Journal of Peace and Unification 16(1), pp.25-65.
ISSN: 2233-9671© 2026 by Ewha Institute of Unification Studies
doi: https://doi.org/10.31780/jpu.2026.16.1.25

Assessing the Application of General Political Risk Frameworks to Case Studies of Cooperation Projects Involving North Korea

Sihyang KIM

PhD Candidate, Department of Northeast Asian Studies, Graduate School, Chung-Ang University, Republic of Korea,
Email: lanaparoma@gmail.com

Received on 09 January 2026. Reviewed on 03 February 2026. Accepted on 25 February 2026.

Abstract

This study examines why cooperation projects involving North Korea shift into suspension or stagnation as event-type shocks interact with institutional and procedural constraints. While general political risk frameworks identify event risks, they under-explain how core operating conditions are repeatedly constrained through approval and control procedures (e.g., sanctions exemption/waiver approvals and Military Demarcation Line crossing). Defining political risk as threats to business sustainability and investment profitability, the study analyzes eight cases using the PRS Group's ICRG, the MIGA-EIU Political Risk Survey, and MSCI ESG Government Ratings, aligned along hard/soft and macro/micro axes. Hard shocks trigger short-term suspension, whereas procedural constraints on passage, importation, and settlement accumulate and become entrenched. The paper reconstructs these residual mechanisms as DPRK-specific political risk components.

Keywords: Cooperation projects involving North Korea, Factors of suspension and stagnation, Sanctions on North Korea, Political risk, Political risk analytical frameworks of PRS Group (ICRG), MIGA-EIU, and MSCI

I. Introduction

1. Background and Purpose of the Study

Development cooperation and infrastructure investment projects are not determined solely by profitability. When problems such as changes in and uncertainty of policy and regulation overlap, core operating conditions that determine project operations—such as schedule compliance, site entry and passage, and settlement and remittance (hereafter, "core operating conditions")—may be constrained. In cooperation projects involving North Korea, vulnerabilities are particularly pronounced because external factors—such as sanctions on North Korea, U.S.-DPRK relations, and inter-Korean relations—constrain core operating conditions in overlapping and cumulative ways.

Meanwhile, applying existing political risk analytical frameworks to cooperation projects involving North Korea as they are has limitations in sufficiently explaining the causal pathway by which (i) the shock of event-type risks such as war, terrorism, and social unrest (hereafter, "event-type items") and (ii) the influence of institutional and procedural risks such as sanctions on North Korea, controls on site entry and passage, approvals for bringing in equipment and materials, and restrictions on settlement and remittance (hereafter, "institutional and procedural items") lead to suspension and stagnation. Accordingly, to analyze the factors behind suspension and stagnation in cooperation projects involving North Korea and to manage related risks, it is necessary to examine, based on concrete cases, under what conditions and circumstances (e.g., tightening sanctions on North Korea; worsening U.S.–DPRK or inter-Korean relations) core operating conditions were constrained and through what mechanisms and pathways such constraints developed into operational bottlenecks and constraints and ultimately into suspension and stagnation.

This perspective also connects to the emphasis, in North Korean economic literature, on the importance of institutions and procedures. Gyeongje Yeongu states that, on the premise that foreign investment–utilization projects entail complex problems, the state should "organize and command [them] in a unified manner" so that the activities of foreign-invested enterprises proceed "in unified connection with the process of enabling [them] to obtain fair investment profits under favorable conditions for investment and enterprise management activities" (Hwang, Cheol-jin, 2020: 61). This suggests that state-

established institutions can determine project success or failure, and that approval, licensing, and management procedures in the course of project implementation can function as operational bottlenecks and constraints.

The purpose of this study is to define the concept of political risk, establish a general political risk component framework based on existing political risk analytical frameworks, and derive a political risk component framework for cooperation projects involving North Korea based on case studies of existing cooperation projects involving North Korea. The study's core concern is the extent to which general political risk components can explain the factors of suspension and stagnation in cooperation projects involving North Korea in a concrete manner—and, further, how insufficiently explained factors should be reconstructed into political risk components. The academic contributions of this study are, first, that it proposes an analytical framework for cooperation projects involving North Korea by comparing political risk–related items presented by existing political risk analytical frameworks in correspondence with the analytical axes of hard/soft and macro/micro. Second, it provides an explanatory framework that incorporates the causal pathway from operational bottlenecks and constraints to suspension and stagnation, rather than explaining suspension and stagnation in cooperation projects involving North Korea only as the outcome of one-off events.

2. Scope and Method

The scope of this study consists of a conceptual scope and an empirical scope. Within the conceptual scope, risk is understood as "a function of adverse impact if a situation/event occurs and its likelihood" (hereafter, "risk"), and political risk is defined, based on prior definitions, as "risk that negatively affects or may affect the profitability of corporate investment and the sustainability of business operations due to various political factors, including direct government actions or regulations, unpredictable changes in the political environment, social instability, and events outside government control" (hereafter, "political risk").

Within the empirical scope, this study reconstructs and compares, case by case, the causal pathway in which core operating conditions in the course of implementing cooperation projects involving North Korea are transformed and accumulated into operational bottlenecks and constraints under the shock of specific events and the influence of policy and regulatory change, ultimately leading to suspension and stagnation. The analysis covers eight cases of cooperation projects involving North Korea, which can be categorized by

project character into commercial development cooperation projects, multilateral development cooperation projects, foreign-investment-attraction development cooperation projects, and non-commercial and humanitarian cooperation projects. These cases share the common feature of being directly affected by institutions and procedures such as sanctions on North Korea, controls on site entry and passage, approvals for bringing in equipment and materials, and restrictions on settlement and remittance. Accordingly, this study composes the case set by focusing on cases whose progress and outcomes can be verified through public records and primary materials such as official government announcements, documents of international organizations, and sanctions resolutions. The dependent variable in the empirical analysis is suspension and stagnation observed in the cases. Suspension refers to a state in which substantive project operations have been halted pursuant to official measures, as confirmed by government/authority announcements, sanctions, suspension/closure decisions due to military measures, withdrawal of project entities, or public declarations of suspension. Stagnation refers to a state in which substantive project operations or progress has been halted for a prolonged period without an official suspension measure, such that the conditions and timing for resumption are indeterminate, as confirmed by public records or primary materials.

As the study's method, first, it defines the concept of political risk based on prior studies and reviews political risk–related items using three political risk analytical frameworks—PRS Group (ICRG), MIGA–EIU, and MSCI (hereafter, "general political risk theory")—as existing political risk analytical frameworks (hereafter, "existing political risk analytical frameworks") (Chapter II, Section 1). Second, it applies the analytical axes of hard/soft (by loss characteristics) and macro/micro (by scope of impact) to the political risk items presented by existing political risk analytical frameworks to establish a general political risk component framework (hereafter, "general political risk components") (Chapter II, Section 2; Table 4). Third, as case studies—based on eight existing cooperation project cases involving North Korea (hereafter, "cases of cooperation projects involving North Korea")—Mount Kumgang tourism, Kaesong Industrial Complex development, inter-Korean railway and road reconnection, the KEDO light-water reactor construction project, Rason SEZ development, Koryolink mobile telecommunications, the Korean Sharing Movement's Kaepung tree nursery cooperation project, and the inter-Korean joint excavation and survey project at Manwoldae in Kaesong—this study analyzes constraints on core operating conditions by focusing, for event-type items, on the way the relevant event led to immediate suspension,

and, for institutional and procedural items, on the way the relevant policy and regulatory changes led to suspension and stagnation (Chapter III). Fourth, it distinguishes factors of suspension and stagnation in cooperation projects involving North Korea that are explained or not sufficiently explained by general political risk components; it defines the residual category of the latter as DPRK-specific political risk components (hereafter, "DPRK-specific political risk components") and establishes a framework of DPRK-specific political risk components (Chapter IV). Finally, it integrates general political risk components and DPRK-specific political risk components to establish a political risk component framework for cooperation projects involving North Korea (Chapter IV; Table 6).

II. Theoretical Background and Literature Review

1. Concept of Political Risk and Analytical Frameworks

(1) Concept of Political Risk

Risk is a metric that measures the degree to which a given actor is threatened by a potential situation or event and can generally be defined as a function of the adverse impact that would occur if the situation/event materializes and its likelihood (Joint Task Force Transformation Initiative, 2012, p. 6). The concept of political risk has expanded across interdisciplinary discussions in political science, economics, international relations, and finance; however, no single universally agreed definition exists. Table 1 compares and organizes selected definitions of political risk based on prior studies.

