

# 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

### **Look to North Korea for Fall Jeans Fashion**

[The following is an edited version of an article by Tom Johansmeyer of RSS Feed]

With the latest in up-market jeans being readied for release, it's exciting to see what's in the pipeline. The hottest denim on the market could be coming from the most unexpected place on earth – North Korea.

According to the London Financial Times, "As clean silhouettes and the much-feted new minimalism shape the autumn trends, it looks like denim will take an equally reductive route: out with slashed, stonewash, fussy 1980s styles and in with the basics." And you'll find this manufactured in North Korea.

The Financial Times continues: "Two years ago, a trio of young, 20-something Swedes were invited by the government into North Korea to manufacture a national jeans line. Noko features two jeans styles for men and women: the Kara slim-fit and the Oke loose-fit (US\$215 plus shipping), both straight-cut and dark-wash, in keeping with the austere nightscapes of the designers' inspiration, the DPRK capital of Pyongyang.

After Sweden's largest garment company declined to produce the jeans, the country's largest mining group, which also runs a textile operation, agreed to produce 1,100 pairs, and last December the Noko collection was launched."

The Noko styles are consistent with what is expected for autumn:

"For autumn, denim is very customer-friendly," says Lesley Torson of Trilogy, a London denim boutique. "It's dark, and washes are quite clean, giving it a more polished look." Meanwhile, the advent of styles such as the utilitarian cargo with convenient side pockets, the forgiving high-rise cut, and the faithful indigo boot-cut flare will offer something the premium jeans world hasn't seen for years: wearability.



**Noko jeans on display at the Gallery International Fashion Show, Copenhagen, Denmark**  
[Photos:RSS Feed]

## **Kim Jong Il Praises China's Economic Advance**

North Korean leader Kim Jong Il has praised the economic achievements made by the Chinese provinces bordering the DPRK, which faces tighter US financial sanctions aimed at stopping the North Koreans following China's lead and opening their economy to the outside world.

The official Korean Central News Agency reported that Kim said, "We were deeply impressed and greatly encouraged to see for ourselves the resourceful and hard-working Chinese people in the region" in a letter to Chinese President Hu Jintao, whom he met during his August 26-30 trip to northeast China.

Meeting Hu August 27, Kim emphasized the need to carry the two countries' relationship "forward through generations," KCNA said.

"Northeast China holds the key for North Korea to seek joint development of its own region bordering the area," Kim Yong Hyun, a professor of North Korean studies at Seoul's Dongguk University told Bloomberg news. "Kim's trip would have been aimed at securing substantial development projects that go beyond simple aid packages."

## **Irish NGO Undertaking EU Projects in NK**

[The details of this report were originally carried in CanKor's newsletter  
[www.cankor.ca](http://www.cankor.ca)]

**The NGO Concern, based in Ireland, has begun work on several EU-funded programs. One in South Pyongan Province is focused on sanitation and waste disposal in Hoichang County. Concern volunteers are building water systems**

and improving sewage treatment systems and latrines in the area. It is expected that over 55,000 people will benefit from this work.

Another EU-funded Concern program aims to increase sustainable food production in Hoichang and Koksan counties, and in two neighbouring cooperative farms. To do this, Concern is establishing urban greenhouses, irrigation systems and goat milk processing facilities. According to an official Concern statement, “We are also working with locals to increase their technical and management skills. “This program is expected to benefit over 43,000 people.

The statement continues, “An important part of our work is focused on water, sanitation and hygiene promotion. Between 2004 and 2009 Concern provided 252,500 people in the DPRK with clean drinking water. We did this by renovating pump stations and providing household connections. Key innovations included gravity-fed water systems and the use of solar-powered water pumping systems. In addition, 46,800 people have benefited from improved sanitation facilities, especially in institutions such as schools, kindergartens, nurseries and the county hospital.”

Concern volunteers also work on halting deforestation and improving farming techniques: “We have provided 270,000 potted tree seedlings to three community-run nurseries. These potted seedlings grow quickly -- in three to nine months -- with undamaged root systems. This is a major improvement on the more traditional bed-grown seedlings that were previously used. Traditional seedlings usually take one to three years to grow and often suffer from damaged roots.

As a result of the success of the potted seedlings, the DPRK’s Ministry of Lands and Environmental Protection is now keen to extend their use countrywide. As part of our forestry work, we have also supplied nurseries with tools, pots and fuel.”

