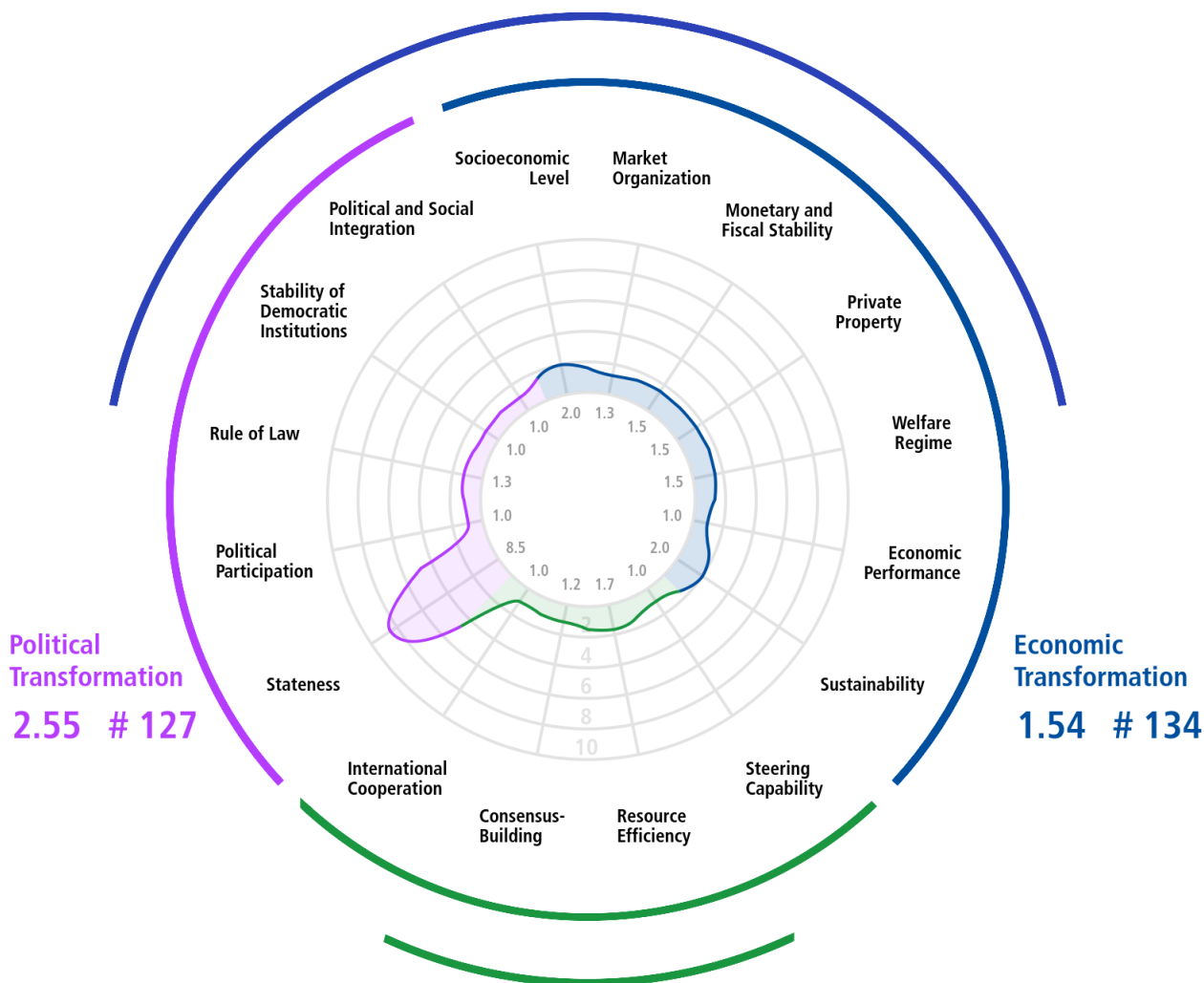


North Korea

Status Index

2.04 # 131

on 1-10 scale out of 137



Political Transformation
2.55 # 127

Economic Transformation
1.54 # 134

Governance Index

1.14 # 136

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. 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	26.1	HDI	-	GDP p.c., PPP \$	-
Pop. growth ¹	% p.a.	0.4	HDI rank of 189	-	Gini Index	-
Life expectancy	years	73.3	UN Education Index	-	Poverty ³	% -
Urban population	%	62.9	Gender inequality ²	-	Aid per capita \$	0.7

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. 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

In recent years, Kim Jong-un appears to have increasingly focused on practical tactics for establishing legitimization mechanisms. Recent official statements have placed less emphasis on ideology and have instead prioritized serving the people and improving living standards. The report of the Eighth Party Congress in January 2021 did not mention “Juche” or “Songun” ideologies at all, while “Kim Il-sung- and Kim Jong-il-ism” was only mentioned twice. However, the regime continues to maintain a succession logic based on bloodline. In January 2021, Kim Jong-un was elected as the general secretary of the party, a position equivalent to his father’s role as the eternal general secretary of the party.

Regarding foreign and security policy, Kim Jong-un has adopted a much more aggressive approach compared to his father. In September 2022, North Korea passed a new nuclear law that updated its nuclear doctrine. On September 9, 2022, in a speech at a Supreme People’s Assembly meeting, Kim Jong-un said North Korea will never again engage in denuclearization talks and will “never give up” nuclear weapons. In December 2022, during a six-day meeting, Kim Jong-un called for an “exponential increase” in North Korea’s nuclear arsenal in 2023 to counter what he claims to be hostile acts from South Korea and the United States.

Since late 2019, there has been no sign that dialogue with South Korea or the United States will be resumed. In 2022, tensions heightened amid the inauguration of the conservative government led by President Yoon Suk-yeol in South Korea. Pyongyang frequently fired ballistic missiles in response to a joint U.S.-South Korean military exercise. Moreover, in December 2022, for the first time in five years, South Korea’s military detected five North Korean drones crossing the border and entering South Korean airspace. Regarding the country’s relationship with the United States, in early 2021, the Biden administration attempted to reach out to North Korea. In response, North Korea stated that no dialogue would be possible “unless the United States rolls back its hostile policy toward the DPRK.”

In terms of economic policy, Kim Jong-un has adopted a permissive approach to market expansion. The scale and extent of commercial businesses have considerably expanded since he assumed power in 2012. However, there are still no indications of market-oriented reform or liberalization. Meanwhile, corruption has proliferated, and many North Korean citizens have resorted to bending the rules in order to survive.

Following the COVID-19 outbreak, North Korea immediately closed its borders at the end of January 2020. The pandemic and the border closure appeared to have had a significant impact on the country's economy. Statistics from the Bank of South Korea revealed that North Korea's GDP contracted by 4.5% in 2020, marking the largest contraction since 1997 when it dropped by 6.5%, with GDP contracting an additional 0.1% in 2021. North Korea's trade volumes also dropped to record lows. The total external trade volume plummeted by 73.4% to \$863 million in 2020 and declined further by 17.3% to \$713 million in 2021, marking the lowest volume since 1990.

In May 2022, for the first time, North Korea officially confirmed a COVID-19 outbreak. Only three months later, Kim Jong-un declared victory over the outbreak and ordered the authorities to initiate a vaccine campaign in the fall. However, as of March 2023, North Korea has not yet commenced a nationwide vaccination campaign and has declined vaccines offered by COVAX.

History and Characteristics of Transformation

Despite being under the rule of the Kim dynasty since 1948, the communist autocracy in North Korea 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 not completely collapsed. Thus far, the country is the only communist regime that has 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 accession of a new leader has brought about a reorganization of the ruling coalition. Following the 1994 transition, the military became the mainstay 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 stead, he bolstered 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. Furthermore, in 2016, he convened the Seventh Party Congress, marking a 36-year hiatus, to commemorate his consolidation of power. The Kim Jong-un regime's continued stability was demonstrated by the subsequent Eighth Party Congress, held five years later.

