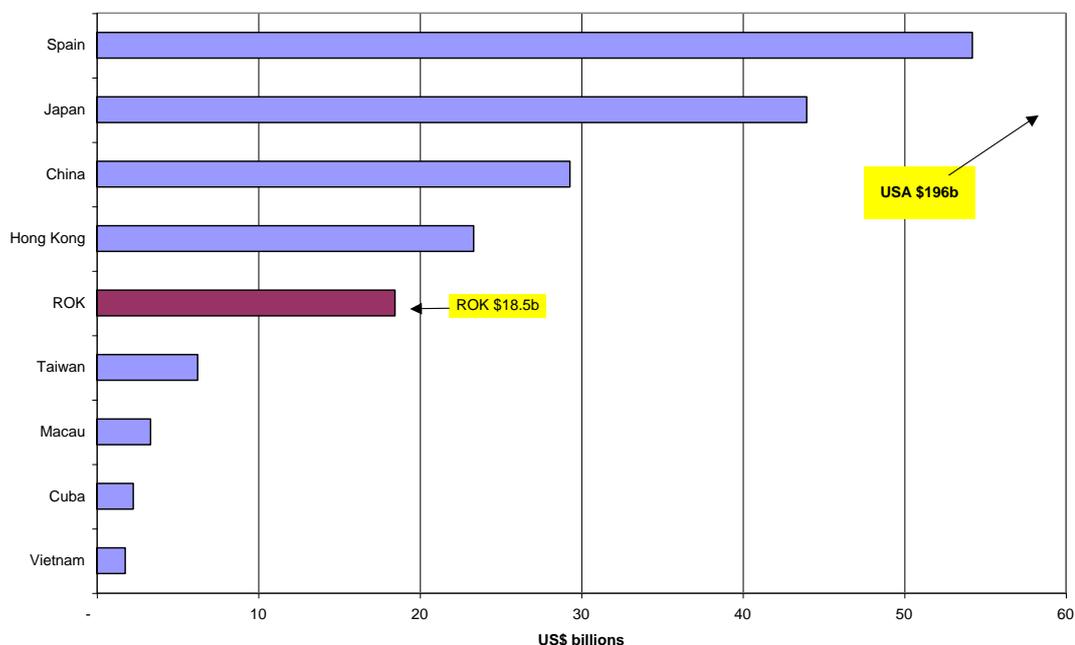
2001 is being promoted as 'Visit Korea year' although according to reports not with great success ('Inbound Tourism Falls'). However, Dato' Abdul Kadir, The Malaysian Minister of Culture, Arts & Tourism, on a visit to Korea May/June 2000 described tourism as the mega industry of the future and predicted that Korea, being close to Japan and China, had the potential to become a major tourist destination (Shin Kyung-hwa 2 June 2001).

How does ROK, in fact, compare with other countries? Here we look at a selection of countries that might be considered as competitors or benchmarks. Some, such as Cuba and

Vietnam have particular relevance to DPRK because of their relationship with the United States.

In terms of total foreign income (Fig 6) ROK might be considered a middle-ranking market. Although less than a tenth of the US level (\$18.5b against \$196b), its income from international tourism is ahead of that of Taiwan, Macau, Cuba and Vietnam but quite a long way behind Hong Kong, China and Japan. ROK captures a mere 1.7% of the world's tourism expenditure, compared with the US 18.5%. Again, it is behind Japan (4.1%), China (2.8%) and Hong Kong (2.2%) but ahead of Taiwan (0.6%), Macau (0.3%) and Cuba and Vietnam which have 0.2% each.

FIG 6: TOTAL FOREIGN INCOME, 2001, ROK AND SELECTED COUNTRIES



Source: Beal 2001 Statistical Appendix Table A5

The World Tourism and Travel Council (WTTC) predicts that ROK will increase its share of world income from international tourism from 1.7% in 2001 to 2.2% in 2011. The shares of the United States and Cuba will fall, Vietnam will stay steady and the others in our selection will all increase. Again this omens well for the DPRK.