With supervision from the Academy of Agricultural Research, Concern has undertaken a series of crop trials, to find out what types of crops could flourish on the lower slopes of hills and mountains. The crops included new varieties of rice, sweet potato, sorghum, soya bean, millet, hybrid maize and ground nuts. “The trials were successful,” according to Concern: “The hybrid maize produced twice the normal yield, and the millet produced standard yields using only half the normal amount of fertiliser. These crops are now being incorporated into the annual co-operative crop plans.

**The ability to grow these crops on lower slopes will alleviate the pressure to produce crops on the higher, steeper slopes.”**

**Another EU-funded project aims at improving food production for people living on hilly land. As part of this project, Concern is introducing conservation agriculture, which will increase yields, reduce soil erosion and reduce labor requirements to produce food. Improvements in crop storage are being attempted to reduce the post-harvest losses, and crop trials are being conducted for improved varieties of maize, winter wheat, soya bean, upland rice and potatoes.**

### **“Agroforestry Ideal for NK Food Boost”**

[The following is an edited version of an article by Kate Langford in Quelle. Eureka!]

A pioneering agroforestry project in the DPRK is restoring heavily degraded landscapes and providing much-needed food for communities living on sloping lands.

Xu Jianchu, East Asia coordinator for the World Agroforestry Center, which has been providing technical expertise and training for the project since 2008, said agroforestry — in this case the growing of trees on sloping land — is uniquely suited to North Korea for addressing food security and protecting the environment.

"Previously malnourished communities are now producing their own trees and growing chestnuts, walnuts, peaches, pears and other fruits and berries as well as medicinal bushes," Jianchu explained. "They have more food and vitamins and are earning income through trading".

North Korea is a harsh, mountainous country where only 16% of the land area is suitable for cultivation. In desperation in the 1990s people turned to the marginal sloping lands, but this caused deforestation, leaving entire landscapes denuded and depleted of nutrients.

In an effort to reverse the situation, an innovative and pioneering project began in 2002 involving the Swiss Agency for Development and Cooperation (SDC) and Korea's Ministry of Land and Environmental Protection. The World Agroforestry Center was later brought in to provide technical advice.

A system of establishing user groups with one representative from each family has enabled demonstration plots to be set up and a large number of households to benefit from knowledge about growing multi-purpose trees. Such trees can improve and stabilize soils as well as provide fertilizer, fodder or fruits.

Several of the user groups have started their own nurseries so that they can be self-

sufficient and produce their own planting materials.

"There is an enormous need to improve knowledge and skills in North Korea in the area of natural resource management and to nurture young scientists," said Xu. The SDC is now investing in this area. Each year over the past few years, a handful of students from the DPRK have undertaken studies with the Center for Mountain Ecosystem Studies jointly run by the World Agroforestry Centre and the Chinese Academy of Sciences and hosted by the Kunming Institute of Botany in China.

## **NK Offers to Repay Czech Debt in Ginseng**

North Korea has offered to repay nearly US\$10 million in debt to the Czech Republic in ginseng.

The Czech Finance Ministry said it has been negotiating for repayment of the debt, which dates from the late 1980s, when Czechoslovakia was part of the Eastern bloc. Then, Czechoslovakia delivered to its North Korean ally trams, trucks and various machines.

North Korea, which has few sources of hard currency because of the long-standing US blockade on its foreign trade, agreed to a Czech demand that it pay off the debt in goods. It proposed sending medicinal products made of ginseng, a root with a variety of health benefits. The world's best-quality ginseng is grown in North Korea.

## **Sixty Years of Failed Sanctions Against NK**

[The following is an edited version of an essay by Christine Ahn and Haeyoung Kim carried in *Foreign Policy in Focus*]

The United States has adopted even more stringent sanctions against the North, mainly financial.

For 60 years Washington has tirelessly advocated that sanctions against the north will eventually get the regime to change its foreign policy and domestic agendas. This approach, however, has proved to have had a negligible impact, largely because North Korea has offset many losses in trade with countries now banning exchanges with Pyongyang, namely Japan and South Korea, by increasing trade with China. China's reactions to sanctions, noncommittal at best, have generally undermined the potential leverage US sanctions could have against North Korea.

