

# North Korea's Economy Pauses—Will it Lead to Forward, or Backward, Reforms?

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**China to North Korea: Ready for business, or gone fishing?**

ASIA Press, Yanji Bridges, 2023

Five years of extraordinary difficulty and crisis for the North Korean economy likely ended in 2023 with a small rebound in output. The good news for Pyongyang comes as a result of better weather, recovery from the COVID epidemic that had slammed private shops and tourism, a gradual reopening of the borders with China and Russia, a big new market for artillery and rocket sales in Russia and the Middle East, and surprising stability of the currency and prices. When the Bank of Korea makes its annual GDP estimate in mid-summer, it will likely show these positives more than offsetting continuing shortages of cash, weak productivity and little investment in new industrial facilities or infrastructure improvement. Millions of state employees continue to be paid less than livable wages, however, keeping them reliant on deteriorating rations and illegal sideline income to survive. Corruption is thus eroding the

powers of this socialist state, a hidden worry for Kim as he bravely challenges the world with nuclear weapons. The monetary stability comes as foreign cash continues to circulate, what Kim correctly refers to as a loss of sovereignty, challenging the financial authorities to keep the won competitive by not printing too much of it or extending credit even to state enterprises. Increasingly, capitalist finance Chinese style seems to be filling in the gaps with benefits to private sector productivity.

Deep problems continue but at least a pause in any immediate crisis may be giving the regime a chance to look into fundamental changes left upended by the border closures. Important Worker Party Central Committee meetings were slated for late December as this analysis was being written.<sup>1</sup> The Party will have to parse recent changes in the global environment affecting the security of the country and its own success in laughing off UN and US sanctions to develop an ICBM threat to America. How much to cozy-up to a seemingly failing Russia and a newly aggressive China is likely at the top of their agenda but ultimately for them, domestic challenges need to be faced and resolved. Careful attention to their announcements should give an idea of whether they are reconsidering the stalled reform track, all but abandoned with the trade and nuclear crisis, or whether they will slide even further into self-reliance and autarky.

Kim's grandfather, Kim Il Sung, the author of the country's *juche* philosophy, wrote in the 1960s that the small country should produce about 60 to 70 percent of the materials it needs, importing the rest. "We are opposed to flunkeyism and dogmatism but that does not mean we should isolate our country as the Regent Taewongun did."<sup>2</sup> Today he might be unhappy since his grandson's regime is as isolated as nineteenth century Korea ever was, and its factories and hard-working labor force suffers from the lack of specialization and trade.

## **Economy in 2023**

The best that can be said for the North Korean economy in 2023 is that it was not the catastrophe that easily could have unfolded. See, for example, articles a year ago suggesting severe food shortages were likely, the worst since the 1990s famine.<sup>3456</sup> Luck, in the year of the rabbit and in the form of good weather, more than policy, is responsible and we will see if the regime continues to throw the dice in 2024. Few bits of data are available, and they show some positives, especially in the resilience of markets and stable money, a boon to private business. Most positive for reform is there seems to be building a tolerance of dollarization and the capitalist financial and banking practices needed to protect the won from ever present dollars

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<sup>1</sup> Pyongyang, December 2 (KCNA) – "The Political Bureau of the Central Committee of the Workers' Party of Korea (WPK) decided to convene the 9th Plenary Meeting of the 8th Central Committee of the WPK late in December to review the execution of the Party and state policies in 2023 and discuss and decide on orientation of struggle for 2024 and important issues."

<sup>2</sup> Chiang Min-Hua, *The Political Economy of North Korea*, Chapter 2, Brown, page 25, Rienr, 2022.

<sup>3</sup> [Food Insecurity in North Korea Is at Its Worst Since the 1990s Famine - 38 North: Informed Analysis of North Korea](#)

<sup>4</sup> [North Korea's dire food shortage may become more acute \(economist.com\)](#)

<sup>5</sup> [North Korean Market Prices Suggest Serious Food Shortages - 38 North: Informed Analysis of North Korea](#)

<sup>6</sup> [North Korea's food shortage is about to take a deadly turn for the worse, experts say | CNN](#)



