Money changes North Korea

by Martine Bulard

Le Monde Diplomatique, English Edition, **August 2015**

New merchant class emerges from within the system. Pyongyang now has consumers, spending liberally, and the regime is setting up special economic zones.

In the middle of the afternoon the crossroads was jammed with cars hooting furiously. It could have been Paris or Milan, but in fact this was Pyongyang, in the Democratic People's Republic of Korea (DPRK, North Korea). The chaos was caused by the Spring International Trade Fair at the Three Revolutions exhibition centre (1), where hundreds of companies, some North Korean but most foreign, had come to sell to the general public: PCs and flat-screen TVs from Hong Kong and Japan, cosmetics from Switzerland, coffee from Malaysia, refrigerators from mainland China, pump motors from New Zealand, and other goods from Vietnam and Russia. Even the European Business Association was there. Not bad for a country under a UN embargo (2).

The aisles were so crowded it was hard to get around. "For these people, it's like a well-stocked department store," said someone from a western company. Families, many single women and young people with mobile phones pressed to their ears came out loaded with purchases; some rested near the little stalls selling grilled meat on skewers or ice cream.

The venue and the crowds reflect the consumerism that has seized some Pyongyang residents. Those at the fair were among the privileged (only Chinese yuan, euros or other foreign currencies were accepted in payment), but not the richest. According to people outside North Korea, the capital's wealthiest shop at 20 or so luxury stores, though the two minders who never left me alone during my week in the DPRK — acting both as interpreters and as (highly) political guides — assured me there are no such stores (nor any semi-official or private markets).

Ordinary Koreans, with less money though still well off, can shop at a few supermarkets selling imported as well as domestic goods. They have all the usual features — trolleys, baskets, checkouts that accept cards; on Sundays, the restaurants upstairs are packed with families happily enjoying lunch out.

Pyongyang is not wholly given over to consumerism. In the street or the metro (I was allowed one trip, for just one stop) you see shabbily dressed men and women, some carrying heavy loads; most people don't look prosperous. All over the city there are young soldiers — who don't look very martial — often working on building sites. "The army's role is not only to defend the country, but to participate in its construction," said one of my minders. They are a handy supply of cheap labour.

Demigods still

The regime sticks to its dogma, however incredible. North Korea's leaders are demigods with infallible clarity of vision, and are worshipped unquestioningly: Kim Il-sung, founder of the DPRK, who kicked out the Japanese, then the Americans, and was posthumously made "eternal president"; his son Kim Jong-il, who strengthened the armed forces and made North Korea a nuclear power; and now Kim Jong-un, 32, who has set out to modernise the country. Every public edifice — monuments, swimming pools, schools — has a portrait of at least one, to which people bow as they would make the sign of the cross in church. North Korea claims to have the best political and social systems in the world, protecting its people from aggressive imperialism and destructive capitalism. Anyone who doubts this is sent on a re-education course — "brain school", some joke secretly — or to a labour camp, or even shot.

Yet material living conditions have improved, and Pyongyang is changing. "Ten years ago," said a Vietnamese tour operator, there to pick out new travel destinations, "everything was grey, and there

were hardly any cars. Today, you see colour everywhere." It's not just women's clothing (3) but apartment buildings too. Alongside the huge austere blocks built in the 1950s in pure Soviet style, Pyongyang now has a forest of new towers 30 or 40 storeys high, some of conventional shape and colour, others with curved forms in blue or green and ochre.

The banks of the Taedong, which runs through the capital, are crowded with building sites: Kim Chek Institute of Technology (KCIT, North Korea's top university for science, technology and engineering) is being extended, and the riverbanks are being made attractive for tourists. There is a clear drive to modernise the capital, in line with Kim Jong-un's current slogan "Speed Pyongyang". The *Pyongyang Times* wrote in May: "Visualising the height of civilisation [to come] in the future, Korean people work hard, full of confidence."The aim is not just to change the city's image, but to shape a new elite. In the libraries at Kim Il-sung University and KCIT there are rooms of computers connected to the local intranet, apparently quite fast and reliable. Students taking a master's degree are allowed access to the actual Internet, with some restrictions because, as the chaperone of the young woman who showed me around KCIT emphasised, "there are also some very bad things on the Internet."Records are kept of which websites are visited (teachers are monitored too), and no students have external email addresses.

