**North Korea’s China Trade Suffers Coronavirus Shock**

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Bill Brown, NAEIA.com

To no one’s surprise, North Korea’s trade with China fell sharply in the first two months of the year according to just released data from Chinese Customs, down from levels already severely diminished by the UN Security Council sanctions. China’s exports, that is North Korea’s imports, fell 24 percent in the two-month January and February period from year-earlier levels to $198

million and China’s imports fell 74 percent to only $10 million in the same period. China’s trade surplus thus fell to $198 million from $219 million.[[1]](#endnote-1) The trade was in rough balance in 2016 prior to the sectorial UN Sanctions. The declines were even larger in percentage terms than China’s sharp drop in trade with the rest of the world reducing North Korea’s ranking among Chinese trade partners to that of Malta, a tiny island country half the world away, at least according to this official data. The data, however, does not include Chinese pipeline deliveries of crude oil which are assessed to be about 50,000 tons a month, worth $10-20 million at current prices. North Korea prides itself on its economic self-reliance but this level of external trade is hardly sustainable since vital consumer imports are now being affected, not just longer-term investment goods. One mitigating factor is North Korea’s trade is seasonally at its low point in the first two months of the year, given holidays in China and cold freezing weather along the border. Should the disruption extend into the spring far more economic damage will occur.

Pyongyang announced January 21st that it was closing its land and sea borders and the closure remained through March although there are signs that it may be lifted soon. China also has closed travel creating an effective “double sided fence” along the Yalu and Tumen rivers and ship traffic observed by commercial satellite imagery out of North Korean ports also is much diminished.[[2]](#endnote-2) How fast trade will resume, however, is anyone’s guess. Suspicions of continued infected travelers will remain on both sides for some time given lack of transparency in both Beijing and Pyongyang. Moreover, North Korea’s buying power continues to be weakened by the UN sanctions on its main exports. Kim Jong Un had counted on tourist traffic to boost income this year but that hope certainly has been dashed by the pandemic.

Beijing took an unusual step this year of not releasing any of its trade data for January, instead combining it with February data and averaging each of the two months so that they are identical. The disruptive nature of the virus on China’s bureaucracy and the highly seasonal nature of both January and February data presumably forced this action. Normally the data is widely considered to be less than accurate given strong price incentives to continue to trade and thus extensive smuggling. The border closures, however, have doubly hampered smuggling so the customs data may be more representative than normal.

Chinese imports for the two months fell to essentially nothing. Particularly worrisome to Pyongyang must be the fall in several non-sanctioned goods, such as watches and hair pieces that had been on the rise. Factories in China supporting that trade have probably been temporarily shut down. The fall in Chinese exports occurred across the board although watch timing devices and textiles held up suggesting the return trade in finished products will resume soon. Plastics and other petrochemical products, essential to North Korea since it lacks petroleum resources itself, dominate the trade that does occur, along with food products. Perhaps not surprising, tobacco and pharmaceuticals trade remains strong. The large drop in purchases from China helped narrow Pyongyang’s wide trade imbalance but likely contributed to consumer price increases, especially for fuels. Other normal foreign exchange earners for North Korea, such as tourism and overseas workers’ remittances, no doubt fell sharply. The won has held steady in widespread grey market trading, according to Daily NK and Asia Press reporting, possibly the result of a very tight monetary policy to prevent a currency crisis.[[3]](#endnote-3)

1. <http://43.248.49.97/> China Customs Website. [↑](#endnote-ref-1)
2. <https://www.nytimes.com/2020/03/26/video/coronavirus-north-korea.html?searchResultPosition=4> [↑](#endnote-ref-2)
3. <https://www.dailynk.com/english/tag/market-prices/> [↑](#endnote-ref-3)