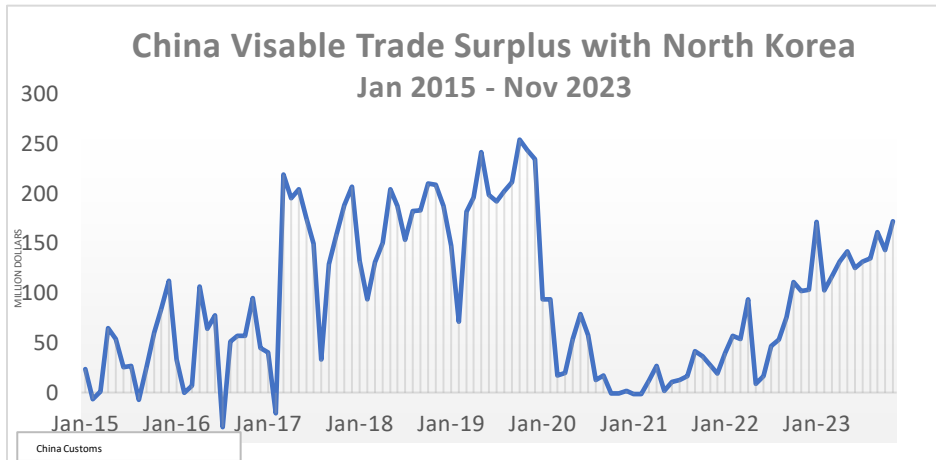
and yuan. Prices if anything were falling at the end of the year, as tight money conditions likely prevailed, and as consumer goods flowed in from China. Unfortunately, working against reform, Russian income for the state's artillery and missile factories, and profits from cyber thefts, may be giving Kim a sense that

this can last, unlikely given the vagaries of the Ukraine War and Russia itself, something elderly Koreans should know well, and the risks of bitcoin. Famous for planning the impossible, what are the regime stalwarts thinking of next? Control by money, as suggested by Kim in an important "letter" in 2015, or control by plan suggested in his more recent and dire speeches.

#### **Trade Jumps but Pyongyang might not be happy.**

Foreign trade provides the most reliable figures we have on North Korea since, though flawed, they can be obtained from a foreign perspective. After falling into near autarky in 2021 and 2022, the country's sea trade via Nampo port and some rail trade across the land border with China picked up remarkably. Of concern to Pyongyang, no doubt, is it has returned to the pre-Covid pattern of a much larger volume of imports coming in from China than are the North Korean exports needed to pay for them. This renewed deficit likely has caused a slippage in the value of the won but not by enough to cause panic, essentially compensating for an unusual rise in value during the Covid trade blockage. A likely policy driven and severe tightness in monetary and fiscal policy prevented an abrupt fall in the currency and kept inflation from becoming a problem although such policies would stifle both private and state investment. Budget issues—the government cannot sell capitalist style bonds—likely frustrate Kim and the central planners who are trying to push ahead with a stalled five-year investment plan that seems to go nowhere. They are thus trying to raise user fees wherever possible and are cutting subsidized prices for food. Especially frustrating for them is that the rise in imports is largely in consumer goods, helping living standards and squashing inflation, but without the investment goods needed to renovate obsolete factories and increase production efficiency. These are disallowed anyway by the nuclear and missile sanctions signed on by the UNSC and honored by over a hundred countries, most importantly, China. Thus Chinese customs tallies of exports to North Korea show none of these prohibited items, even if smuggling occurs. Smuggling around the sanctions continues and inevitably grows as they have remained in place for six years and more, but they still severely impede the provision of modern equipment and materials to North Korea

and the big volumes of North Korean coal and metals exports that had risen into the billions of dollars annually ten years ago.



Through November, North Korea's goods imports from China, and other countries which source through China, surged to \$1.8 billion, nearly two and a half times the \$0.773 billion value reported by China in

the same period of 2022.<sup>7 8</sup> This does not count crude oil imports which are not reported and not likely paid for by Pyongyang, but which would count for another \$300 million if properly charged. North Korean exports rose to \$267 million, well over double their small \$115 million year-earlier pace but rising from nothing to still very little. After closing its trade gap in 2020 by shutting down the border to both imports and exports, the visible gap has thus jumped to about \$1.53 billion from \$657 million in the first eleven months of 2023 compared to the same period of 2022. In the month of November, Pyongyang ran a \$172 million visible deficit. The rise in exports would have contributed a modest amount to GDP growth for the year and the rise in imports would have spurred an increase in activities to distribute and use them. More importantly, they would not be the large drag on GDP accounting suggesting the Bank of Korea will show a rebound when it tabulates an estimate next summer. My speculation is they will estimate for 2023 a small rise in consumption and exports partially offset by falling investment and real government spending.

