



Economic Sanctions and North Korean Economy



Kim IlSung
(- 1994)



Kim JungIl
(- 2012)



Kim JungEun
(2012 -)



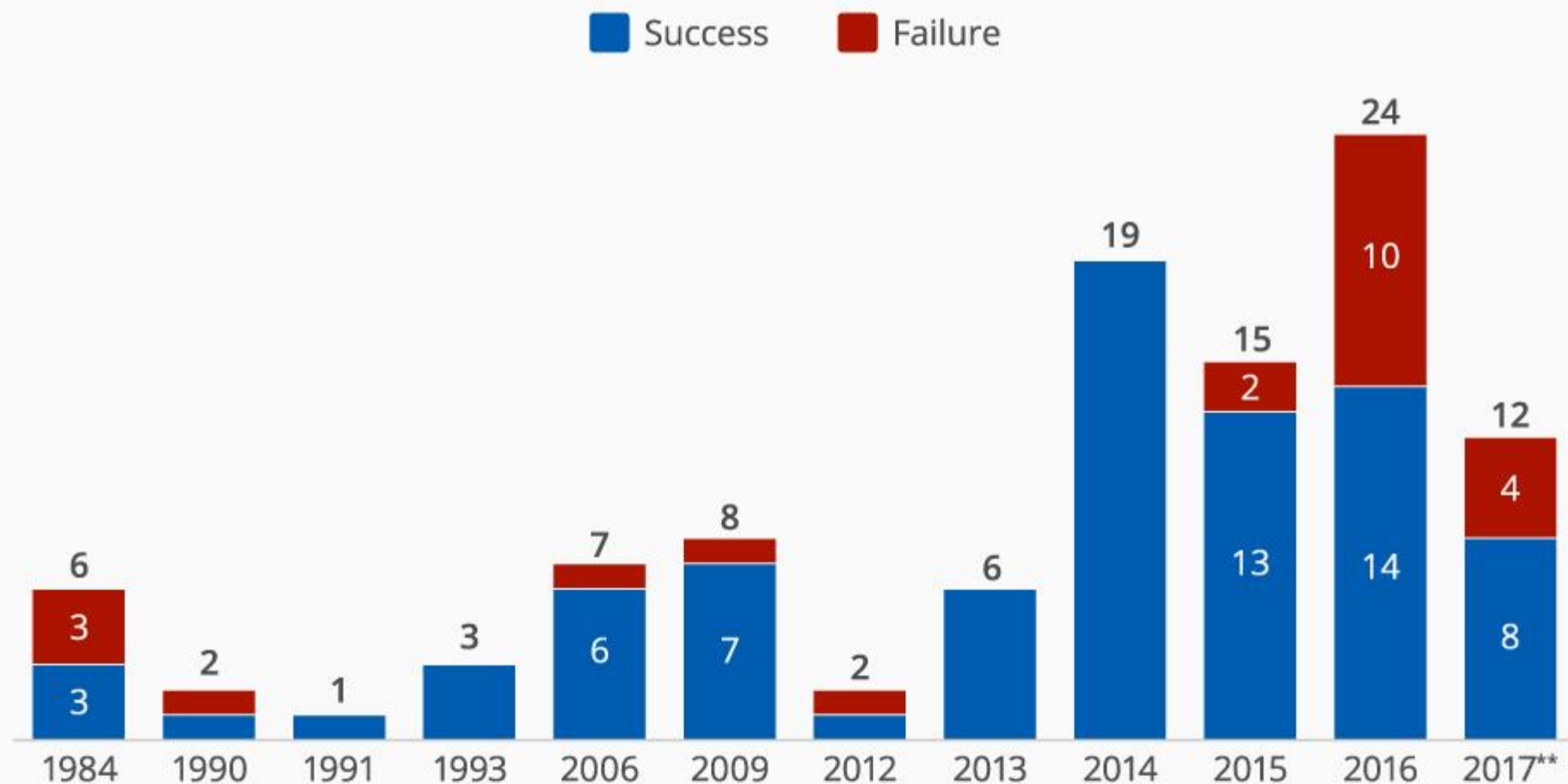


North Korea's Long Range Missile Tests



The Worrying Escalation Of North Korea's Missile Tests

Number of successful/unsuccessful missile tests in North Korea (1984–2017)



