DOING BUSINESS WITH NORTH KOREA

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Loss of allies in the early 1990s, consecutive floods in 1995 and 1996, and a severe drought in 1997 shrunk the North Korean economy. While North Korea had gradually reformed its troubled economic system in the 1990s, these measures were limited and different from market-oriented reform. Inter-Korean relations have improved significantly since the historical encounter of two Korean leaders on June 13, 2000. In July 2002, North Korea introduced liberalization measures, the most significant since the start of communist rule in 1948 (French, 2002). The conventional explanation for this sudden reversal of North Korean economic policy is that it is desperate for external economic assistance and investment. Such an open-door policy creates opportunities and challenges for foreign governments, companies, and individuals. This paper discusses reasons to do business with North Korea, entry modes of North Korean markets, differences in management style between Western and Asian corporations, practical tips on doing business in North Korea, and political risk analysis.

Reasons for Doing Business with North Korea

North Korea has worked very hard in recent years to improve the business climate for foreign companies and individual investors in an effort to boost its sagging economy. Although the improved business climate is not a sufficient reason alone for doing business, it is a necessary ingredient for business relations. No external investors or traders will do business with North Korea or any country, for that matter, unless reasonable opportunities for making money exist. Evidence indicates that Pyongyang will continue to improve its business climate so that foreign companies and investors can make money in this impoverished country. If the business climate in North Korea continues to improve as expected, a number of good reasons for doing business with the country surface. North Korea offers the prospect of a regional stability with South Korea, abundant natural resources, a cheap labor force, a market of 22 million people for a wide variety of consumer goods, and a strategic distribution location for Eurasian markets (Choe and Huff, 2001).

Improved Inter-Korean Relations. In early 1998, South Korea's president, Kim Dee Jung, adopted a Sunshine Policy of engagement with North Korea, a dramatic departure from the previous policy of confrontation. The purpose of this policy was to legally allow individuals, organizations, and even the government to build economic ties with North Korea in spite of Pyongyang's hostility toward the government in Seoul. In other words, the Sunshine Policy separated humanitarian and business issues from political ones. The leaders of two Koreas met in Pyongyang on June 13, 2002 for the first time since Korea's division in 1945. Many positive changes have taken place in inter-Korean relations since then; among them, improved regional stability which is sure to result in additional foreign investment and may eventually contribute to even better regional stability and peace.

Underdeveloped Natural Resources. Unlike South Korea, North Korea is rich in natural resources. Pyongyang has at least 40 different natural resources that can be highly valuable in export markets. For example, North Korea is the world's second largest producer of magnesia and earns a substantial amount of hard currencies from its exports. In August 1999, Aurora Partners became the first US Company to form a joint venture with North Korea in order to mine, process, and export magnesia products. Several companies from Israel and Australia have negotiated with North Korea about potential investments in natural resources, but only a small number of foreign investors have actually invested in North Korea so far. North Korea's ability to extract many of its natural resources is limited mainly due to its underdeveloped infrastructure. Its inability to harvest natural resources creates additional opportunities for foreign companies. Thhus, the country's natural resources should prove to be one of its primary means of economic development.

Abundant and Affordable Labor Force. North Korea has a labor force of 10 million people, which grow idles as its economy stagnates. In other words, many are unemployed or underemployed mainly due to the lack of capital and technology. Its regime recognizes numerous potential benefits of expanded economic cooperation with South Korea and other countries. To maximize foreign investors' use of abundant labor force, North Korea has recently introduced a host of new laws addressing foreign investment, relations with capital firms, new zones of free trade, and double taxation. If foreign manufacturing operations play a negligible strategic role, tangible benefits, such as reductions in labor, capital, and logistical costs, usually dominate a company's decision to manufacture abroad (Ferdows, 1999). Because no one can expect to realize intangible benefits (i.e., new ideas) from its investment in North Korea, the country is a good place for foreign companies that wish to seek tangible benefits.

Foreign countries and companies could emulate the US-Mexican relationship of *maquiladoras* (export assembly plant) in North Korea. *Maquiladoras* are responsible for approximately one million jobs in Mexico, and they are the source of half of Mexico's exports (Sowinski, 2000). Such a program, called "processing-on-commission," has been thriving between two Koreas for years. This program involves the transfer of equipment and materials from South Korea to North Korea where the lower labor cost is used to produce goods, which in turn are exported out of North Korea.

