THE RESURGENCE OF A MARKET ECONOMY IN NORTH KOREA

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Summary

North Korea has been described as the world's last Stalinist country. The rhetoric of its officials may indeed be Stalinist, but market forces have played a major role in its economy since at least the late 1990s. The spontaneous growth of free enterprise has been crucial to the North Korean economy's slow but steady recovery from an external shock.

A Recovering Economy

- In the early 1990s, a sharp decline in trade with and the sudden termination of foreign aid to North Korea exposed the country’s principle of economic self-reliance as a myth.

- Contrary to popular belief, the private sector has played an increasingly important role in North Korea since the late 1990s. Although the country remains very poor, the private sector has helped the North Korean economy recover and has helped create fairly stable economic growth in recent years.

- The government’s approach to the private sector has been mixed. It generally accepts private enterprise as a necessary evil, but for political reasons, it is not prepared to legalize it completely. Kim Jong-un's government is more tolerant of private enterprise than its predecessors.

- It is impossible to accurately assess the size of North Korea's private sector, but it is currently estimated to account for 30 to 50 percent of gross domestic product.

Implications of Private Sector Growth

- The growth of the private sector has exposed the general public to foreign commodities and information about the outside world, and it has led to some political liberalization. It is likely to have a lasting impact on the North Korean political situation.

- Private sector growth has sharply increased class stratification in North Korea. The country is even beginning to experience income inequality.

- Having embarked on a path of cautious economic reforms, the Kim regime will continue to support the private sector in the immediate future.
The outright legalization of the private sector appears unlikely. The sector will probably continue to maintain a low profile and will be presented as being part of the public sector whenever possible.
Introduction

The commonly held notion of North Korea as the only remaining Communist (or Stalinist or socialist) dictatorship on the planet is largely outdated. At the moment, North Korea looks like a poorly developed market economy characterized by extensive government intervention and heavy but inconsistent regulation.

But just as an informal market became widespread in the Soviet Union in the 1970s, the private sector in North Korea has steadily gained momentum, if not official legitimacy, over the past twenty to twenty-five years in a radical transformation of Pyongyang's economy. North Korean economic statistics have been a state secret since the early 1960s, but the private sector is now estimated to account for 30 to 50 percent of the country's gross domestic product (GDP).¹

These changes, largely unnoticed by international observers, have introduced income inequality into North Korean society, helped to restart economic growth, and exposed the general public to foreign commodities and information about the outside world.

The Quiet Demise of North Korean State Socialism

From the early 1960s to 1990, North Korea’s economy was heavily dependent on direct and indirect aid from the Soviet Union, China, and a number of other socialist countries, even as North Korean authorities and official propaganda refused to openly acknowledge the existence of the aid. The state-run press either did not mention Soviet assistance at all or wrote about it in passing. From the early 1960s to the late 1980s, official propaganda consistently stressed “self-reliance” as the core principle of North Korean economic development.

However, a sharp decline in trade and the sudden termination of aid in the early 1990s exposed this principle as a myth. (Such a turn of events did not come as a surprise to the handful of Soviet specialists focusing on the North Korean economy.) North Korea’s tremendous dependence on foreign aid became obvious when the aid suddenly ceased.

The Soviet Union’s decades-long assistance to the Democratic People’s Republic of Korea (DPRK) had geopolitical underpinnings, even though Moscow’s relations
with Pyongyang when Leonid Brezhnev presided over the Soviet Union (1964–1982) were not terribly close. However, following radical changes in the early 1990s, Moscow concluded that it was no longer reasonable to subsidize such a capricious and unreliable semi-ally. Moreover, traditional Soviet-era foreign aid mechanisms proved ineffective amid Russia’s transition to a market economy. As the environment changed, Russia-based trade organizations and companies demanded that their North Korean partners pay international market prices for Russian goods and services. Around the same time, China adopted a somewhat softer but generally similar position.