Table 1. Selected Definitions of Political Risk (Source: compiled by the author based on the sources cited above)

Author (Year)	Definition of political risk	Sources of political risk	Objects exposed to political risk
Kobrin (1979)	"Political risk, broadly understood as the probability that a sovereign state will be unwilling or unable to guarantee a favorable business and investment environment, either because of state-pursued	· State-pursued policies by the sovereign state	· Firms and investment

	policies (e.g., nationalization, blocking of fund remittance, other abrupt policy changes) or because of events outside its control (e.g., instability, social unrest, other aspects of the political and social environment)" (Kobrin, 1979, as cited in Aguiar et al., 2012: 145)	· Events outside the state's control	· Business/investment environment
Kobrin (1982)	"Political risk is usually conceived of in terms of governmental or sovereign interference with business operations … [or as] political acts, constraints imposed on firms [by governments], or a combination of the two" (Kobrin, 1982, as cited in Howell, 2008: 1)	· Government/sovereign intervention (interference) in business operations · Political acts; regulatory constraints imposed by governments	· Firms (investors) and business operations · Corporate assets, earnings, and managerial activities (value)
Howell & Chaddick (1994)	"'Political risk' is the possibility that political decisions, events, or conditions in a country, including those that might be referred to as social, will affect the business environment such that investors will lose money or have a reduced profit margin" (Howell & Chaddick, 1994: 71)	· Political decisions/events; country conditions (including social factors) (e.g., policy/legal changes, seizure/expropriation)	· Investors/firms (investment actors) · Business environment and investment returns (losses; reduced profit margins)
MIGA (2010)	"Political (or noncommercial) risk facing foreign direct investors is the probability of disruption of MNEs' operations by political forces or events originating in either host countries or home countries, or resulting from changes in the international environment" (MIGA, 2010: 17)	· Political forces/events in host and home countries · Changes in the international environment (including institutions,	· MNEs' foreign direct investment activities and operations

		norms, and external conditions) · Policy decisions, regulatory changes, and administrative measures by governments and political institutions · Political–social dynamics that may escalate into civil unrest, terrorism, civil war, and cross-border disputes	

Based on the definitions in prior studies, this study defines political risk as "risk that negatively affects or may affect the profitability of corporate investment and the sustainability of business operations due to various political factors, including direct government actions or regulations, unpredictable changes in the political environment, social instability, and events outside government control."

(2) General Political Risk Theory

This section examines what types of risks the political risk analytical frameworks of the PRS Group (ICRG), MIGA-EIU, and MSCI present as political risk–related items.

A. International Country Risk Guide (International Country Risk Guide, ICRG)

The International Country Risk Guide (ICRG) of The PRS Group is an indicator system that calculates indices for 22 variables across three country-risk categories—political, financial, and economic—and provides a composite country risk score (0-100) by combining them (The PRS Group, 2014: 1).

The ICRG provides monthly ratings for 140 countries and, additionally, annual ratings for 26 countries.[1]

The strength of this framework lies in the ease of cross-country comparison resulting from the use of identical items and scoring structure, but it also has the limitation that complex realities may be oversimplified depending on item selection and weighting methodology.

The political risk–related items are government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability, and bureaucracy quality (The PRS Group, 2022: 9).

B. MIGA-EIU Political Risk Survey (MIGA-EIU Political Risk Survey)

The MIGA-EIU Political Risk Survey of the Multilateral Investment Guarantee Agency (MIGA) and the Economist Intelligence Unit (EIU) is an annual investor perception survey commissioned by MIGA and conducted by the EIU during 2010-2013 (MIGA, 2014: 60).

This framework has the advantage of itemizing risks that may lead to losses from an investor perspective and presenting them in a comparable form. However, political risk assessment agencies often differ in how they define and measure political risk depending on their purposes and interests, and methodological disclosure is frequently limited; thus, transparency in definitional and measurement criteria is low, and any single classification system may fail to sufficiently capture political risk as a whole (Sottilotta, 2013: 6).

The political risk-related items are transfer and convertibility restrictions, expropriation, breach of contract, non-honoring of sovereign financial obligations, terrorism, war, civil disturbance, and other adverse regulatory changes (MIGA, 2011: 21).

---

[1] The ICRG calculates the total political risk indicators (PR) on a 100-point scale and the total financial risk indicators (FR) and total economic risk indicators (ER) on 50-point scales each, and reflects them in the composite political, financial and economic risk ratings (CPFER) by dividing the sum of the three indices by two. Through "Type II" forecasts, it provides assessments for the present, one year ahead, and five years ahead, and presents future conditions under "best case" and "worst case" scenarios. In calculating the composite score, political risk (PR) is assigned a 50% weight, and financial risk (FR) and economic risk (ER) are each assigned a 25% weight. The composite score is calculated as follows: CPFER (country X) = 0.5 (PR + FR + ER) (The PRS Group, 2014: 15).

C. Political Governance Risk Factor Score of MSCI ESG Government Ratings (Political Governance Risk Factor Score)

The Political Governance Risk Factor Score of MSCI ESG Government Ratings by MSCI ESG Research LLC evaluates the extent to which political governance structures and the effectiveness of the judicial and penal system support value-creation processes through government transparency and accountability (MSCI ESG Research LLC, 2025: 6).

The strength of this framework lies in examining not only whether individual events occur but also the functioning of the national system, thereby providing clues for explaining how long-term vulnerabilities accumulate; however, it has a limitation that, in the process of aggregating multiple sub-indicators into a single score, certain forms of risk may be obscured by other elements and appear less prominent.

The Political Governance Risk Factor Score consists of risk exposure sub-factors—institutions, judicial and penal system, and governance effectiveness—and risk management sub-factors—stability and peace, corruption control, and political rights and civil liberties (MSCI ESG Research LLC, 2025: 10).

2. Comparison, Integration, and Structuring of Political Risk–Related Items

To assess political risk in cooperation projects involving North Korea, it is first necessary to identify what internationally widely used standards define as risk and through which item systems they observe it. This section compares the political risk items presented by existing political risk analysis frameworks under identical classification criteria and presents the process of constructing an integrated item system applicable to case analysis. Specifically, the risk items proposed by each framework are reorganized according to hard/soft in terms of loss characteristics and macro/micro in terms of scope of impact, thereby establishing the structural mapping in Table 3 and the integrated items in Table 4. These integrated items are subsequently used as criteria for classifying and interpreting the causes of delay, suspension, and stagnation across projects into comparable common categories during case analysis. Moreover, factors that are difficult to sufficiently capture using only the integrated items are separated as residual categories and set as analytical targets as North Korea–specific political risk components in which institutional and procedural constraints repeatedly appear in the North Korean environment.

Table 2 juxtaposes the focus and decomposition approaches of existing political risk analysis frameworks to show how the same phenomenon is captured differently depending on the criteria. The core of the comparison lies in positioning the observational focus provided by each framework at the evaluative stage of empirical analysis. ICRG serves as a country-level background signal for examining the possibility that vulnerabilities accumulate even when events have not yet surfaced; MIGA-EIU serves as a criterion for identifying and classifying event-type shocks that immediately translate into loss and for determining points of operational disruption; and MSCI serves as a reference for interpreting post-event recovery delays and weakened operational reliability from the perspective of institutional and implementation capacity. This comparison leads to the structural mapping in Table 3 and the derivation of the integrated items in Table 4, establishing the baseline for subsequent case classification and reconstruction of residual category factors. ICRG has strengths in cross-country comparison and tracking change by scoring background conditions shaping the business environment—such as government stability, conflict, corruption, and law and order. MIGA-EIU is advantageous for identifying types of on-site shocks centered on event-type risks that can lead directly to loss, such as transfer and convertibility restrictions, expropriation, breach of contract, non-honoring of sovereign financial obligations, and war, terrorism, and civil disturbance. MSCI structurally captures pathways in which vulnerabilities underlying short-term events accumulate and convert into long-term losses by observing together the functioning of national governance, including institutions, the judicial and penal system, policy implementation capacity, stability, and protection of rights.

Table 2. Comparison of Political Risk–Related Variables across Political Risk Analysis Frameworks (Source: compiled by the author based on the sources cited above)

The PRS Group	**Multilateral Investment Guarantee Agency (MIGA) & Economist Intelligence Unit (EIU)**	**MSCI ESG Research LLC**
International Country Risk Guide (ICRG)	**MIGA–EIU Political Risk Survey**	**MSCI ESG Government Ratings - Political Governance Risk Factor Score**
Political Risk Components: ▷ **Government stability** ▷ **Socioeconomic conditions** ▷ **Investment profile** ▷ **Internal conflict** ▷ **External conflict** ▷ **Corruption** ▷ **Military in politics** ▷ **Religious tensions** ▷ **Law and order** ▷ **Ethnic tensions** ▷ **Democratic accountability** ▷ **Bureaucracy quality**	Types of Political Risk: ▷ **Transfer and convertibility restrictions** ▷ **Expropriation/Nationalization** ▷ **Breach of contract** ▷ **Nonhonoring of sovereign financial obligations** ▷ **Terrorism** ▷ **War** ▷ **Civil disturbance** ▷ **Adverse regulatory changes**	Political Governance Risk Factor Score: Risk exposure sub-factors ▷ **Institutions** ▷ **Judicial and penal system** ▷ **Governance effectiveness** Risk management sub-factors ▷ **Stability and peace** ▷ **Corruption control** ▷ **Political rights and civil liberties**

In cooperation projects involving North Korea, a single-event shock and instability in institutions and procedures combine to transition into delay, stagnation, and suspension. Thus, if the three standards are presented only in parallel, correspondences between items may become unclear and the consistency of cross-case comparisons may be weakened. Accordingly, this study establishes common criteria—loss characteristics and scope of impact—to rearrange the items of the three standards and presents them as the structural mapping in Table 3.

