

NORTH KOREA

North Korea's economic freedom score is 5.2, making its economy the least free in the 2021 *Index*. Its overall score has increased by 1.0 point, primarily because of an improvement in the **property rights** score. North Korea is ranked last among 40 countries in the Asia-Pacific region, and its overall score is well below the regional and world averages.

The economy of North Korea is severely repressed and has been the lowest-ranked in the world every year since the inception of the *Index* in 1995. Chronic structural problems beset one of the world's most centrally commanded and least open economies. In a country that lacks even the most basic policy infrastructure of a free-market economy, individuals and businesses lack any economic freedom whatsoever, both in principle and in practice.

IMPACT OF COVID-19: As of December 1, 2020, no reliable information was available on the number of deaths from the pandemic in North Korea.

WORLD RANK: **178** | REGIONAL RANK: **40**
ECONOMIC FREEDOM STATUS: **REPRESSED**

ECONOMIC FREEDOM SCORE

5.2

▲ UP 1.0 POINT



REGIONAL AVERAGE
(ASIA-PACIFIC REGION)

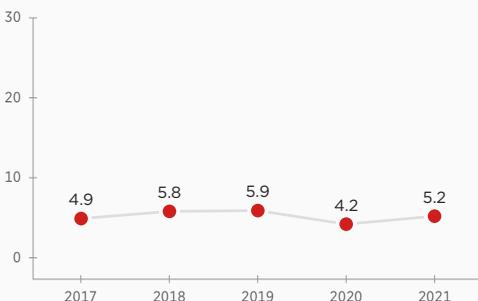
60.2

61.6

WORLD AVERAGE

HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -3.7

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
25.7 million

GDP (PPP):
\$40.0 billion
2.3% growth in 2019
5-year compound
annual growth -0.5%
\$1,700 per capita
(2015 est.)

UNEMPLOYMENT:
25.6% (2013 est.)

INFLATION (CPI):
n/a

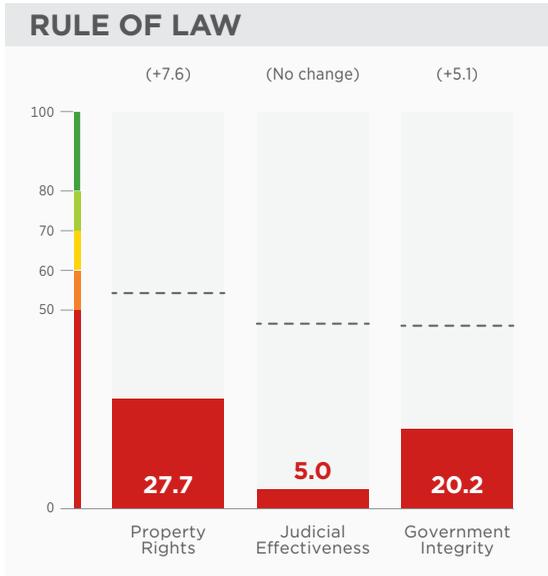
FDI INFLOW:
\$25.8 million

PUBLIC DEBT: n/a

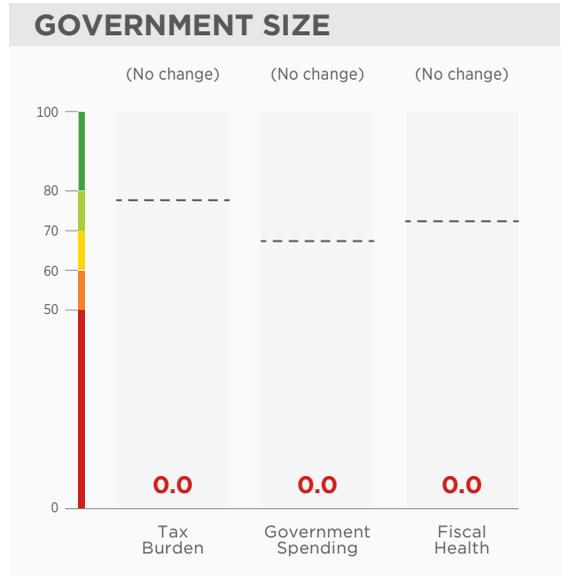
2019 data unless otherwise noted. Data compiled as of September 2020