Growing Market Potential. North Korea is one of the few remaining countries still untapped by multinational companies and their per capita income is very low. As North Korea's government and labor force begin to receive compensation from its foreign business cooperation and open-door policy, their overall ability and willingness to purchase domestic and foreign goods will undoubtedly increase. In the winter 2002 North Korea announced that it would cut the number of its troops significantly, which is likely to reduce a substantial amount of its military expenditure. The amount of money to be released from decreased military spending would surely increase the purchasing power of 22 million consumers for foreign goods and services.

Coca-Cola was the first US Company to export its goods to North Korea after President Clinton lifted some trade sanctions in September 1999. Initially Coca-Cola plans to sell its products in hotels, but the important point is the early jump at market development for future years as Pyongyang's economy improves. Early entrance into the North Korean market may be critical because evidence indicates that foreign trade with developing countries grows at a faster rate than with industrialized countries. North Korea prefers foreign investments in infrastructure areas such as telecommunications, utilities, and transportation.

Strategic Distribution Location. Currently, South Korea must ship and receive goods in foreign trade via air or sea because the division of Korea has prevented South Koreans from shipping or receiving goods via land routes since 1945. Exports and imports among Eurasian markets through the air or otherwise sea are lengthy and expensive. Recently, two Koreas agreed to re-link the severed South-North railway and build a new highway to link the South to Kaesong city just north of the demilitarized zone. This connection should reduce by 15 days the shipment times from South Korea to Europe. Transportation costs between the two Koreas would fall from $250 per TEU from the current rate of $1,000 (McMullan, 2000). Observers also predict that by 2025 these lines of transportation will be the core of economic activities carried by 2.5 billion people producing one-quarter of the world's economy (Korean Business Review, 2000).

How to Enter Foreign Markets

A company seeking to expand its business into North Korea or any other foreign market will find several distinct alternatives for its business model: exports, new plants, mergers and acquisitions, joint ventures, equity alliances, licensing agreement, franchising agreement, and contract manufacturing.

Exports. Exports are a relatively conservative approach for penetrating foreign markets. There is minimal risk to this approach because a company does not place any of its capital at risk. If the company experiences a decline in exports, it can usually reduce or discontinue this part of its business at a low cost. Many large US companies, such as Boeing, General Electric, and IBM, generate more than $4 billion annually from exports. When a company expands its operations beyond national boundaries for the first time, it tends to exploit foreign markets through exports. However, to become part of a global market, a company must have a worldwide presence. An export-oriented strategy serves a company well initially, but a worldwide presence cannot be sustained by exports alone.

Construction of New Plants (Internal Growth). Companies can penetrate international markets by establishing new operations in foreign countries to produce and sell products. Some companies may prefer such internal growth because they can tailor foreign operations to specific needs. For example, General Motors spent several years analyzing the market size for cars in China before the company decided to build two auto assembly plants in that country. Such a demand forecast or market-size projection depends on many factors, such as competition, income, population, economic conditions, and the feasibility of serving nearby foreign markets. However, it takes time for companies to reap substantial rewards from internal growth because they first have to build plants and establish a customer base.

Mergers and Acquisitions (External Growth). Although internal growth is usually a natural and economical option, the process tends to be slow. These days many companies take an accelerated approach: they acquire existing firms in foreign countries rather than build factories which may take years to complete. Some companies purchase a stake in foreign firms to obtain a foothold in foreign operations. In many cases, companies acquire existing firms to obtain instant access to foreign markets and to reduce competition. For example, in December 1998, British Petroleum purchased Amoco of the United States to expand its US market share and to eliminate one of its major US competitors.

Joint Ventures. A joint venture is a venture owned by two or more firms. Sometimes the partners in a joint venture are from several different countries. Many companies penetrate foreign markets by forming a joint venture with companies which compete in those markets. Most joint ventures permit two companies to maximize their respective competitive advantages in a given project. For example, General Mills of the United States and Nestle of Switzerland formed a joint venture so that the cereals produced by General Mills could be sold through Nestle's huge global distribution network.

The basic advantage of a joint venture is that it enables companies to generate incremental revenue or cost savings. A joint venture, however, frequently faces many complex problems. Because representatives of both companies sit on the board of directors, it is difficult to forge a consensus, especially when the partners are a foreign company and a host-country firm. Nevertheless, international joint ventures are increasingly common these days. The proliferation of new technology, the expense of staying on the leading edge, the demands of customers, and worldwide competition have required many companies to form a wide range of joint ventures and partnerships.