By loss characteristics, risks whose timing is relatively clear and that may cause immediate losses or operational disruptions to assets, personnel, and operational stability in conjunction with specific events or state measures are classified as hard political risk (e.g., war, armed conflict, terrorism, unilateral modification/termination of contracts by governments or public authorities,

seizure of assets). In contrast, risks in which losses are not immediately visible through a single event but rather environmental factors accumulate, indirectly and gradually reducing predictability and stability of the business environment and thereby negatively affecting long-term sustainability are classified as soft political risk (e.g., uncertainty of government policy, accumulation of political/social conflicts, shifts in public opinion, weakened predictability of laws and institutions, potential leadership changes).

By scope of impact, risks that arise at the national or international level and may exert broad and comprehensive negative effects across development cooperation and infrastructure investment projects beyond any single project are classified as macro political risk (e.g., interstate military conflict, tightening international sanctions, potential abrupt regime change). Risks that arise concretely in the operating environment of a particular project—such as unstable contract performance or inconsistent on-site application of operating conditions regarding permits, passage, and importation—are classified as micro political risk (e.g., instability in contract performance, inconsistent application of operating conditions such as approvals for permits/passage/importation, project obstruction due to localized conflict).

Structural mapping rearranges items according to these two criteria to clearly reveal where the three standards complement each other and how they differently capture the same phenomenon; it also provides the baseline for constructing the integrated items in Table 4 and for case classification.

Table 3. Reconstructing Political Risk–Related Variables Based on Common Analytical Axes (Source: compiled by the author based on the sources cited above)

	International Country Risk Guide (ICRG)	**MIGA-EIU Political Risk Survey**	**MSCI ESG Government Ratings-Political Governance Risk Factor Score**
Soft · Macro	Government Stability	Adverse Regulatory Changes	Governance Effectiveness Risk
Soft · Macro	Socioeconomic Conditions	-	Governance Effectiveness Risk
Hard · Micro	Investment Profile	Transfer and Convertibility; Restrictions; Expropriation; Breach of Contract; Non-honoring of a Sovereign Financial Obligation	Institutions Risk; Judicial and Penal System Risk;

Hard · Macro	Internal Conflict	Terrorism; War; Civil Disturbance	Stability and Peace Risk
Hard · Macro	External Conflict	War	Stability and Peace Risk
Soft · Micro	Corruption	-	Corruption Control Risk
Soft · Macro	Military in Politics	-	Institutions Risk; Governance Effectiveness Risk
Soft · Micro	Religious Tensions	-	Stability and Peace Risk; Political Rights and Civil Liberties Risk
Soft · Micro	Law and Order	-	Judicial and Penal System Risk
Soft · Micro	Ethnic Tensions	-	Stability and Peace Risk; Political Rights and Civil Liberties Risk
Soft · Macro	Democratic Accountability	-	Institutions Risk; Political Rights and Civil Liberties Risk
Soft · Micro	Bureaucracy Quality	-	Governance Effectiveness Risk

Comparing existing political risk analysis frameworks shows that one presents overall national conditions as composite country-level indicators, another distinguishes risks centered on event types that may lead to investment losses, and another treats the stability of institutions and policy implementation as key evaluative elements. Therefore, in cases such as cooperation projects involving North Korea—where the shock of a single event and institutional and procedural instability operate simultaneously to lead to suspension or stagnation—it is first necessary to arrange the risks identified by different standards on the same comparative criteria and confirm correspondences among items. Accordingly, this study presents the following correspondence system that integrates the items of the three analytical frameworks under common comparative criteria.

Table 4 presents a general political risk component framework by applying the analytical axes of hard/soft (by loss characteristics) and macro/micro (by scope of impact) to political risk items proposed by existing political risk analysis frameworks.

Table 4. Framework of General Political Risk Components (Source: compiled by the author based on the sources cited above)

	Political risk factor	Core description	Corresponding terms in three analytical frameworks
Soft · Macro	**Government stability and policy consistency**	The government's capacity to maintain political stability and to implement publicly announced policies in a consistent manner.	• ICRG: Government Stability • MIGA-EIU: Adverse Regulatory Changes • MSCI: Governance Effectiveness Risk
Soft · Macro	**Socio-economic conditions**	The extent to which socioeconomic pressures—such as unemployment, poverty, and consumer sentiment—constrain policy implementation or amplify social dissatisfaction, thereby affecting social stability.	• ICRG: Socioeconomic Conditions • MIGA-EIU: - • MSCI: Governance Effectiveness Risk
Hard · Micro	**Investor rights and payments (Investment profile)**	Direct financial losses arising from risks to contract continuity, expropriation, transfer and convertibility restrictions, and non-honoring of sovereign financial obligations.	• ICRG: Investment Profile • MIGA-EIU: Transfer and Convertibility Restrictions; Expropriation; Breach of Contract; Non-honoring of a Sovereign Financial Obligation • MSCI: Institutions Risk; Judicial and Penal System Risk
Hard · Macro	**Internal conflict and political violence**	The impact of domestic political violence—such as civil war, coup threats, terrorism, and civil disturbance—on governance stability.	• ICRG: Internal Conflict • MIGA-EIU: Terrorism; War; Civil Disturbance • MSCI: Stability and Peace Risk
Hard · Macro	**External conflict and war**	The effects of cross-border conflicts, external pressure, and war on regime stability and the economic and social system.	• ICRG: External Conflict • MIGA-EIU: War • MSCI: Stability and Peace Risk

Soft · Micro	**Corruption**	The degree to which the pursuit of private interests through monetary exchange, patronage, or nepotism undermines institutional effectiveness, governance stability, and the investment environment.	• ICRG: Corruption • MIGA-EIU: - • MSCI: Corruption Control Risk
Soft · Macro	**Military influence in politics**	Structural instability arising from military participation in politics, including weakened democratic accountability and distorted policy outcomes.	• ICRG: Military in Politics • MIGA-EIU: - • MSCI: Institutions Risk; Governance Effectiveness Risk
Soft · Micro	**Religious tensions**	Social and political tensions stemming from religious dominance, suppression of religious freedom, or exclusion of other religions.	• ICRG: Religious Tensions • MIGA-EIU: - • MSCI: Stability and Peace Risk; Political Rights and Civil Liberties Risk
Soft · Micro	**Law and order**	The strength and impartiality of the legal system and the effectiveness of law enforcement in protecting contracts and property rights.	• ICRG: Law and Order • MIGA-EIU: - • MSCI: Judicial and Penal System Risk
Soft · Micro	**Ethnic tensions**	Conflicts and intractable divisions arising from ethnic, racial, or linguistic fragmentation that affect public security and political stability.	• ICRG: Ethnic Tensions • MIGA-EIU: - • MSCI: Stability and Peace Risk; Political Rights and Civil Liberties Risk
Soft · Macro	**Democratic accountability**	The extent to which institutionalized responsiveness, checks and balances, and citizen accountability enhance governance quality and mitigate conflict.	• ICRG: Democratic Accountability • MIGA-EIU: - • MSCI: Institutions Risk; Political Rights and Civil Liberties Risk
Soft · Micro	**Bureaucracy quality**	The degree to which bureaucratic strength, professionalism, political neutrality, and buffering capacity support policy continuity and implementation capability.	• ICRG: Bureaucracy Quality • MIGA-EIU: - • MSCI: Governance Effectiveness Risk

Taken together, the International Country Risk Guide synthesizes overall national conditions into country-level indicators; the MIGA-EIU Political Risk Survey classifies risks centered on representative event types that may lead to investment losses; and the MSCI ESG Government Ratings—Political Governance Risk Factor Score itemizes political risk by focusing on how stably institutions and policy implementation operate.

III. Case Studies on Existing Cooperation Projects Involving North Korea

1. Scope of the Case Studies and Analytical Perspective

This chapter aims to reconstruct, on a case-by-case basis, how specific events and policy measures in the course of implementing cooperation projects involving North Korea do not remain one-time shocks but instead constrain core operating conditions through the overlap of policy change, uncertainty in regulatory implementation, conflict and tension, the international sanctions regime, and sanctions exception/waiver approval procedures—and how those constraints accumulate and transition into pathways of suspension or stagnation.

Operational disruptions in this chapter refer to changes in which core operating conditions are constrained during project implementation, thereby weakening compliance with schedules and the continuity and predictability of (i) site entry and passage and (ii) settlement and remittance. In particular, the analysis focuses on how approval, authorization, and administrative control procedures during project implementation can function as operational bottlenecks and constraints.