Ideologically, the regime has mentioned “communism” and “socialism” less frequently in recent years. Instead, the regime has emphasized the construction of 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 under the previous Kim regimes. Since 2012, the regime has adopted “Kim Il-sung- and Kim Jong-il-ism” as its leading ideology. Furthermore, Kim Jong-un seems to employ non-ideological means of legitimization, emphasizing a “people-first” political approach in which the party’s purpose is to serve and enhance living standards.

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

Internal and external security mechanisms have undergone significant transformations. Since the 1990s, the regime has faced a substantial weakening of the party-state apparatus, as well as an expansion of commercial activities caused by fiscal collapse. Additionally, the regime has experienced the challenge of a second hereditary leadership succession. These factors have contributed to the regime’s increased reliance on state violence. The evidence for this increased dependency includes a rise in public executions, including those of high-profile officials, the expansion of political prison camps, tightened border controls, and an elevated role for the police force and state security organizations. However, it is worth noting that the corrupt nature of these security agencies allows many targeted individuals to evade consequences by buying their way out of trouble.

Regarding external security measures, the regime has persistently pursued the development of nuclear weapons and ballistic missiles. Under Kim Jong-un’s leadership, this pursuit has accelerated. As North Korea’s nuclear capability grows, the country faces mounting pressure from the international community, which includes sanctions and isolation. While the North Korean party-state excels in 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. Although the party-state was weakened in the 1990s due to economic collapse, it was able to maintain internal order often by resorting to extreme violence, including public executions. In addition, the regime operates a coercive apparatus, which includes the Ministry of People's Security (MPS), the State Security Department (SSD), and the Military Security Command (MSC), which is the main tool for enforcing its oppressive monopoly on the use of force. Therefore, despite the severe economic crisis, and political and social instability, there have been no serious internal challenges. Since Kim Jong-un's accession to power in April 2012, the roles played by party organizations and the coercive state apparatus have expanded in order to guard against internal challenges.

For more than 1,000 years, the Korean peninsula consisted of one politically unified territory. The separate state-building in North Korea began shortly before the Korean War in 1950. Since then, North Korean politics can be summarized as transitions from multiple faction rule to one-faction rule to one-man rule. Over the past seven decades or so, the leader/regime identity has become increasingly indistinguishable from state identity.

Since the inception of Kim Jong-un as the supreme leader in April 2012, the identity of the regime has undergone a transformation. The regime built Kim Jong-un's legitimacy by manufacturing an image of him as a descendent of the "Baekdu bloodline" (Mount Baekdu is regarded as a sacred place in North Korea) and promoting him as the authentic heir through various media platforms to prolong the foundational myth of the regime. At the Seventh Party Congress in May 2016, the symbolic status of Kim Jong-un was made equal to those of Kim Il-sung and Kim Jong-il in the ideological pantheon of "great" leaders. In addition, at the Eighth Party Congress in January 2021, Kim Jong-un was elected general secretary of the party, which is equivalent to the position of eternal general secretary of the party that his father held.

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 cult of personality surrounding the Kim family and the ruling dynasty could appear quasi-religious. The elements of secular modernity embodied in communist ideologies have been the building blocks of North Korea's legal and political order. However, other ideological tendencies have intermingled with communist ideology, exerting a very strong influence on the organization of the public sphere, including political institutions. These tendencies include leader worship, the notion of the organic unity of the nation, and a chauvinistic emphasis on patriotism. Ideological principles are hammered into the psyche of North Korean citizens through various means, including education, ideological indoctrination, the frequent convention of mass rallies and the construction of historic monuments. Since 2012, statues of Kim Jong-il have been built either alongside those of Kim Il-sung or independently.

North Korea "officially" abolished taxes in April 1974 and 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 mid-1990s economic decline, it has become increasingly difficult for the government to generate enough revenue to provide even the most basic social welfare services. Irrespective of the severity of the COVID-19 pandemic, a considerable proportion of citizens no longer seem to be able to access basic state medical care. Although the government provides at least basic access to water and sanitation to most of the population (93.8% and 84.7%, respectively), only half of the population (52.3%) has access to electricity as of 2020.

Kim Jong-un continues to grossly fail to allocate resources or take measures for the improvement of basic civil functions of government. Instead, he prioritizes functions and expenditures related to military buildup, political legitimation, and social control. Furthermore, he has reallocated some monopoly licenses for commercial businesses, which are the major sources of revenue for most party-state agencies, so as to benefit the cabinet at the cost of the military, although this has done little to strengthen the fiscal base of the state's civil and economic functions. In addition, due to the relatively liberal attitude toward market expansion since Kim Jong-un's inception of power, local jurisdictions have increased their fiscal capacities by collecting some of the surplus from merchants at around 450 officially sanctioned markets through taxation or quasi-taxation. Moreover, officials have augmented their meager salaries by demanding bribes at countless unofficial markets and illegal business enterprises.

Since January 2020, COVID-19 has been used as a pretext to seal the border and further restrict movement, which has affected the accessibility and efficiency of basic administration. At the same time, the government redirected its resources and increased security infrastructure by constructing more fences and guard posts along the northern border. In particular, major cities with significant cross-border activities,

No interference of religious dogmas

10



1

Basic administration

4



1

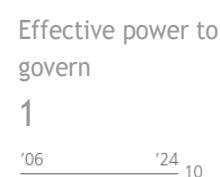
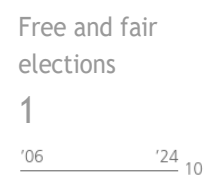
such as Hoeryong, have experienced an exceptional increase in border security. According to satellite image analysis by Human Rights Watch, 9.2 kilometers of new secondary fencing, 9.5 kilometers of improved primary fencing and 169 new guard posts were spotted in the Hoeryong area in April 2022.

2 | Political Participation

Elections in North Korea are a means for 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. To guarantee 100% participation, the local police typically ascertain the whereabouts of any absentees and make sure every eligible voter votes. Voters gather and march together to the voting place. They are given a ballot paper with a single candidate in their district and are expected to drop the paper in the ballot box. Since the whole process is transparent, deviant behavior poses severe risks. General elections for the Supreme People's Assembly are held every five years. The most recent election was held on March 10, 2019. However, all candidates are selected and nominated by the regime.

The North Korean political system can be characterized as an absolute one-man dictatorship. The power to govern does not originate from elections or communist ideology, but rather from the "great guidance capacity" of the leader and power delegation from him. There has never been any veto power to counter the leader's rule. There is no political or social space outside or beyond the regime's autocratic control, with power concentrated in the hands of the supreme leader and his small coterie of subordinate regime elites, and exercised by party and state organizations, including the military and other state security agencies. Party representatives are not democratically elected by party members. However, party members can veto the representatives if they fail to fulfill their obligations to the members.

Article 67 of the 14th revised constitution of 2019, like previous versions, guarantees freedom of publishing, assembly, demonstration, speech and association, as well as freedom of the press. However, the reality is that 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 the age of seven, extensive police surveillance, informant networks, and the threat of imprisonment or exile to the countryside. There is no credible reporting of non-government-ordered or -controlled associative activities during the review period.



Mass media outlets and all forms of public expression of opinion are completely controlled by the political authorities. In North Korea, there is no need for censorship of dissenting media because there are no independent media to censor. Channels for independent information and horizontal communication have increased somewhat since the mid-1990s with the expansion of market activities and cell phone usage, foreign contact via smuggled media (e.g., DVDs and USB sticks), and clandestine access to South Korean radio and television programs. In response, the regime has frequently sent inspection groups to monitor and suppress the circulation and usage of foreign information, and it has launched campaigns to crack down on “anti-socialist behavior.” While the risk of political persecution is still high, some citizens criticize the regime in private.

Freedom of expression

1
'06 _____ '24 10

1 ————— 1

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 and centralized in the leader. Moreover, the leader stands above the law. There is no clear separation of roles and institutional differentiation between the party, the military, the cabinet, the People’s Assembly, the judiciary and the security organizations. The leader simply 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 rent opportunities by demonstrating its loyalty and contributions to the leader.

