

# DPRK Business Monthly

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As a rich man is likely to be a better customer to the industrious people in his neighbourhood than a poor, so is likewise a rich nation. [Trade embargoes] by aiming at the impoverishment of our neighbours, tend to render that very commerce insignificant and contemptible.

Adam Smith, *Wealth of Nations*

## International

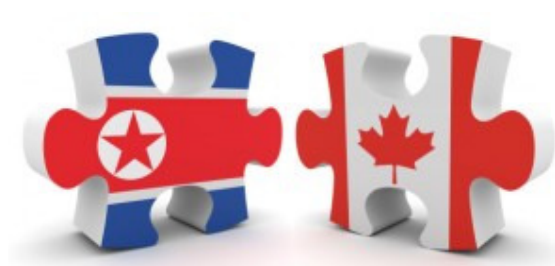
### **N. Korea signs air service deal with UAE**

Yonhap reported that North Korea has signed an air service deal with the United Arab Emirates in an apparent attempt to provide cheaper transportation means for its overseas workers, though the prospect of launching regular flights between the two nations remains unclear.

The UAE's national aviation authority and its North Korean counterpart signed a provisional air service agreement on October 15, a UAE airline company official in Dubai told Yonhap.

### **“Knowledge Sharing Promotes Growth, Understanding”**

[The following is an edited version of a message on the KPP website.]



Knowledge sharing is a powerful tool to promote economic growth and improve the quality of life in developing countries. It gives participants access not only to practical information, but the worldview, motivations and experiences of their partners. Sharing of this nature facilitates mutual

understanding between individuals that, in turn, builds empathy, compassion, and patience—the foundation for all relationships, whether between individuals or states. Knowledge partnerships that focus on human resource development through various academic and practical programs can be one of the most successful areas of cooperation between North Korea and the outside world. Such programs are particularly important in this context because they create alternative, non-governmental avenues for dialogue that can remain active when the political environment limits official lines of communication.

In 2010 the Canada-DPRK Knowledge Partnership Program (KPP) was established at the University of British Columbia. KPP was designed to facilitate human capacity building in North Korea by providing its scholars with in-depth knowledge of the international economy, with the ultimate aim of empowering North Koreans to improve the quality of life of their own people. Through focusing on educating individuals in modern economic theory, finance, trade and business practices, KPP is equipping individuals with the knowledge needed to formulate, influence and enact the economic development process within their country.

KPP is the first North American program to educate North Korean university faculty members for long-term (six-month) periods in economics and business practices. It is also unique in that it focuses solely on working with North Korean professors and not government bureaucrats, as these educators are able to transfer newly acquired knowledge directly to their students—most of whom will become the next generation of leaders within North Korean society. Most of the previous knowledge-sharing programs in North America and Europe, especially those in the area of business and economics, were comparably short in duration and directed toward the training of bureaucrats rather than of academics. In this manner, KPP is able to efficiently diffuse knowledge amongst a large audience of individuals within North Korea through a source that is legitimate and trusted. KPP participants are selected in part for their ability to utilize what they learn, either through teaching students, promoting research with colleagues, or in consultation with government agencies.

For its inaugural effort, KPP hosted six North Korean scholars, five from Kim Il Sung University and one from Wonsan Economics University. The scholars, who arrived in early July and studied at UBC through December 2011, took English courses during the summer, and business and management courses from September focusing on international trade, management, finance and economics. The curriculum consisted of regular, unmodified courses also attended by UBC students. As part of the curriculum, participants completed a group research project with faculty supervision on an aspect of international trade/finance stemming from their studies at UBC. In addition, they had opportunities to take field trips, and meet with leading individuals in Canada's financial, business and legal communities, as well as fellow academics.

