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## China-North Korea merchandise trade and tourism industry relationship in stage 2017-2019 under the impact of International sanctions

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### **ABSTRACT**

Since 2017, the United Nations has strengthened the economic sanctions on North Korea. Many countries have stopped trading with North Korea, causing the economic certain difficulties. China has become a trade and tourism partner that accounting for almost all of the country's foreign currency earning. That had gone on until the beginning of 2020 when North Korea locked its borders to avoid the Covid-19 epidemic. North Korea is essentially famous for having published a quite relatively little information about themselves and being nicknamed "The Hermit Kingdom" due their policies. Therefore, the article will analyze mirror data from countries, then compare it with the actual situation of North Korea to assess the reliability of the data. Moreover, providing information on transport routes is major contributor to China-North Korea. Thereby, drawing comments on China-North Korea merchandise trade and tourism industry relationship in that stage and proving North Korean economic adaptation under International sanctions. The author also suggests polices to reach the North Korean development of self-reliance economics.

**Keywords:** international sanctions, merchandise trade, North Korea and China relationship, railroad crossing, tourism industry

### **1. Introduction**

The historical and contemporary relationship between North Korea and China could be characterized as one of ostensible friendship and ideological affinity, but with tensions

bubbling underneath and occasionally rising to the surface. The description of a relationship “as close as lips and teeth” has often masked a reality of mutual – though asymmetrical – dependency as well as mutual distrust (Daniel Wertz, 2019). Up to now, the United Nations has imposed 11 sanctions on North Korea for its pursuit of nuclear weapons (United Nations Security Council, 2017). Especially Resolution No.2397 in 2017 that caused many countries to stop trading with North Korea in accordance with the provisions of the bans. However, the North Korean economy is still functioning and providing a source of income. Ignoring accusations of illegal actions to evade sanctions, North Korea is now conducting merchandise trade and developing more tourism with China to earn foreign currency. China, an already close trading partner, accounts for almost all of North Korean exports and imports.

Data about North Korea are meager and unorthodox. Therefore, the article has compiled reflective data from countries and professional bodies, and then analyzed the data. Next, compare the variation of the data with the actual developments of North Korea. Finally, evaluating of data reliability and drawing comments on merchandise trade and tourism between North Korea and China in the stage 2017-2019. This is the period from when International sanctions on North Korea were harshly strengthened, causing difficulties for the North Korean economy until the time before the country locked the border because of the Covid-19 epidemic. Also answer the question "How does North Korean economy go if North Korea became closer with China?" The article also suggests policy for North Korea so that it can stabilize its economic development, expand international trade and reduce its dependence on China.

In addition, information and research on North Korea in stage 2017-2019 are quite meager. Therefore, the author tends to use small articles, relevant and reliable news on North Korea as references for the article.

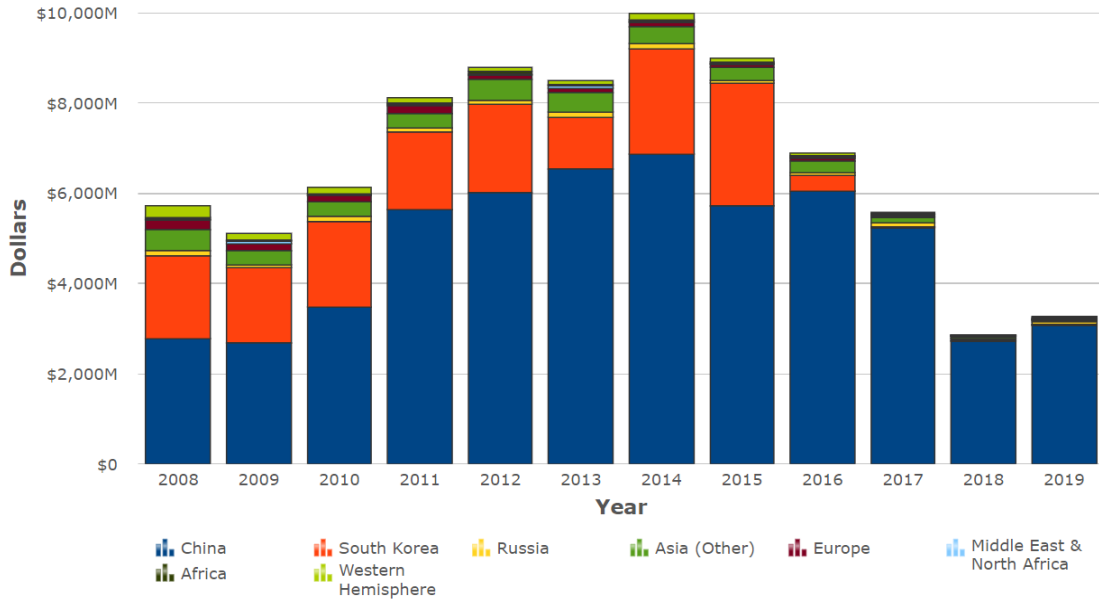
## **2. Methods**

The article uses two analytical methods: quantitative analysis of reflective data of countries and comparison with the actual situation of North Korea. (I) Analyze cross-country mirror data to show the change in the trade relationship in goods and services between North Korea and China in stage 2017-2019, when the United Nations strengthened sanctions on North Korea. (II) Compare the variability of the data with the actual situation that took place in Korea and internationally to assess the veracity of the data. Thereby, drawing comments on the trade relationship in goods and tourism services between China and North Korea under the impact of international sanctions.

