

THE RESURGENCE OF A MARKET ECONOMY IN NORTH KOREA

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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.

ABOUT THE AUTHOR

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