

**Missed Opportunities and Blighted Promise
Problems and Prospects for DPRK Tourism**

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ABSTRACT¹

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

Although tourism to the DPRK has captured attention recently, with the Hyundai Asan Kumgangsan venture, it is at a far lower level than ROK tourism. Because of the DPRK's particular international situation, inbound tourism has never been a feasible option until recently, although the country did join the WTO in 1987. Many countries, particularly ROK and the United States, expressly prohibited their citizens from visiting the DPRK and those countries which were friendly, such as the then Soviet Union or China, did not generate outbound tourism. Kim Dae-jung's 'sunshine policy', and the personal commitment of Hyundai founder Chung Ju-yung, were the catalysts that produced Kumgangsan tourism. However, the number of customers in the early months of 2001 was at half the level of a year earlier, and Hyundai Asan is currently losing 2.5 billion won a month. At this stage, it is uncertain whether the Kumgangsan venture marks the beginning of a take-off for DPRK international tourism, or the end of a brief episode.

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

This paper surveys the experience of the Republic of Korea in developing international inbound tourism and presents statistics at global, regional and country level, including some countries of particular relevance such as Spain, China, Vietnam and Cuba. It describes current developments in DPRK tourism and attempts to identify the potential for development and the constraints that impede it. In particular, whilst there are formidable infrastructural problems the key constraint is a political one. Pyongyang has not yet moved far enough away from the old, self-defeating approach to tourism which focused on visitors which would eulogize the leadership. It needs to make a firm policy decision that it wants to attract manageable numbers

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of international tourists, and then analyze rationally how it might achieve that. It is argued that implementation of the June agreement on Kumgangsan – specifically the opening of the land routes and the designation as a special zone – will be an indicator of that decision.

The paper was written mid-August 2001 for the conference *Korean Studies at the Dawn of the New Millennium* held by the Korean Studies Association of Australasia, 24-25 September at Monash University, Melbourne, Australia. The paper has been revised and amended since then in the light of subsequent events, especially 11 September and the current impasse over Kumgangsan and N-S relations generally. I am grateful to the anonymous reviewers for their comments.²

INTRODUCTION

This paper complements an earlier, and longer, paper which focused largely on the potential for DPRK tourism as revealed both by ROK experience and by data on current and projected international tourism, especially in Northeast Asia.³

FIG 1: KUMGANGSAN



Source: Hyundai-Asan website

The subject of international inbound tourism to the DPRK is wrapped in paradox and wreathed in obscurity. In one sense the DPRK is an industrial economy, with industry

² In this paper I follow the Korean version of place names, such as Kumsangsan rather than ‘Diamond Mountains’, although anglicizations will be found in quotes and article titles. I also follow the usual romanisation used in each part of Korea for names from that part; that is Kim Dae-jung and Kim Jong Il. Again quotations may vary. I have tended to stick with the more familiar romanisation of Southern place names rather than the new, and controversial, official version – Pusan rather than Busan, Kumsang rather than Geumsang and Inchon rather than Incheon – but again I have not changed versions in quotes

³ Beal, Tim, (2001d) ‘Crossing boundaries: prospects and challenges for DPRK tourism’, paper presented at forum *New Economic Policies of DPRK (North Korea), and Reconciliation Strategies between DPRK and USA*, Brookings Institution, Washington, D.C., 7-8 June 2001

contributing 43% of GDP, compared with 35% for both Japan and China.⁴ It has substantial mineral resources and an educated but cheap workforce. Nevertheless, tourism probably accounts for as great a share of foreign exchange earnings as it does for the tourist islands of the Caribbean. The Bahamas, for instance, where industry accounts for a mere 5% of GDP, direct spending by tourists ('visitor exports') is 75% of export earnings.⁵ Tourism is a product of peace, but the DPRK is still technically in a state of war with the ROK, its major current sources of tourists, and with United States, and diplomatic relations have yet to be established with Japan, the two countries that provide the bulk of tourists to the South. The DPRK probably has one of the most negative images of any tourism destination in the world and yet derives substantial earnings from inbound tourism. Although it currently has a very small share of international tourist arrivals, much smaller than the ROK, it has great tourism potential.

Data on DPRK tourism is nearly as scarce as data on any other aspect of its economy and, as with other international transactions such as trade, most of it comes from outside. In the case of tourism this is simplified to a large degree in that most of the current inbound tourism is controlled by one company, Hyundai Asan, and goes to one destination, Kumgangsan.⁶ However, whilst Kumgangsan is currently the major component of DPRK tourism, and even in the best of circumstances is likely to remain an important component, the real development of the tourism industry, if it is to happen, will take place on a much wider canvas, involving more of the country. If DPRK tourism is really to develop and achieve anything like its true potential then it will need to become like a 'normal' tourism industry. International experience, and especially that of countries with similarities in various ways to the DPRK – ROK, China, Vietnam and Cuba – can throw light on the opportunities and challenges it will face. That is discussed in more detail in my earlier paper.⁷ Moving to normal tourism, with all the potential and challenges that unleashes, is a political decision that Pyongyang seems hesitant to make.

THE POLITICS OF DPRK TOURISM

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

⁴ CIA World Factbook 2000, <<http://www.odci.gov/cia/publications/factbook/index.html>>

⁵ *op cit.* Statistical Appendix

⁶ Day trips from China may challenge this, but the evidence is unclear.

⁷ *ibid*

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

the Mt. Kumgang tour is a noble national project which started and has been under way in reflection of the unanimous aspiration of all the fellow countrymen after national reconciliation and unity and the reunification of the country and the wishes of the South Koreans to visit Mt. Kumgang, a famous mountain of the world.⁸

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

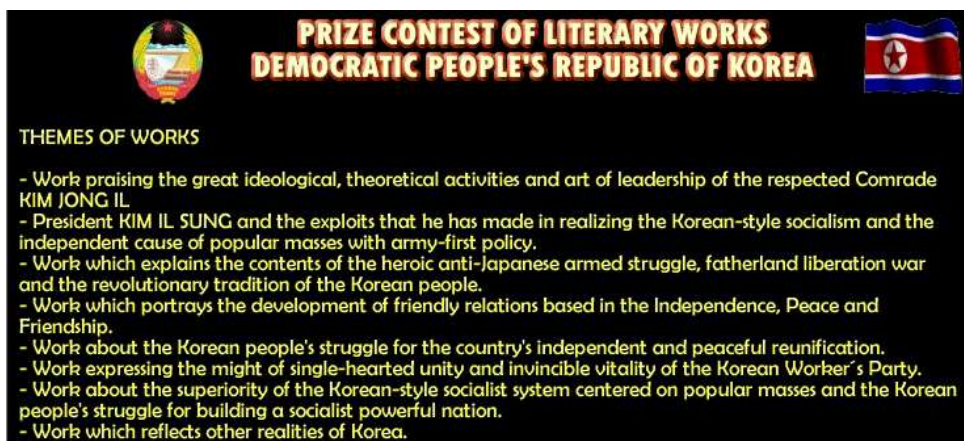
Come to think of it, however, the Mt. Geumgang tour should be more than just moneymaking. What has moved South Koreans to join the tour program was not just the sightseeing but that they could set their foot on the long forbidden half of motherland. For students in particular, the four-day tour is better than 100 classroom lectures about their nation and history.⁹

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



⁸ 'U.S. urged to stop hampering Mt. Kumgang tour', KCNA Pyongyang, 23 May 2001
<<http://www.kcna.co.jp/item/2001/200105/news05/17.htm#4>>

⁹ 'Enlivening Mt. Geumgang tours, *Korea Herald*, editorial, 11 June 2001,
<http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/11/200106110039.asp>



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

The development of DPRK tourism, and the economy as a whole, is clearly contingent on the geo-political environment and, most crucially, on DPRK relations with ROK and the United States. In turn, it is clear at the time of writing, that this hinges primarily on the policies of the Bush administration and Pyongyang's reaction to it. Despite brave words¹⁰ and very substantial intervention to bail-out the Kumgangsan venture, which is discussed below, Seoul is unfortunately effectively sidelined at the moment. It is constrained by American pressure from providing electricity to the north¹¹ which is seen as one of Kim Jong Il's demands for reactivating the North-South dialogue.¹² The other demands focus solely on the United States.