It is estimated that the Republic of Korea will be earning \$17billion from visitor exports in 2011, plus a further \$39billion from 'other exports', giving total earning from international tourism of \$56 billion. (Beal 2001d Statistical Appendix tables A6 and A7) By then the ROK will rank 22 in terms of visitor exports (down from 19) and 10 in terms of other exports (up from 13). Real growth in visitor exports over the decade 2001-2011 will be 2.6% a year

(making ROK 124 in the league table) and other exports will grow at an annual rate of 9.5% (23<sup>rd</sup> place). In other words, ROK will perform below world average for visitor exports (2.6% against 5%) but above average for other exports (9.5% against 6.2%). (Beal 2001d Statistical Appendix Table A7b)

The WTTC projections suggest that ROK annual income from international tourism will grow by \$37 billion over this period. What share of this increase the DPRK can capture is an open question but even at the most optimistic it is unlikely to make much dent.

### **DPRK TOURISM**

Data on DPRK tourism is virtually non-existent, apart from that about Kungangsan. No data relating to DPRK was found on the World Travel and Tourism Council website, and just fragmentary data on the World Tourism Organization website (see Beal 2001d Statistical Appendix Tables A21 and 22).

MAP 2: KUMGANGSAN AREA



Source: Hyundai Asan website

Most of the available data relates to the Hyundai Asan Kumsangsan venture, and originates with Hyundai. Apart from that the facts are sketchy. A DPRK tourism official, Kim Ryong Hwan, managing director of the DPRK travel company, who participated at the ITB travel fair in Berlin in March is reported as having said that ‘just a few hundred European tourists visited North Korea last year, though a total of 100,000 foreigners, mostly Chinese, had the opportunity to breathe the country's rarefied air.’ He is reported as having said that they expected 1,000 European visitors in 2001 and that facilities were ready (‘N. Korea Welcomes Tourists - But Not Americans’). The ‘100,000 foreigners, mainly Chinese’ were clearly in addition to the ROK visitors to Kumsangsan. However, a Bank of Korea assessment of the North Korean economy published in May 2001 is reported as stating ‘Hotels and restaurants,

benefiting from a doubling in foreign guests to 50,000 visitors, expanded 27 percent.’(‘North Korea Economy, Gap With South). Again this figure would seem to exclude Kumgangsan (most of whose visitors were not ‘foreigners’) but is half the level of Kim Ryong Hwan’s statement. However the Tumen Secretariat, quoting the DPRK National Directorate of Tourism says there were there were 130,000 international tourist arrivals in 1998 and it adds that ‘World Tourism Organization forecasts that the number of international arrivals in DPRK will increase to 146,000 in 2005, 159,000 in 2010, 173,000 in 2015. The average annual growth rate is around 1.7%’. (Tumen Secretariat 2001). Reports from China, compiled by the Korea Trade Organization (KOTRA), claim that on-day tours from Dandong ( China) to Sinuiju (in DPRK) have brought in 50-60,00 tourists a year since 1988 (sic). The tours were suspended, for an undisclosed reason, for six months but resume on 17 May 2001 (‘One-day tour between Dandong and Sinuiju’)

The ROK Ministry of Unification website reported

As of November 30, the number of South Korean visitors to the North this year reached 6,846 in total, not including the Mt. Kumgang tourists. The number showed ups and downs in the early 1990's, but constantly grew since 1995. It increased rapidly after 1998 with the inauguration of the Kim Dae-jung Administration. During the period from 1998 through the end of November 2000, a total of 15,762 South Koreans visited the North. During the early days of inter-Korean exchange in 1990 and 1991, the visits were made mostly in the social area. The economic area quickly became the major one thereafter. (*Korean Unification Bulletin*)

