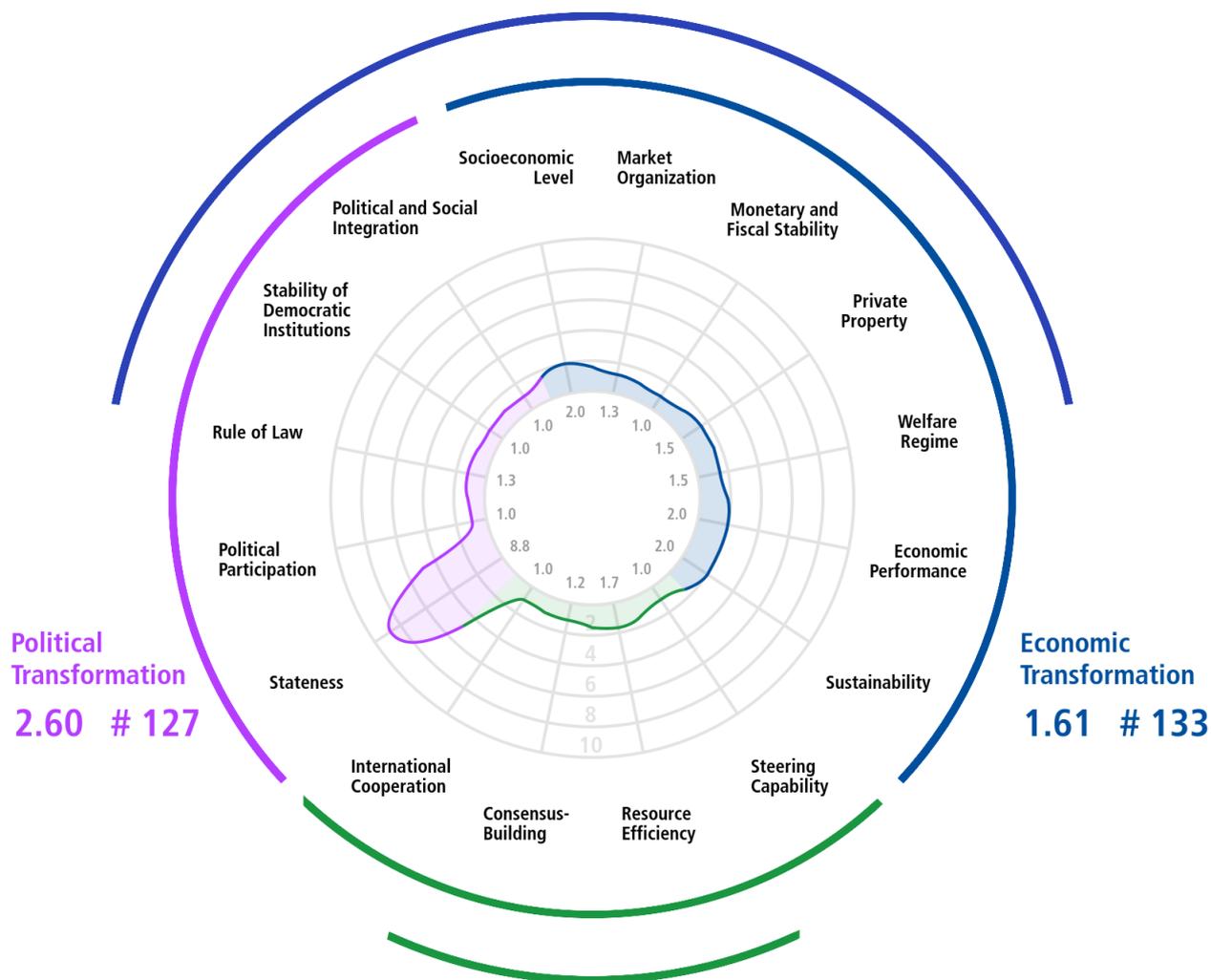


North Korea

Status Index

2.10 # 131

on 1-10 scale out of 137



Governance Index

1.14 # 135

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	26.5	HDI	-	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	0.3	HDI rank of 193	-	Gini Index	-
Life expectancy	years	73.6	UN Education Index	-	Poverty ³	% -
Urban population	%	63.5	Gender inequality ²	-	Aid per capita \$	0.5

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Since rising to power, Kim Jong-un appears to have focused on developing practical means of establishing mechanisms of legitimacy, placing less emphasis than his familial predecessors on ideology. However, the regime maintains a bloodline-based succession system. Recently, official state media have reported that Kim Jong-un's preteen daughter, Kim Ju-ae, has accompanied him on multiple occasions, including on visits to missile launch sites and military parades.

The government continues to prioritize weapons development and has conducted multiple missile tests, including tests of long-range intercontinental ballistic missiles. A recent significant development in its foreign policy was the signing of the Comprehensive Strategic Partnership (CSP) treaty with Russia in June 2024. The contents of the treaty suggest that the two sides are laying the foundation for long-term, multifaceted relations across military, economic and political spheres. In particular, the CSP treaty includes a mutual defense clause stating that if either country is "put in a state of war," the other side shall "provide military and other assistance with all means in its possession without delay." As for the government's relationship with the United States, there have been no recent developments or signs that dialogue between the two countries will resume.

Tensions between the two Koreas have reached their highest level in recent years. In January 2024, at the Supreme People's Assembly, Kim Jong-un called for constitutional revisions to designate South Korea as the "principal enemy" and said North Korea would no longer treat the South as a "partner of reconciliation and reunification." In June 2024, South Korea suspended the 2018 Panmunjom Declaration in response to the North's launch of trash-filled balloons across the border, a reaction to balloons carrying leaflets sent north by human rights NGOs in South Korea. In October 2024, North Korea demolished roads and railways connecting the two Koreas. That same month, North Korea blamed South Korea's military for sending drones into its territory to spread propaganda leaflets. Although South Korea denied the allegation, during an investigation into President Yoon Suk-yeol's martial law declaration on December 3, 2024, a claim was made that the drones were sent on the order of then-Minister of National Defense Kim Yong-hyun.

Economic policy has strongly emphasized the theme of regional economic development. At the Supreme People's Assembly in January 2024, Kim Jong-un announced the Regional Development 20×10 Policy, which aims to build factories in 20 cities and counties over the next 10 years. The policy aims to address significant regional disparities between Pyongyang and other regions in North Korea and will be implemented alongside the ongoing rural housing construction program.

North Korea's economy grew by 3.1% in 2023, its first expansion in four years, as the country eased border controls. Cross-border trade has also increased since 2022. Total external trade reached a value of \$2.77 billion in 2023, up 74.6% from \$1.59 billion in 2022. Historically, China has accounted for nearly 95% of North Korea's trade. In 2023, trade with China accounted for 98.3% of the total, a record high. Data on trade with Russia were unavailable for both 2022 and 2023.

History and Characteristics of Transformation

Although ruled by the Kim dynasty since 1948, North Korea's communist autocracy has undergone a profound transformation since the early 1990s. While the regime has experienced several critical episodes that have called its stability into question, it has endured. North Korea remains the only communist regime to have successfully managed two hereditary transitions of power – from Kim Il-sung to Kim Jong-il and from Kim Jong-il to Kim Jong-un.

Each new leader's accession has led to a reorganization of the ruling coalition. Following the 1994 transition, the military became the cornerstone of Kim Jong-il's ruling coalition, enjoying increased political and economic privileges. After assuming power in 2012, Kim Jong-un rapidly formed his own ruling coalition and began by diminishing the military's responsibilities and privileges. In its place he strengthened the party's Organization and Guidance Department, the Ministry of State Security and the General Political Department – an agency tasked with monitoring the military's political activities. In 2016 he convened the Seventh Party Congress, ending a 36-year hiatus on such events, to mark his consolidation of power. The Kim Jong-un regime's continued stability was further demonstrated by the Eighth Party Congress held five years later.

Ideologically, the regime has invoked "communism" and "socialism" less often in recent years. Instead, it has emphasized building a "strong and prosperous country" with nuclear-tipped intercontinental ballistic missiles under the infallible guidance of the supreme leader. The Juche ideology, which refers to Korean socialism as formulated by Kim Il-sung, is mentioned less often than it was under the previous two Kim regimes. Since 2012, the regime has adopted "Kim Il-sung- and Kim Jong-il-ism" as its guiding ideology. Furthermore, Kim Jong-un appears to employ nonideological means of legitimization, emphasizing a "people-first" political approach in which the party's purpose is to serve the people and improve living standards.

The North Korean economy is a de facto mixed model based on party-state dominance, rent distribution and commercially operated state firms. To ensure its survival, the regime has co-opted expanding markets both as a source of revenue and as a means of securing privileges for groups loyal to the regime. Corruption has become rampant and plays a dual role, supporting the expansion of (illegal) commercial activities and redistributing profits to regime-friendly entities.