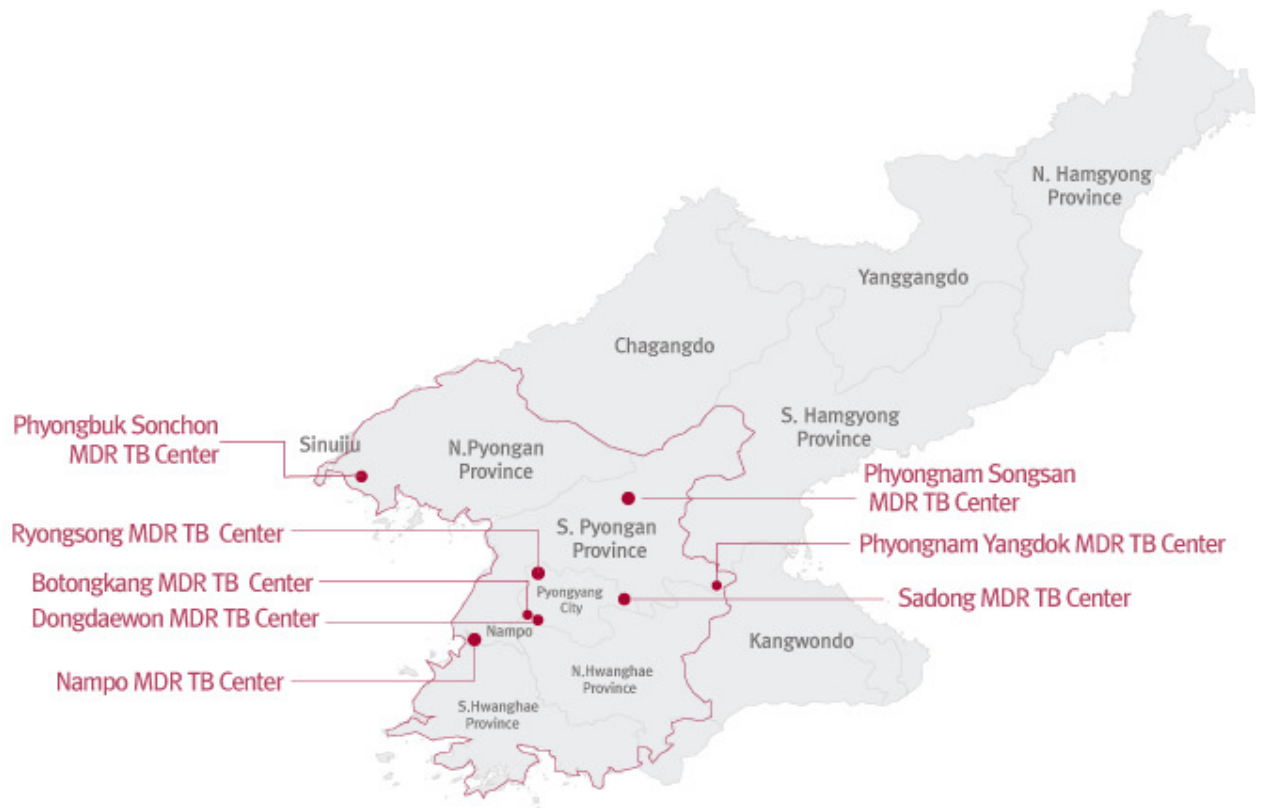
Now in its second year, KPP is hosting another group of six participants, this time from Kim Il Sung University, the University of National Economy and the Pyongyang University of Foreign Studies. As in the previous year, these scholars will be provided with an in-depth education concerning the international economy and policies implemented by other countries.

## NGO Initiatives in DPRK:



### Eugene Bell Foundation

For 15 years since its founding, EugeneBell has supported at least 80 medical institutions throughout North Korea in its effort to diagnose and treat tuberculosis as well as improve general health. EugeneBell operates under the principle of personally visiting every medical facility that it supports. Currently, EugeneBell provides aid to TB Care Centers and city, county and district level People's Hospitals in North Pyongan Province, South Pyongan Province, Pyongyang City and Nampo City, where over 1/3 of North Koreans reside. EugeneBell is committed to a comprehensive medical assistance aimed at treating regular and multidrug-resistant tuberculosis in North Korea.