As for Kumgangsan itself, the Hyundai Asan website claimed 370,000 visitors between the first trips on 18 November 1998 and December 2000. By June 2001 that figure had risen to 407,000. But the rate was down; in the first quarter of 2000 Hyundai had 67,000 customers but in the same period the following year that had fallen to 30,000 (Yoo Cheong-mo 27 June 2001). The problem was that Hyundai had agreed to pay a fixed amount, roughly US\$12m a month, irrespective of the number of tourists. and it was claimed that by June 2001 losses amounted to about \$400 million (Kim Ji-ho 2 June 2001). Hyundai Asan started defaulting on the monthly payment in February, paying only \$2million and then nothing until the bailout in June. By the end of May the debt stood at \$46 million (‘Asan Deeper in Kumgang Debt’). Hyundai had attempted to increase revenues by introducing a floating casino but this was been rejected by the ROK government (‘Govt Rejects Hyundai Casino Plan’). In its negotiations with the DPRK Hyundai Asan asked for a reduction in the monthly fee, and more substantially, the designation of the area as a special economic zone and the opening of a land route from the south to Kumgangsan.

June saw a breakthrough in a series of deals which not merely salvaged the Kumgangsan venture but suggested, yet again, that Seoul and Pyongyang could just keep the water unfrozen beneath the Pyongyang-Washington ice. Just as the two sides managed to exchange mail for the first time in half a century in March 2001, despite the freeze in DPRK-US relations (Kim Ji-ho 16 March 2001), so too in June. The North's Asia Pacific Peace Committee agreed to Hyundai Asan's requests. A 13.7 km roadway from Goseong, in the North, to Songhyeon-ri, in the South, is to be opened up at a cost of 60-100 billion Won (to be borne by the South) and according to initial reports was expected to be operation by mid 2002. ('P'yang Allows Hyundai Land Access). This would reduce the travel time to 1 hour ('KNTO to Join Mt. Geumgang') down from the 13 hours of the existing 271km trip from Tonghae ('Enlivening Mt. Geumgang tours'). The flat \$12m monthly fee is to be replaced by a per capita fee -\$50 by land and \$100 by sea. (Yoo Cheong-mo 21 June 2001). It was also agreed that the Kumgangsan area would be designated a special tourism zone which would, according to Hyundai Asan President Kim Yoon-kyu 'help promote the Kumgang area as an international hub for trade, commerce, finance and culture as well as tourism' (Shin H.J 11 June 2001).

Seoul provided the crucial sweetener to the deal. Barred by law from directly using the South North Cooperation Fund to bailout Hyundai it did it circuitously via the Korea National Tourism Office (KNTO). SNCF provided funds for KNTO to buy out Hyundai Merchant Marine (hence allowing the debt to the North be at least partially cleared) and invest in Kumgangsan. (Seo Soo-min 8 July 2001; Park Yoon-bae 4 July 2001). The deal was inevitably attacked by the opposition Grand National Party (Kim Kwang-tae 10 July 2001) although the rescue in principle seems to have had public support. (Kim Kwang-tae 27 June 2001)

Outsiders had always claimed that the Hyundai venture was driven by personal reasons, especially those of founder Chung Ju-yung, and did not make business sense. However, in an interview in *Far Eastern Economic Review* in October 2000, Kim Yoon Kyu asserted that this was no so. He said that opportunities in the South were drying up, so that the ventures in the North (of which Kumgangsan is not the only one, albeit currently the biggest) were necessary for future growth. Asked about losses he replied:

Now, yes, our losses are around \$40 million or so since the project began two years ago. Over 300,000 South Korean tourists have visited Mount Kumgang so far and with foreigners being allowed to visit from the end of this year, the number could soon reach half a million. We expect to break even next year. Assume, for example, that each tourist spends \$1,000 on a trip. That totals \$300 million a year. Under our

contract, we'd be paying up to \$940 million over six years as licence fees. Our revenues over a three-year period alone would be \$900 million, sufficient to cover our basic commitment. We plan to build a golf course, an amusement park, hotels and other accommodation to altogether handle up to half a million tourists a year, including foreigners. We want to bring investment from the United States, Europe and Japan for this mammoth project. We'd be selling Cokes and pizza and other capitalist goods there, inside North Korea. (North Korea: Open for Business )