When the incoming Bush administration suspended negotiations with the DPRK it came under pressure and sometimes scarcely disguised attack even from Chong Wa Dae and the European Union.¹³ To use a phrase which had wide currency, 'the ball was in the US court'.¹⁴ In early June the United States announced that it was willing to resume talks¹⁵ but as had been predicted, it imposed conditions which the DPRK found intolerable.¹⁶ Although Secretary Powell claims that Washington is willing to talk "at any time and any place",¹⁷ and 'with no

¹⁰ Oh Young-jin, 'Chong Wa Dae Still Hopes for Kim's Visit This Year', *Korea Times*, 10 August 2001, <http://www.hk.co.kr/kt_nation/200108/t2001081017225941110.htm>

¹¹ Kim Kwang-tae, 'Talks on Electricity Supply to NK Put on Hold at US Request', *Korea Times*, 31 July 2001, <<http://www.koreatimes.co.kr/times/200107/t2001073116080240110.htm>>

¹² Hwang Jang-jin, 'N. Korean leader mentions 'conditions' for Seoul visit', *Korea Herald*, 8 August 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/08/08/200108080050.asp>

¹³ Beal, Tim, (2001c) 'Bush clouds Korean sunshine', *NZ Journal of Asian Studies*, Vol 3, No 1, June 2001

¹⁴ 'Koreas: The ball's back in the US court', (Editorial) *Asia Times Online*, 5 May 2001, <<http://www.atimes.com/koreas/CD05Dg01.html>>; Kim Ji-ho, 'South Korea's religious and social leaders call for early resumption of U.S.-N.K. talks', *Korea Herald*, 8 May, 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/05/08/200105080051.asp>

¹⁵ Hwang Jang-jin, 'Bush to resume talks with N. Korea', *Korea Herald*, 8 June 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/08/200106080011.asp>

¹⁶ Beal, Tim, (2001b) 'The Peace Process on the Korean Peninsula: Agenda for the New Administration', *Harvard Asia Quarterly*, Vol 5, No 2, Spring 2001, pp. 47-53

¹⁷ 'Powell Puts More Pressure on NK for Talk: AFP', Agence France Press 30 July 2001 via Korea Information Service, <<http://www.korea.net/kwnews/content/news.asp?Number=20010730006>>

strings attached',¹⁸ Pyongyang clearly felt that the US negotiating stance had hardened to an unacceptable level.¹⁹

There appeared to be a breakthrough in September following the crisis in Seoul in August which saw ousting of Unification Minister Lim Dong-won over incidents which had happened at Liberation Day celebrations in Pyongyang. The North immediately proposed reactivating ministerial talks and Seoul quickly responded. The first round of talks went well, with agreement on a number of further meetings but the events of 11 September soon cast a shadow. Despite a number of statements from Pyongyang attacking 'terrorism', signing anti-terrorism agreements, and signaling a willingness to sign more²⁰ this was not considered adequate by Washington which reacted negatively. Extra ground fighter aircraft were sent to Korea, officially because an aircraft carrier was being deployed elsewhere.²¹ The US administration has made a number of hostile statements – 'Bush Gives Out Strong Warning to North Korea'²², 'Bush sends clear warning to 'rogue' nations'²³ – and there has been widespread speculation that the DPRK might be the next target after Afghanistan and Iraq.²⁴ Seoul had responded to 11 September by putting its forces on 'anti-terror alert' and this, coupled with its compliance with US moves, was seen by Pyongyang as hostile and again high-level North-South relations were suspended. At the time of writing DPRK Foreign Minister Paik has been quoted as having 'called on South Korea to renounce the ongoing precautionary anti-terror measures as a precondition for resuming the stalled inter-Korean dialogue. He also made clear that the North is open to dialogue with the U.S. should the latter repeal its hostile policy on the North.'²⁵

Whilst the political maneuverings are complex, and the situation is not as bleak as this short account might suggest, it has meant that inter-Korean tourism, which is primarily the Kumgangsan venture, is again close to collapse.

¹⁸ Hwang Jang-jin, 'Han, Powell agree to continue persuading N.K. to return to talks', *Korea Herald*, 28 July 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/07/28/200107280056.asp>

¹⁹ 'Rodong Sinmun on DPRK-U.S. negotiation', KCNA 7 August 2001, <<http://www.kcna.co.jp/item/2001/200108/news08/07.htm#1>>

²⁰ Shim Jae-yun, 'N. Korea Willing to Sign Five More Anti-Terror Pacts', *Korea Times*, 10 December 2001, <<http://www.koreatimes.co.kr/times/200112/t2001121016564740110.htm>>

²¹ Hwang Jang-jin, 'U.S. to deploy more fighters on peninsula', *Korea Herald*, 3 October 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/10/03/200110030034.asp>

²² Kim Hee-sung, 'Bush Gives Out Strong Warning to North Korea', *JoongAng Ilbo*, 18 October 2001, <<http://english.joins.com/nk/article.asp?aid=20011018112232&sid=E00>>

²³ 'Bush sends clear warning to 'rogue' nations', *JoongAng Ilbo*, 12 December 2001, <<http://english.joins.com/nk/article.asp?aid=20011212105923&sid=E00>>

²⁴ Meinardus, Ronald, 'Next Target Pyongyang?', *Korea Times*, 7 December 2001, <http://www.koreatimes.co.kr/kt_op/200112/t2001120716444348110.htm>; Larkin, John and Murray Hiebert 'NORTH KOREA: Welcome to The War', *Far Eastern Economic Review*, 13 December 2001, <http://www.feer.com/articles/2001/0112_13/p014region.html>; Sanger, David E., 'Don't Forget North Korea -New York Times', *JoongAng Ilbo*, 13 December 2001, <<http://english.joins.com/nk/article.asp?aid=20011126102345&sid=E00>>

²⁵ Shim Jae-yun, *ibid*

Though still small by international standards, inter-Korean tourism, or more precisely tourism from South to North, had increased remarkably since 1998; in 2000, according to one report, 475,691 people went from South to North and about 700 the other way.²⁶ However, if that is to continue and to develop, and if DPRK tourism is to expand its intake beyond Korea, then the political situation must move forward from the present impasse towards normalization. That is, of course, a necessary condition but not a sufficient one. Nevertheless, if the political framework can be established then the development of tourism, however difficult, can be achieved. Other countries have built up a tourism industry once peace has been established, including ROK itself; examples include Cyprus,²⁷ Israel,²⁸ Philippines, Sri Lanka and Pakistan²⁹ although, as the list attests, peace is regrettably not always permanent.

The importance of US policy, even in respect to the Kumgangsan venture, which is virtually entirely a Korean affair, was highlighted by recent articles by the Korean Central New Agency (KCNA) in Pyongyang attacking the United States for hampering and obstructing the venture.³⁰ The articles denied claims that the income from the venture was being used exclusively for military purposes. Whether the US has really been putting pressure on the ROK government, and Hyundai Asan as alleged, is unclear but as the bail-out, discussed below, indicates any such pressure does not seem to have been effective. When the visit of Hyundai Asan chairman Kim Yoon-kyu to Pyongyang to have discussions with the Asia-Pacific Peace Committee, the DPRK counterpart organization, was announced on 12 August press reports mentioned the DPRK allegation but gave no details.³¹

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

²⁶ Soh Ji-young, 'Inter-Korean Visits Surge By 40 Percent Last Year', *Korea Times*, 4 May 2001, <http://www.koreatimes.co.kr/kt_nation/200105/t2001050417063141110.htm>. The report is confusing. It says 240,000 South Koreans visited for sightseeing, and itemizes the number going for other reasons. However these come to only about 3,000, leaving some 250,000 unaccounted for.