The visible trade deficit looks like trouble, running now well over \$150 million per month, but it is at least partially offset by a likely surplus in net invisibles including services, remittances, and illicit income from abroad. These are hard to estimate but over a decade, the country managed to fund about a \$50 million a month visible deficit without adding to debt and that is likely continuing. Trade deficits larger than that would put pressure on the won as is being seen now. Skepticism about financial flow data, always large, however, have grown as cyber theft income has likely increased and as unreported arms exports to Russia for its Ukraine War have entered the picture. And it is hard to figure out the net impact of the smuggling. Coal is exported illicitly, and petroleum products imported. Other service income, especially remittances from Korean

<sup>7</sup> [North Korea-China trade spikes to 4-year high as trucks and trains cross daily | NK News](#)

<sup>8</sup> [海关统计数据查询平台 \(customs.gov.cn\)](#)

workers and families abroad, and tourism may have fallen and foreign aid, a large item in past decades, has almost entirely dried up—with the important exception of the Chinese crude oil.

North Korea and its firms are virtually bankrupt with no access to international credit, so the country's capital or finance account is essentially balanced at zero. Like an individual without access to a credit card, this puts great pressure on cash flow, or the difference between import earnings and export expenditures. A deficit can only be financed by a drawdown in savings, in national terms this would be from the sale of hard currency, either from central bank reserves or private holdings. If from the latter, the exchange value of won will plummet as won is sold to buy the hard currency needed for the imports. And if from the former, in this partially dollarized economy, the central bank will restrict issuance of won currency to keep supply and demand in balance, likely sending the economy into recession. If this sounds like capitalism, it is perhaps with *juche* characteristics.

The logical solution for Pyongyang is a campaign to increase exports to offset the rise in imports, but this is not happening, yet. Kim, for several years, like his grandfather's Taewongun, has focused on import substitution, saving foreign cash by substituting local goods for imports, not by increasing exports, a strategy that may be seen as necessary given the UN sanctions on exports of big items such as anthracite coal and non-ferrous metals. But the result is economic stagnation and trouble for state budgets, a tight-money fed deflation, and a drop in investment.

In 2023, this fairly well captures what anecdotal evidence suggests about the state of the economy. A slow shift from Marxist style forced input driven growth to one focused more on consumption, and better living standards, along with a steady erosion of the state economy in favor of the private. What remains to be seen is whether state policy, new rules on wages and property ownership, will evolve to allow the latter to drive productivity driven growth.

### **Imports up sharply, but no investment goods**

The \$1.6 billion in imports through October can roughly be broken down into consumer goods of about \$900 million and intermediate and miscellaneous goods of about \$700 million. Essentially no imports of investment goods such as machinery, electronics, trucks or busses or power plants, are recorded although these no doubt are obscured by the Chinese sanction restrictions.

A close look at these products reveals the difficulty of Kim's import substitution approach. Literally thousands of Chinese made items which North Korean firms could only begin to satisfy with scale, and many, such as sugar or tobacco, fruitless to even try. Interesting consumer items purchased by North Korea include all kinds of clothing at \$145 million, soybeans at \$91 million, rice at \$77 million, milled wheat at \$38 million, sugar \$57 million, dairy products at \$30 million, tobacco at \$56 million, furniture at \$48 million and pharmaceuticals at \$55 million.

Intermediate and industrial imports through October include textile materials at \$185 million, fertilizers at \$55 million, plastics--much of which is for agricultural sheeting--at \$171 million,

vehicle tires and tubes of \$39 million, and paper at \$47 million. The tires, in particular, are a godsend given what Daily NK reports was a severe shortage for tractors and trucks in 2022.<sup>9</sup>

Remarkably, imports of human hair and related products are one of the largest items at \$138 million in the ten months. These are used as inputs for the rapidly growing wig export industry but also used in North Korea. Finished wigs exports for the first ten months were \$139 million, up from virtually nothing five years ago, but show a value added for the North Korean industry of only about \$ 1 million, although stocking of inputs may be occurring.