Equity Alliances. An equity alliance is an alliance in which one company takes an equity position in another company. In some cases, each party takes an ownership in the other. The purpose of the equity ownership is to solidify a collaborative contract so that it is difficult to dissolve, particularly if the ownership is large enough to secure a board membership for the investing company. The airline industry epitomizes the use of equity alliances. IBM maintains more than 500 equity alliances around the world.

Licensing Agreement. A licensing agreement is an agreement where a company (the licensor) allows a foreign company (the licensee) to produce its products in a foreign country in exchange for royalties, fees, and other forms of compensation. Companies can set up their own production facilities abroad or license local firms to manufacture their products in return for royalties. For example, AT&T has a licensing agreement to build and operate part of India's telephone system.

Advantages to a licensor include: (1) a relatively small amount of investment, (2) an opportunity to penetrate foreign markets, (3) minimal political and financial risks, and (4) an easy way to circumvent foreign-market entry restrictions. Benefits to a licensee include: (1) an inexpensive way to obtain new technology, (2) an easy way to diversify into additional product lines, and (3) an opportunity to capitalize on unique positions, such as channels of distribution, financial resources, and marketing expertise.

Like all aspects of good business, successful licensing requires management and planning. Because there is no global clearinghouse for technology, the matching process stretches around the world with a wide variety of intermediaries. The process is further complicated due to politics, international laws, different cultures, and global secrecy. Consequently, a continuous stream of profitable licensing agreements requires hard thinking, good planning, and substantial outlays for research and development.

Franchising Agreement. A franchising agreement is an agreement where a company (franchiser) allows a foreign company (franchisee) to sell products or services under a highly publicized brand name and a well-established set of procedures. Under such an arrangement, the franchiser allows the franchisee not only to sell products or services but also assists on a continuing basis in the operation of the business.

Franchising is most associated with the United States, accounting for about one-third of US retail sales. Some 500 US franchisers have approximately 50,000 outlets worldwide. Fast-food operations, such as McDonald's, Kentucky Fried Chicken, and Dunkin' Donuts, have the most. McDonald's alone has almost 10,000 restaurants in 100 countries. Other types of franchisers are hotels (Hilton), soft drinks (Coca Cola), clerical services (Kelly Services), and automotive products (Midas).

Contract Manufacturing. Contract manufacturing occurs when a company contracts with a foreign manufacturer to produce products according to its specifications. The contract manufacturer does not market the products it produces. Instead, the company markets the products under its own brand name. For example, Wal-Mart sells a variety of products made by contract manufacturers under its brand name. Thus, the buying public normally does not know that the selling company did not actually produce the product. In addition, some companies subcontract assembly work or the production of parts to independent companies overseas.

Which Entry Modes Are Best for North Korean Markets?

If a foreign company is interested in doing business with North Korea, it should first examine the reasons why to do business in the first place. If there is a reasonable opportunity for the company to make money there, then it should evaluate a variety of entry modes into North Korean markets to determine which ones are the best for the company. The following section recommends three entry modes: wholly owned subsidiary, contract manufacturing, and equity alliances.

Buy and/or Build Plants (Wholly Owned Subsidiaries). North Korea has recently established two free economic zones to attract foreign investment: a Free Economic and Trade Zone (FETZ) in Rajin-Sunbong area and a Special Administrative Zone (SAZ) in Shinujiu area. The FETZ is located in the northeastern part of North Korea on the Tuman River where the boundaries of North Korea, China, and Russia meet. The SAZ is located at the northwestern part of North Korea near the border of China. Foreign companies may establish wholly owned subsidiaries only in these two locations, which intersect through land and marine transports business links to China, Russia, Japan, and other countries.

Both locations have well-established ports which can handle millions of tons of shipments.

North Korea welcomes foreign investments because they induce the transfer of technology and skills, increase national employment and domestic wages, contribute to tax revenues, develop import substitute products, and help increase exports. Foreign companies are advised to locate their manufacturing plants in these two areas, both of which would be capitalist regions that secure free capitalism and private ownership with their own legislative, judicial, and executive branches without any interference from the central government. A foreign company can enjoy a number of advantages from establishing a wholly owned subsidiary in North Korea. First, it can realize a substantial amount of savings in labor cost because North Korea has abundant and affordable labor force. Second, it can control the quality of products manufactured or assembled.

