



Commuters make their way through a subway station visited by foreign reporters during a government organised tour in Pyongyang, North Korea

REUTERS/DAMIR SAGOLJ

# North Korea's new entrepreneurial economy

BY JAMES PEARSON AND JU-MIN PARK

MARCH 27 - October 29 PYONGYANG / SEOUL

# The \$50 device that symbolises a shift in North Korea

BY JAMES PEARSON

MARCH 27 SEOUL

A \$50 portable media player is providing many North Koreans a window to the outside world despite the government's efforts to keep its people isolated – a symbol of change in one of the world's most repressed societies.

By some estimates, up to half of all urban North Korean households have an easily concealed “notel”, a small portable media player used to watch DVDs or content stored on USB sticks that can be easily smuggled into

the country and passed hand to hand.

People are exchanging South Korean soaps, pop music, Hollywood films and news programmes, all of which are expressly prohibited by the Pyongyang regime, according to North Korean defectors, activists and recent visitors to the isolated country.

“The North Korean government takes their national ideology extremely seriously, so the spread of all this media that competes with their propaganda is a big and growing problem for them,” said Sokeel Park of Liberty in North Korea (LiNK), an organisation that works with defectors.

“If Pyongyang fails to successfully adapt to these trends, they could threaten the long-term survival of the regime itself.”

North Koreans have been spending money more openly, a sign that some forms of entrepreneurship are increasingly tolerated and that the state is easing some of its harsh controls over the economy. In recent months, consumption has become more conspicuous.

“The variety and number of places for locals to spend money has really increased,” said one regular visitor to Pyongyang, declining to be identified. “People seem a lot more confident flashing the cash than they used to be. I’ve seen people spend \$500 on a phone with no hesitation, for example.”

There is no sign, however, that the regime in nuclear-capable North Korea is loosening its grip, looking to make substantial reforms or making any change in its unpredictable ways of dealing with the outside world.

But along with rising incomes, more goods are available in the impoverished country, mostly on the black market but also in some state-controlled stores.

## CHEAP AND VERSATILE

Notel or ‘notetel’ – the name is a uniquely North Korean word combining ‘notebook’ and ‘television’ – are easily found on the black market for around 300 Chinese yuan (\$48), and are also available in some state shops and markets.



A Chinese-made portable media player, which North Koreans call 'Notel', is seen in Hunchun city, China.

**REUTERS/STRINGER**

The device was legalised last year, according to defector-run news outlets in Seoul – one of many recent measures taken by the state to accommodate grassroots change.

The new rules, however, also require North Koreans to register their notel, enabling authorities to monitor who is most likely to be watching banned foreign media.

North Koreans do not have access to the internet – those who can go online are limited to a state-run intranet, while the country's 2.5 million mobile phone subscribers are not allowed to call outside the country.

The notel comes from China, either smuggled or legally imported.

Lee Seok-young, a defector from the North, said he smuggled 18,000 Chinese-made notel into the country last year. He said he ordered them directly from a factory in Guangzhou that was likely still in production solely to satisfy the demands of the North Korean market.

The devices have lost their popularity in China over the years, but still sell well in the provinces bordering North Korea, according to data on the China-based online shopping website Taobao.

When asked to quote a wholesale price for notel, one Chinese trader in the border city of Yanji said: "You want to send them to North Korea? How many do you want to send? They sell well there."

The low-voltage notel differs from the portable DVD players of the late 1990s in that they have USB and SD card ports, and a built-in TV and radio tuner. They can also be charged with a car battery – an essential piece of household equipment in electricity-scarce North Korea.

Legally-registered notel must be fixed to official state television and radio channels, according to the Daily NK, a Seoul-based news organisation run by defectors.

Lee, the defector, said the device's multi-function nature makes it easier for users to get away with watching illegal material.

"To avoid getting caught, people load a North Korean DVD while watching South Korean dramas on a USB stick, which can be pulled out," he said. "They then tell the authorities, who feel the heat from the notel to check whether or not it has been recently used, that they were watching North Korean films".

Park at the LiNK organisation added: "They are small enough to roll up in a blanket and hide in a wardrobe. They have become so popular because they are perfect for overcoming the twin barriers to foreign media consumption: surveillance and power outages.

"If you were to design the perfect device for North Koreans, it would be this." 