### **Exports jump but from a standing start.**

Export performance is more interesting because it continues to be so poor and even the booming wigs don't seem to be making much money. Given the need for all kinds of imports, earning foreign exchange should be a high priority but export industries are having a hard time recovering despite at least the partial opening of the border. Trade more than ever seems to be one way. The Chinese data show only six general categories of goods as being even significant. These include small volumes of ores, electricity—shared back and forth from hydro plants across the border— iron and steel, clothing, and remarkably, these hair products which are by far the leading export product. Of the \$240 million in total exports through October, as indicated, \$137 million were wigs and similar hair products. These are not sanctioned as are most of the country's traditional exports of anthracite coal, iron ore, non-ferrous ores and lead and zinc metals, seafood, and textiles. Given their sudden rebound since 2019 when they first appeared, it is worth looking at them in a little more detail to see if they can give guidance on what may lie ahead.

About 75 percent of North Korean exports of all commodities in 2023 through October, not surprisingly, were destined for the two neighboring provinces of Liaoning and Jilin.<sup>10</sup> Over the course of the year expansion was seen largely with Jilin (see picture of Yanji bridge), in the north with exports to Liaoning steady. Both have rail linkages and both, especially Jilin, have large Korean-Chinese populations, presumably with larger demand for Korean products. Only two other provinces, Guangdong, China's trade monolith in the southeast, and surprisingly, Henan, in southern and inland China, count for most of the rest. These are likely reached by ship via Nampo and river transport.

Chinese customs data show that Henan--no doubt its "wig capital" of Xuchang city<sup>11</sup>--imported \$28 million of North Korean hair products through October, 12 percent of North Korean exports of all commodities and likely to eclipse the \$32 million in 2019, before the closures. North Korean state factories import the hair and related products from the Henan, costing it \$17 million through October, suggesting a value added to North Korea of about \$10 million on this

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<sup>9</sup> [North Korea's truck manufacturing industry faces severe lack of new tires | Daily NK English](#)

<sup>10</sup> Through October 2023, Liaoning and Jilin imports from North Korea totaled \$178 million of country-wide imports from North Korea of \$240 million. [海关统计数据查询平台 \(customs.gov.cn\)](#)

<sup>11</sup> The Xuchang area, an ancient wig producer, has hundreds of wig factories accounting for an astounding 60 percent share of global wig manufacturing, according to Daily NK.

by now fairly settled relationship. Workers, apparently mostly younger women in state owned enterprises, assemble the wig products in skilled but difficult work for very low pay, thus able to outcompete providers from India and Burma, the other main sources of finished wigs for the Chinese firms.<sup>12</sup> But as demand from Xuchang and other parts of China rises, opportunities are growing for sideline work, that is outside the state factories, at much higher wages, according to reporting from Daily NK. Over the course of 2023, North Korean shipments of wigs to Liaoning and Jilin expanded rapidly but imports of hair from those provinces rose even more, leaving the North Korean industry as a whole with little value-added gain. It seems likely that the imports come first as hair is needed for the final product and wigs follow, in which case North Korean exports should continue to grow rapidly, especially to Jilin. Whereas one such industry will not support a turnaround in overall North Korea exports, it could be a sign of Korean labor competitiveness that could launch exports from many other industries. A key is whether North Korean entrepreneurs or *Donju* can get involved so as to encourage a more reasonably paid workforce. Ironically, this is what occurred in South Korea in the early 1960s, with wigs and other hair products the front edge of the wave that created the South Korean export behemoth and are the roots of its highly successful cosmetic industry today.

In 2019 a similar expansion of North Korean exports of assembled watches occurred, again made from imported Chinese parts, also not sanctioned, but was cut short by the border closure, and the halt in business travel needed to support it, and as yet this business has not revived.