Equality Alliances (Joint Ventures and Partnerships). Because North Koreans do not have financial resources to form joint ventures with foreign companies, they prefer those foreign companies which willingly accept non-financial factors, such as labor, land, and marketing expertise. Thus, an equity alliance with a South Korean company may be an ideal entry mode into North Korea for several reasons. South Koreans know North Korean culture and business practice, which will help foreign companies minimize cultural and financial risks. Both North and South Koreans speak the same language, in spite of the five-decade separation. In addition, companies from Japan, Europe, and North America can offer extra cushions such as additional capital and technology on the top of those to be provided by their South Korean partners.

Contract Manufacturing. In contract manufacturing, a foreign company must arrange with a local manufacturer to produce parts of a product or even a finished product, though marketing the product is still the responsibility of the foreign company. North Korea welcomes contract manufacturing because it has many underemployed workers and does not know how to export products. Contract manufacturing may be a good use of North Korean labor until further trade issues and other laws are developed between participating countries. Cost savings are the major reason for contract manufacturing, and significant cost savings can be achieved for labor-intensive products by sourcing the product in North Korea. The limited skills, quality, and experience of North Korean workers producing exportable products form the major drawback to contract manufacturing.

Multiple Entry Modes. Any of the entry modes described here may be effective means of entering North Korean or any other foreign markets. Many companies utilize a combination of entry modes--particularly exports and direct investments--to maximize benefits. Some analysts think that direct investments in Asia by Western automakers would cause their exports there to drop because this mode of entry is used to set up Asian production. However, direct investment is closely linked to export expansion. For example, German direct investment in North Korea can open the way for German exports, both as inputs for North Korean production and as consumer goods to supply North Korean demand. Direct investment also offers German companies a foothold in North Korean markets from which they can further expand sales. Finally, direct investment can allow German companies to maintain a market position that they initially developed through exports. In many cases, investment in distribution and other essential services increases a supplier's ability to export into a market. Trade between firms and their foreign affiliates can be an efficient means for international trade. Over a third of world trade is estimated to be intrafirm.

Which Management Style Should Be Used in North Korea: American or Japanese?

Once foreign companies, especially Western companies invest in North Korea, they must to decide whether to use either American or Japanese management style in running a North Korean subsidiary. Table 1 indicates that there are two forms of organizations which are diametrically opposed in every important respect. It should be emphasized that each has operated successfully in its own environment. The American organization represents a bureaucratic organization, a largely contractual, formal mode of dealing with people, an entity capable of withstanding high turnover and great heterogeneity, whereas the Japanese form relies on stability and homogeneity. Although the bureaucratic form may be effective in short-run conditions of Western mobility and heterogeneity, its inherent weaknesses include alienation and lack of training. Thus, some Japanese management practices--decision by consensus, long-term employment, continuous training, and the godfather system could be models to address certain American organizational problems in managing Asian subsidiaries of Western companies. However, it is important to remember that both management styles do not apply in their original form any more because the trend toward a global economy has removed many differences in management practice around the world.

Table 1: Differences in the Management Style Between the United States and Japan

American Corporations	Japanese Corporations
Short employment	Lifetime employment
Loyalty has limited value	Loyalty to firm is paramount
Usually top heavy	Usually bottom heavy
Rapid promotion and evaluation	Slow promotion and evaluation
Highly specialized careers	Non-specialized careers
Individual values	Collective values
Individual decision-making	Collective decision-making
Business seen as profit-making entity	Business seen as service to society
Formal, explicit control mechanism	Subtle, implicit control mechanism
Segmented concern	Holistic concern

Source: Ouchi and Jeger, "Type Z Organization: Stability in the Midst of Mobility," *Academy of Management*, April 1978, p. 308.

Although North Korea has been isolated for the last 50 years, it is still part of North Asia, which includes China, Japan, and Korea. These three countries have much in common: Confucian values, the strict seniority system, a strong work ethic, lifetime employment, close business-government cooperation, the use of Chinese characters as part of their language, and close interrelations throughout history. North Korea or any other centrally planned economy cannot achieve sustainable economic growth without market-oriented reform. As North Korea adopts an open-door economic policy for its own survival, its new economic system will be closer to other Asian systems rather than the American system. Thus, it would be preferable for Western companies to use the Japanese management style in running North Korean operations.