Accordingly, to analyze the factors of suspension or stagnation in cooperation projects involving North Korea and to manage related risks, it becomes necessary to examine, based on concrete cases, under what conditions and circumstances (e.g., tightening sanctions on North Korea; worsening U.S.-DPRK or inter-Korean relations) core operating conditions were constrained and, through what mechanisms and pathways, those constraints developed into operational bottlenecks and ultimately into suspension or stagnation.

This chapter's case composition, in line with the empirical scope presented in Section 2 of Chapter I, classifies the eight cases of cooperation projects

involving North Korea into four types—commercial development cooperation projects, multilateral development cooperation projects, foreign-investment-attraction development cooperation projects involving North Korea, and non-commercial and humanitarian cooperation projects—while covering all four types so as to compare whether, regardless of project type, approval and control procedures such as sanctions exception/waiver approvals, crossing the Military Demarcation Line (MDL), approvals for bringing in equipment and materials, and settlement and remittance commonly constrain operating conditions and repeatedly generate similar pathways leading to suspension or stagnation. Accordingly, while presuming differences in project form, this chapter describes—following the flow of causal pathways—how (i) phases in which event-type shocks stop operations in the short term and (ii) phases in which constraints on core operating conditions governing access, contact, logistics, and settlement are repeatedly accumulated after the event combine and become fixed as long-term suspension or stagnation.

This section applies the hard/soft and macro/micro criteria described in Chapter II to the case review. It distinguishes points at which hard political risk manifests in each project from points at which soft political risk accumulates and then compares how the combination transitions into long-term suspension or stagnation.

Table 5. Overview of Cooperation Projects Involving North Korea
(Source: compiled by the author based on the sources cited above)

Projects	Period	Project overview	Participating parties	Project type
Mount Kumgang Tourism Project	1998-2008 (tourism suspended)	Began as sea-based tourism, then expanded the institutional framework (e.g., designation as a tourism special zone); operations broadened to include overland access, Inner Kumgang routes, and private-vehicle tourism.	Contractual arrangement between a South Korean operator and North Korean authorities, combined with intergovernmental approvals and consultations; lacked robust intergovernmental enforcement mechanisms for crisis-response rules.	Commercial development cooperation project involving North Korea

Kaesong Industrial Complex Development Project	2004-2016 (operations suspended)	Expanded in stages; continuity of passage, communications, and customs clearance constituted core operational conditions for day-to-day functioning.	The South Korean government, tenant firms, and North Korean authorities were the principal operational stakeholders.	Commercial development cooperation project involving North Korea
Inter-Korean Railway and Road Connection Project	Early 2000s-2008; 2018 (re-launched)	Progressed through agreements, joint surveys, and a groundbreaking ceremony; however, the actual construction phase involved multiple additional key procedural constraints (approval gateways).	A structure combining intergovernmental processes with military procedures (e.g., crossing the Military Demarcation Line) together with sanctions-related approval procedures.	Commercial development cooperation project involving North Korea
KEDO Light-Water Reactor Construction Project	1995-2006	Advanced under a multilateral framework, but accumulated delays led to a shift toward phased suspension and termination.	Combined engagement with North Korea and a multilateral participation structure.	Multilateral development cooperation project involving North Korea
Rasun SEZ Development Project	1991-present	Legal measures to foster the special zone and references to external linkages were noted, but sanctions and border conditions have been decisive for project viability.	North Korea, with potential involvement of foreign capital and cooperation with neighboring countries referenced.	Foreign-investment-attraction development cooperation project involving North Korea

Koryolink Telecom-munica-tions Project	2008-present	Separate from continued service provision, the key risks have been revenue/profit repatriation and the stability of operating rights.	Premised on a joint-venture structure between a foreign investor and North Korean counterparts.	Foreign-investment-attraction development cooperation project involving North Korea
Kaepung Nursery Coopera-tion Project of the Korean Sharing Movement	1996-present (forestry cooperation cluster; includes Kaepung nursery)	Even with humanitarian objectives, compliance with requirements for importation, transport, payment, and ex post verification is necessary, alongside sanctions exemption/waiver approvals.	A civil society organization, inter-Korean agreements, and sanctions exemption/waiver approval procedures are implicated.	Humanitaria n development cooperation project involving North Korea
Inter-Ko-rean Joint Excavation Project at the Manwoldae Site in Kaesong	2007-2018 (joint excavation)	Although framed as cultural and academic cooperation, it is directly affected by sanctions, access controls, and fluctuations in inter-Korean relations.	Implemented jointly by the two Koreas; progress can be traced via official records/materials of relevant authorities.	Non-commercial cooperation project involving North Korea

2. Commercial Development Cooperation Projects Involving North Korea

The ***Mount Kumgang Tourism Project*** is a case that relatively clearly shows the process by which a single event turns into long-term suspension. After the fatal shooting incident involving a tourist in July 2008, the South Korean side stated the principle that the project would be resumed only after the truth was clarified, recurrence was prevented, and personal safety assurances were secured. However, as the North Korean side denied the South's account of the incident and remained passive toward a joint investigation,

consultations failed to make progress. In this process, hard political risk immediately manifested in the safety incident itself, placing the project into suspension. However, what determined the long-term suspension was less the occurrence of the incident itself than the failure to institutionalize, as procedures and rules for resumption, an agreement on investigation, responsibility, and resumption conditions after the incident. If the absence of mechanisms for rapid fact-finding, responsibility attribution, recurrence-prevention measures, and resumption procedures persists in a crisis, suspension is more likely to become fixed as long-term stoppage beyond a short-term shock. This case shows that when a shock triggered by hard political risk combines with the accumulation of soft political risk, the project can persist in a state where procedures for resumption do not operate.

The ***Kaesong Industrial Complex Development Project*** reveals a process in which deterioration of relations and strengthened controls rapidly expand beyond production disruption to issues of property rights and recovery. Following the South's decision to halt operations in February 2016, the North expelled South Korean personnel from the complex and froze assets, causing operational suspension to expand beyond a simple production stoppage into conflict accompanied by settlement and recovery issues (Im & Lee, 2017: 38). In this case, hard political risk appeared in the immediacy of the decision and the coerciveness of the measures, and the project actors lost control over personnel, facilities, and inventories within a short period. From a longer-term perspective, however, a more important condition of failure lay in the fact that, although the complex could operate only if passage, contact, and the import/export of inputs and products were continuously guaranteed, these basic conditions were repeatedly destabilized in each crisis phase. If the continuity of passage, communications, and customs clearance is not stably maintained, short-term disruptions immediately transfer into production disruption, delivery delays, and settlement instability, and the more such instability accumulates, the very standard of normal operation is weakened (Im & Lee, 2017: 15-16). The background against which the project culminated in full suspension and an asset freeze can be understood as the result of accumulated soft political risk, as basic operating conditions were repeatedly exposed without being institutionally fixed. The risk of the Kaesong Industrial Complex is also notable in that it cannot be reduced solely to internal inter-Korean variables. As an example indicating that the closure decision was interpreted in conjunction with the external security and sanctions environment, an assessment by the U.S. Department of State was reported (Baek, 2017). This

provides a clue for interpreting that, under a macro sanctions/security environment that continuously pressured the conditions for the complex's viability, the South's policy decision and the North's expulsion/freeze measures combined to structurally entrench suspension. The coerciveness of a single measure alone cannot sufficiently explain long-term entrenchment; rather, a structure in which basic operating conditions remain institutionally vulnerable and repeatedly exposed in combination with external environments forms the foundation of prolonged stoppage.

The ***Inter-Korean Railway and Road Connection Project*** shows that even when agreements and symbolic ceremonies exist, moving to the actual construction stage requires overcoming constraints on multi-layered core operating conditions such as sanctions exemptions and MDL crossing. In 2018, railway and road connection and modernization were presented as priority tasks in inter-Korean agreements, and joint surveys and a groundbreaking ceremony were conducted; however, it was pointed out that full-scale construction commencement is inevitably constrained as long as the sanctions regime remains in place (Jeong et al., 2020: 58). In this case, hard political risk appears as delays in approvals and passages produced by the combination of sanctions and military procedures, and the project can remain unable to commence or be delayed in commencement regardless of the existence of agreements. At the same time, the core issue is not a one-time delay, but that the persistent structure of constrained core operating conditions weakens the long-term predictability of schedules, procurement, and implementation and erodes project momentum, thereby potentially leading to long-term stagnation irrespective of symbolic progress.