## ``NK Missing `Golden Moment' to Stem TB''

Dr Stephen Linton, the founder of the Eugene Bell Foundation, warned at a press conference last month: “Right now, Multidrug-resistant Tuberculosis (MDR TB) infection rates are serious in the DPRK, so much so that we can say that North Korea is missing a ‘golden moment’ in the fight against tuberculosis.”

According to the World Health Organization’s “Global Tuberculosis Report 2012” published October 17, there are 345 tuberculosis infections per 100,000 people in North Korea, the fourth-highest rate in Asia after East Timor, Cambodia and Myanmar. The problem is compounded by the poor diet available to most North Koreans as a result of foreign embargoes on the country's trade with the outside world.

The Eugene Bell Foundation receives a certain amount of funding from the South Korean government, worried that MDR TB might spread to the southern part of the Korean peninsula.

## Inter-Korean

### North, South Groups Remember Independence Fighter

Ten members of South Korea's An Jung-gun Memorial Society celebrated the 103rd anniversary of the execution of Korean independence fighter An Jung-gun together with their counterparts in Pyongyang early in November.

The delegation traveled to Pyongyang via China before heading to the port cities of Haeju, An's birthplace, and Nampo.

While in the DPRK the delegation discussed with its counterparts ways to renovate historic sites related to the independence fighter.

An (1877-1910) is most noted for his assassination of Korea's first Japanese governor-general, Hirobumi Ito, in Harbin, China, in October 1909. He was later executed at a Japanese prison in China and has since been regarded as one of the greatest patriots in Korean history.

## Domestic

### “NK Cabinet Flexing Muscles”

[The following is an edited version of a report by the Institute for Far Eastern Studies.]

The *Choson Sinbo*, a Japan-based pro-North Korean newspaper, reported on November 9 that the role and authority of the North Korean cabinet are increasing, especially in the planning and implementation of the DPRK's economic policies.

“North Korea is establishing new order and actions to maximize the potential of its national economy. The cabinet-government system and the cabinet-oriented system are being strengthened as economy-related matters are decided in cooperation with the cabinet,” the newspaper said.

The newspaper also commented that many North Korean news outlets are reporting on DPRK Premier Choe Yong Rim's activities in detail, including his frequent visits to economic units, saying that “the central and regional party committees are committed to providing support and encouragement to the cabinet and various administrative and economic institutions so the workers can assume responsible roles in the economy.”

Putting the cabinet in charge of the economic sector is a major break from the past, when the Workers' Party of Korea (WPK) enforced strict restrictions and control over all administrative and economic institutions.

In addition, the news also suggests that the recent economic revitalization efforts are being stressed at a different level than in the past. The report also mentions that the DPRK is promising to “boldly go forward with all projects beneficial to the people of North Korea.”

Recent promotions in the economic departments of the WPK show that people are being replaced by high-ranking and experienced officials from the cabinet, particularly in the departments of light industry, finance and planning, and science and education.

These changes and promotions of economic experts suggest that heavier emphasis is being placed on economic development and improvement of the people's livelihood.

North Korea's recent changes in the cabinet and the WPK — although limited only to the economic sector — indicate a major shift in the decision-making process. The WPK normally creates policy and the cabinet executes it. However, by placing officials equally across these two bodies, it appears as though efforts are being made to minimize the friction between the two organizations and increase the effectiveness of economic policy through cooperation.

## **New Consumer Culture Seen Emerging in NK**

The *Korea Times* reported that with technology such as “electronic wallets” providing the world with alternatives to credit cards, North Korea is working to make sure that paying with plastic stays in vogue.



### **The Narae debit card**

Residents of Pyongyang are increasingly using electronic payment cards for purchases, analysts say. The government may seek to expand this as it attempts to modernize its economy under new leader Kim Jong Un.

Two debit cards options exist. One is offered by Koryo Bank in a joint venture with China, and the more popular Narae card was launched by the North's Foreign Trade Bank last year. Most hotels and many shops, particularly those frequented by foreigners, accept the cards.

