

▶ Chapter 3

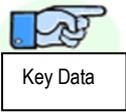
North Korean Business in Transition —— Financial Reforms and the Growing Power of Individuals and Private Companies

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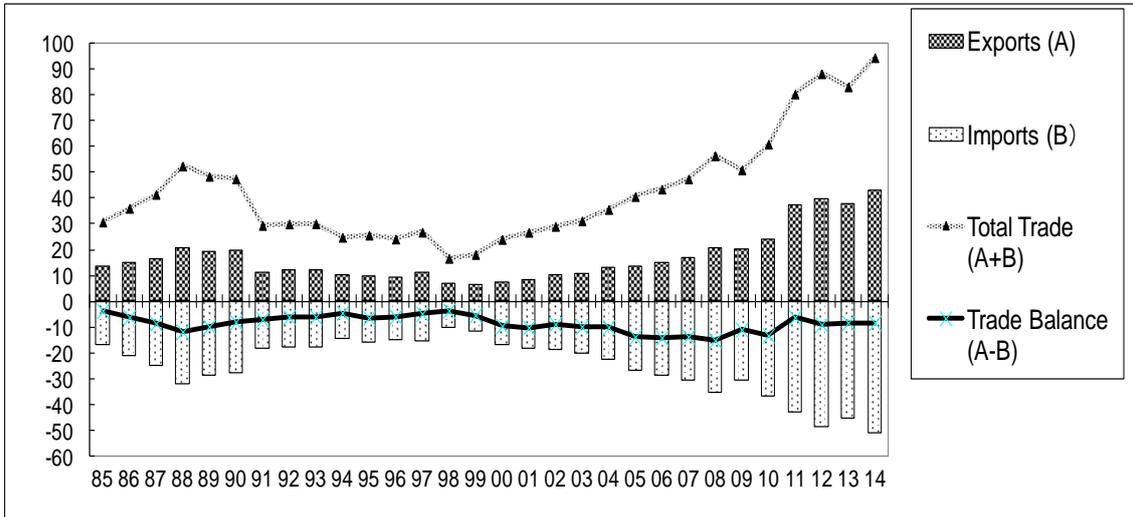
[Key Points]

- The collapse of the socialist regimes of the former Soviet Union and Eastern Europe in the late 1980s and early 1990s, as well as changes in the trade system that followed the normalization of diplomatic relations between China and South Korea in 1992 wiped out the international socialist market that had supported North Korea's socialist planned economy. In addition to an economic crisis, North Korea suffered natural disasters over a three-year period in the mid-1990s that led to many people dying of hunger. During this time, economic activities in the unofficial sector intensified, compensating for the decline of the state-run sector.
- The purpose of the “economic reforms” initiated from 1998 under Kim Jong-il's rule was to restore the supremacy of the state sector, while retrospectively validating the status quo of growth in the unofficial sector. However, in the mid-2000s, side-effects began to emerge, so North Korea emphasized the socialist planned economy once more and carried out a currency reform.
- Economy policy-making during the Kim Jong-un era took as its starting point the status quo, in which the lives of the North Korean people are sustained by the unofficial sector as well. Accordingly, while maintaining society's ownership of the means of production and the Workers' Party of Korea's firm grip on the reins of power – and certainly without renouncing socialism – North Korea is trying to test the limits of the extent to which policy change is possible amid this state of affairs.



Key Data

Transitions in North Korea's External Trade (Including North-South Trade)



Source: The Korea Trade-Investment Promotion Agency (KOTRA) and the Ministry of Unification of Korea