Trade between the Soviet Union and North Korea was constructed around an inherently unequal relationship: the Soviet Union subsidized organizations that traded with North Korea, receiving tangible or imaginary geopolitical benefits in exchange. Therefore, the attempted switch to truly reciprocal relations in the 1990s resulted in a sharp decline of trade volume. By 1992, trade volume had fallen by a factor of ten compared to the average annual level during 1985–1990.2

The sudden termination of Soviet and Chinese aid resulted in a deep economic crisis in North Korea. By that time, North Korea, which in the 1940s was the most economically developed East Asian country outside of Japan, had already been experiencing grave problems. However, the 1990s were nothing short of an economic catastrophe. In the absence of official economic statistics, it is hard to assess the extent of this catastrophe accurately. However, specialists at the Bank of Korea (the South Korean central bank) estimate that in 1998 the North Korean GDP amounted to just 60 percent of its 1990 level. Economic growth resumed only around 2000.3

The agricultural sector was hit especially hard. The country’s economic leadership had sought to attain self-sufficiency for domestic food needs, albeit at a very basic level. Before the crisis, ordinary people received a pound of pork three to five times a year and obtained their required daily caloric minimum through grain rations. To achieve food self-sufficiency, North Korean agriculture relied on the heavy use of mineral fertilizers and construction of complex electric-pump irrigation systems. But this self-sufficiency proved deceptive: the system was able to function only as long as the Soviet Union was supplying cheap oil and spare parts. The economic crisis in the 1990s and the termination of Soviet aid led to the closure of chemical plants that produced the fertilizers and resulted in a grave energy crisis. Consequently, agricultural production yields decreased sharply.

To avoid famine, North Korea has to produce approximately 5.2 million to 5.5 million tons of grain annually. The agricultural collapse, which was exacerbated by catastrophic floods, reduced grain production to 2.5 million to 3 million tons annually. The resulting famine lasted until 2000.4

International media reports often say there were upwards of 2 million to 3 million deaths in the 1996–1999 North Korean famine. These oft-repeated figures appear profoundly exaggerated—the result of biased samples (data were collected largely through refugees, most of whom came from the hardest-hit areas).
and numbers manipulated to boost the chances of getting aid. Current estimates put the actual death toll at 500,000 to 600,000. These are nevertheless enormous figures for a country of 25 million. The famine was the largest humanitarian disaster to occur in East Asia since the Chinese famine of the early 1960s caused by Mao Zedong’s notorious Great Leap Forward policy.

Struggling to Survive

In most Eastern European countries, a form of public distribution system has been deployed in times of emergency to ensure that the population has sufficient food and basic necessities. In North Korea, the welfare system to ration food and necessities was in place for decades, and the public accepted it as a given. The average North Korean housewife took government-issued ration cards to a grain distribution center twice a month to receive grain rations for the entire family at token prices. Vegetables and basic necessities were also rationed, but those could be obtained in stores rather than distribution centers. That all ended as a result of the 1996–1999 famine. Starting in the mid-1990s, the distribution of grain rations virtually ceased.

Most state-owned industrial enterprises stopped functioning as well, although the North Korean government demanded that male employees report to work even if their enterprises were not actually running. This policy was officially justified with rhetoric about the need to protect socialist property and to prepare to resume production after overcoming the crisis. In reality, the government was probably seeking to keep track of its people and to avoid potential unrest and political problems. The requirement to be present at one’s workplace did not apply to women, though: any married woman could register as a housewife, which allowed her not to appear at work and to some extent loosened the government’s control over half of the adult population’s daily life.

Perhaps not surprisingly, it was women who spearheaded the growth of the new, private North Korean economy that quickly took shape in the early 1990s. The situation in many ways resembled the beginning of the 1990s in post-Soviet Russia, when state control yielded to massive privatization, but it was even more extreme and grotesque in North Korea. To obtain food, workers started to remove and sell or barter anything of value from their plants. Women started selling various items and manufacturing goods of their own at home. Product markets quickly sprang up in downtown centers of North Korean cities.

A notable legacy of that early stage of the development of the private sector is the outsized role that women continue to play. While larger businesses tend to often be controlled by men, usually individuals with lifelong personal connections with officialdom, women constitute a clear majority of the owners and managers of small and medium-size businesses. Since the late 1990s and up to this day, it is assumed in many social strata that women in North Korea generate most of a family’s income and serve as the primary breadwinners.