²⁷ Ioannides; Dimitri and Yiorgos Apostolopoulos; Political instability, war, and tourism in Cyprus: Effects, management, and prospects for recovery, *Journal of Travel Research*; Boulder; Aug 1999; V38.1, pp. 51-56

²⁸ Mansfeld, Yoel; Cycles of war, terror, and peace: Determinants and management of crisis and recovery of the Israeli tourism industry, *Journal of Travel Research*; Boulder; Aug 1999; V 38.1, pp. 30-36

²⁹ Richter, Linda K; After political turmoil: The lessons of rebuilding tourism in three Asian countries, *Journal of Travel Research*; Boulder; Aug 1999; V38.1, pp. 41-45

³⁰ 'U.S. urged to stop hampering Mt. Kumgang tour', KCNA Pyongyang, 23 May 2001, 'U.S. obstructions to tour of Mt. Kumgang assailed', KCNA 8 August 2001, <<http://www.kcna.co.jp/item/2001/200108/news08/08.htm#6>>
'U.S. obstructions to tour of Mt. Kumgang assailed', KCNA 8 August 2001, <<http://www.kcna.co.jp/item/2001/200108/news08/08.htm#6>>

³¹ Oh Young-jin, 'Hyundai Mission to Visit NK Over Mt. Kumgang Project', *Korea Times*, 12 August 2001, <<http://www.koreatimes.co.kr/times/200108/t2001081216422040110.htm>>; Kim Ji-ho, 'Hyundai, N. Korea to resume negotiations on Mt. Geumgang', *Korea Herald*, 13 August 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/08/13/200108130005.asp>

destination. Country image, of course, is a key component in tourism choice.³² 'Political stability' is one aspect of this,³³ but there is a wide range of factors. The ROK for instance, faces image problems which run the gamut from eating dog³⁴ to lack of things which appeal to foreign tourists, from boutique beers to salami.³⁵ The DPRK unfortunately has yet to reach those problems; its difficulties are at a more fundamental level.

There is a dreadful dilemma in the case of the DPRK, and other similarly afflicted societies. Tourism offers a powerful contribution to the relief of the current humanitarian crisis, and to long-term development, but tourists tend to avoid, for moral and practical reasons, going to famine-ridden countries or those which are perceived to infringe 'human rights'. Koryo Tours, a British tour company based in Beijing specializing in travel to the DPRK frankly addresses this issue on its website.³⁶ In another example the winner of the 2000 cross-border motor rally Shin Hyun-soo, commented

"The North Korean hosts were very hospitable. But when the night came, we could see no light at all in the North," ... "It was eerie, and I felt ashamed that we were engaged in a luxury sport in such a destitute country." ³⁷

It would be foolish to minimize the problems of the DPRK's foreign political relations, nor the difficulties of its internal political-economy, which are inter-related. The current economic situation, with its shortages especially of electricity, are scarcely conducive to the development of tourism. However, it is also important to look beyond that at potential for tourism income revealed elsewhere in the world. To get from A to B may be extremely difficult, perhaps impossible, but it is important to ascertain how worthwhile getting to B is. This is covered in much more detail in an earlier paper,³⁸ some highlights are touched on here.

CONTEMPORARY INTERNATIONAL TOURISM

International tourism is already a major component of the global economy, and may well become even more important in the future if present widespread, albeit uneven, trends towards greater disposable income and longer holidays, combined with falling real transportation

³² Tapachai, Nirundon Robert Waryszak; An examination of the role of beneficial image in tourist destination selection, *Journal of Travel Research*; Boulder; Aug 2000, V39.1, pp. 37-44

³³ Bull, Adrian, *The economics of travel and tourism*, Melbourne: Longman, 1994.

³⁴ Kim M H, 'Korean diplomats feel backlash of foreigners' criticism of dog eating', *Korea Herald*, 28 July 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/07/28/200107280046.asp>; Lee Chi-dong, 'Many Koreans Consider Protests Against Dog Meat as Ethnocentrism', *Korea Times*, 5 August 2001, <http://www.koreatimes.co.kr/kt_nation/200108/t2001080515522341110.htm>

³⁵ Lee, Justin, 'Beefing up tourism industry in time for the World Cup', *Korea Herald*, 13 June 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/13/200106130021.asp>

³⁶ <<http://www.koryogroup.com/koryoindex.htm>>

³⁷ Choe Sang-hun, 'South Korean car racers set to tackle North Korea', *Korea Herald*, 2 June 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/02/200106020038.asp>

³⁸ Beal, Tim, (2001d) *op cit*

costs, continue.³⁹ Even in the giant US economy tourism counts for 2.2% of GDP and employs 3.5% of the workforce (Table 1)

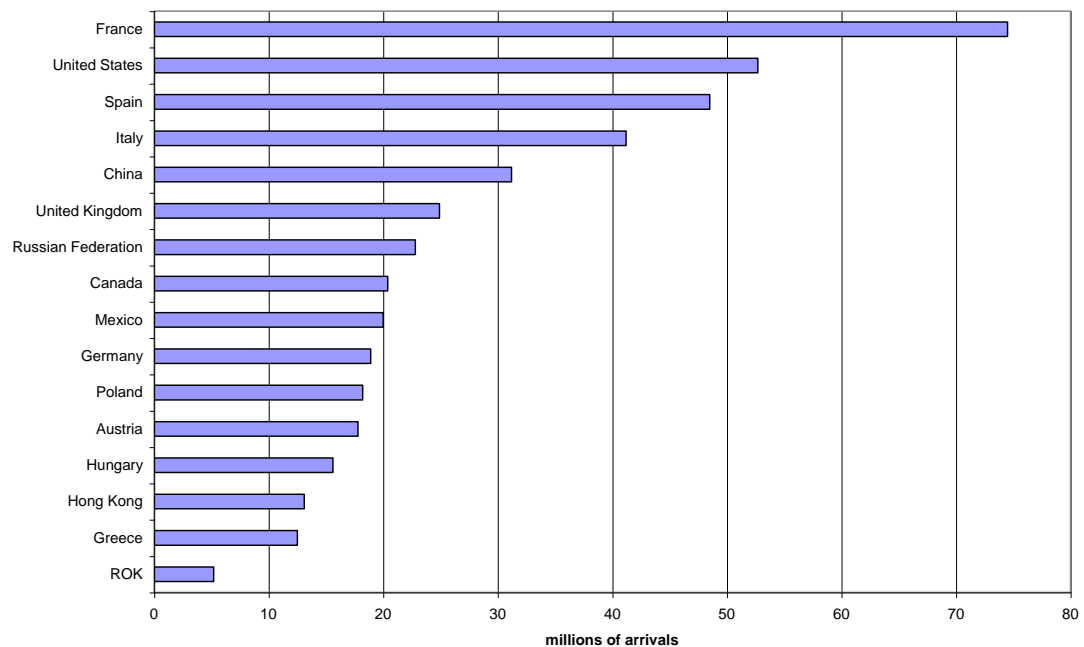
TABLE 1 : ECONOMIC IMPACT OF TOURISM, SELECTED COUNTRIES

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

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

World tourism grew by an estimated 7.4 per cent in 2000, with 698 million international arrivals and receipts from international tourism of US\$476 billion.⁴⁰ Europe, not surprisingly given its combination of wealth and multiplicity of countries, captured by far the largest share, 57% or 403 million arrivals but the Asia Pacific is the fastest growing region.⁴¹

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



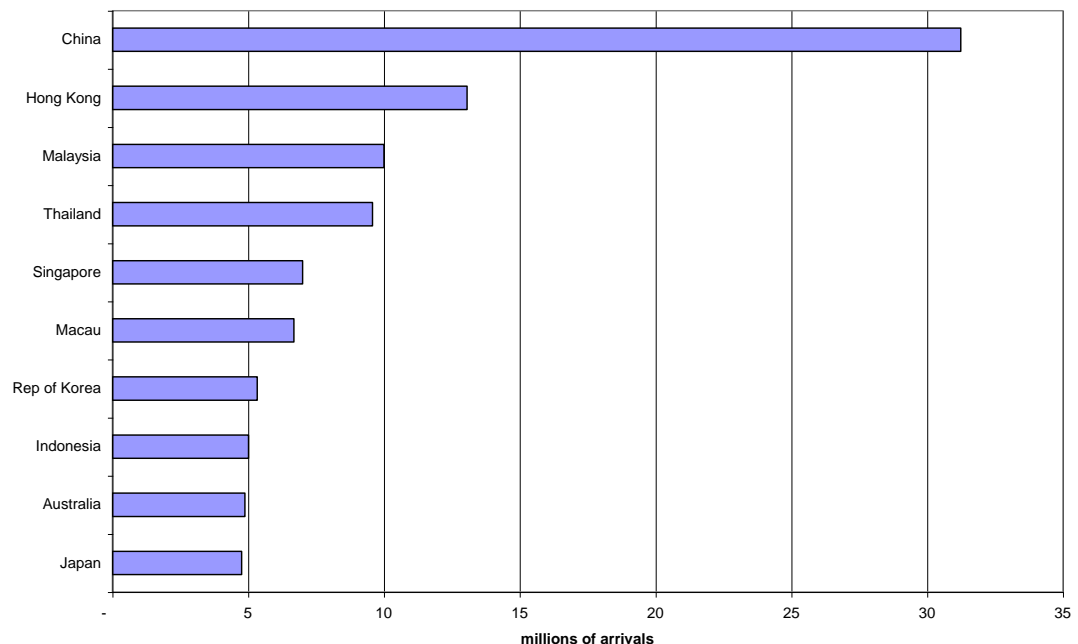
³⁹ This was written before 11 September 2001. The long-term effects of that, and its aftermath, are unpredictable but it seems unlikely that they ill invalidate the general thrust of this section. International tourism will recover and grow. In the short-term, tourism within Northeast Asia may grow as the US becomes less attractive as a tourism destination.