Internal and external security mechanisms have undergone significant changes. Since the 1990s, the regime has faced a substantial weakening of the party-state apparatus and an expansion of commercial activities caused by fiscal collapse. It has also confronted the challenge of a second hereditary leadership succession. These factors have increased the regime's reliance on state violence. Evidence of this greater reliance includes a rise in the frequency of public executions, including those of high-profile officials; tightened border controls; and an elevated role for the police force and state security organizations. Yet the corrupt nature of these security agencies allows many targeted individuals to avoid consequences by buying their way out of trouble.

Regarding external security, the regime has persistently pursued the development of nuclear weapons and ballistic missiles, an effort that has accelerated under Kim Jong-un's leadership. As North Korea's nuclear capabilities grow, the country faces mounting pressure from the international community in the form of sanctions and isolation. While the North Korean party-state excels at political domination and military buildup, it is severely deficient in providing essential public goods and has a disturbing record of human rights violations.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The state's monopoly on the use of force has not been challenged in North Korea since the end of the Korean War in July 1953. Despite the weakening of this monopoly in the 1990s due to economic collapse, the party-state maintained internal order largely through the use of violence and surveillance, including public executions. In addition, the state's coercive apparatus includes the Ministry of People's Security, the State Security Department and the Military Security Command. This apparatus serves as the regime's main tool for enforcing its oppressive monopoly on the use of force. Despite conditions of severe economic crisis and political and social instability, there have been no serious internal challenges. Since Kim Jong-un's rise to power in December 2011, the roles of party organizations and the coercive state apparatus have been expanded as a means of guarding against internal challenges.

For more than 1,000 years, the Korean Peninsula was a single, politically unified territory. Separate state-building in North Korea began shortly before the outbreak of the Korean War in 1950. Since then, North Korean politics can be summarized as a transition from rule by multiple factions to one-faction rule to one-man rule. Over the past seven decades, the state's identity has become almost indistinguishable from that of its leader and regime.

Since Kim Jong-un became supreme leader in April 2012, the regime's identity has evolved. The regime has constructed Kim Jong-un's legitimacy by portraying him as a descendant of the "Baekdu bloodline" (Mount Baekdu is regarded as a sacred place in North Korea) and by promoting him as the rightful heir through various media platforms, thereby prolonging the regime's foundational myth. At the Seventh Party Congress in May 2016, Kim Jong-un's symbolic status was elevated to equal that of Kim Il-sung and Kim Jong-il in the ideological pantheon of "great" leaders. Subsequently, at the Eighth Party Congress in January 2021, Kim Jong-un was elected general secretary of the party, a position that puts him on equal footing with his (deceased) father, who was named "eternal general secretary" after his death.

Question
Score

Monopoly on the
use of force

10



1

State identity

10



1

According to the regime's own ideology, North Korea is a secular and atheistic society. Yet the personality cult surrounding the Kim family and the ruling dynasty may appear quasi-religious. For example, since 2012, statues of Kim Jong-il have been built either alongside those of Kim Il-sung or independently. In addition to communist ideology, other ideological tendencies have played a significant role in shaping the public sphere and political institutions. These tendencies include leader worship, the notion of the nation's organic unity and a chauvinistic emphasis on patriotism. North Korean citizens are indoctrinated with these ideological principles through various means, including education, mass rallies and the construction of historical monuments.

Kim Jong-un continues to grossly fail to allocate sufficient resources or take measures to improve the basic civil functions of government. Instead, he prioritizes functions and expenditures related to the country's military buildup, political legitimation and social control. Furthermore, he has reallocated some monopoly licenses for commercial businesses – major sources of revenue for most party-state agencies – to benefit the cabinet at the expense of the military. This has done little to strengthen the fiscal base supporting the state's civil and economic functions. The Kim Jong-un regime has been overseeing a five-year economic development campaign (2021 – 2025) ostensibly aimed at improving the people's living conditions, but its achievements remain limited.

In addition, a relatively liberal attitude toward market expansion since Kim Jong-un's rise to power has allowed local administrative bodies to increase fiscal capacity by collecting a share of merchants' surplus at around 450 officially sanctioned markets, either through taxation or quasi-taxation. North Korea officially abolished taxes in April 1974, and it advertises itself as “the only country in the world that abolished the tax system.” Nonetheless, it still collects revenue from its citizens in the form of non-tax payments and mandatory labor on government projects.

Since the economic decline in the mid-1990s, it has become increasingly difficult for the government to generate enough revenue to provide even the most basic social welfare services. Regardless of the COVID-19 pandemic's severity, a considerable proportion of citizens no longer seems able to access basic state medical care. Moreover, although most North Koreans have access to tap water for basic sanitation, this does not necessarily mean the water is safe to drink. According to the World Bank, 84.8% of the population had at least basic access to sanitation in 2022, but only 66.53% had access to clean water. In addition, only half of the population (54.7%) had access to electricity in 2022.

COVID-19 served as a pretext to seal the border and further restrict citizens' movement, which has reduced the accessibility and efficiency of basic administration. At the same time, the government redirected its resources and expanded its security infrastructure by building more fences and guard posts along the northern border. In particular, major cities with significant cross-border activity, such as Hoeryong, have experienced a marked increase in border security.

No interference of religious dogmas

10



1

Basic

administration

5



1

2 | Political Participation

Elections in North Korea serve as a means of mass political mobilization and are regarded as a political occasion to demonstrate the public's unified support for the regime and its leader. Elections are monitored and managed by the Korean Workers' Party, and the regime selects and nominates all candidates. To guarantee 100% voter turnout, local police actively track down absentees and ensure that all eligible voters cast their votes. Voters gather and march together to the polling station, where they receive a ballot with a single candidate in their district. They are expected to cast their votes by dropping their ballots into the ballot box. Because the whole process is transparent, deviant behavior poses severe risks. General elections for the Supreme People's Assembly are held approximately every five years. The most recent parliamentary election was held March 10, 2019, to elect the members of the 14th Supreme People's Assembly.

The North Korean political system is an absolute one-man dictatorship. The power to govern does not originate from elections or communist ideology, but from the leader's "great guidance capacity" and his delegation of power. No veto power exists to counter the leader's rule. The regime's autocratic control leaves no political or social space outside its reach. Power is concentrated in the hands of the supreme leader and a small circle of elites, and is exercised through party and state organizations, including the military and state security agencies. Party representatives are not democratically elected by party members. Party members have the right to veto representatives who fail to fulfill their obligations to the party; however, this decision-making process is explicitly controlled by the leader.

Article 67 of the 14th revised constitution of 2019, like previous versions, guarantees the freedoms of speech, assembly, demonstration and association, as well as press freedom. However, in reality, organizations exist solely as part of either the state or the party, and autonomous associations are nonexistent in North Korea. The regime controls the population through compulsory affiliation with organizations from age 7, as well as extensive surveillance, informant networks, and the threat of imprisonment or exile to the countryside. There is no credible reporting of activities during the review period that were not government-ordered or government-controlled.

In North Korea, there is no need to censor dissenting media because there are no independent media outlets. Mass media outlets and all forms of public expression of opinion are completely controlled by political authorities. However, since the mid-1990s, private channels for independent information and horizontal communication have expanded slightly, driven by the rise of market activities, increased cellphone use, foreign contact through smuggled media (for example, DVDs and USB sticks), and secret access to South Korean radio and television programs. In response, the regime has frequently dispatched inspection groups to monitor and suppress the

Free and fair elections



Effective power to govern



Association / assembly rights



Freedom of expression



circulation and use of foreign information, and it has enacted a new law, the Reactionary Ideology and Culture Rejection Act of the Democratic People’s Republic of Korea, to crack down on these “anti-socialist behaviors.” Additionally, in January 2023, the government enacted the Pyongyang Cultural Language Protection Act, banning the use and spread of language in “South Korean style” or that appears to have foreign influence. While the risk of political persecution is still high, some citizens do criticize the regime in private.

3 | Rule of Law

In the mid-1960s, the North Korean political system evolved into an absolute one-man dictatorship. Since then, all power has been concentrated in the person of the leader. The leader stands above the law, and there is no clear separation of roles or institutional differentiation among the party, military, cabinet, People’s Assembly, judiciary or security organizations. The leader delegates powers and functions to members of the elite and agencies, and either rewards them with privileges or punishes them through purges. Therefore, there is significant competition among and within the party, state and military organizations for a greater share of power and privileges from the leader. Each organization competes in a zero-sum game for an increased allotment of power and opportunities for rents by demonstrating its loyalty and contributions to the leader.

While the Supreme People’s Assembly meets once or twice a year to ratify party-state directives, the deliberative bodies of the central party, such as the Politburo and Central Committee, have rarely been convened. When convened, these meetings have been pro forma and have exerted no effective political decision-making power.

Over the course of Kim Jong-un’s reign, the Organization and Guidance Department within the central party and the Ministry of State Security appear to have gained greater dominance over other state agencies. Accordingly, their competencies and prerogatives have been expanded at the expense of other agencies. In addition, a generational shift is taking place within the party, state and military as older members are replaced by a generation in their 40s and 50s.