## **3. Results and Discussion**

According to regional merchandise trade data released by the National Committee for North Korea (NCNK), Korea Trade and Investment Promotion Agency (KOTRA), United Nations

Comtrade, Chinese Customs and South Korea's Unification Ministry report. Since the United Nations imposed sanctions on North Korea in 2017, China has accounted for more than 95 percent of trade transactions with North Korea (Daniel Wezts, 2020). In this context, the gas trade relationship between China and North Korea has also suffered certain effects.



**Chart 1.** Regional merchandise trade value of North Korea in stage 2008-2019

Source: NCNK, 2019

This analysis proceeds based on several basic assumptions. *Firstly*, it is assumed that Chinese Customs officials continue to exercise sanctions lightly and do not allow trade in prohibited goods through official trade channels. *Secondly*, given that before North Korea has locked down the border since January 2020 to prevent the Covid-19 pandemic, trade of sanctioned goods between the two countries continues. *Thirdly*, the errors in Chinese trade data with North Korea are primarily due to the omission of certain sensitive trade categories, not any form of forgery intention to those trade data. *Finally*, trade of goods which are not banned by United Nations sanctions continues to take place through official channels in the same way that it did in the past years before the sanctions.

### 3.1. The situation of North Korean imports from China under the impact of sanctions

#### 3.1.1. Sanctions on North Korean imports

Successive United Nations Security Council Resolutions, most recently The Resolution No.2397, restrict or prohibit certain categories of trade with North Korea, as well as placing restrictions on the country's financial and shipping activities. Additionally, the following items are currently prohibited for export to North Korea:

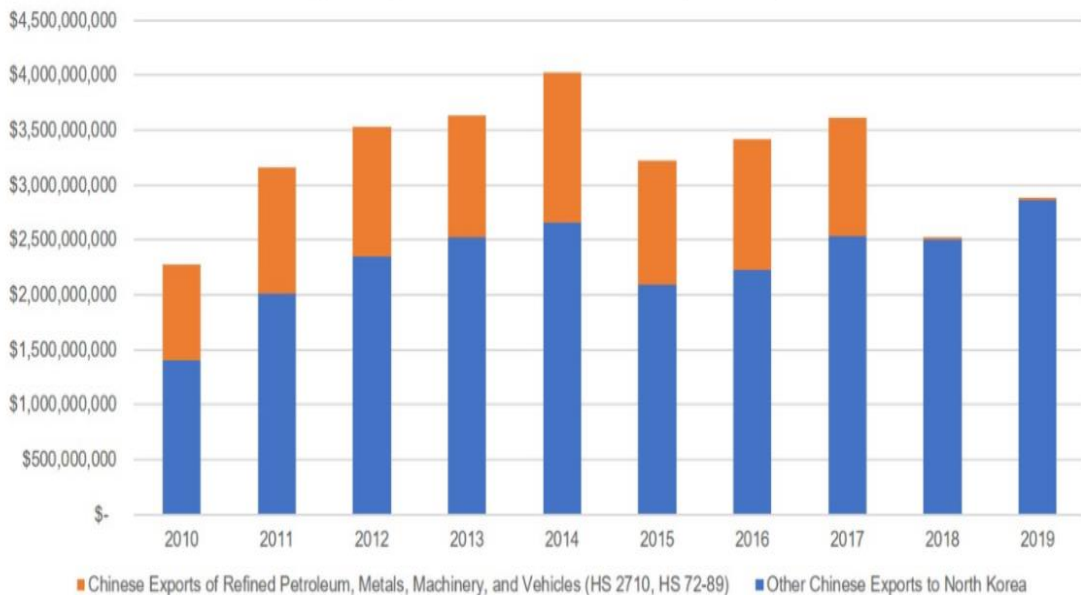
- Luxury goods, defined by various Resolutions as including but not limited to certain types of jewelry; yachts; luxury automobiles and racing cars; luxury watches; aquatic recreational vehicles; snowmobiles; items of lead crystal; recreational sports equipment;

rugs and tapestries; and porcelain or bone china tableware;

- Aviation fuel, jet fuel, and rocket fuel, other than aviation fuel supplied to civilian passenger aircraft outside the North Korea to the extent necessary for round-trip flights; new helicopters and vessels; and
- Condensates and natural gas liquids; industrial machinery, transportation vehicles, iron, steel, and other metals, with the exception of spare parts to maintain civilian passenger aircraft (United Nations Security Council, 2017).

### 3.1.2 North Korean imports from China

#### Import of fuel and machinery and equipment



**Chart 2.** Value of Chinese exports of refined petroleum, metals, machinery and other commodities to North Korea

Source: Chinese Customs, United Nations Comtrade, 2019

North Korean imports are somewhat more diverse than its exports. The country's largest imports from China are crude oil and refined petroleum. Other categories include: machinery, electronics, textiles and trucks. Korea also imports a significant amount of luxury goods from China, which prescribed that has been banned (The Straits Times, 2018). The most recent United Nations resolutions have imposed increasingly stronger restrictions on North Korea's imports of crude oil and refined petroleum products. The Resolution No.2397 set limits on crude oil imports at 4 million barrels per year and refined petroleum products imports at 500 000 barrels per year (United Nations Security Council, 2017).

