

# NORTH KOREA

North Korea's economic freedom score is 5.9, making it the least free of the 180 economies measured in the 2019 *Index*. Its overall score has increased by 0.1 point, with few indicators of economic freedom showing any change at all. North Korea is ranked last among the 43 countries in the Asia-Pacific region, and its overall score is the lowest in the *Index*.

Beset by chronic structural problems as one of the world's most centrally commanded and least open economies, North Korea's despotic military regime has tolerated modest development of markets and limited private entrepreneurship in order to boost government revenue. While certain industries are permitted to sell some of their output in the marketplace and seek private investment from the "new rich," or *donju*, a middle class enriched from quasi-private enterprises, the country lacks even the most basic policy infrastructure of a free-market economy.

WORLD RANK: **180** REGIONAL RANK: **43**  
ECONOMIC FREEDOM STATUS: **REPRESSED**

## ECONOMIC FREEDOM SCORE

**5.9**

(▲ UP 0.1 POINT)



REGIONAL AVERAGE  
(ASIA-PACIFIC REGION)

**60.6**

**60.8**

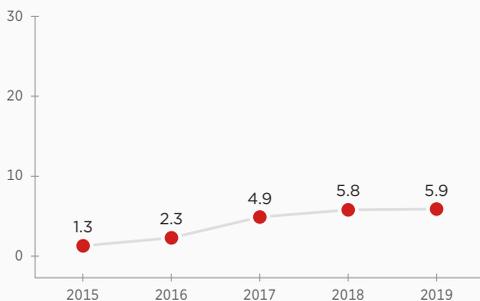
WORLD AVERAGE

**RELATIVE STRENGTHS:**  
None

**HISTORICAL INDEX SCORE CHANGE (SINCE 1995):**  
-3.0

**CONCERNS:**  
Rule of Law and Open Markets

## FREEDOM TREND



## QUICK FACTS

**POPULATION:** 25.4 million (2017 Estimate)

**GDP (PPP):** \$40.0 billion (2015 Estimate)  
1.1% growth in 2017 (2017 Estimate)  
5-year compound annual growth n/a  
\$1,700 per capita (2015 Estimate)

**UNEMPLOYMENT:** 4.8%

**INFLATION (CPI):** n/a

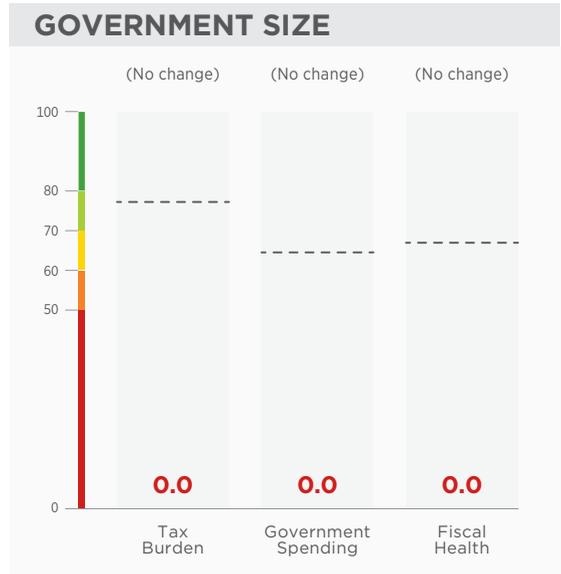
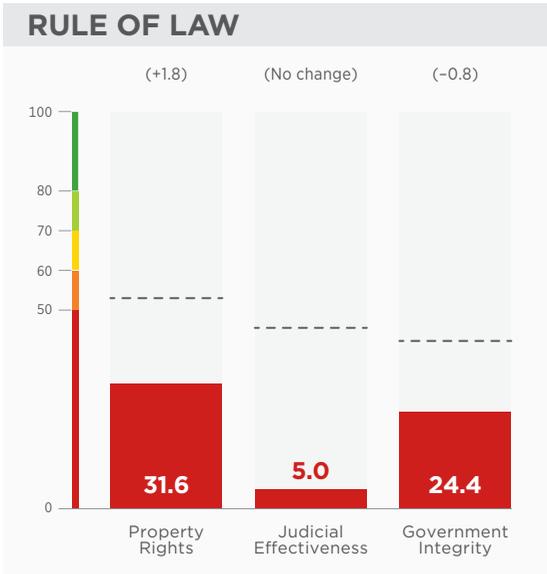
**FDI INFLOW:** \$63.4 million

