

## Trade & investment options in North Korea



# The Wonsan–Mt. Kumgang International Tourist Zone

### 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 Pyongyang

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 the various investment projects related to this tourist zone is presented below; it is compiled 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](http://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](mailto:info@gpic.nl), Web: [www.gpic.nl](http://www.gpic.nl)

**Introduction to Investment Projects in  
Wonsan-Mt. Kumgang International Tourist  
Zone (2015)**

**Wonsan Zone Development Corporation, DPRK**

# Contents

<b>1. Introduction to Wonsan-Mt. Kumgang International Tourist Zone</b> .....	<b>2</b>
<b>2. Investment Projects</b> .....	<b>5</b>
<b>2.1. Infrastructure</b> .....	<b>5</b>
<b>2.2. Lodgings</b> .....	<b>10</b>
<b>2.3. Public Catering Services</b> .....	<b>18</b>
<b>2.4. Commercial Networks</b> .....	<b>26</b>
<b>2.5. Service Facilities</b> .....	<b>28</b>
<b>2.6. Public Health Facilities</b> .....	<b>46</b>
<b>2.7. Industrial Establishments</b> .....	<b>49</b>
<b>3. List of DPRK Laws and Regulations of Foreign Investment</b> ..	<b>60</b>

# 1. Introduction to Wonsan-Mt. Kumgang International Tourist Zone

The Wonsan-Mt. Kumgang area on the east coast of Korea boasts of Masikryong Ski Resort, Songdowon International Children's Camp and other monumental edifices. The areas of Wonsan, Ullim Falls, Sogwang Temple, Thongchon and Mt. Kumgang are being facelifted as cultural resorts for people. The expectation and interest of the Korean people and world peoples in Mt. Kumgang and other beauty spots in these areas are increasing with each passing day.

In a bid to further enliven the international sightseeing tour of the Wonsan area and other beauty spots on the east coast of the country including Mt. Kumgang, a noted mountain of Korea, which are developing into world-famous tourist destinations, the Presidium of the Supreme People's Assembly of the DPRK issued a decree on naming this region the Wonsan-Mt. Kumgang International Tourist Zone (hereinafter called 'the Zone') on June 11, Juche 103 (2014).

The Zone includes the areas of Wonsan, Masikryong Ski Resort, Ullim Falls, Sogwang Temple, Thongchon and Mt. Kumgang covering an area of some 400 km<sup>2</sup>.

The Wosan area includes part of Wonsan City and Anbyon County; the Masikryong Ski Resort area, part of Wonsan City and Poptong County; the Ullim Falls area, part of Munchon City and Chonnae County; the Sogwang Temple area, part of Kosan County, the Thongchon area, part of Thongchon County; and the Mt. Kumgang area, the Mt. Kumgang Special Zone for International Tourism and part of Kosong and Kumgang counties.

In the Zone there are approximately 140 historical relics, 10 sand beaches, 680 tourist attractions, 4 mineral springs, several bathing resorts and natural lakes and more than 3.3 million tons of mud with therapeutic properties for neuralgia and colitis.

Wonsan is the seat of Kangwon Province and a beautiful port city. The total area of the city is over 300 km<sup>2</sup>, and in the sea off the city there are beautiful islands all of which cover an area of 4 km<sup>2</sup>. The annual average temperature of Wonsan is 10.4 °C. The city is subject to oceanic climate and is relatively warm.

Wonsan, located in the centre of the Zone, is 1-2 hours' flight from such neighbouring countries as Russia, China and Japan, and 3-4 hours' flight from various cities in East Asia.

Meanwhile, the city, a major railway junction linking the east and west coasts of the DPRK, is connected to Dandong, Liaoning Province, China, on the west across Pyongyang and Sinuiju, and to Khasan of Russia on the north across Hamhung and Chongjin. From Pyongyang to Wonsan extends a tourist road spanning about 200 km, and from Hamhung to Wonsan a 110-km-long highway.

Wonsan boasts world-famous Myongsasimni Sand Beach, Songdowon Sand Beach, Songdowon International Children's Camp, a traditional park, pleasure grounds, zoological and botanical gardens, Jangdoksom Pleasure Resort and other tourist and cultural resorts.

In the Masikryong Mountains 25 km northwest of Wonsan there is the Masikryong Ski Resort completed in 2013. The resort consists of 10 ski slopes with an area of 2,200 hectares and a total length of 49.6 km, an outdoor ice rink, an outdoor swimming pool, Masikryong Hotel and other tourist facilities. It has been built so magnificently that an international game can be held.

In the Ullim Falls area 68 km northwest of Wonsan there are 75-m-high Ullim Falls over an area of 1,000 hectares, Kusul Falls, Pidan Falls and other ponds.

In the Sogwang Temple area 47 km southwest of Wonsan there are historical relics, mountaineering routes, medicinal waters, medical treatment facilities and lodging quarters.

The Thongchon area is 52 km south of Wonsan. In the area there are Chongsokjong which has been called one of the eight scenic spots in Kwandong district of Korea, four natural lakes including Tongjong and Sijung, and the Sijungho Bathing Resort. In addition, there are six sand beaches, nine tourist attractions, 3.3 million tons of mud efficacious for the treatment of neuralgia and colitis, lodging quarters, clinics, restaurants, shops and other service facilities.

For its magnificent, beautiful and fantastic scenery, Mt. Kumgang, over 100 km south of Wonsan, is numbered among the renowned mountains of the world. It has 30-odd natural monuments, 10-odd historical relics, two nature reserves, two bathing resorts and a hot spa.

The Mt. Kumgang area is divided into Outer Kumgang, Inner Kumgang and Sea Kumgang.

Outer Kumgang includes the scenic spots called Chonbuldong, Manmulsang, Kuryongyon and Sonha with nearly 330 sightseeing places, 10-odd nature stocks, two bathing resorts and a hot spa, an ideal place for the treatment of hypertension and neuralgia.

Inner Kumgang area is formed of Manphokdong, Kusong and Manchon scenic spots. Sea Kumgang consists of the areas of Lagoon Samil and Sea Kumgang.

At present the Mt. Kumgang area has a golf course, sledge ground, ski training ground, bathing resorts, lodging facilities for tourists, restaurants and a hot spa.

The Zone, near to the world-famous Mt. Paektu and Mt. Chilbo tourist regions, is called a pearl on the east coast of Korea which is endowed with lots of peculiar tourist resources.

The Zone will be a fine example of a coastal tourist region and bring satisfactory economic profits to all investors in its development.

This guide introduces 70 investment projects which are envisaged to be performed in the Zone and to be further expanded.

## 2. Investment Projects

### 2.1. Infrastructure

#### 2.1.1. Sinsong Sewage Station

**Location:** Sinsong-dong, Wonsan, Kangwon Province

In developing Wonsan into an international tourist village the renovation for the Wonsan Sinsong Sewage Station is a very important project. It is of paramount importance in building infrastructure facilities to provide the citizens with a hygienically safe and sound living environment.

The existing sewage station is equipped with old-fashioned facilities. Sewage treatment is carried out by natural drying method.

The mission of the planned project is to improve urban life and ecological environment, invigorate the local tourist industry, cut down greenhouse gas emissions and produce energies and organic fertilizers from the sewage by improving the sewage network in Wonsan and the existing station.

The envisaged goals of the project are as follows:

- 50,000 m<sup>2</sup>/d (first stage), 100,000 m<sup>2</sup>/d (second stage)
- Up to EU sewage emission standard (BOD<sub>5</sub> ≤ 10mg/L, COD<sub>Cr</sub> ≤ 30mg/L, SS ≤ 10 mg /L, TN ≤ 10mg /L, TP ≤ 1mg /L)
- Electricity production by means of methane gas produced by anaerobic fermentation
- Organic fertilizer production by mechanical dehydration of sewage
- Construction of automatic air-tight sewage disposal process

Estimated cost: US\$ 41.86 million (US\$ 21.33 million by our side,  
US\$ 20.53 million by the other side)

Type of investment: As agreed by both sides

Period of implementation: 24-month construction, 20-year operation

Profitability: IRR 12%, NPV US\$ 9.67 million (Discount rate 10%)

## **2.1.2. Renovation of Wonsan-Mt. Kumgang Railway**

**Location:** The existing coastal Wonsan-Mt. Kumgang Railway from Wonsan, Kangwon Province to Onjong-ri, Kosong County, Kangwon Province

The purpose of this project is to renovate the existing railways (118.2 km) between Wonsan and Mt. Kumgang so as to provide safer and more convenient travelling conditions for tourists to the Thongchon area and Mt. Kumgang, a world-famous beauty spot.

The Wonsan-Mt. Kumgang line consists of light rails and the conditions of its sleepers and roadbed are poor. The railway bridges and tunnels are out-dated, so the turnover is low.

The DPRK government encourages the investment in infrastructure construction in economic development parks more than any others else: The enterprises investing in this sector will be given a preferential right to land choice and exempted from land use fees within a given period. Besides, no tax will be imposed on operating the infrastructure facilities, and a preferential tariff system will be enforced. As it has been already in use, the railway requires less investment and shorter period of construction than when it is to be newly built. The railway lies along the coast line and passes through noted tourist attractions including Lake Sijung. Therefore, the train journey blended with various services can be a major tourist item.

The number of foreign tourists is expected to rise to 4,000, 7,000-10,000 at the maximum, on average a day as the Zone's development makes rapid progress and the tourist service gains momentum. When the domestic tourists are put together, the total number of tourists will be over 10,000 on average a day.

Estimated cost: US\$ 323.5 million

Type of investment: As agreed by both sides

Period of implementation: 24-month construction, 30-year operation

Profitability: IRR 7.3%, NPV US\$ 88.71 million (Discount rate 5%),

Payback period 12.1 years



### **2.1.3. Thongchon Hydroelectric Power Station**

Location: Thongchon County, Kangwon Province

The project is to build a new dam at a place 740 metres down from the existing dam of the power plant in order to create additional water storage and increase its power output.

The storage capacity of the existing reservoir has decreased remarkably through over 90 years of accumulation of earth and sand and thereby a large quantity of water drains off without being used, making it impossible to increase power generation.

Sand and gravels are available near the site.

The project requires filling of about 70,000 cubic metres of earth and tamping of 60,000 to 70,000 cubic metres of concrete.

Estimated cost: US\$ 7.8 million to US\$ 10.4 million

Type of investment: As agreed by both sides

Period of implementation: 2-year construction, 10-year operation

Profitability: Under preliminary feasibility study

### **2.1.4. Wind Farm**

Location: Beachfront of Thongchon and Kosong counties, Kangwon Province

The project is to build wind farms at the beachfront of Kosong and Thongchon counties for meeting the demand for electric power in the Wonsan-Mt. Kumgang International Tourist Zone, the areas of Thongchon and Mt. Kumgang in particular.

