Annual Report 2017

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Executive Summary

While rockets got bigger and sanctions became tougher in 2017, an enthusiastic group of local frontier entrepreneurs continued launching startups that make life better for people in the DPRK. From packaged vegetables that help families get through the winter, to a device that protects electric appliances from the volatility of an aging power grid, Korean workshop participants took the business and startup skills they had learned from our volunteers to solve real local problems.

After eight years of business workshops, we are seeing the emergence of a startup ecosystem that fuels innovation in the DPRK: Entrepreneurs are exploring new business ideas on the local intranet and offline, long-term workshop participants mentor less experienced colleagues, and provincial officials look for ways to let individuals take charge of commercial spin-offs. Using concepts like the Business Model Canvas to refine ideas, and Lean Startup methods to test product-market-fit, local entrepreneurs are actively using the tools taught by Choson Exchange. Over the years, we have seen ideas become prototypes, prototypes become products, and products become startups — mentored by volunteers from all over the world who join our trips.

While running programs in the DPRK and overseas, we have developed a roadmap to grow the ecosystem of local entrepreneurs in 2018 and beyond. We plan to focus our support not only on skills training, but on shaping the culture, infrastructure and business communities in the country — a strategy that will drive our long-term impact and guide us in developing initiatives for the coming years.

Despite significant challenges in funding and operations, we are grateful and proud of the more than 130 volunteers who have helped us reach more than 2,000 Korean participants\(^1\) over the past eight years. From the capital of Pyongyang to trading hubs like Pyongsong, from industrial zones like Rason to tourism hotspots like Wonsan, CE volunteers have personally met the ambitious women and men who contribute to positive change in Korea. Thanks to the reliability and consistency of our engagement, Choson Exchange has become a powerful local brand for entrepreneurship and progress in the DPRK. Though the lack of funding forces us to slow the pace of programs in 2018, we continue to introduce ambitious frontier entrepreneurs and policymakers to the knowledge they need in pursuing positive change.

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\(^{1}\) incl. repeat participants

Geoffrey K. See
Chairman
2,018+ KOREAN PARTICIPANTS

60+ BUSINESS PLANS DEVELOPED

330 ORGANIZATIONS JOINED

57 PROGRAMS IMPLEMENTED

130+ IN-COUNTRY VOLUNTEERS JOINED

230+ KOREAN REPEAT PARTICIPANTS

(all since 2010)
Thank You

With more than 130 workshop leaders across all in-country programs, Choson Exchange depends on the generous contributions of everyone who joins us for a trip. Last year, 19 workshop leaders shared their business skills with locals who attended our startup bootcamps in the DPRK — and we could not have done it without them. “I learned more than I expected,” one of our volunteers told us after returning home. “We all need to hear opinions from the other side to help us understand the world.”

As an organization, we are acutely aware that for most people, traveling to Pyongyang is a leap of faith. “It was truly a unique opportunity to experience the DPRK, and at no time did I feel unsafe,” one of our workshop leaders told us after his trip. We appreciate the trust that volunteers place in us, and will continue to do everything we can to make traveling with CE as interesting and enjoyable as possible. We would also like to express our appreciation to the donors who have continued to support our work in 2017. Thank you!
Unjong Park
Entrepreneurship Ecosystem

Choson Exchange has been observing and supporting frontier entrepreneurs in the DPRK for more than eight years, analyzing policy announcements and changes on the ground. With the designation of Unjong Park as a special economic zone in 2014, we recognized an opportunity for experimentation and innovation that could provide new ways to get startups going. With its unique location just outside the city of Pyongsong, a major trading hub close to the capital of Pyongyang, we see a chance for this SEZ to play a prominent role in the domestic economy.

In 2017, we completed a major research project that aimed to analyze and outline the challenges and opportunities of Unjong Park, helping us to develop a long-term strategy for nurturing an entrepreneurial ecosystem in the area. The report describes how CE programs have trained a core team of local entrepreneurs, policymakers and incubation mentors. While Unjong Park was initially targeted at attracting foreign companies, we worked with the management to focus its efforts at nurturing domestic startups and extending the benefits of the economic zone to them. Officials are also exploring ideas that would make it more attractive for employees at research institutions to create commercial spin-offs under individual management, creating strong incentives for founders to succeed, and for institutions to pursue the commercialization of their research. The startups looking to settle at Unjong Park have become catalysts for ideas and discussions on economic policies that will have tangible impact on many other entrepreneurs building businesses in Pyongsong and the surrounding area. Besides making it easier for new companies to get formally registered, new regulations allow for companies to receive loans not only from state-owned banks, but also from individual households.

**CE involvement**

- 1) Began discussions with SAOS on technology commercialization
- 2) Conducted in-country workshop to introduce startups, incubation, venture capital, and other topics
- 3) Conducted overseas workshop in SE Asia to expose SAOS partners to incubation & technology parks
- 4) Provided on-site consultation to encourage Unjong Park to (1) focus on incubation and (2) pivot towards supporting domestic startups
- 5) Conducted 4-month incubator mgmt training as part of Mini-MBA overseas program
- 6) SAOS incubator mgmt. team began mentoring local startups and developing an incubator-style program
- 7) As of Nov. 2017 SAOS is: (1) Planning to put domestic businesses in Unjong Park (2) Testing legal frameworks to allow incentive sharing with individual entrepreneurs

**Micro**

- Economic policy + business environment
- Business skills + entrepreneurship

**Macro**

2014

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   2) Testing legal frameworks to allow incentive sharing with individual entrepreneurs
We believe that the progress in regulations for Unjong Park, and the launch of startups affiliated with research institutes in Pyongsong, show how a combination of macro-level consultations with policymakers and micro-level training of individuals can make a measurable impact for entrepreneurship in the DPRK.