Additional reporting by **Ju-min Park and the Beijing Newsroom**; editing by **Tony Munroe and Raju Gopalakrishnan**

# In North Korea, men call the shots, women make the money

BY JU-MIN PARK

MAY 25 SEOUL

**N**orth Korea is a militarized, male-dominated society, but it is women who are making the money as the insular nation allows an unofficial market-based economy to take shape.

Women earn more than 70 percent of household income in North Korea, mainly as traders in the informal markets that have proliferated in recent years, research by the South Korean government-run Korea Institute

for National Unification (KINU) found.

That is despite women making up only about half of the 12 million economically active North Koreans, experts say. Most men are stuck in state jobs that pay little or serve in the army.

“We North Koreans say men are fighting on the socialism front but women are fighting in the battle of life,” said a 26-year-old surnamed Jung who fled to South Korea in 2012 and regularly sends money north to support her mother’s grey-market business raising pigs and selling corn-based alcohol.

“There are no state provisions and my father has an unpaid job, which he must do almost as a duty,” said Jung, a college student in Seoul who asked that her full name not be used to protect her family members still in the North.

The North’s centrally-planned economy has not recovered from the collapse of the Soviet Union, Pyongyang’s economic and military backer during the Cold War. That was followed by a devastating famine in the 1990s that killed an estimated 800,000 to 1.5 million people, when women began selling foraged mushrooms and scrap copper cable to feed their families.

With state rations a distant memory, North Koreans have increasingly turned to the informal economy to support their families, and women are playing a disproportionately active role.

Still, men dominate North Korea’s military and government, which command absolute power in the nation of 24.5 million. The only women seen in the upper echelons of Pyongyang’s current elite are both relatives of leader Kim Jong Un – his sister Kim Yo Jong and his aunt Kim Kyong Hui, the sister of late leader Kim Jong Il.

The grey market economy is not strictly legal but is widely tolerated, with corrupt officials among its main participants.

Traders who set up stalls in some of the roughly 400 markets that have sprung up around the country pay a stall tax to party officials, according to refugees and experts.



Female workers takes a break on a fishing boat at the port of Rajin, in North Korean Special Economic Zone of Rason City, northeast of Pyongyang.

**REUTERS/Carlos Barria**

### **INCOMPETENT HUSBANDS**

The money earned by most independent traders is not big.

A survey of 60 women who defected from impoverished North Korea in 2011 and 2012 by the Citizens' Alliance for North Korean Human Rights found many of them earned informal monthly incomes of 50,000 to 150,000 North Korean won per month, or about \$6 to \$18 at current black market rates tracked by Daily NK, a Seoul-based website. By comparison, state jobs pay 2,000-6,000 won a month – less than the 8,490 won cost of a kilogram of rice in the city of Hyesan, according to Daily NK data.

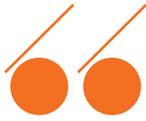
Most defectors come from the rural

northeast and traders in urban areas are believed often to earn far more.

Reuters cannot independently verify data on employment or incomes as North Korea, one of the most closed nations in the world, does not release economic statistics and a majority of North Koreans participate in informal work.

Some of the most eligible bachelors in North Korea nowadays are the party cadres who supervise the marketplaces, women defectors in Seoul say.

“If you want to live better up there, you’d better be a woman selling stuff in markets or marry a man who lives on bribes or taxes from these women at markets, or works for the



North Korea's living standards depend on women's business abilities and skills, not on the state. Women are replacing the role of the state via the market economy.



**Kim Eun-ju** who heads the Center for Korean Women and Politics in Seoul

regime's trading firms," said Kim Min-jung, a defector who runs a matchmaking service for 1,500 women who left the North.

North Korean women, Kim said, complain that men there are like "lights that are switched off all day."

"That points to how useless males are in terms of making money for their families," she said.

With women holding more economic power, more of them are also seeking divorce, according to experts. The main reason cited is financial incompetence, according to a recent survey of 103 defectors by the Seoul-based Korean Bar Association.

In recent years, most North Korean defectors to the South have been women. Less tied to workplaces, women often have more freedom of movement.

The female takeover of North Korea's main street economy is changing a paternalistic culture that considers the ideal women a stay-at-home wife.

While state media promotes institutional gender equality, society has long been dominated by men. Money is changing that.

"North Korea's living standards depend on women's business abilities and skills, not on the state. Women are replacing the role of the state via the market economy," said Kim Eun-ju, who heads the Center for Korean Women and Politics in Seoul and regularly interviews recent defectors.