⁴⁰ World Tourism Organization, 'Millennium Tourism Boom in 2000', Press release 31 January 2001, <http://www.world-tourism.org/newsroom/Releases/more_releases/R0102001.html>

Source: Beal 2001d Statistical Abstract Table A10

The Republic of Korea is quite a small player by world standards (Fig 3) and although tourism is a government priority latest figures suggest a slowdown in arrivals.⁴² However, in Asian terms ROK does quite well (Fig 4). China, along with the Special Administrative Regions of Hong Kong and Macau which are counted as separate destinations (as is Taiwan) is by far the major destination in Asia. However ROK just outstripped Japan, with 5.3 million arrivals compared with 4.8 million. In terms of growth 1999-2000, ROK did twice as well as Japan, 14.5% against 7.2%, nearly equaling China's 15.5%.⁴³

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



Source: Beal 2001d Statistical Abstract Table A11

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

⁴¹ Beal, *op cit*

⁴² 'Inbound Tourism Falls', *Korea Times*, 26 June 2001, <<http://www.koreatimes.co.kr/times/200106/t2001062617012940110.htm>>

⁴³ Beal *op cit* Table A11

storage would be on the Mexican side, thus qualifying for unused Mexican landing rights in Asia.⁴⁴

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

No matter how it is analyzed, tourism in the Republic of Korea is extremely small. In fact, compared with that of its neighboring countries, Korea's international tourist business is so small it suggests the presence of important major obstacles. These would certainly include the attitude of international travelers toward visiting Korea. For instance, an attitude study completed in the United States and Canada (see chapter I) shows that, out of 19 countries in the Pacific and Far East, potential travelers rate Korea next to last as a place they want to visit. Korea ranked high in the North American market as a place potential tourists considered "unsafe".⁴⁵

That was relatively soon after the Korea War, and at a time when China was still invisible to American eyes, and certainly those of tourists (China was not even mentioned in the this report). Most crucially, it was way before the Seoul Olympics, which was a key event in propelling ROK inbound tourism to higher growth. Sports events are important catalysts for tourism. Korea's share of the World Cup events in 2002 is forecast to 'create 350,000 Jobs, Boost GNP by 11.4 Trillion Won'.⁴⁶ "The World Cup is the largest event in Korea's history", President Kim Dae-jung was quoted as saying and it was estimated that it would attract some 4 billion television viewers, twice that of the Olympics.⁴⁷ Such predictions are always subject to revision, usually downwards, and the events of 11 September add a cautionary note. However, unless there are very special circumstances, particularly a revival of tension on the Korean peninsula, it seems likely that the World Cup will give a major boost to ROK tourism, and perhaps to DPRK tourism as well. As for the Beijing Olympics, there have been conflicting opinions as to how much impact they will have on ROK tourism, and there has been no discussion, as yet, on implications for DPRK.⁴⁸

⁴⁴ PATA Strategic Information Centre Worldwatch, *PataNews* 6 August 2001 [Pacific Asia Travel Association]

⁴⁵ Clement, Harry G., 1961, *The future of tourism in the Pacific and Far East* : a report prepared under contract with the U.S. Dept. of Commerce and co-sponsored by the Pacific Area Travel Association., Washington, D.C. U.S. Dept. of Commerce, p. 297. (the reference is to chapter 1 of the report).

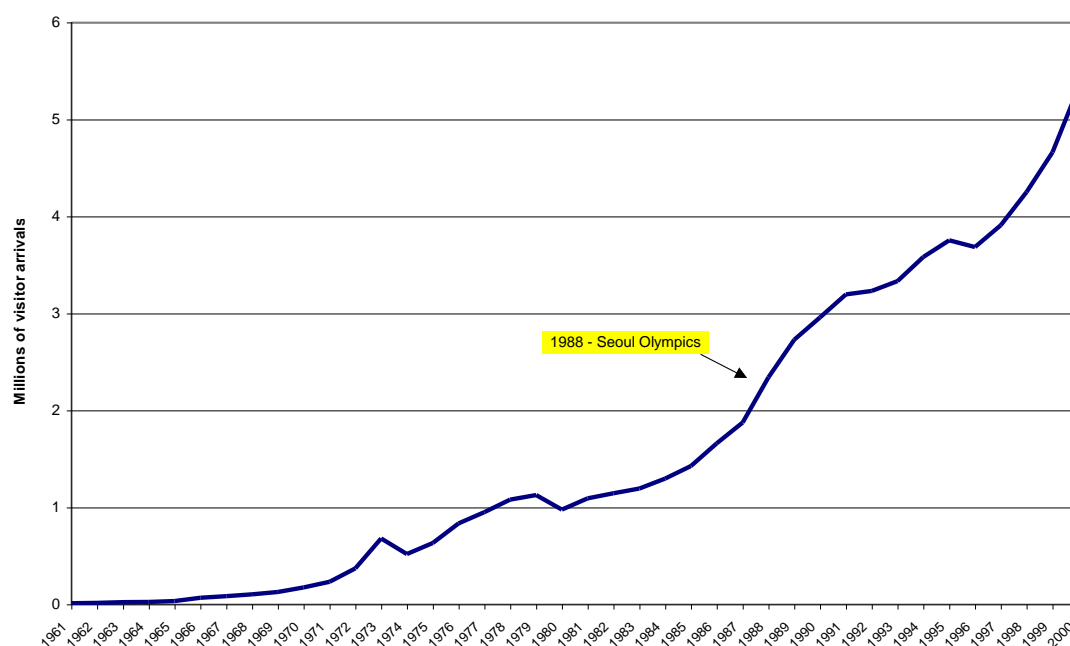
⁴⁶ 'World Cup to Create 350,000 Jobs, Boost GNP by 11.4 Trillion Won', *Yonhap News*, 30 May 2001, <<http://www.yonhapnews.co.kr/news/20010530/2000000000200105301716479.html>>

⁴⁷ Kim Cheong-won, 'Much Remains to Improve Before World Cup', *Korea Times*, 21 June 2001, <http://www.hankooki.com/kt_special/200106/t2001062117083349110.htm>

⁴⁸ Nho Joon-hun, 'Korea to Benefit Little From Beijing Olympics', *Korea Times*, 29 July 2001, <http://www.hk.co.kr/kt_biz/200107/t2001072916580643110.htm>; 'Seoul sees windfall from Beijing Games', *Asia Pulse* via *AsiaTimes Online*, 24 July 2001, <<http://www.atimes.com/koreas/CG24Dg03.html>>

Joint sports events between North and South have had a checkered history. The joint march at the Sydney Olympics touched a chord and President Kim has advocated sports (and tourism) as important ways of promoting inter-Korean relations.⁴⁹ However neither inter-Korean sports events nor DPRK participation with ROK-hosted events, such as the 2002 World Cup, have achieved anything like their potential, although talks do continue.⁵⁰

FIG 5 KOREAN INBOUND TOURISM, 1961-2000



Source: Beal 2001d Statistical Appendix Table A20

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

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

First, infrastructure of information and telecommunication industries will be established, and new strategic industries of the future, such as culture and **tourism**,

⁴⁹ 'Kim stresses promotion of sports, tourism exchanges with N. Korea', *Korea Herald*, 2 May 2001, <<http://hpe60.ibl.co.kr/dprk/ReadBoard.asp?DBname=3&tCode=123&cFile=20000522202440&page>>

⁵⁰ 'Kim Un-yong to Visit North Korea', *Korea Times*, 17 June 2001, <<http://www.koreatimes.co.kr/times/200106/t2001061717272940110.htm>>; 'North Koreans Could Join South Squad for World Cup', *JoongAng Ilbo*, 28 November 2001, <<http://english.joins.com/nk/article.asp?aid=20011128163725&sid=E00>>

nurtured. In addition, industries in general will be transformed into ones suitable for the knowledge-based economy.⁵¹

2001 is being promoted as 'Visit Korea year' although according to reports not with great success, even prior to 11 September.⁵² However, Dato' Abdul Kadir, the Malaysian Minister of Culture, Arts & Tourism, on a visit to Korea May/June 2000 described tourism as the mega-industry of the future, and predicted that Korea, being close to Japan and China, had the potential to become a major tourist destination.⁵³

How does ROK, in fact, compare with other countries? Here we look at a selection of countries that might be considered as competitors or benchmarks. Some, such as Cuba and Vietnam, have particular relevance to DPRK because of their relationship with the United States.

