

Trade & investment options in North Korea



The Wonsan–Mt. Kumgang International Tourist Zone

Project proposal for the establishment of a new Floriculture Garden.

Rotterdam, June 2016

The Democratic People's Republic of Korea (DPRK, also known as North Korea) finds itself at a new era of international economic cooperation, and it especially welcomes business with Europe. It is offering various products and services to export markets, while it is also in need for foreign investments. There are several sectors, including energy, agro business, shipbuilding, fishing, logistics, garments, tourism, animation and Information Technology, that can be considered for trade and investment.



the new airport terminal of Wonsan

The Korean government is trying to attract a larger number of foreign tourists. There are several investment opportunities in the field of tourism, and an example is the the **Wonsan – Mt. Kumgang International Tourist Zone**. This zone includes areas of Wonsan, the Masikryong Ski Resort, Ullim Falls, Sokwang Temple, Thongchon and Mt. Kumgang.

An introduction into a specific project related to this tourist zone is presented below: a proposal for the establishment of a new 'Floriculture Garden'. It is initiated by the Wonsan Zone Development Corporation of DPRK.

We can be contacted in case you are interested in exploring this project in more detail. It is also possible for us to arrange investor visits to the Wonsan-Kumgang International Tourist Zone (we organise business missions to DPRK on a regular basis).



For information

Established in 1995, GPI Consultancy is a specialized Dutch consultancy firm in the field of offshore sourcing. It is involved in business missions to various Asian countries, including North Korea.

For companies interested in working with North Korea, one of the immediate challenges is finding a suitable business partner, since collecting information is not easy. Local enterprises mostly do not have a presence on the Internet, and access to them is not easy. The solution: join one of our business missions! In August 2016, we will organize a trade and investment mission to Pyongyang. For the draft program, see: www.gpic.nl/NKmission2016.pdf.

GPI Consultancy, P.O. Box 26151, 3002 ED Rotterdam, the Netherlands
Tel.: +31-10-4254172. E-mail: info@gpic.nl, Web: www.gpic.nl

Trade & investment options in North Korea

**The Wonsan–Mt. Kumgang
International Tourist Zone**

PROJECT PROPOSAL

New Establishment of “Floriculture Garden”

Project initiator: Wonsan Zone Development Corporation

October 2015

Contents

1. National Circumstance.....	1
2. Introduction of Wonsan-Mt. Kumgang International Tourist Zone.....	2
3. Description of Project.....	3
3.1. Title	3
3.2. Location	3
3.3. Purpose	3
3.4. Investment Environment	3
3.5. Scale and Items of the Project	5
3.6. Preliminary Design.....	5
4. Process Plan	6
5. Investment Type and Period of Implementation	6
6. Cost and Economic Analysis	7
6.1. Estimated Investment Cost	7
6.2. Economic Calculation and Profitability Analysis.....	7
7. Project Initiator.....	7

1. National Circumstance

The Democratic People's Republic of Korea (DPRK) is situated in the central east of Asia. It is a peninsular country surrounded by the seas on the three sides; east, west and south. The DPRK borders China and Russia while the Amnok River and the Tuman River flow on the boundaries. And it faces Japan across the East Sea of Korea.

The DPRK covers approximately 123 138 km² of land territory and its average height above the sea level is 583m. Geographically, the northeast is high and the southwest is low in general. Mountainous regions take up 79.5 % of the total land area of the DPRK.

The DPRK has distinctive four seasons and moderate climate with rich amount of precipitation. The annual average temperature is 8~12°C. The average temperature is -5~ -10°C in January and 23° C~27°C in July or August. The annual average precipitation is 1 000~1 200 mm and the annual sunshine time is 2 280~2 780 hours.

The capital of the DPRK is Pyongyang. The DPRK consists of 9 provinces and 3 cities under the direct control. The population is more than 24 050 000.

The main industries are electric, coal, metallurgical, mining, machinery, building materials, chemical and light industries, and agriculture and industry are the two major sectors of the national economy.