"Now men are even looking for potential wives in marketplaces," she said.

Jung, the college student defector, said: "North Korean women are independent and strong but will get more so as the state can't provide much for individuals." 

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Additional reporting by **James Pearson**; Editing by **Tony Munroe** and **Raju Gopalakrishnan**

# North Korea's black market becoming the new normal

BY JAMES PEARSON

OCTOBER 29 PYONGYANG

**W**hen North Korea's late "Dear Leader" Kim Jong Il opened the Pothonggang Department Store in December 2010, he called on it to play "a big role" in improving living standards in the capital Pyongyang, official media said.

Five years later, judging by the long lines inside the three-storey store that sells everything from electronic gadgets and cosmetics, to food and household goods, the Pothonggang is meeting Kim's expectations – at least for privileged Pyongyang residents.

But the department store also starkly illustrates the extent to which the underground market has become the new normal in isolated North Korea. And that poses a dilemma to the Kim family's hereditary dictatorship, which up until now has kept tight control of a Soviet-style command economy, largely synonymous with rationing and material deprivation. Now that the black market has become the new normal, Kim Jong Un's government has little choice but to continue its fledgling efforts at economic reforms that reflect market realities on the ground or risk losing its grip on power, experts say.

A Reuters reporter, allowed to roam the store with a government minder for a look at the North Korean consumer in action, noted almost all the price tags were in dollars as well as won. A Sharp TV was priced at 11.26 million won or \$1,340; a water pump at 2.52 million won (\$300). Beef was 76,000 won (\$8.60) a kilogramme. North Korean-made LED light bulbs sold for 42,000 won (\$5). The exchange rate used in these prices – 8,400 won to the dollar – is 80 times higher than the official rate of 105 won to the dollar. At the official rate, the TV would cost over \$100,000; the light bulb, \$400.

Shoppers openly slapped down large stacks of U.S. dollars at the cashier's counter. They received change in dollars, Chinese yuan or North Korean won – at the black market rate. The same was true elsewhere in the capital: taxi drivers offered change for fares at black market rates, as did other shops and street stalls that Reuters visited.

For the last twenty years, North Korea has been undergoing economic changes, the fruits of which are now more visible than ever in the capital, Pyongyang, where large North Korean companies now produce a diverse range of domestically made goods to cater to this growing market of consumers. People are spending money they once hid in their homes on mobile phones, electric bicycles and baby carriers.

The latest sign that the workers' paradise is going capitalist: cash cards from commercial banks.

People use North Korean won and U.S. dollars to buy inflatable clappers at a black market exchange rate before a football match at the Kim Il Sung Stadium in Pyongyang.

**REUTERS/DAMIR SAGOLJ**



### **GREW OUT OF FAMINE**

Four months before Kim opened the Pothonggang Department Store, the United States imposed sanctions on North Korea, including its imports of luxury goods, for torpedoing a South Korean ship – a conclusion Pyongyang rejected. Since then, the U.N. has imposed more sanctions on North Korea for violating restrictions on its nuclear and missile programmes.

None of that has had much effect on the vast majority of North Koreans living in the countryside, where a rudimentary market has evolved considerably over the past two decades. Agricultural mismanagement, floods and the collapse of the Soviet Union led to famine in the mid-1990s. The state rationing system crumbled, forcing millions of North Koreans to make whatever they could to sell or barter informally for survival.

The regime penalised this new class of entrepreneurs in 2009 when it redenominated the won by lopping off two zeros and setting limits on the quantity of old won that could be exchanged for the new currency. That

move ended up destroying much of the private wealth earned on the market.

Demand for hard currency surged after the bungled currency reform as more and more merchants in the underground markets required transactions to be conducted in foreign currency. It triggered two years of hyperinflation.

But the government of Kim Jong Un, who became North Korea's leader after his father's death in December 2011, has essentially accepted the ubiquity of the black market rate and a widespread illicit economy, North Korea experts say.

"Under Kim Jong Un, not a single policy has been implemented which would somehow damage the interests and efficiency of private businesses," said Andrei Lankov, a North Korea expert at Kookmin University in Seoul.

"It's a good time to be rich in North Korea".

### **THE NEW CONSUMER**

Many of the goods inside the Pothonggang Department Store, a grey building nestled



It's a lot of  
notes in  
our money

A taxi driver in  
Pyongyang

between willow trees and a river of the same name, are still beyond the reach of many North Koreans.