The teaching staff at these institutions seem pampered: they will have free accommodation in a building under construction on the banks of the Taedong, facing a magnificent avenue. My minders arranged a visit to the huge 1990s apartment of a lecturer at Kim Il-sung University, the son of an architect who had worked with the "eternal president". His wife showed us around the seven rooms and two bathrooms, all well designed and with a splendid view of the Taedong. She spoke of free accommodation for teachers as a tradition, and emphasised that "our Dear Leader Kim Jong-il" had provided the furniture, as he had for all the apartments in the 40-storey tower and its twin next door. She didn't think it odd that she had not been able to choose anything, and that everything should be uniform. But will the next generation — those who wear colourful clothes — be as accepting?

Universal literacy

Though the current and future elite enjoy considerable privileges, basic education, in the purest Communist tradition, has not been neglected. Children have to learn about the Kim dynasty of course, the benefits they have brought to the North Korean people and the horrors of US imperialism, but they also learn to read and write: 99% of adults are literate according to the CIA, which is unlikely to have a positive bias (4). That's quite an achievement for a developing country.

There's an ice rink, theatres, a riding centre and a water park with huge slides to which whole groups of workers are bussed in on a Sunday by the management, and amusement parks with bumper cars, rollercoasters and video game arcades have made an appearance (the city must be fun, after all). It's different in the suburbs, and even more so in the countryside. There are no statistics and I was not able to interview anyone, but I did form an impression while travelling from Pyongyang in the west to Wonsan in the east, a 160-km journey that took nearly three hours by car. The road is made of concrete slabs, more or less well joined together and riddled with potholes owing to the extremes of temperature (up to 30ºC in summer, as low as -20ºC in winter). You can't drive fast, so there's time to look at the fields of rice and other cereals, and villages along the way.

It was the middle of the ploughing and rice-planting season. Though the fields are large, the people working them were mostly using hand tools such as spades or a kind of hoe. Sometimes there was a plough pulled by an emaciated ox, or even more rarely by a small tractor — I saw only two or three. There were often splashes of colour in the fields: students who had left school or university for a couple of weeks to help plant rice or sow wheat or maize. It's compulsory twice a year, for planting and harvest. Little red flags revealed the presence of dozens of soldiers, who also help out in the fields, some the whole year round.

Since 2012, North Korea's peasant farmers have had their own plots. They are now allowed to get together in teams of four or five, to manage some of the land they farm and even sell what they grow on their own account. This reform, combined with the introduction of artificial fertilisers and a slight improvement in farming methods (5), has increased yields. NGOs in North Korea (6) and the World

Food Programme say that famine has been eliminated. But according to a 2013 UN report, 27.9% of North Koreans still suffer from chronic malnutrition.

‘A question of safety’

On the way back, our car broke down near a village just off the main road, about 40km from Pyongyang. While we waited for rescue, I wanted to walk across a bridge to the nearest houses, but the idea panicked my minders, who were desperate to dissuade me. They knew the word “forbidden” was bad for their country’s image. So they tried, naively, to explain it was for my safety, that the place was of no interest, that the locals might be hostile to strangers. They were not mindless apparatchiks: they did their best to satisfy my requests and obeyed their instructions as flexibly as possible, though without breaking the golden rule — nothing was forbidden... but anything not on the programme was prohibited.

The village looked attractive from the road so my minders’ refusal to allow me to visit it was all the more mystifying. There was a very prosperous-looking building, freshly repainted, perhaps a public assembly hall. The people passing on foot or on bicycles, loaded with heavy bags, seemed harassed and poor. But no one would expect rural areas to be rich, even near the capital.

My minders chose instead to take me to the smart 1,400-hectare ski resort at Masik Pass (1,528 metres altitude), built by the army and opened in 2013. The view is breathtaking, and the facilities comparable to anything in the West — three chairlifts (soon four), 10 slopes, a café-restaurant at the top and a “super-luxury” hotel at the bottom with 92 rooms, a swimming pool, sauna, fitness centre, hair salon, disco, karaoke, games room, Internet in the guest rooms, and soon a golf course. Everything is high-end, built “by our own efforts,” according to Ri Su-bom, the director, “because of the US embargo” which prevents western companies from participating (though on the day I visited, foreign maintenance engineers, one German, one Chinese, were there to service the hotel’s lifts).