In this case group, the factors that determine suspension or stagnation are as follows. First, whether "security events" such as North Korea's nuclear and missile provocations strengthen the international community's sanctions/security frame in a way that externally functions as a logic legitimizing the project's survival or resumption. For example, regarding Kaesong, it was reported that the U.S. Department of State expressed support for the 2016 full suspension decision in the context of responding to North Korea's "provocative acts" and "violations of UN Security Council resolutions," suggesting that discussions on resumption may be structurally constrained under sanctions phases (Baek, 2017). Second, whether basic operating conditions—such as the "three Ts" (passage, communications, customs clearance) and entry/stay safety—are institutionally and continuously guaranteed even during crisis phases. Although the Kaesong Industrial Complex had agreed upon and

advanced specific implementation measures such as establishing a joint committee and "three Ts" subcommittees, providing Internet and mobile communications, and simplifying customs clearance, the more room remains for the substantive level of the "three Ts" to be repurposed as a means of operational control, the more production disruption can transfer into settlement/recovery instability, thereby structurally weakening the standard of normal operation (Inter-Korean Talks Headquarters, 2013). Third, even when agreements and symbolic ceremonies exist, whether multi-layered core operating conditions—such as sanctions exemptions and military passage—operate in a way that can be secured and maintained at the implementation stage. The 2018 railway and road connection efforts included on-site surveys of the North Korean sections of the Gyeongui and Donghae lines and a "groundbreaking ceremony for inter-Korean railway and road connection and modernization," yet subsequent developments—including obtaining UN Security Council sanctions exemptions for on-site surveys of North Korean segments (e.g., a segment of the Donghae line road)—show that sanctions exception (exemption) approvals themselves and their timing can function as prerequisites that determine project commencement and continuity.

3. Multilateral Development and Foreign-Investment-Attraction Development Cooperation Projects Involving North Korea

The ***KEDO Light-Water Reactor Construction Project*** shows that even with the outward form of a multilateral framework and a long-term construction process, project predictability can rapidly weaken in a phase where the nuclear issue re-emerges and mutual distrust grows. After 2002, as nuclear suspicions and verification conflicts intensified, suspension of assistance and construction stoppages occurred in sequence, and the project moved through phased suspension into a termination/liquidation phase (Moon, 2007: iii, 46). In this case, hard political risk appeared as immediate and visible measures—such as suspending assistance and stopping construction—that broke the continuity of work processes. However, vulnerability had accumulated even before these decisions. Multilateral projects require phased linkage of financial contributions, contract conclusion, equipment procurement, and personnel deployment; if any link weakens, the entire process is prone to delay. As trust weakens, linkage loosens and delays accumulate, and the accumulation of delay can again lead into pathways of suspension and termination—this is the core of the case.

The ***Rasun SEZ Development Project*** shows that even when special-zone legal frameworks and external linkage plans exist, institutional incentives can become practically inoperable if joint venture, investment, and transport routes are structurally constrained by the sanctions regime. UN Security Council Resolution 2375 includes provisions restricting the establishment, maintenance, and operation of joint ventures and cooperative entities, thereby simultaneously pressuring the partnership and the financial/logistics channels required by a foreign-investment-attraction SEZ (United Nations Security Council, 2017: 5). Restrictions on joint/cooperative entities constrain partnership routes; trade controls and investment bans constrain logistics/transport and investment routes; and financial blockades constrain financial routes such as financing and settlement. In this context, hard political risk appears as a contraction of the permitted scope of projects through the activation/tightening of sanctions, thereby institutionally blocking project initiation and expansion. Moreover, phases in which guidance and cautionary notices regarding sanctions implementation are repeatedly issued and updated through relevant authorities show that normative control can become fixed as a premise of the business environment rather than a temporary event. Accordingly, the stagnation/inoperability of the Rasun SEZ Development Project should be understood not as the effect of a single clause but as involving accumulated vulnerability in which, as sanctions persist, pathways for logistics, finance, and contract enforcement are structurally reduced and operational predictability continuously weakens. In short, a dual structure can be identified in which macro hard political risk (sanctions) reduces the scope of feasible projects while macro soft political risk (regulatory fixation) weakens sustainable operating routes, thereby leading to long-term stagnation.

The ***Koryolink Telecommunications Project*** shows that even where services continue, if revenue recovery and external transfer of cash flow are blocked, operational performance and investment recovery potential become separated. Regardless of whether telecommunications services operate inside North Korea, dividend, remittance, and settlement pathways for foreign investors can become structurally uncertain when combined with sanctions and local controls (Kim & Hong, 2019: 51). In this case, hard political risk appears as measures directly restricting remittance, foreign exchange conversion, and settlement. Soft political risk is confirmed in the entrenchment of a structure in which operational continuity and recovery potential remain separated over a prolonged period as restrictions persist. If the predictability of recovery—core from the investor's perspective—is lost over a long period, the project

struggles to satisfy the conditions of success even if operations formally continue. Moreover, when micro-level soft political risk accumulates, the possibility increases that micro-level hard political risk will be triggered in the form of additional institutional measures or disputes. In this sense, long-term stagnation itself can function as a central failure factor.

In this case group, the factors that determine suspension or stagnation are as follows. First, whether, in phases where the nuclear issue re-emerges and mutual distrust intensifies, the policy responses of governments, international organizations, and participating countries are converted into immediate measures such as suspending assistance and stopping work processes. The KEDO Light-Water Reactor Construction Project moved into a termination/liquidation phase through a sequence of assistance suspensions and construction stoppages as nuclear suspicions and verification conflicts intensified after 2002 (Moon, 2007: 86). Second, whether sanctions norms sever the linkage chain among joint ventures, investment, and transport routes, thereby simultaneously pressuring the partnership and financial/logistics channels presupposed by SEZ-type projects. UN Security Council Resolution 2375 prohibits the opening, maintenance, and operation of joint ventures or cooperative entities and requires the closure of unapproved existing joint entities, thereby potentially institutionally blocking the cooperation pathways required by a foreign-investment-attraction SEZ (Noh & Cha, 2020: 67). Third, whether, when such constraints become prolonged, the separation between operational continuity and recovery potential becomes entrenched such that stagnation itself becomes a failure factor. The Koryolink Telecommunications Project illustrates that even where services continue, when dividend/remittance/settlement routes become structurally uncertain through the combination of sanctions and local controls, and when overseas remittance of profits is effectively blocked, operational performance and investment recovery potential can remain separated for a long period, depriving investors of the predictability of recovery (Kim & Hong, 2019: 46).

In this case group as well, non-political factors such as process difficulty, financing structure, and marketability may serve as background explanations for schedule delays. However, the key bottlenecks that distinguished the long delay and termination of the KEDO Light-Water Reactor Construction Project, the inoperability of the Rasun SEZ Development Project, and the recovery difficulty of the Koryolink Telecommunications Project were not technical obstacles per se, but rather the nuclear issue and sanctions regime, prohibitions/restrictions on joint ventures and transactions, and regulatory fixation surrounding revenue transfer and settlement. In particular, if consultation

and implementation pathways capable of reversing suspension decisions do not operate when political-diplomatic shocks occur, delays quickly move beyond scheduling problems into pathways of termination. Moreover, non-political constraints such as infrastructure limitations or operating costs are amplified into larger constraints in structures where the importation and payment of funds/equipment/components and dividends/remittances must pass through approval and control constraints as core operating conditions. Therefore, in this case group, rather than separating non-political factors as distinct causes, it is more appropriate to explain them by including how the political regulatory environment transforms non-political constraints into specific loss pathways.

4. Non-Commercial and Humanitarian Cooperation Projects Involving North Korea

The ***Kaepung Nursery Cooperation Project of the Korean Sharing Movement*** is a forestry cooperation project with a humanitarian-assistance character, focusing on supporting the seedling-production base through a nursery established in Kaepung County (Korea Rural Economic Institute, 2008: 126-127). However, the project is structurally vulnerable in that the importation of equipment and materials and access to the site—core operating conditions—are determined by sanctions exception/waiver approval (and renewal) procedures and import/customs procedures. In practice, after obtaining a UN sanctions exemption for support materials for the Kaepung nursery in 2019, the Korean Sharing Movement had extended the exemption; however, in August 2023, as the South Korean government stopped forwarding the exemption-extension request to the UN, the organization had to proceed with the extension request through the UN Resident Coordinator's Office in North Korea, resulting in extension approvals in November 2023 and August 2024 (Son & Lee, 2025: 37). Even when the sanctions regime institutionally leaves open exception/waiver procedures, obtaining and renewing exceptions presupposes separate review and the imposition of conditions, making schedules and implementation structurally prone to instability. In this context, soft political risk accumulates not in the possibility of approval itself but in the prolonged uncertainty regarding the timing and conditions of approval, requiring project actors to continually bear difficulty in finalizing plans.