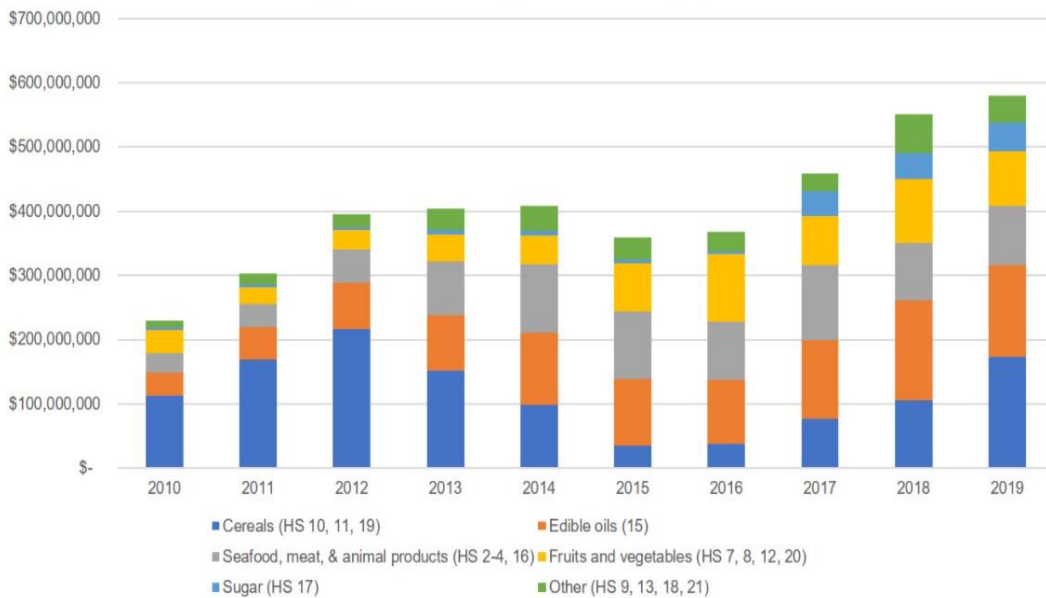
Towards China has reduced oil exports to Korea under sanctions of the United Nations. Refined petroleum exports to North Korea are capped at two million barrels per year, natural gas exports are banned altogether. As North Korea's main trading partner and energy supplier, China is at the center of international efforts, exerting economic

pressure to end (or at least slow down) North Korean from actively pursuing long-range missiles with nuclear warheads. Relation between China and North Korea has also been strained by the country's nuclear policy.

At the same time, China resists measures which could cause the collapse of North Korea, as that could send a wave of refugees into northern China (Chun Han Wong, 2017). China has pushed back on the United States request for a complete oil embargo. Instead, China proposed sanctions that called for a 30 percent reduction in North Korean oil imports (Farnaz Fassihi, 2017). It has affected the import value of fuel, machinery and equipment compared to other items from China of North Korea. After 2017, almost these items were no longer recorded in trade with North Korea.

About import of metals, Chinese Customs has continued to allow the merchandise export to North Korea that contain metal or electronics, which are classified outside of the range of goods specifically circumscribed by The Resolution No.2397. Anecdotal reports had suggested that (at least for western travelers to China) Chinese Customs officers had sometimes interpreted The Resolution No.2397 metal export bans to prohibit any metal object from being exported to North Korea, not just those specified in the resolution. However, based on Chinese Customs data, metal objects other than those that are specifically banned are still being exported to North Korea through formal channels. This is a welcome finding, as certain categories of humanitarian goods (such as medical appliances) contain metal or electrical components but are not included in the ban (Daniel Wertz, 2020).

*Import of food*



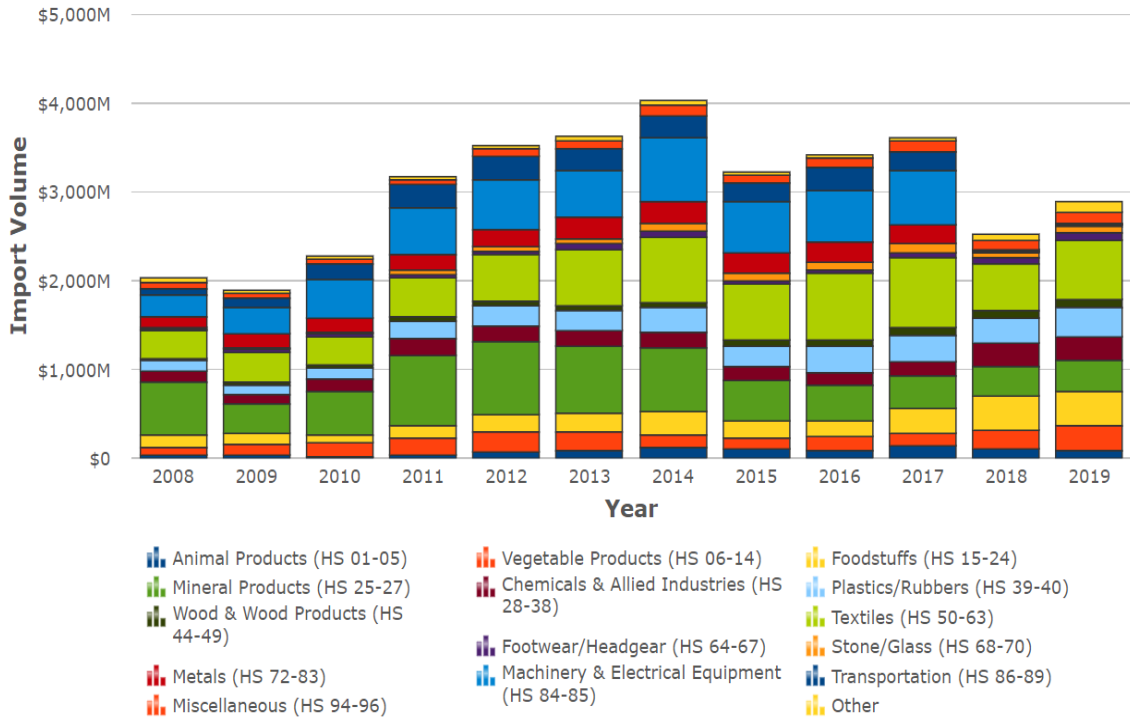
**Chart 3.** *Value of Chinese exports of food to North Korea*