However, a new round of sanctions targeting the banking sector may have a bit more bite. The international banking community's response to the US financial sanctions against Macao's Banco Delta Asia in 2006 set an important precedent, as non-US

banks were afraid of rousing the ire of Washington if they handled the DPRK's legal transactions.

Indeed, financial sanctions have proved to deter other countries and companies from engaging in business activities with North Korea, and the persistent imposition and threat of hard-line economic sanctions policies has placed considerable constraints on North Korea's ability to attract foreign capital. Longtime North Korea aid worker Kathi Zellweger, of the Swiss government's Agency for Development and Cooperation, observes that sanctions limit development opportunities and deter many foreign investors from even entertaining business prospects in North Korea. According to Cho Myung-chul of the Korea Institute for International Economic Policy in Seoul, foreign investors reportedly shy away from potentially lucrative ventures in North Korea because of the looming threat of US sanctions.

Constraints on foreign capital and financial transactions will, for instance, severely limit infrastructure and development projects in the cash-strapped north -- projects that would improve the living conditions in North Korea. Without financial resources, energy-generation systems and distribution networks in desperate need of expansion and upgrading will remain antiquated. There is not enough energy to meet domestic demand at both the household and factory level. And the transportation sector continues to need maintenance and repair.

Sanctions against the north also prevent Pyongyang from developing a robust export market that could generate hard currency. In order to revive industry currently operating at very low capacities, North Korea would need to receive large injections of outside capital. With the increased risk premium on doing business with North Korea, however, investments in and loans to North Korea are seen as unstable business opportunities.

South Korea, meanwhile, has wholeheartedly embraced US-promoted sanctions. As soon as Lee Myung-bak came into office in March 2008, he began to dismantle the bilateral trade ties that had grown in the previous decade of the "sunshine policy." Lee not only reversed bilateral trade and contacts, he also stymied the efforts of South Korean NGOs in providing humanitarian aid to the North. Such exchanges, trade and investment especially, had been undercutting the US sanctions on the North by supplying the DPRK with hard-currency capital and high-tech, while providing a conduit for North Korean goods to be exported. The US demanded a stop to this -- and Lee Myung-bak obliged.

In May 2010, Lee announced that South Korea would also block North Korea from using its sea-lanes any longer, which would force North Korean merchant ships to use alternative routes, requiring them to use more fuel.

But it's not just trade and governmental bilateral aid the Lee administration has halted.

Karin Janz, the country director of the German NGO Welthungerhilfe, who has for five years traveled extensively throughout nine North Korean provinces, told the Times of India: "Although the food situation is bad, it's nowhere as bad as the

Western media portrays it. Sanctions have adversely impacted North Korean agriculture because of its heavy reliance on imports such as farm machines and chemical fertilizers. However, sanctions may have something to do with the government's new interest in sustainable agriculture, with mandates to cooperatives to pursue organic farming, composting and a reduced dependence on chemicals. Still, farms need substantial investment to get to a level of functionality, which requires capital."

To attract investors, the DPRK's International Trade Office website proclaims that the country has "the lowest labor costs in Asia" and the "lowest tax scheme in Asia," as well as listing 300 types of minerals and other natural resources. North Korean labor is valued at US\$40 per month, and there is a US\$17 dollar discount from the wages paid to the 42,000 North Korean workers in the Kaesong Industrial Park. The North is able to keep wages low because its welfare state provides housing, education, health care, etc., free of charge.

Sanctions haven't achieved the intended goal of the senders: regime change. Instead, sanctions have only made the lives of North Koreans harder. As the Obama administration unveils its blacklist and plans to further tighten the noose around the North Korean regime, North Korea will fall increasingly under China's influence.

## Inter-Korean

### **Inter-Korean Trade Soars**

The trade volume between the two Koreas hit a record high in the first half of this year, according to the ROK's Korea Customs Service. It said that the total value of imports and exports reached over US\$983 million in the January-June period, up more than 52 percent from US\$645 million-worth a year ago.

The latest figure tops the previous record of US\$885 million in 2008, and is six times higher than the US\$162 million recorded in 1999.

The ROK's exports to the DPRK jumped 66 percent in the period, to US\$435 million-worth, and its imports from the North rose 44 percent, to US\$553 million-worth.