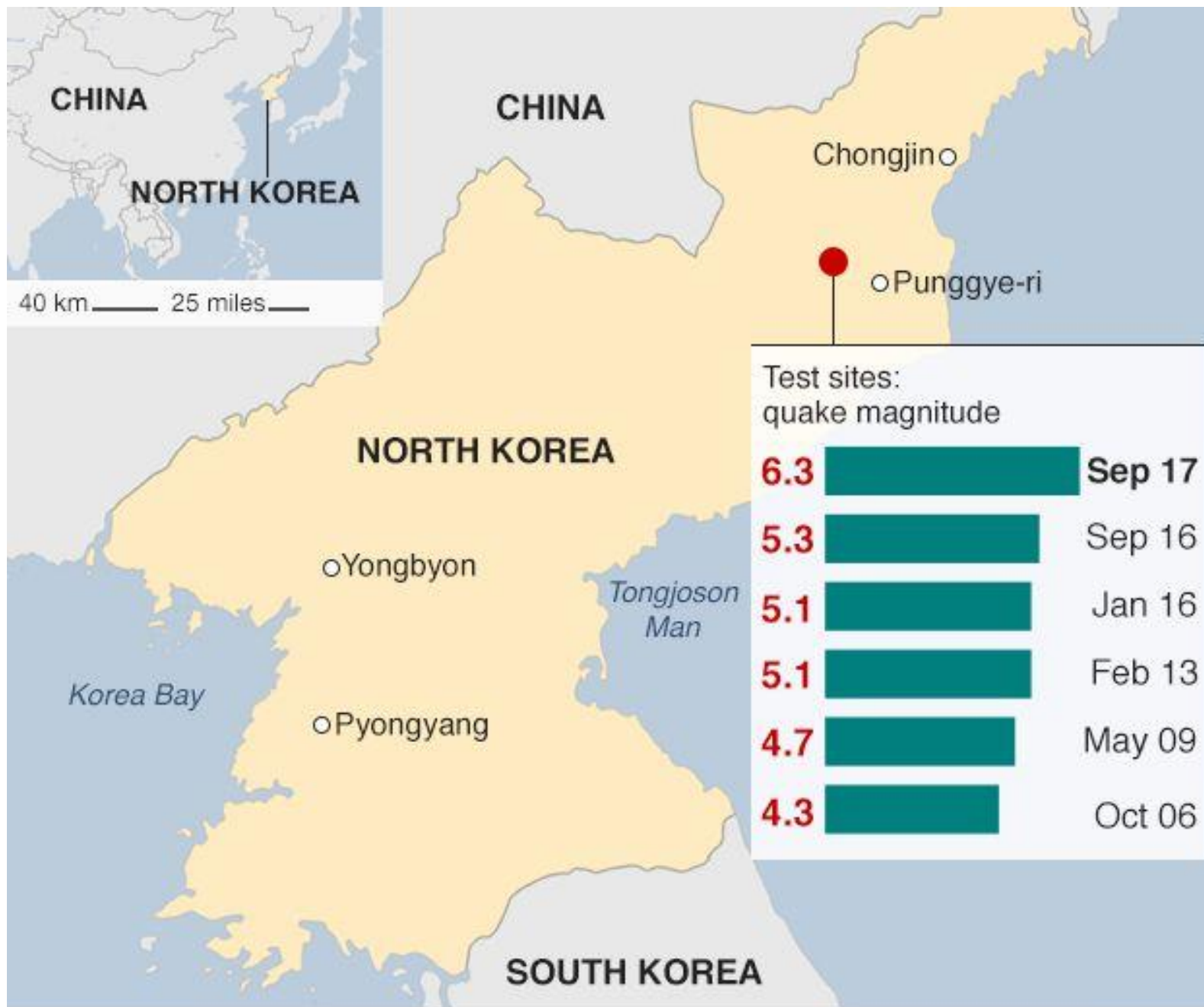
* Unknown results of tests not included. Missiles include intermediate, medium, short range & sub-launched ballistic missiles.