Separation of powers

1
'06 _____ '24 10

1 ————— 1

During the reign of Kim Jong-un, the Organization and Guidance Department within the central party and the Ministry of State Security seem to have gained greater dominance over other regime agencies. Accordingly, their competencies and prerogatives have been expanded at the cost 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.

While the powerless 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. The party’s elected bodies were reconstituted with the Third and Fourth Party Representatives’ Conferences, and the Seventh and Eighth Party Congress in 2010, 2012, 2016 and 2021, respectively. Several meetings of central party bodies, including the politburo, Central Committee and Central Military Commission, were also held. As in the past, these meetings have been pro forma and exerted no effective political decision-making power.

The judicial system in North Korea consists of the Central Court, Provincial Court, City and Country People's Courts, and Special Courts. Special Courts consist of military courts, railroad courts, and military logistics courts. Under North Korean regulations, judges are elected, but the Korean Workers' Party exercises de facto absolute control over all institutions and organizations, including judicial agencies. There has been no noticeable change regarding the function of the judiciary since the start of Kim Jong-un's rule in 2012.

Trials in North Korea are not fair. Moreover, since the 1990s, an increase in corruption has been observed. No longer able to fund the judiciary through its budget, the regime gave tacit consent for it to raise its own revenue by "selling" justice. Judges and prosecutors have been the greatest beneficiaries since the market crackdown in the second half of the 2000s when bribes became commonplace. In addition, North Korea operates a public trial system, which is used as a tool for political propaganda or to warn residents.

Corruption and abuse of office are systemic up and down the bureaucratic ladder, as is the exploitation of bureaucratic red tape by party-state officials. The traditional narrative of the problem has been that the supreme leader's good intentions are distorted by lower officials for their private gain. In response, the regime has frequently sent special inspection groups to lower units to fight "anti-socialist phenomena," including excessive corruption. However, these groups have been more interested in taking bribes for themselves rather than stamping out corruption.

Though high-level corruption has been intermittently prosecuted, this has generally been done for the aim of political purges rather than for anti-corruption purposes. Likewise, at lower levels, corruption charges seem to be largely motivated by inter-organizational political competition. Since the leadership succession, Kim Jong-un has talked about the need to eradicate corruption among lower officials. Accordingly, some deterrent measures have been taken, including party inspections, public executions, and the inhibition of corruption through "unbounded loyalty to the leader." But to judge by previous anti-corruption campaigns, Kim's words have almost no long-term effect.

Chapter 5 of the constitution guarantees basic civil rights. However, in reality, the regime ignores civil rights and carries out repression when presented with even the most insignificant political resistance from the population. Public executions and sudden deportations without due process persist. In addition, mistreatment and torture at labor and prison camps are still widespread. The U.N. General Assembly has passed several resolutions on human rights violations in North Korea over the last 17 years (2005 – 2021).

Traditionally, law enforcement has been applied discriminately depending on the individual's political affiliations, such as his or her membership in the party or strength of personal patronage network and one's songbun (political classification of individuals). More recently, however, his or her ability to provide bribes has played

Independent judiciary



Prosecution of office abuse



Civil rights



a major role. When it comes to discrimination based on gender, North Korea officially prohibits “all forms of discrimination against women” based on the Law on the Protection and Promotion of the Rights of Women. However, discrimination based on traditional gender roles still seems to directly or indirectly constrain women from exercising their basic rights.

Article 68 of the constitution guarantees freedom of religious belief. However, it also states that religion cannot be used to draw foreign influence into the country or damage the state order. In reality, 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 for receiving foreign guests and for propaganda purposes, any sign of autonomous religious activity has been harshly persecuted. For example, in the U.S.-based NGO Open Doors’ annual World Watch List 2022 ranking of the 50 most difficult countries to be a Christian, North Korea ranked second after Afghanistan.

Freedom of movement is heavily restricted and requires official permission (or the payment of bribes). In particular, control of the border with China has tightened significantly since the inception of Kim Jong-un’s reign in 2012 and those caught attempting to flee the country are almost always sent to labor or prison camps. In January 2020, immediately after the outbreak of COVID-19, North Korea closed its border areas with China. Since then, the government has deployed more soldiers and increased security infrastructure in areas bordering China and Russia, which further restricts movement.

4 | Stability of Democratic Institutions

The political system of the Democratic People’s Republic of Korea is a one-man dictatorship managed through party organizations, internal security agencies, and the force of the military. The party is positioned above state institutions and organizations. Every political decision is prepared and implemented under the leadership and control of the party. Its cohesion comes from the dependence of the elites and state institutions on the delegation of power and allocation of privilege by the supreme leader.

Performance of democratic institutions

1
 '06 '24 10



There are no meaningful democratic institutions in North Korea. The current system of personal rule is essentially maintained through the policy of divide-and-rule among the elites and regime organizations. These groups retain 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 the existence of any debate or group within the North Korean state or regime that would advocate for the introduction of an element of liberal democracy.

Commitment to democratic institutions



5 | Political and Social Integration

The North Korean regime is based on one-party rule, centered on the Korean Workers' Party. In practice, by the 1960s, the party had lost any semblance of political function in the articulation and aggregation of societal interests. Instead, it had transformed itself into an instrument of personal rule. In the mid-1990s, however, the party was confronted with a crisis regarding its traditional status and function in the political system. With the collapse of the economy, the party lost a significant amount of control over the population. Accordingly, Kim Jong-il promoted the military over the party as the main pillar of regime survival.

Party system



Kim Jong-un has attempted to weaken the dominance of the military and promote regime agencies since his rise to power. Non-military roles (e.g., economic business privileges) have been redistributed in favor of the party and other agencies. Among others, the Organization and Guidance Department of the central party recovered its old status as the core agency of the regime. Local party organizations have de facto replaced the top government agencies as the main implementation structures and play a dominant role in exercising government power and collecting fiscal revenues for the central government. In January 2021, party statutes were changed to hold a party congress every five years. In fact, a party congress is a rare event in North Korea, as the Seventh Party Congress was held after 36 years in 2016.

Interest groups



There is no 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 that manipulate the upward flow of information to defend their departmental interests and increase the allotment of resources. Since the 1990s, the intensity and effect of segmentation have increased, as each bureaucratic agency has been required to finance itself by participating in commercial activities. The most 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. Each domain comprises several subsidiary domains or segments. Traditionally, the most powerful have been the Kim family and the party, although

the relative position of the military improved during the period of the “military-first” (Songun) policy. However, under Kim Jong-un’s rule since 2012, it seems that the most important domains have been the Kim family, the Organization and Guidance Department, the Ministry of State Security, and the central party’s Commission of the Second Economy.

No survey data on support for democracy is available in North Korea. Traditionally, the regime has attempted to convince the population that political life in Western democracies is undesirable and even disastrous. In any case, the only way most North Koreans would know anything about such a life would be second-hand (e.g., through viewing smuggled videos).

In the 2022 Settlement Survey of North Korean Refugees in South Korea, an annual survey conducted by the Korea Hana Foundation, a nonprofit public organization established by the Ministry of Unification, the most common motivation for defecting from North Korea was “hated being monitored and controlled by the North Korean regime (seeking freedom),” which 22.6% of respondents reported. This was followed by “food shortage,” which was reported by 21.4%, and “to provide my family with a better living environment,” which was reported by 12.9%.

The regime has long promoted the fragmentation of social groups and the atomization of individuals through totalitarian control over society. This caused social spaces for solidarity and trust among the citizens to vanish almost entirely. Instead, the party’s Propaganda and Agitation Department has choreographed the semblance of organic solidarity and trust between “the Leader, the party and the masses.” In addition, there is no independent civil society and autonomous organization of cultural or social associations since all existing organizations are formed by the Korean Workers’ Party.