Working on illegal private fields has become a primary source of employment for North Koreans who reside in villages and small cities. In contrast to most
socialist countries, household plots were virtually outlawed in North Korea (their maximum size was restricted to 100 square meters). Nonetheless, starting in the early 1990s, private fields were illegally set up on steep slopes that were originally considered unusable for agricultural purposes. Here, despite the inhospitable soil, private farmers were able to gather crop yields that exceeded those of public agricultural cooperatives by one and a half to two times. Naturally, local authorities were aware of these developments, since these fields are visible from long distances. But they took no steps to eliminate them. This was partly because local officials had lost their rations along with everyone else and could survive only by accepting bribes, and partly because they often sympathized with the starving residents.8

Cross-border smuggling increased and soon began to flourish in border areas. This development was largely visible along the 1,300-kilometer border with China, roughly 800 miles. (The Russian border with the DPRK is a mere 14 kilometers, or about 9 miles. The demilitarized border with South Korea is well protected and remains almost impenetrable.) Regular deliveries of medicinal plants and seafood to China were launched in exchange for food and basic necessitites. Extremely profitable and dangerous trade in illegal drugs and antiques also emerged around this time.

Labor migration also became quite popular in the late 1990s. North Koreans went to China illegally to perform hard, low-paying labor, which provided for basic subsistence needs. At the height of this migration, 100,000 to 200,000 such illegal workers were in China. These numbers apparently have decreased significantly since 2005–2006.9

The Birth of Private Business

At the same time, other forms of private business appeared in North Korea in the late 1990s. For instance, currency exchange shops opened up. (Compared with other socialist countries, North Korea had historically maintained rather liberal policies when it came to currency regulations and private currency exchange.) These exchange shops also engaged in a number of other monetary transactions, including lending money, albeit at exorbitant interest rates.

Unofficial business activity also spurred the growth of private inns that provided shelter to numerous tradespeople selling their wares across the country. Prostitution, which was largely eliminated in the DPRK in the late 1950s, reappeared. Private libraries, where North Koreans could pay to borrow popular books that could not be found in local official libraries, opened their doors as well. Private tutoring flourished, too, since newly rich families were ready to spend substantial amounts of money on their children's education.10

From a legal standpoint, all of these private economic activities were and still are illegal. Since the 1960s, official regulations have required that DPRK residents obtain permission from the local police for even the shortest of trips outside of the city or county where they are formally registered. Before applying for a travel permit, residents need to secure written authorization from both
work supervisors and local authorities. The law requires that apartment residents register overnight guests even if their guests legally reside in the same city.\textsuperscript{11}

Of course, strict adherence to all of these regulations would have rendered any private business impossible, but these burdensome restrictions were no longer rigidly enforced after the onset of the crisis. Lower-ranking officials on the brink of starvation themselves were prepared to ignore rules and regulations in which they did not believe, especially if they were compensated for looking the other way. As a result, corruption, which was virtually nonexistent in North Korea before the early 1990s, became very common.

Indeed, the massive growth of corruption is one of the major features of the new North Korean economy that emerged in the 1990s. In the early days, officials seldom took bribes, not least because the ill-gotten money could not easily be spent. Expensive items, such as apartments, cars, and even refrigerators, could not be purchased with cash in those days. However, with the collapse of the state-controlled distribution system, virtually anything could be obtained for a price. At the same time, the official income of low-level bureaucrats was often below the subsistence level, so a clerk who lived on the official salary in the 1990s would face a threat of starvation. Hence, the temptation to extract bribes often became too strong to resist.

It also helped that long-standing bans on private economic activities had not been lifted. Therefore, technically, one could define as “illegal” pretty much all kinds of private economic transactions. These broad restrictions captured some form of activity that virtually every North Korean had engaged in at one time or another. This situation created untold opportunities for officials to insist on bribes.

Government officials are prohibited from participating in business activities, and this rule remains one of the few prohibitions consistently enforced in the DPRK. Nevertheless, even this restriction can be circumvented, and the heads of state-run enterprises often behave like business executives, finding a way to appropriate revenue for themselves or their families while exercising discretion over the scale and types of production at their place of employment.