The judicial system in North Korea consists of the Central Court, provincial courts, people’s courts and special courts. Special courts include military courts and railroad courts. Although judges in North Korea are elected under national regulations, the Korean Workers’ Party exercises de facto absolute control over all institutions, including judicial agencies. There has been no noticeable change in the judiciary’s function since Kim Jong-un’s rule began in 2012.

Trials in North Korea are unfair. Since the 1990s, corruption within the judicial system has increased significantly. Unable to fund the judiciary through its own budget, the regime has tacitly allowed it to generate revenue by “selling” justice.

Separation of powers



Independent judiciary



Judges and prosecutors have become the greatest beneficiaries, particularly following the market crackdown in the late 2000s, when bribery became widespread. Furthermore, North Korea operates a public trial system, which serves as a tool for political propaganda and as a means to intimidate residents.

Corruption and abuse of office are pervasive at all levels of the bureaucracy, with party-state officials acting to exploit bureaucratic red tape. The traditional narrative holds that the supreme leader's good intentions are undermined by lower-level officials pursuing personal gain. In response, the regime has frequently deployed inspection groups to lower units to fight "anti-socialist behaviors," including rampant corruption. However, these groups have been more interested in taking bribes than in stamping out corruption.

While high-level corruption is occasionally prosecuted, such prosecutions have generally been carried out with the aim of effecting political purges rather than making genuine anti-corruption efforts. Likewise, at lower levels, corruption charges appear to be motivated by interorganizational political competition. Since taking over the position of leader, Kim Jong-un has emphasized the need to eradicate corruption among lower-level officials. Accordingly, the regime has implemented some deterrent measures, including party inspections, public executions and the promotion of "unbounded loyalty to the leader." However, judging by the outcomes of previous anti-corruption campaigns, these measures appear to have had almost no long-term effect.

North Korea's constitution guarantees basic civil rights in Chapter 5. However, in practice the regime ignores civil rights and represses even the most insignificant political resistance. Public executions and sudden deportations without due process remain common. Mistreatment and torture in labor and prison camps remain widespread. The U.N. General Assembly has passed a number of resolutions relating to human rights violations in North Korea over the past 19 years (2005 – 2023).

Traditionally, law enforcement has been applied selectively, depending on political affiliations such as party membership, the strength of a patronage network, or songbun status (a political classification system with three classes). More recently, the ability to pay bribes has become a significant factor in determining outcomes.

Regarding gender-based discrimination, North Korea officially prohibits "all forms of discrimination against women" under the Law on the Protection and Promotion of the Rights of Women. However, discrimination grounded in traditional gender roles continues to constrain women, both directly and indirectly, from fully exercising their basic rights. Meanwhile, LGBTQ+ rights and transgender rights are not formally addressed in the country's law.

The freedom of movement is heavily restricted, requiring official permission or payment of bribes. In particular, control of the border with China has tightened significantly since Kim Jong-un assumed power in 2012. Those caught attempting to flee the country are almost always sent to labor or prison camps. In January 2020,

Prosecution of office abuse

2

'06 _____ '26 10



Civil rights

1

'06 _____ '26 10



immediately after the outbreak of COVID-19, North Korea closed its borders with China. Since then, the government has deployed more soldiers and enhanced its security infrastructure along the borders with China and Russia, which further restricts movement.

Article 68 of the constitution guarantees the freedom of religious belief. However, it also states that religion cannot be used to draw foreign influence into the country or to damage the state order. In practice, North Korea, whose capital, Pyongyang, was once known as the “Jerusalem of the East,” remains one of the most anti-religious countries in the world. Aside from some official pro forma religious organizations and several church buildings in Pyongyang that are used to receive foreign guests and serve propaganda purposes, any sign of autonomous religious activity has been harshly suppressed. For example, on the 2024 World Watch List published by the U.S.-based NGO Open Doors, which ranks the 50 most dangerous countries in which to be a Christian, North Korea was ranked first, followed by Somalia and Libya.

4 | Stability of Democratic Institutions

There are no democratic institutions in North Korea. North Korea’s political system is a one-man dictatorship managed through party organizations, internal security agencies and military force. The party stands above all state institutions and organizations, and every political decision is made and implemented under its leadership. The system’s stability rests on elites and state institutions relying on the supreme leader to delegate power and allocate privileges.

There are no meaningful democratic institutions in North Korea. The current one-man dictatorship is essentially maintained through a divide-and-rule policy among elites and state organizations. These groups maintain their positions through the distribution of wealth and career opportunities, a totalitarian system of surveillance and social control, ideological indoctrination, and, ultimately, brute force. Furthermore, there is no evidence of any debate or faction within the North Korean regime advocating for the introduction of an element of liberal democracy.

Performance of democratic institutions

1

'06 '26 10

1 — 1

Commitment to democratic institutions

1

'06 '26 10

1 — 1

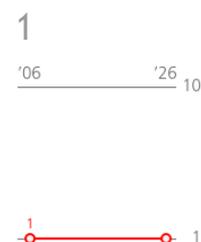
5 | Political and Social Integration

The North Korean regime is based on one-party rule, centered on the Korean Workers' Party. By the 1960s, the party had lost any semblance of a political function related to articulating and aggregating societal interests. Instead, it had become an instrument of personal rule. In the mid-1990s, however, the party faced a crisis over its traditional status and function in the political system. With the economy's collapse, the party lost a significant degree of its control over the population. Accordingly, Kim Jong-il promoted the military over the party as the main pillar of regime survival.

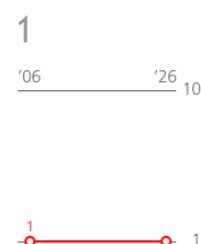
Since rising to power, Kim Jong-un has sought to weaken the military's dominance and promote state agencies in its stead. Non-military roles (for example, economic and business privileges) have been redistributed in favor of the party and other agencies. Among them, the Organization and Guidance Department of the central party has regained its former status as the regime's core agency. Local party organizations have effectively replaced top government agencies as the main structures for implementing policies, and they play a dominant role in exercising government power and collecting fiscal revenue for the central government. According to party statutes, a party congress is to convene every five years. However, in practice, party congresses are rare in North Korea, as there was a 36-year gap between the Sixth and Seventh Party Congresses. The Eighth Party Congress, the most recent such event, was held in 2021.

There is no concrete evidence that a network of cooperative associations or interest groups exists in North Korea. With no rule of law or guarantee of property rights, and amid rampant corruption and co-optation, members of bureaucratic and regional segments have formed self-contained cliques. These groups manipulate the upward flow of information in order to protect their departmental interests and secure a larger share of resources. Since the 1990s, segmentation has intensified as each bureaucratic agency has been required to finance itself through commercial activities. The powerful domains include the Kim family and the party, the military, the "Second Economy" (which administers weapons production), the Ministry of State Security, the Ministry of Public Security, and the Presidential Security Unit. Traditionally, the Kim family and the party have held the most power, although the military's influence increased during the period of the "military-first" (Songun) policy. However, under Kim Jong-un's rule since 2012, the most influential domains appear to be the Kim family, the Organization and Guidance Department, the Ministry of State Security, and the central party's Commission of the Second Economy.

Party system



Interest groups



There are no survey data relating to citizens' approval of democracy in North Korea. Traditionally, the regime has tried to persuade the population that political life in Western democracies is undesirable, or even disastrous. For most North Koreans, any knowledge of such a life would come secondhand, for example through smuggled videos.

Approval of
democracy

n/a

'06 _____ '26 10

In the 2023 Settlement Survey of North Korean Refugees in South Korea, conducted annually by the Korea Hana Foundation, a non-profit organization under the Ministry of Unification, the most common motivation for defecting from North Korea was "food shortage," cited by 21.6% of respondents. This was followed by "hated being monitored and controlled by the North Korean regime (seeking freedom)" (20.4%) and "to provide my family with a better living environment" (10.7%).

n/a _____ 1

The regime has long promoted the fragmentation of social groups and the atomization of individuals through its totalitarian control over society. As a result, social spaces in which citizens might build relationships of solidarity and trust have almost completely disappeared. Instead, the party's Propaganda and Agitation Department has choreographed a facade of organic solidarity and trust among "the leader, the party and the masses." In addition, there is no independent civil society or autonomous cultural, environmental or social associations, as all existing organizations are created and controlled by the Korean Workers' Party.

Social capital

1

'06 _____ '26 10

1 _____ 1

The overall level of surveillance by the party-state remains very high, although the increase in the prevalence of activities outside the party's control has somewhat reduced the effectiveness of political surveillance since the 1990s. This surveillance system undermines interpersonal trust. For instance, the *inminban* system – referring to neighborhood watch units consisting of 20 to 40 families from the same neighborhood who share responsibility for monitoring one another – hinders the formation of trust between individuals. In recent years, however, it has been clear that the *inminban* system, and especially its monitoring function, can be weakened by bribery.

At the same time, the rise of spontaneous market arrangements encourages trust between individuals, albeit a precarious and rudimentary trust. For example, private merchants have illegally established a nationwide network to exchange information on commodity prices. Similarly, thanks to the growing use of cellphones, private merchants have organized regional transportation, parcel delivery and money transfer services, even though these services are unstable and primitive.