### **Agriculture, perpetual experiments; gambling with the weather.**

The major positive surprise for 2023 was good second half weather after much doom and gloom handwringing due to poor weather the year before, and a near disastrous 2022 harvest. Recent estimates by South Korea's Rural Development Agency which has a major research effort on North Korean agriculture, suggest total food related output reached 4.8 million tons, up from 4.5 million tons in 2022 and 4.7 million the year before.<sup>13</sup> USDA estimates in December also show a nice, weather-related turnaround in the important rice harvest, up by 6 percent from the year earlier.<sup>14</sup> And North Korea itself speaks of a "bumper harvest" without providing data. To put in perspective, however, the RDA estimates annual output averaged about 5.2 million tons prior to the 2019 pandemic and aid and commercial imports have fallen off, still leaving a large proportion of the population suffering from malnutrition. About 5.5 million tons is minimally required by the population with the gap ideally filled by imports, usually aid from UN agencies. Recent KCNA announcements, in fact, while boasting of the good 2023 performance and crediting policy adjustments rather than weather, warn that one good year does not make a trend and that huge efforts are needed to ensure a good 2024 outcome.

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<sup>12</sup> [Untangling the North Korean Wig Manufacturing Industry | Daily NK English](#)

<sup>13</sup> [North Korea enjoys bumper harvest on back of good weather in 2023: Report | NK News](#)

<sup>14</sup> [production.pdf \(usda.gov\)](#)

The year 2023 began with a large Party convention in Pyongyang on agriculture as Kim sought to resolve the ever present “food problem” amid warnings from UN and western analysts that the poor autumn harvest would lead to the worst food shortages since the great famine. A major and risky Kim initiative was to try to shift production from corn to wheat, the latter only providing about 2 percent of the grain total. That, reminiscent of on-the-spot ad hoc guidance by the great leader, Kim’s grandfather, fortunately did not happen. But apparently neither did the big shortfalls as more grain and other foodstuffs are likely produced and distributed outside the strictures of the state’s strict cooperative system than is observed. That, together with the ever-dissolving food rationing system and reopening of markets—although still with Covid impairments—probably improved distribution. Some starvation prior to the recent harvest was reported but not on the scale of international concern and little or no food aid was provided.<sup>15</sup> China records \$77 million of grain shipments through October, including about \$70 million of rice, and \$38 million in milled wheat or flour. This compares to about \$60 million in rice in all of 2022. To put in context, however, North Korea imported \$91 million in soybean oils through October, apparently a bigger need for North Korean households, and \$56 million in tobacco products.

Pyongyang in 2023 again adjusted its socialist style food production and distribution policies, presumably aimed at improving individual farmer incentives without going so far as accepting Chinese style private farming, long advocated by Chinese economists. A fairly new practice in which work teams of about ten farmers, probably still unrelated so these would not be family farms, are able to keep 30 percent of their crop with the remainder going to the collective, which owns the land and provides support products, and to the state as a tax, according to Daily North Korea<sup>16</sup> and to KINU researcher Lee Woo Tae. The state uses its share to provide rations to state system employees and the military. After negotiating quotas, the farmers can sell their above quota output in the markets at market prices, although these are often capped. More interesting, however, is a new experiment in 2023 called the Individual Contract Work System, which according to Daily NK, can only be applied to wheat and barley farmers, in which individual farmers, not work teams, will be able to take 60 percent of their production.<sup>17</sup> This would come close to the ancient tenant farm system in Korea and is well worth watching to see if it expands to rice and corn farming. Equitable distribution of land rights to individuals, even just for annual contracts, would seem to be very difficult.

Without ownership of land, and thus the ability to sell it and move on as populations expand, and as economies of scale advance, essential feature of land reform movements around the world, North Korean farmers are in effect serfs tied forever to land that is not theirs. A third of the country’s work force thus remains on the farm producing only about a fourth of the already poor country’s GDP, according to estimates by Bank of Korea. Farm labor productivity must be

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<sup>15</sup> [North Korea holds rare meetings on farming amid food shortage | AP News](#)