Most of this growth -- an estimated 70 percent of it -- is a result of the continuous operation and expansion of the jointly-run Kaesong Industrial Complex.

However, the trade volume may drop by as much as 30 percent in the second half of this year, as the Seoul government is pushing to close off all trade with the North. Seoul is hesitating to order its businessmen out of Kaesong because if it does so it will have to pay them massive amounts of compensation.

## **Seoul Allows Medical Aid to NK**

The South Korean government has allowed a visit to North Korea by a humanitarian aid group for the first time since Seoul banned cross-border visits in late May this year.

The South's Unification Ministry spokesman Chun Hae-sung said the government approved the visit by a group of three medical workers and officials of the Korean Sharing Movement to deliver supplies to areas struck by malaria in the North.

They were to visit the border city of Kaesong to deliver supplies worth 400 million won (about US\$337,000).

The spokesman said the decision was based on the fear of a malaria outbreak in the southern part of the DPRK spreading into the ROK.

Chun stressed that the government stance on visits to North Korea remains unchanged.

## **ROK Religious Groups Deliver Flour to DPRK**

Representatives of five different religions in south Korea, including Catholics, Protestants and Buddhists, crossed the Demilitarized Zone August 27 to deliver some 300 tons of flour to the North.

Thirteen trucks carrying flour worth roughly US\$210,000 accompanied by the nine-member delegation traveled to Kaesong and five other cities in North Korea to hand out the aid to the poor and to children before returning home later in the day.

The group said that right now there should be more priority placed on ensuring the livelihood of the North Korean people than realizing denuclearization on the Korean Peninsula.

## **Comment**

Amidst all the confusion in the last month about whether Pyongyang has opened Youtube, Twitter and Facebook accounts, the South Korean government took no chances: It warned its people that anyone tuning in to them risked penalties under the National Security Law, and anyone replying to their messages would be treated as a spy. Seoul already blocks 64 websites it deems to be sympathetic to the North -- ironic, as the ROK claims to be the most wired place in the world. There have been protests in South Korea against the government's heavy-handed attempts to stifle dialog between Koreans North and South, with -- surprisingly -- the anti-Pyongyang webpage The Daily NK joining in. But The Daily NK is funded by the US Congress, and so presumably is out of the reach of South Korea's laws. The US State Department's chief spokesman, Philip Crowley, welcomed North Korea to ``Twitter

and the networked world." This is an encouraging sign of greater openness to exchanges of ideas on the part of both countries. For now, North Korea's online offerings are only in Korean, but Prof. Lee Sung-yoon of Tufts University thinks that it may soon offer video clips and posts in English. In the meantime, another irony popped up. With South Korea's media blocked from filming the return of dissident pastor Han Sang-ryeol from the North via Panmunjom last week, and his immediate arrest, the South Korean people were reduced to secretly watching the event on smuggled clips from the North's Chosun Central TV.

## Domestic

### Kimchaek City Mulls 2011 Trade Fair



Yi Bok Il, head of the Kimchaek Municipal People's Committee, gives an interview to the Global Times. Photo:Chen Rui

The government of Kimchaek, a coastal city located in North Korea's North Hamgyong Province, may hold a trade fair next year, and trade representatives from all countries will be welcome to participate, said Yi Bok Il, head of the Kimchaek Municipal People's Committee. He was speaking after the opening ceremony of the 6th China Yanji Tumen River Area International Fair for Investment & Trade 2010. The three-day fair opened August 28 in Yanji, Jilin Province.

Yi told the Global Times that it was the first time for Kimchaek to take part in such an economic activity, and via the trade fair the city aimed to promote economic communication and trade cooperation with China and other countries in Northeast Asia.

## **NK Develops Anti-Cancer Drug**

The DPRK has developed a vaccine to prevent relapse and metastasis of cancer, the official news agency KCNA reported.

The vaccine was developed to prevent liver, lung, stomach and other cancers from relapse and metastasis after surgery, said Ri Il Hun, a section chief at the Tumor Institute under the Academy of Medical Science. Ri was responsible for developing the drug.

"Nearly 10 years of experiments on animals have shown that its cancer growth suppression rate is as high as 68.8 percent," Ri said.

Ri added that the clinical examinations of some 600 patients operated on for liver, lung and stomach cancers showed that the efficacy of the vaccine is 54 percent, 32.8 percent and 20.3 percent higher, respectively, than other medicines with a five-year survival rate.