Our research report discusses the details of what Choson Exchange has done in the Pyongsong area over the past couple years, the preliminary results of our work, the challenges ahead, and what we have to do to pioneer a frontier entrepreneurial ecosystem there.
Programs

Activities

Over the course of a busy year, Choson Exchange implemented four workshops in the DPRK and one overseas program on hospitality and retail management. In total, these programs were taught by 19 CE volunteers who travelled to the DPRK with us, and attended by more than 330 Koreans who improved their business skills and worked on startup ideas for the domestic market.

Our workshops in the DPRK were organized as startup bootcamps — a new format pioneered in-country by Choson Exchange and aimed at encouraging participants to create business ideas that have a realistic chance of succeeding in the local economy. During the bootcamps, experienced foreign business professionals deliver one-hour talks on topics like market research, product innovation, financial planning, marketing, lean startup, and more. In between talks, local participants break up into small teams working on specific ideas, prototypes or products that have been launched over the past year. Using the Business Model Canvas, participants refine their understanding of what their customer segments, sales channels, revenue streams, key partners, resources, activities, and cost structure are. Insights and questions are discussed face-to-face with CE volunteers who provide advice and mentorship. At the end of three to four days of intense preparation, teams present the outcome of their work to a panel of CE volunteers and their fellow entrepreneurs, pitching their ideas, and receiving a final round of advice on how to proceed over the following months.

Talks given by the volunteers we brought to the DPRK in 2017 covered a wide range of topics that were chosen based on CE insights and direct requests from local participants of previous business workshops. Volunteers discussed how businesses can expand into new market segments, develop crucial partnerships
with other businesses for mutual benefit, quickly launch products despite limited funding, and how better management can help discover the most valuable talents among employees that help a company become successful. Talks also addressed the importance of financial management and compliance in accounting to enable sustainable growth, the power of branding and market research, approaches to project management, and the core of every successful business — the creativity and innovation of the people who run it.

One of the most active areas of economic development in the DPRK over the past few years has been the commercial development of real estate. In response to requests for targeted training in this field, we organized an entire workshop focused on property development and related aspects. CE volunteers spoke about international examples of successful urban development, methods of financial assessment for real estate projects, and the role of co-working spaces in the emergence of local creative ecosystems that can boost entrepreneurship.

**Outcomes**

After years of experimentation and program development, our Pyongyang and Pyongsong Startup Bootcamps have sparked the launch of several new products in 2017. These products were developed by entrepreneurs who have been trained at CE workshops, and refined their ideas in collaboration with volunteers who dedicated their time and expertise to help the nascent business community in the DPRK. Moreover, these new entrepreneurs have been mentored by experienced locals who had participated in CE programs in Singapore during previous years. This emerging group of mentors has begun helping DPR Koreans who need advice and support throughout the year, supplementing what CE workshops offer.

Among the 337 Korean participants who attended a Startup Bootcamp in 2017, a few people stood out — either because they had already launched a product, or because of the promising pitch they delivered when presenting their idea to our volunteers. With support from his employer, a research institute, one founder developed a device that protects electric appliances from the extremely volatile voltage of the DPRK power grid. The device can be programmed via a PC interface and protects against a wide range of power surges, the founder explained.
While the price is comparable to similar products from China, he believes he can offer better after-sale service, thanks to the proximity of his company to his customers. He also tries to gain an advantage over Chinese competitors by building a network of contacts among local repair shops that can recommend and sell his device, he said. The entrepreneur developed the idea for this product during a CE business workshop and decided to pivot after talking to prospective buyers about what they really need, applying the lean startup skills and market research commonly taught during CE Startup Bootcamps in the DPRK.

Another entrepreneur, a food scientist, worked closely with a small tea company to develop a new medicinal tea that aims to reach new customer segments. Besides looking for help with product development, the company needed advice on sales and marketing — so he approached a colleague who Choson Exchange had trained overseas on startup mentorship. The mentor provided advice on packaging design (“make it more beautiful so customers will pay the higher price”) as well as sales strategy (“they now sell through drug stores, supermarkets, and offer a sales bonus”).

While these products can make a tangible difference to the people in the DPRK, entrepreneurs are also helping spark discussions on regulations and economic policies that are highly relevant to businesses. Working with entrepreneurs, regulators, and provincial officials in Unjong Park has helped Choson Exchange create a multi-stakeholder dialogue about ways to make it easier for entrepreneurs to get their startups off the ground.
Public Outreach

Contributing expertise to the public debate on the Korean conflict remains one of the important aspects of our work. CE staff have been quoted in the media almost two dozen times in 2017, including major news organizations like CNN, Reuters and The Diplomat, as well as leading online media like Buzzfeed and special interest publications like 38North.

Our reach to provide commentary and insight via social media has increased significantly: The number of people following Choson Exchange on Twitter has increased by 30% to more than 2,600 in 2017. On Facebook, reach has increased by about 20% to more than 4,200 interested observers of the Korean conflict.

Over the same period, our reach on Instagram, where we publish photos of CE programs in the DPRK, has grown by more than 80% to 450 followers. In addition, Choson Exchange regularly reaches close to 2,800 readers through a monthly newsletter with updates on in-country and overseas programs, as well as first-hand insights on the DPRK.

The opportunities and challenges presented by Unjong Park, the Special Economic Zone outside of Pyongsong, are summarized in a research report compiled by Choson Exchange in 2017.
What’s Next

Over the course of 2018, Choson Exchange will continue to offer trainings that provide local entrepreneurs with tools and skills to succeed. While teaching basic business knowledge remains an important aspect of our efforts, we also aim to formalize the incubation process that we have developed with local partners in 2017. Our goal is to take more entrepreneurs from idea to market, provide them with mentoring resources, and make sure startups do not get stuck along the way.