II. Economic Transformation

6 | Level of Socioeconomic Development

North Korea is among the few countries for which the World Bank, UNDP and other international organizations do not publish conventional data on human development, gender inequality, poverty and income inequality. Nevertheless, it can be assumed that poverty and inequality are extensive and structurally ingrained, primarily because of two political factors: first, the rigid political classification of individuals through the caste-like “songbun” system; and second, the regime’s control over individuals’ access to profitable opportunities.

With regard to the first factor, although Article 65 of the constitution stipulates that “citizens enjoy equal rights in all spheres of state and public activity,” individuals are in reality categorized into three classes under the songbun system. Individuals are assigned a place in the system based on an overall assessment of family background and perceived loyalty to the regime. The songbun system is considered to be one of the most important factors in determining individuals’ access to housing, education, employment and other opportunities.

On the second issue, as markets have expanded since the early 1990s, the regime has favored state agencies and loyal individuals when distributing profitable opportunities. While new opportunities outside the direct control of the party-state have somewhat reduced the rigidity of the songbun system, the regime’s politically motivated distribution of business licenses to regime loyalists has effectively preserved it in another form. Nevertheless, market expansion has allowed a small degree of upward mobility among the lower class.

In the end, those with stronger ties to the regime have a better chance of accessing powerful or profitable opportunities. That is, the long-standing songbun system and the economic ties brought about by marketization have somewhat combined to reproduce poverty and inequality. In addition, since the introduction of de facto marketization, an income gap has become increasingly visible, and the regional divide between Pyongyang and the border areas has intensified.

Question
Score

Socioeconomic
barriers

2

'06 '26 10



Economic indicators		2021	2022	2023	2024
GDP	\$ M	-	-	-	-
GDP growth	%	-	-	-	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	3.0	2.8	2.8	2.9
Foreign direct investment	% of GDP	-	-	-	-
Export growth	%	-	-	-	-
Import growth	%	-	-	-	-
Current account balance	\$ M	-	-	-	-
Public debt	% of GDP	-	-	-	-
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-	-	-	-
Tax revenue	% of GDP	-	-	-	-
Government consumption	% of GDP	-	-	-	-
Public education spending	% of GDP	-	-	-	-
Public health spending	% of GDP	-	-	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	-	-	-	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Since the introduction of the “Management Responsibility System for Socialist Firms” on May 30, 2014, North Korea’s economic system has been a state-controlled mixed economy centered on commercially operated state firms. The economy is made up of at least three sectors, excluding defense industries. The first sector includes official markets permitted and regulated by the state. The second consists of relatively large private businesses that operate under the guise of state businesses. The third involves unofficial market activities, such as “grasshopper markets,” which are sustained by bribes to local officials. Under this system, the state’s direct management of firms has decreased, and state firms’ autonomy has increased. Even

Market
organization

2

'06 '26 10



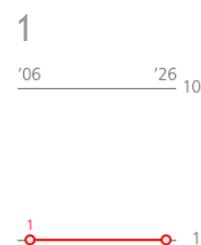
without direct intervention, the state's authority over the national economy and firms remains overwhelming. For instance, the state holds the exclusive right to appoint managers in all firms and retains a monopoly on banking functions. Business licenses and allocations are determined by the top leader.

There are no signs of market-oriented reform under Kim Jong-un, and political considerations continue to play a crucial role in economic management. While the state acknowledges the benefits of the de facto market mechanism, private entrepreneurs remain unrecognized. Even though private investment has become widespread, it is allowed only under the official guise of shared participation in state firms or in commercial subsidiaries of state agencies. Although the size and scope of commercial enterprises have gradually expanded, with such entities now operating in almost all economic sectors, including mining, transportation and real estate, severe constraints on market-based competition remain. In addition, all commercial activities remain informal, as they have not yet been integrated into the official economic system. The cross-border movement of labor and capital is prohibited. Free market entry and competition have been most robust among merchants selling small daily necessities in local markets.

In North Korea, there are no legal or political measures to prevent monopolization or cartel behavior. North Korea is not a member of the International Competition Network, and it has no independent competition authority. Instead, the leader monopolizes the most important business opportunities, while import and export businesses are state-owned. The leader also monopolizes the assignment and distribution of business licenses to major agencies of the party, the military and internal security organizations. Trading companies affiliated with these groups receive monopoly licenses to export or import specific goods, which allow them to take advantage of significant gaps between domestic and international prices. Their primary exports are natural resources and other extractive products such as minerals, timber, seafood, mushrooms and various herbs.

State agencies also operate monopolized businesses through their commercial subsidiaries, including distribution networks for imported goods, amusement parks and restaurants. In addition, the party-state bureaucracy intervenes extensively in the domestic economy to suppress potential threats from new entrants and to favor regime-sponsored monopolies. Through such measures, the regime can maintain strong influence over the emerging structure of commercial economic activities and the agents involved in these activities. Furthermore, rampant corruption does not undermine the regime's capacity to control the development of the market economy or threaten its survival because the chain of corruption ultimately benefits the more powerful.

Competition policy



North Korea upholds the principle of a state monopoly on foreign trade. In practice, the supreme leader alone exercises this prerogative, strictly monitoring and controlling foreign trade because it is the regime's primary source of foreign currency, indispensable to its survival. Distributing trade licenses to regime agencies is one of the most powerful means of maintaining the elite's dependence on the leader. Nevertheless, trade licenses are frequently resold or transferred from stronger agencies to weaker ones, despite being illegal. The Ministry of State Security closely monitors agencies and individuals engaged in foreign trade, particularly their foreign contacts and any embezzlement of foreign currency. Since Kim Jong-un's rise to power in 2012, the military's share of trade licenses has been reduced in favor of the cabinet and his personal court.

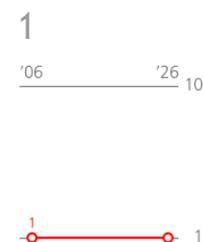
North Korea is not a member of the World Trade Organization. Smuggling along the border between North Korea and China remains active, except during the three-year border closure (January 2020 – January 2023) due to the COVID-19 pandemic. Although these activities are known to be significant, they are excluded from trade statistics published by the (South) Korea Trade Association, the United Nations and the IMF. Meanwhile, North Korea's trade is heavily restricted by sanctions imposed under U.N. Security Council resolutions. These sanctions typically cover a broad range of goods, products and services, from procurement of arms and related materials to the import of luxury goods, as well as the international flow of funds and economic resources.

According to the Korean Statistical Information Service, North Korea's total external trade volume rose 122.3% in 2022 to \$1.59 billion compared with the previous year's figure, which was the lowest since 1990. That low figure reflects North Korea's border closure. In 2023, the trade volume increased by an additional 74.6% to \$2.77 billion. This growth is likely due to the easing of the COVID-19 pandemic and the resumption of North Korea-China trade. China typically accounts for a significant portion of North Korea's foreign trade. In 2023, China accounted for 98.3% of foreign trade, a record high.

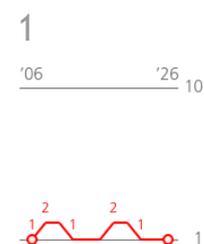
Banking in North Korea is a state monopoly. In addition to the central bank, the Foreign Trade Bank (for foreign exchange) and other cabinet-managed functional and joint-venture banks, the country also has trade banks affiliated with the party and military institutions. Because all activities that generate foreign currency are strictly monitored and controlled by the leader, trade banks operated by regime agencies also serve as his personal fund-management system.

Since the catastrophic, confiscatory denomination measures in November 2009, foreign currencies, including the U.S. dollar and Chinese yuan, have substantially replaced the North Korean won even for small daily transactions. With the imposition of sanctions, the regime has used this laissez-faire dollarization policy as an opportunity to compensate for the lack of foreign currency.

Liberalization of foreign trade



Banking system



The state banking system in North Korea has been largely ineffective in mobilizing domestic and foreign capital for productive investment. State banks accept personal deposits, but most North Koreans avoid using them due to difficulties withdrawing funds at one's convenience and a widespread reluctance to disclose income – this latter factor stemming in part from the prevalence of illegal economic activities. Since the expansion of market activities in the 1990s, cash-rich merchants appear to have taken on the traditional roles of commercial banks. They provide investment capital to private entrepreneurs and state firms for the purposes of production, distribution, construction, exports and imports. They also operate private financial services such as lending, transferring and exchanging both domestic and foreign currencies. No data is available on capital adequacy ratios or the share of non-performing loans.

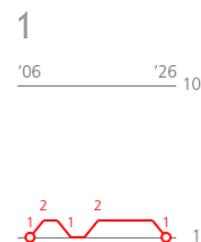
8 | Monetary and fiscal stability

North Korea does not have an independent central bank. The leader maintains strict centralized control over foreign currency. Foreign currencies – especially Chinese yuan along the border between North Korea and China and U.S. dollars in other areas – have become key instruments not only for secretly holding private funds but also for day-to-day exchanges in the marketplace.