## **DPRK Website Highlights Expo Pavilion**



**The DPRK pavilion (center, background) at the 2010 Shanghai Expo [Photo: Naenara]**

North Korea has launched a website to introduce its pavilion at the 2010 Shanghai World Expo and the country's history, culture and customs, the official KCNA news agency reported.

The website, [www.expo2010-dprkorea.org](http://www.expo2010-dprkorea.org), has video clips featuring historic sites such as the Tower of the Juche Idea, the Ulmil Pavilion and the Chilsong Gate (all in the capital, Pyongyang).

It also has videos of art performances such as the annual grand gymnastic and artistic show "Arirang," and operas "The Flower Girl" and "Sea of Blood." Popular songs like "My Wife," are also available, it said.

The website also introduces local customs, as well as the mausoleum of Kingdom of Koryo founder Wang Kon, the Ryongthong Temple and the Sonjuk Bridge, and the popular tourist destinations of Mounts Paektu, Kumgang, Myohyang and Chilbo.

September 6 will be the DPRK National Pavilion Day at the Shanghai Expo, the first World Expo that the DPRK has ever taken part in.

## Touring North Korea



Hey! This **Chinese National Day Holiday** why not get away from it all.... bored of Beijing? exhausted with the Expo? Tired of Thailand? Jaded with Japan? Hostile to Hainan ?

in the meanwhile...

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**What to do during Chinese National Day?**



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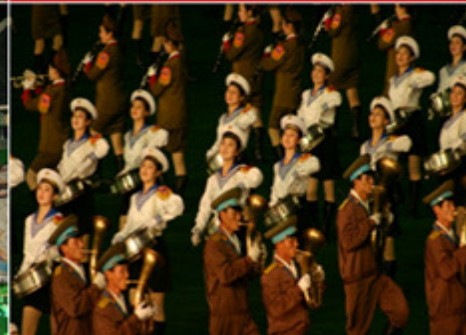
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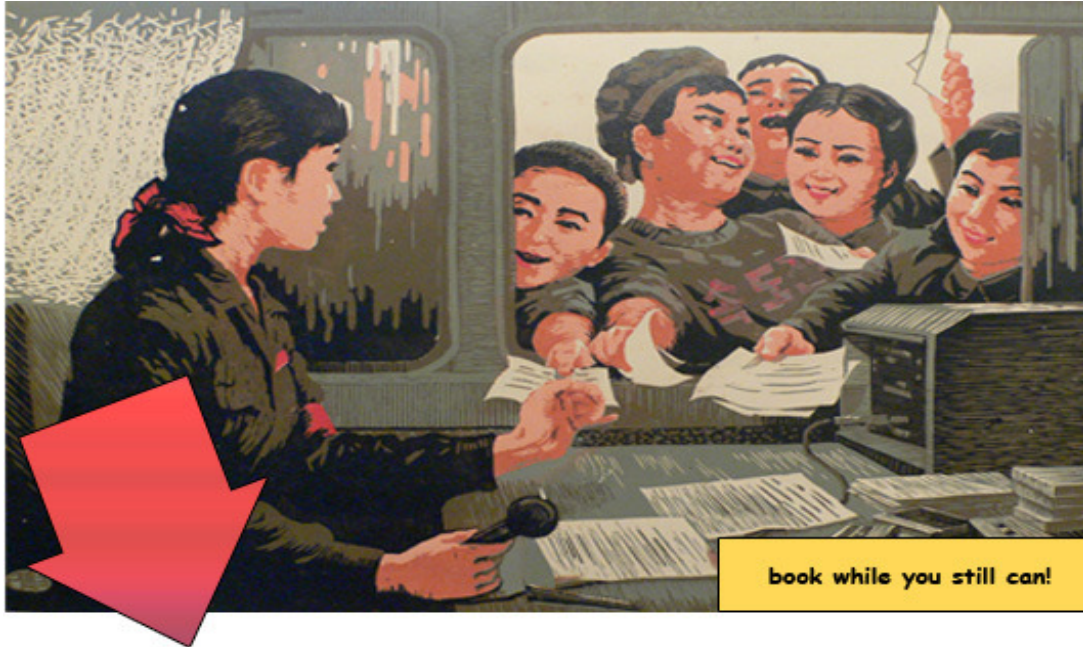
>> 100,000 performers in a synchronized mass gymnastics and dance extravaganza



## ► Mass Games

Since 2002, the DPRK has hosted the full scale Mass Games named 'Arirang'. The mass games involves over 100,000 performers in a synchronised mass gymnastics and dance extravaganza, the likes of which is impossible to see anywhere else. This is an art form that the DPRK has developed over the decades and takes place in the May Day stadium (the world's largest).