The wind blows harder in spring and winter. Preliminary survey of resources in these areas shows some places have a favourable wind velocity, which is apt for installing

wind-driven generators. Nearby Wonsan Port and good road conditions facilitate the transport of facilities to the construction site.

Estimated cost: US\$ 32.5 million to US\$ 39 million

Type of investment: BOT

Period of implementation: 2-year construction, 10-year operation

Profitability: Under preliminary feasibility study

## 2.2. Lodgings

### 2.2.1. Songdownon Hotel

**Location:** Pongchun-dong, Wonsan, Kangwon Province

The goal for this project is to renovate the existing Songdownon Hotel into a five-star hotel by increasing its accommodation capacity from 407 to 1,000.

At present the hotel occupies a total building space of 37,000 m<sup>2</sup> and a floor space of 12,137 m<sup>2</sup>. Consisting of two blocks (11-storey Block 1 and 3- and 7-storey Block 2), it is one of the major hotels in Wonsan. It has 207 rooms with an accommodation capacity of 407 guests and 1,300-seated dining halls as well as amusement facilities. It is staffed with highly skilled and experienced management officials and other service personnel.

As it is a beautiful seaside hotel, it makes tourists feel as if they were floating on the sea.

Wonsan is located in the central part of Mt. Kumgang, Chongsokjong, Masikryong Ski Resort and Myongsasimni. The existing accommodation capacity of the city is some 1,500. Therefore, its lodging capacity is quite inadequate, compared with the increasing number of tourists to the city.

Estimated cost: US\$ 100 million

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: 18-month construction, 20-year operation

Profitability: IRR 16.3%, NPV US\$ 20.62 million (Discount rate 13%),

Payback period 5 years

### **2.2.2. Wonsan Hotel**

Location: Jung-dong, Wonsan, Kangwon Province

A 60-storey five-star hotel which can accommodate 1,000 guests is planned to be built along the beach of Wonsan which is being changed into an international tourist city.

The designated site is near the Wonsan Travellers' Quay. The hotel will cover an area of 50,000 m<sup>2</sup>.

Within a 100-km range there are Mt. Kumgang, Songdowon, Masikryong Ski Resort and Ullim Falls.

It will offer a bird's eye view of scenic spots like Kalma Peninsula, Songdowon Bathing Resort, Myongsasimni and other beauty spots.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: 36-month construction, 30-year operation

Profitability: Under preliminary feasibility study

### **2.2.3. Haeon Hotel**

Location: Pongchun-dong, Wonsan, Kangwon Province

It is planned to renovate the Haeon Hotel into a four-star, 18-storey hotel with an accommodation capacity of 500 persons. It will cover an area of 5,000 m<sup>2</sup>.

At present the hotel, located in Wonsan Square facing the sea, covers an area of 3,200 m<sup>2</sup>. It is a 12-storey building with 200 rooms. With an accommodation capacity of 300 persons, it is provided with such welfare service amenities such as a restaurant, a shop, a recreation hall and a bathhouse.

For its excellent location, tourists will be able to enjoy a panoramic view of Wonsan City, Wonsan Travellers' Quay to be built in the future and the picturesque Kalma Peninsula in the opposite side.

Estimated cost: US\$ 24 million

Type of investment: Equity or contractual joint venture, or as agreed by both sides  
Period of implementation: 18-month construction, 20-year operation  
Profitability: IRR 22.7%, NPV US\$ 15 million (Discount rate: 13%),  
Payback period 3.7 years

### 2.2.4. Tongmyong Hotel

**Location:** Songdowon area, Wonsan, Kangwon Province

The purpose of this project is to renovate the existing Tongmyong Hotel into a four-star hotel by updating its facilities and fixtures.

The new hotel with a building area of 9,000 m<sup>2</sup> and a floor space of 2,985 m<sup>2</sup> will be a nine-storey tower building which is comprised of 78 rooms for 130 guests. It is provided with restaurants, a seawater wading pool, a billiard saloon and other amusement facilities.

It is staffed with highly experienced management officials, skilled workers and other service members.

The tourists can enjoy a panoramic view of scenic spots such as Songdowon Bathing Resort, Songdowon International Children's Camp and other urban and seaside beauty spots and experience the true features of the natural ecological environment.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: 12-month construction, 20-year operation

Profitability: Under preliminary feasibility study

## 2.2.5. Sijungho Hotel

Location: Lake Sijung area, Thongchon County, Kangwon Province

It is planned to build a four-star hotel with an accommodation capacity of some 500 guests around Lake Sijung.

As a natural lake located between Kangdong-ri and Songjon-ri of Thongchon County, Kangwon Province, it features crystal-clear and tranquil water, thick forests, white sand and sea waves, presenting superb scenery.

It covers an area of 2.94 km<sup>2</sup>, 11.8 km round, 3.5 km long and 0.8 km wide on average. The average annual temperature is 11.3°C and the average annual precipitation, 1,320 mm.

It is a lagoon formed by the action of sea waves for a long period, which dammed up a small bay with sand. To the east spreads a 300-m-wide white beach separating the lake from the sea, and the Wonsan-Mt. Kungang sightseeing road through pine groves.

The lake serves as a place for relaxation between Wonsan and Mt. Kungang as well as a resort of culture and rest for tourists to enjoy pelotherapy and sea bathing. A beach resort, angling sites, boating grounds and other sightseeing facilities have been arranged around the lake. Seven islets are seen off the shore.

The lakebed is 4-5 m thick in mud, which has a special virtue for the treatment of inflammatory diseases, nervous system disorders and other diseases. For this reason, it draws a stream of people.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: 18-month construction, 20-year operation

Profitability: Under preliminary feasibility study

## 2.2.6. Tongjongho Hotel

**Location:** Kunsan-ri, Thongchon County, Kangwon Province

A three-star hotel is scheduled to be built near picturesque Lake Tongjong, the biggest natural lake in Kangwon Province, with an accommodation capacity of 500 guests.

The lake is located in the northern coastal area of Thongchon County which lies between Wonsan and Mt. Kumgang of Kangwon Province.

It covers an area of 4.84 km<sup>2</sup> with a circumference of 18.1 km, and with a length of 4.5 km and an average width of 1.1 km. Its annual average temperature is 11.3°C and annual average precipitation, 1,320 mm.

The lake, limpid and serene, is a lagoon formed of a pile of sand carried away by the flow of rivers and streams over a long period.

On the bottom of the lake is a thick layer of mud with therapeutic properties. A narrow and long sandbank stands between the sea and the lake. The lake teems with carp, gray mullet, perch and other species of fish. The lakeside sandbank, the calm lake and the surrounding groves present a beautiful landscape, blending well with each other.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: 18-month construction, 20-year operation

Profitability: Under preliminary feasibility study

## 2.2.7. Chongsokjong Hotel

**Location:** Thongchon County Town, Kangwon Province

A five-star hotel which can accommodate 100 people is planned to be built.

Chongsokjong has been called one of eight scenic spots in Kwandong district of Korea for its fantastic beauty. There are hexagonal and octagonal basaltic stone pillars in the 1,000-m-long section. Besides, there is a sand beach, 10-20 m wide and 500 m

long, that can be used as a bathing resort. The annual average temperature is 11.3°C and the annual average precipitation, 1,320 mm.

Chongsokjong is visited by many tourists as it is situated in the midway between Wonsan and Mt. Kumgang and has wonderful tourist resources. The stone pillars in the crystal-clear water and their queer and marvellous shapes present a beautiful scene. Notably, the sunrise and night view in the silvery moonlight are quite spectacular.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: 18-month construction, 20-year operation

Profitability: Under preliminary feasibility study

## 2.2.8. Jangjaenup Mobile Lodgings

**Location:** Lake Sijung area, Thongchon County, Kangwon Province

The project is aimed at forming an area of mobile lodgings to provide local and foreign tourists with unique and diversified services, including sea bathing, sea and lake angling, boating and pelotherapy.

Lake Sijung is a natural lake located between Kangdong-ri and Songjon-ri, Thongchon County, Kangwon Province. It sprawls 2.94 km<sup>2</sup>. Its annual average temperature is 11.3°C, average temperature in August, 23.2°C and annual average precipitation, 1,320 mm.

Around the lake are various kinds of cultural and recreational facilities, including a tea shop, a sea bathing beach, a boating ground, an angling site and a sanatorium, and abundant tourist resources.

It is geographically located in the central part of the Wonsan-Mt. Kumgang international tourist zone. Mt. Kumgang, Songdownon, Masikryong Ski Resort and Ullim Falls are near the lake.

The beach along the lake is an ideal bathing resort for its high-quality water. Tourists can enjoy angling and boating in the lake. The lake boasts of its rich deposit of mud, which is highly efficacious for the treatment of inflammatory diseases, nervous system disorders and other diseases.

In addition, most of raw materials indispensable for tourist service are available around the lake. In particular, fishes caught alive in the sea and lake may be served for the guests. Meats such as beef, mutton, pork and dairy products will be obtained from the Sepho Tableland.



It is planned to build a mobile lodging district, which consists of tents and panel-framed flats with an accommodation capacity of 140 persons in the first stage and 500 in the second stage.

Estimated cost: US\$ 0.89 million (First stage: US\$ 0.29 million,  
Second stage: US\$ 0.6 million)

Type of investment: Contractual joint venture

Period of Implementation: 10 years

Profitability: IRR 21.6%, NPV US\$ 110,000 (Discount rate 13%),  
Payback period 3 years

### **2.2.9. Samilpho Hotel**

Location: Samilpho-ri, Kosong County, Kangwon Province

It is planned to create a capacity for accommodating 4,700 persons in the Samilpho-Sea Kumgang area.

Building the Samilpho Hotel is an important project for accommodating the increasing number of tourists.

The four-star hotel, capable of accommodating 800 persons in 400 bedrooms, will be composed of one storey under the ground and 15 storeys above, with service facilities including shop, restaurant, tea shop, banquet hall and recreation hall and infrastructures.

As most of the area of the site is a farm field of a lower grade, there will be no compensation for the moving of structures and other attached facilities, but a little amount for the farm field.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: Subject to agreement with the investor

Profitability: Under preliminary feasibility study

### **2.2.10. Samilpho Villa Hotel**

Location: Samilpho-ri, Kosong County, Kangwon Province

There is a plan for the development of an accommodation capacity of 4,700 persons in the Samilpho-Sea Kumgang area.

The Samilpho Villa Hotel is a construction project for tourists to Mt. Kumgang, especially VIPs.

