

Please contact CEteam@chosonexchange.org for more information

April 2011 Needs-Mapping in Pyongyang:

Public Report — Parts of the
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조선교류 | CHOSON
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April 16 to April 23 Pyongyang Post-Trip Report

Sections:

1. [REMOVED]
2. [REMOVED]
3. Daesong Bank
4. Kim Il Sung University Financial College
5. Foreign Trade Bank
6. Joint Venture & Investment Commission
7. Daepung Group & National Development Bank

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Section 3: Daesong Bank Meet

Daesong Bank Bio

- Established 1978
- [REMOVED]
- Services trading for Daesong Economic Group and conducts following activities:
 - Loans (to enterprises)
 - 1 month to 3 years window
 - Have NPLs but no details given (claims less than 10%)
 - Interest rate based on credit rating and LIBOR; does not account for inflation
 - Investments
 - Trust
 - Bullion Dealing
 - Commercial Banking (?)
- 250 staff in headquarters and 1000 staff in total
- Regulated by Central Bank and Ministry of Finance
- Liabilities from Daesong and other groups

Organization Map

- Assistant Manager
- Manager
- Senior Manager
- General Manager
- VP
- President
- Chairman

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Section 4: Kim Il Sung University Meeting

About Kim Il Sung University Financial College

- Faculty in Financial College were in the past part of economics faculty which covered finance and monetary policy.
- Financial College was established in April 2010
- 4 Departments cover the following areas:
 - Accounting
 - International Finance
 - Public Finance
 - Monetary Circulation and Credit
- 6 to 7 professors in each departments
 - Professors are mostly 30 to 39 years old with 70% being able to read English
- Offers equivalent of B.A. And M.A. Programs (i.e. targeted at undergraduates)
- Program has 5 grades (I assume that this equals 5 years of studies)
- Currently has 350 students with the aim of increasing to a total of 500 students (i.e. 100 students per grade)
 - Students mostly go to ministries or companies after graduation

Current Materials and Research Journals

- Currently, very little use of foreign textbooks or research journals but indicated desire to incorporate such materials into research and curriculum
- Curriculum: we asked to see this but we were told that it was still “incomplete” and they were too embarrassed to show it
- Professors mainly publish in domestic journals (kyongje yongu)

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Section 5: Foreign Trade Bank

North Korea Banking System

- Foreign Trade Bank and Central Bank are 2 pillars of financial industry
- FTB role similar to Bank of China in 1970s
- FTB Mandate
 - Foreign Currency
 - Settlement of trade accounts between governments
 - Sets rules on using foreign currency
 - Has corporate account at bank for trade settlement
- FTB does not do
 - monetary policy
 - debt negotiation
- FTB products
 - Deposits include fixed accounts and term deposits (interest set at around 6% and does not account for inflation expectations)
 - Fees from services and loans to companies for trade
 - Investments in domestic projects
- 600 people including all branches
 - 20% at head office speak English; 40-50% can read books in English
- Audited by the State Auditor
- Recruitment of students from
 - Kim Il Sung University, People's Economic University, PUFS, Kim Chaek
 - With specializations in math, foreign language, economics and mathematics

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Section 6: Joint Venture & Investment Commission

Mandate

- 3 Part Mission
 - Promote investment
 - Provide information and services to investors
 - Make recommendations on improving the business environment

Background

- Established on July 8, 2010
- 200 people and growing fast (claims all speak English)
- Separate from Ministry of Foreign Trade, which handles trade issue between countries
- South Korean investment not under JVIC purview (considered intra-country investment)
- Oversight over all JVs
 - 300 JV of which 30% are non-Chinese
 - Mainly in mining, processed food, marine products, tourism and textiles

Upcoming Projects

- New investment laws in 1-2 months
- Website to come up soon

Sales Pitch to Investors

- Stable Political Environment
- Strong legal environment
- Natural resources
- Geographic position

Identified Challenges to Investors

- Sanctions
- Lack of information and overseas presence
- Lack of Infrastructure Investments

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Section 7: Daepung Group and National Development Bank

Details of Group

- Set up in order to build an economy outside of state-planned economy
- Meant to raise funds outside of state budget to manage mining projects and infrastructure development
- Claims to adhere to market principles but method involves investors handing over money to Group in return for minerals (essentially a new middleman)
 - Daepung controls as manager of project
- 80 people in group