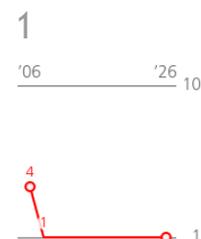
Since early 2013, the Kim Jong-un regime has to some extent maintained stability in the North Korean won (KPW), and has kept inflation rates low. The exchange rate with the U.S. dollar has stayed around KPW 8,000, although it fluctuated between KPW 4,700 and KPW 7,400 to the dollar during the period from November 2020 to July 2022. However, since June 2024, exchange rates in North Korea have skyrocketed. As of January 2025, the KPW was trading at 21,700 to the dollar in Pyongyang, the highest recorded rate since Daily NK began tracking this data in August 2009. According to an analysis by Daily NK, North Korean authorities blamed this sharp rise on “unfounded rumors” and on psychological unease that the domestic currency will continue to lose value. In response, the government ordered all workplaces and citizens to adhere to the official exchange rate of KPW 8,900 to the dollar.

With the collapse of the planned economy in the 1990s, North Korea's fiscal system fell into disarray. The regime suffered a drastic decline in revenue and began allowing state agencies to pursue fiscal independence. The cabinet, party, military and security agencies became the primary domains of fiscal self-sufficiency, funded by off-budget revenue from privileged commercial activities. The government sharply reduced public services but accelerated the construction of monumental buildings and the development of weapons of mass destruction. This practice has not changed, even with the transfer of power from Kim Jong-il to Kim Jong-un. In addition, fees from permits for commercial activities at official marketplaces have contributed to fiscal stabilization, at least at the local government level.

Monetary stability



Fiscal stability



The Kim Jong-un regime appears to be taking measures to maintain fiscal stability by implementing economic development plans and campaigns. A new five-year economic plan was introduced in January 2021, but this has produced no significant change to date. The government continues to promote independence and self-reliance, identifying the metal and chemical industries as key elements of the five-year plan. In January 2024, the government announced the “Regional Development 20×10 Policy,” which aims to build regional industrial factories in 20 cities and counties over the next 10 years to address economic disparities between Pyongyang and other regions.

9 | Private Property

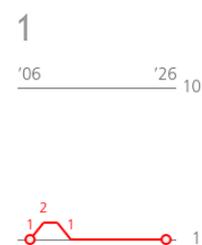
Under the basic framework of the socialist economic system, private property other than daily consumer goods remains officially banned in North Korea. However, rampant corruption and the spread of commercial activity have created a more complex reality. Over the past 20 years of market expansion, some individuals have accumulated private wealth and even entered into joint ventures with state agencies as private investors. While these arrangements are now widespread, they remain officially illegal.

In practice, virtually everything can be sold privately in North Korea, including real estate, party membership, government positions, university placements and trading licenses. Home sales, in particular, have become common in recent years. Although housing privatization is not allowed, trade in existing houses – and even in new apartments under construction – takes place openly. Such private ownership and transactions are not protected by law, as they are officially illegal. This allows the regime to act against private ownership whenever it chooses. Internal security and inspection agencies often exploit this illegality to extract bribes.

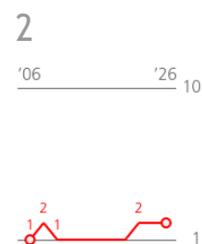
Since the mid-1970s, when Kim Jong-il established Bureau 39 – a government agency tasked with maintaining the regime’s foreign currency slush fund via covert overseas business operations – commercial business has been the exclusive prerogative of regime agencies. However, with the expansion of the market economy in the 1990s, the number of individuals participating in commercial activities has surged. Some commercially talented individuals have become “donju,” which can be loosely translated as cash-rich “money masters.” They have become one of the main pillars of the North Korean economy in recent years, though their existence and activities technically remain illegal. Therefore, donjus must maintain good relations with party-state agents to protect their businesses and avoid trouble.

Larger investors often participate in de facto joint ventures with party-state agencies. These individuals are hired by these agencies as public employees to provide investment and business expertise, while the agencies provide business licenses, labor, facilities and political protection. Smaller investors and businesses operate as

Property rights



Private enterprise



independent entrepreneurs and must pay bribes to state officials. Overall, both models – joint ventures and private businesses – have expanded rapidly under Kim Jong-un’s laissez-faire economic policies. The government has granted management rights to state-owned enterprises and collective farms, giving managers greater discretion. Under this new system, production units are also allowed to keep more of their produce.

10 | Welfare Regime

Government-funded social safety nets have been virtually nonexistent since the early 1990s, although minimal assistance is provided to some party officials living in the capital, Pyongyang. North Korea claims to provide universal free health care. However, defectors report that patients must in fact pay for medical services. Since Kim Jong-un came to power in 2012, the regime has made some efforts to restore social safety nets, but the results have been limited.

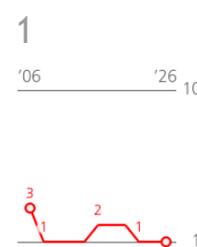
As the state sector crumbled in the wake of the economic collapse, women were officially dismissed from state employment in 2002 and were instead permitted to engage in commercial activities in markets, while men were required to report to their workplaces every day, even if they had nothing to do (although they could temporarily “buy out” their work contracts). Since then, income raised by female family members through commercial activities (mostly selling goods in local markets) has sustained families.

Since the early 1990s, some North Koreans – especially those living near the Chinese border – have traveled illegally to China seeking food or short-term work. Some continue their journey to South Korea and apply for citizenship. As of September 2024, approximately 34,259 North Korean refugees were living in South Korea, and many send money to their families in North Korea through illegal channels. These remittances mainly cover families’ living expenses and, in some cases, serve as seed funding to start private businesses. According to a survey conducted by the Database Center for North Korean Human Rights (NKDB), more than 60% of 400 participants reported sending money to their families in North Korea at least once since arriving in South Korea, and 20% reported doing so in 2023.

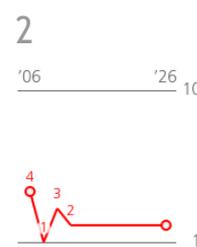
Regardless of what the constitution declares, there are two major constraints on opportunity in North Korea: gender inequality and the songbun system.

The first of these is a deep-rooted gender inequality. On the positive side, men and women have roughly equal access to primary and secondary education and to lower-income jobs. On the negative side, patriarchal traditions continue to disadvantage women. Women are rarely represented in senior management positions within the government, the party, the public administration or businesses. Women’s employment is concentrated in lower-income sectors, where “female” characteristics

Social safety nets



Equal opportunity



are deemed appropriate (e.g., nursing, teaching and assembly-line work). Moreover, following the country's economic collapse, the state formally terminated women's employment en masse in 2002, but allowed women to participate in commercial activities. This meant women were better positioned to earn money to sustain their families, while their husbands and sons in state employment brought home little in the way of income. This "discrimination" against women in fact turned into an opportunity to engage in economic activity. Due to their economic power as breadwinners, many women now have a stronger voice at home and in local communities.

The second barrier to opportunity is the songbun system, which politically categorizes individuals and determines their opportunities in life. For instance, those whose ancestors fought against the Japanese alongside Kim Il-sung or demonstrated exceptional loyalty during the Korean War are ranked higher in the North Korean political hierarchy and are automatically guaranteed better opportunities. They are permitted to live in Pyongyang and have a much better chance of gaining access to higher education; party membership; or desirable careers in the government, party or military. Furthermore, the spread of corruption favors individuals with economic power and the right political connections.

Nevertheless, the expansion of the private market has created opportunities for those with commercial talents, regardless of political or social status. Money earned from illegal commercial activities can be used to pay bribes, allowing individuals to circumvent certain restrictions.

11 | Economic Performance

State budget figures released by the government are extremely unreliable. There is no effective system for tax collection. The supreme leader and individual party-state agencies engage in independent, predatory revenue collection from the population and from commercial activities. Officially, there is no unemployment in North Korea, but World Bank data show an unemployment rate of 3% as of 2023. All male workers are still required to report to their workplaces daily, though some pay bribes to leave and work in the informal sector.

The COVID-19 pandemic and the border closure significantly affected North Korea's economy. According to the Bank of (South) Korea, North Korea's GDP contracted by 4.5% in 2020, 0.1% in 2021 and 0.2% in 2022. However, in 2023 North Korea's economy grew by 3.1% – the first positive growth in four years – as the country eased border controls and increased trade. In 2023, all sectors except electricity, gas and water supply (-4.7%) showed positive growth. In particular, the heavy and chemical industry, which contracted by 9.5% in 2022, grew by 8.1% in 2023. Additionally, the construction sector grew by 2.2% in 2022 and 8.2% in 2023, likely due to increased residential construction.