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

⁵¹ 'Transformation into a knowledge-based economy', Ministry of Finance and Economy (ROK), *Korea Economic Update*, 24 January 2000,

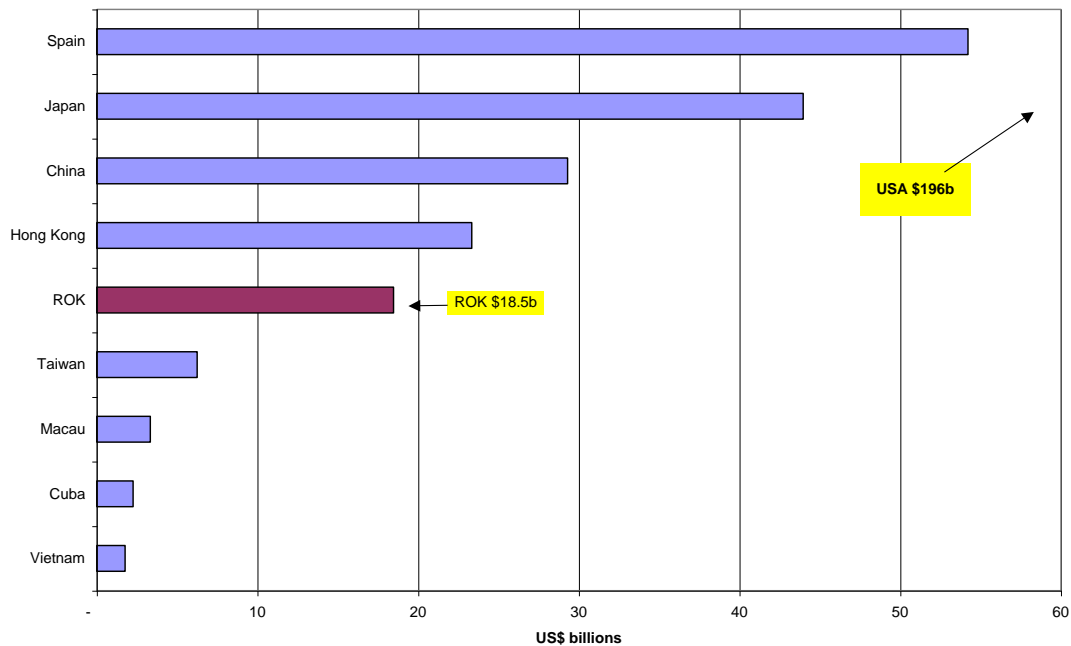
<http://www.mofe.go.kr/mofe/eng/e_econo_trends/e_public_data/html/e_pd2000012401.htm>

⁵² 'Inbound Tourism Falls', *Korea Times*, 26 June 2001,

<<http://www.koreatimes.co.kr/times/200106/t2001062617012940110.htm>>

⁵³ Shin Kyung-hwa, 'Malaysian minister says tourism can become mega industry', *Korea Herald*, 2 June 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/02/200106020033.asp>

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



Source: Beal 2001 Statistical Appendix Table A5

The World Tourism and Travel Council (WTTC) predicts that ROK will increase its share of world income from international tourism from 1.7% in 2001 to 2.2% in 2011. The shares of the United States and Cuba will fall, Vietnam will stay steady and the others in our selection will all increase.⁵⁴ Again this suggests opportunities for the DPRK.

It is estimated that the Republic of Korea will be earning \$17billion from visitor exports in 2011, plus a further \$39billion from 'other exports', giving total earnings from international tourism of \$56 billion.⁵⁵ By then the ROK will rank 22 in terms of visitor exports (down from 19) and 10 in terms of other exports (up from 13). Real growth in visitor exports over the decade 2001-2011 will be 2.6% a year (making ROK 124 in the league table) and other exports will grow at an annual rate of 9.5% (23rd place). In other words, ROK will perform below world average for visitor exports (2.6% against 5%) but above average for other exports (9.5% against 6.2%).⁵⁶

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

⁵⁴ Beal 2001d *op cit* Statistical Appendix Table A5

⁵⁵ *ibid* Tables A6 and A7

⁵⁶ *ibid* Table A7b

earnings. However, foreign exchange earnings which are small for the ROK are large for the DPRK.

DPRK TOURISM

Data on DPRK tourism is virtually non-existent, apart from that about Kumgangsan. No data relating to DPRK was found on the World Travel and Tourism Council website, and just fragmentary data on the World Tourism Organization website.⁵⁷

MAP 2: KUMGANGSAN AREA



Source: Hyundai Asan website

⁵⁷ see *ibid* Tables A21 and 22

Most of the available data relates to the Hyundai Asan Kumgangsan venture, and originates with Hyundai. Apart from that the facts are sketchy. A DPRK tourism official, Kim Ryong Hwan, managing director of the DPRK travel company, who participated at the ITB travel fair in Berlin in March 2001 is reported as having said that ‘just a few hundred European tourists visited North Korea last year, though a total of 100,000 foreigners, mostly Chinese, had the opportunity to breathe the country’s rarefied air.’ He is reported as having said that they expected 1,000 European visitors in 2001 and that facilities were ready.⁵⁸ The ‘100,000 foreigners, mainly Chinese’ were clearly in addition to the ROK visitors to Kumgangsan. However, a Bank of Korea assessment of the North Korean economy published in May 2001 is reported as stating ‘Hotels and restaurants, benefiting from a doubling in foreign guests to 50,000 visitors, expanded 27 percent.’⁵⁹ Again this figure would seem to exclude Kumgangsan (most of whose visitors were not ‘foreigners’) but is half the level of Kim Ryong Hwan’s statement. However the Tumen Secretariat, quoting the DPRK National Directorate of Tourism says there were there were 130,000 international tourist arrivals in 1998 and it adds that ‘World Tourism Organization forecasts that the number of international arrivals in DPRK will increase to 146,000 in 2005, 159,000 in 2010, 173,000 in 2015. The average annual growth rate is around 1.7%’.⁶⁰ Reports from China, compiled by the Korea Trade Organization (KOTRA), claim that one-day tours from Dandong (China) to Sinuiju (in DPRK) have brought in 50-60,00 tourists a year since 1988 (sic). The tours were suspended, for an undisclosed reason, for six months but resumed on 17 May 2001.⁶¹

The ROK Ministry of Unification website reported

As of November 30, the number of South Korean visitors to the North this year reached 6,846 in total, not including the Mt. Kumgang tourists. The number showed ups and downs in the early 1990’s, but constantly grew since 1995. It increased rapidly after 1998 with the inauguration of the Kim Dae-jung Administration. During the period from 1998 through the end of November 2000, a total of 15,762 South Koreans visited the North. During the early days of inter-Korean exchange in

⁵⁸ ‘N. Korea Welcomes Tourists - But Not Americans’, KOTRA website, 6 March 2001, <http://www.kotra.or.kr/main/common_bbs/bbs_read.php3?board_id=20&pnum=899917&cnum=0&row_num=66&n_page=7&q_page=1>

