

North Korea

Unveiling the North Korean economy, by Byung-Yeon Kim

A scholarly and important analysis of this reclusive country's hidden transformation



A silk factory in Pyongyang © AFP

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For some residents of Seoul, the wall-to-wall coverage granted by western media to [North Korea](#) and its ever-expanding arsenal of ballistic missiles and verbal barbs is a source of bewilderment. Hunkered 50km from the most militarised border on the planet, these citizens have for decades lived with the threat of annihilation with stoic reserve.

Pyongyang's sabre-rattling, meanwhile, has captured the world's attention, with each new threat sparking reportage, punditry and tweets from [Donald Trump](#). In the process, many have overlooked developments in North Korea that could have greater consequences for the future of the reclusive nation than the words of the US president.

Experts now recognise the [North Korean economy](#) is in the throes of a transformation, with the growth of both formal and informal markets, as well as private enterprise, boosting citizens' wellbeing and defying notions of a state-run basket case. In *Unveiling the North Korean Economy*, Byung-Yeon Kim provides academic rigour

and rare data in a book that should be required reading for policymakers or diplomats studying North Korea.

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Kim, a professor at Seoul National University, acknowledges the growing ubiquity of market trading, a phenomenon that took root informally following devastating famine in the 1990s but now becoming increasingly enmeshed in government plans. In 2013, Kim Jong Un set out his “[byungjin line](#)” — a policy of simultaneous development of the nation’s economy and nuclear weapons, and has since

permitted almost 400 markets with more than 600,000 stalls. These are in addition to countless unofficial markets — or *jangmadang* — which while technically illegal now account for between 70 and 90 per cent of total household income, according to a host of studies.

While the west has focused on the North Korean leader’s nuclear ambitions, the market reforms, combined with a tacit acceptance of private enterprises, have led to an uptick in wages and the standard of living of many citizens, complicating western efforts to sanction Pyongyang.

The author is most compelling when outlining the longer-term ramifications of these developments for the Kim regime: “Markets will transform the structure of the economy and the mindsets of people . . . our analysis predicts that this subtle balance between the power of the markets and that of the state cannot sustain long term, and economic considerations will ultimately prevail among North Koreans.” Prof Kim believes the North Korean leader will at that point face a crucial decision: risk his own position in an aggressive bid to repress the market or loosen his grasp in what could be the beginning of a Chinese-style transition.

Yet predicting Pyongyang is a fraught business, and part of the reason the North Korean economy has received comparatively little attention comes down to a lack of reliable information and credible macroeconomic data. Growth estimates can vary wildly. One example was gross domestic product per capita calculations for 2015,

which ranged between -1 per cent (Bank of Korea in Seoul) and 9 per cent (Hyundai Research Institute).

Last month, the South Korean central bank said the North's economy in 2016 grew at 3.9 per cent — the fastest pace in 17 years. These findings echo Prof Kim's of a gradual U-shape recovery of the North Korean economy after its slump through the 1990s. However, he cautions that Pyongyang "is far from recovering to pre-crisis economic performance".

In addition to macroeconomic analysis, *Unveiling the North Korean Economy* rewards the reader with fascinating nuggets gleaned from interviews with hundreds of North Korean refugees as well as businesses operating in the border region with China. These put paid to notions that North Koreans are dependent on state rations or that economic hardship is the primary factor motivating [defections](#). Crucially, they also support data on wage growth; Prof Kim estimates the average monthly income from the informal economy is about 80 times that from official state jobs.

The imperfect data are limited by obvious constraints. But for anyone seeking a deep understanding of North Korea, this is essential reading.

The writer is the FT's Seoul Bureau Chief

Unveiling the North Korean Economy: Collapse and Transition, by Byung-Yeon Kim, Cambridge University Press, £28.99

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