**Book your tour now** at: [http://www.koryogroup.com/travel\\_tourApplication.php](http://www.koryogroup.com/travel_tourApplication.php)

We hope to see you this year at Mass Games!

Best regards,

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**Office tel:** +86 10 6416 7544 **Office fax:** + 86 10 6415 2653

Address: 27 Beisanlitun Nan (East Courtyard)

**Chaoyang District, 100027**



中国北京市朝阳区北三里屯南27号东侧院  
邮编: 100027

**US Citizens Welcomed on Arirang Tours**

The Shenzhen Daily, published in south China's Shenzhen City, is advertising five-day trips to the DPRK from August 2-October 15, 2010, departing every Saturday. The tours are open to US citizens, according to the advertisement.



**The May Day Stadium in Pyongyang, the venue for the annual Arirang Festival [Photo: Shenzhen Daily]**

Itinerary:

Day 1. Fly via Shenyang to arrive at Pyongyang's Sunan International Airport at 5 p.m. local time. After dinner check into the hotel.

Day 2. Visit Korean War armistice talks venue at Panmunjom, where visitors can see the North-South military demarcation line, monument inscription by President Kim Il Sung, Korea Museum, ginseng shops and Liberation War Memorial. In the evening enjoy the grand Arirang show (at additional cost of 800 yuan per person).

Day. 3 Visit Mansudae, birthplace of President Kim Il Sung, Mount Myohyang, Tower of the Juche Idea, Children's Palace (or secondary school), International Friendship Exhibition Hall and Party Monument.

Day 4. Visits to the Chollima bronze statue of a legendary horse, and Nampo Sea Barrage.

Day 5. Visits to the DPRK-China Friendship Tower, Kim Il Sung Square and a souvenir shop. Return to Shenzhen via Shenyang.

Tour prices (4 nights/5 days):

**For tourists from Europe and the U.S.** (Based on ten participants):RMB7,280 per person. Single room supplement::RMB1,100 per person

**For Southeast Asian tourists** (Based on six participants): RMB5,380 per person. Single room supplement: RMB1,100 per person

Includes: 4-star hotel and breakfast; meals; transport; professional English-speaking tour guide; sightseeing and entrance fees; Shenyang/Pyongyang return flight tickets; North Korea visa fee.

Excludes: Shenzhen/Shenyang return airfare; personal expenses; tips for guide and driver (US\$3 per person per day).

The ad stipulates that 30 days advance notice is required from those wishing to participate in the tour. It doesn't mention the name of the tour company, so the newspaper itself might be running the tours: Shenzhen Daily --szdaily@szszd.com.cn

## 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.]

## South Hamgyong Province

South Hamgyong Province is located on the northeast coast of the Korean peninsula. A narrow stretch of lowland fringes the sea, while the rest of the province is mountainous. Forests cover 80% of the province.



South Hamgyong abounds in underground resources, including magnesite, the quality and size of deposits of which are said to be the best and biggest in the world. The Tanchon area in the northeast part of South Hamgyong is the mining center for magnesite, lead and zinc, the main extractors being the Ryongyang and Taehung mines. The Tanchon Magnesia Works in Tanchon City produces magnesia clinker, large quantities of which are exported. The Komdok Mining Complex produces and processes rare metals as well as lead and zinc.

The seat of the province is Hamhung City, home to heavy, light and chemical industrial establishments, including the February 8 Vinalon Complex and the Hungnam Fertilizer Complex. The Hamhung branch of the Academy of Sciences specializes in industrial research.

Sinpho is the center of Korea's deep-sea fishing industry, accounting for more than 60 % of fish production. Its fleet includes 10,000-ton factory ships. South Hamgyong is also noted for its orchards and goat raising.

## Korean Proverb

Kulgun pega odomnungotboda natta.

“An old sack is better than no clothes at all.”  
(Half a loaf is better than no bread.)