The ***Inter-Korean Joint Excavation Project at the Manwoldae Site in Kaesong*** shows that even cultural and academic cooperation can face constraints on site access and continuity of investigation due to institutional and

policy environments. The National Research Institute of Cultural Heritage's Report II on Joint Inter-Korean Excavation at the Kaesong Goryeo Palace Site notes that joint investigations at Manwoldae (the Goryeo palace site) proceeded through multiple rounds (e.g., the fourth investigation in 2010, an emergency restoration investigation in 2011, and the sixth investigation in 2014), suggesting that the process of accumulating investigation/excavation outcomes itself depends on basic stages such as on-site stays, personnel movement, and the import/export of equipment (National Research Institute of Cultural Heritage, 2015: 167). Accordingly, when importation/passage/exemption (renewal) procedures are delayed or conditions are tightened under sanctions phases, cultural and academic exchanges can be destabilized across practical stages, and accumulated soft political risk can, at a particular trigger, convert into an immediate blockage of site access (hard political risk).

In this case group, the factors that determine suspension or stagnation are as follows. First, whether the acquisition and renewal of sanctions exceptions/waivers are continuously secured. In the Kaepung nursery case, despite its humanitarian character, the importation of support materials depended on UN sanctions exemptions and repeatedly required extensions on six-month or one-year cycles after the initial exemption in 2019; moreover, because the South Korean government stopped forwarding the extension request to the UN in August 2023, the organization proceeded through the UN Resident Coordinator's Office and obtained extension approvals in November 2023 and August 2024—meaning the continuity of exemption/extension procedures became a prerequisite for implementation. Second, whether—beyond approval itself—structural instability arises when uncertainty regarding the timing and conditions of approval becomes prolonged. Even when exemptions are institutionally available, they presuppose separate review and conditions; thus, when approval timing and conditions remain unsettled, project actors have difficulty finalizing plans and risks intensify through the accumulation of soft political risk. Third, whether, even in cultural and academic cooperation, a structure in which practical stages—such as site access, personnel movement, and the import/export of equipment—are governed by permits/approvals and passage procedures can convert into immediate blockage under crisis conditions. Although the Manwoldae joint excavation accumulated outcomes through multiple rounds (e.g., the fourth round in 2010, emergency restoration in 2011, and the sixth round in 2014), such accumulation presupposes on-site stays and the movement of equipment and personnel, meaning that when regulation tightens or tensions escalate, access controls can manifest as hard political risk.

IV. Application of General Political Risk Theory to Failure Factors in Existing Cooperation Projects Involving North Korea

1. Applying General Political Risk Theory

This chapter aims to reclassify and interpret the process identified in Chapter III—where operational disruptions accumulate and convert into suspension or stagnation across cases of inter-Korean cooperation project cases—according to the political risk component framework established in Chapter II. To this end, the factors identified in the cases are first repositioned by linking them to general political risk components; the analysis then distinguishes (i) segments for which explanation is sufficient using only general components and (ii) segments where explanation remains insufficient. Where explanation is insufficient, the relevant factors are separated as residual-category factors; however, rather than leaving them as a simple list of exceptions, this chapter reconstructs them into DPRK-specific political risk components repeatedly observed in the North Korean environment, converting them into ex ante risk-screening items for similar future projects.

The reason for applying general political risk theory in this chapter is that disruptions in cooperation projects involving North Korea rarely terminate as the consequence of a single event; instead, uncertainty tends to accumulate as instability in operational procedures recurs after an event. By rearranging case facts into the language of general political risk components, it becomes possible to identify, within a single analytical framework, both the factors that generated the immediate shock and the vulnerabilities that accumulated over time; it also becomes easier to derive common points of vulnerability in a form that enables cross-case comparison.

As the starting point for comparison, this chapter sets three internationally widely used political risk assessment standards with different observational foci. First, the International Country Risk Guide (ICRG) presents country-level background conditions—such as government stability, law and order, and bureaucracy quality—in itemized form, enabling examination of pathways through which the operating environment may become fragile even absent a conspicuous major event. Second, the MIGA–EIU Political Risk Survey provides relatively clear event categories that readily translate into loss—such as transfer and convertibility restrictions, expropriation, breach of contract, non-honoring of sovereign financial obligations, terrorism, war, civil disturbance, and adverse regulatory changes—making it advantageous for

identifying what kinds of shocks directly generate losses on the ground. Third, the MSCI ESG Government Ratings Methodology structures the functioning of national operating foundations—such as institutions, the judicial and penal system, governance effectiveness, stability and peace, corruption control, and protection of rights—thereby enabling a medium-to-long-term explanation of why recovery is delayed and vulnerabilities accumulate even after a short-term shock.

The application procedure begins by placing each case factor into the relevant components of the three standards. The linkage criterion focuses on how the factor produced loss and operational disruption; factors that were recurrent or persistent and accumulated vulnerability are organized so that their accumulation pathways are also made visible. In addition, this study does not limit component linkage to descriptive correspondence; it applies decision rules for judging how each component was implemented as an observable operational constraint within the cases. For event-type components, judgment centers on the timing and coerciveness of the measure that caused operational suspension and the direct pathway to loss. For institution/procedure and governance components, judgment centers on how delays, conditionality, and weakened predictability accumulated at approval and control points after the event. The analysis then tests whether the causal pathways of suspension or stagnation can be explained consistently using only general political risk components; segments where the explanation breaks are fixed as residual-category factors. Finally, residual-category factors are bundled to extract common elements in a form comparable across case groups and are reconstructed as DPRK-specific political risk components, organized as ex ante risk-screening items.

2. Factors of Suspension or Stagnation in Cooperation Projects Involving North Korea Explained by General Political Risk Components

This section reclassifies the suspension/stagnation trajectories identified in the case study using internationally prevalent political risk components, with the purpose of clarifying which elements can be sufficiently explained using only general components. Here, "general components" are understood on the premise that political risk can be interpreted by distinguishing (i) immediate shock from events, (ii) predictability of rules and procedures that governs operations after the event, and (iii) long-term accumulation pathways of national operating vulnerability. Applying this distinction makes it possible, within a single framework, to explain sequentially why a single event immediately

leads to schedule slippage and cost escalation, and why those disruptions fail to be restored in the short term and harden into long-term stagnation.

First, event-revealed risks have relatively clear occurrence timing and refer to shocks that, by themselves, halt operations or directly trigger losses. The categories presented in the MIGA-EIU Political Risk Survey—transfer and convertibility restrictions, expropriation, breach of contract, non-honoring of sovereign financial obligations, terrorism, war, civil disturbance, and adverse regulatory changes—are effective for restating disruptions in cooperation projects in the language of event-type loss risks. Under this mapping, settlement delays or blockage of fund movement can be screened as transfer/convertibility restrictions; unilateral changes in operating conditions can be screened as breach of contract or adverse regulatory changes; and heightened safety issues or physical conflict risks can be screened as war or civil disturbance. Expressing events in the language of loss risk clarifies evaluative criteria for determining which shocks primarily halted operations and which shocks directly undermined recoverability and property rights.

Next, institution/procedure instability risk refers to a condition in which, even where laws and institutions exist, contract performance, administrative processes, and dispute resolution do not function predictably—thereby amplifying losses and prolonging disputes. ICRG components such as law and order and bureaucracy quality provide useful reference points for explaining why operations fail to return to a normal track even after the event itself has subsided. If basic procedures that constitute operations—such as access, contact, logistics, and settlement—are repeatedly shaken, this can be interpreted not as mere inconvenience but as a signal of weak enforceability of rules and weakened procedural predictability. In particular, if fact-finding, responsibility attribution, agreement on resumption conditions, and resumption procedures are not fixed into stable rules after suspension, suspension can be prolonged regardless of event magnitude; in turning suspension into long-term stagnation, the key driver tends to lie less in the event itself than in the persistence of non-functioning post-event procedures.

Finally, risks stemming from national operating vulnerability refer to pathways by which factors such as policy design/execution capacity, trustworthiness of institutions and judicial systems, stability maintenance capacity, corruption control, and protection of rights and freedoms weaken the operating environment over long periods. The MSCI ESG Government Ratings Methodology structures these dimensions as institutions, judicial and penal systems, governance effectiveness, stability and peace, corruption control, and

political rights and civil liberties, enabling screening of long-term accumulation of vulnerability that cannot be explained by short-term events alone. From this perspective, long-term stagnation in cooperation projects is not reducible to whether events recur; rather, it is understood as a process in which background conditions that make recurrence likely and operational vulnerabilities that impede recovery after events accumulate together. In particular, the longer the payback period and the more site operations depend on approvals and controls, the more national operating vulnerability tends to magnify the effect of short-term shocks and reduce the likelihood of recovery.

In sum, what can be sufficiently explained by general political risk components is the combined structure in which an event rarely ends the project at once; instead, it propagates into losses through post-event fragility of rules and procedures, while national operating vulnerability obstructs recovery and hardens the project into long-term stagnation. Accordingly, the classification work in this section establishes, first, the suspension/stagnation factors that are explainable using only general components, thereby providing the baseline for the next section's identification of DPRK-specific political risk components.

