

NORTH KOREA

North Korea's economic freedom score is 3.0, making its economy the 177th freest in the 2022 *Index*. North Korea is ranked 39th among 39 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

North Korea's economy is estimated to have shrunk by 8.0 percent in 2020 and by a further 5.0 percent in 2021. Commercial and business activity is severely repressed, and the country has been ranked lowest 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: No reliable information is available with respect to the impact of Covid-19 on North Korea.

WORLD RANK: **177** | REGIONAL RANK: **39**
ECONOMIC FREEDOM STATUS: **REPRESSED**

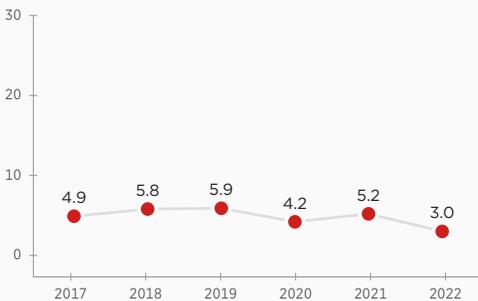
ECONOMIC FREEDOM SCORE

3.0



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1995): -5.9

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
25.8 million

GDP (PPP): n/a
-8.0% growth in 2020
5-year compound annual growth -1.9%
n/a per capita

UNEMPLOYMENT:
2.8%

INFLATION (CPI):
n/a

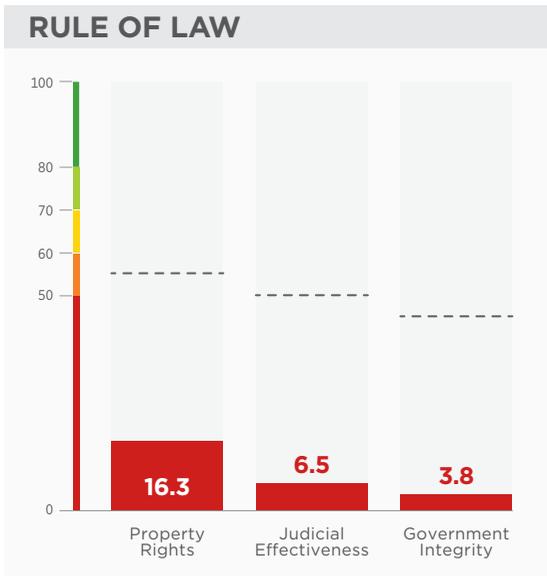
FDI INFLOW:
\$6.0 million

PUBLIC DEBT: n/a

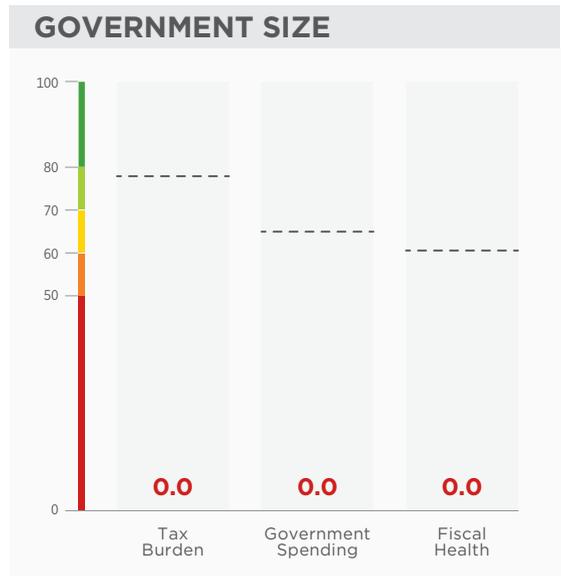
2020 data unless otherwise noted. Data compiled as of September 2021

BACKGROUND: Founding President Kim Il-sung's family has ruled the Democratic People's Republic of Korea (DPRK) 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



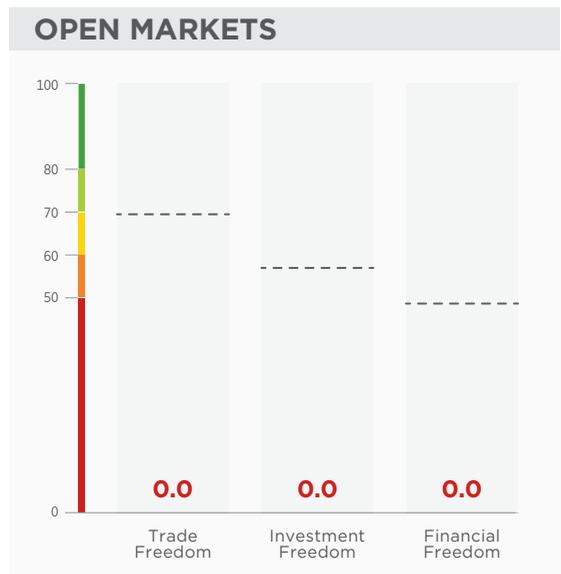
Almost all property belongs to the state. Government control extends even to chattel property. There is no functioning judiciary, and the rule of law is weak. Corruption and bribery are rampant throughout the government, and state institutions are opaque. The ruling Workers' Party, the Korean People's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



No effective tax system is in place. The government commands and dictates almost every part of the economy. The government sets production levels for most products, and state-owned industries account for nearly all GDP. The state continues to direct all significant economic activity. Large military spending further drains scarce resources. Black markets have grown despite the state's attempts to crack down on them.



Decades of rigid central planning have ruined industries and left most business equipment in permanent disrepair. The labor force suffers from prolonged malnutrition and abject poverty. There is no trace of a dynamic labor market. North Korea's monetary regime is completely controlled, which leads 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.