*Source: Chinese Customs, United Nations Comtrade, 2019*

Chinese food exports to Korea has increased in stage 2017-2019. In particular reaching a record high in 2019, which explains the stability of food prices in this country despite

signs indicates a poor harvest at the beginning of the year. The continuing level of Chinese exports of meat, seafood, fruits and vegetables showed that sanctions have not reduced North Korean demand for these foods.

*Trade of textiles*



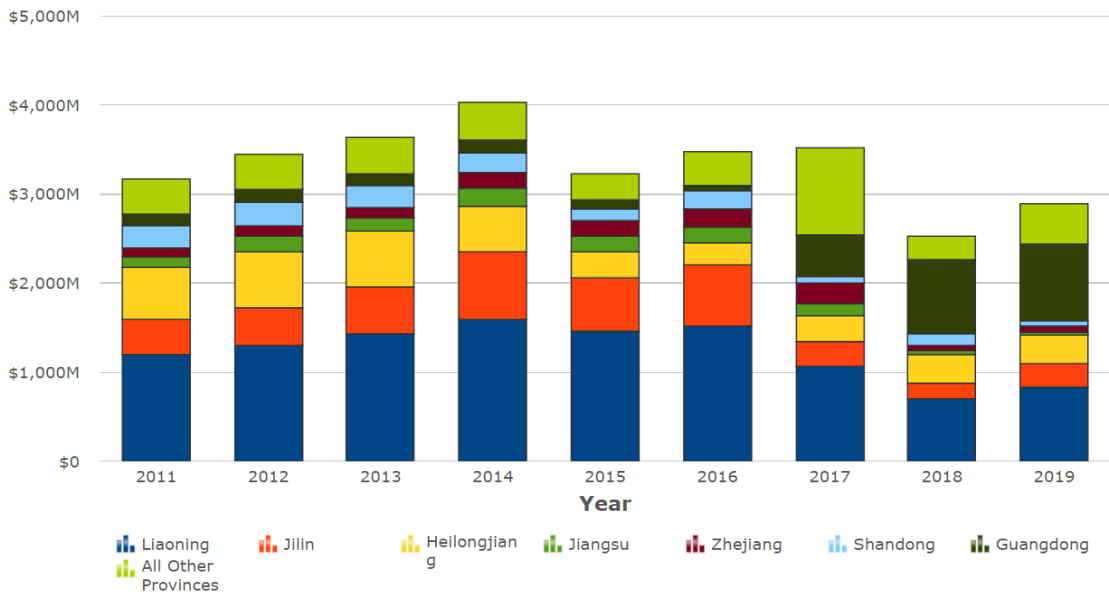
**Chart 4.** Value of North Korean imports from China in stage 2008-2019  
 Source: NCNK, 2019

With United Nations Resolution No.2375, North Korean textiles and garments were banned from being exported (United Nations Security Council, 2017). North Korea no longer export garments, this country has also significantly reduced its purchases of Chinese fabric imports. This has a two-way effect, (i) the value of fabric exports from China to North Korea and (ii) the value of textile exports from North Korea to China. In this section, we will be interested in (i). In fact, the relationship of Chinese exports of fabric to North Korea is still performing strongly.

Chinese textile and garment trade pattern with North Korea over the past decade is considered the basic value-added model. Chinese companies send fabrics to North Korea, workers at North Korean textile factories cut and sew these fabrics into garments, and garments are exported to China for sale or re-export under the form of “Made in China”.

Chinese fabric exports to North Korea fell by almost one third from 2017 to 2018. This is a reduction not greater than the enforced strongly sanctions, but still significant. However, fabric exports started to pick up again in 2019, implying that North Korean exports of garment are likely to recover.

*Chinese exports to North Korea by province*



**Chart 5.** *Summary of Chinese exports to North Korea by province on merchandise trade*  
 Source: NCNK

In the past, Chinese merchandise trade with North Korea concentrated to Liaoning and Jilin, both of which are Chinese provinces bordering North Korea. In 2016, it accounted for approximately 60 percent of total bilateral trade. The coastal provinces of eastern China make up most of the rest, while North Korean trade with southern China and inland provinces is much smaller.