The project involves the construction of 30 buildings capable of accommodating 150 persons, shop, restaurant, tea shop, banquet hall, swimming pool and tennis, basketball and volleyball courts, as well as infrastructure.

As most of them are land of lower grade, there will be no need to compensate for the relocation facilities and attachments, except a little compensation for the removal of farm fields.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: Subject to agreement with the investor

Profitability: Under preliminary feasibility study

### **2.2.11. Samilpho Family Hotel**

Location: Samilpho-ri, Kosong County, Kangwon Province

The project is aimed at catering for tourists who come with family as a unit.

As the site is a farm field of a lower grade, there will be no problem related to the relocation of attachments like houses.

Its area covers about 60,000 m<sup>2</sup>.

More than 1,500 persons a day will be able to put up at the hotel, which consists of three 6-storey blocks, two 5-storey ones and two 4-storey ones.

There will also be resting and green sections and a parking lot.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture

Period of implementation: Subject to agreement with the investor  
Profitability: Under preliminary feasibility study

## **2.3. Public Catering Services**

### **2.3.1. Mokran Restaurant**

**Location:** Onjong-ri, Kosong County, Kangwon Province

Covering an area of 20,000 m<sup>2</sup> and a floor space of 1,800 m<sup>2</sup>, the Mokran Restaurant has a capacity of 370 seats. It was opened in 1983. It is affiliated with a souvenir shop, outdoor booths and a garden.

It is on the itinerary of excursion to the area of Kuryong Pond where tourists can relax themselves. Once it accommodated 800 guests a day.

It is planned to renovate the existing building and its facilities. Its roof will be replaced with transparent coverings descriptive of magnolia, the national flower of the DPRK, and glass walls so as to enlarge the dining halls and increase the number of seats by over 1,000. The souvenir shop, outdoor booths and garden will be updated and their buildings will be decorated with lamplights.

In consideration of strong wind and much water of the Singye Stream in rainy season, it is also planned to establish an electric power supply system by means of wind and water power as well as a bio-gas system by using waste water and food wastage as raw materials.

Estimated cost: US\$ 2.6 million

Type of investment: Contractual joint venture

Period of implementation: 1-year construction, 5-year operation

Profitability: Under preliminary feasibility study

### **2.3.2. Tanphung Restaurant**

Location: Samilpho-ri, Kosong County, Kangwon Province

This restaurant is situated on the shore of Lagoon Samil in the area of Mt. Kumgang. It covers a total floor space of 1,300 m<sup>2</sup> and has a capacity of over 120 seats. It is affiliated with a souvenir shop.

As the one and only public catering establishment located on the shore of the picturesque Lagoon Samil, it has favourable conditions for serving tourists with meals and souvenirs.

It is planned to renovate the existing building and facilities.

Its balcony and roof will be replaced with transparent coverings and glass walls descriptive of maple trees so as to enlarge its space and increase the number of seats to more than 200.

The souvenir shop will be updated and decorated with gorgeous lamplights.

Efforts will be made to find out a new source of water and take measures for sewage treatment in keeping with the plan to increase the capacity of the restaurant.

Estimated cost: US\$ 0.65 million

Type of investment: Contractual joint venture

Period of implementation: 1-year construction, 5-year operation

Profitability: Under preliminary feasibility study

### **2.3.3. International Restaurant Street**

Location: Jung-dong, Wonsan, Kangwon Province

It is planned to build a street replete with catering service facilities with a floor space of 25,000 m<sup>2</sup> in Jung-dong, Wonsan, Kangwon Province which is being developed into an international tourist town.

The restaurants will offer peculiar service for local and foreign tourists to taste famous national foods of various countries around the world, including the Korean, Chinese and Western, instant foods, soft drinks and coffee.

As the Zone's development will draw over one million tourists every year, the demand for the Korean national foods and world-famous dishes will become greater. In Wonsan there are some universities, colleges and a foreign languages institute, which are in a position to bring up service personnel needed for various sources of tourism, including a guide and a cook.

Estimated cost: US\$ 15 million

Type of investment: Equity joint venture or as agreed by both sides

Period of implementation: 18-month construction, 15-year operation

Profitability: IRR 28.4%, NPV US\$ 13.13 million (Discount rate 13%),

Payback period 3 years

### **2.3.4. Korean Cuisine Restaurant**

Location: Songdowon Pleasure Ground, Wonsan, Kangwon Province

At present, Tonghae, Paeksa and several other restaurants are situated near Songdowon beach within the Songdowon Pleasure Ground in Wonsan. These restaurants give pleasure to guests by serving a wide variety of foods like seafood.

The planned project is a two-storey restaurant which serves special foods of every province of Korea for tourists from at home and abroad as well as local inhabitants.

The restaurant will be a modern, Korean-style building with strong national characteristics.

It will cover an area of 4,500 m<sup>2</sup>.

The restaurant will be affiliated with halls specializing in the cuisines of North and South Phyongan, North and South Hamgyong, Ryanggang, Jagang, Kangwon and North and South Hwanghae provinces. Each restaurant will be built to fit in with the local features of every province. On the ground floor will be arranged general dining rooms and on the first floor, dining rooms installed with the traditional under-floor heating system.

Estimated cost: US\$ 4.55 million

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: 1-year construction, 10-year operation

Profitability: Under preliminary feasibility study

### 2.3.5. Wonsan Seafood Restaurant

**Location:** Jung-dong, Wonsan, Kangwon Province

The Beach Park will be near the service facilities and hotels for tourists to be newly built in downtown Wonsan and the beautiful seaside, so it is expected to attract many visitors.

A three-storey vessel-looking seafood restaurant (building space: 3,000 m<sup>2</sup>, total floor space: 7,000 m<sup>2</sup>) is planned be built near the seaside inside the park.

Ground Floor: Exhibition hall in which fish caught alive in the near sea and fresh water and frozen and processed seafood are on display and for sale. The exhibited fish are kept in basin.

1st Floor: Seafood restaurant with a public dining hall and several private dining rooms. It is going to be decorated in a way to show the world under the sea.

2nd Floor: Open-air restaurant in which seafood, Pulgogi (roasted beef) and other cuisines will be served. It will be capped by a transparent roof.

All the kitchens will be glass-walled to show high cultural and hygienic qualities and skills of cooks.

**Estimated cost:** US\$ 4.55 million

**Type of investment:** Equity or contractual joint venture, or as agreed by both sides

**Period of implementation:** 1-year construction, 10-year operation

**Profitability:** Under preliminary feasibility study

### 2.3.6. Jangdoksom Service Centre

**Location:** Jangdok Island, Wonsan, Kangwon Province

Jangdok Island (2,600 m<sup>2</sup>), situated on the sea off Wonsan, is connected with Tongmyong Hotel by a 1,000-m-long breakwater. On the island there are a lighthouse, a sightseeing pavilion (25 m<sup>2</sup>) and a small restaurant.

Wonsan seen from the island is so beautiful that many people go angling and have meals for relaxation.

When an artificial angling site and public catering facilities are to be built, they will provide tourists from at home and abroad with good conditions for rest and service.

Vessel-looking restaurants will be built around the island. In the sea around each restaurant will be built a pond surrounded by a net. Various species of fish of high quality will be put into the pond so that people can catch fish with the leased fishing tackle. The restaurants will serve them with the fish that they caught by themselves and scooped up from the net on their demand. Pulgogi (roasted beef) and other cuisines are also available.

The sewage will be collected and then transported to the land for organic fertilizer production.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: 1-year construction, 10-year operation

Profitability: Under preliminary feasibility study

### **2.3.7. Jinju Restaurant**

Location: Naewonsan-dong, Wonsan, Kangwon Province

If this restaurant is built in a place near the residential quarters, the Wonsan International Passenger Port and several hotels to be built in the future, it will provide favourable conditions for serving tourists and local people.

It is planned to build a three-storey restaurant with a total floor space of 7,000 m<sup>2</sup> on a building space of 2,500 m<sup>2</sup>. It will consist of a pub, public dining hall, coffee shop, tea shop, souvenir shop, photo studio and separate dining rooms.

The ground floor will be arranged with the pub, souvenir shop and photo studio to serve pearl works, artistic photos and photos inscribed on stone plates.

The first floor will be arranged with various dish-counters with a spacious, large dining hall in the centre.

The individual dining rooms, tea shop and coffee shop will be laid out on the second floor.

The interior and exterior of the building will be decorated with various forms of pearl works.

Estimated cost: US\$ 4.55 million

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: 1-year construction, 10-year operation

Profitability: Under preliminary feasibility study

### **2.3.8. Tunamsan Restaurant**

**Location:** Naewonsan-dong, Wonsan, Kangwon Province

A restaurant for the local and foreign tourists is planned to be built on the hillside of Mt. Tunam, which is adjacent to the coast, and the Wonsan International Passenger Port and several hotels to be built in the future. Covering a total floor space of 3,000 m<sup>2</sup>, this restaurant will be shaped in tiers as suited to the topographical features.

With regard to its location, it will be built as a green structure in the form of wooden and stone structures and tents in marked contrast to modern urban buildings.

The ground and first floors will serve Pulgogi (roasted beef), dishes of edible wild vegetables and other dishes, wine and other alcoholic and soft drinks. There will be the Unjong tea shop and a coffee shop on the second floor.

Around the restaurant there will be a good species of trees and flowering plants and a small animal shed of roe deer, deer, squirrel, pheasant, pigeons and parrots, which will enable visitors to feel the flavour of nature in the city.

Estimated cost: US\$ 4.55 million

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: 1-year construction, 10-year operation

Profitability: Under preliminary feasibility study



### **2.3.9. Sijungho Seafood Restaurant**

Location: Lake Sijung area, Thongchon County, Kangwon Province

It is planned to build a seafood restaurant in the area of Lake Sijung in order to serve local and foreign tourists visiting this area to have a sea bathing, seaside and lakeside fishing, boating and pelotherapy with various dishes prepared with fishes that are caught alive on the spot.

This area is located in the central part of the Zone. There are Mt. Kumgang, Songdowon, Masikryong Ski Resort and Ullim Falls within the range of 100 km of the area. The lakeside is an ideal bathing resort with good aquatic quality. Tourists can enjoy angling and boating in the lake. The lake boasts of its rich deposit of mud, which is highly efficacious for the treatment of inflammatory diseases, nervous system disorders and other diseases.

In addition, most of raw materials necessary for tourist service are available near the lake. Fishes caught alive in the sea and lake will be served for the guests.