⁵⁹ ‘North Korea Economy, Gap With South Probably Expanded’, KOTRA website quoting The Chosun Ilbo, Bloomberg, 28 May 2001, <http://www.kotra.or.kr/main/common_bbs/notice_read.php3?board_id=20&pnum=899808&cnum=0>

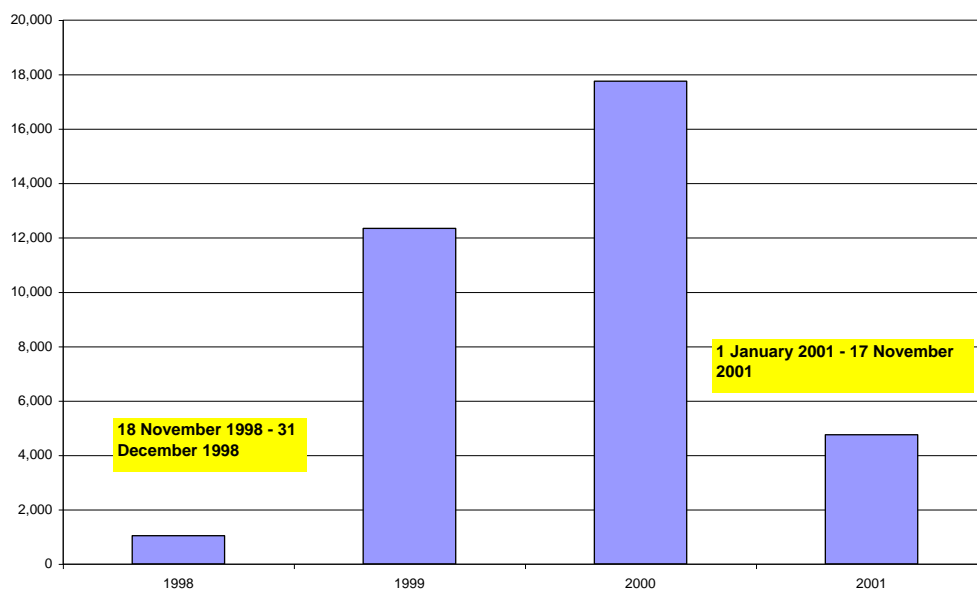
⁶⁰ Tumen Secretariat, ‘Note on DPRK tourism’, 5 July 2001 (unpublished report).

⁶¹ ‘One-day tour between Dandong and Sinuiju has resumed’, *Liaoning Chosun Munbo*, May 25 edition via KOTRA website 29 May 2001, <http://www.kotra.or.kr/main/common_bbs/notice_read.php3?board_id=21&pnum=899965&cnum=0>

1990 and 1991, the visits were made mostly in the social area. The economic area quickly became the major one thereafter.⁶²

Kumgangsan has taken by far the bulk of southern visitors, showing remarkably growth in from its inception in November 1998 up to the end of 2000, but by 2001 numbers has slipped badly (Fig 7). In the first quarter of 2000 Hyundai had 67,000 customers but in the same period the following year that had fallen to 30,000.⁶³

FIG 7: VISITORS TO KUMGANGSAN, MONTHLY AVERAGES, NOVEMBER 1998-NOVEMBER 2001



Source: '425,000 traveled to Mt. Geumgang', Korea Herald, 19th November 2001,
http://www.koreaherald.co.kr/SITE/data/html_dir/2001/11/19/200111190044.asp

The problem was greatly exacerbated for Hyundai in that it had agreed to pay a fixed amount, roughly US\$12m a month, irrespective of the number of tourists. and it was claimed that by June 2001 losses amounted to about \$400 million.⁶⁴ Hyundai Asan started defaulting on the monthly payment in February 2001, paying only \$2million and then nothing until the bailout in June. By the end of May the debt stood at \$46 million.⁶⁵ Hyundai had attempted to increase revenues by introducing a floating casino but this was rejected by the ROK government.⁶⁶ In

⁶² Korean Unification Bulletin, Ministry of Unification (ROK) 26 December 2000,
<http://www.unikorea.go.kr/cgi-eg/srch/ens.cgi?12A12/A1258.htm@tourism>

⁶³ Yoo Cheong-mo, 'Hyundai to close N.K. cruise ship service June 30', Korea Herald, 27 June 2001,
http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/27/200106270022.asp

⁶⁴ Kim Ji-ho, 'Hyundai, North Korea set to revive Mt. Geumgang tours', Korea Herald, 2 June 2001,
http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/02/200106020047.asp

⁶⁵ 'Asan Deeper in Kumgang Debt', JoongAng Ilbo, 31 May 2001,
<http://english.joins.com/article.asp?aid=20010531005251&sid=400>

⁶⁶ 'Govt Rejects Hyundai Casino Plan', Korea Information Service website (ROK), 20 April 2001,
<http://www.kois.go.kr/kwnews/content/SearchView.asp?Number=20010420020>

its negotiations with the DPRK Hyundai Asan asked for a reduction in the monthly fee, and more substantially, the designation of the area as a special economic zone and the opening of a land route from the south to Kumgangsan.

June saw a breakthrough in a series of deals which not merely salvaged the Kumgangsan venture but suggested, yet again, that Seoul and Pyongyang could just keep the water unfrozen beneath the Pyongyang-Washington ice. Just as the two sides managed to exchange mail for the first time in half a century in March 2001, despite the stalemate in DPRK-US relations,⁶⁷ so too in June. The North's Asia Pacific Peace Committee agreed to Hyundai Asan's requests. A 13.7 km roadway from Goseong, in the North, to Songhyeon-ri, in the South, is to be opened up at a cost of 60-100 billion won (to be borne by the South) and according to initial reports was expected to be operation by mid 2002.⁶⁸ This would reduce the travel time to 1 hour⁶⁹ down from the 13 hours of the existing 271km trip from Tonghae.⁷⁰ The flat \$12m monthly fee is to be replaced by a per capita fee - \$50 by land and \$100 by sea.⁷¹ It was also agreed that the Kumgangsan area would be designated a special tourism zone which would, according to Hyundai Asan President Kim Yoon-kyu, 'help promote the Kumgang area as an international hub for trade, commerce, finance and culture as well as tourism'.⁷²

Seoul provided the crucial sweetener to the deal. Barred by law from directly using the South North Cooperation Fund to bailout Hyundai it did it circuitously via the Korea National Tourism Office (KNTO). SNCF provided funds for KNTO to buy out Hyundai Merchant Marine (hence allowing the debt to the North be at least partially cleared) and invest in

⁶⁷ Kim Ji-ho, 'Two Koreas launch mail exchanges', *Korea Herald*, 16 March 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/03/16/200103160074.asp>

⁶⁸ 'P'yang Allows Hyundai Land Access to Mt. Geumgang', *Korea Information Service* website, 10 June 2001, <<http://www.korea.net/kwnews/Content/News.asp?Number=20010610023>>

⁶⁹ 'KNTO to Join Mt. Geumgang Tourism Project', *Korea Information Service*, 20 June 2001, <<http://www.korea.net/kwnews/Content/News.asp?Number=20010620008>>

⁷⁰ 'Enlivening Mt. Geumgang tours, *Korea Herald*, editorial, 11 June 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/11/200106110039.asp>

⁷¹ Yoo Cheong-mo, 'KNTO to bail out Hyundai's N.K. biz', *Korea Herald*, 21 June 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/21/200106210047.asp>

⁷² Shin H.J., 'Pyongyang Agrees to Open Inland Route Mt. Kumgang', *Korea Times*, 10 June 2001 via KOTRA website 11 June 2001, <http://www.kotra.or.kr/main/common_bbs/bbs_read.php3?board_id=20&pnum=899801&cnum=0&row_num=8&n_page=1&q_page=1>

Kumgangsan.⁷³ The deal was inevitably attacked by the opposition Grand National Party⁷⁴ although the rescue in principle seems to have had public support.⁷⁵

Skeptics had always claimed that the Hyundai venture was driven by personal reasons, especially those of founder Chung Ju-yung, and did not make business sense. However, in an interview in *Far Eastern Economic Review* in October 2000, Kim Yoon Kyu asserted that this was not so. He said that opportunities in the South were drying up, so that the ventures in the North (of which Kumgangsan is not the only one, albeit currently the biggest) were necessary for future growth. Asked about losses he replied:

Now, yes, our losses are around \$40 million or so since the project began two years ago. Over 300,000 South Korean tourists have visited Mount Kumgang so far and with foreigners being allowed to visit from the end of this year, the number could soon reach half a million. We expect to break even next year. Assume, for example, that each tourist spends \$1,000 on a trip. That totals \$300 million a year. Under our contract, we'd be paying up to \$940 million over six years as license fees. Our revenues over a three-year period alone would be \$900 million, sufficient to cover our basic commitment. We plan to build a golf course, an amusement park, hotels and other accommodation to altogether handle up to half a million tourists a year, including foreigners. We want to bring investment from the United States, Europe and Japan for this mammoth project. We'd be selling Cokes and pizza and other capitalist goods there, inside North Korea.⁷⁶

The dreams were resuscitated by the 2001 agreement and there has been renewed talk of investment opportunities ranging from golf courses to casinos⁷⁷ and even involving foreign investors.⁷⁸ Former U.S. Congressman Stephen Solarz was one name mentioned.⁷⁹

⁷³ Park Yoon-bae, 'Creditors Decide to Roll Over W1 Tril. of Hyundai Merchant Marine's Debts', *Korea Times*, 4 July 2001, <http://www.hankooki.com/kt_biz/200107/t2001070417020643110.htm>; Seo Soo-min, 'Hyundai to Reactivate Mt. Kumgang Tours', *Korea Times*, 8 July 2001, <http://www.hankooki.com/kt_nation/200107/t2001070816534941110.htm>

⁷⁴ Kim Kwang-tae, 'GNP Alleges Secret Deal Over Mt. Kumgang Plan', *Korea Times*, 10 July 2001, <http://www.hankooki.com/kt_nation/200107/t2001071016421841110.htm>

⁷⁵ Kim Kwang-tae, 'Mt. Kumgang Plan Debated at Assembly', *Korea Times*, 27 June 2001, <http://www.koreatimes.co.kr/kt_nation/200106/t2001062716450641110.htm>

⁷⁶ 'North Korea: Open for Business (Interview with Kim Yoon Kyu)', *Far Eastern Economic Review*, 5 October 2000, <http://www.feer.com/2000/_0010_05/p22region.html>

⁷⁷ Seo Soo-min, 'Hyundai to Reactivate Mt. Kumgang Tours', *Korea Times*, 8 July 2001, <http://www.hankooki.com/kt_nation/200107/t2001070816534941110.htm>; Shin H.J., '150 Investors to Tour Kumgang Region', *The Chosun Ilbo*, 8 July 2001 via KOTRA website 9 July 2001, <http://www.kotra.or.kr/main/common_bbs/bbs_read.php3?board_id=20&pnum=899780&cnum=0&row_num=6&n_page=1&q_page=1>

⁷⁸ Shim Jae-yun, 'Pyongyang Agrees to Open Inland Route Mt. Kumgang', *Korea Times*, 10 June 2001, <<http://www.koreatimes.co.kr/times/200106/t2001061016521740110.htm>>; Kim Ji-ho, 'Inspection team leaves for Mt. Geumgang', *Korea Herald*, 21 July 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/07/21/200107210049.asp>

However despite a number of meetings, some of them involving the DPRK military, which had been seen as a probable source of opposition, it appears that the 8th June agreements to open the land route and designate Kumgangsan as a special tourism zone have not progressed. Hyundai Asan talks with the Asia Pacific Peace committee scheduled for early December 2001 look unlikely⁸⁰ and even Hyundai Asan was saying that the tours might be suspended early in 2002.⁸¹

It seems clear that Pyongyang is willing to sacrifice the still substantial potential revenues from a re-invigorated Kumgangsan venture in order to put pressure on Seoul to change its policy and posture vis-à-vis the DPRK. Issues such as the state of military alert, the continued naming of the DPRK as the 'main enemy', joint military exercises with the United States, the testing of a new missile capable of striking virtually anywhere in the North, and so forth might reasonably be seen as inimical to the development of relations. What is less reasonable is the idea that cutting of the flow of tourists to Kumgangsan is an effective lever. Similarly, the apparent belief that pressure on Seoul this way, and more generally by stalling talks, puts pressure on Washington, is difficult to follow.

Just as Pyongyang seems to overplay its Kumgangsan card, so to it appears to have inflated expectations of alternative tourism options. Kumgangsan, though currently the jewel in the crown of DPRK tourism, is not the only attraction. Nor is the South the only source of tourists. Both of these facts seems to play a large part in Pyongyang's strategy.

Attempts have been made to develop tourism in Rajin-Sonbong targeting Chinese from China and Hong Kong with the lure of gambling.⁸² Mt Paektu, the sacred mountain on the Chinese border, is currently hampered by access problems but has long-term prospects.⁸³ According to a KCNA report from Pyongyang, over the last 20 years some 100,000 'overseas Koreans' and 60,000 foreigners have visited Myohyangsan.⁸⁴ The ancient capital of Kaesong is scheduled

⁷⁹ Shim Jay, 'Solarz Meets Chung MH on NK Projects', *Korea Times*, 26 June 2001, <<http://www.koreatimes.co.kr/times/200106/t2001062617090440110.htm>>; Yoo Cheong-mo, 'Hyundai to close N.K. cruise ship service June 30', *Korea Herald*, 27 June 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/06/27/200106270022.asp>

⁸⁰ Kim Hee-sung, 'Hyundai -N.K. negotiations over Geumgang tour to be delayed', *JoongAng Ilbo*, 9 December 2001, <<http://english.joins.com/nk/article.asp?aid=20011209143937&sid=E00>>

⁸¹ 'Mt. Kumgang Tours May Be Suspended Early Next Year', *Korea Times*, 7 December 2001, <http://www.koreatimes.co.kr/kt_biz/200112/t2001120717215343110.htm>

⁸² 'Introduction to A Tour of Rajin-Sonbong Region , An Unexplored area in Northeast Asia's Golden Spot'—*People's Korea* website, <http://www.korea-np.co.jp/pk/095th_issue/99051902.htm>

⁸³ 'Ferry Tour to Mt. Paektu Opens', *Korea Times*, 28 April 2000, <<http://www.koreatimes.co.kr/times/200004/e200004281834124011145.htm>>

⁸⁴ 'Mt. Myohyang, tourist resort', KCNA, Pyongyang, 18 May 2001, <<http://www.kcna.co.jp/item/2001/200105/news05/18.htm#9>>

to be opened to tourism, and developed by Hyundai Asan, and if that happens its proximity to Seoul will be a major strength.⁸⁵

Behind these calculations lies the phenomenon which is likely to have a huge impact on global tourism, and more specifically Northeast Asian tourism, in coming years – the meteoric rise of Chinese tourism. As one Seoul paper put it, ‘the Chinese are coming’.⁸⁶ Whether it is a matter of the World Cup –up to 100,000 Chinese fans are expected⁸⁷ or the long-term expansion of the giant Chinese tourism market, it is clear that the tourism map of the region is going to be transformed. How many of these tourists the DPRK can attract is quite another matter, but the potential is there.