From the end of 2017, Guangdong exports (a province in southern China) to North Korea began to increase promptly, Guangdong quickly becoming North Korea's largest provincial trading partner (Chinese Customs, 2017). Data in stage 2017-2019 showed a remarkable change of Chinese exports. In early 2017, exports from Jiangxi (a landlocked province, which is in southeastern China) to North Korea began to spike, then suddenly decreased at the end of the year. Simultaneously with this decline, Guangdong exports began to rapidly increase. In the two years 2018 and 2019, bilateral trade between Guangdong and North was higher than any other Chinese province's bilateral trade.

However, it is not clear why this change occurred. The summary value of Chinese exports to North Korea did not have a significant change, except that the categories of sanctioned goods disappeared from the customs data. Guangdong is also said to be exported to North Korea a large amount of goods originating from the north of China, such as soybean oil and apple (NCNK, 2019).

**3.2. The situation of North Korean exports to China under the impact of sanctions**

**3.2.1. Sanctions on North Korean exports**

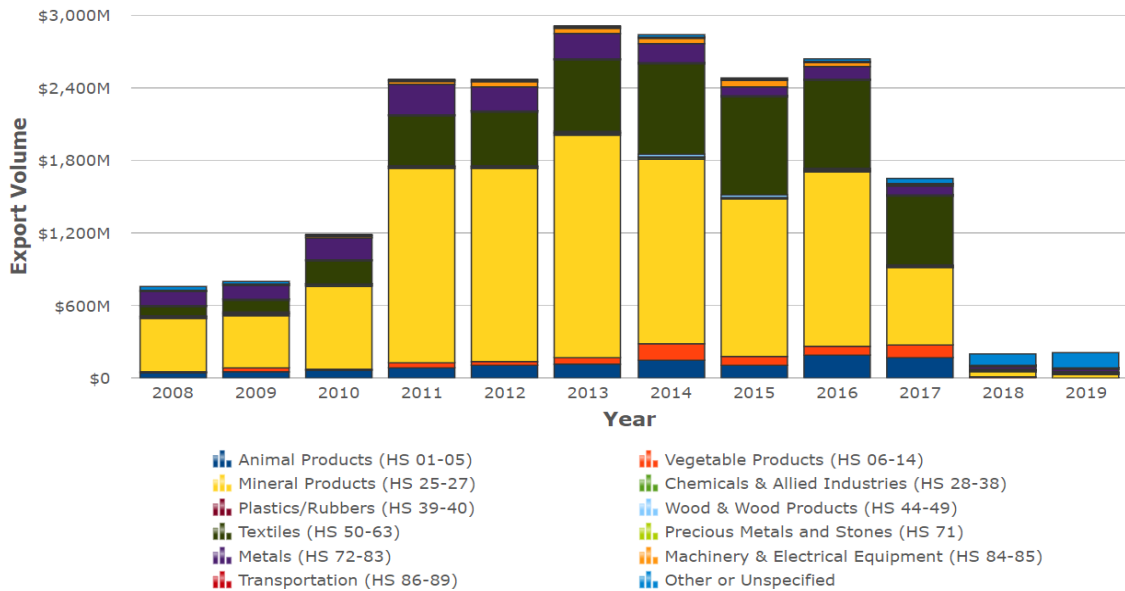
Successive United Nations Security Council Resolutions, most recently The Resolution

No.2397, restrict or prohibit certain categories of trade with North Korea, as well as placing restrictions on the country's financial and shipping activities. The most recent Resolutions also prohibit North Korea from merchandise export , including:

- Minerals including coal, iron and iron ore, copper, nickel, silver, zinc, gold, titanium ore, vanadium ore, rare earths, magnesite and magnesia, and other earth and stone products;
- Food (including seafood and fishing rights) and agricultural products;
- Statues;
- Textiles;
- Machinery and electrical equipment; and
- Vessels (United Nations Security Council, 2017).

### 3.2.2. North Korean exports to China

#### Export of coal



**Chart 6.** Summary of North Korea exports to China in stage 2008-2019

Source: NCNK, 2019

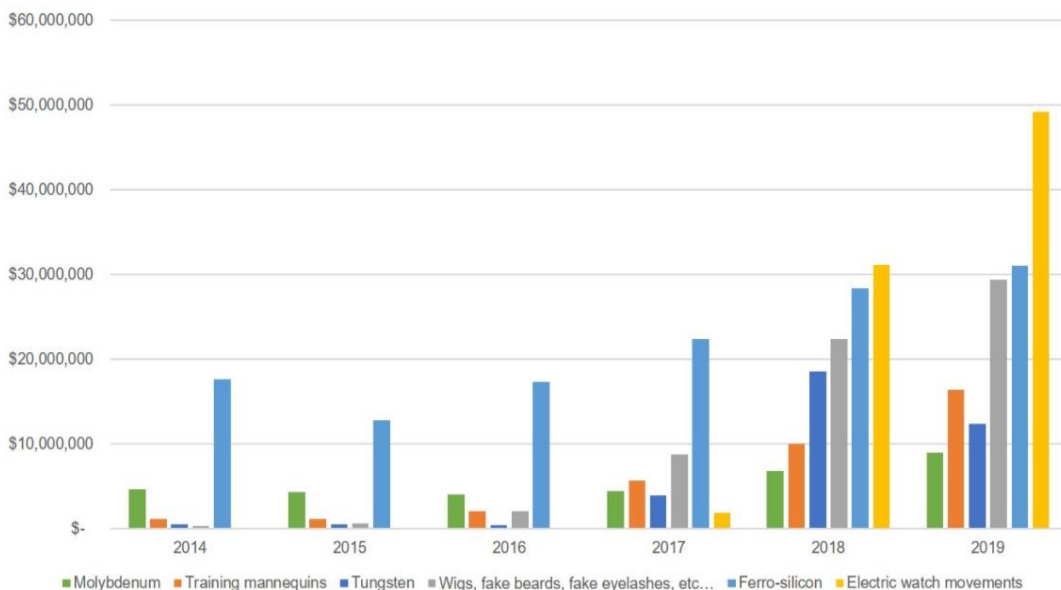
Coal exports is the most valuable of Korea to China and is an important economic lifeline (Daniel Workman, 2017). Before the United Nations to strengthen the embargo on the export of mineral commodities, in stage 2011-2016, the value of North Korean exports to China had reached over one point three billion dollars. By the end of 2017, China announced that it would stop importing coal from North Korea, showing that the country has taken a tough stance against North Korea's nuclear weapons buildup and compliance with United Nations sanctions (Wesley Rahn, 2017). That made North Korean coal exports to China in 2017 only reached 2/5 of 2016, and almost bottomed in 2018, 2019. In addition, North Korean merchandise exports also gradually decreased