Estimated cost: US\$ 0.65 million

Type of investment: Contractual joint venture

Period of implementation: 10-month construction, 5-year operation

Profitability: Under preliminary feasibility study

### **2.3.10. Ullimphokpho Service Complex**

Location: Area of Ullim Falls, Chonnae County, Kangwon Province

Ullim Falls, 75 metres high, is located in a valley some 6 km away from Tonghung-ri, Chonnae County, Kangwon Province. It flows with a thunderous echo which resounds through the valley, hence its name Ullim (thunderous echo in Korean). It is surrounded with a chain of sharp mountain peaks with steep cliffs. The waterfall cascades down from the Masikryong Mountains, discharging water of 20-25 m<sup>3</sup> water per second. Under the waterfall is a pool, 1.5 m in depth and 30 m in radius. Minnow, rainbow trout and other fishes inhabit there. The waterfall and its surrounding landscape present superb sceneries. On the opposite side of the waterfall are such scenic beauties as Kusul

(beads) Falls, Pidan (silk) Falls and Six Pools. There are also sightseeing routes, a spillway dam, a bridge, a ground for meals, a parking lot and other facilities.

The waterfall is a favourite place for tourists from at home and abroad.

It is planned to build a three-storey service complex with various catering facilities, a souvenir shop and a photo studio, in an area of 900 m<sup>2</sup> beside the ground for meals.

The souvenir shop and photo shop (artistic photos and photos inscribed on a stone plate are served) will be laid out on the ground floor, a restaurant on the first floor, and a tea shop and a coffee shop with transparent roof and glass walls.

Estimated cost: US\$ 1.3 million

Type of investment: Contractual joint venture

Period of implementation: 1-year construction, 10-year operation

Profitability: Under preliminary feasibility study

## 2.4. Commercial Networks

### 2.4.1. Shopping Mall

Location: Jung-dong, Wonsan, Kangwon Province

It is planned to build a shopping mall, where various sorts of famous goods made in the DPRK and other countries are available, in an area of over 200,000 m<sup>2</sup>.

An international restaurant street and other service facilities are expected to be built. The buildings will be structures with three or four floors.

It is planned to build high-rise structures of over 20 storeys in an area of 10,000 m<sup>2</sup>. The basements will have two floors: Parking lot, shop, restaurant and other service facilities are to be laid out.

An ice rink is expected to be built in a suitable place as another attractive resting place for tourists.

As a tourist service centre in the Wonsan area, the shopping mall will draw more than a million tourists a year.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity joint venture

Period of implementation: 2-year construction, 10-year operation

Profitability: Under preliminary feasibility study

### 2.4.2. Wonsan Department Store

Location: Haebang-dong No. 2, Wonsan, Kangwon Province

The existing five-storey Wonsan Department Store occupies a building space of 2,000 m<sup>2</sup> and a total floor space of 7,000 m<sup>2</sup>.

The store is planned to be renovated in U-shape on a building space of 3,800 m<sup>2</sup>, a floor space of 3,100 m<sup>2</sup> and a total floor space of 15,050 m<sup>2</sup>. The façade of the building with five floors and a basement will face the sea. It will be run on terms of lease.

A garage, a storehouse, air-conditioning facilities, a substation, a bathroom for employees and other service facilities will be laid out in the basement. The ground floor will be arranged with departments for foodstuff and other wholesale goods, meeting rooms for lessors, a coffee shop, a tea shop, a restaurant, a snack bar and a round-the-clock counter, the first floor with an instant-food restaurant, a children's playground and sales networks, and the remaining three floors with sales networks.

The left side at the back of the building will be laid out with management departments such as a storehouse, a dressing room, offices, a canteen and a board room for employees.

The store is to be operated on a self-service basis. As the largest shopping centre, it will serve domestic and foreign tourists to the Zone as well as local inhabitants. It boasts a relatively long history and kind service personnel.

Estimated cost: US\$ 7.35 million

Type of investment: Equity or contractual joint venture

Period of implementation: 18-month construction, 10-year operation

Profitability: Under preliminary feasibility study

### 2.4.3. Tourist Souvenir Shop

**Location:** Jung-dong, Wonsan, Kangwon Province

It is planned to build a tourist souvenir shop on a building space of 1,000 m<sup>2</sup> and a floor space of 600 m<sup>2</sup>. Seafood, medicinal herbs, wild vegetables and other agricultural products produced in the Wonsan-Mt. Kumgang area, health food, medicaments, art objects, crafted works and other souvenirs will be on sale and on display.

As the Zone's development will draw over one million tourists every year, there is no doubt that the demand of tourists for souvenirs will grow stronger.

Estimated cost: US\$ 0.31 million

Type of investment: Equity joint venture, or as agreed by both sides

Period of implementation: 1-year construction, 10-year operation

Profitability: Under preliminary feasibility study

## 2.5. Service Facilities

### 2.5.1. International Exhibition House

**Location:** Jonjin-dong, Wonsan, Kangwon Province

It is planned to build an exhibition house which can host international exhibitions and expositions and conferences.

A cylindrical structure with two floors below ground level and three floors above the ground on a building space of 10,000 m<sup>2</sup> (a floor space of 5,000 m<sup>2</sup> and a total floor space of 15,000 m<sup>2</sup>). The underground floors will be used as a bonded warehouse and as a parking lot. Exhibition halls will be arranged on the ground and first floors, and several conference halls, a multi-functional hall and a restaurant on the second floor.

Estimated cost: US\$ 10 million

Type of investment: Equity joint venture

Period of implementation: 16-month construction, 15-year operation

Profitability: Under preliminary feasibility study

### 2.5.2. International Tourism and Culture Exchange Agency

**Location:** Jung-dong, Wonsan, Kangwon Province

The project is aimed at offering better conditions for sightseeing and cultural services to those visiting the Zone.

It is planned to build a monolithic structure with a five-storey semicircular building and a rectangular tower on a building space of 15,000 m<sup>2</sup>. The terraced semicircular building will cover a floor space of 7,000 m<sup>2</sup> and a total floor space of 30,000 m<sup>2</sup>. A 500-seated theatre, 200-seated cinema, 50-seated 4-D simulation cinema, restaurant and sports and health-promoting facilities will be arranged there.

The balcony of the building will be bedecked with green belts and used as an open-air restaurant. The floor space and total floor space of the 15-storey building will be 5,000 m<sup>2</sup> and 75,000 m<sup>2</sup>. Its ten floors will be laid out into a four-star hotel and the remaining five floors will be leased as offices. The basement will be arranged with a

water supply and sewage system, an air-conditioning system, a parking lot and a warehouse.

Estimated cost: US\$ 60 million

Type of investment: Equity joint venture

Period of implementation: 2-year construction, 15-year operation

Profitability: Under preliminary feasibility study

### **2.5.3. Financial Service Centre**

**Location:** Namsan-dong, Wonsan, Kangwon Province

It is planned to build a modern financial service centre in the city in order to render comprehensive financial service to the enterprises residing in the Zone and tourists.

In the future many foreign tourists will visit the Zone and huge fund will be circulated. Therefore, it is inevitable to set up a financial service centre. It will provide the head or branch offices of local and foreign banks, trust companies, insurance companies, financial or investment consultative companies with conditions to conduct their service activities.

A sail-style structure will be built on a building space of 10,000 m<sup>2</sup> and will cover an area of 7,000 m<sup>2</sup> and a total floor space of 210,000 m<sup>2</sup>. The basement will be arranged with water supply, drainage and air-conditioning systems, and also a parking lot and a store. The centre will be arranged with dining halls, offices and a revolving restaurant.

Estimated cost: US\$ 80 million

Type of investment: Equity joint venture

Period of implementation: 2-year construction, 20-year operation

Profitability: Under preliminary feasibility study

## 2.5.4. Wonsan Service Centre

Location: Jung-dong, Wonsan, Kangwon Province

Total area: 20,000 m<sup>2</sup>, Total floor space: 63,000 m<sup>2</sup>, Floor space: 9,000 m<sup>2</sup>

The centre will be a 7-storey building with a two-storey basement. It will look like a pearl oyster, symbolizing Wonsan, which is called the pearl of the East Sea of Korea.

The layout plan of the building is as follows:

1st and 2nd underground floors: Parking lot, car garage, transformer substation, air-conditioning system and other service facilities

Ground Floor: Exhibition halls of famous companies and banquet hall

1st Floor: Department store and self-service canteens

2nd Floor: Public and family bathrooms, barbershop, beauty salon, massage room, wading pool and other welfare service facilities

3rd Floor: Physical training and medical treatment facilities, halls for table-tennis, badminton, billiard and bowling, resting places and other welfare service facilities

4th Floor: Amusement facilities, playground for children, 4-D simulation cinema and snack bar

5th Floor: Conference halls, meeting rooms, lecture halls, reading rooms, telecom rooms, public service facilities (dining rooms and canteens) and administrative offices

6th Floor: Swimming pool fed by sea water, café and open-air restaurant in which you can enjoy outside view. (This floor has a transparent roof which opens and closes automatically.)

The building will be placed under the computer integrated management system and furnished with high-end equipment and facilities.

It will be installed with a heating and cooling system which is operated by solar and geothermal energies, air-conditioning system and power supply system with general and emergency ones.

Also, it will be under a fire protection system, by which receivers, sensors, sprinkler, automatic and fire-proof doors and emergency alarm will be in motion at the same time. An exit for emergency is expected.

Estimated cost: US\$ 35.75 million

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: 2-year construction, 10-year operation

Profitability: IRR 14.7%, NPV US\$ 2.47 million (Discount rate 13%),

Payback period 5.1 years

### 2.5.5. Fitness Centre

**Location:** Jung-dong, Wonsan, Kangwon Province

It is planned to build a fitness centre with a total floor space of 5,000 m<sup>2</sup> by combining modern sporting apparatuses and amusement facilities with the excellent Koryo therapy, which consists of a sports room, a health recovery room, a table-tennis hall, a billiard saloon, a bowling ally, a recreation hall, a 4-D simulation cinema, a Koryo treatment room and a soft drink stand. It will offer wonderful facilities good for health and physical buildup to local and foreign tourists.

As the Zone's development will draw over one million tourists every year, the number of visitors to the fitness centre will grow.

In Wonsan there are some universities, colleges including Wonsan Medical College and a foreign languages institute, training bases of service personnel needed for tourism, including guide and medical worker. Besides, such basic building materials as sand and gravel needed for the construction of the project and some raw materials for its operation are available at home.

Estimated cost: US\$ 2.5 million

Type of investment: Equity joint venture, or as agreed by both sides

Period of implementation: 1-year construction, 10-year operation

Profitability: Under preliminary feasibility study

### 2.5.6. Haeon Funfair

**Location:** Jung-dong, Wonsan, Kangwon Province

A funfair is planned to be built in an area of about 120,000 m<sup>2</sup> along the coast of Wonsan. It will consist of modern amusement facilities, park and fountain ponds.