Rooms cost up to $220 a night — cheap for the standard, but out of reach for most North Koreans: per capita GDP is just over $145 a month. Skiing itself is out of reach too, as equipment rental and a pass for the chairlifts cost $28 — hardly democratic for a country that claims to have a classless society — but it’s all in the good cause of earning hard currency from foreign tourists, mainly from Asian countries and Russia at present.

‘We have learned from our mistakes’

The new economic policy was set on 30 May last year, at a meeting of the Central Committee of the Workers’ Party, headed by Kim Jong-un: to (slightly) reduce state control; not to interfere with the semi-legal enterprises that oil the wheels of the economy and put merchandise into the shops; and to extend the special economic zones (SEZs) open to the global market and foreign businesses. These “May 30 Measures” have proved hard to put into practice. But “we are absolutely determined,” said Ri Chol-sok, vice-president of the Korea Economic Development Association, founded by the Ministry of External Economic Affairs. Like all the officials I met, he came to my hotel.

Ri Chol-sok did not use official doublespeak (I think he knew that might not convince me...): “We have learned from our own experience and mistakes, as well as those of other countries. We want to create an environment that will offer better conditions to investors, so that they can operate without constraints and make a profit.” Twenty-six SEZs have beenestablished. The list of areas in which North Korea hopes to attract investment is not yet finalised, but includes tourism, consumer electronics, machinery and the agrifood sector. Taxes on profits will be reduced.

“It’s the first time we have created this kind of SEZ, and we have a shortage of people with experience,” said Ri. “So we have set up programmes to train people in the management of SEZs.Last year, we opened a department of economics specialising in this area at Kim Il-sung University, to familiarise us with management and enterprise culture.” The number of conferences, seminars with foreign partners and study trips to other countries is increasing. In 2013 a visit by Google boss Eric Schmidt made headlines.

Ri admitted there was a long way to go. Apart from the initial difficulties, there was North Korea's "very bad image" abroad — which he attributed solely to a hostile campaign by the US. He did not mention North Korea's nuclear and missile tests, the diatribes of its leader and his rejection of all dialogue — including his refusal to allow UN secretary general Ban Ki-moon to visit Kaesong, near the military demarcation line, in May — nor the repression of dissidents, condemned in a report by the UN Human Rights Council last February.

The chief consequence of the western embargo has been to make the North Koreans close ranks around their leader, and to strengthen his image as protector of the people. If you know about the trauma caused by the bombing of North Korea during its war with the South (7) you can see that the deployment of 27,000 US and South Korean armed forces close to the border during the annual exercises, simulating an amphibious landing, could trigger an unthinking reaction. Recalling Iraq and Iran, Kim Jong-un and his entourage are convinced that only the threat of Iran acquiring the bomb saved it from armed intervention. They see the bomb as an insurance policy. "The North is provoked as much as the South. The US is always trying to trip North Korea up," said a western diplomat in Pyongyang, nostalgic for the rapprochement under South Korea's Sunshine Policy, adopted by President Kim Dae-jung in 1998 and continued by his successor Roh Moo-hyun until 2007. (France and Estonia are the only European countries not to recognise North Korea as a legitimate state, and to have no embassy.)

A huge empty lot

The only current investors in North Korea are the Chinese (the most numerous and the least popular), the South Koreans (in the Kaesong joint economic zone) and the Egyptians (mobile phone operator Orascom). This is due partly to the embargo, but also to bureaucracy and the hesitancy of North Korea's leaders. The planned SEZ at Sinuiju, on the banks of the Amnok (Yalu to the Chinese), which forms the border with China, opposite the Chinese port of Dandong, seems to be at a standstill. A superb suspension bridge, built by the Chinese, leads to a huge empty lot on the Korean side.

My minders unexpectedly left me alone during the nine-hour train journey from Pyongyang to Dandong. But then they weren't risking much, since most passengers were Koreans who only spoke their own language or were not inclined to chat with a foreigner. Only a businessman from Shanghai struck up a conversation, during our two-hour stop at the border post in Sinuiju, and told me he was a "labour exporter" negotiating contracts for North Koreans to work in China, "not directly with the authorities, but with organisations that report to them." He would not tell me where the Koreans, who were in the next compartment, were going or how they were paid.