Recent years the DPRK has been making great efforts to develop the national tourism. The major tourist zones are those of Mt. Paektu, Pyongyang, Kaesong, Mt. Myohyang, Mt. Chilbo and the Wonsan-Mt. Kumgang International Tourist Zone (hereinafter called the "Zone"). Among them the Zone is regarded as one of the most attractive tourist destinations in the world as it has peculiar geographical conditions, natural ecological environment as well as many tourist scenic spots, historical relics, certain foundations and experiences of tourism.

The Workers' Party of Korea and the DPRK Government have been strengthening the solidarity and the bonds in all sectors with the world progressive peoples who love peace and aspire after independence and justice, and positively developing relationship with all the countries which respect the sovereignty of the DPRK and treat it friendly.

2. Introduction of Wonsan-Mt. Kumgang International Tourist Zone

The Presidium of the Supreme People's Assembly of the DPRK issued the decree No. 48 on developing the Wonsan-Mt. Kumgang International Tourist Zone on June 11, 2014. The decree says that the Zone includes the areas of Wonsan, Masikryong Ski Resort, Ullim Falls, Sokwang Temple, Tongchon and Mt. Kumgang.

With the great concern of the Workers' Party of Korea and the DPRK Government, the committee which promotes the development of Wonsan-Mt. Kumgang International Tourist Zone was organized and has been actively accelerating development and investment in the Zone. In addition, the ground-breaking ceremony of Wonsan area construction was held in May, 2015 and the Kalma Airport has been wonderfully rehabilitated and expanded.

The Zone covers an area of over 430 km². It has rich tourist resources including over 670 scenic spots such as the famous Mt. Kumgang, Sokwang Temple, Singye Temple, Myongsasimri, Sijung Lake and so on. Especially Masikryong Ski Resort was built as a fine resort for winter, which makes it possible to activate the tourism in all seasons in the Zone.

Wonsan, the largest city in the Zone, is the seat of Kangwon Province as well as port and tourist city. Wonsan is 3 hours' flight from various cities such as Beijing, Shanghai, Tokyo whose population is more than 10 million each. Wonsan Port is linked with the main ports of China, Russia, Japan and other countries by seaway. Wonsan has railway-road junction linking the

east and west of the country, thereby offering very convenient traffic conditions.

It is the firm will of the Workers' Party of Korea and the DPRK Government to develop the Zone into the world famous tourist destination. In the near future the Zone will be turned into one of the best tourist zones not only in the Northeast Asia but also in the world and shined as a "Pearl of the Orient".

3. Description of Project

3.1. Title

Floriculture Garden

3.2. Location

It is to be located on the outskirts of Wonsan in the Zone.

3.3. Purpose

The project purposes to build a comprehensive floriculture garden including a outdoor cultivation field of worldwide famous flowers, a modern greenhouse and a flower exhibition house to supply fresh flowers, contribute to the ecological environment protection and gardening and offer a special flower tourism service in the Zone.

3.4. Investment Environment

Wonsan, a coastal city, has a good physical geographical condition for floriculture.

The variation in temperature between winter and summer is not so great and it is rarely too cold or hot. The annual sunshine duration is 2 447 hours and the annual sunshine rate is 56%. The annual average temperature is 10.4°C. The average temperature is -3.6°C in January and 23.2°C in August. The accumulated temperature above 10°C is 3 591°C and the annual average precipitation is 1 406mm. It gets the first frost in late October and the last

frost in middle April. The annual average percentage relative humidity is 67%. The annual main wind direction is southwest and the annual average wind speed is 2.2m/s.

The principal market is the Zone.

The demand for flowers will be very high in the Zone because many tourist service facilities including about 10 hotels will be established and more than a million tourists will visit. But the current flower cultivation is not enough in the Zone and thus a lot of paper and cloth flowers are dealt in the market.

Technicians for the project management can be educated in the universities in the province like the Wonsan Agriculture University, but it is necessary to train the specialists for process control and advanced cultivation.

The cultivation area can be expanded according to the experience and increasing demand and the export to foreign markets will be possible via the Kalma Airport in Wonsan in the future.