The overall level of surveillance by the party-state remains very high, even if the increase in activities outside the party’s purview since the 1990s has somewhat reduced the effectiveness of political surveillance. This surveillance system impedes trust among individuals. For instance, the inminban system – neighborhood watch units, comprising 20 to 40 families from the same neighborhood who share the responsibility of monitoring fellow members – hinders the formation of trust between individuals. Meanwhile, the rise of spontaneous market arrangements encourages trust between individuals, albeit a trust that is precarious and rudimentary in nature. For example, private merchants have (illegally) established a national network to exchange information regarding commodity prices. Similarly, even though these services are unstable and primitive, private merchants organize regional transportation, parcel services, and money transfers in networks, thanks to the popularity of cell phones.

Approval of
democracy

n/a

'06 '24 10

n/a 1

Social capital

1

'06 '24 10

1 1

II. Economic Transformation

6 | Level of Socioeconomic Development

North Korea is one of only a few countries in the world 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 by two political factors: first, the rigid political classification of individuals through the caste-like “songbun” system, and second, the regime’s political control of individuals’ participation in profitable opportunities.

First, although Article 65 of the constitution stipulates that “citizens enjoy equal rights in all spheres of state and public activity,” in reality, individuals are classified by the songbun system. An individual is given a place in the system through the overall assessment of the person’s family background and presumed degree of loyalty to the regime. The songbun system is considered to be one of the most important factors in determining individuals’ housing, education, employment and other general opportunities.

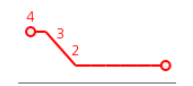
Second, with the expansion of the market since the early 1990s, the regime has favored ruling agencies and loyal individuals in the distribution of profitable opportunities. On the one hand, new opportunities outside the direct purview of the party-state have somewhat ameliorated the rigidity of the songbun system through the expansion of market activities. On the other hand, the regime’s politically motivated distribution of business licenses in favor of individuals loyal to the regime has, in a sense, preserved the songbun system in another form. In the end, the tighter the connection one has with the regime, the better chance one will have to access powerful or profitable opportunities. In addition, since de facto marketization, an income gap has become increasingly visible, and a regional divide between Pyongyang and the border areas has intensified.

Question
Score

Socioeconomic
barriers

2

'06 '24 10



Economic indicators		2019	2020	2021	2022
GDP	\$ M	-	-	-	-
GDP growth	%	-	-	-	-
Inflation (CPI)	%	-	-	-	-
Unemployment	%	2.8	3.1	3.2	3.0
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 2023): 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 a “management responsibility system for socialist firms” on May 30, 2014, North Korea’s economic system can be characterized as a state-controlled mixed economy based on commercially operated state firms. There are at least three sectors, not counting military industries: official markets allowed and managed by the state; relatively large private businesses, which operate under the guise of state businesses; and unofficial market activities, such as “grasshopper markets,” which are sustained by giving bribes to local officials. With this system, the state’s direct planned management of state firms was abrogated, and the autonomy

Market
organization

2

'06 '24 10



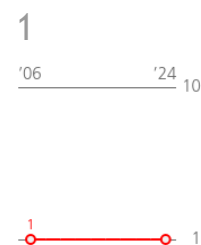
of state firms has increased. Nevertheless, even without direct intervention, the state's vast authority with regard to the management of the national economy and state firms remains overwhelming. For instance, the state maintains the right to appoint managers in every firm. The state also has a monopoly on banking functions.

There are no signs of market-oriented reform under Kim Jong-un, and political motivation plays a crucial role in economic management. The state acknowledges the benefit of the de facto market mechanism, but private entrepreneurs are not recognized. Even though private investment has become widespread, it can only be acknowledged under the official guise of shared participation in state firms or commercial subsidiaries of state agencies. Moreover, this type of private investment remains illegal and highly corrupt. Though the size and extent of commercial businesses have gradually expanded, with such entities now found in almost all economic sectors, including mining, transportation, and real estate, severe constraints in terms of market-based competition remain. The award and possession of business licenses are basically decided by the top leader, and such allocations frequently fall prey to interest competition between regime agencies. 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 monopolistic structures and conduct. In addition, North Korea is not a member of the International Competition Network (ICN) and there is no independent competition authority. Instead, the leader monopolizes the most important business opportunities, while import and export businesses are owned by the state. The leader also has a monopoly on the right to assign and distribute these licenses to major agencies of the party, the military, and internal security agencies. Trading companies affiliated with these groups are given monopoly licenses for the export and/or import of certain goods, which enable them to take advantage of huge gaps between domestic and international prices. Their export goods have mainly consisted of natural resources and extractive products such as minerals, timber, seafood, mushrooms, and various herbs.

Regime agencies also take part in monopolized businesses through their commercial subsidiaries, including commercial distribution networks for imported goods, amusement parks, and privileged restaurants. In addition, the party-state bureaucracy intervenes extensively in the domestic economy to lower the threat posed by new entrants and to favor regime-sponsored monopolies. Through such measures, the regime can strongly influence the emerging structure of commercial economic activities, as well as the agents participating in them. Furthermore, the rampant corruption does neither harm the regime's capacity to direct the development of the market economy nor the regime's survival because the chain of corruption ultimately favors the more powerful.

Competition policy



North Korea maintains the principle of state monopoly of foreign trade. In reality, this prerogative is exercised solely by the supreme leader. He strictly monitors and controls foreign trade, as it is the most important source of foreign currency, which is indispensable for the regime's survival. In addition, distributing trade licenses to regime agencies is one of the most powerful means of maintaining the regime elite's dependence on the leader. However, trade licenses are frequently resold or passed from stronger agencies to weaker ones, even though it is illegal to do so. The agencies and individuals engaged in foreign trade have been intensively monitored by the Ministry of State Security with regard to foreign contacts and foreign currency embezzlement.

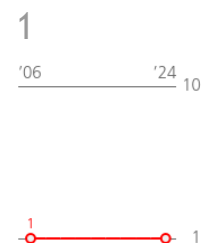
Since the inauguration of Kim Jong-un in 2012, the military's share of trade licenses has been reduced in favor of the cabinet and his personal court. Smuggling activities along the border of North Korea and China remain very active, and although the amount of smuggling has been observed to be significant, it has not been counted in trade statistics on North Korea by the (South) Korea Trade Association, the United Nations and the IMF. Meanwhile, North Korea's trading activities have been greatly constrained by sanctions imposed by U.N. Security Council resolutions. The sanctions usually cover a wide array of goods, products, and services for export and import, from the procurement of arms and related materials to the import of luxury goods and the international flow of funds and economic resources.

Since the border closure following the outbreak of COVID-19, North Korea has faced a difficult economic situation. According to a report by the Korea Trade-Investment Promotion Agency (KOTRA), a state-funded organization operated by the South Korean government, the size of North Korea's total external trade (excluding inter-Korean trade) in 2021 fell by 17.3% (to \$7.1 billion) compared to the previous year, which was the lowest level since 1990. Regarding foreign trade, China normally accounts for a significant portion of trade. In 2021, China accounted for 95.6% of foreign trade, followed by Vietnam (1.7%), India (0.4%) and Thailand (0.3%).

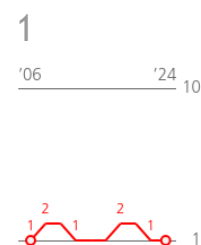
Banking is a state monopoly in North Korea. Besides the central bank, the Foreign Trade Bank (for foreign exchange), and other functional and joint-venture banks directed by the cabinet, the country has trade banks affiliated with the party and military institutions. As every activity that produces foreign currency is strictly monitored and controlled by the leader, trade banks operated by regime agencies also serve as his personal fund-management system. However, with the successive adoption of U.N. Security Council resolutions and other bilateral sanctions, financial relations with foreign countries have been made practically impossible.

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 actually used this laissez-faire policy of dollarization as an opportunity to compensate for the lack of foreign currency.

Liberalization of foreign trade



Banking system



The state banking system has been virtually useless in mobilizing domestic and foreign money within North Korea for productive investment. State banks accept personal deposits, but most North Koreans avoid banks. This is because it is difficult to withdraw deposits at one's convenience and because the prevalence of illegal economic activities means that people are reluctant to disclose their incomes. Instead, since the expansion of market activities in the 1990s, the usual functions of commercial banks have been fulfilled by cash-rich merchants. They supply investment money not only to private businesspeople but also to official state firms for production, distribution, construction, export and import. In addition, they operate private financial services for lending, transferring and exchanging both domestic and foreign currencies. No data is available on capital-adequacy ratios or the share of nonperforming loans.

