**Subject:** RE: AP story

Bill got it, thanks.

You are probably looking at the Kyodo report re GDP, but that’s the same guy I talked to. He gave me those figures as well. Oddly nothing for 2015 though.

I am going to put this in my story (it will go out tomorrow) and was hoping you might have pithy answer for the general reader...

**Understanding what’s going on with the North Korean economy is essential for negotiators trying to gauge how seriously leader Kim Jong Un is about giving up his nuclear weapons and whether sanctions are actually what got him to the negotiation table.**

***As Dr. (social science academic) says, Kim has done an extraordinary job keeping North Korea’s finance intact, as shown by the stability of the won, what even looks to be a peg on the high-flying dollar.  (Some might say on RMB. I don’t think so but it really doesn’t matter since RMB also is closely linked to the dollar.)  Stable money is essential to building a new market economy, enhancing private sector led productivity and growth and allowing citizens to save and invest their own money.  Not all of that is yet possible in North Korea and I think the policy is working only because the regime is trading its significant real assets and coercive powers for money, both dollars and won, keeping a lid on inflation and offsetting the outflow of foreign exchange.  As anyone in finance knows, and Trump no doubt is an experienced teacher, inflexible prices--too tight a peg--means tension and with tension comes broken pegs and bankruptcy.  And for Kim a nightmare, citizens and soldiers in the streets, wailing for their lost money and jobs.  I suspect Kim knows good, or at least not bad, relations with Trump and America is essential for confidence in the won and is behaving accordingly.  A new form of “maximum pressure”, to be sure. So, for now, no ICBM or nuclear weapon tests, and lots of happy talk, quite a change from a year ago.***

            Does anything from exchange rate suggest sanctions worked, or kim is worried about an economic collapse, or he’s in a confident position, etc?

            Good luck with the consultancy!