As for numerous low-ranking government and law-enforcement officials, they often delegate business management to their wives, who then leverage their husbands’ political and administrative clout. Such assistance can be provided in countless ways. For example, an official can ensure that his wife’s workshop can safely occupy a foreign property, help her to steal some sellable goods that then appear in her shop, and protect her from being investigated or targeted by the occasional crackdown. It is not a coincidence that conventional wisdom on matchmaking in present-day North Korea looks favorably upon pairing the sons of officials with the daughters of merchants. It is assumed that the groom will continue with his career in bureaucracy (say, the police or security services) while the bride will participate in her parents’ business.

The North Korean private sector started with small-time trading activities, and larger private enterprises have appeared over time. By the early 2000s, some of the most successful black-market operations had accumulated significant capital, which in many cases amounted to tens of thousands of dollars. (The term “gray
market” may actually be more appropriate in describing this part of the economy, since the state effectively tolerated its existence.) Considering that the official salary in 2000 was equivalent to only $1 to $2 a month while average household monthly income was $25 to $30, the sums being made in the private sector were actually very substantial. Early entrepreneurs started looking for ways to invest their earnings in other parts of the economy. As a result, large private enterprises with dozens of employees appeared on the scene.

These private enterprises sometimes resembled European workshops on the eve of the Industrial Revolution. Employees (female, for the most part) manufactured clothes, footwear, and simple household goods, such as cigarettes packaged in Chinese cartons and sold as “genuine Chinese” products.

Privately run cafeterias and restaurants also came into existence. State-run eateries largely ceased to operate in 1996–1998, and to this day the state only runs a handful of North Korean restaurants. Private eateries have quickly replaced public ones, although it remains impossible to receive official permission to open a restaurant or café. In practice, an investor who wants to open such an establishment makes a semiofficial agreement with local authorities to register the business as a state-run enterprise. In most cases, the businessman (or rather businesswoman, since women continue to play an outsized role in private economic activity) is appointed director of the restaurant. That person then hires staff, purchases equipment, renovates the premises, and starts operations. Part of the gross receipts may even go to the state and be technically listed as public sector revenue. In addition, the owner usually pays local authorities and other public officials who offer to protect the business.

The same scheme for creating a quasi-state-run enterprise applies to other sectors of the economy as well. In the late 1990s, North Korea effectively privatized its intercity bus operations and, to an extent, car-based cargo shipments. Prior to that point, the railroads were virtually the only means of intercity transportation in the country. However, the growth of the private economy and the traveling merchant class created greater demand for transportation. This demand has been mostly met by private firms, which operate in accordance with the quasi-state-run enterprise model described above.

After reaching an agreement with a state-run enterprise, organization, or military unit, an investor purchases used trucks or buses in China. The investor provides the funds for the purchase, but for legal purposes the official identity of the buyer is listed as a state-run organization. Next, vehicles are registered under the name of this state-run organization. In exchange, the private investor is supposed to make regular official payments to the organization and additional unofficial disbursements to its management. Since reliable audits do not exist, in most cases payments are fixed and do not depend on the amount of money an entrepreneur actually makes. The exact size of the payment amount usually varies: it is much more expensive to register a truck with a military unit or local police headquarters than to list it as the property of a kindergarten or pottery workshop.
Vehicles that are acquired and legalized under such schemes are used for intercity passenger and cargo transportation. Since the public mail delivery system is slow and unreliable, many private companies that operate intercity bus and truck routes also deliver parcels. Such deliveries, in fact, have become the main source of income for many private companies, exceeding the revenue they collect for passenger transportation and cargo shipments.12

Foreign trade is another form of business activity that allows for the growth and development of the private sector. Although the state still has an official monopoly on foreign trade in North Korea, the reality has been different since the late 1970s. At that time, the largest state-run enterprises and agencies (including the ones that have nothing to do with the economy—for example, Communist Party Central Committee departments or the administration of the Korean People’s Army) gained the right and, indeed, were encouraged to establish their own foreign trade firms. The number of such trade firms increased significantly at the end of the 1990s.