8 | Monetary and fiscal stability

North Korea has no independent central bank. The leader controls the strict centralized management of foreign currency. Foreign currencies – especially the Chinese yuan along the border of North Korea and China, and the U.S. dollar in other areas – have become major instruments not only for secretly holding private funds but also for day-to-day exchanges in the marketplace.

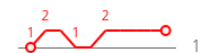
After the redenomination measure in November 2009, in which KPW 100 under the old system was replaced by KPW 1 under the new measure, North Korea experienced a period of hyperinflation between early 2010 and late 2012. According to Daily NK reports, the exchange rate with the U.S. dollar skyrocketed from below KPW 1,000 to about KPW 9,000, and the price for a kilogram of rice rose from about KPW 500 to above KPW 6,500. During this period, dollarization rapidly accelerated, replacing the North Korean won with the Chinese yuan or the U.S. dollar.

Since early 2013, the Kim Jong-un regime has maintained the stability of the North Korean won and low inflation. The exchange rate with the U.S. dollar has always remained around KPW 8,000. However, from November 2020 on, a sudden, sharp rise in the value of the North Korean won was observed. In fact, the analysis from Daily NK indicates that from November 2020 to July 2022, the exchange rate fluctuated between KPW 4,700 and KPW 7,400 per U.S. dollar. It seems odd for the North Korean won to suddenly rise in value considering United Nations sanctions and the closing of the borders due to COVID-19. Outside Pyongyang watchers have speculated on possible reasons for this. First, this might be due to the North Korean authorities' efforts to finally crack down on the use of foreign currencies. Second, this could be related to the Eighth Party Congress held in January 2021 and preparations for the launch of the new five-year plan. Since August 2022, the exchange rate seems to have stabilized, with the exchange rate remaining around KPW 8,000.

Monetary stability

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With the collapse of the planned economy in the 1990s, North Korea's fiscal system also fell into disarray. The regime has suffered a drastic reduction in revenue and allowed agencies to pursue fiscal independence. The cabinet, party, military, and security agencies have advanced as the major domains of fiscal self-sufficiency with off-budget revenue from privileged commercial activities. The government drastically 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 power transition from Kim Jong-il to Kim Jong-un. In addition, the fees collected from granting permits for commercial activities at official marketplaces have contributed to fiscal stabilization at least at the local government level.

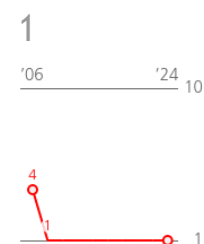
During the Eighth Party Congress in January 2021, Kim Jong-un defined the North Korean economy as “independent, planned and people oriented.” In addition, he emphasized self-reliance and self-sufficiency as still being the fundamental pillars of the new five-year plan. During the Sixth Enlarged Plenary Meeting of the Eighth Central Committee of the KWP in December 2022, Kim Jong-un stressed the importance of fully implementing the regime's five-year plan, as the country entered its third year of the plan in 2023. He also reaffirmed the regime's commitment to the pursuit of Korean-style socialism, characterized by independence and self-reliance.

9 | Private Property

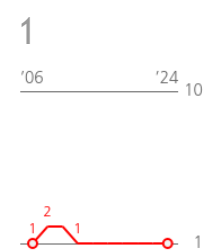
Based on the basic framework of the socialist economic system, any private property beyond daily consumer goods is still officially banned in North Korea. However, the spread of commercial activities and rampant corruption mean that the real picture is more complex. Some individuals have accumulated private wealth in the past 20 years of market expansion and taken part in joint ventures with state agencies as private investors, arrangements that are now widespread but still officially illegal.

In essence, everything can be sold privately in North Korea, including real estate, production equipment and materials, party membership, government positions, university places, and trading licenses. In particular, the trading of homes has become a common phenomenon in recent years. Although the privatization of housing is not allowed, the trade in existing houses or even the trade in new apartments under construction takes place quite openly. These kinds of private ownership and transactions are not guaranteed by the law, as they are officially illegal. This means that the regime can act against private ownership whenever it chooses to and occasionally does so. Internal security and inspection organizations have often taken advantage of this illegal nature to extract bribes.

Fiscal stability



Property rights



Since the mid-1970s, when Kim Jong-il started operating Bureau 39, doing commercial business has been a prerogative of the regime's agencies. However, with the expansion of the market economy since the 1990s, the number of individuals participating in commercial business has exploded. Some commercially talented individuals have become "donju," which can be translated as cash-rich "money masters." In fact, they have become one of the main pillars of the North Korean economy in recent years, though their existence and activities remain illegal. Therefore, businesspeople are required to maintain good relations with agents of the party-state in order to protect their businesses and stay out of trouble. In the case of larger investors, their individual participation has been realized in the form of de facto joint ventures with party-state agencies. That is, they are hired by the latter as public employees to contribute investment and business talent, while the agencies provide business licenses, labor, facilities and political protection. Smaller investors and businesses operate as independent entrepreneurs and must pay their own bribes to state officials. In sum, the extent and scale of both joint ventures and private businesses have rapidly expanded under the laissez-faire policies of Kim Jong-un. The government has given management rights to state-owned enterprises and collective farms, therefore giving managers greater discretionary powers. Under this new system, production units were also allowed to keep more of their produce.

Private enterprise

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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 who live in the capital Pyongyang. As the state sector crumbled in the wake of economic collapse, women were officially dismissed from state employment in 2002 and instead allowed to engage in commercial activities in markets, while men were required to report to their places of work every day, even if they had nothing to do (although they were able to temporarily "buy out" their work contracts). Since then, the income raised by female family members in commercial activities (mostly selling goods in local markets) has maintained families.

Social safety nets

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Since the early 1990s, some North Koreans – especially those living within reach of the Chinese border – have traveled illegally to China in search of food or short-term employment. Some continue their journey to South Korea and apply for citizenship. As of June 2022, there are around 33,800 North Korean refugees living in South Korea, with many sending money to relatives in North Korea through illegal means. These remittances are spent mainly on families' living costs and, in some instances, serve as seed funding for the creation of private businesses. According to a survey conducted by the Database Center for North Korean Human Rights (NKDB), while fewer North Koreans in South Korea sent money to their families in North Korea (18%) in 2022 than in 2021 (21%), the total amount of money sent by all North Koreans that have defected to South Korea has increased by \$25,000 (KRW 36

million) to \$195,000 (KRW 281 million). Based on this analysis, it can be inferred that remittances did not completely stop, despite the border closure. However, it is likely that the increased amount was used to pay higher fees to brokers who took greater risks during the pandemic.

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

The first is deep-rooted gender inequality. On the positive side, access to basic primary and secondary education, and to lower-income job opportunities are roughly equal for men and women. On the negative side, the enduring patriarchal tradition continues to disadvantage women. Women are rarely represented in senior management positions within government, the party, public administration or business. Female employment is concentrated in lower-income sectors, where “female” characteristics are thought to be appropriate (e.g., nursing, teaching and assembly-line work). Meanwhile, the state formally terminated the employment of women en masse in 2002 due to the country’s economic collapse, although it permitted women to participate in commercial activities, while continuing to employ men. This meant that women were in a better position to earn money to sustain the family (if they indeed chose to marry), while their husbands and sons in state employment brought little home. This “discrimination” faced by women in fact turned into an advantage. Due to their economic power as breadwinners, many women now have a stronger voice at home and in local communities, but this enhanced economic role has also created stress within families.