The cards require pre-payment in hard currency .

Despite chronic food shortages, consumer options are multiplying in Pyongyang. Store shelves are stocked with products, including previously rare items such as bananas and pineapples.

The new consumer culture is part of the nation's updating of the economy under Kim, who has promised that citizens will no longer have to "tighten their belts." Experts say the DPRK is searching for ways to implement measures to curb inflation and attract more foreign investment.

Technology, including the debit cards, figures heavily in this plan. The *Rodong Sinmun*, the organ of the ruling Workers' Party, singled out the cards in a commentary: "To popularize the use of electronic cards has important significance for the development of the national economy and the improvement of the people's material and cultural life."

Reports say that Pyongyang may issue a new card that only allows the use of the local won, in a bid to prevent further devaluation. According to Japan's *Mainichi Shimbun*, state salaries will be paid through the cards, and shoppers at state-run stores will only be able to pay using the cards.

North Korea is carrying out a series of economic reforms, one of which is to tighten central control of the economy through nationalized stores.

The prices of food and other basic goods that can be purchased at nationalized stores with supply tickets have been raised closer to market prices. The government has stopped the practice among some people of buying stock at lower national prices and selling it for a profit on the open market, although open-market sales are more common in rural areas where farmers sell produce from their lots.

## **NK Has 1.5 Million Mobile Subscribers**

There are now more than 1.5 million mobile phone subscribers in North Korea, Egyptian mobile provider Orascom claims. Orascom runs Koryolink, the North's only mobile provider.

Orascom Telecom founder Naguib Sawiris told *Forbes* magazine that Koryolink is set to see revenue of US\$145 million from North Korea this year, with domestic coverage expanding to over 100 cities, including Pyongyang.

Sawiris said the DPRK government has granted Koryolink a three-year extension on its exclusive operating rights until 2015.

## **Auto Parts Showroom to Open in NK**

A company that currently assembles vehicles in North Korea is planning to open a showroom for the sale of vehicle parts at a location outside Pyongyang. The news was revealed in an announcement to potential investors issued October 22 by the Dandong-based company, according to Radio Free Asia.

The company is planning to open the new 2,500-sq-m showroom for the display and sale of parts on March 18 next year.

The company promoting the project is the same one that entered into a joint venture (51%-49%) with North Korea's Capital City Passenger Transit Bureau in September 2009. The resulting joint-venture company has been producing the 50-seater Geumgang-san bus and the 30-ton Cheonman-ri truck at a plant in Pyongyang under the name Pyongyang Motor Co. since last year.



## **North Korea's Property Market**

By Geoffrey See

Rason has opened up property development to foreign investors.

Some investors have asked me about the prospects for property investments elsewhere in North Korea. The short answer is that there are opportunities to invest in North Korea's property market outside of Rason, although it will take some ingenuity to execute well an investment strategy focused on this asset class.

To understand the property market in North Korea it is useful to think of this market as being made up of three sectors. There is the state-owned sector driven by the



government, the legal private sector in which both joint-ventures and local companies are involved, and an illegal but flourishing housing market.

The state owned-companies, normally with manpower provided by the Korean People's Army, build housing and other buildings for state purposes. While the state is technically supposed to provide all housing, it is unable to satisfy demand, or unable to cater well to a sub-segment that desires higher-quality or roomier housing. Hence, enterprising individuals or groups of North Koreans undertake construction of housing which is then re-sold to paying customers. One entry point (and there are a few) is for a North Korean entrepreneur to join the army at a lower level, and use his connections, ability to put together financing and manpower from the army unit to build and sell apartments (which are officially "allocated" to the people who paid for them). In some reported cases, the state shares in the project, as it gets its share of apartments.