Around the designated site are hotels and other service facilities and dwelling houses. The funfair will be connected by major traffic lines.

Its accommodation is estimated at 2,000 a day. The funfair is expected to have 400,000 guests a year.



It will be furnished with scores of kinds of modern equipment, electronic amusement facilities, soft drinks kiosks, snack bars and other service facilities. Various kinds of trees and flowers will be planted, adding to natural beauty.

The designing and construction of the funfair can be conducted by domestic investment. The required investment items are mainly entertainment and amusement facilities.

Estimated cost: US\$ 15.6 million (US\$ 12 million for equipment)

Type of investment: Contractual joint venture

Period of implementation: 18-month construction, 10-year operation

Profitability: Under preliminary feasibility study

### **2.5.7. Wonsan Water Park**

**Location:** Jung-dong, Wonsan, Kangwon Province

A seaside alpa mare with a daily capacity of 7,000 persons is planned to be built in Wonsan. Tourists to the Zone will enjoy themselves in this pool in all seasons, feeling as if they were swimming in seawater.

The designated site will sprawl 14,000 m<sup>2</sup>. The design of the pool has already been completed.

Wonsan is now in shortage of wading pool facilities for the sake of tourists.

Estimated cost: US\$ 49 million

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: 18-month construction, 20-year operation

Profitability: Under preliminary feasibility study

## 2.5.8. Wonsan Tourist Bus Station

**Location:** Naewonsan-dong, Wonsan, Kangwon Province

Wonsan has favourable conditions for tourism as it has a wide distribution of natural, social and cultural resources. As the hub of the Zone, it plays a leading role in the traffic service. Railway, road and air transport service networks are linked to other tourist attractions.

Wonsan will draw over a million tourists a year. Accordingly, growing demand for transport service is expected.

The station will carry over 2,000 travellers a day.

10-seat bus for 5 persons: 5

30-seat bus for 20 persons: 5

55-seat bus for 40 persons: 20

65-seat bus for 50 persons: 20

It is planned to increase the mode and scope of transport service with the growing number of tourists.

Estimated cost: US\$ 5.55 million

Type of investment: Equity or contractual joint venture

Period of implementation: 1-year construction, 20-year operation

Profitability: IRR 14.9%, NPV US\$ 640,000 (Discount rate: 13%)

Payback period 6.2 years

## 2.5.9. Wonsan Taxi Station

**Location:** Naewonsan-dong, Wonsan, Kangwon Province

The station will offer a taxi service to local citizens and tourists in the Zone including Wonsan.

Wonsan has a population of 300,000. More than one million foreign tourists are expected to visit Wonsan every year.

Hotels and service facilities in downtown Wonsan and coastal areas, together with road network are to be newly built or laid out, and the roads which link Wonsan with other tourist attractions including Mt. Kumgang and Masikryong Ski Resort, updated.

Taxi together with other public vehicles will be used as the major means of transport.

Thirty minibuses (ten seats) and one hundred cars are to be run.

Estimated cost: US\$ 4.2 million

Type of investment: Equity or contractual joint venture

Period of implementation: 1-year construction, 5-year operation

Profitability: IRR 25.1%. NPV US\$ 1.31 million (Discount rate 13%),

Payback period 2.7 years

## 2.5.10. Geothermal Equipment Service Centre

**Location:** Wonsan, Kangwon Province

This service centre will engage in marketing and technical assistance of geothermal cooling and heating equipment at home as well as in the Zone.

In the DPRK use of geothermal energy is an important state policy. With the Zone's development going full steam, the geothermal cooling and heating equipment in public and industrial buildings and dwelling houses is in great demand.

At present many domestic enterprises and scientific and research institutes are developing geothermal cooling and heating equipment and their accessories that meet domestic conditions. But they import some equipment and parts to satisfy diversified needs.

The planned centre will offer technical service for the assembly, test drive, installation and operation of the geothermal cooling and heating system with different capacity that are needed in the Zone through purchase of equipment and parts from domestic enterprises and from abroad.

The expected yearly sales of geothermal cooling and heating system are 120.

It is planned to build an exhibition house with a total floor space of 1,890 m<sup>2</sup> and a building space of 2,860 m<sup>2</sup> which consists of exhibition rooms, assembly shop, test drive yard, technical research rooms and offices.

Estimated cost: US\$ 2.2 million

Type of investment: Equity or contractual joint venture

Period of implementation: 6-month construction, 10-year operation

Profitability: IRR 38.8%, NPV US\$ 2.56 million (Discount rate 13 %),

Payback period 2.5 years

### **2.5.11. Wonsan Filling Station**

**Location:** Pongmak-dong, Wonsan, Kangwon Province

This station will be built in Wonsan. It will satisfy the growing demand of vehicles for fuel oil.

Now construction projects aimed to develop Wonsan into a world-famous tourist city are going ahead on an extensive scale. Tourism in the Wonsan-Mt. Kumgang region is gaining momentum and the local economy is developing apace. Accordingly, the present demand for gasoline and diesel oil is expected to rise still higher. At present, there are several filling stations in Wonsan, but they are not becoming a tourist city and are poor in their modes of service and facilities.

At the new filling station there will be on sale soft drinks, necessary articles, parts for vehicles, tools, lubricants and others.

Estimated cost: US\$ 1.3 million

Type of investment: Equity joint venture

Period of implementation: 12-month construction, 10-year operation

Profitability: Under preliminary feasibility study

### **2.5.12. Thongchon Filling Station**

**Location:** Thongchon Town, Thongchon County, Kangwon Province

The station will be built by the existing highway between Wonsan and Mt. Kumgang. It will serve the guests who travel between Wonsan and Mt. Kumgang and visit Lake

Sijung and Lake Tongjong, and enliven the tourism in the region. Soft drinks, foods, parts for vehicles, tools will be on sale and various types of service will be available.

Estimated cost: US\$ 1.3 million

Type of investment: Equity joint venture

Period of implementation: 12-month construction, 10-year operation

Profitability: Under preliminary feasibility study

### 2.5.13. Sijungho Golf Course

**Location:** Lake Sijung area, Thongchon County, Kangwon Province

A golf course for tourist purpose is planned to be built in an area of 300,000 m<sup>2</sup>, northwest of Lake Sijung, a picturesque lake which blends well with the sea and mountain.

The lake lies midway between Wonsan and Mt. Kumgang. It is haunted by tourists for mud treatment and sea bathing.

The lake, limpid and serene, surrounded by a densely wooded hillock and sandy beaches, presents a beautiful landscape.

It is regarded as one of priorities in the Zone's development. The planned golf course has potentialities enough to be developed into a world-famous one.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: 18-month construction, 20-year operation

Profitability: Under preliminary feasibility study

### 2.5.14. Sijungho Bathing Beach

**Location:** Lake Sijung area, Thongchon County, Kangwon Province

It is planned to expand the capacity of the bathing beach stretching along the east coast beside beautiful Lake Sijung to accommodate 4,000 persons a day.

Covering a space of 35,000 m<sup>2</sup>, a sand beach of 18,000 m<sup>2</sup>, a green belt of 17,000 m<sup>2</sup>, the beach is 550 metres long and 25-35 metres wide. It is a popular tourist attraction. Its annual average temperature is 11.3°C while its annual average precipitation is 1,320 mm.

At present this beach attracts 1,800 tourists a day on average. Seen on the sea off the beach are seven islets. In the west of the resort lies beautiful Lake Sijung with an area of 2.94 km<sup>2</sup>. A sand beach extends between the lake from the sea, and the Wonsan-Mt. Kungang tourist road lies through the pine groves near the beach.

There is a two-block resting place, which sprawls 1,600 m<sup>2</sup>.

Modern cultural service facilities are expected to be built, and systems and apparatuses to maintain and manage ecological environment will be provided here so that visitors can spend a pleasant time enjoying the best services.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: 18-month construction, 20-year operation

Profitability: Under preliminary feasibility study

## 2.5.15. Sijungho High-speed Boating Ground

**Location:** Lake Sijung area, Thongchon County, Kangwon Province

It is planned to build a high-speed boating ground in the area of Lake Sijung in order to provide a peculiar style of adventurous tourist service to local and foreign visitors to the Zone.

As a natural lake located between Kangdong-ri and Songjon-ri of Thongchon County, Kangwon Province, it covers an area of 2.94 km<sup>2</sup>, 11.8 km in circumference, 8 km long and 0.8 km wide on average.

At present there are a bathing beach, a boating ground, an angling site and other service facilities for tourists. But such adventurous tourist service facilities as a high-speed boating ground, which is gaining in favour among tourists worldwide, are not available there. As the lake is relatively small and the maximum speed of boats is 180 km/h, it may cause crashes in case the boats are laid out in large numbers. So, five motor boats and five dolphin-shaped boats will be arranged for service on lease.

It is planned to build on the shore of the lake an anchorage available for 10 high-speed boats and a single-storey building with an area 500 m<sup>2</sup>, which has an office and a maintenance park for boats.

Estimated cost: US\$ 0.43 million

Type of investment: Equity joint venture

Period of implementation: 15-year operation

Profitability: IRR 16.7%, NPV US\$ 67,000 (Discount rate 13%),

Payback period 7.5 years

### **2.5.16. Kumgangsan Service Complex**

Location: Onjong-ri, Kosong County, Kangwon Province

It is planned to build modern service facilities in the area where stand the Kumgangsan Hot Spa House and the Kuryong Restaurant. It will offer such services as balneotherapy, meals, swimming and recreation to tourists to the area of Mt. Kumgang.

The above-said buildings are located on the shore of Onjong Stream. There lies a narrow road between them.

Covering an area of 3,500 m<sup>2</sup> and a floor space of 1,200 m<sup>2</sup>, the Kumgangsan Hot Spa House has an accommodation capacity of over 50 persons. A radon spa with large volume of water, it has a special virtue for the treatment of women's diseases and arthritis. The temperature of the water is 42°C.

The Kuryong Restaurant is a single-storey building with an area of 5,000 m<sup>2</sup> and a floor space of about 2,000 m<sup>2</sup>.

The two buildings will be renovated on an expansion basis and linked with each other with a rainbow-shaped flyover, and a swimming pool will be built.

Estimated cost: US\$ 4.55 million

Type of investment: Contractual joint venture

Period of implementation: 1-year construction, 10-year operation

Profitability: Under preliminary feasibility study

### **2.5.17. Samilpho Service Complex**

Location: Samilpho-ri, Kosong County, Kangwon Province

The building of new service facilities in the Samilpho development area is aimed at providing various commercial services.