3. Factors of Suspension or Stagnation in Cooperation Projects Involving North Korea Not Sufficiently Explained by General Political Risk Components: DPRK-Specific Political Risk Components

This section aims to distinguish case factors for which it is difficult to sufficiently explain how delays and constraints arising at the operational stage recur and accumulate into suspension or stagnation using only general political risk components, and to organize them as DPRK-specific political risk components that repeatedly appear in the North Korean environment.

The direct reason these factors arise is that the observational unit assumed by the analytical concept does not match the unit at which projects actually operate. Many components in general political risk theory classify risks around national-level, cross-country comparable states—such as government stability, conflict intensity, and functioning of law and institutions. By contrast, in the operational field of inter-Korean cooperation projects, procedures such as sanctions exception/waiver approvals, crossing of the Military Demarcation Line, approvals for bringing in equipment and materials, and settlement and remittance directly constrain schedule, site access, and cashflow. If any one of these procedures is delayed, the project may fail to progress even without an additional event; resumption timing and feasibility become

subordinated to approvals and negotiations, potentially leading to long-term stagnation. Unless these procedures are placed at the center of analysis, the same constraint tends to be recorded separately as an "event," an "institution," or an "implementation" problem, and continuity in the pathway to loss is easily fragmented.

Moreover, when observational foci differ across assessment standards, the same on-the-ground operational constraint is dispersed into different categories, making it difficult for any single index to explain consistently when and through what pathway the risk translated into actual loss. Accordingly, this study treats commonly observed procedural constraints as a distinct analytical focus and examines, through cross-case comparison, how they restrict project operations.

Viewed along the unfolding of cases, the Inter-Korean Railway and Road Connection Project demonstrates that even where political measures such as agreements or groundbreaking ceremonies exist, site surveys and importation of equipment and materials do not automatically translate into construction start. Sanctions exception/waiver approvals and related screening must precede, and military procedures for crossing the Military Demarcation Line must simultaneously align; moreover, for site access, passage, communications, and customs clearance must be satisfied at the same time. If any step is delayed, the entire subsequent sequence is jointly suspended; schedules are repeatedly readjusted, and uncertainty in cost and manpower operations expands. While sanctions, military tension, and administrative procedures may be classified as distinct components in formal terms, in actual operations they function as a single continuous procedure and operate as a persistent condition blocking project progress.

In humanitarian and cultural cooperation cases as well, the core is not whether an exemption formally exists but when and under what conditions the exemption is secured and how those conditions are maintained or altered during implementation. Even in non-commercial projects such as the Kaepung Nursery Cooperation Project and the Inter-Korean Joint Excavation Project at the Manwoldae Site in Kaesong, if basic steps—importation, transport, on-site stay, and ex post verification—are affected by exception approvals and conditionality, schedules become difficult to fix and are subordinated to approval timing. Where the possibility of condition changes persists, implementation plans are repeatedly revised, and issues regarding accessible scope, timing of permitted importation, modalities of ex post verification, and settlement procedures remain unresolved. This repetition itself functions to keep projects in a long-term state of non-progression.

On the basis of this problem awareness, this chapter maps case factors to general political risk components to distinguish what can be explained and what cannot, and organizes the breakpoints in explanation as DPRK-specific political risk components. Here, DPRK-specific risk factors are not an arbitrarily expanded list of new risks; they summarize the empirical result that procedural constraints difficult to connect as a single flow under existing components were repeatedly observed across cases. Such an organization can serve as a screening baseline for ex ante review of which procedures operate as core operating conditions when designing and evaluating similar future cooperation projects involving North Korea.

Table 6 follows the definition of residual-category factors that are not sufficiently explained by general political risk components as DPRK-specific political risk components, and then integrates general and DPRK-specific components to establish a political risk component framework for cooperation projects involving North Korea.

Table 6. Political Risk Component Framework for Cooperation Projects Involving North Korea (Source: compiled by the author based on the sources cited above)

	Mount Kumgang Tourism Project	**Kaesong Industrial Complex Development Project**	**Inter-Korean Railway and Road Connection Project**	**KEDO Light-Water Reactor Construction Project**	**Rasun SEZ Development Project**	**Koryolink Telecommunications Project**	**Kaepung Nursery Cooperation Project of the Korean Sharing Movement**	**Inter-Korean Joint Excavation Project at the Manwoldae Site in Kaesong**
Factors of suspension or stagnation	Safety incident suspension; stalled investigation, responsibility, safety assurances	Recurrent operational controls and policy escalation; suspension and asset freeze	Constraints on multi-layered core operating conditions; importation/execution bottlenecks	Phased suspension of assistance and construction; eventual termination	Sanctions tightening; constrained joint-venture/investment/transport routes; weakened operating base	Revenue repatriation constrained by exchange-rate and remittance restrictions	Tightened sanctions exemption/waiver approval conditions; blocked access and importation	Recurrent access restrictions; sanctions exemption/entry controls
Factors of suspension or stagnation in cooperation projects involving North Korea explained by general political risk components								
Soft · Macro **Government stability and policy consistency**		● (South Korea's decision to halt operations)						
Soft · Macro **Socioeconomic conditions**								
Hard · Micro **Investor rights and payments (Investment profile)**		● (asset-freeze measures)			● (constraints on expanding joint ventures)	● (exchange-rate and remittance regulations)		

Hard · Macro **Internal conflict and political violence**	● (fatal shooting incident)							
Hard · Macro **External conflict and war**		● (deterioration of inter-Korean relations)		● (shock from the nuclear issue)	● (tightening sanctions)			
Soft · Micro **Corruption**								
Soft · Macro **Military influence in politics**								
Soft · Micro **Religious tensions**								
Soft · Micro **Law and order**	● (delays in joint investigation, agreement on safety assurances)	● (repeated passage restrictions, etc.)	● (bottlenecks in approval and passage procedures)					
Soft · Micro **Ethnic tensions**								
Soft · Macro **Democratic accountability**								

Factors of suspension or stagnation in cooperation projects involving North Korea not sufficiently explained by general political risk components: DPRK-specific political risk components								
Soft · Micro **Core procedural constraints on core operating conditions**		● (continuity of passage, communications, and customs clearance)	● (constraints on multi-layered core operating conditions)				● (requirements for importation, transport, payment, and ex post verification)	
Hard · Macro **Sanctions exemption/ waiver approval procedures**			● (sanctions-exemption approval procedures)				● (exemption approval)	● (sanctions exemption/waiver approval procedures)
Hard · Micro **Military Demarcation Line crossing and military procedures**			● (procedures for crossing the Military Demarcation Line)					

The analysis indicates that hard political risks—such as safety incidents, tightening sanctions, and decisions to suspend construction or operations—functioned as short-term triggers that halted operations; after the event, a common pathway was confirmed in which soft political risks accumulated as core procedural constraints governing access, contact, logistics, and settlement were repeatedly closed or delayed. The key to this accumulation pathway lies not in whether the event recurred but in where post-event procedures became blocked and how those blockages overlapped in sequence and became entrenched as long-term suspension or stagnation. In particular, sanctions exception/waiver approval procedures, Military Demarcation Line (MDL) crossing procedures, and procedural requirements for passage and importation (including ex post verification) remained segments where it was difficult to connect the chain of operational constraints consistently using only the language of general components; this study reconstructs them as DPRK-specific political risk components.

Accordingly, the theoretical contribution of this study lies in specifying—beyond classification under general political risk components—the intermediate operating mechanism by which risks translate into losses as a pathway of core procedural constraints at the operational stage, and in presenting, through cross-case comparison, conditions that repeat across different project types. Methodologically, the study strengthens the baseline for cross-case comparison and explanatory consistency by proposing a structural mapping procedure that aligns disparate political risk assessment standards along the common analytical axes of hard/soft and macro/micro. In policy and practice terms, it contributes by converting residual-category factors into DPRK-specific political risk components and organizing them in a form applicable to project design and ex ante risk screening.

V. Conclusion

This study defines the concept of political risk, establishes a general political risk component framework based on existing political risk analytical frameworks, and then derives a political risk component framework for cooperation projects involving North Korea based on case studies.

A comparison across the cases of cooperation projects involving North Korea indicates that, even when project types are distinguished as cooperation

projects involving North Korea, which can be categorized by project character into commercial development cooperation projects, multilateral development cooperation projects, foreign-investment-attraction development cooperation projects, and non-commercial and humanitarian cooperation projects, the patterns leading to suspension and stagnation exhibit substantial similarities. Suspension and stagnation take shape after the shock of event-type items occurs, as operational bottlenecks and constraints—through which institutional and procedural items restrict core operating conditions—fail to be restored and are instead repeated, accumulated, and entrenched. Taken together, a three-stage common pathway is identified: hard political risks at the macro and micro levels function as short-term triggers that precipitate suspension, after which soft political risks at the macro and micro levels repeatedly and cumulatively interact through constraints on core operating conditions (i.e., operational bottlenecks and constraints), thereby becoming entrenched as suspension and stagnation. Accordingly, from a political-risk perspective, it is more appropriate to analyze failure factors not by fixing an individual event as a single, linear cause, but by developing an account that explains, as a chain, the shock of event-type items—cumulative operational bottlenecks and constraints on core operating conditions—entrenchment into suspension and stagnation.