Investors can legally participate in property development most directly through building hotels and office space. However, it looks like Pyongyang has an oversupply of hotel rooms, especially with the Taedonggang Hotel finally completing its multi-year refurbishment next year, and more so now that the Ryuggyong Hotel is finally on the way to completion and will be open for business with a projected 300 rooms next year. With the potential to release unused capacity as and when the market can accept it (>1,000 rooms), the Ryuggyong will hang as a sword of Damocles over any new high-end hotel developer. The office rental market is rather opaque, and there is a risk that foreign investors might only be able to rent their offices to other foreign businesses, of which there is questionable demand at the moment.

## Economic Zones

### **More Chinese Inroads into Rason?**

[The following is an edited version of an article by Michael Madden, editor of NK Leadership Watch, carried by Choson Exchange.]

On 26 October 2012, the DPRK and China staged three ceremonial events at Rason. A ceremony was held to lay the foundation for the construction of the administrative office building for the Sino-DPRK Economic Trade Zone [ETZ] Management Committee. The ceremony included a symbolic ground-breaking, a speaking program, the placement of a foundation monument and announcement of the DPRK and Chinese managers who will work in the committee's office. According to KCNA, the North's official news agency, Vice-Chairman of the Rason City People's Committee Hwang Chol Nam said that the "ground-breaking ceremony is another mark of the progress in developing and activating the Zone." The deputy governor of the Jilin Provincial People's Government "stressed the need to concentrate efforts

on accelerating the progress of major cooperation projects following the principles of government guidance, priority to enterprises, market rules, reciprocity and co-prosperity, developing the combined land-and-maritime transport route, and building and perfecting basic establishments on a phased basis.”

The most significant Rason-related event on October 26 was the formal opening of the Wonjong-Rajin Port Road to vehicular traffic. According to KCNA, Hwang Chol Nam said, “The road will help increase the cargo traffic and transport of freight from northeastern China to Rajin Port, and promote the development of economic relations between the two regions, including tourism.”

Also on October 26, Chinese state radio reported that a plan by the State Grid Corporation of China to provide Rason (and hence the rest of the DPRK) with electricity had been endorsed by a panel of experts of the Beijing Economic Research Institute. This will be the first time for China to provide electricity to a foreign country.

The project involves the construction of a 97.8 km (about 61 miles) 66 kv transmission line from Hunchun to Rason and a 66-kv transformer substation in Rason. Currently, transformers and transmission lines in Rason are relatively antiquated, while demand has increased 40% since 2007 and electricity is reliably available for only six hours per day.

On October 25 Rason officials took members of the Japanese media on a tour of the city. The Japanese journalists toured Rajin Port, the Empire Hotel and a seafood processing facility. Jon Tong Chol, director of the Rason City People’s Committee’s External Affairs Bureau, told Kyodo News Agency that Rason is “about to go into full swing” and that “construction of infrastructure such as harbor facilities is in the final phase.”



This joint venture in the Rason Economic Zone assembles motorbikes, bicycles, monitors and TV sets. [Photo: Choson Exchange]

## **ROK May Build 2 More Daycare Centers at Kaesong**

According to Yonhap, the South Korean government is seeking to build two more daycare centers in the Kaesong Industrial Complex in North Korea as part of its humanitarian efforts in their joint economic zone.

The South Korean government "plans to hold a discussion with the North over the plan to build two nurseries accommodating 600 infants in the Kaesong Industrial Complex," an official at the ROK's Unification Ministry said.

## Comment

This month there can be no more apt comment on the hysteria whipped up by forces desperate to keep the Korean peninsula divided than the following article by Felix Abt, a Swiss businessman who worked in the DPRK for seven years. It first appeared in *Asia Times*.

A peculiar strand of literature on North Korea has been published in recent years, with the authors drawing heavily on interviews with defectors. Sure, North Korea has been a horrific place with famine and prison camps, but these books reveal a single slice of North Korean society. And it's dangerous that they're taken so frequently at face value when they remain unverifiable.

The stories these authors tell are indeed heart-wrenching. Journalist Blaine Harding, formerly at the *Washington Post*, wrote a biography of Shin Dong Hyuk in the 2012 book "Escape from Camp 14."