The site is a farmland with no infrastructure. But the area will have great purchasing power, the major index of service, as there are Samilpho and Sea Kumgang equipped with service facilities of different functions and forms in it and lodgings with an accommodation capacity of 4,700 persons will be built there.

Estimated cost: Under preliminary feasibility study

Type of investment: Contractual joint venture

Period of implementation: Subject to agreement with the investor

Profitability: Under preliminary feasibility study

### **2.5.18. Samilpho Folk Street**

Location: Samilpho-ri, Kosong County, Kangwon Province

The project is aimed at helping tourists see and experience the culture unique to Korea.

Area: Over 300 000 m<sup>2</sup>

-Pottery; mother-of-pearl works house; Korean traditional painting, posokhwa (jewel painting) and other paintings house; embroidery and calligraphy house; archery field; swinging ground; and seesawing ground

-Mausoleum of Tangun (miniature); pagoda at the Kumgang Temple (miniature); and mural tomb of Koguryo (miniature)

-Pub and other Korean traditional restaurants; and tea shop

-Open-air theatre; and souvenir shop

The project lot is a farm field and there is no infrastructure. Most of the structures will be one-storey Korean traditional houses and pagodas, and the tourists can enjoy themselves to their heart's content.

It is estimated to accommodate 3,500 tourists a day.



Estimated cost: Under preliminary feasibility study

Type of investment: As agreed by both sides

Period of implementation: Subject to agreement with the investor

Profitability: Under preliminary feasibility study

### 2.5.19. Samilpho Boating Ground

**Location:** Samilpho-ri, Kosong County, Kangwon Province

It is planned to build a boating ground with a daily accommodation capacity of 500 persons in Lagoon Samil.

The lagoon is a scenic spot that presents well-blended sceneries of sea, lake and mountain, including world-famous Mt. Kumgang and Sea Kumgang. It was originally a small bay in the East Sea of Korea. Covering an area of 0.79 km<sup>2</sup>, 5.8 km in circumference, 1.8 km long and 0.4 km wide, it lies lengthways from south to north and its middle part is the widest. It is the deepest lagoon in Korea. It has been called one of scenic spots in Korea from olden times for its majestic beauty.

It is surrounded by Kukji Peak and other 36 peaks, big and small, like a folding screen, and crystal-clear and still water blend well with islets and pine and bamboo groves. It looks like a seaside lake on the coast when seen from the mountain, but a lake in a deep mountain when viewing it inside.

There goes a legend that once upon a time a king visited the lake with a plan for a day's rest, but spent there three days as he was fascinated by its superb beauty, hence its name Samil (three days in Korean).

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: 1-year construction, 15-year operation

Profitability: Under preliminary feasibility study

## 2.5.20. Wonsan-Mt. Kungang Tourist Passenger Ship

**Route:** Wonsan-Kosong

According to this project, any tourist who sets out on a sightseeing tour of Mt. Kungang will enjoy the fantastic sceneries on the sea and on the land including the East Sea of Korea and Chongsokjong, travelling aboard a passenger ship from Wonsan to Kosong Port via Thongchon.

Passenger ships can run in Wonsan Port in Wonsan because a wharf is to be built. Additionally, the Wonsan-Thongchon-Kosong route for passenger transport is already in service.

Wonsan with a population of over 300,000 is to be developed into an international tourist village visited by more than a million tourists every year. Wonsan and the Thongchon and Mt. Kungang areas are haunted by tourists from at home and abroad.

So far the Wonsan-Mt. Kungang transport service for tourists has been given only by road.

The sightseeing tour by means of a passenger ship is expected to be in great demand because passenger transport service and pleasure trip will be combined.

During a sightseeing trip tourists can enjoy such beautiful sceneries as Chongsokjong and Sea Kungang that can hardly be seen from the land.

For this sightseeing purpose it is expected to run two 3,000-hp ships that can carry 600 guests a day.

Estimated cost: US\$ 16 million

Type of investment: Equity or contractual joint venture

Period of implementation: 1-year building, 15-year operation

Profitability: IRR 17.7%, NPV US\$ 7.5 million (Discount rate 10%)

Payback period 5.1 years

### **2.5.21. Sea Kumgang Nature Park**

Location: Samilpho-ri, Kosong County, Kangwon Province

The project is to build a park while preserving intact the natural scenery including fauna and flora in the Sea Kumgang area, with an eye to contributing to promoting public health and tourism and raising public awareness of nature.

The area of the site is 30-40 m above sea level covering an area of about 900,000 m<sup>2</sup> with no infrastructure.

The establishment of a cultural recreational park by making the most of natural scenes takes less investment while bringing in handsome profits.

The park may draw lots of tourists as there are Sea Manmulsang, Lake Yongrang, Hyonjong Rock and other scenic spots.

It is expected to draw thousands of tourists a day.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture

Period of implementation: Subject to agreement with the investor

Profitability: Under preliminary feasibility study

### **2.5.22. Sea Kumgang Bathing Resort**

Location: Sea Kumgang area in Samilpho-ri, Kosong County, Kangwon Province

The project is to build a bathing resort furnished with various underwater recreation facilities and public amenities on the beach, thereby invigorating tourism.

Salt density in the sea water there is 32.3 per mill, which is favourable for health and medical treatment, and underwater recreation will also be available.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture

Period of implementation: 6-month construction, 5-year operation

Profitability: Under preliminary feasibility study



### **2.5.23. Kumchon Folk Martial Arts Ground**

Location: Kumchon-ri, Kosong County, Kangwon Province

The ground is expected to cover an area of 25,000 m<sup>2</sup>, furnished with sections for such sports as archery, swordsmanship, spearsmanship, subak (hand-fight art), swinging, seesawing, ssirum (Korean wrestling), yut (four-stick) game, janggi (Korean chess) and paduk (go).

As most of the area of the site is a farm field of a lower grade there will be no compensation for the moving of structures and other attached facilities, but a little amount for the farm field.

It is expected to draw over 4,700 players a day.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: Subject to agreement with the investor

Profitability: Under preliminary feasibility study

### **2.5.24. 20,000- to 30,000-ton Sightseeing Passenger Liner**

Route: Vladivostok-Rason-Wonsan-Mt. Kumgang, Northeast Asia-Mt. Kumgang

Its main objective is to ensure Mt. Kumgang tourism by sea while carrying passengers along the Rajin Port-Wonsan Port-Kosong Port route and amusement and recreation services including casino. They will be given preferential treatment in the Mt. Kumgang International Special Tourist Zone.

It can accommodate 500 passengers.

A market survey shows that a large number of Chinese and Korean residents in Northeast China are eager to make a sightseeing tour from Rason to Mt. Kumgang by sea.

Estimated cost: Under preliminary feasibility study

Type of investment: Wholly foreign-owned enterprise

Period of implementation: Subject to agreement with the investor

Profitability: Under preliminary feasibility study

### **2.5.25. Kosong Bathing Resort**

Location: Area of Kosong Port in Kosong County, Kangwon Province

The project is to build a bathing resort furnished with various underwater recreation facilities and public amenities on the beach in the Kosong Port area within Mt. Kumgang International Special Tourist Zone, thereby invigorating tourism.

Salt density in the sea water there is 32.3 per mill, which is favourable for health and medical treatment, and underwater recreation will also be available.

As the area is fully equipped with power and water supply and drainage networks and other infrastructure, the resort will be able to start operating if there are relevant shower rooms, service and maintenance facilities, toilets and underwater and maritime recreation facilities.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity or contractual joint venture

Period of implementation: 6-month construction, 5-year operation

Profitability: Under preliminary feasibility study

### **2.5.26. Samilpho Casino Hotel**

Location: Samilpho-ri, Kosong County, Kangwon Province

The project is to create an accommodation capacity of 4,700 persons in the Samilpho-Sea Kumgang area.

The five-star Samilpho Casino Hotel will have an accommodation capacity of 1,000 persons with 500 bedrooms and two storeys underground and 15 storeys above. The basement will be devoted to recreation including casino and the rooftop to heliport.

At present, 4,000 to 7,000 tourists come to the area a day, and their number is expected to reach 14,000-20,000 a day in the future.

Estimated cost: Under preliminary feasibility study

Type of investment: Wholly foreign-owned enterprise

Period of implementation: 12-month construction, 10-year operation

Profitability: Under preliminary feasibility study

### **2.5.27. Casinos at Oegumgang Hotel**

Location: 12th floor of Oegumgang Hotel, Onjong-ri, Kosong County, Kangwon Province

The project is to furnish the 12th floor of Oegumgang Hotel in Mt. Kumgang international tourist special zone with casinos in order to cater to the recreational needs of tourists and invigorate tourism.

The hotel is capable of accommodating some 350 persons at present and other hotels in the vicinity can accommodate over 4,500 persons. The bar on the same floor has an area of 380 m<sup>2</sup>. The infrastructure like power and water supplies and drainage is already in place.

Estimated cost: Under preliminary feasibility study

Type of investment: Equity joint venture or wholly foreign-owned enterprise

Period of implementation: 6-month construction, 10-year operation

Profitability: Under preliminary feasibility study

## 2.6. Public Health Facilities

### 2.6.1. Tongmyong Emergency Hospital

**Location:** Jonjin-dong, Wonsan, Kangwon Province

It is planned to build an emergency hospital in the city in order to offer prompt and accurate medical service to foreign tourists to the Zone.

At present, the provincial people's hospital and other hospitals at all levels have first-aid departments in the Zone but there isn't any exclusive emergency hospital. As it is expected that a large number of foreign tourists will visit the Zone every year, it is necessary to set up specialized first-aid facilities to actively cope with various accidents liable to happen during their sightseeing tours.

The emergency hospital will be built on a building space of 1,000 m<sup>2</sup>. It will consist of a basement and two floors (covering a building area of 500 m<sup>2</sup> and a total floor space of 1,000 m<sup>2</sup>). The basement will be arranged with a water supply and drainage system, an air-conditioning system, a parking lot and a store, the ground floor with a reception, a first-aid department, resuscitation and intensive treatment department, an operation theatre and a dispensary, and the first floor with a function-diagnosis room, a laboratory, a sterilizing room and administration and management offices. Five ambulances are needed for the transport of patients.

Estimated cost: US\$ 7.6 million

Type of investment: Equity joint venture

Period of implementation: 12-month construction, 20-year operation

Profitability: Under preliminary feasibility study

### 2.6.2. Sijungho First-aid Station

**Location:** Lake Sijung area, Thongchon County, Kangwon Province

The mission of the project is to offer on-site first-aid treatment to tourists during their visit to the Thongchon area.