Towards the end of 2001 there has been a flurry of articles indicating a growing confidence, or perhaps over-confidence, in the ability of the DPRK to bring in tourists in spite of the decline of Kumgangsan. Tourism facilities have been upgraded at Paektusan⁸⁸ and Chilbosan, the latter being personally inspected by Kim Jong Il⁸⁹ Chilbosan is clearly targeted at Chinese visitors (or Korean Chinese) with its road links into China’s Yangbian region. However a marketing professor at Yangbian University complained that there was a lack of Korean-produced goods in the shops, and since the majority of tourists were Chinese, they were confronted with the same goods they could buy at home.⁹⁰ New sites, such as Jangusan, are being developed though it is not clear whether these have been opened to foreign tourists yet.⁹¹ The Tumen area continues to receive attention, with a new cruise ship scheduled to be launched in 2002⁹² and reports of continued development of the Emperor chain’s hotel and

⁸⁵ Shin Kyung-hwa, ‘Kaesong expected to emerge as popular tourist site’, *Korea Herald*, 24 March 2001, <http://www.koreaherald.co.kr/SITE/data/html_dir/2001/03/24/200103240025.asp>

⁸⁶ ‘[Today’s Editorial] Lowering of Voting Age/The Chinese Are Coming’, *Korea Times*, 26 November 2001, <http://www.koreatimes.co.kr/kt_op/200111/t2001112615380548110.htm>

⁸⁷ Lee Chi-dong, ‘Preparations in Full Swing for Influx of World Cup Visitors’, *Korea Times*, 3 December 2001, <http://www.koreatimes.co.kr/kt_nation/200112/t2001120317051641110.htm>

⁸⁸ ‘Areas at foot of Mt. Paektu given face-lifting’, *KCNA*, Pyongyang, 12 November 2001, <<http://www.kcna.co.jp/item/2001/200111/news11/12.htm#4>>

⁸⁹ ‘Kim Jong-il Inspects Amusement Park of Mt. Chilbo’, *JoongAng Ilbo*, 8 November 2001, <<http://english.joins.com/nk/article.asp?aid=20011108112158&sid=E00>>

⁹⁰ Koh Soo-suk, ‘Mt. Chilbo Tours all-out for new marketing strategy’, *JoongAng Ilbo*, 11 December 2001, <<http://english.joins.com/nk/article.asp?aid=20011211132352&sid=E00>>

⁹¹ ‘Jangsusan resort’, *KCNA*, Pyongyang, 9 October 2001, <<http://www.kcna.co.jp/item/2001/200110/news10/09.htm#7>>; Kim Kil Nam, ‘Mt. Jangsu converted into public resort’, *Pyongyang Times*, 15 July 2001, <http://www.times.dprkorea.com/main/data_full.php?no=24&ca_no=72&publish_date=20000715>

⁹² ‘Cruise Ship to be Launched at Duman River Next Year’, *JoongAng Ilbo*, 15 November 2001, <<http://english.joins.com/nk/article.asp?aid=20011115145213&sid=E00>>

casinos.⁹³ World Tourism Day in September was marked,⁹⁴ and in December a high-level state tourism delegation left for a visit to the World Tourism Headquarters in Spain.⁹⁵

Pyongyang airport was said to be scheduled for expansion.⁹⁶ In December there was a surprising report that work had re-commenced on the 105-story Yookyong Hotel. This pyramid-shaped shell, which has long dominated the Pyongyang skyline, has been seen as a white elephant since construction was halted in 1992.⁹⁷ The reason for this renewed tourism activity seems to lie not in a well-crafted strategy to participate in the boom in Northeast Asian tourism, especially that revolving around the 2002 World Cup, but plans to mount a gymnastics extravaganza to celebrate Kim Jong Il's 60th birthday (fig 8).

According to a report in Japan-based *Josun Sinbo*, quoted by *JoongAng Ilbo*, the mass games scheduled to be held between April and June 2002 are expected to attract 100,000 foreign visitors.⁹⁸ The 'mass games' are in effect a gymnastic display rather than a competition and it is said that 'Computers and other high tech facilities will be used for the performances, which would feature the history and the customs of Korea.' Although the report claims that 'North Korea is already busy gearing up its travel offices abroad to attract as many tourists as possible for the event' it remains to be seen whether the target will be achieved. To put things into perspective, 100,000 foreign visitors is roughly what is being predicted for the World Cup in South Korea, and it is hard to see the Pyongyang gymnastics in the same league as a tourism draw.⁹⁹

⁹³ 'Emperor hotel and casino', *KCNA*, Pyongyang, 21 August 2001, <<http://www.kcna.co.jp/item/2001/200108/news08/21.htm#7>>

⁹⁴ 'World Day of Tourism marked', *KCNA*, Pyongyang, 27 September 2001, <<http://www.kcna.co.jp/item/2001/200109/news09/27.htm#4>>

⁹⁵ 'DPRK state tourism delegation leaves', *KCNA*, Pyongyang, 3 December 2001, <<http://www.kcna.co.jp/item/2001/200112/news12/03.htm#9>>

⁹⁶ 'North Korea to Enlarge Domestic Airport', *JoongAng Ilbo*, 4 October 2001, <<http://english.joins.com/nk/article.asp?aid=20011004190822&sid=E00>>

⁹⁷ 'Pyeongyang resumes construction of 105-story hotel', *JoongAng Ilbo*, 9 December 2001, <<http://english.joins.com/nk/article.asp?aid=20011209174656&sid=E00>>

⁹⁸ 'North Pins Tourism Hopes on Gymnastics Extravaganza', *JoongAng Ilbo*, 3 December 2001, <<http://english.joins.com/nk/article.asp?aid=20011203153803&sid=E00>>

⁹⁹ 'Seoul City to Open 154 More Tourist Info Booths for World Cup', 8 August 2001, <<http://www.koreatimes.co.kr/times/200108/t2001080816264640110.htm>>; Lee Chi-dong, 'Preparations in Full Swing for Influx of World Cup Visitors', *Korea Times*, 3 December 2001, <http://www.koreatimes.co.kr/kt_nation/200112/t2001120317051641110.htm>

FIG 8: ADVERTISEMENT FOR THE 2002 MASS GAMES IN PYONGYANG



DPRK TOURISM LATEST-

do not miss out on Mass Games next April/May- we have tickets for the most amazing Mass Games spectacular ever-

Kim Jong Il's 60th and Kim Il Sung's 90th anniversary the DPRK are putting on their biggest show ever. Students started practicing for the event this August!! 100,000 synchronised performers in a socialist realism spectacular)

Source: Koryo Tours, Beijing <http://www.koryogroup.com/dprkLATEST.htm>
Downloaded 14 December 2001

CONCLUSION

It is reasonable to predict that, despite the events of 11 September 2001, there will be burgeoning tourism demand in Northeast Asia over the next decade and beyond. If the DPRK is able to participate in that, even at a modest level, it could produce sufficient foreign exchange earnings to transform and re-invigorate its economy. Participation in tourism will be contingent on the same factors which could unleash other forms of foreign income generation, especially joint venture exports. Tourism and exports, combined with an influx of FDI and loans from international financial institutions, could produce a virtuous circle of reinforcing growth.

A benign political environment is a necessary condition for tourism development but it is far from sufficient. Problems range from the general economic situation (and especially shortage of electricity) to establishing a tourism infrastructure, transportation and personnel training. Then comes the marketing of the DPRK as a tourism destination, a formidable task given its present image and fierce competition in the region. No doubt the Pacific Asia Travel Association task force led by Neil Plimmer will produce concrete recommendations on many of these issues¹⁰⁰ although arrangements for the visit are currently stalled.

The impact of tourism on the social and political structure of the DPRK is a contentious issue. North Korea is not alone in facing this challenge, which is common around the world, especially in small previously isolated countries, and is not exclusive to 'transition economies'. The resilience of the DPRK has surprised many in the past; it may do so again in

¹⁰⁰ 'New Zealander Chosen to Lead North Korean Task Force', Pacific Asia Travel Association press release, 19 December 2000, <<http://www.pata.org/prreport.cfm?pageid=12&pressid=98>>

respect of tourism. The DPRK has long had modest inbound tourism but it was not until the beginning of the Kumgangsan venture in November 1998 that it moved into any form of mass tourism. Even that was small by ROK and international standards and bedeviled by problems. Moreover it was insulated from North Korean society, and if inbound tourism is to develop that insulation will necessarily diminish. Whether Kumgangsan will be seen in the future to have marked the beginnings of 'normal' inbound tourism, or just as a temporary phenomenon which showed promise but was ultimately still-born is of course unknown but it is clear that whatever happens it will be the product of the same geo-political forces that will fashion the Korean peninsula as a whole. However, within those constraints, and challenging them, tourism can play a positive and special role.

However, all this is in the realm of the possible, rather than the probable. Kumgangsan is perhaps the touchstone. Whilst implementation of the June agreements is not a panacea that will automatically bring tourists, and revenue, flooding in, failure to do so will surely destroy the venture. Within the context of the worsening geopolitical situation this would have serious ramifications beyond the purely financial. It would signal that the DPRK is willing to sacrifice practical benefits, and the goodwill of its southern compatriots, for ineffective political gesture. Speedy implementation on the other hand, coupled with a more realistic and customer-focused approach to tourism in general, would not merely offer potential economic benefits but would also demonstrate a commitment to engagement that would help defuse the threats to its security.

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