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## 'Pyonghattan': Meet North Korea's Nouveau-Riche

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By **Jonathan DeHart**

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“Let us turn the whole country into a socialist fairyland!” This was one of North Korea’s official slogans for 2015.

And despite Kim Jong-un’s ruthless international image – marred by failed missile tests and political executions – the luxury-loving dictator means business when it comes to bringing leisure to the masses.

Since taking office in December 2011, Kim has ordered the construction of a water park, a 4D cinema, a dolphinarium, riverside parks, residential skyscrapers, a new airport terminal and an underground shopping mall, *The Economist* notes. Brand-name clothing outlets, restaurants serving a slew of international cuisine, cappuccinos and gym memberships are also on offer in the Democratic People’s Republic of Korea (DPRK) today.

This visible spike in consumerism “is one of the most striking changes in Pyongyang in the last few years,” an insider who has visited the country numerous times over the years told *The Diplomat* on the condition of anonymity. “In recent years it has become OK to show that you have things and wealth. It is socially acceptable to be aspirational in the material field.”

This alternate reality springing up in the DPRK today, where some 3 million citizens now wield cell phones, has been coined “Pyonghattan.” The inhabitants of this world apart are known as *donju* (“masters of money”). These nouveau-riche residents are making money thanks to the emergence of an unofficial economy.

“Who is participating [in this unofficial economy] is a complex issue,” Stephan Haggard, Lawrence and Sallye Krause Professor of Korea-Pacific Studies at the University of California, San Diego, told *The Diplomat*. “We know from surveys that corruption is high; we surveyed foreign firms and refugees in this regard. So collaborative partnerships

are worked out between local party officials, managers and de facto capitalist class.”

He added: “But given the importance of state protection and the fact that there is no consensus in the government on how much to allow these processes to go forward, protection is clearly important and party members themselves may have to be involved in the larger operations.”

*Reuters* cited defectors as saying that quasi-autonomous businesses operating in this underground economy commonly run according to a public-private partnership structure, through which staff give 70 percent of profits to the state and keep the rest. Haggard, who has explored this topic at length with Dr. Marcus Noland in the Peterson Institute for International Economics’ blog *North Korea: Witness to Transformation*, emphasized that most of this information comes from secondary sources and is largely anecdotal.

But he added that “there are a few things we think we know. There is no formal reform process going on, or it is being done only through pilots,” he said. “It appears that the regime is relaxing the space in which market activities are allowed to include somewhat larger scale operations that involve fixed capital: housing, restaurants, transport. Moreover, it appears that there is probably a secondary financial system emerging under the radar. All of these are signs that the scale of what we call ‘marketization from below’ has increased.”

In other words, marketization at the grassroots level.

According to the anonymous source, “there seems to be a sense that it is OK to do anything as long as it doesn’t interfere with the core functions of the state.”

The source added: “It’s probably worth noting that although there is clearly growing inequality and that some people are

clearly much better off than others, this middle class is usually not actually very wealthy at all. We haven't gotten to a level where kids are driving around in gold Ferraris or anything like that."

Gold Ferraris or not, some of the fruits of consumerism available to Pyonghattanites include nail salons, massage parlors, cafes, cosmetics, smartphones (about 3 million North Koreans have cell phones), imported fruit juices, English lessons, toothpaste infused with nanotech crystals and pet dogs. While these items are taken for granted in the developed world, they are wildly extravagant in a country where the official salary is \$10 a month.

It doesn't end there. This week the *Washington Post* offered a rich description of the consumer spirit now flourishing in the capital: "They like fast fashion from Zara and H&M. They work out to be seen as much as to exercise. They drink cappuccinos to show how cosmopolitan they are. Some have had their eyelids done to make them look more Western [\$50-200 for the operation, depending on a surgeon's skill]." Further, the image conscious are routinely seen at the coffee shop, where most drinks sell for \$4-\$8, and the iced mocha costs a whopping \$9.

The report goes on to describe a trip that three of the Post's reporters made to a restaurant with a German theme featuring exposed brick and seven brands of domestic beer on tap. On the menu: steak with baked potato (\$48) Wiener schnitzel (\$7) and a bowl of *bibimbap* for those hankering local fare (\$7). Meanwhile, a BBQ restaurant in the Sunrise complex offers a single portion of beef for \$50, while Australian beef, Norwegian salmon, craft beer and granola can be had for a hefty price.

Yet, despite this explosion of culinary, fashion and entertainment offerings, the country is still dotted with crumbling buildings. And the restaurants, cafes and malls

are often unable to run due to electricity shortages. This begs a deeper question: Does this consumerism indicate that the nation is gradually opening up? Or do these material improvements only amount to a thin veneer hinting at progress where there is none?

“One big theoretical debate is whether these processes will have wider political – as opposed to social – effects and the answer again is not clear,” Haggard said. “On the one hand, these developments imply de facto liberties, but not in the political sphere. I don’t think it is contradictory that there would be simultaneous economic relaxation and political control, precisely to prevent the one from leading to the other. There is clearly a concern about the border and defection, and of course the capacity to harass and arrest is still there.”

On a more sobering note, he added: “Moreover, and important for the foreign policy debate, there is no indication that de facto liberalization has any effect on North Korean defense posture, which continues to be belligerent.”

## The Author

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