Output strength

2

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Since 2022, cross-border trade has increased. Total external trade amounted to \$2.77 billion in 2023, up 74.6% from \$1.59 billion in 2022. Exports totaled \$0.33 billion in 2023, up 104.5% from 2022, while imports totaled \$2.44 billion, up 71.3% from 2022. Historically, China has accounted for almost 95% of North Korea's trade. In 2023, China accounted for 98.3% of the country's foreign trade, a record high. Data on trade with Russia were unavailable for 2022 and 2023. However, the Russia-Ukraine war appears to have presented another economic opportunity for North Korea. North Korea exports a significant number of weapons to Russia and has reportedly sent troops to the battlefield. Its involvement in the war has facilitated increased economic exchange and trade between North Korea and Russia.

12 | Sustainability

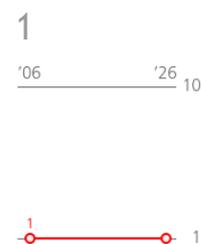
North Korea has traditionally pursued resource-intensive industrial growth with little regard for environmental concerns. Environmental regulation in North Korea is ineffective. The situation has worsened significantly since the mid-1990s. Faced with widespread starvation, the population cultivated all seemingly arable land, including private plots that reached the tops of mountains. The environmental consequences have been disastrous, as rain has washed away fertile soil from depleted mountains, polluting and silting rivers. Natural resources, including timber and seafood, have been excessively exploited to meet short-term export goals. Furthermore, industrial waste has even been imported in exchange for foreign currency.

Environmental degradation and a lack of coping capacity have made North Korea critically vulnerable to natural disasters, especially floods and droughts. Kim Jong-un has acknowledged the serious environmental degradation, and since 2012, there have been efforts to intensify mass mobilization for tree planting. These efforts are usually forced on local populations and are accompanied by abrupt bans on the cultivation of private plots on mountain hillsides. However, these campaigns have only been partially successful because the regime has failed to supply enough food or fuel to the population – key factors contributing to deforestation.

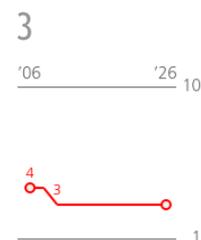
With the onset of economic hardship in the early 1990s, North Korea's education and research system virtually collapsed, apart from a few model schools in major cities and institutions dedicated to developing weapons of mass destruction. Facing the threat of starvation, teachers, students and researchers were left to scavenge for food or participate in commercial activities. Conditions improved somewhat in the 2000s, but schools are still required to support themselves. Although education is nominally free, schools require donations and frequently mobilize students for free labor under a variety of pretexts. Because of this lack of state support, teachers have effectively been paid privately by parents in exchange for various forms of favoritism.

In 2012, the regime extended compulsory education from 11 to 12 years. In addition, technology and English classes now take up more hours in the school curriculum. There are also specialized schools for talented students, such as Number One schools,

Environmental
policy



Education policy /
R&D



which focus on science and technology education, and Pyongyang Foreign Language School, which concentrates on language education. A major objective of North Korea's education system is to cultivate subjects who are obedient to the leader and committed to preserving the socialist system. This is achieved through an emphasis on the study of political ideology, including the revolutionary activities of Kim Il-sung and Kim Jong-il; mobilization for political events and propaganda; and mandatory military training. Since 2012, the school curriculum and textbooks have been revised to reflect the political ideology of Kim Jong-un.

Although there are no available data on education or R&D spending, North Korean authorities appear intent on increasing scientific R&D investment in areas considered highly important to national defense. In particular, since the start of his reign in 2012, Kim Jong-un has increased attention to and investment in the technical advancement of the country's asymmetric military capabilities. There has also been some progress in information technology. Over the past decade, the government has invested significant resources to develop its cyber capabilities, and cyber operations have become one of its primary sources of foreign income. So-called advanced persistent threats (APTs) such as the Lazarus Group and Kimsuky, which are believed to operate on behalf of the North Korean regime, have launched attacks against digital infrastructure across South Korea and other countries. It appears that the military intelligence agency Reconnaissance General Bureau (RGB) – in particular Bureau 121 – is the main actor conducting cyber operations. North Korea's cyber force is estimated at about 7,000 active hackers, some of whom have received additional training in China and Russia.

Governance

I. Level of Difficulty

Aside from maintaining minimal efficiency in a few institutions essential to regime security and survival, the quality of governance in North Korea resembles that of a failing state. The country's ongoing economic crisis is not the result of natural constraints, but rather a consequence of the regime's deliberate policy choices. Nonetheless, the regime has managed to sustain itself and protect its privileges amid collapsing infrastructure, weak institutions, endemic poverty and natural disasters.

In economic terms, constraints include oversized defense and military-industrial sectors, the collapse of manufacturing and employment infrastructure, a lack of protection for property rights, a lack of third-party enforcement of contracts, and an erosion of human resource capacities. In social terms, constraints include the prolonged neglect of basic human needs, a wide gap between the rich and poor and between the privileged and the powerless, a lopsided distribution of opportunity and human capital favoring regime loyalists, widespread social distrust, and a lack of faith in meritocracy.

Constraints on the initiation of development seem endless, but many stem from deliberate political behavior rather than unfavorable geography, demography, culture, weather or other structural conditions. At the same time, North Korea is especially vulnerable to natural disasters such as floods and droughts, and their negative impacts are exacerbated by governance failures. Governance is further constrained by very poor infrastructure, persistent underinvestment in the state's capacity to provide public goods, and chronic poverty and malnutrition. All these issues result from poor governance. However, over the course of 80 years of communist rule, the consequences of past governance failures have evolved into structural constraints on current governance.

North Korea's historical trajectory shows no sign of civil society development. Its population has endured successive periods of feudal domination, Japanese colonial rule and communist totalitarianism.

While there have been some positive changes since the early 1990s, none has yet provided a foundation for autonomous social groups. One such change is the regime's fiscal deterioration, which has weakened its Stalinist methods of societal penetration and control. Market expansion has also fostered horizontal economic connections. In

Structural
constraints

7

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Civil society
traditions

10

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10

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addition, North Koreans' contact with the outside world increased with the beginning of international humanitarian assistance in 1995. Communication between defectors and their families, primarily through cellphones via China, has further enabled contact with the outside world. Finally, since the late 2000s, South Korean and other international human rights NGOs have intensified efforts to influence North Koreans' attitudes toward the regime.

However, the regime has responded by enhancing countermeasures, strengthening internal security organizations, enforcing an atmosphere of fear and mistrust, increasing punishments for contact with foreign culture, and revitalizing border controls. For example, in August 2022, the government enacted the Reactionary Ideology and Culture Rejection Act to prevent the spread of foreign culture and ideas. Additionally, in January 2023, the government enacted the Pyongyang Cultural Language Protection Act, banning the use of language that is in "South Korean style" or appears to have foreign influence. The law imposes severe punishments, including a minimum of six years of forced labor and, in some cases, the death penalty. In sum, the regime has been successful so far in navigating these challenges by relying on various social control methods to prevent the emergence of civil society.

Although there is presumably substantial potential for internal conflict, the regime has to date prevented any meaningful open conflict from emerging. Such conflicts mainly occur along two dimensions: between the regime and society, and between the supreme leader and other elites. These internal pressures are evident in the regime's brutal suppression of the population and the supreme leader's tight control over regime agencies and the small ruling coalition.

Regarding the first dimension – between the regime and society – North Korea often resorts to brutal repression to prevent outbreaks of open conflict. Since the beginning of Kim Jong-un's rule in 2012, his pro-market policies have eased tensions somewhat between the regime and the population. However, when needed, the regime reverts to repressive measures to constrain the public.

With regard to the second dimension – between the supreme leader and other elites – Kim Jong-un has employed traditional measures to prevent open conflict from breaking out. Like his predecessors, he has purged or publicly executed high-ranking elites in order to instill fear. In some cases, this has even included members of his own family, including Jang Sung-thaek (Kim Jong-un's uncle-in-law) in 2013 and Kim Jong-nam (Kim Jong-un's half-brother) in 2017.

Conflict intensity

2

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II. Governance Performance

14 | Steering Capability

The North Korean regime has demonstrated a remarkable capacity to maintain its core strategic priorities over extended periods. However, its policies are designed solely to cling to power at all costs. The government does not fully base its strategic priorities on evidence and expertise.

Kim Jong-un appeared to take positive steps in this direction by introducing economic reform measures and showing more tolerance for market-based activities than his father did. However, these measures proved relatively superficial and did not lead to meaningful changes in the regime's overall policy agenda, which continues to prioritize the development of nuclear weapons and weapons of mass destruction. In January 2021, a new five-year economic plan was introduced, but this has brought no dramatic changes. The government continues to advocate self-sufficiency, and the metal and chemical industries were identified as key elements of the five-year economic development plan.

At the Supreme People's Assembly in January 2024, a new policy focusing on regional economic development was announced. This "Regional Development 20×10 Policy" aims to build regional industrial factories in 20 cities and counties over the next 10 years to address significant disparities between Pyongyang and other regions in North Korea.