The first-aid department at the Thongchon County People's Hospital has inadequate facilities to give effective medical service to tourists.

The one-storey station to be built on a building space of 800 m<sup>2</sup> with a floor space of 500 m<sup>2</sup> will consist of a reception room, a first-aid room, an intensive treatment room, a dispensary, a laboratory, a sterilizing room and offices. An ambulance is needed for the transport of patients.

Estimated cost: US\$ 0.36 million

Type of investment: Contractual joint venture

Period of implementation: 6-month construction, 20-year operation

Profitability: Under preliminary feasibility study

### 2.6.3. Sijungho Pelotherapy Clinic

**Location:** Lake Sijung area, Thongchon County, Kangwon Province

It is planned to build a medical service centre, which uses pelite mud abundant in Lake Sijung for the treatment, in order to provide those suffering from chronic and nervous diseases with an opportunity of treatment tourism.

The mud was discovered and analyzed for the first time in 1955. It has been since then widely used in medical establishments and sanatoriums throughout the country.

With the pelotherapy as its main method, climate and physical therapy may be combined and preparations of Koryo medicine, mud and medicaments by using natural and cultivated herbs be applied.

The capacity of the clinic will be 250 patients a day.

There are competent medical workers with rich experience of pelotherapy.

The clinic will be built on a building space of 3,500 m<sup>2</sup> with a basement and three storeys (a floor space of 2,000 m<sup>2</sup> and a total floor space of 6,000 m<sup>2</sup>).

The basement will be arranged with a water and drainage system, an air-conditioning system, a parking lot and a warehouse. The first floor will be laid out with a reception, pelotherapy department (whole-body and local part poultice, mud bath, vaginal and intestine lavage), a dispensary (preparations of medicine included), a bathroom and a snack bar, the second floor with function-diagnosis department (roentgen, electrocardiogram, electromyogram and ultrasonic diagnoses) and physical therapy

department (intermediate wave and direct current treatment and phototherapy) and the third floor with sickrooms for 50 patients and a recovery room.

Estimated cost: US\$ 1.8 million

Type of investment: Contractual joint venture

Period of implementation: 18-month construction, 20-year operation

Profitability: Under preliminary feasibility study

## 2.7. Industrial Establishments

### 2.7.1. Wonsan General Foodstuff Factory

Location: Sokhyon-dong, Wonsan, Kangwon Province

This project is aimed to expand the production capacity of the present Songdowon General Foodstuff Factory by adding new production facilities.

In order to increase the effectiveness of investment, new production processes will be added to the existing Songdowon General Foodstuff Factory to expand its production capacity.

The present factory covers an area of 31,500 m<sup>2</sup> and its total building space is 9,390 m<sup>2</sup>.

The factory is producing more than 50 kinds of processed foodstuffs including confectioneries, bread and other staple foods, soya bean milk, pickles and other non-staple foods and alcohol, tea and other beverage. The annual production capacity is about 8,000 tons.

The factory is equipped with modern machines as a result of modernization, and its products are popular at home for their good quality.

It will produce fruit, maritime products and other specialties of Wonsan so as to satisfy the demand of foreign tourists. Furthermore, it plans to expand its share in the domestic market and push its way through the overseas market by raising the competitive position of its products.

The factory will be expanded by 30,000 m<sup>2</sup>. Some subsidiary buildings like warehouses are expected to be enlarged.

The factory is already equipped with electricity and water supply facilities and the road condition is good as well.

The major investment items are machines and processing technologies for producing new products.

Estimated cost: US\$ 1.3 million (US\$ 0.65 million for foreign side)

Type of investment: Equity or contractual joint venture

Period of implementation: 18-month construction, 10-year operation

Profitability: Under preliminary feasibility study

## 2.7.2. Wonsan Furniture Factory

**Location:** Sinsong-dong, Wonsan, Kangwon Province

With the progress of the Zone's development the construction and development of tens of thousands of dwelling houses, hotels and public buildings in Wonsan and other major parts of the Zone are expected on an extensive scale. Consequently, the demand for furniture and other timber products will also be on the increase.

The existing furniture factory in Wonsan has a low turnover for its low level of technical equipment and production capacity and due to the shortage in the supply of raw materials and electric power.

In accordance with this situation a new timber processing factory with an annual production capacity of 2,000 m<sup>3</sup> is to be built in Wonsan with a view to satisfying the demand for timber products needed for the Zone's development and exporting them to the international market.

Its main products will be a wide selection of furniture, fittings and other daily necessities to be used in dwelling houses and public buildings. Quality furniture to be installed in hotels and other service facilities will take a greater part of them.

Timber, the main raw material, may be supplied from Kangwon Province and other parts of the country or imported from abroad.

The expected building space of the factory is 10, 000-15,000 m<sup>2</sup>. The building will consist of main production building, office building, warehouses, materials storing yard and welfare facilities. At the designated site infrastructure facilities are under construction.

Estimated cost: US\$ 1.95 million (US\$ 1.04 million for foreign side)

Type of investment: Equity joint venture

Period of implementation: 18-month construction, 10-year operation

Profitability: Under preliminary feasibility study

### 2.7.3. Wonsan Plastic Goods Factory

**Location:** Sinsong-dong, Wonsan, Kangwon Province

This project is aimed at the technical renovation and expansion of production capacity of the Wonsan Disabled Soldiers' Essential Plastic Goods Factory. The factory has so far produced dozens of kinds of plastic goods and building parts including kitchen utensils, containers, vinyl sheets and pipes.

The factory will be moved to another place and developed into the one which produces plastic goods that are needed for tourist development in the Zone and competitive in internal and external markets.

It is planned to use the existing production lines and equipment and at the same time build new production processes of toothbrush, foodstuff wrappers, artificial turf, crates and containers.

With the rapid development of foodstuff, fishing and building industries that are related to tourist industry in the Zone, plastic goods are in great demand.

Main materials may be purchased from domestic enterprises outside the Zone, and some materials imported from foreign countries. The factory has more favourable conditions than any other areas in infrastructure construction and delivery of materials. Moreover, it is a disabled soldiers' factory, so it receives preferential treatment from the State.

The factory is expected to cover a building space of approximately 20,000 m<sup>2</sup> and a floor space of 10,000 m<sup>2</sup>.

There are many technicians and skilled workers in the factory.

It will strive to ensure its technological development, production and marketing on an integral basis and obtain the highest profit.

The major investment items are equipment and technologies for new production processes.

Estimated cost: US\$ 3.9 million (US\$ 1.69 million for foreign side)

Type of investment: Equity or contractual joint venture

Period of implementation: 18-month construction, 10-year operation

Profitability: Under preliminary feasibility study

## 2.7.4. Wonsan Seafood Processing Factory

**Location:** Kwanphung-dong, Wonsan, Kangwon Province

The project is aimed at producing various kinds of processed marine products in order to satisfy the demands of tourists visiting the Zone.

Several fishery stations in the Wonsan and Thongchon areas are making good hauls of fishes. A variety of aquatic products such as sea cucumbers, sea urchins and shellfish are in great demand among tourists.

In order to ensure the effectiveness of investment, it is planned to build a new enterprise by adding new production lines necessary to the processing station engaged in the production and export of seafood in Wonsan.

The planned enterprise is to be built in an area of 5,000 m<sup>2</sup> of the industrial district in Kwanphung-dong, Wonsan according to a master development plan.

The existing refrigerating process will be arranged in good conditions, and newly equipped with drying, hard-boiling and packaging processes. Its annual production capacity will amount to 3,000 tons.

The business strategy of the project is to develop new products which can meet the demands of foreign tourists by introducing advanced processing techniques and enlarge the share of its products not only in the Zone but in the foreign market by raising their competitiveness.

The major investment items include the facilities for turning out new products and the techniques to process them.

Estimated cost: US\$ 1.3 million

Type of investment: Equity or contractual joint venture

Period of implementation: 6-month construction, 10-year operation

Profitability: Under preliminary feasibility study

### **2.7.5. Wonsan Lighting Apparatus Factory**

**Location:** Sinsong-dong, Wonsan, Kangwon Province

The project is aimed at developing various kinds of energy-saving green lights so as to satisfy the demand for lighting apparatus needed for the urban development and tourist industry in the Zone and export them abroad.

It will be managed under an integral system of technological development, production and marketing. It will expand its market and contribute to the development of the Zone by making use of such levers as commercial, trade and investment activities in the Zone.

With the promotion of urban development and increase in demand for low energy consumption, there is growing demand for green lights at home.

In particular, as the project for promoting the introduction of LED lights has recently come into force, the demand for LED lights and LED-based lighting apparatus is soaring. At present urban development is taking place on an extensive scale and a number of tourist facilities are under construction in the Zone. Accordingly, the demand for lights in the Zone is higher than that of any other regions of the country.

The main target of the project is the domestic market. The factory will also raise the competitive edge of its products and make a foray into the overseas market.

Estimated cost: US\$ 2.75 million

Type of investment: Equity or contractual joint venture

Period of implementation: 18-month construction, 10-year operation

Profitability: Under preliminary feasibility study

### **2.7.6. Wonsan Brewery**

**Location:** Kwanphung-dong, Wonsan, Kangwon Province

It is planned to build a brewery with an annual capacity of 50,000 kL by making use of water in the Poptong area of Kangwon Province. This spring water with abundant source is widely known at home for its high quality. At present Wonsan citizens are drinking this water.

Wonsan has developed networks of railways and roads linking the principal cities of the country and Wonsan Port, all of which are favourable for transporting barley, rice, hop and other materials.

For its location in the Zone, the brewery will be provided with various forms of preferential treatment for investment and business activities. Its products will be marketed not only in the Zone but in other areas of the country.

The brewery will also find its way into foreign markets by developing the competitiveness of its goods. It plans to produce 20,000 kL of draught beer and 30,000 kL of plastic-bottled beer of various sizes.

Estimated cost: US\$ 52.47 million

Type of investment: Equity or contractual joint venture

Period of implementation: 20-month construction, 20-year operation

Profitability: IRR 15.1%, NPV US\$ 5.12 million (Discount rate 13%),

Payback period: 5.3 years

### **2.7.7. Wonsan Fishing Tackle Factory**

**Location:** Sinsong-dong, Wonsan, Kangwon Province

For scores of years since its inauguration the factory has developed into a specialized fishing tackle producer for the development of the fishing industry on the east coast of the country. It produces scores of kinds of fishing tackle including rafts, ropes, nets and diving gear which are needed to catch and breed fish.

Availing itself of its location in the special economic district, the factory intends to update the existing production processes, develop new products and further raise its competitive edge in domestic and foreign markets by introducing advanced technologies and fund from abroad.