BACKGROUND: Founding President Kim Il-sung's family has ruled the Democratic People's Republic of Korea with an iron fist since 1948. After years of self-imposed national isolation, Kim Il-sung's grandson, Kim Jong-un, burst onto the international diplomatic stage in 2018, initiating summits with South Korea, China, and the United States. Kim's offer to discuss denuclearization raised hopes for a long-sought diplomatic solution, but those hopes were dashed when Pyongyang made it clear that it refuses to disarm unilaterally as required under U.N. resolutions. Despite repeated attempts at engagement, there has been no progress toward denuclearization. After decades of economic mismanagement and resource misallocation, the DPRK has faced chronic food shortages since the mid-1990s.

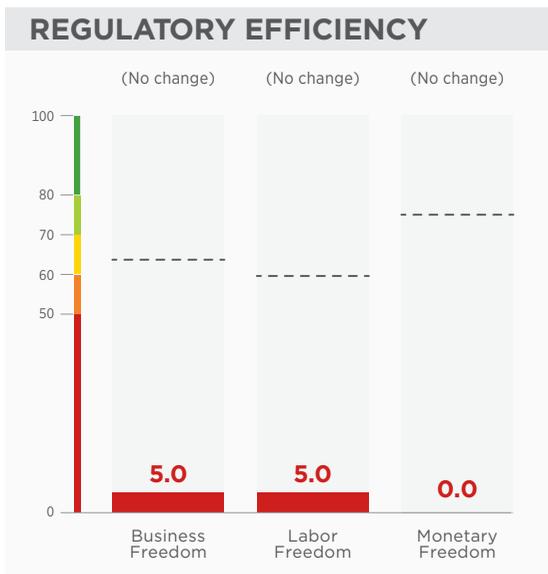
12 ECONOMIC FREEDOMS | NORTH KOREA



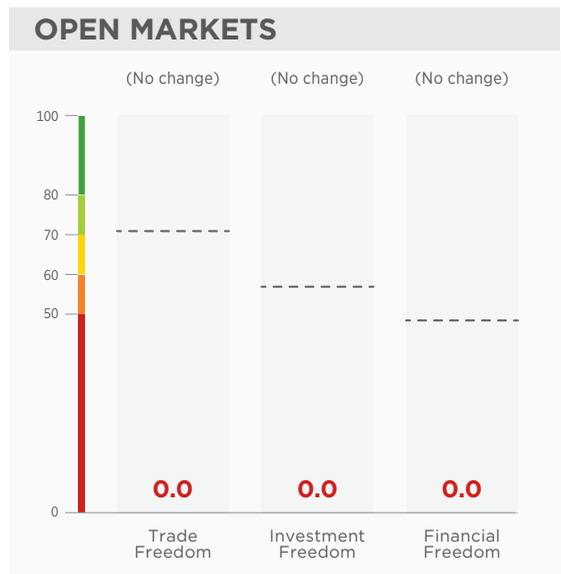
Almost all property belongs to the state. Government control extends even to chattel property. There is no functioning judiciary, and the rule of law is weak. Corruption and bribery are rampant throughout the government, and state institutions are opaque. The ruling Workers' Party, the Korean People's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



There is no effective tax system, and the government operates more like a large conglomerate than a traditional government. Resource flows to and from enterprises and individuals are controlled directly rather than through neutral fiscal policy. The military regime has tolerated limited private entrepreneurship in order to boost government revenue. The state controls production levels, and state-owned industries account for nearly all GDP.



Entrepreneurial activity is given a low priority and can be seen as a threat to political control. The labor market lacks opportunity to such an extent that the risk of starvation is a legitimate concern. North Korea's monetary regime is completely controlled, leading to price distortions, and China continues its extensive subsidies of the country's food and energy.



Trade and investment flows are controlled by the government and 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 and firmly state-controlled economic system.