Aside from policies required for regime survival, the North Korean regime has rarely pursued policies to promote economic reforms or improve the welfare of its people. In North Korea, priorities and policy implementation follow a strict hierarchy. Top priorities include maintaining the supreme leader's political status. These priorities are enforced by the leader's personal court and the party, the two most powerful institutions after the supreme leader. Inherent corruption within the government also facilitates the implementation of these decisions.

The next most important priorities concern arming the regime so it can defend itself against internal and external challenges. This goal is supported by the party-dominated weapons-production sector and the military, both of which operate under the supreme leader's careful direction. The regime's most neglected priorities include management of the civilian economy and public infrastructure. These issues are handled by the cabinet, a relatively weak institution in terms of power, prestige and resources.

Question
Score

Prioritization



Implementation



This power dynamic has not changed under Kim Jong-un. While he promised in his inaugural address to alleviate hunger and has often spoken of his “love for the people,” he has never acknowledged contradictions in the system or called for revising the regime’s top priorities. The government continues to focus on maintaining the supreme leader’s godlike image and accelerating the country’s military buildup. At the same time, some economic reform measures have been introduced under Kim Jong-un. Most recently, in January 2024, the government announced a new development policy aimed at reducing regional disparities between Pyongyang and other regions.

Pyongyang observers sometimes assume that North Korea’s increased contact with the outside world will lead to policy changes. In fact, contact has been extensive through learning delegations; North Korean diplomats and trade agents stationed abroad; students in foreign universities; workers and travelers in China, Russia and other countries; and foreign visitors to North Korea (including Western economics professors at Pyongyang University of Science and Technology). It is therefore reasonable to assume that economic experts in North Korea have long since acquired sufficient basic knowledge of the theory and practice of successful reforms in countries such as China and Vietnam. However, the government has made no visible attempt to apply such lessons in practice because policy implementation focuses on maintaining the supreme leader’s status and regime stability.

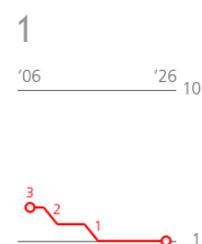
Nevertheless, there are signs that North Korea has learned from past policy failures – such as the 2009 currency reform – and that this learning led to a much more permissive attitude toward market forces. However, there have been structural limits to this learning. When the conclusions from such learning contradict the need for internal stabilization and resource mobilization for the purposes of political legitimacy and military buildup, they have been ignored. This has been the norm rather than the exception.

15 | Resource Efficiency

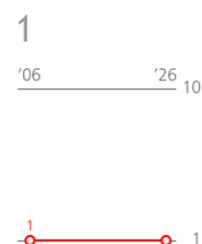
Two factors must be considered when assessing the use of government administrative personnel. First, North Korean society is based on the songbun system, under which an individual’s opportunities in life are largely determined by family background and presumed loyalty to the leader. This means that all appointments and promotions are essentially predetermined by politics. Second, corruption is rampant in North Korea. Public appointments and promotions are often for sale, with party-state positions that offer comparatively high incomes from bribes costing more. Positions in public security and the judiciary are especially preferred because they offer lucrative opportunities to extract more bribes.

In the fiscal system, the state has lost its monopoly on taxation. Each party-state agency may generate its own revenue by leveraging its powers, with agencies thus forming largely autonomous fiscal domains. After making any required payments up

Policy learning



Efficient use of assets



the chain, each agency can use its off-budget revenue independently. The supreme leader stands at the top of this fiscal pyramid, and powerful regime institutions such as the party, the military and other security organizations control the most lucrative revenue streams. As a result, the cabinet, which is responsible for providing public services, is left to operate with minimal resources from a highly inefficient tax system.

In sum, considering that the Kim regime's primary goal is to stay in power and protect itself militarily, it has efficiently managed resources in such a way as to co-opt elites, control the North Korean population, and sustain loyalty at both the elite and popular levels.

The North Korean regime has long been characterized by bureaucratic segmentation and limited horizontal communication. Kim Jong-un, like his predecessors, serves as the sole policy coordinator for government, party and military organizations. Behind the facade of this "macro" segmentation, "micro" segmentations have long existed within each bureaucratic unit. Nevertheless, decision-making power is concentrated in the person of Kim Jong-un. Major bureaucratic units typically present policy proposals directly to the leader and receive approval from him independently.

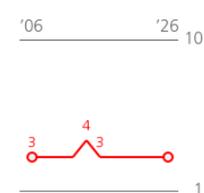
There has been no effective national economic policy; instead, bureaucratic agencies have pursued their own economic activities aimed at self-support. These agencies compete with one another to expand rent-seeking opportunities by demonstrating loyalty and value to the leader. Even though the regime frequently and strongly emphasizes the necessity of "enhancing the role of the cabinet in the economic management" and the importance of "improving people's living standards," there have been no noticeable achievements in these areas. These circumstances have not changed under Kim Jong-un's leadership.

Corruption is rampant in North Korea. The regime has exploited bureaucratic corruption as a systemic device to extract taxes from the populace while simultaneously securing loyalty and revenue for itself. It has frequently dispatched special inspection groups to lower-level units to fight "anti-socialist phenomena," including corruption. However, these groups have been more interested in taking bribes than in stamping out corruption.

Rampant corruption does not mean the authority of the supreme leader and the regime has broken down. On the contrary, since the beginning of Kim Jong-un's rule in 2012, anti-corruption campaigns have been used as a pretext to regain control and purge many high-ranking officials. The supreme leader and senior officials capture a significant share of illicit revenue by threatening to redistribute rent-seeking opportunities or to dismiss disloyal officials under the pretext of corruption.

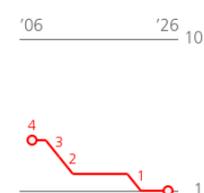
Policy coordination

3



Anti-corruption policy

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16 | Consensus-Building

There is no strategic consensus on the importance of democracy in North Korea. North Koreans, including some members of the elite, might hold political views in private that differ from those they publicly express, but there is no way to confirm this. Expressing even the slightest doubt or criticism, or a lack of enthusiastic support for the regime and the supreme leader, is extremely dangerous. Even midlevel to senior cadres must be extremely careful to survive politically and physically, while constantly transgressing official policies and (perhaps) privately wishing for more efficient and humane arrangements. A notable example is Thae Yong-ho, a former North Korean deputy ambassador to the United Kingdom, whose main task for 10 years was to defend the superiority of the North Korean system. After defecting to Seoul with his family in 2016, he became an ardent and systematic critic of the North Korean regime.

There is no strategic consensus on developing a Western-style market economy in North Korea. However, especially since Kim Jong-un's rise to power in 2012, there appears to be growing awareness that people's lives would improve under a market economy. The problem for the regime is that its push to earn foreign currency revenue through commercial activities has weakened ideological taboos against capitalism. Most North Koreans now realize that a market economy could make them wealthier, whereas socialism has not necessarily led to a better life. However, openly expressing such opinions is a completely different matter.

The Kim regime maintains firm control over the party and the military, and there are no visible opposition groups advocating democratization. Consequently, no groups can counter or co-opt anti-democratic powers. However, continued marketization at the grassroots level can be seen as a threat to the regime's autocratic system. In this regard, almost everyone is counteracting anti-democratic powers in small ways.

Along with its internal security measures, the North Korean regime has used the principle of "divide and rule" in its quest for political stabilization. The regime itself is segmented along vertical bureaucratic lines, with horizontal communication severely limited. In addition, the population has been classified into three classes and more than 50 subcategories based on political loyalty and family background. As for regional cleavages, wide gaps in opportunity and welfare have been intentionally maintained between Pyongyang and the rest of the country, and more broadly between urban and rural areas. Recently, wide gaps between the rich and poor have also emerged, and the state has made no effort to stop them from widening further. Brute force and extensive surveillance mechanisms have been used to control the deeply segmented society.

Consensus on goals

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Anti-democratic actors

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Cleavage / conflict management

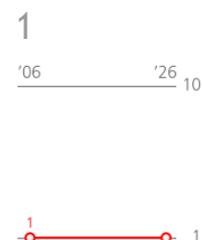
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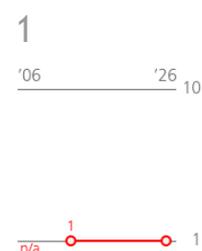
There are no autonomous civil society organizations in North Korea. Therefore, there is no consultation with civil society in the spheres of governance or decision-making. Instead, the leadership claims to act on behalf of the people. Elections and political meetings are held regularly but serve no participatory purpose relative to the political process. People are urged to participate in elections, mass rallies, and meetings at workplaces and residences to express their enthusiastic and unending support for the regime. In general, the ostensibly deliberative bodies of the state and party (such as the People's Assembly, Central Committee and Party Congress) operate under the authority of the supreme leader.

Public
consultation



History in North Korea is constantly rewritten to justify the Kim family's status. This entails blaming others for injustices and mobilizing the masses against political enemies both internal and external. The regime employs a classification known as the songbun system and considers about a quarter of the population to be members of the "hostile class," treating them as potential enemies of the state. North Korea has maintained political prison camps since 1947. Satellite imagery analysis by the U.S.-Korea Institute at Johns Hopkins University School of Advanced International Studies (SAIS) suggests that these camps have expanded under the Kim Jong-un regime. North Korean defectors have testified that public executions are still carried out, with key figures forced to witness them. There have also been numerous cases of purges, extrajudicial arrests, torture, confinement and deportation.