An air conditioning unit sells for 3.78 million won (\$450 dollars) – which if paid in won would require a bag of 756 five thousand won notes, the highest denomination note in won.

A growing middle class called “donju”, meaning “masters of money”, who made cash in the unofficial economy are starting to spend it on these new products, along with the long established elite of Humvee-owning individuals with powerful political connections.

Only recently an elite item, mobile phones are now common in the capital, with nationwide subscriber numbers topping three million, an employee with Koryolink, the cellular carrier controlled by Egypt's Orascom Telecom told Reuters.

The number has tripled since 2012 and indicates one in eight of North Korea's 24 million people now have a mobile phone.

Energy-saving products are a fast-growing sector of North Korea's new consumer market and were one of the hottest items in the department store.

Domestically produced LED bulbs are ubiquitous in North Korea, where satellite images have shown a country almost completely black at night. The 9-watt bulb costs \$5 and is a best-seller at the Pothonggang store, said a staff member. The energy-saving bulbs are used inside homes and on street lamps that now bask the formerly darkened streets of the Pyongyang night in a dull, faint glow.

Solar panels with USB-enabled inverters and batteries are available in the store alongside water pumps and small generators – exactly the kind of systems North Koreans now use to take power into their own hands.

### **CASH CARDS**

Baby products are another booming consumer item. A large section of the department store is devoted to strollers and baby carriers produced in China and South Korea.

Many residents of Pyongyang can be seen

riding Chinese-made battery powered bicycles, which only began to appear in the capital over the last year, locals said.

Some of these transactions are done with the Narae Card, a cash card run by North Korea's Foreign Trade Bank – a designated entity under U.S. sanctions since 2013 for the part it reportedly played in nuclear weapons procurement.

Cash cards have been in the hands of the few for the last several years but have recently become a new growth industry. Narae cards are topped up with U.S. dollars and are mainly used for foreign currency purchases. They can also be used to top up mobile phone accounts.

Foreign investors can also set up banks in North Korea and are allowed to lend money and provide credit-based financing schemes to North Korean companies, according to a bilingual book of North Korean law available to foreign investors.

Ryugyong Commercial Bank, for instance, offers shopping discounts as well as gold or silver card options for its customers. As with the Narae card, customers are encouraged to top up their accounts with dollars.

### **LOSING FACE?**

After a \$4 dollar taxi ride, the driver reluctantly handed the change from a twenty dollar note to a Reuters correspondent who insisted on getting change in North Korean won.

Foreigners are not officially permitted to use the currency, so the openness of the transaction – in the presence of a government guide – was another sign of the black market turning white in north Korea. The driver's reluctance to hand over won was because of its inconvenience, not because he was afraid of being caught.

“It's a lot of notes in our money,” he grumbled, counting out 130,000 won from a large crumpled bundle of discoloured 5000 won notes.

That note, still the highest denomination, once carried a smiling portrait of founding president Kim Il Sung but is being gradually phased out by a version with no portrait – an

indication a larger denomination note may one day replace it to accommodate the widespread use of black market pricing.

That would also get around the embarrassing problem that the faces of American and Chinese leaders, not the Kims, adorn much of the cash used in the country now. For a regime that has cultivated a personality cult around the Kim dynasty, it is quite literally losing face on its own money.

### **MATTER OF TIME**

Where there's commercial enterprise, advertising is sure to follow. Sprinkled in among the roadside signs and billboards, once the exclusive domain for propaganda, are small notices that tout car repair services, electronics and trading companies

One prominent company, Naegohyang (my homeland) advertises at football games and has a women's football team by the same name. It produces everything from clothes and sanitary pads to 7.27 brand cigarettes, a favourite of Kim Jong Un's who can be seen smoking them on state TV. They also make 'Achim' cigarettes for export to Iran with printed health warnings written in Farsi.

At a speech following a military parade marking the 70th anniversary of the ruling Workers Party, Kim Jong Un promised to introduce "people-first" politics. It remains unclear, however, how committed he and his Workers Party – not to mention the powerful military – are to market-based reforms.

But it's only a matter of time before the Kim regime formally adopts a market-based economy – as China did 35 years ago under Deng Xiaoping, said Kookmin University's Lankov, who lived in Pyongyang in the 1980s.

"That'll be a great day, but it'll be relatively meaningless in one regard," he said. "It'll be a formal recognition of something which has happened anyway". 

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Editing by **Bill Tarrant**