The second barrier is the songbun system, which politically categorizes each individual and determines his or her opportunities in life. For instance, those whose direct ancestors fought against the Japanese alongside Kim Il-Sung or exhibited particular loyalty during the Korean War are rated more highly in the North Korean political hierarchy and automatically guaranteed better opportunities. They are permitted to live in the capital city of Pyongyang and have a much better chance of attaining a higher education, party membership, or a desirable government, party or military career than the majority of the population. Additionally, the spread of corruption favors those economically powerful and with the right political connections. The school system, though still nominally free, has been maintained solely through contributions from students and parents since the mid-1990s, resulting in a new type of discrimination against the poor.

It should also be noted, however, that the expansion of the private market has opened up space for those with commercial talents regardless of political and social status. Money earned from illegal commercial activities can be used for bribes, which allows individuals to circumvent certain restrictions.

Equal opportunity

2

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11 | Economic Performance

State budget figures issued by the government are extremely unreliable. There is no reliable system of tax collection. The leader and individual party-state agencies have engaged in their own independent and predatory collection of revenue from the population and commercial activities. Officially, there is no unemployment in North Korea. All male workers are still required to report to their workplaces every day, although some pay bribes to leave and take up employment in the burgeoning informal sector.

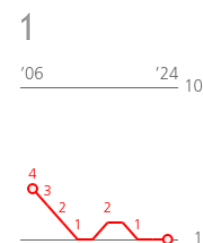
The COVID-19 pandemic and the border closure appear to have had a significant impact on the country's economy. According to statistics by the Bank of (South) Korea, in 2020, North Korea experienced a contraction in GDP of 4.5%, which was the greatest contraction since 1997 (-6.5%) and contracted a further 0.1% in 2021. In terms of specific industries, growth rates in the mining (-9.6% in 2020 and -11.7% in 2021), light industry (-7.5% in 2020 and -2.6% in 2021) and manufacturing (-3.8% in 2020 and -3.3% in 2021) sectors have decreased sharply. The growth rates in agriculture, forestry and fisheries, which showed negative growth of 7.6% in 2020, turned positive in 2021 (6.2%). Meanwhile, the electricity, gas and water supply (1.6% in 2020 and 6% in 2021), and construction (1.3% in 2020 and 1.8% in 2021) sectors showed positive growth.

Cross-border trade had already been declining prior to COVID-19 due to international sanctions. Nevertheless, the total border closure following the pandemic has worsened the situation. Total external trade volume plunged by 73.4% to \$863 million in 2020 and decreased again by 17.3% to \$713 million in 2021, the lowest volume since 1990. In addition, total exports plummeted by 67.9% to \$89 million in 2020 and by 8.2% to \$82 million in 2021, while total imports dropped by 73.9% to \$774 million in 2020 and by 18.4% to \$631 million in 2021. China usually accounts for almost 95% of this trade. However, in 2020, trade with China accounted for 88%, while trade with Russia, which usually accounts for around 1.5%, increased to 5%. In 2021, trade with Russia accounted for 0.01%, while China accounted for 95.6%.

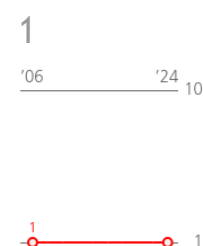
12 | Sustainability

North Korea has traditionally pursued resource-intensive industrial growth, failing to take environmental concerns into account. The situation has been significantly aggravated since the mid-1990s. Confronted with starvation, the population cultivated all seemingly arable land, with private plots reaching the tops of mountains. The environmental consequences have been disastrous, as rain has washed out the fertile soil from the depleted mountains, polluting and silting up rivers. Natural resources, including timber and seafood, have been excessively exploited to meet short-term goals of increasing exports. Furthermore, even industrial waste has been imported in exchange for foreign currency.

Output strength



Environmental policy

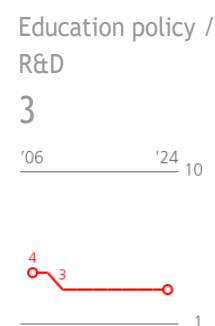


Environmental degradation and a lack of coping capacity have made North Korea critically vulnerable to various natural disasters, especially flooding and droughts. Kim Jong-un acknowledged the serious environmental degradation, and since 2012, there have been efforts to intensify mass mobilization for tree planting. This is usually forced upon local populations and accompanied by abrupt bans on the cultivation of private plots on mountain hillsides. These campaigns have not been supported by realistic measures to resolve the regime's failure to supply enough food and fuel to the population, which are the root causes of deforestation. In the Eighth Party Congress in January 2021, afforestation was mentioned with great emphasis. In addition, North Korea claimed to have about one million hectares of land reforested. However, only a summarized version of the party congress report was published, so precise details are unknown.

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 Pyongyang and institutions for developing weapons of mass destruction. Facing the threat of starvation, teachers, students and researchers were left to scavenge for food or to participate in commercial activities. Conditions improved somewhat in the 2000s, although schools are still required to support themselves; though nominally free of charge, they levy donations and mobilize students to provide free labor under a variety of pretexts. Due to 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 the period of compulsory education from 11 to 12 years. In addition, technology and English lessons now take up more hours in the school curricula. There are also specialized schools for talented students, such as Number One schools, which focus on science and technology education, and Pyongyang Foreign Language School, which concentrates on language education. One major objective of North Korea's education system is to cultivate subjects who are obedient to the leader and committed to the preservation of the socialist system. This is achieved through the emphasis on the study of political ideology, such as 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 curricula and textbooks have been modified to reflect the political ideology of Kim Jong-un.

There is no available data on education or R&D expenditure. Meanwhile, North Korean authorities seem keen to intensify scientific R&D investments in areas considered to be of high importance for national defense. In particular, with the start of his reign in 2012, Kim Jong-un boosted attention and investments in the technical advancement of the asymmetric military capacities of the country. There has also been some progress in the field of information technology. North Korea has intermittently hacked South Korea and other countries' servers since 2009 for disruptive purposes and financial gain. According to a Daily NK article from January 2021, North Korean authorities created a new hacking organization called Bureau 325 to steal information on COVID-19 and vaccine development technology.



Governance

I. Level of Difficulty

Apart from maintaining the minimum efficiency of a few institutions essential to regime security and survival, the quality of governance in North Korea resembles that of a failing state. The ongoing economic crisis in North Korea has been caused not by the country's natural constraints but by the regime's deliberate policy choices. The regime has nonetheless managed to sustain itself and its privileges amid collapsing infrastructure, weak institutions, endemic poverty, and natural disasters.

Constraints on the initiation of development are seemingly infinite, but many are the result of deliberate political behavior rather than unfavorable geography, demography, culture, weather, or other "structural" conditions. Meanwhile, North Korea is especially vulnerable to natural disasters (floods, droughts) – the negative impacts of which are amplified by governance failures. Governance in North Korea is also constrained by very poor infrastructure, persistent underinvestment in the state's capacity to provide public goods, as well as chronic poverty and malnutrition. Of course, all of this is the result of bad governance. However, over the course of almost 80 years of communist rule, the outcomes of past governance failures have transformed into structural constraints on current governance.

In the economy, the constraints include overgrown defense and military-industrial sectors, the collapse of infrastructure for manufacturing and employment, lack of protection for property rights, lack of third-party contract enforcement, depreciation in human resource capacities, and depredation of institutions needed for nurturing human capital. In social terms, constraints include prolonged neglect of basic human needs, a wide gap between rich and poor and between the privileged and the powerless, a lopsided structure of opportunity and human capital in favor of regime loyalists, generalized social distrust, and a lack of faith in meritocracy.

North Korea's historical trajectory has shown no trace of civil society development. North Korea's population has successively experienced periods of feudal domination, Japanese colonial rule, and communist totalitarianism.

While there have been some positive changes since the early 1990s, none of these have yet provided ground for autonomous social groups. One of those changes is the regime's fiscal deterioration, which has weakened its Stalinist methods of societal penetration and control. Market expansion has also encouraged horizontal economic connections. In addition, North Koreans' contact with the outside world increased with the beginning of international humanitarian assistance in 1995. Communications

Structural
constraints

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Civil society
traditions

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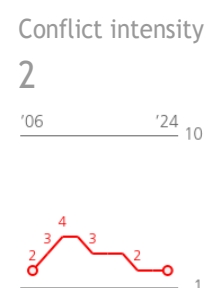
between defectors and their families, taking place through a host of electronic devices, primarily cell phones via China, also enable external relations with the outside world. Finally, South Korean and other international human rights NGOs have stepped up efforts to influence the North Korean people's attitude toward the regime since the second half of the 2000s.