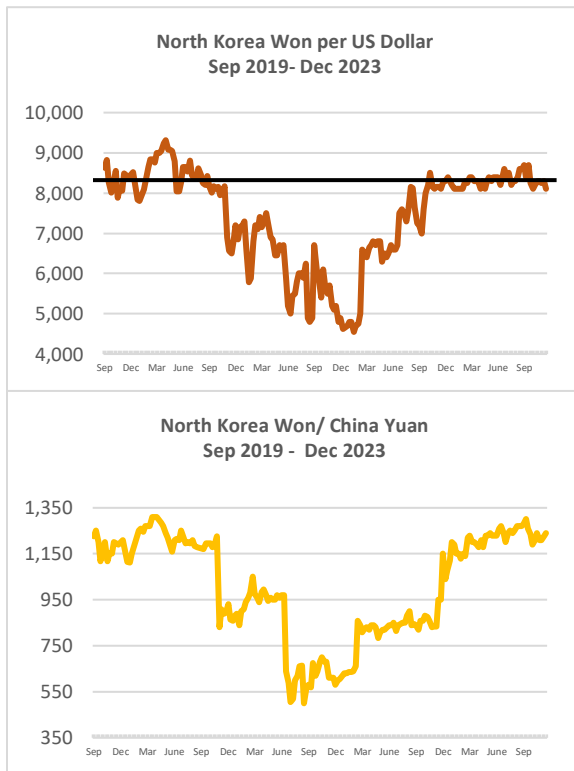
<sup>16</sup> Also see Lee Woo-tae, “ North Korea’s Food Situation in the Kim Jong Un Era,” KINU, July 2023.

<sup>17</sup> [N. Korea implements Individual Contract Work System for wheat and barley farming on trial basis | Daily NK English](#)



among the lowest in the world. As population growth slows and the work force shrinks in coming years, the regime will need to pay much more attention to productivity and labor sector mobility, especially given the large share of manpower devoted to the military. In fact employing this surplus labor more productively in export industry could pull the country out of its poverty, as it did in China in the 1990s and South Korea long before.

### Finance: Stability Forced by Dollarization



There is much to be said for stable money and this must be the single best achievement of the Kim regime so far, including in 2023. With expectations of reopening trade and travel, that stability could have come undone, but it did not. Volatility subsided with won ending the year at about 8100 won, virtually no change for the year and bringing it back to the 8,000 mark (black line on graphic) that it has tracked since 2013. In fact won has been quite stable compared to other currencies around the world that have generally fallen against the dollar, including big drops by neighboring yuan, yen, and South Korean won.

An odd but explainable exception to that pattern was in 2020-2022 when won rose substantially in value against the dollar and especially against the Chinese yuan. Closure of the border with China instantly stopped goods imports and forced trade

into balance, at zero. Invisibles in which North Korea likely runs a surplus, especially remittances, would have continued putting the country's financial balance into a rare surplus, thus raising the value of won. But as imports surged with even the partial open of the border, the won has fallen as it is sold to buy hard currency needed for the imports. The trick for the North Korean Central Bank has been to prevent the downturn to a landslide into panic won selling, a feat it appears to have successfully handled at least up to now. Its tactics, though, as said earlier, are to drive a very restrictive monetary and fiscal policy, damaging to the country's investment and likely causing trouble with the emerging class of money lenders.

This year also saw a correction in an odd phenomenon that had occurred in 2022 in which the value of yuan in North Korean markets fell much more than dollars, altering a long-time stability in the internal cross rate between dollars and yuan which had matched international markets. Given ease of exchanging dollars for yuan, a cheap yuan would suggest easy money to be made by buying yuan in North Korea and trading it for more expensive dollars in China. How this occurred is not evident but suggests very thin or corrupt markets in North Korea and different demand characteristics for the two currencies—transactions demand for yuan and savings

demand for dollars. In 2023, however, the cross rate has returned to normal (figure 3), even perhaps over compensating with a now cheap dollar and expensive yuan. There is little doubt some money exchangers in the North would have bankrupted themselves having speculated the wrong way and others made out like bandits.

The general financial stability reflects both the cause and effect of the country's unusual partially dollarized economy, where dollars, yuan, and North Korean won circulate widely. Clearly this stability is important to Kim who no doubt observed the instability of his father's monetary policy and its destabilizing impact in 2009 as he was preparing for leadership. In a 2015 letter read to his banking functionaries, later published in Nodong Shinmun, Kim ordered stability of the won as the top priority of the central bank. The bankers have taken that to heart and have achieved it likely by halting the issuance of new won credit or currency. In a capitalist country this would be the same as dramatically raising interest rates to encourage saving and discourage borrowing and the impact, an investment led recession, is the same.