** As of May 29th, 2017



North Korea's Nuclear Bomb Tests

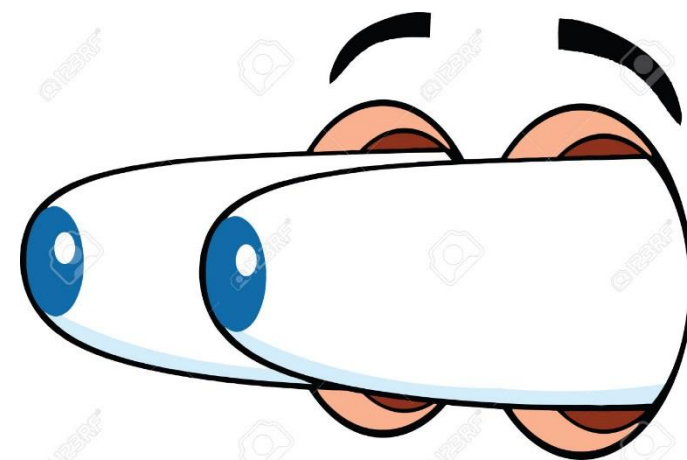




So



?



Introduction

- Officially North Korean government does not release any economic data
 - ← backtracked data by international orgs
- GDP: \$ 28 Billion (2013)
- GDP/person: \$1,700



Night scene of Korean Peninsula from Satellite (2014)



Introduction

- Almost **70 years'** continuous and accumulated economic sanctions to North Korea
 - From US 1950 embargo to North Korea to recent UN Security Council Resolutions
 - After 2006's nuclear bomb test, 6 times' multilateral (including UN) sanctions
- But North Korea's nuclear weapon and long range missile tests continue
- Increased suspicions on the effect of economic sanction to North Korea

Economic Sanction on Trade

- **Japan's embargo** (2006) decreased trade \$ 200 million
 - North and South Korea trade increased by 110%
 - North Korea and China trade increased by 95%
- **Korea's embargo** (2010) decreased trade \$ 400 million
 - North Korea and China trade increased by 200%
- North Korea's trade is more focused on China

Economic Sanction on Trade

- Due to a series of economic sanctions to North Korea, the size of roundabout trade through China
 - North's products are exported to Japan and South Korea through China's bonded area.
 - Textile (70%), Minerals (anthracite and iron ore), and so on
 - North Korea's industrial structure change from mining to textile
- North Korea's **roundabout export** to Japan and South Korea increased steadily every year.

Economic Sanction on Trade

- Economic sanctions to North Korea changed portfolio of export items and location of trade.
- But North Korea's **foreign trade is not much affected** by economic sanctions until recently. Instead North Korea's labor export is increasing.
- US' new stage of economic sanction through financial sanctions and restricting export of textile, anthracite, and labor needs China's cooperation.

UN Security Councils' 4 Resolutions after 2016



Economic Sanctions after 2016

- Intensified economic sanctions to North Korean **after 2016** and Europe, China, and Russia's participation on sanctions, it is true that North Korea is much more suffering from the sanctions.
- Diversity of export items decreased and more difficult to get foreign currencies.
- From 2016, North Korea's export is staying almost at the same level but import is increasing quickly.