The dreams were resuscitated by the 2001 agreement and there has been renewed talk of investment opportunities ranging from golf courses to casinos (Seo Soo-min 8 July 2001; Shin HJ 9 July 2001) and even involving foreign investors (Kim Ji-ho 21 July 2001; Shim Jae-yun 10 June 2001). Former U.S. Congressman Stephen Solarz was one name mentioned (Shim Jay 26 June 2001; Yoo Cheong-moo 27 June 2001).

However in mid August it appeared that the 8<sup>th</sup> June agreements to open the land route and designate Kumgangsan as a special tourism zone had not progressed and it was announced that Hyundai Asan President Kim Yoon-kyu was going to visit Pyongyang soon, probably after the 15 August National Liberation Day holiday, in order to urge implementation (Oh Young-jin 12 August 2001; Kim Ji-ho 13 August 2001)

Kumgangsan though currently the jewel in crown of DPRK tourism is not the only attraction. Attempts have been made to develop tourism in Rajin-Sonbong targeting Chinese from China and Hong Kong with the lure of gambling. (Introduction to A Tour of Rajin-Sonbong Region) Mt Paektu, the sacred mountain on the Chinese border, is currently hampered by access problems but has long-term prospects ('Ferry Tour to Mt. Paektu Opens'). According to a Korean Central News Agency (KCNA) report from Pyongyang, over the last 20 years some 100,000 'overseas Koreans' and 60,000 foreigners have visited Myohyangsan. ('Mt. Myohyang, tourist resort') The ancient capital of Kaesong is scheduled to be opened to tourism, and developed by Hyundai Asan, and if that happens its proximity to Seoul will be a major strength (Shin Kyung-hwa 24 March 2001).

## **CONCLUSION**

It is clear that there will, in all likelihood, be burgeoning tourism demand in Northeast Asia over the next decade and beyond. If the DPRK is able to participate in that, even at a modest level, it could produce sufficient foreign exchange earnings to transform and re-invigorate its economy. Participation in tourism will be contingent on the same factors which could unleash other forms of foreign income generation, especially joint venture exports. Tourism and

exports, combined with an influx of FDI and loans from international financial institutions, could produce a virtuous circle of reinforcing growth.

A benign political environment is a necessary condition for tourism development but it is far from sufficient. Problems range from the general economic situation (and especially shortage of electricity) to establishing a tourism infrastructure, transportation and personnel training. Then comes the marketing of the DPRK as a tourism destination, a formidable task given its present image and fierce competition in the region. No doubt the Pacific Asia Travel Association task force led by Neil Plimmer will produce concrete recommendations on many of these issues ('New Zealander Chosen to Lead North Korean Task Force') although arrangements for the visit are currently stalled.

The impact of tourism on the social and political structure of the DPRK is a contentious issue. North Korea is not alone in facing this challenge, which is common around the world, especially in small previously insulated countries. The resilience of the DPRK has surprised many in the past; it may do so again in respect of tourism. The DPRK has long had modest inbound tourism but it was not until the beginning of the Kumgangsan venture in November 1998 that it moved into any form of mass tourism. Even that was small by ROK and international standards and bedevilled by problems. Whether Kumgangsan will be seen in the future to have marked the beginnings of 'normal' inbound tourism, or just as a temporary phenomenon which showed promise but was ultimately still-born is of course unknown but it is clear that whatever happens it will be the product of the same geo-political forces that will fashion the Korean peninsula as a whole. However, within those constraints, and challenging them, tourism can play a positive and special role.

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