The government authorizes most of these organizations to export certain goods. In reality, it is hard for these small firms to engage in trade, since they lack access to actual merchandise. In the past, government connections could help to overcome this barrier, but today the goods can be obtained only for cash and only directly from the manufacturer or from middlemen. For instance, fish and seafood have figured most prominently in North Korea’s exports in the past twenty to twenty-five years (although raw materials, primarily coal, have started playing an increasingly important role in recent years). In practice, most fishing vessels have private owners, even though they are still registered as the property of certain fishing cooperatives. Even if a foreign trade firm, established by a government agency, is licensed to export pollock or squid, it must first purchase the goods from fishermen. To do so, the firm requires both connections and hard currency, which most government structures lack. Government agencies therefore have to line up private investors, who are usually hired to work for the foreign trade firm that operates under their roof. These private investors are generally listed as the second- or third-highest ranking figures in the trade firm’s hierarchy. The private investor purchases merchandise or sets up its production, using the trade firm as a legal cover. The merchandise is then sold to China or another country, and in most cases, it is actually up to the investor to find potential foreign buyers. The profits are then split between the investor and the state agency, which technically owns the foreign trade firm.13

Business and the State

The North Korean regime is ambivalent about this peculiar economic model. Until 2012–2013, the government officially denied the existence of a private economy in North Korea. Even though a wide range of activities was entirely commonplace (and totally illegal), these activities were never mentioned in official media. In a private conversation in 2010, a Russian diplomat noted, “The Pyongyang middle class feels quite comfortable now. They have their nice
Apartments. They can dine in nice restaurants. And, as of late, they drive their own cars. The only problem is that in theory any of them can be arrested and shot under current law.”

This is a fair assessment of the situation, even though in the past twenty to twenty-five years, the North Korean government has generally ignored the private economy. In part, corrupt officials who were supposed to oversee economic activity were happy to neglect this aspect of their responsibilities. In addition, the present-day North Korean leadership tends to take a relaxed and cynical view of the current situation. The leaders understand perfectly well that without an active market component, the country’s economy would not be able to function even at its current, rather modest, level.

Nevertheless, the North Korean leadership’s view of the private sector has evolved over time. From the early 1990s through 2001, the regime largely ignored the existence of the free market. In most cases, the private economy was tacitly tolerated as a necessary evil, which could not be done away with amid a deep economic crisis. In 2002–2003, the government’s policy underwent significant changes as the regime attempted to conduct a number of economic reforms aimed at stimulating the private economy and partially extracting it from the shadows.

But these reforms were rolled back in 2004, and then, from 2005 to 2009, the authorities actively took steps to undermine the private economy. In most cases, they did not crack down on the country’s nouveau riche, limiting themselves to administrative restrictions on private sector activities. However, in most cases these restrictions could not be consistently enforced. The 2005–2009 anti-market campaign culminated in the 2009 currency reforms, which were designed to chip away at the cash reserves accumulated by private enterprises. However, the reforms did not accomplish their advertised objective. They did not seriously crimp the private sector but instead angered members of the general public who instantly lost their savings, creating substantial political problems for the regime.

The currency reform’s failure proved to be a turning point. Since the government’s attempts to reverse the growth of the private sector were a fiasco, it was easy enough to return to the tried-and-true policy of benign neglect. Today, the government still does not officially acknowledge the existence of a private sector, nor does it welcome press coverage of this subject. Yet in reality it makes no attempt to enforce laws aimed at stifling private enterprise. Some government procedures even take into account the fact that the private sector exists and actively interacts with the state-controlled economy.

This policy of benign neglect has become even more pronounced since Kim Jong-un, the third Kim dynasty ruler, came to power in December 2011. It is telling that Kim Jong-un appointed Pak Pong-ju as the country’s prime minister. Pak played an instrumental role in initiating the 2002–2003 market reforms, which were then quickly rolled back. Other Kim appointees to key economic positions have traveled abroad on numerous occasions and are relatively well
aware (at least, compared with other North Korean officials) of how the current global market economy functions.

Finally, the fusion of the private and state economies that started as early as the 1990s is even more visible today. The heads of state-run companies frequently interact with the private sector. They sell their products to semi-legal private firms, buy raw materials and spare parts from them, and even borrow money because bank loans are almost impossible to obtain. The state-owned enterprises began to use private loans occasionally starting around 2000. However, under Kim Jong-un’s rule in the past three to four years, such activities have become remarkably widespread.