Shin was a famous defector born and raised in the brutal environment of a labor camp, from which he later escaped.

Unfortunately, there's a big flaw. The defector initially presented his story differently from what he later told the author. Harden acknowledges in his book that the defector lied to him about his experiences, but decided to believe him anyway.

For seven years, I made a living in the world's most closed off communist country as — of all careers there — a businessman. Now living a comfortable life as an entrepreneur in Vietnam, I have all sorts of stories to tell that contradict these tales.

One of the most widely acclaimed works was Barbara Demick's 2010 book "Nothing to Envy: Ordinary Lives in North Korea." She tells the stories of six refugees who had lived through the hermit state's famine, known as the "Arduous March," during the 1990s, and who came from one of its poorest industrial cities, Chongjin. During the late 1990s this city, with no arable land, was one of the most afflicted regions and witnessed mass starvation.

*Bloomberg* praised Demick's book as a "superbly reported account of life in North Korea." That's a misnomer. The book is an oral history — not a marker of current events — and I would call it a "superbly reported account of life in a single city, Chongjin, in the 1990s." *[It's also fiction, despite inexplicably winning the Samuel Johnson Prize for Non-Fiction. Figure this one out: One young couple apparently was too happy at escaping together to notice the sharp pebbles on the bed of the icy river cutting through their thin North Korean-made shoes, or words to that effect. -- Ed.]*

During the Cold War, Chongjin was a hub for steel, machinery and ship manufacturing, and its port saw significant trade with the Soviet Union. I have visited numerous cities in North Korea, but no other city suffered such a massive industrial decline and ensuing mass unemployment after the Soviet collapse.

About six years after the six defectors [in Demick's book] suffered through food shortages, I visited Chongjin for the first time. Badly damaged infrastructures during the floods had been repaired, a number of withering and dilapidated factories had resumed operation after being abandoned, street markets had expanded and a good number of new buildings had been built.

Chongjin, no doubt, was still a poor and rugged city. But the residents told me that the 1990s had been the worst period in their lifetime — worse than the Korean War — and that the situation had improved considerably. Even the prolific North Korea historian Andrei Lankov wrote in *Asia Times Online* in September 2011 that:

... actually, from around 2002-2003, we have seen a steady but clear improvement in North Korea's economic situation. North Koreans are still malnourished, and likely to remain so for the foreseeable future. Nonetheless, they are not starving any more — at least not in significant numbers.

There are other examples of blatant academic deception. In 2012 Stanford professor Adam Johnson wrote the novel "The Orphan Master's Son" set in North Korea, but included just about every negative generalization he could find on the country. So much for "insight": He claimed, in a blatant and poorly researched falsehood, that in North Korea "no one has read a book that's not propaganda for 60 years."

Sure, propaganda abounds in North Korea, but patronizing literature like this doesn't give credit to the North Korean people where it's due. When I traveled around the countryside, school children narrated old Korean folktales to me, rather than regime propaganda. And my staff, along with all sorts of other North Koreans I met, had read foreign books such as Alexandre Dumas's thriller "The Count of Monte Cristo" or Ernest Hemingway's "Men Without Women." Some of them could even recite lengthy passages from the works. At home and sometimes at their universities they watched foreign movies like "Gone with the Wind" and "Titanic."

Melanie Kirkpatrick, a longtime member of the editorial board of *The Wall Street Journal*, published another North Korea book in September 2012 called "Escape from North Korea." She portrays North Korea as a "hellhole" that is "rife with

suffering and starvation.” The country, she adds, “keeps its citizens in the dark ages.” “Foreigners and foreign goods are kept out,” was another tall claim of hers.

Had that been true, I would, of course, not have been able to sell foreign goods like mining equipment, foodstuffs and medicine in North Korea. I once even met an unemployed steel worker who migrated from an industrial city to the countryside, where he began cultivating his own private plot on a slope. He proudly told me that his family now earns enough money so that, within two years, they could buy a motorbike. Even though that's not a sign of enormous wealth, it puts North Korea on par with other developing countries like Cambodia which have undertaken market reforms.