In addition, it will produce goods for marine tourism including life-saving devices.

With the growth of state concern in the fishing industry there has recently been an increasing demand for fishing tackle at home.

According to the general plan for the Zone, the factory is expected to move to another place in the industrial district with a building area of 10,000 m<sup>2</sup> and a total floor space of 8,000 m<sup>2</sup>.



The main investment items for the project are equipment, technologies and first-stage materials for new production processes.

Estimated cost: US\$ 1.95 million (US\$ 1.04 million for foreign side)

Type of investment: Equity or contractual joint venture

Period of implementation: 18-month construction, 10-year operation

Profitability: Under preliminary feasibility study

### **2.7.8. Wonsan Hotel Facilities Factory**

**Location:** Sinsong-dong, Wonsan, Kangwon Province

It is planned to build a factory which exclusively turns out service articles necessary for hotel and other lodgings in the Zone. Its products will include various kinds of beddings, towels, slippers, disposable cosmetics, various garments needed for mountaineering, skiing, camping and golfing and other goods for sightseeing.

In the near future it is expected that over a million tourists will visit the zone a year. This will result in rapid increase in demand for hotel service and sightseeing goods.

Brisk tourism will give a strong impetus to the demand for such garments as ski, mountaineering and swimming suits and other sporting articles.

The factory will develop a variety of service articles for hotel and other goods for sightseeing so as to meet the demand of tourists to the zone. With the increase of its capacity of developing products, it will find its way into overseas markets.

According to a development plan, a cropland has been designated as its building site and there are no electric power and water supply facilities there.

For the features of the factory, there will be no great demand for electric power and water. The nearest water supply facilities are at least 200 metres away.

Estimated cost: US\$ 2.13 million

Type of investment: Equity or contractual joint venture

Period of implementation: 15-month construction, 10-year operation

Profitability: Under preliminary feasibility study

### **2.7.9. Wonsan Photovoltaic Cell Assembly Factory**

**Location:** Pongmak-dong, Wonsan, Kangwon Province

The project is to be built on a building space of 10,000 m<sup>2</sup> in the industrial area in the Zone.

It is aimed at producing various kinds of solar cell products so as to meet the demand for them in the domestic market, particularly in the Zone, and further market them abroad.

Technological development, production and marketing will be on an integral basis. By making use of such levers as commerce, trade and investment booming in the zone, it will expand the scope of its business activities and render active services to the development of the zone.

Today, the DPRK government regards it as an important State policy to develop green architecture and reclaimed energy, and the demand for solar cell products are on the rapid increase.

The total production capacity is estimated at 3,000 kW a year by solar cell module. Major products include solar cell modules of various sizes and control devices.

The Zone will be subject to the law of the economic development park and the factory will be provided with favourable legal conditions. Its income tax will be 14%, which is lower than that in other areas. The costs of electric power, water and manpower are also lower than those in other countries and regions. Various favourable conditions including the delivery of materials, export and other business activities are available for the factory.

Land development in the area including infrastructure development for the factory has not yet been conducted.

Investment items on the part of a foreign side include production equipment, technology and some working capital.

**Estimated cost:** US\$ 1.3 million (US\$ 0.65 million for foreign side)

**Type of investment:** Equity or contractual joint venture

**Period of implementation:** 18-month construction, 10-year operation

**Profitability:** Under preliminary feasibility study

### **2.7.10. Chongsokjong Offshore Farm**

Location: Thongchon County Town, Kangwon Province

In keeping with its natural and geographical advantages, the farm will produce sea foods of great economic value on an industrial basis, so as to satisfy the demands of tourists and export the products to the foreign market.

The main product of the farm is scallop which is in great demand in the international market.

The salinity and temperature of the sea water of the farm is suitable for scallop farming. The designated area is less vulnerable to the damage by waves and tidal waves as it is situated in a bay with three islands at its front.

The number of foreign tourists to the Zone is estimated at more than one million a year. Besides, its location in the special economic zone serves as a favourable condition for widening its market abroad.

The designated area has infrastructure facilities like power and water supply and telecommunications systems to a certain degree and a dock favourable for the management of the farm. Better still, it is near the highway between Wonsan and Mt. Kumgang, so it will be easy to carry raw materials and products.

The initiator of the plan has a wide expertise and experience about scallop farming. Another advantageous aspect of the plan is that scientific and technical support can be obtained because there is a scientific research institute exclusively for offshore farming in Wonsan.

In terms of the depth and topographical conditions of the planned territorial waters, the total area suitable for scallop is 700,000 m<sup>2</sup>.

The estimated yield is 7 tons per hectare, i.e. 350 tons a year.

Raw, steamed or frozen scallops are forwarded to the market according to their quality.

The cycle of farming is 18 months and the beginning month of seedling is December.

Estimated cost: US\$ 2.4 million

Type of investment: Equity or contractual joint venture, or barter trade

Period of implementation: 15-month construction, 10-year operation

Profitability: Under preliminary feasibility study

### **2.7.11. Kosong Pollution-free Vegetable Greenhouse**

Location: Kosong County Town, Kangwon Province

A solar heat eco-friendly greenhouse is planned to be built in the Kosong County Town area to supply different kinds of fresh vegetables to service facilities in the Mt. Kumgang International Special Tourist Zone.

The project includes the building of the greenhouse with an area of 20,000 m<sup>2</sup> and indoor and outdoor cultivation of fruit-bearing and green vegetables including tomato, cucumber, water melon and melon, lettuce, crowndaisy and cabbage.

The greenhouse is expected to be equipped with round-the-clock lighting and drop irrigation systems and a remote-controlled system which covers all processes of cultivating vegetables including nourishment and temperature control.

Annual output is estimated to be 500 tons (250 tons per ha.).

Estimated cost: US\$ 6.5 million to 7.8 million

Type of investment: Equity or contractual joint venture

Period of implementation: 12-month construction, 10-year operation

Profitability: Under preliminary feasibility study

### **2.7.12. Samilpho Fish Farm**

Location: Samilpho-ri, Kosong County, Kangwon Province

To provide various commercial services to tourists a project is planned for establishing a fish farm, angling site and fish-selling business in the Samilpho area. No infrastructure is in place there.

The area will have great purchasing power as it is envisaged that a comprehensive holiday resort furnished with several lodging blocks and recreational facilities like casino will be developed. As fish farming, sale and angling are conducted by means of the natural lake, the operation costs very little, which will be high profitable.

Estimated cost: Over US\$ 2.3 million

Type of investment: Equity or contractual joint venture, or as agreed by both sides

Period of implementation: Subject to agreement by both sides

Profitability: Under preliminary feasibility study

### **3. List of Laws and Regulations of Foreign Investment in the DPRK**

- 1) Law of the DPRK on Foreign Investment
- 2) Law of the DPRK on Equity Joint Venture
- 3) Law of the DPRK on Contractual Joint Venture
- 4) Law of the DPRK on Wholly Foreign-owned Enterprises
- 5) Law of the DPRK on Foreign-Invested Banks
- 6) Law of the DPRK on the Registration of Foreign-Invested Businesses
- 7) Accounting Law of the DPRK for Foreign-Invested Businesses
- 8) Law of the DPRK on the Financial Management of Foreign-Invested Enterprises
- 9) Labour Law of the DPRK for Foreign-Invested Enterprises
- 10) Taxation Law of the DPRK for Foreign-Invested Businesses and Foreign Individuals
- 11) Bankruptcy Law of the DPRK for Foreign-Invested Enterprises
- 12) Regulations on Establishing and Operating Foreign-Invested Law Offices
- 13) Regulations on the Naming of Foreign-Invested Enterprises
- 14) Audit Regulations for Foreign-Invested Businesses
- 15) Law of the DPRK on External Economic Contracts
- 16) Law of the DPRK on External Economic Arbitration
- 17) Law of the DPRK on External Civil Relations
- 18) Civil Proceedings Law of the DPRK
- 19) Law of the DPRK on the Compensation for Damage
- 20) Notary Public Law of the DPRK
- 21) Inheritance Law of the DPRK
- 22) Customs Law of the DPRK
- 23) Immigration Law of the DPRK
- 24) Law of the DPRK on the Health Quarantine on the Border
- 25) Law of the DPRK on the Quarantine of Animals and Plants on the Border
- 26) Law of the DPRK on Foreign Exchange Control
- 27) Law of the DPRK on Commercial Banks
- 28) Law of the DPRK on the Prevention of Money Laundering
- 29) Insurance Law of the DPRK
- 30) Law of the DPRK on Land Lease
- 31) Foreign Trade Law of the DPRK
- 32) Law of the DPRK on Processing Trade
- 33) Law of the DPRK on the Chamber of Commerce
- 34) Law of the DPRK on the Origin of Exports

- 35) Law of the DPRK on the Inspection of Export and Import Commodities
- 36) Invention Law of the DPRK
- 37) Copyright Law of the DPRK
- 38) Trademark Law of the DPRK
- 39) Law of the DPRK on Industrial Designs
- 40) Law of the DPRK on the Name of Origin
- 41) Law of the DPRK on the Protection of Computer Software
- 42) Law of the DPRK on the Protection of the Environment
- 43) Law of the DPRK on the Assessment of the Environmental Impact
- 44) Law of the DPRK on the Prevention of Sea-water Pollution
- 45) Law of the DPRK on Economic Development Parks
- 46) Regulations for Establishment of Economic Development Parks
- 47) Regulations for Development of Economic Development Parks
- 48) Regulations for Operation of Management Body of Economic Development Parks
- 49) Regulations for Establishing and Operating Enterprises in Economic Development Parks
- 50) Regulations for Labour in Economic Development Parks
- 51) Regulations on Environmental Protection in Economic Development Parks
- 52) Regulations on Real Estate in Economic Development Parks
- 53) Law of the DPRK on the Mt. Kumgang Special Zone for International Tourism
- 54) Tourism Regulations in the Mt. Kumgang Special Zone for International Tourism
- 55) Regulations on the Establishment and Operation of Businesses in the Mt. Kumgang Special Zone for International Tourism
- 56) Customs Regulations in the Mt. Kumgang Special Zone for International Tourism
- 57) Regulations on the Entry, Exit, Stay and Residence in the Mt. Kumgang Special Zone for International Tourism
- 58) Taxation Regulations in the Mt. Kumgang Special Zone for International Tourism
- 59) Insurance Regulations in the Mt. Kumgang Special Zone for International Tourism
- 60) Regulations on the Protection of the Environment in the Mt. Kumgang Special Zone for International Tourism

## **Wonsan Zone Development Corporation, DPRK**

**Address: Pulgungori-dong № 2, Pothonggang District,  
Pyongyang, DPRK**