Economic Sanctions after 2016

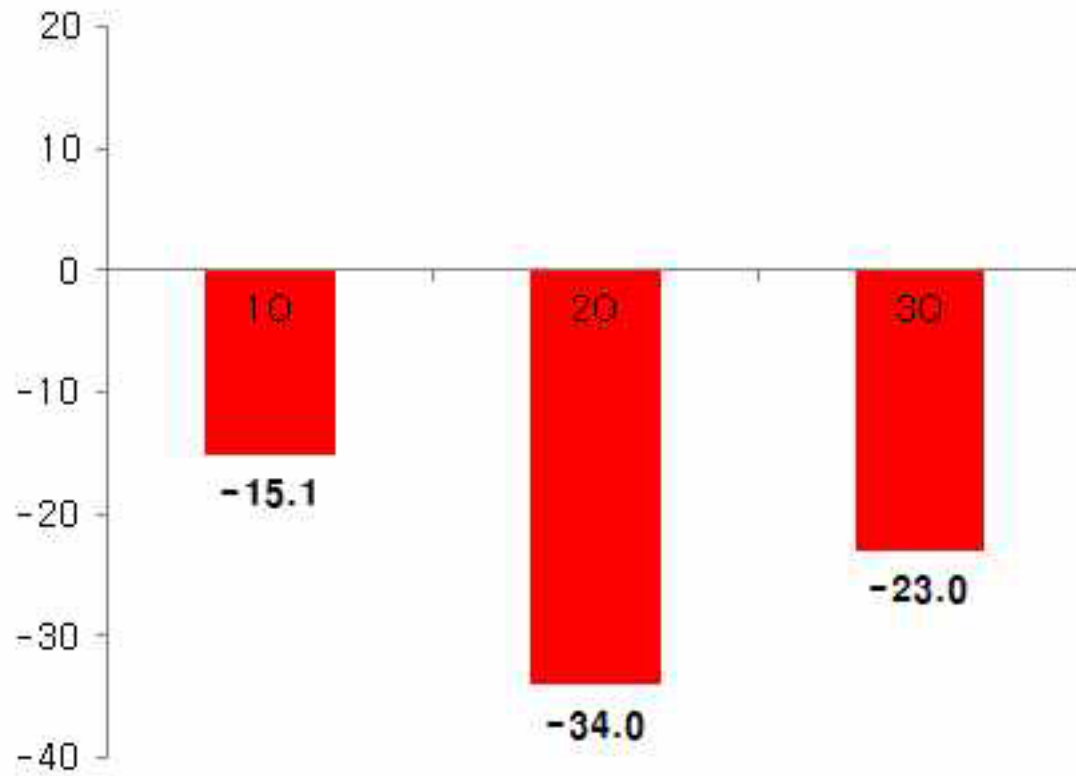
- Unexpected results from the sanctions are
 - 1) North Korea became more dependent on China up to (90%)
 - 2) South Korean corporations' business with North Korea is rapidly substituted by Chinese corporations
- On contrary, the business is increasing

Economic Sanctions after 2016

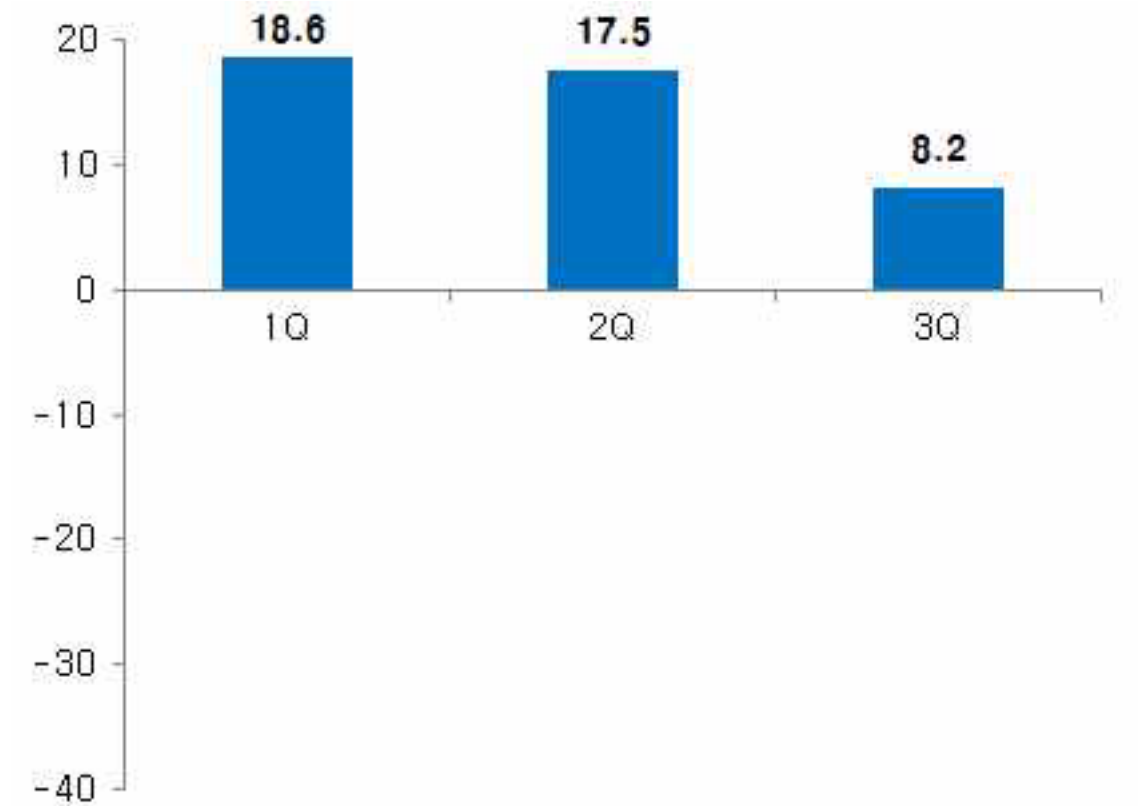
- UN Security council resolution **2270** of March 2016
 - 1) embargo on coal, iron ore, rare earth, and so on
 - 2) allowed exceptions related to public welfare
- UN Security council resolution **2321** of November 2016
 - 1) limit on coal export (7.5 million ton or \$ 400 million)
 - 2) imposing the limit without exceptions on public welfare purposes