However, the regime has tightened countermeasures in tandem with these developments, strengthening internal security organizations, enforcing an atmosphere of fear and mistrust, increasing the frequency of punishments for contacts with foreign cultural influences, and revitalizing border controls. In sum, the regime has so far been successful in navigating between the two poles while relying on various social control methods to prevent the emergence of civil society.

While there is presumably considerable potential for internal conflict, the regime has to date successfully prevented any meaningful open conflict from emerging. Such conflicts mainly exist along two dimensions: between the regime and society, and between the top leader and other elites. The existence of these internal pressures is confirmed by the regime's brutal suppression of the population, and the supreme leader's tight control of regime agencies and the small ruling coalition.

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

With regard to the other dimension, between the top leader and other elites, Kim Jong-un has resorted to traditional measures to prevent an outburst of open conflict. Similar to his predecessors, he has purged and/or publicly executed high-ranking elites to instill fear. Even members of his own family have not been spared, 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.



II. Governance Performance

14 | Steering Capability

The North Korean regime has shown a remarkable capacity for maintaining its core strategic priorities over extended periods of time. However, these policies are solely designed with the intention of clinging on to power at all costs. The government does not set strategic priorities based on evidence and expertise. Meanwhile, Kim Jong-un seemed to take some positive steps in this direction by introducing economic reform measures and showing more tolerance than his father for market-based activities. However, such measures proved to be comparatively superficial and did not lead to any meaningful changes in the regime's overall policy agenda, which prioritizes the development of nuclear weapons and weapons of mass destruction. In January 2021, a new five-year economic plan was introduced with no dramatic changes. The government continues to advocate for self-sufficiency, and the metal and chemical industries were identified as key elements of the five-year economic development plan. During a six-day meeting in December 2022, Kim Jong-un called for an "exponential increase" in North Korea's nuclear arsenal in 2023 to counter what he claims to be hostile acts from South Korea and the United States.

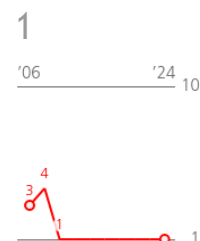
Aside from the policies required for regime survival, the regime's policies for promoting economic reforms and the people's welfare have rarely been pursued. In North Korea, priorities and policy implementation are organized strictly hierarchically. Paramount priorities include the maintenance of the top leader's political status and extravagant living practices. These must be implemented without hesitation and without any regard for expenditure concerns. The implementation of these priorities is guaranteed by the leader's personal court and the party, the two most powerful institutions beyond the top leader himself. The inherent corruption in the government facilitates the implementation of these political decisions since they also favor the surrounding leadership.

The next most important priorities are related to arming the regime so that it can defend itself against internal and external challenges. The implementation of this goal is guaranteed by the party-dominated weapons production sector and by the military itself, under the top leader's careful direction. The regime's most neglected priorities include the management of the civilian economy and public infrastructure. The implementation of these priorities is carried out by the cabinet, a comparatively weak institution in terms of power, prestige and resources.

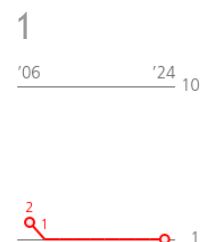
This power dynamic has remained valid under Kim Jong-un. He indeed promised to relieve hunger during his inaugural address, talked frequently about "love for people" and introduced some economic reform measures. Nonetheless, he has never mentioned contradictions or a need to revise the top regime priorities of maintaining the top leader's godlike prestige and accelerating the country's military buildup.

Question
Score

Prioritization



Implementation



Outside Pyongyang observers sometimes assume that North Korea's increased contact with the outside world will lead to policy changes. In fact, there has been extensive contact by way of learning delegations, North Korean diplomats and trade agents abroad, students in foreign universities, and workers and travelers in China, Russia and other countries, as well as in the form of foreign visitors to North Korea (including Western economics professors at Pyongyang University of Science and Technology). Therefore, one can safely assume that economic experts in North Korea have long since accumulated sufficient basic knowledge of the theory and practice of successful reform in China and Vietnam. However, there have been no visible attempts by the government to apply such learned theory and practice to real life. This is because the main focus of policy implementation is to maintain the status of the supreme leader and to keep the regime stable.

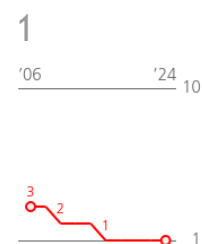
Nevertheless, there are signs that North Korea has learned from policy failures such as the 2009 currency reform, which led to a much more permissive attitude toward market forces. There have, however, been structural limits to this learning. Whenever it contradicts the need for internal stabilization and resource mobilization for political legitimation and military buildup, the learning has been ignored. This has been the norm rather than the exception.

15 | Resource Efficiency

When considering the use of administrative personnel, two factors must be taken into account. First, North Korean society is based on the songbun system, according to which an individual's opportunities in life are largely determined by his or her family background and presumed level of loyalty to the leader. This means that all appointments and promotions are essentially politically predetermined. Second, corruption is rampant in North Korea. Public appointments and promotions are up for sale, and party-state positions that promise higher income from bribes are more expensive. Positions in the administration of public security and the judiciary are particularly preferred to other public sector occupations due to the potential income from bribes.

In terms of the fiscal system, the state has lost its monopoly on taxation. Each party-state agency is allowed to earn its own revenue by leveraging its respective powers, thus forming largely autonomous fiscal domains. After the obligatory payoff to those further up the chain, each agency can use its off-budget revenue independently. The leader stands at the top of the fiscal pyramid. Powerful regime agencies, such as the party, the military, and other security organizations, have monopolized the most lucrative revenue sources. Therefore, the cabinet, which is tasked with supplying public services, has to content itself with minimal revenues from a highly inefficient tax system.

Policy learning



Efficient use of assets



In sum, considering the goal of the Kim regime is to stay in power and protect itself militarily, it can be said that the regime has managed resources efficiently for the purpose of elite co-optation, controlling the North Korean population, and sustaining loyalty both at the elite and popular levels.

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

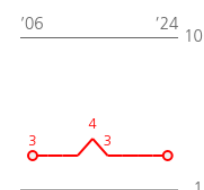
There has been no effective national economic policy, but rather an aggregate of independent economic undertakings by bureaucratic agencies aimed at self-support. These agencies compete with each other to increase rent opportunities by demonstrating loyalty and value to the leader. Even though the regime 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,” there have been no noticeable achievements in those regards. These general circumstances have not changed with Kim Jong-un’s assumption of power.

Corruption is rampant in North Korea. Corruption within the bureaucracy has been exploited by the regime as a systemic device for extracting tax from the populace, while simultaneously securing loyalty and revenues for the regime. The regime has frequently sent special inspection groups to lower units to fight “anti-socialist phenomena,” which include corruption. However, these groups have been more interested in taking bribes for themselves rather than stamping out corruption.

Rampant corruption does not mean that the authority of the supreme leader and the regime has broken down. On the contrary, since the beginning of Kim Jong-un’s reign in 2012, anti-corruption campaigns have been used as a pretext to regain control and purge many high-ranking officials. The supreme leader and higher-level officials capture a greater part of illicit revenue through threats to either redistribute rent opportunities or to dismiss disloyal officials on the pretext of corruption.

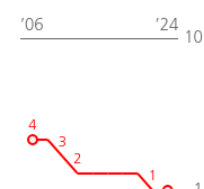
Policy coordination

3



Anti-corruption policy

1



16 | Consensus-Building

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

There is no strategic consensus oriented toward developing a Western-style market economy in North Korea. However, especially since Kim Jong-un's rise to power in 2012, there seems to be a growing awareness that people's lives would improve with a market economy. The problem for the regime has been that its push to earn foreign currency revenue through commercial activities has lowered ideological taboos on capitalism. Most North Koreans now realize that a market economy will make them richer and that socialism is dead. It is, however, a completely different story to openly express such opinions.