Things Are Looking Up Now

Growth of the private economy, along with changes in the public sector and agriculture practices, has helped the North Korean economy recover from the shock of the 1990s. While the DPRK remains a very poor country, it has enjoyed fairly stable economic growth in recent years. Estimates of the actual level of annual growth vary but generally range between 1.5 percent and 5 percent.

In any event, contrary to what many foreigners believe, North Korea is no longer a country beset by famine. Of course, a large number of North Koreans (perhaps even the majority) are undernourished every spring. Meat, fish, and even plain rice remain rare delicacies for most North Koreans, and the majority of citizens eat cooked corn rather than rice on a daily basis. Many North Koreans wistfully reminisce about the days when the state issued ration cards that allowed them to obtain grain cheaply. Nevertheless, signs of improved standards of living are everywhere, including in Pyongyang.

The increase in real estate prices highlights this situation very well. While private home ownership is still prohibited, this prohibition has not been enforced since around 2000, and the DPRK now has an informal, but rather vibrant, housing market. Both old and new houses can be sold, and in some cases, new housing projects are erected for the explicit purpose of sale to individual buyers. From a legal standpoint, these properties are not privately owned and only residency rights are being transferred (the financial component of these transactions is typically not recorded).

Real estate prices have soared over the past ten years. Prices for Pyongyang apartments have increased five- to tenfold during this period. A decent two- or three-bedroom apartment may cost as much as $70,000–$80,000, while luxury three-bedroom apartments are being sold for $150,000–$180,000. Apartments in smaller cities cost significantly less: an apartment in the border town of Musan, a prospering district center by North Korean standards, can cost anywhere from the low thousands to $15,000. But even these areas are beginning to experience price increases.14

Given the virtual absence of a banking system, real estate investments are one of the main ways for private sector leaders to amass and maintain their savings, which helps explain the steady growth in prices. At the same time, increasing
price levels demonstrate the dynamism of the officially nonexistent market economy.

The growth of the private sector has had other ramifications. North Korea is even beginning to experience instances of income inequality. No data on income have been published in North Korea since the late 1950s, but interviews with defectors and talks with North Koreans inside the country yield a broad picture of the present-day situation. While the average household in a provincial town seems to earn between $20 and $50 a month, rich people can easily spend a few thousand dollars monthly on their consumption needs.

The emergence of the nouveau riche has led to the opening of establishments in Pyongyang and other large cities that cater to elite clienteles. The North Korean capital is now home to numerous expensive restaurants and entertainment centers, and the number of cars on the city streets has increased markedly compared to ten years ago, even though most of these cars are effectively privately owned. While private automobile ownership is legal, it is subject to many restrictions, so affluent North Koreans still prefer to register their private cars (bought through China) as the property of government agencies.\(^{15}\)

At the same time, the services industry is growing fast. In line with established East Asian cultural patterns, North Korea’s newly rich tend to take the education of their children seriously. A good private teacher of English, music, or even math can now earn a comfortable income. Popular professional artists can be invited to entertain guests in a rich house for a generous fee. Together with the growth of the restaurant industry, catering services have popped up as well. House renovation has become a big business, too. Teams of specialized workers are easy to hire. Apart from interior renovation, such teams often install modern plumbing, water heating equipment, and the like. After all, North Korea’s newly rich expect their houses to be equipped with individual bathrooms and hot water.

Over time, the growth of the private economy is likely to produce a lasting impact on the North Korean political situation. The flood of foreign goods moving across the border legally or otherwise is exposing the general public to foreign consumer culture and other forms of information about the outside world. The quality of these goods speaks volumes about the technological sophistication of foreign countries, particularly South Korea. Even though Pyongyang authorities ban the sale of South Korean items, and occasionally try to enforce this prohibition, North Korean merchants easily skirt the ban by removing labels stamped “Made in Korea.”

Exposure to South Korean electronic gadgets, cosmetics, cooking utensils, and all manner of other goods is undermining one of the core myths of Pyongyang’s propaganda—that South Korea is a destitute and desperate place. The fact that such claims have recently been abandoned by official propaganda suggests that the authorities are already coping with a fundamentally new situation.

