



North Korea's New Strategic Line on Economic and Nuclear Development and the Lifestyles of Its People

——A Unique Military-Industrial Complex and a Growing Market Economy

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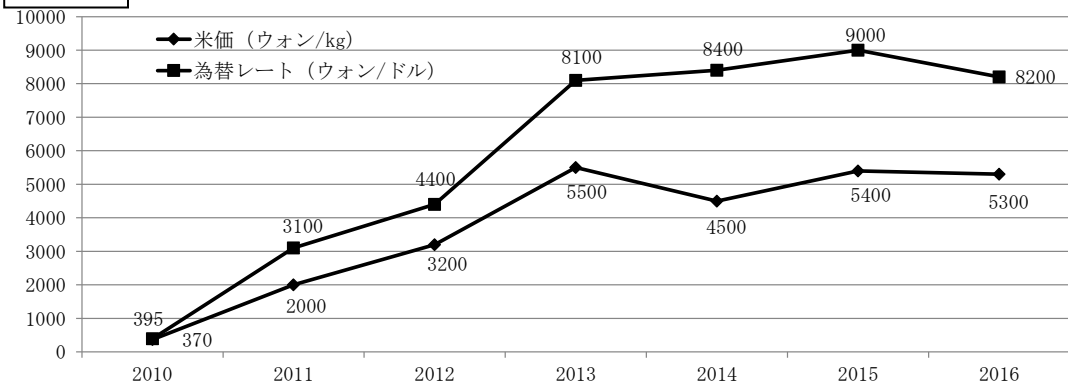
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[Key Points]

- In 2013, Chairman of the Workers' Party of Korea Kim Jong-un announced a basic policy centered on the new strategic line on simultaneous economic and nuclear development. However, since the Seventh Party Congress in May 2016, he has effectively switched to a strategy that puts nuclear development first. He appears to have decided that it is too difficult to balance nuclear development with economic development.
- In the 1990s, North Korea began a shift from parallel economic and military development to a policy of prioritizing the defense industry, and the number of civilian factories operating on a war footing grew. Civilian industries were semi-militarized and industry as a whole took on the aspect of a military-industrial complex.
- With the recent tightening of sanctions, North Korea has been forced to relax controls on markets to ensure stability in the lives of its people, so market economic elements will potentially spread rapidly. Markets are not only essential to ensuring stability in the lives of ordinary citizens, but also serve as a gateway to economic recovery. To attract foreign capital, North Korea must shift from a nuclear-first policy to one that prioritizes the economy.



Changes in the Market Exchange Rate and Rice Prices in North Korea (2010-2016)



Rice price (won/kg)

Exchange rate (won/dollar)

Source: Daily NK website (<http://www.dailynk.com/korean/market.php>).