

▶ Chapter 2

North Korea in Transition: its Potential and Limitations

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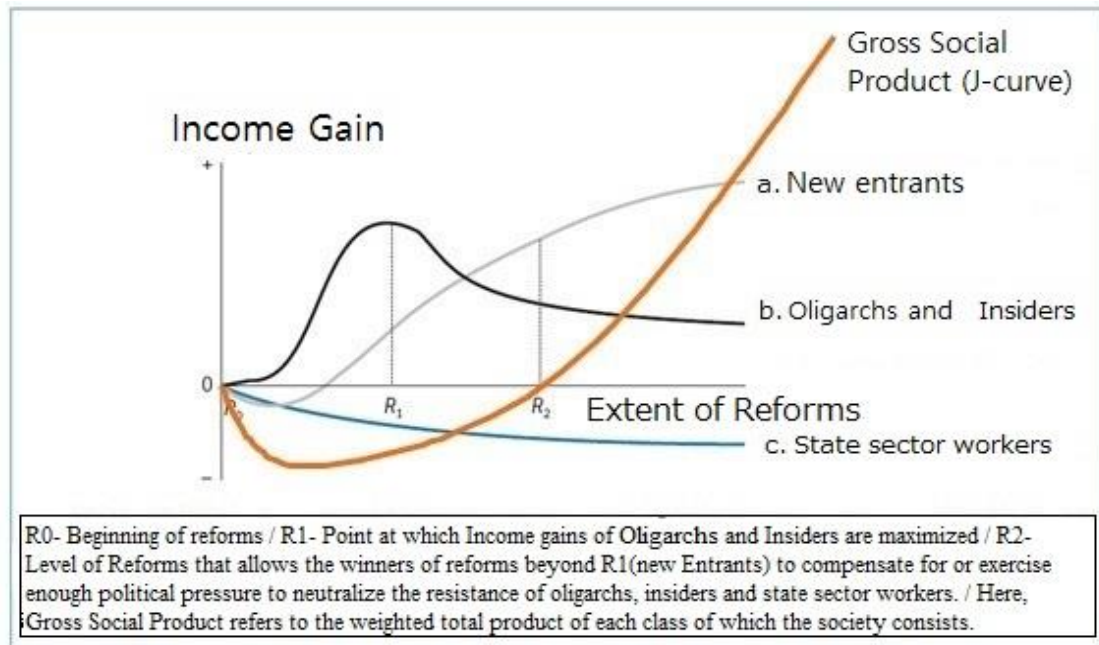
[Key Points]

- Contrary to the prevailing view that the North Korean economy is continuing to deteriorate, the palpable indicators of the state of North Korea's economy are demonstrating an upturn. While this is partly due to the limitations of viewing the North Korean economy from the outside, the situation requires a critical examination that also takes into account the fact that this perception might result from prejudice.
- The main growth engines of the North Korean economy are still mass exports of domestic resources, including North Koreans working overseas –as well as coal and steel. As such, it is still reliant upon other countries, which does bring its sustainability into question.
- Another engine is the expansion of markets. The fact that markets in North Korea are no longer in conflict with the state, but play a peripheral role in the state sector is worthy of attention in examining the synergistic relationship between state and markets.



Key Data

Winners and Losers from Reform



Source: Compile by the author on the basis of World Bank (2000) *Ten Years of Transformation*, with the addition of a J curve