The private markets also play a major role in exposing North Koreans to international pop culture. Despite numerous official bans, DVDs of South Korean movies and TV series are smuggled into the country and then sold widely (albeit with a measure of caution). DVD players and other video equipment are also popular items for private traders and entrepreneurs.
Other signs of both economic growth and class stratification are visible. Pyongyang and other large cities now have mostly private cafeterias and restaurants that serve higher-income clienteles. A meal in an expensive Pyongyang restaurant can cost $20–$30 or more per person, roughly equal to the monthly income of a provincial North Korean household. Pyongyang also has stores that sell fashionable brand-name accessories, meaning that there is demand among well-to-do North Korean women for handbags in the $500–$1,000 range.16

Finally, the growth of cellphone use has been quite notable. Mobile communications are the province of a joint venture between a North Korean state company and Egypt’s Orascom as the lead foreign partner. The company started operating in 2009, and there are now more than 2.5 million cellphones in North Korea.17

Conclusion

In a sense, the situation in North Korea is reminiscent of what one could see in some parts of the Soviet Union in the 1970s, when the illegal and semi-legal “second economy” began to play a rather significant role. However, in the case of post-1994 North Korea, the scale and share of private economic activity is far greater than anything that was visible in parts of the old Soviet Union, where official corruption and black markets were more significant (for example, the former Soviet republics in Central Asia and the South Caucasus).

On the whole, according to various estimates, the private sector accounts for 30–50 percent of the country’s GDP, and it continues to grow. Essentially, the changes that took place in the DPRK in the 1990s can be referred to as partial privatization. Unlike the evolution that occurred in other socialist countries, these changes were mostly spontaneous, although the authorities silently acquiesced to them in many instances. It would be wrong to call North Korea a “Stalinist theme park.” While state ideology remains dominated by a mixture of Soviet-inspired themes and Korean nationalism, the North Korean economy, propelled by a combination of market forces and state policy, has drifted very far from its old model.
Notes

1 For a review of existing estimates of the private sector’s share of North Korean GDP, see: Yi Sŏk-ki et al., *Pukhan kyŏngche chaengebŏm punsŏk* [An analysis of controversial issues in North Korean economic studies] (Seoul: Šanŏp yŏnkuwon, 2013), 70–72, 163.


4 There are numerous publications on the 1996–1999 famine. Stephan Haggard and Marcus Noland’s *Famine in North Korea: Markets, Aid, and Reform* (see note 2) is the most detailed work on this subject.

5 The extent of the famine and its consequences are discussed in: Daniel Goodkind, Loraine West, and Peter Johnson, “A Reassessment of Mortality in North Korea, 1993–2008” (paper presented at the annual meeting of the Population Association of America, Washington, DC, March 31–April 2, 2011). Fortunately, the issue has not been excessively politicized as of yet.

6 For a detailed description of North Korea’s ration system, see: No Yong-hwan and Yong Ha-ch’ŏng, *Pukan-ŭi chumin saenghwal pochang chŏngch’ak p’yŏngga* [An assessment of the social welfare system in North Korea] (Seoul: Hanguk pokŏn sahoe yŏnkuwon, 1997), 47–62.

7 The role of women in North Korea’s informal economy has started attracting significant attention as of late. See, for instance, Pak Yong-ae, “1990 nyŏntae pukhan-ŭi kyŏngchenan ihu yŏsŏng yokhak-kwa úisik pyŏnhwa” [Changes in women’s mentality after the 1990s North Korean economic crisis], *T’ongil chŏnlyak*, no. 2 (2010).


10 For an overview of small and midsize private business in the DPRK, see: Chŏng Ŭn-i, “Pukhan-ŭi chaseangchōk zichang palchŏn yŏnku” [A study of the development of North Korea’s unregulated market], *T’ongil munche yŏnku*, no. 2 (2009).

11 For a detailed description of travel permission rules, see: Kim Sŭng-ch’ol, *Pukhan-ŭi
tongp’o-ŭi saenghwal-kwa machimak hŭimang [The last hope for the North Korean lifestyle] (Seoul: Charyowon, 2005), 185–97.


16 For more information on increased living standards, see: Kim Sŏk-hyang, “1990 nyŏntae ihu Pukhan chumin-ŭi sopi saenghwal-e nat’anŭn ch’use yŏnku” [A study of trends in North Korean consumption patterns since the 1990s], Pukhan yŏnku hakhoe, no. 1 (2011).

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