Practical Tips on Doing Business in North Korea

The US formally abolished some trade sanctions in September 1999. North and South Korean leaders held a summit in Pyongyang on June 17, 2000 for the first time since the division of Korea in 1945. These and other recent events have gradually improved the business climate in North Korea for foreign companies. A New York attorney Michael Hays, who had an extensive business-consulting experience in both Koreas, put the 2001 business climate in Pyongyang as follows: “If one is looking to get rich quickly with limited effort, then there are far better places to try than in North Korea. However, for companies which are either big enough to have grandiose plans, equally grandiose coffers and staying power to match, or else are compact in size so as to offer niche project, product, or service with a defined time line, then it is definitely a place worth looking at. More and more people seem to be waking up to that fact (Hays, 2001, p. 82).”

Hay’s 2001 assessment of the business climate in North Korea changed since US President Bush labeled North Korea along with Iran and Iraq as an axis of evil on January 29, 2002. However, indications are that the US hard-line stand toward North Korea would not change the improved business climate in North Korea in the long run. For one thing, no country in the world, with a possible exception of the United States, wishes to isolate North Korea again, either economically or diplomatically. The conventional wisdom is that the US and North Korea will eventually resolve their dispute over Pyongyang’s nuclear weapon program peacefully because South Korea, China, Japan, and Russia will not go along with the tailored containment policy of North Korea suggested by the US in December 2002.

Once a foreign company decides to do business with North Korea, it must take a number of precautions. First, nobody should underestimate the lingering hostility and suspicion which remain between the two Koreas. Consequently, it is fallacious to assume that the best conduit toward doing business in Pyongyang is automatically one’s Seoul based foreign subsidiary. Second, the failure to go through appropriate channels can make one’s efforts fruitless or even counterproductive because the division and compartmentalization of roles and information among various bodies in North Korea are clearly defined and quite striking. Finally, when it comes to visiting North Korea in a business capacity, reliance on foreign entities with an established track record of relations with investment-oriented North Korean agencies is critical. The business climate in North Korea is constantly changing in a breathtaking pace. Hence, when choosing one’s foreign subsidiary, the key question is not so much, how many times you have done business in the country, but when did you do the last business there?

Here are additional useful tips on doing business in North Korea (Hay, 2001, p. 86)

1. Discretion is the key, both in your preparations for entry and once you are there, avoid fanfare.

2. Remember that your behavior in North Korea will weigh heavily in any decision as to whether you get back in. This advice may also apply to what you say, do or write publicly after you have left.
3. Expect an excellent command of English among your North Korean counterparts. This applies in both negotiations and document review. Expect draft contracts to be dissected in detail.
4. Your hosts will have gone to great lengths to arrange meetings. Reciprocate these efforts and courtesy by turning up on time and being well prepared. They will be.
5. If you are not going in with a specific business purpose, do not try to suggest otherwise to your hosts. North Korean officials have had years of experience of foreign corporations signing meaningless "agreements" which ultimately led to nothing. "MOU fatigue" is very much in evidence among North Korean officials, and they do not enjoy the symptoms.
6. Do not confuse South Korean *won* currency with for North Korean *won*. The official exchange rate of the North Korean won is 2.13 to the dollar, then again, expect to chop off zeros on price tags in Pyongyang.
7. Do not expect to be able to say in daily contact with your head office while in North Korea.
8. Bring along a portable printer with your notebook computer, plus appropriate adaptors and plugs.
9. Electrical voltage is 220 volts; blackouts and brownouts are common, so common sense dictates investing in a flashlight.
10. Leave your cellular phone home. Otherwise you will be required to surrender it for the duration of your stay.
11. Expect to be pleasantly surprised by Pyongyang. Close scrutiny will indeed reveal some serious blemishes, but overall, the city is attractive and well laid out. The capital boasts two luxury hotels, the more established Koryo and the newer Yanggakdo, the latter on an islet in the middle of the Taedong River, which cuts through the city.
12. Try not to ruffle feathers; it is far better to start one's visit on a high than on a hiccup.
13. Exercise great discretion with respect to photography; if in doubt, ask, every time.
14. Through out any comparisons with Vietnam, Thailand, or others before even thinking about doing business with North Korea.
15. Excellent Kaesung ginseng products and domestically produced cosmetics and spirits make good souvenirs. The Koryo Hotel in particular has a well-stocked gift market.
16.Throw out any comparisons with Vietnam, Thailand, or others before even thinking about doing business with North Korea.

