



Pyongyang has an App for That: Sanctions and Luxury Goods in North Korea

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Despite years of sanctions and isolation, foreign goods and modern consumer technologies continue to flow into North Korea providing elites with luxury goods and fueling the fragile economy. Countries such as China, Malaysia and Singapore serve as important conduits for trade. The reality of North Korea's economic situation became clear as I and a group of U.S.-based researchers travelled to North Korea in early June 2011 for a week-long trip to Pyongyang and four other cities. The purpose of the trip was to observe the country and talk with citizens, business people, and locally based foreigners. Among the many questions the team sought to answer during the visit were on the availability of foreign goods (e.g., luxury, consumer and machinery goods) and the level of advancement in their information technologies? We were astounded by what we learned.

Efficacy of Sanctions and Availability of Foreign Goods

When traveling throughout North Korea, the availability of foreign consumer goods, machinery and equipment was quite evident. Hotels and restaurants were serving Coca Cola, Sprite, and Heineken, while local park grounds were littered with South Korean Choco Pie wrappers. More significantly, one of the many proxies the team analyzed was the number of foreign cars and their relative newness. Several types of foreign cars were identified ranging from Mercedes Benz, BMW, and Lexus to Chevy vans, Ford sedans, and Lincoln Continentals. Many of these cars looked relatively new and of the latest models. In addition, the team visited the recently renovated Kaeson Amusement Park in Pyongyang and a water bottling factory on the outskirts of the city. Both locations had modern machines and equipment imported from Italy and Japan. Most intriguing were visits to Kim Il-sung University E-library and the Grand

People's Study House (national central library), which were outfitted with several recently purchased Hewlett-Packard and Dell computers, respectively. At Kim Il Sung University, students were using three-dimensional touch screen technology and wireless internet.

Despite strong efforts by the international community to tightly restrict trade to North Korea, including sanctions of luxury goods exports for North Korean elites, the team observed that this endeavor was falling short. The problem with sanctions toward North Korea, such as the 2009 UN Resolution 1874, is that individual countries are responsible for implementation. Countries like China are either not interested in constraining the flow of trade that destabilizes the regime or are simply lax with enforcement in order to increase profitability. Thus, North Korea is able to circumvent sanctions through these third party countries. As one Malaysian investor doing business in Pyongyang summarized his experience: "One can basically get anything they want in North Korea. It just costs more because of sanctions."

Growing Access to Information Technology

The other intriguing discovery was the prevalence of cell phones and the growing penetration of information technology in North Korea. Several people were spotted calling or texting in the cities and even in the countryside. The latest first quarter report by Orascom's joint venture, Koryo Link, indicates that there are 535,000 subscribers in North Korea. During discussions with a Koryo Link executive, the team discovered that the numbers had jumped to more than 600,000 subscribers by June who were enjoying voice calls, voice mail, text messaging, and the ability to send photos via phone. This exponential growth since Koryo Link was established in 2008 is amazing especially when

considering the large costs for wireless phone service. The registration and set up fees are nearly \$1000, while the costs of the phones range from \$225 to more than \$400. In addition, phone usage is a pay-as-you-go service with an average user spending more than \$20 a month.

The growing user base suggests a number of interesting implications, but among them, it may reveal the size and possibly the growth rate of the middle to wealthy class in North Korea. This development corroborates with stories shared by Western diplomats stationed in Pyongyang who have seen numbers of locals showing up to foreigner stores with large wads of cash to purchase consumer goods. Furthermore, this confirms the team's general inferences that economic conditions in Pyongyang are relatively good. Streets were filled with people and cars; building construction appears active. Moreover, when looking at women clothes, shoes, and hair styles, which are seen as proxies for disposable income, they were increasingly fashionable and colorful. In short, although much of the world may be focused on the impoverished in North Korea, there is also a privileged group. Furthermore, these visual indicators may suggest that the wealth disparity between the two groups may be growing.

Finally, discussions with Koryo Link representatives revealed that 3G internet service via Apple iPads will be available this fall in Pyongyang via a special SIM card developed by Koryo Link. When asked whether the North Korean regime would be concerned about foreigners traveling around North Korea with internet service on their iPads, the representatives suggested that the government actually encouraged these latest technology developments. This is not the only indication that the government is permitting greater internet access. Kim Il Sung University E-library and Pyongyang University of Science and Technology permit access to the world wide web. Also, in the recently refurbished elite Hyangsan Hotel in the remote Myohyong mountain area, the hotel manager revealed that all of the guest rooms have direct internet access.

In conclusion, viewing North Korea from the inside reveals greater developments in the area of trade and communication than what is realized in the

international community. Despite the international community efforts to halt certain products from entering the country, these goods are still making it into the country to supply elite appetites and the economy. As one former Western ambassador to Pyongyang describes access to foreign goods in North Korea, he stated that with some searching, one can essentially find supplies to cook exotic Italian food, the most obscure camera batteries and even Scotch Whiskey.