throughout 2017. Additionally, North Korea has increased its exports of several minerals that are not sanctioned by the United Nations, including ferrosilicon, molybdenum and tungsten. This is a signal of adaptation to United Nations sanctions from North Korea, replacing the revenue lost due to the ban on coal exports.

*Leveraging unpunished exports*

Although United Nations sanctions ban most North Korean exports, there are a few items which can legally be traded abroad. Since 2017, North Korea has begun ramping up types of non-sanctioned goods exports, such as watches and fake eyelashes.



**Chart 7. Value of emerging North Korean exports to China in stage 2014-2019**

Source: Chinese Customs, United Nations Comtrade, 2019

*Watches*

Watches were North Korean most valuable legal export to China in stage 2018-2019. A value of nearly 50 million dollars of watches from the Korean manufacturer had crossed the border to China in 2019. These watches seemed to be produced through the processing of export agreements. According to that, Chinese partners sent 70 million dollars in watches accessories to North Korea in 2018 (Daniel Wertz, 2020). Then, products could re-exported with the label "Made in China". Chinese trade data showed that this outsourcing only started in July 2017 when sanctions to North Korean exports were imposed.

*Shoes, hats, wigs, fake eyelashes*

Footwear and headwear are beyond the scope of The Resolution No.2375 ban on North Korean exports of textiles and garments. So that, these goods can be legally exported. However, China continues to import these products from Korea, apparently with only small scale. North Korea has also increased the production of wigs and fake eyelashes

for exporting to face the sanctions of the United Nations.

#### *Chinese imports from North Korea by province*

In most years, Jilin and Liaoning, which are the two Chinese provinces bordering North Korea, have been by far its biggest trading partners, accounting for the majority of North Korean trade with China. The remainder of North Korea's reported trade with China is mostly conducted with China's coastal provinces, with most of this trade presumably flowing between Chinese and North Korean ports; Shandong has generally had the highest level of trade for a province outside of northeast China.

Since the onset of near-comprehensive United Nations sanctions in 2017, North Korean exports have dropped precipitously. Reported Chinese imports from North Korea in provinces other than Jilin and Liaoning have dropped to extremely low levels. For the past two years, Jilin province has reported the highest level of Chinese imports from North Korea (NCNK, 2019).

#### **3.3. North Korean tourism industry and China's role**

Tourism is an industry that not be banned by United Nations sanctions to North Korea. Seeing, the development of this industry depends on government policy that Korea has launched so far. However, the embargo has cut off this country's foreign currency revenue, which has also made North Korean tourism industry a legitimate and potential source of revenue.

North Korean coastal cities offer great tourism potential (Griffin Che, 2018). Currently, there are three coastal cities are investing very scale construction in Korea's Nampo, Wonsan and Rason, along with many coastal cities and other small island developing expectations for the future (Bai Yunyi and Chen Shangwen, 2018). Additionally, North Korea has four mountains on the list of UNESCO Biosphere Reserves (UNESCO, 2018). The most prominent is Mount Paektu, which is a sacred symbol for the Korean people [North Korea Tours and Information].

China has a neighboring location with North Korea, so it contributes greatly to this country's tourism industry. Especially, North Korea has increased investment in tourism to run its economy under sanctions, this relationship has become even closer. Moreover, tourism is one of the newest industries that North Korea has been developing as a means to earn foreign currency, and China's role in the recent growth of tourism in North Korea is evident. China has interests in the development of North Korean tourism, since there are positive external effects from people traveling through China – either through Beijing or through the northeastern provinces, to enter North Korea. Chinese travel agencies therefore hoard tourists, acting as brokers, while the North Korean side provides logistical support during the actual tour. There are at least 30 Chinese travel agencies that are authorized by the North Korean government to engage in this business,

but there are far more sub-agencies that do business under these major authorized agencies, marketing tourism to Chinese people as well as foreigners who seek the thrill of visiting an obscure, cult-like destination (Jangho Choi & So Jeong Im, 2016). Besides, Chinese tourists to North Korea are mostly middle-aged and old people, with nostalgic and quiet preferences (Alberto Ballesteros, 2021).