Political Risk Analysis

The combination of foreign know-how, technology, and capital with North Korean industriousness, various incentive programs, and affordable labor costs promises a long-lasting business marriage. However, it has not happened to any large extent largely because of political risk. Political risk is nothing more than an assessment of economic opportunity against political odds.

Types of Political Risks. Although there are several different types of political risks, they can be divided into two broad categories: actions that restrict the freedom of a foreign country to operate in a host environment and actions that result in the takeover of alien assets. These two types of political risk no longer exist in certain parts of North Korea because the government has designated a few cities as its free economic zones. These zones would be run just like Hong Kong of China. In recent years, North Korea has repeatedly signaled that open-door policy will not backtrack. Furthermore, the trend toward a global economy has removed most of these two political risks around the world: the expropriation of alien assets and operational restrictions (Kennedy, 1993).

Factors Affecting Political Risks. Countrywide political risks depend on three broad groups of variables: political climate, economic climate, and foreign relations (Kim, Kim, and Kim, 2002, p. 471). A political climate may be measured by tendencies toward subversion, rebellion, or political turmoil. Multinational investors should consider such factors as levels of political violence, the existence of extreme tendencies among political parties, and recurring governmental crises. Investment analysts should make an overall assessment of the economic climate to protect foreign investment from political risks. Relevant economic factors include the likelihood of government intervention in the economy, levels of interest and inflation rates, persistent balance-of-payments deficits, levels of foreign debts, and worsening monetary reserves. Finally, multinational investors should determine the extent to which host countries manifest hostility toward other countries. Important factors here are incidence of conflict with their neighbors, evidence of an arms race, and sizes of defense budgets. North Korea currently has all three types of problems, but it is determined to follow the footsteps of China, which has successfully implemented government-guided capitalism since the 1980s.

Obstacles to Foreign Investment. Perhaps the best way for improving a country's investment climate is to remove obstacles that impede foreign investment. Some governments seek to restrict foreign investment in certain industries. However, many obstacles to foreign investments are unavoidable, inadvertent, or unintended (Kim and Song, 1987). Bad roads, primitive port facilities, the lack of local capital, or qualified local technicians constitute unavoidable obstacles to investment in many developing countries. In some cases, a government may permit some obstacles to exist, but for reasons other than their effect on private foreign investment. For example, the existence of a dictatorship in Cuba and the social orientation of Syria deter foreign investment. Finally, there are unintended obstacles that the government of a host country is anxious to avoid. These obstacles include a broad range of conditions from excessive red tape to corruption in courts. Today, North Korea faces these obstacles, and it would take many years to remove them. Thus, the country is not the best place for investment by short-term oriented companies that wish to make quick profits and move on.

On the other hand, foreign investors would likely find it in their firms' best interest to take a long-term view when it comes to investment in North Korea. It is one of the only few countries still untapped by multinational companies, which could take advantage of incentive programs and emerging market-based capitalism. The shortage of capital and the desire for economic growth have recently compelled North Korea to institute incentive programs for foreign investors. These include tax incentives, tariff exemptions, remittance guarantees, administrative assistance, protection from competitive investments and imports, and protection from nationalization and political risk. North Korea is slowly but gradually embracing market-oriented capitalism. A positive attitude toward foreign investment, liberalization of trade, a relaxation of the tight state control, and privatization--these are all embraced by foreign investors. North Korean leaders understand that these are the measures for making investment possible by putting companies on the block and allowing foreigners into the market.

Long-Term Prospect. Undoubtedly, North Korea is still the most isolated country in the world. However, North Korea's leader, Kim Jong Il, has apparently reconsidered his father's long-standing policy of self-isolation in favor of an open economy increasingly hospital to foreign investment and trade. He desires improved economic and political relations with the US and other countries. This new policy is the recognition of the cold fact that the North Korean regime faces certain collapse without foreign investment and assistance in its crumbling economy. Thus, the strained relationship between the US and North Korea under the Bush leadership is unlikely to change Pyongyang's open-door policy in the long run. Most observers believe that North Korea will surely continue to open its market slowly but cautiously.

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