Reconciliation



There has been no reconciliation between North Korea and other nations. The official media harshly denounce the Japanese and Americans for committing egregious historical crimes against Koreans. There seemed to be a shift in this regard when – for the first time in history – the acting leaders of North Korea and the United States held summit meetings in Singapore in June 2018 and in Hanoi in February 2019, though the two parties ultimately failed to reach an agreement.

In inter-Korean relations, North Korea has not maintained a consistent policy toward reconciliation with South Korea. Following the inauguration of South Korean President Moon Jae-in in 2017, the relationship between the two Koreas thawed for a brief period. In 2018, there were several cultural exchanges, family reunions, high-level delegation meetings and three inter-Korean summits. However, the relationship has worsened again since 2019. In June 2020, North Korea cut off all communication lines with South Korea and demolished the Inter-Korean Liaison Office in Kaesong. Since then, North Korea has made no effort to work toward reconciliation with South Korea.

17 | International Cooperation

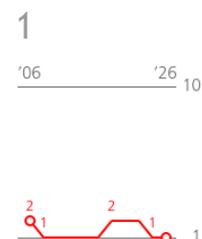
North Korea's international cooperation remains very limited, focusing primarily on sporadic emergency humanitarian aid and small-scale development aid. The regime has permitted some international assistance consisting of knowledge transfer, capacity-building and other cooperative efforts, but only as long as such efforts do not jeopardize its survival. Moreover, the terms for delivering food and humanitarian aid have consistently caused political tensions between North Korea and its international donors, who suspect that aid might be diverted to the regime and the military. These concerns also extend to Chinese aid. China, however, has predominantly provided assistance directly to the North Korean regime in order to ensure the regime's survival. Alongside China's political support on the global stage, this aid is a crucial component of North Korea's long-term survival strategy.

After signing the "Comprehensive Strategic Partnership" treaty in June 2024, Russia appears to have increased humanitarian aid to North Korea. In July 2024, Russia offered aid to help North Korea recover from devastating floods that destroyed more than 4,000 homes in border regions with China. In August 2024, Russia sent more than 400 goats to North Korea to help provide dairy products to North Korean children amid the country's chronic food shortages. Given the current situation with the Russia-Ukraine war, North Korea appears to be expanding international cooperation with Russia and other pro-Russian states.

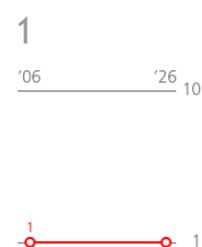
Relations between the North Korean regime and the international community have always been marked by deep mistrust. The regime fears that increased contact with the outside world will undermine its internal security and stability. Therefore, it has persistently tried to limit and manipulate engagement with the international community to its own benefit. However, other countries have refused to accept North Korea's demands when those demands contravene international norms and principles of engagement. Mistrust between North Korea and its neighboring countries has increased since the mid-2000s, particularly on security-related matters, because of Pyongyang's refusal to denuclearize, its accelerated development of nuclear weapons and ballistic missiles, and its military and political provocations against South Korea.

During the Inter-Korean Summit in April 2018, the leaders of North and South Korea jointly adopted the Panmunjom Declaration for Peace, Prosperity and Unification of the Korean Peninsula. In the declaration, both sides agreed to eliminate military tension and establish permanent peace on the Korean Peninsula. However, the situation reversed shortly thereafter. In June 2020, North Korea demolished the Inter-Korean Liaison Office in Kaesong. Since then, there has been no meaningful attempt to resume dialogue, and inter-Korean relations worsened under the conservative government of South Korean President Yoon Suk-yeol. In January 2024, Kim Jong-un claimed that the revised constitution should define South Korea as a "hostile

Effective use of support



Credibility



state.” In June 2024, South Korea suspended the 2018 Panmunjom Declaration in response to North Korea’s launch of trash-filled balloons across the border. In October 2024, North Korea destroyed roads and railways connecting the two Koreas.

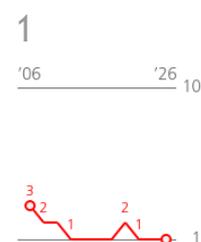
North Korea’s relations with neighboring countries have been strained primarily by three factors: Pyongyang’s development of weapons of mass destruction, the persistent rejection of internal reforms and the regime’s paranoia over its internal security. In particular, frequent nuclear and missile tests have further isolated North Korea in the international community and resulted in a variety of multilateral and bilateral sanctions. However, a few events have demonstrated signs of change, leading to brief periods of thaw and minimal cooperation with outside actors.

The relationship between the two Koreas thawed briefly in 2018, facilitating several cultural exchanges, high-level delegation meetings and three summits. However, relations have since soured again. In 2020, North Korea demolished the Inter-Korean Liaison Office in Kaesong. Following the inauguration of South Korea’s conservative Yoon Suk-yeol government in 2022, inter-Korean relations appear to have reached a new low. In January 2024, in a speech to the Supreme People’s Assembly, Kim Jong-un declared that North Korea would no longer treat South Korea as a “partner of reconciliation and reunification.” In October 2024, North Korea demolished roads and railways connecting the two Koreas.

Recently, North Korea’s relations with China and Russia, its two traditional allies, appear to have grown stronger. North Korea’s ties with China remain stable, with trade between the two increasing further and accounting for 98.3% of North Korea’s foreign trade in 2023. Additionally, exchanges between the two countries have become more active since the signing of the “Comprehensive Strategic Partnership” treaty with Russia in June 2024. There is ample evidence that North Korea has provided Russia with munitions and has even sent troops to support Russia’s war in Ukraine. In return, Russia has provided North Korea with humanitarian aid and possibly cash payments for its purchases of weapons.

Since late 2019, there has been no sign that dialogue between the United States and North Korea will resume. In early 2021, the Biden administration attempted to engage with North Korea, but North Korea responded that no dialogue would be possible “unless the United States rolls back its hostile policy toward the DPRK.” This situation may change with the inauguration of President Donald Trump in January 2025.

Regional cooperation



Strategic Outlook

During the review period, North Korea's regime placed a strong emphasis on regional economic development. In January 2024, the "Regional Development 20x10 Policy," which aims to construct factories in 20 cities and counties annually over the next 10 years, was announced. This policy can be seen as an official acknowledgment of the severe regional disparities between Pyongyang and other parts of North Korea. The success of this initiative will ultimately depend on the government's willingness to prioritize economic development over further military buildup. The Kim Jong-un regime has actively cracked down on foreign influence. It has frequently dispatched inspection groups to monitor and suppress the circulation and use of foreign information. In January 2023, the Pyongyang Cultural Language Protection Act was introduced, banning the use of language that is in "South Korean-style" or appears to have foreign influence. This law allows for the imposition of severe punishments, including at least six years of forced labor and, in extreme cases, the death penalty. With the reopening of borders, Pyongyang will be especially careful in controlling what information can enter.

Tensions between the two Koreas peaked in recent years under the conservative government led by South Korean President Yoon Suk-yeol. After he declared martial law on December 3, 2024, the South Korean National Assembly impeached him on December 14, 2024. On December 11, 2024, North Korea issued its first official statement on the declaration in the state-controlled Rodong Sinmun newspaper, calling it an "insane act" and "akin to the coup d'état of the decades-ago military dictatorship era." The Constitutional Court's final ruling upholding Yoon's removal from office could herald future change in the relationship between the two Koreas.

The deepening partnership between North Korea and Russia is likely to continue. According to North Korean media, Kim Jong-un sent New Year's greetings to Russian President Vladimir Putin on December 30, 2024. He offered "best wishes to the fraternal Russian people and all the service personnel of the brave Russian army [...], the Korean people and all the service personnel of the armed forces of the DPRK." The message also said that the "traditional DPRK-Russia friendly relationship" had developed into a "strategic and cooperative one and into that of sworn friends" in 2024. With the signing of the Comprehensive Strategic Partnership Treaty in June 2024, the two countries have formalized an arrangement to support each other – Russia gains access to North Korea's cheap and abundant supply of weapons and troops, while North Korea receives humanitarian aid and cash payments from Russia.

Finally, North Korea's relationship with the United States may shift in the coming years following Donald Trump's inauguration to a second term as president. While on the campaign trail, Trump expressed a willingness to resume talks with Kim Jong-un, describing him as "very smart and very tough" and saying he "got along really well with him." Trump was the first sitting U.S. president to meet a North Korean leader. He held three summits with Kim during his first term. However, the geopolitical situation today is vastly different from that between 2018 and 2019. North Korea has pivoted away from seeking improved relations with the United States and has instead strengthened ties with its traditional allies, China and Russia. Therefore, it remains to be seen whether North Korea will maintain its hard-line stance toward the United States or adopt a more flexible approach.