**PUBLIC DEBT:** n/a

2017 data unless otherwise noted. Data compiled as of September 2018

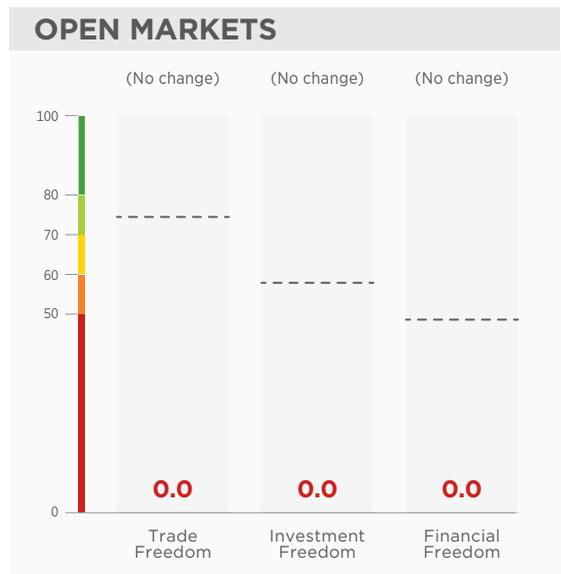
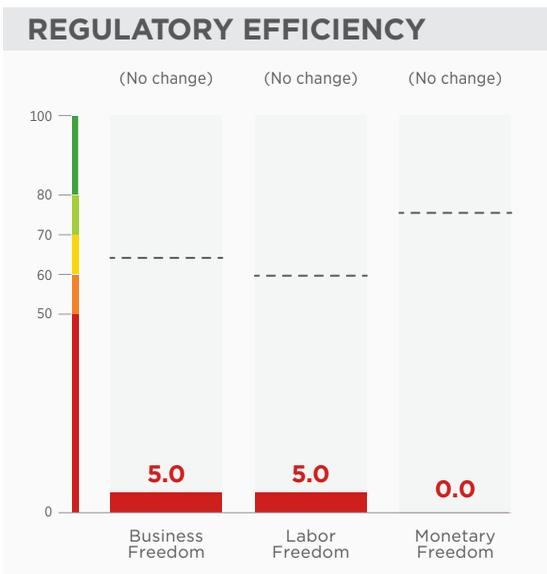
**BACKGROUND:** Founding president Kim Il-sung's family has ruled the Democratic People's Republic of Korea with an iron fist since 1948. Kim Il-sung's grandson, Kim Jong-un, has strengthened the DPRK's position as a self-contained and self-reliant nuclear power. After years of self-imposed isolation, Kim burst onto the international diplomatic stage in 2018, initiating summits with South Korea and China and an historic first meeting between North Korean and U.S. leaders. Although Kim's offer to discuss denuclearization raised hopes for a long-sought diplomatic solution, they were dashed when Pyongyang made clear its refusal to abandon nuclear and missile programs as required under U.N. resolutions. After decades of economic mismanagement and resource misallocation, the DPRK has faced chronic food shortages since the mid-1990s.

# 12 ECONOMIC FREEDOMS | NORTH KOREA



Almost all property belongs to the state. Government control extends even to chattel property. No functioning judiciary exists, and the rule of law is weak. Corruption and bribery are rampant throughout the government, and state institutions are opaque. The ruling Workers' Party, the Korean People's Army, and members of the cabinet run all companies earning foreign exchange.

The government commands almost every part of the economy and directs all significant economic activity. The military runs its own extensive underground economy, taking the bulk of scarce resources. No effective fiscal policy is in place. The state sets production levels for most products, and state-owned industries account for nearly all GDP. The impoverished population is heavily dependent on food rations and government housing subsidies.



North Korea is a strictly controlled autocratic state in which the regime dominates all business activities. In recent years, however, the government has had to tolerate the emergence of limited markets and informal entrepreneurship to stave off economic collapse. The country's monetary regime is completely controlled, leading to price distortions.

Trade and investment flows are controlled by the government and negatively affected by multilateral economic sanctions. The regime may be attempting to start modest economic opening by encouraging limited foreign direct investment, but the dominant influence of the military establishment makes any meaningful near-term change unlikely. Access to financing is very limited and constrained by the repressive economic system.