PEST Analysis of China-North Korea Border Tourism Development of Jilin Province

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Keywords: Jilin Province, China-North Korean Tourism, PEST.

Abstract. PEST analysis, a shortened form of political, economic, social and technological factors analysis, is used for describing the macro-environment faced by an enterprise in making business strategy by means of scanning these external factors. PEST analysis functions to help an enterprise make right and timely decisions and analyze the future when standing from the present and thus improve the performance of the enterprise. In this article, with PEST analysis as the starting point, countermeasures are found at government and tourism enterprise levels by checking the potential problems existing in tourism development in the China-North Korea border by means of analyzing the social, political and economic environment.

Introduction

There are abundant tourism resources in the China-North Korea border, which help lay a good foundation for the cooperation between China and North Korea tourism industries. Compared with the other cooperated projects, the development of tourism does not require a large sum of funds and cooperation consensus can often be smoothly reached. Tourism cooperation can not only bring about entrance ticket income but also mobilize the mutual development of relevant industries. Moreover, given that North Korean tourism earnings have been highly valued by its government and they are considering making adequate opening-up of tourism industry as one breakthrough of gaining foreign exchange, it is a good opportunity for us to develop the border tourism with them. Border tourism can both become a brand project resulted from China and North Korea border cooperation and an important industry in China’s and North Korean border areas. [1]

1. Political and Legal Environment Analysis of China-North Korea Border Tourism of Jilin Province

1.1 North Korean enclosed foreign policy

There is one important factor affecting tourism exchange between China and North Korea, that is, the enclosed foreign policy of North Korea and its low opening degree to the outside world, which limits the economic development of North Korea and on the other way directly affects the economic development and openness in China’s northeast region. Seen from the proportion of foreign trade, the average foreign trade dependence of China has reached 59%, while that of Jilin Province which is adjacent to North Korea is only 14%. The foregoing statistics prove from the other aspect that the enclosure of North Korea is adverse to the opening-up progress of the three provinces (Heilongjiang, Jilin and Liaoning) in northeast China.[2]One important target in the Changchun-Jilin-Tumenjiang development plan put forward by the Chinese government is to break through the passage from Tumenjiang to Northeast Asia.

1.2 North Korea nuclear issue still in suspense

Whether North Korea nuclear issue can be smoothly solved is also crucial to the political and economical cooperation between China and North Korea. As economy is globalized today, direct investment in foreign countries by an enterprise faces a variety of risks. Among these risks, the first
issue to consider for the investing enterprise is the political stability and potential war risks of the
country to be invested in, because this is the most primary condition for safe foreign investment.
However, North Korea nuclear issue is still unsettled and its relations with the U.S.A., South Korea
and Japan, etc. is also yet to be normalized. Such situation has become one big obstacle for China’s
enterprises to conduct foreign investment in North Korea.

2. Economic Environment Analysis of China-North Korea Border Tourism of Jilin Province

2.1 Steady development of China-North Korea economic cooperation

The economic cooperation between China and North Korea mainly consists of three aspects, i.e.
Contract engineering, labor service cooperation and design consultation. Since 2000, such economic
cooperation between the two countries has developed steadily. The tendency is overall increase in a
whole year, with partial decrease in several months. Among these cooperation, contract engineering
is the major type of economic cooperation project, and labor service cooperation comes second to it;
while the business volume of design consultation is the least, and in some month this type of
business is even none.

2.2 Rapid expansion of trade between China and North Korea

During the 1990s, the trade volume of China with North Korea proceeded from increase to
decrease; in the 21st century, the China-North Korea trade has grown rapidly. In 2000, the trade
volume is only USD488 million dollars; but till the end of 2010, this figure reached USD3,472
million dollars, 7-fold higher than that of 2000. In the first 10 years of the 21st century, the average
annual growth rate of trade volume of China to North Korea reached 21.7%, which greatly
exceeded that of North Korea to all the foreign countries on year-on-year basis. Between January
and May of 2011, the China-North Korea trade volume reached USD 1,148 million dollars, with the
year-on-year increasing range reaching 99%.

2.3 Sharp increase of direct investment from China to North Korea

China is both the largest trading partner and the largest investor of North Korea. As the economic
and trade ties from Japan, South Korea, Europe and the U.S.A. with North Korea become colder
and colder, in China there are a lot of non-government institutions which are willing to or have
already invested in North Korea; there are also Chinese merchants who want to do business in that
country. According to the stock of investment from China to North Korea, in 2003, the stock of
investment from China to North Korea is only USD 1.17 million dollars; while until the end of
2009 the figure reached USD262 million dollars, 223.5-fold higher than that of 2003. Although the
China-to-North Korea investment amplification is obviously great, such investment is easily
affected by the political situation of North Korea. Especially in 2009, the sharp decrease of direct
investment from China to North Korea occurred on year-on-year basis due to North Korean second
nuclear test. The investment from China to North Korea keeps increasing, but this figure can be off
the record compared with the huge investment data of China’s overseas investment. There still
exists abundant growth space of investment from China to North Korea.