In his letter, Kim rather mildly criticized dollarization as an embarrassing loss of sovereignty since citizens preferred US money to their own. But he has not been able to part with the dollars and has apparently come to learn to live with them. The real sovereignty loss though is the inability to have an independent monetary and fiscal policy. Like a currency board economy such as Hong Kong, the Central Bank cannot print money or extend credit without fear of a sudden shift from won to dollars and financial panic. Consequently the bank manages as tight a monetary policy as exists anywhere, keeping the won stable and price inflation in check. The cost, as in any capitalist country, is a lack of credit in the economy needed to finance investment, and very slow economic growth. This is a very unusual situation for a so-called socialist economy. Similar to Hong Kong's currency board system, increased money supply and thus economic growth depends on net export growth or new inward investments, neither of which is happening.

## **Outlook: Control by Money or Control by License and Rations?**

In summary, Pyongyang appears to be at a cross roads and which route it will take is unknown, probably even to Kim Jong Un as trouble between old communist allies, Russia and China, and the West has blossomed into actual and dangerous warfare in Ukraine, and as it rapidly develops its own long range nuclear warfare capabilities—directly challenging the US superpower and thus taking South Korea out of the equation. One might say that its pistol, long pointed at the hostage is being turned toward the police armed with machine guns. The police are also distracted with hostages everywhere. While much commentary indicates Pyongyang will be able to take advantage of the turmoil, and in the short run its artillery sales to Russia indicates it is, these countries are not the same as in the Cold War era and must look threatening to Pyongyang, just as does the US and an increasingly powerful South Korea. After all, both Russia and China are now arguably capitalist in nature, shunning Pyongyang’s obsolete Marxist system and looking more like 19<sup>th</sup> century imperials. They trade and conduct finance as market economies and only with difficulty with fixed price non-markets as is North Korea. Not much room there for “friendship” prices, even for artillery shells. This is exemplified by their willingness to continue to impose tough sanctions on their trade with North Korea. And both, especially Russia, are exhibiting potentially catastrophic and unsustainable economic policies at home. Who knows what will follow. With an important election coming up in the US, odds are that Pyongyang will remain on hold, showing off its deterrent while watching carefully how the US election unfolds to see if it can resume deal making on its terms.

The domestic economy is a different picture, with a hold on policy untenable given the country’s risk factors. Will the weather hold up? Will state workers remain docile if they have to pay real money for food? Will citizens suddenly panic and turn in won for ever present dollars at whatever the price? Or will their hackers grab Chinese cyber currency and WeChat credit cards, finally destroying socialist controls on private capital? Will new wig Donju find a way to break into the South Korean cosmetics business and make private fortunes? Will soldiers get concerned over the obvious ineffectiveness of their Soviet-era tanks and planes seen in Ukraine, and more fundamentally, their own low pay and rations? The full directions of policy will never be broadcast but hints might be gleaned at the upcoming Central Committee meetings in late December. They might be classed as in Kim’s 2015 letter, in which he argues with the bankers for economic “control by money”, resembling capitalism, or his later efforts to consolidate market activity that might be said to be “control by licenses or ration tickets”. In its announcement of the late December Central Committee meetings, the Politbureau says it will “review the execution of the Party and state policies in 2023 and discuss and decide on orientation of struggle for 2024 and important issues.”<sup>18</sup> Attention should be paid to how the Party sees several important regime experiments in 2023. Changing the agricultural work

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<sup>18</sup> KCNA, December 2, 2023

team's relationship with their collective farms—no ownership rights are suggested but improved individual rights to market the production may be in the works; a change in the socialist distribution of food so that state sector claimants will get a discount from the market price of food rather than be given it as a ration; a new ability for everyone to be able to change money on their electronic bank cards using the market rather than official exchange rate for dollars<sup>19</sup>, in effect dispensing with the official rate; and moves toward capitalist banking including interest rate incentives on borrowing and lending, and away from socialist finance as ordered by Kim in 2015 but not implemented. Liberalization of prices, especially for state supplied energy, is also needed so as to address persistent shortages and insufficient investment in the obsolete electric power sector.

The slightly improved economy at the end of 2023 and global instability may give Kim political cover to push forward on such incremental but important reforms. If not he will be throwing the dice again in 2024.



But there is change. This is the lonely Tumen bridge I visited in 2007. Bill Brown

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<sup>1919</sup> [N. Korea applies market exchange rate to electronic prepaid card transactions | Daily NK English](#)