After the North Korean countryside, Dandong came as a shock: it's a mini-Hong Kong. But it reveals hidden aspects of North Korea's changing society, for businessmen from both sides of the river meet here.

At the station, visitors are greeted by a huge statue of Mao Zedong, pointing to the future. It's still an impressive sight, though surrounded by new buildings: Dandong hasn't escaped the Chinese property fever. Whole neighbourhoods of luxury homes on the riverbanks seemed to be empty, as pointless as the suspension bridge.

Though the busy new East Port trades with other countries, most traders in Dandong do business with North Korea. One of them is Wang Yuangang, the Chinese part-owner of a small minibus assembly plant in the suburbs of Pyongyang. In 2010 he teamed up with a North Korean company to found a joint venture, in which he has a 54% stake. He explained: "Given the transport links being built, we reckoned there was a good market. [North Korean] workers are disciplined and loyal — not like Chinese workers, who change factories whenever the fancy takes them."They get just over $30 a month, plus $8 insurance, for eight hours' work, six days a week. (He also has to pay for the customary handouts of rice, cooking oil, etc.) That's around 10% of what Chinese workers get at the Huanghai factory in Dandong, from which Wang buys components for his North Korean factory. This cooperative venture, "hailed by Kim Jong-un", is apparently profitable, although it's not always easy. He was looking for partners to expand the business, but there seemed to be few candidates. I gathered

that he also acted as an intermediary for foreign companies, not supposed to trade with North Korea because of the embargo.

‘They are sensitive over there’

Opposite Wang’s office was a row of travel agencies offering to arrange return trips to North Korea and obtain visas. Most of the well-established businesses in Dandong are import-export companies. Wheeler-dealers of all kinds meet here: North Korean officials resident in the city, who trade while keeping an eye on their compatriots, and especially on the young North Korean women working as waitresses in restaurants; Sino-Koreans who have come to an accommodation with the officials, and have the advantage of speaking their language; Chinese small businessmen who will do anything to tap into a promising market.

The Chinese female boss of an import-export company, who wanted to remain anonymous, said, pointing towards the DPRK: “They are sensitive, over there, and very quick to lose their tempers.”She has been doing business with North Korea for 20 years, and said things have changed: “It wasn’t easy in the past, but there was just one person giving the orders. He was dependable, even if he sometimes vanished [having died or fallen from grace]. Now it’s more confusing. More and more often, people are refusing to pay after taking delivery, or asking for unrealistic payment terms.” She claimed she was owed around $75m and was certain that the money went to politicians and businessmen: large-scale corruption, naturally unverifiable.

There is small-scale trafficking at every level. Agencies pay customs officials and police to get visas quickly. Where the Amnok is narrower, North Korean soldiers and peasant farmers supplement their income with trading. Around 15km from the centre of Dandong, on Bin Jiang Dong Lu (the coastal road), there’s an improvised port with a few boats, a small area of concrete quayside and a few kiosks. For 100 yuan (about $16), Chinese citizens and tourists can visit North Korea, where the military sell them fresh eggs from nearby farms, cigarettes, alcohol and official souvenirs (North Korean money, stamps). You can buy the same things on the quayside, but without the thrill. Traders pay a percentage of their turnover to the North Korean military, who do the trafficking, and the Chinese military, who look the other way; one trader said they got equal shares.

Everyone looks the other way. In China, where corruption is the national sport despite President Xi Jinping’s campaign to eliminate it, this is unsurprising. In the DPRK, the military’s unofficial business activities improve their standard of living a little, and act as a safety valve.

It’s yet another sign that money — a taboo subject in Pyongyang — is beginning to play a more important role in daily life. A merchant class is emerging which, according to Andrei Lankov of Kookmin University in Seoul, an expert on North Korea, “is gradually asserting its own political interests, which (contrary to the common view) do not necessarily contradict those of the government and the old party-state nomenklatura” (8). The DPRK is undergoing an economic transformation despite the dead weight of its political regime. It isn’t as the western caricatures portray it — but it’s not the classless society it claims to be either.