In 2018, the North Korean tourism authorities reported a record-high of 200 000 foreign visitors who entered the country that year. Data provided indicating at least 350,000 Chinese tourists visited the country in 2019, generating as much as 175 million dollars in earnings from tourism that year (Chad O’Carroll, 2019). The figure seems credible, reflecting the North Korean government’s decision in 2019 to impose a limit of 1 000 Chinese tourist entries per day (hence 365 000 per year). This suggests that either their number was already close to or had surpassed that threshold, and that each tourist generated a revenue of approximately 500 dollars per trip, on average, for the regime.

If each Chinese tourist spent roughly 500 dollars per trip, this suggests a slight increase in individual tourist expenses in North Korea since 2014, when each of the 100 000 visitors would have had to spend an average of around 430 dollars to reach the estimated income of 43.2 million dollars of that year. While the exact number of visitors is not available for 2015-2017, if the total amount of visitors to North Korea grew commensurate with the overall growth of the sector as a whole, then even 200,000 visitors in 2018 at an average of 500 dollars per trip means North Korea would have earned close to 100 million dollars from tourism that year [Country Economy, 2020]. With these data, the following table offers a fuller picture of the evolution of the tourism sector between 2014 and 2019:

*TABLE 1. Estimated Income per number of foreign tourists to North Korea in stage 2014-2019*

<b>Year</b>	<b>Number of foreign tourists</b>	<b>Income (Million dollars)</b>
<b>2014</b>	100 000	43,2
<b>2015</b>	N/A	43,5
<b>2016</b>	N/A	43,8
<b>2017</b>	N/A	44,0
<b>2018</b>	200 000	100
<b>2019</b>	350 000	175

To be clear, the sudden increase in income in 2018 is consistent with the developments of that year, when Supreme Leader Kim Jong Un participated in a series of international summits with then United States President Donald Trump, South Korean President Moon Jae-in, and Chinese President Xi Jinping, marking an unprecedented diplomatic opening of the country. This coincided with China lifting in 2018 two temporary bans it had

previously imposed on tourism to North Korea, dramatically increasing tourist numbers. After that, in April 2019, Chinese government instructed its tourism agencies to increase the number of visitors to North Korea (Elizabeth Shim, 2019). As a result, income from tourism continued to grow in 2019, peaking at approximately 175 million dollars.

#### ***3.4. The North Korea-China Railroad Crossing's role in merchandise trade and tourism***

Currently, there are four railroad crossings that connect North Korea and China. They have had big roles in contributing to merchandise trade and tourism of the two countries. Especially having to mention two railroad crossing below thanks to their scale.

##### ***3.4.1. The North Korea-China Railroad Crossing at Sinuiju-Dandong***

Located on the border with China in the northwest corner of North Korea's North Pyongan province, the Sinuiju-Dandong railroad crossing connects the North Korean city of Sinuiju to the Chinese city of Dandong. This crossing consists of the Sino-Korean Friendship Bridge, a combination road and rail bridge across the Yalu River, the Dandong railyards, and the Sinuiju railyards. This is the most well-known and important rail crossing between China and North Korea as it serves as the primary railroad crossing for passenger and general freight between the two countries.

On the North Korean side of the border the Sinuiju railyards are significantly smaller by comparison encompassing only zero point twelve square kilometers and consists of:

- a freight classification yard with approximately nine tracks;
- a locomotive and rail car repair and servicing shop;
- a passenger car servicing facility; and
- a covered passenger and freight terminal with approximately four tracks.

Befitting its importance, the rail line from Sinuiju to the North Korean capital of Pyongyang is one of the best maintained and the most modern in the North Korean railroad network.

Taken as a whole, the Dandong railyards encompass approximately zero point forty - four square kilometers making them the second largest Chinese rail facility on the North Korean border – the largest rail facility is at Tumen, which encompasses zero point nine square kilometers. Among the more significant rail facilities located at Dandong are:

- freight classification and holding yards with approximately 25 tracks;
- a secondary holding yard with two tracks;
- locomotive and rail car repair and servicing shops (many of which are covered);
- extensive warehouse facilities (many of which are covered) and unloading docks;
- extensive rail side industrial facilities; and
- large covered passenger and freight terminal with approximately 16 tracks.

A preliminary review of satellite imagery during 2018 showed that the Dandong

railyards are very active year-round, as is to be expected for the Chinese city situated on the primary border crossing with North Korea. They may also provide an evidentiary basis to the claim by experts that China has normalized commerce with North Korea after a period of harsh sanctioning in the last quarter of 2017. An accurate accounting of the average number of locomotives and rail cars present, however, is not practical due to a large number of extensive covered rail facilities.

Both of cities have large populations and a variety of industries. In both cases the railyards serve as critical rail facilities in their regions with special capabilities (e.g., locomotive, rail car and passenger car repair and servicing facilities, etc.). For Sinuiju, the only comparable rail servicing facilities in North Pyongan province are found at Chonju, far to the south. While the facilities at Dandong are the largest and most comprehensive in eastern Liaoning province.

Regardless of the political-economic conditions in play at any given time, the Sinuiju-Dandong railroad crossing and railyards serve as the primary interchange for trade between the two countries. For North Korea the crossing is critical to its economic and security well-being (Victor Cha, Joseph Bermudez and Marie DuMond, 2019).

