

## **CHINESE BUSINESSES WANT DPRK LABOR**

Small and mid-sized Chinese companies are now looking toward North Korea. The Chinese press reported on May 5 that the industrial union of Dungta, a small city of just over 500,000 located south of Sunyang in Liaoning Province, recently spent seven days looking into opportunities in the North on the invitation of the Choson Bongwha Company.

The purpose of this recent invitation appears to be that North Korea is looking to improve small and mid-sized industrial activity by allowing foreign entities to set up shop. The North was seeking investment for an oil paint factory, a textile factory, and a rolling mill. The Chairija factory in China's Dungta City is planning to invest three million euros (aprox. 470 million won) to set up a paint manufacturing facility in the DPRK.

The reason Chinese businesses are looking toward North Korea is that even in China wages have been growing sharply, and as labor laws are amended it has become more difficult to hire employees, driving up production costs and lowering the competitiveness of exports. Cheap and easy labor in North Korea is turning the eyes of many Chinese companies.

The importance of this latest visit by the Chinese industrial representatives was reinforced by the invitation by the Choson Bongwha Company, which specializes in commission-based textile production. This appears to be related to the North Korean authorities' plan of boosting the standard of living throughout the country by hosting Chinese heavy industries. Recently in the North, companies have joined in partnerships with Chinese businesses to manufacture lighting and cigarettes, showing that Chinese businesses are also interested in enhancing their presence in North Korea's domestic market.

Just as South Korea's small and medium-sized businesses have turned to China in order to stay competitive, now Chinese companies are eyeing North Korea's cheap labor force in order to maintain their edge.