Had I told my friend that, in Kirkpatrick’ s words, North Koreans were “rife with suffering and starvation,” he would have felt insulted.

*Felix Abt helped found the Pyongyang Business School, the European Business Association of Pyongyang (a de facto Chamber of Commerce) and other ventures. He has visited seven out of nine provinces and more than two dozen cities in North Korea.*

## Touring North Korea





\* A trip from the East Coast to the scenic *Kuwol Mountains*.

Spectacular internal charter flight to *Mount Paekdu* - the highest mountain in Korea topped by the highest crater lake in the world. (cycle from the regional airport to the mountainside through forests and along roads and pathways few foreigners have ever seen from a vehicle, let alone on a bike! Ascending to the peak for a picnic lunch, and the rest of the afternoon tour the area by bike, passing waterfalls, the official birthplace of Kim Jong Il and the Chinese border area. This is the most special part of a very special trip.

The itinerary for this tour: [http://www.koryogroup.com/travel\\_Itinerary\\_2012\\_cycling1.php](http://www.koryogroup.com/travel_Itinerary_2012_cycling1.php)  
please do have a look and if you are interested in joining this trip please drop us a line at  
[info@koryogroup.com](mailto:info@koryogroup.com)

If you like cycling and you're interested in seeing North Korea then this could be the one for you. There are no better bragging rights after a trip like this!

Get on your bike and join us. See you in Pyongyang!

You can see some photos of the first-ever trip down the northeastern coastal road from Rason to Chongjin on our FLICKR Photostream at:  
[http://www.flickr.com/photos/koryo\\_tours/sets/72157629338457331/](http://www.flickr.com/photos/koryo_tours/sets/72157629338457331/)

## Young Pioneer Tours

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Let us take you on the adventure of your lifetime!

Can't see a tour that suits your dates? Ask us about our independent tour options and build your own itinerary!

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## Korea Compass

**[The purpose of this section is to provide some background knowledge, especially for people making their first trip to the DPRK. If you know something about what you are going to see beforehand you will greatly impress your hosts, not to mention other foreign visitors, and save yourself having to listen to long-winded explanations when you really want to get down to business. Proverbs have the handy function of offering a quick insight into the thinking and attitudes inherent in a different culture.]**

### The Three Kingdoms

Korea emerged into the light of history as three separate kingdoms (although scanty Chinese records mention a welter of petty states on the peninsula in ancient times). The traditional date of the founding of the Kingdom of Goguryeo is 37 BC, that of Silla 57 BC and that of Paekje 10 BC. This period of Korean history still resonates in modern politics, as the Republic of Korea (ROK) hails Silla as the first unified Korean state. Silla did in fact unify the peninsula, by swallowing Baekje in 660 AD and Goguryeo in 668 AD. The DPRK (North Korea), however, rejects Silla as the forerunner of unified Korea because it was only with massive military help from China's Tang Dynasty that Silla managed to overcome Goguryeo. They see a parallel with the ROK and its powerful ally the US. And even then Silla only managed to absorb the part of Goguryeo south of the present international boundary of the Yalu and Tumen rivers. The part of Goguryeo which extended north of the rivers (including most of China's three northeastern provinces and as far as modern Siberia) lingered on until it was conquered by the Liao Dynasty on 926 AD. China is sensitive about any possible claims by a future united Korea to this territory, and so the DPRK has settled on the Koryo Dynasty, which succeeded Unified Silla in 1392, as its model for reunification, proposing a ``Confederal Republic of Koryo'' to settle the issue. Koryo, incidentally, is where the English word Korea comes from.



The Three Kingdoms of Ancient Korea [Source: Wikipedia]

## Korean Proverb

Punnun pure kijilhagi  
(Winnowing a kindled fire)

Adding fuel to the flames