To fix this conclusion in a form comparable at the case level, this study focuses on organizing, in identical analytical units, the operating mechanisms commonly observed across the cases, and on clarifying both (i) the extent to which such mechanisms can be explained by general political risk components and (ii) where that explanation breaks down. Although general political risk components could explain, to a considerable extent, both the shock of event-type items and the cumulative pathways of operational bottlenecks and constraints driven by institutional and procedural items, repeated discontinuities emerged in some segments where it was difficult to connect the causal pathway to suspension and stagnation consistently using only general components. Rather than treating these discontinuities as simple omissions or as an arbitrary addition of new risks, this study defines, as "DPRK-specific political risk components," the residual segments in which it is difficult to consistently connect the causal pathway to suspension and stagnation using general political risk components alone.

The academic contributions of this study are as follows. First, it proposes an analytical framework for cooperation projects involving North Korea by comparing the political risk–related items presented by existing political risk

analytical frameworks in correspondence with the analytical axes of hard/soft and macro/micro. Second, rather than explaining suspension and stagnation in cooperation projects involving North Korea solely as the outcome of one-off events, it offers an explanatory framework that incorporates the causal pathway from operational bottlenecks and constraints in project operations to suspension and stagnation. Nevertheless, this study has limitations that require further refinement. First, its conclusion is better understood not as directly applicable to the full universe of cooperation projects involving North Korea, but as a comparative finding observed in cases where the causal pathway to suspension and stagnation can be traced through documentary records. Second, quantitative validation remains limited regarding the extent to which the political risk component framework for cooperation projects involving North Korea (Table 6) predicts actual project outcomes or functions as an early-warning tool. Third, constraints on core operating conditions that govern project operations may vary in intensity and form over time; given that this study centers on pathways of long-term persistence and entrenchment after the initial event, further research is required to dynamically trace how risks shift by sub-period and under what conditions they are alleviated.

As directions for future research to address these limitations, it is necessary to expand the case set to reflect within-type variation and to disaggregate the components of constraints on core operating conditions—such as approval timing, the mode of condition imposition, the intensity of ex post verification, and whether resumption conditions are institutionalized—so as to enable systematic comparison. In addition, the constraints on core operating conditions (operational bottlenecks and constraints) organized in the political risk component framework for cooperation projects involving North Korea (Table 6) should be operationalized into ex ante risk-check questions and indicators. By further refining criteria that distinguish mitigable variables from exogenous constraints, subsequent research can strengthen the empirical basis for configuring alternatives at the project design stage, setting suspension thresholds, and designing risk-sharing structures.

References

Aguiar, S., Aguiar-Conraria, L., Gulamhussen, M. A., & Magalhães, P. C. (2012). Foreign direct investment and home-country political risk: The case of Brazil. *Latin American Research Review* 47(2), 143-164.

Baek, S. (2017, August 31). U.S. State Department: "Kaesong Industrial Complex suspension due to North Korean threats… supports the decision to close." VOA Korea. https://www.voakorea.com/a/4007580.html (Accessed February 1, 2026).

Howell, L. D. (2008). *Political risk assessment: Concept, method, and management* (2nd ed). The PRS Group, Inc.

Howell, L. D., & Chaddick, B. (1994). Models of political risk for foreign investment and trade. *The Columbia Journal of World Business* 29(3), 70-91.

Hwang, Cheol-jin. (2020). The essence of the state's unified guidance over foreign investment utilization projects. *Economic Research* (4), 60-61.

Im, Kang-taek, & Lee, Kang-woo. (2017). Operational status and development measures of the Kaesong Industrial Complex: Lessons from 11 years of operation (2005-2015) (KINU Policy Research Series No. 16-03). Korea Institute for National Unification. https://repo.kinu.or.kr/bitstream/2015.oak/8446/1/0001480216.pdf, (Accessed February 1, 2026).

Jeong, Eun-i, Lee, Hae-jeong, Park, Ji-yeon, Choi, Jang-ho, & Kang, Seong-hyeon. (2020). Policy strategies and tasks for advancing the Korean Peninsula New Economic Initiative (KINU Research Series No. 20-13). Korea Institute for National Unification. https://repo.kinu.or.kr/handle/2015.oak/12413, (Accessed February 1, 2026).

Joint Task Force Transformation Initiative. (2012). Guide for conducting risk assessments (NIST Special Publication 800-30 Revision 1). Gaithersburg, MD: National Institute of Standards and Technology. https://nvlpubs.nist.gov/nistpubs/legacy/sp/nistspecialpublication800-30r1.pdf, (Accessed February 1, 2026).

Kim, Seok-jin, & Hong, Je-hwan. (2019). Development potential of inter-Korean economic cooperation and policy tasks (KINU Research Series No. 19-26). Korea Institute for National Unification. https://repo.kinu.or.kr/handle/2015.oak/11082, (Accessed February 1, 2026).

Korea Rural Economic Institute. (2008). *North Korean agriculture trends*, 10(1). Korea Rural Economic Institute. https://share.google/vOGw2lL6B5btcEIuL, (Accessed February 1, 2026).

Ministry of Unification, Inter-Korean Talks Headquarters. (2013, August 14). Agreement on the normalization of the Kaesong Industrial Complex. Ministry of Unification. https://dialogue.unikorea.go.kr/preView/BVbifidzptoWz5BiO87PIlQeXkudIWmvuhOLRM8PQSvYUWFzKIlGCCospN33neIEliyESqshtiP6os5Cnww/view.view.xhtml, (Accessed February 1, 2026).

Moon, Jong-yeol. (2007). Liquidation of the light-water reactor project and implications (Budget Issue Brief No. 13). National Assembly Budget Office. https://www.nabo.go.kr/board/file/down.do?fid=2272, (Accessed February 1, 2026).

MSCI ESG Research LLC. (2025, June). MSCI ESG government ratings methodology. MSCI ESG Research LLC. https://www.msci.com/downloads/web/msci-com/data-and-analytics/sustainability-solutions/MSCI%20ESG%20Government%20Ratings%20Methodology.pdf, (Accessed February 1, 2026).

Multilateral Investment Guarantee Agency. (2010). World investment and political risk 2010. Washington, DC: World Bank. https://openknowledge.worldbank.org/entities/publication/68a69dbe-799b-5545-9530-eb4b7325ba3c, (Accessed February 1, 2026).

Multilateral Investment Guarantee Agency. (2011). World investment and political risk 2011. Washington, DC: World Bank. https://openknowledge.worldbank.org/entities/publication/4db6f3d2-0b7f-5a6b-bbd4-aa3ce0d2151f, (Accessed February 1, 2026).

Multilateral Investment Guarantee Agency. (2014). World Investment and Political Risk 2013. Washington, DC: World Bank. https://openknowledge.worldbank.org/entities/publication/c2ea3851-7823-5dd4-8774-a3bbc5ed077d, (Accessed February 1, 2026).

Na, Ho-seon, & Cha, Chang-hoon. (2020). A critical review of sanctions theory and the effects of sanctions on North Korea: Focusing on responses by sanctioned states. *Northeast Asia Research* 35(1), 43-85. https://journal.kci.go.kr/inas/archive/articlePdf?artiId=ART002625586, (Accessed February 1, 2026).

National Research Institute of Cultural Heritage. (2015). Report II on the inter-Korean joint excavation at the Kaesong Goryeo Palace site. National Research Institute of Cultural Heritage. https://portal.nrich.go.kr/kor/originalUsrView.do?bunya_cd=412&info_idx=2163&menuIdx=66, (Accessed February 1, 2026).

Sottilotta, C. E. (2013). Political risk: Concepts, definitions, challenges (SOG-WP6/2013). LUISS School of Government. https://sog.luiss.it/sites/sog.luiss.it/files/SOG%20Working%20Papers%20Sottilotta%20ISSN_0.pdf, (Accessed February 1, 2026).

Son, Jong-do, & Lee, Ye-jeong. (2025). Civil society inter-Korean cooperation: Past, present, and future (Report). Korean Sharing Movement. https://dl.nanet.go.kr/detail/MONO12025000037480, (Accessed February 1, 2026).

The PRS Group. (2014). The ICRG methodology. https://www.prsgroup.com/wp-content/uploads/2014/08/icrgmethodology.pdf, (Accessed February 1, 2026).

The PRS Group. (2022). The ICRG methodology. https://www.prsgroup.com/wp-content/uploads/2022/04/ICRG-Method.pdf, (Accessed February 1, 2026).

United Nations Security Council. (2017, September 11). Resolution 2375 (2017) adopted by the Security Council at its 8042nd meeting, on 11 September 2017 (S/RES/2375(2017)). United Nations. https://docs.un.org/en/S/RES/2375(2017), (Accessed February 1, 2026).