The site for the project is agricultural, thus the infrastructural facilities should be established. Building materials, labor and some of the facilities for construction are purchasable at home.

It is located in the Zone, which means it can be offered the preferential conditions for management.

For example, the enterprise income tax rate (14%), power fee, water fee and labor charge are lower than the ones in other countries and in other areas of the DPRK. The enterprise income tax is reduced for the enterprises that operate for more than 10 years. And if the enterprise reinvests its interest, 50 % of the enterprise income tax correspondent to the reinvestment amount is returned.

In the Zone the preferential tariff system is enforced so that the goods for manufacturing or management of the enterprise, the ones for export

produced by the enterprise, living necessities for investors and the ones defined by the government are duty-free.

The project will provide tourists with further cultural and emotional environment and become a particular eco-tourism site.

3.5. Scale and Items of the Project

The scale of the project is as follows:

Total site area is 40 000 m².

Building floor area is 6 400 m². (including greenhouse floor area of 4 800 m²)

In the outdoor floricultural field the decoration facilities such as beds and bands of rose, tulip, lily, gladiolus, snapdragon, dahlia, canna, hyacinth, phlox, petunia, Salvia, zinnia, French marigold, Tagetes erecta and other flowers are to be established in order to enhance the effect of ornament.

The main species to be cultivated are those for picking such as rose, chrysanthemum, tulip, lily, gerbera hybrida, cymbidium, freesia, carnation, gladiolus and calla and those for flowerpots such as phalaenopsis aphrodite, kalanchoe blossfeldiana, Anthurium andraenum, hydrangea and senecio cruenta and perennial plants and trees for ornament.

It is planned that the annual cultivation output per hectare will be 800 000 flowers for picking and 100 000 flowerpots.

It is estimated that 45 persons will be needed for the management.

3.6. Preliminary Design

The project consists of a flower exhibition house (with floor area of 800m², the total floor area of 1 600m²), an outdoor floricultural field of 30 000m², two blocks of unmanned automatic control greenhouses (each block has floor area of 400m²), ten blocks of solar heat greenhouses (each block has floor area of 400m²).

The flower exhibition house will be a two-storey building. The outdoor floricultural field will be divided into certain quarters according to the sorts of the flowers. It is also envisaged to build about 10 villas in a beautiful place in the garden in the future.

4. Process Plan

It is estimated that the project will be built within one year.

The schedule of the construction is as follows:

Month Division	1	2	3	4	5	6	7	8	9	10	11	12
Approval and designing of the project												
Construction												
Equipment purchasing and installation												
Technical training												
Preparation for opening												

5. Investment Type and Period of Implementation

The equity or contractual joint venture is suggested.

The foreign party will be able to invest a set of automatic control greenhouse equipments, building materials, elite seeds, current fund, advanced cultivation technique and management mode. The local party will be able to invest the land, some parts of building materials and construction labor.

The period of implementation is estimated to be one year for construction and 15 years for operation.

6. Cost and Economic Analysis

6.1. Estimated Investment Cost

The total investment cost is estimated at about US\$ 3 140 000.

It includes the costs for land rent, construction, equipments, rolling stocks and training and current fund.

No.	Items	Investment Cost (US\$)
1	Land rent cost	360 000
2	Building construction cost	2 440 000
3	Equipments cost	150 000
4	Rolling stocks cost	57 000
5	Current fund	100 000
6	Training cost	30 000
	Total	3 137 000

6.2. Economic Calculation and Profitability Analysis

The economic calculation and profitability analysis will be executed in details in the phase of feasibility study with the foreign investor.

7. Information

Project initiator: Wonsan Zone Development Corporation

Mission: It is a company that specializes in the investment activity for the development of the Wonsan-Mt. Kumgang International Tourist Zone.

For further information: GPI Consultancy, tel.: +31-10-4254172. E-mail: info@gpic.nl, Web: www.gpic.nl

It is also possible for us to arrange investor visits to the Wonsan-Kumgang International Tourist Zone, since we organise business missions to DPRK on a regular basis. For an example of a general mission, see: www.gpic.nl/NKtourMay15.pdf.