Province

3.1 Similar ideologies under socialist background

China and North Korea are both socialist countries. Their similar ideologies and the same
socialist systems are helpful for building a sound social, political and economic environment in
friendly mutual development between the two countries in the aspect of strengthening state-to-state
relations and promoting intensive exchange and cooperation of social system and cultures.
3.2 Long-term historical origin of state-to-state interaction

China and North Korea have established close relations dated back to the ancient times. The Gija Joseon was emphatically put into the historical records due to the relations with the Western Zhou Dynasty; after the days of Confucius, these records were selected as Confucian classics. In 1392, assisted by the Ming Dynasty, the Goryeo General Li Chenggui seized power and swore allegiance to the former one. Zhu Yuanzhang, well known as the Ming Taizu, ordained “Korea” as the state name of the Li regime. And Li Chenggui formulated the national policy in relation to diplomatic relations which is establishment of rapprochement with the Ming Dynasty. He pursued to input the Han culture and strove to develop friendly relations with China. An era of the closest relations between the two countries was opened up in history.

3.3 North Korean cultural attribute similar to that of China

The culture of North Korea is homologous with that of China. During the days of Gija Joseon, Neo-Confucianism was taken as the very foundation of building the country. And Li Chenggui even put establishment of schools which abode by Confucianism as the first consideration in order to create a Confucianism state. The history of ancient North Korea is interwoven with that of China and the two of them can not be separated. Although its homeland and regime were changed frequently, North Korea had kept close contact with China. The Korean Peninsula, both during its ancient and modern times, was profoundly influenced by Chinese culture in the aspects of etiquette, political system, economy, science and technology, art and customs, etc.

4. Technological Environment Analysis of China-North Korea Border Tourism of Jilin Province

4.1 Year by year increase of dependence degree of North Korea on China

China has been the largest trade partner of North Korea. North Korean overall degree of dependence in foreign trade is low, but China has always been ranking first on the list concerning the former one’s foreign trade cooperation. During the 1990s, the dependence degree remained between 25% and 30%, and in 1993, this degree reached 34%. After entering the new century, North Korea has its trade with China increased rapidly and its dependence degree on China-North Korean trade went up accordingly; in 2015, this record was renewed as 58.9%. Among this, North Korea greatly depends on the exported products from China, and the degree of dependence of 2015 reached 64%, which clearly shows that North Korea has a lack of products within the country. [3]

4.2 North Korean credit crisis due to decrease of payment capacity

Shortage of foreign exchange in North Korea is also a key element limiting China-North Korea economic and trade relations development. As mentioned above, North Korea has been under the condition of trade deficit in the process of its trade with China. Its foreign exchange mainly originates from three aspects: the general unfavorable balance of trade to South Korea, the export of arms and the assistance from the international community. However, currently these three channels for obtaining foreign exchange are severely restrained. Firstly, after the second nuclear test in May of 2009 by North Korea, the UN Security Council imposed serious sanction against North Korea and shut off its arms trade. Unluckily, arms trade is an important channel for North Korea to obtain foreign trade, since its annual export sales of arms reaches roughly USD1,500 million dollars. According to the statistics from the Stockholm International Peace Research Institute, the export amount of arms of North Korea after the sanction occupies only 10% of the total amount before it was sanctioned. Secondly, the strained relations of North Korea with South Korea make the foreign exchange earnings from the latter one significantly decrease. Though according to the book statistics of North Korea to South Korea, there also shows unfavorable balance of trade, nearly a majority of the export products from South Korea to North Korea are involved with non-reimbursable assistance. Hence, its book value failed to show the real income and expense situation of the two countries. While in reality, North Korea has obtained considerable foreign
exchange earnings from South Korea by means of tourism projects, general projects and consigned processing projects, etc. [4]

4.3 Backward infrastructure and defective soft and hard environment of North Korea

The timeworn tourism infrastructure of North Korea is the bottleneck which obstructs the border tourism from development. In North Korea, there is a series of links which have a variety of problems from power supply, road conditions, transport, harbor facilities and handling capacity, etc. Firstly, North Korea is deficient in power supply and supply stability, and some enterprises even cannot control their production progress. Secondly, the means of transportation in North Korea are poorly constructed and the road transport is severely restricted. And on the contrary, the shortage of electricity leads to severe restriction of transportation capability of railway and harbor. Therefore, the input and output of trade products are directly affected. Thirdly, the network communication facilities have lagged behind, due to which the enterprises in North Korea find it inconvenient to communicate with the outside world. Additionally, besides the foregoing hardware facilities, North Korean software facilities also require improvement. In the aspects of electronic customs, paperless office and foreign trade registration system, etc., North Korea is still in the early stage and needs more explorations and efforts.

References