#### *3.4.2. The North Korea-China Railroad Crossing at Namyang-Tumen*

Located on the border with China, in the furthest northeast corner of North Korea, is the Namyang-Tumen railroad crossing in North Hamgyong province. This crossing consists of both the Tumen railroad bridge (Tumen-gyo) and, 600 meters to the northeast, the Tumen road bridge (Tumen-taegyo). Additionally, a new larger road bridge has been under construction since 2016. The bridges connect the small North Korean city of Namyang to the much larger Chinese city of Tumen.

On the North Korean side of the border, the Namyang railyard is both tiny and rudimentary by comparison encompassing only zero point twelve square kilometers and consists of:

- a freight classification yard with approximately nine tracks;
- small rudimentary locomotive and rail car repair and servicing shop;
- one small coal storage yard;
- a passenger terminal; and
- a passenger car servicing facility.

A preliminary review of satellite imagery during 2018 showed that although small the Namyang rail facility is relatively active year-round with an average of 42 locomotives and rail cars of various types present. As with the Tumen rail facilities, over 90 percent of these are ore carrying cars.

Taken as a whole, the Tumen railyards encompass approximately zero point nine square kilometers making them the largest Chinese rail facility on the North Korean border. In comparison, the second largest rail facility is at Dandong and encompass only zero point

four square kilometers. Among the more significant rail facilities at Tumen are:

- a freight classification yard with approximately 20 tracks;
- extensive locomotive and rail car repair and servicing shops;
- an intermodal yard (rail-to-truck);
- eight coal storage yards (two of which are for power generation);
- two passenger terminals;
- a passenger car servicing facility; and
- numerous freight warehouses and unloading docks.

A preliminary review of satellite imagery during 2018 showed that the Tumen railyards are very active year-round as is to be expected for a Chinese city situated on an important border crossing with an average in excess of 500 locomotives and rail cars of various types present; however, over 90 percent are ore carrying cars.

The Tumen railyards are primarily designed to serve Tumen city and the Yanbian Korean Autonomous Prefecture in general. The railyards consist of a wide range of facilities (e.g., locomotive and rail car repair and servicing shops, passenger car repair and servicing facilities, intermodal yard, etc.) that compliment rather than supplant those found in nearby Yanbian, Hunchun and Wangqing. To a significantly lesser degree, and under favorable political-economic conditions, the Tumen railyards serve as an important railroad interchange for trade with North Korea.

The proximity of the Namyang-Tumen crossing to the ore mines in North Hamgyong province and the presence of seven coal yards among the Tumen rail facilities are notable and suggest that this is one of the primary land routes for the coal export from North Korea to China. Therefore, it is a lead indicator of the volume of bilateral business between the two in extractive industries. The construction of a new road bridge that began in 2016 is an additional indicator of the importance of the Namyang-Tumen railroad crossing to both countries (Victor Cha, Joseph Bermudez and Marie DuMond, 2019).

#### **4. Conclusion**

The analysis of China and North Korea merchandise trade data for 2017-2019 reveals the following:

- Summary of North Korean legal exports to China was still low. However, exports of certain types of non-sanctioned goods such as watches, fake eyelashes, wigs, shoes and hats had grown rapidly;
- Under United Nations sanctions, Chinese Customs has not reported any textile imports from North Korea since 2017. However, North Korean fabric import from China was still processing, showing that North Korean orientation in garment export industry was still alive and likely to recover from 2019 growth;

– Chinese non-sanctioned goods exports to North Korea was stable after 2017 and increased by 10percent in 2019. This implied that currency downturn under sanctions did not force North Korea to reduce legal imports;

– Chinese food exports to North Korea hit a record high in 2019, explaining the stability of food prices in North Korea despite signed of a tough crop at the beginning of the year.

Trade data in stage 2017-2019 showed that North Korean exports decreased during 2017, hit bottom in 2018 and then remained low since. Chinese exports to Korea in 2018 decreased by 30 percent over the previous year, but increased in 2019. Demonstrating that the Korean and Chinese trading partners have adapted to the sanctions. Although the scope of the country's foreign trade has been limited and sustainable growth prospects are very few.

Tourism industry is not banned by sanctions, so that it is being invested by North Korea to become a spearhead industry in earning foreign currency. Seeing, this country has made efforts to improve the country's internal resources when investing in staff, building infrastructure, and promoting the image of the country. In particular, the international image of Supreme Leader Kim Jong un also determines the state of the country's tourism industry. In the long term, North Korea needs to expand its tourism cooperation market to Southeast Asia, Europe, etc. to attract more international visitors to this country instead of mostly from China. It is also seen that North Korea gradually adapts to develop independence from China under the sanctions. Investment projects to develop transport routes between China and North Korea are also optimistic signals for trade and service cooperation between two countries.

## **5. Policy recommendations**

On the one hand, North Korea and China's deepening economic cooperation may facilitate North Korea's marketization and opening up. In general, although North Korea is a country with a strong spirit of self-reliance and self-reliance. However, in the context of tough sanctions by the United Nations, a close merchandise trade relationship with China is necessary for this country. In particular, other partners in the region have had policies to stop trading with North Korea and China has become the largest legitimate focal point for the North Korean economy.

On the other hand, the intensification of economic cooperation between the two countries may also result in North Korea's over-dependence on the Chinese economy. This country needs to study and implement highly sustainable measures to bring the country's economy, trade and services into a more stable orbit. Besides, it could limit dependence on China. This country also needs to review its nuclear arms race moves that have resulted in harsh sanctions.

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