Impact of UN resolution 2321 (2017, yearly growth, %)

Export



Import



Economic Sanctions after 2016

- UN Security council resolution **2371** of August 2017
 - 1) strict embargo on coal, iron ore, rare earth, and so on
 - 2) embargo on almost all export items without exceptions on public welfare purposes
- UN Security council resolution **2375** of September 2017
 - 1) embargo on textile and imposing limit on refined oil import
 - 2) all official foreign currency inflow closed

Economic Sanctions after 2016

- Irreversible, dynamic, and unavoidable sanctions
- Seriously intensified recent sanctions will give fundamental impact on North Korean economy
- Rumors on unofficial trade between Russia and North Korea (refined oil)

Economic Sanctions after 2016

- UN Security Council Resolution 2375 of 2017 will be an **important pilot test** for the effectiveness of economic sanction
- **Special attention** on three things in 2018
 - 1) North Korea's coal export in 2018
 - 2) Effect on economic growth
 - 3) Effect on economic structure

Economic Sanctions after 2016

- North Korean government (Lee, Cheol-Sang) officially **acknowledged UN Sanctions** caused problems in earning foreign currency, gas supply, and machineries imports.
- North Korean labor party economic affairs executives meeting (April 2018)



Economic Sanctions after 2016

- Effective economic sanctions and Kim Jong-un's desire to develop economy have made a big deal with South Korea and US.
- **Practically no other way** to maintain North Korea except to give up nuclear bomb and receive big economic support from neighbor countries.



North Korea's Private Markets





North Korea's Private Markets





North Korea's Private Markets





North Korea's Private Markets





North Korea's Private Markets





North Korea's Private Markets



NK's Living Standard Changes

- For the last 5 years, NK people's **living standard is continuously improving and private market system has spread out.**
 - But it also means NK government's **uncontrolled part** is quickly increasing.
- High rising buildings in Pyongyang, more restaurants, consumer goods production increases, and so on → NK peoples' living quality is improving



Yeomeong Street in PyongYang





Yeomeong Street in PyongYang





Yeomeong Street in PyongYang





Traffic congestion in Pyongyang





More Cellular Phone Users



NK's Living Standard Changes

- Income polarization is increasing quickly.
- Kim's government has consciousness of crisis for economic development → possible public riot?

NK's Living Standard Changes

- NK government still **officially maintains socialist economic system** like collective farming. But it is clear that they are adopting private market system.
- At labor party's general meeting in 2016, Kim legalizes all previous illegal market activities in private markets.

NK's Living Standard Changes

- Conflict with China is worsening and other foreign countries' sanctions are intensifying.
- Along with UN's sanction, other foreign countries' sanction do not much affect NK economy directly. But these will give serious economic effect in the long run.
- **Weak investment on SOC** like electric power production, railroad system, and highway system.

NK's Living Standard Changes

- For NK's economic full scale development, it is necessary to [invite large size foreign investment](#)
- Foreign trade policy and economic special zone developments are also highlighted. 21 economic special zones. 8 are concentrated around Apruk river and Duman river.
- Kim guarantees foreign investor favorable environments and development of tourism industry.



NK's Major Special Economic Zones