The Kim regime holds firm control over the party and military, and there are no visible opposition groups advocating for democratization. Consequently, there are none who are able to counter or co-opt anti-democratic powers. However, continuing marketization at the grassroots level may be seen as a threat to the regime's autocratic system. In this regard, almost everyone is counteracting anti-democratic powers in their own small way.

Along with internal security measures, the North Korean regime has used the principle of "divide and rule" in its quest for political stabilization. First of all, the regime itself is segmented along vertical bureaucratic lines with horizontal communication being difficult. 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 artificially maintained between Pyongyang and the rest of the country, and, more broadly, between urban and rural areas. Recently, wide gaps between rich and poor have emerged, with the state making no effort to stop them from widening further. Brute force and extensive surveillance mechanisms have been used to integrate the deeply segmented and atomized society.

Consensus on goals

2

'06 _____ '24 10



Anti-democratic actors

1

'06 _____ '24 10



Cleavage / conflict management

1

'06 _____ '24 10



There are no autonomous civil society organizations in North Korea. Therefore, there is no civil society participation in governance or decision-making. Instead, the leadership presumes to act on behalf of the people. Elections and political meetings are regularly held, but without any participatory purpose in the political process. People are urged to participate in elections, mass rallies, and meetings at job sites and residences to express their enthusiastic and unending support for the regime. In general, the ostensibly deliberative units of the state and party (e.g., the People’s Assembly, Central Committee and Party Congress) are operating under the power of the leader.

Public
consultation



The regime operates a classification system and considers about a quarter of the population to be members of the “hostile class,” treating them as potential enemies of the state. History is constantly rewritten in order to justify the Kim family’s status. This entails blaming others for injustices and mobilizing the masses against internal – and especially external – political enemies. The regime has also maintained political prison camps since 1947, and, according to satellite imagery analysis by the U.S.-Korea Institute at Johns Hopkins University SAIS, it seems that the existing camps have been expanded under the Kim Jong-un regime. North Korean defectors testified that public executions are still conducted in North Korea, with key figures forced to witness them. There have also been numerous cases of purges, extrajudicial arrest, 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 conducted a summit meeting in Singapore in June 2018 and once again in Hanoi in February 2019, though the two parties ultimately failed to reach an agreement.



When it comes to inter-Korean relations, there is no consistent policy toward reconciliation with South Korea. Following South Korean President Moon Jae-in’s inauguration 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 summits between the two Koreas. However, the relationship worsened again from 2019 on, and, in June 2020, North Korea cut off all of its communication lines with South Korea and demolished the Inter-Korean Liaison Office in Kaesong. Since then, the government continues to make no effort to work toward reconciliation with South Korea.

17 | International Cooperation

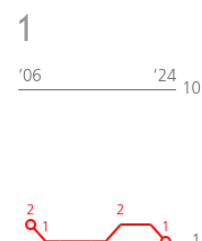
North Korea's level of cooperation has remained basic and has primarily focused on sporadic emergency humanitarian assistance and small-scale development aid. The regime has permitted some international assistance, consisting of knowledge transfer, capacity-building and other cooperative efforts, as long as they do not jeopardize its existence. The terms of delivering food and other humanitarian goods have consistently caused political tension between North Korea and its international donors, who have harbored suspicions that aid might be diverted to the regime and military. These concerns also extend to Chinese aid. However, Chinese assistance has predominantly been provided directly to the North Korean regime to ensure its survival. In addition to China's political support on the global stage, this aid is a crucial component of North Korea's long-term survival strategy.

Following the outbreak of COVID-19 in January 2020, North Korea closed its borders and isolated itself further from the international community. Nevertheless, some bilateral foreign aid appears to have been provided. In July 2020, the Swiss Federal Department of Foreign Affairs (FDFA) stated that disinfection kits were delivered across the Sino-North Korea border. In May 2022, several North Korean aircraft reportedly flew to Shenyang, China, to collect COVID-19-related supplies. This marked North Korea's first known international flight since March 2020. Additionally, the Ministry of Unification reports that South Korea approved 12 cases of private humanitarian aid shipments, totaling \$4.32 million (KPW 5.52 billion), to North Korea in 2022.

Relations between the North Korean regime and the international community have always been characterized by mistrust. The regime fears that increased contact with the outside world will undermine its own internal security. 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, which have contravened international norms and principles of engagement. The mistrust between North Korea and neighboring countries has increased since the mid-2000s, particularly on security-related matters, due to North Korea's refusal to denuclearize, its accelerated development of nuclear weapons and ballistic missiles, and its military and political provocations directed against South Korea. With some reluctance, China has consistently agreed with the implementation of increased sanctions against the regime each time North Korea has carried out nuclear or long-range missile tests.

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. According to the declaration, the leaders of the two Koreas agreed to eliminate military tension and establish permanent peace on the Korean peninsula. However, the situation reversed shortly after. In June 2020, North Korea demolished the Inter-Korean Liaison Office in Kaesong. Since then, there has been no meaningful attempt to resume dialogue with South Korea.

Effective use of support



Credibility

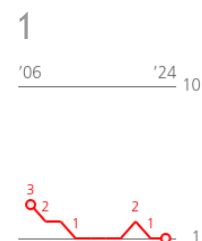


North Korea's relations with neighboring countries have been strained. Poor relations are mainly due to three factors: North Korea's development of weapons of mass destruction, its persistent rejection of internal reforms, and the regime's paranoia over its own internal security. Its frequent nuclear weapons and missile tests have isolated North Korea even further within the international community, and have resulted in a variety of multilateral and bilateral sanctions. However, there were a few events that displayed signs of change, leading to short periods of thaw and minimal cooperation with outside actors.

The relationship between the two Koreas appeared to have thawed briefly in 2018, with several cultural exchanges, high-level delegation meetings and three summits. However, relations have since soured once again, and, in 2020, North Korea demolished the Inter-Korean Liaison Office in Kaesong. Tensions escalated following the inauguration of the conservative government led by President Yoon Suk-yeol in South Korea in 2022. Pyongyang occasionally launched ballistic missiles in response to a joint U.S.-South Korean military exercise. Furthermore, on December 26, 2022, South Korea's military detected five North Korean drones crossing the border and entering its airspace for the first time in five years. One of the drones traveled as far as the northern part of the South Korean capital region. South Korea's military responded by shooting them down.

North Korea's links to China remain stable. China's rapidly growing demand for raw materials and North Korea's desperate need for foreign currency have stimulated trade between the two countries. Regarding the relationship with the United States, since late 2019, there has been no sign that dialogue between the two countries will resume. In early 2021, the new Biden administration attempted to reach out to North Korea. In March 2021, Choe Son-hui, the first vice minister of foreign affairs of North Korea, acknowledged in a statement from the Korean Central News Agency that the United States had recently tried to initiate contact but stated that no dialogue would be possible "unless the United States rolls back its hostile policy toward the DPRK."

Regional cooperation



Strategic Outlook

In May 2022, for the first time since the pandemic began in early 2020, North Korea officially confirmed the COVID-19 outbreak. Three months later, Kim Jong-un declared victory over the outbreak and ordered the authorities to start a vaccine campaign. However, as of March 2023, North Korea has yet to start a nationwide vaccination campaign and has rejected vaccines offered by COVAX. Due to the extremely secretive nature of the regime, the outside world may never know the real COVID-19 situation in North Korea. However, it is clear that the country's fragile health care system lacks the capacity to handle a large number of COVID-19 patients.

The pandemic and the border closure seem to have had a significant impact on the country's economy. A report on the six-day plenum meeting in December 2022 highlighted many economic difficulties and few economic achievements in 2022. Statistics provided by the Bank of South Korea revealed that, in 2020, North Korea experienced its greatest contraction in GDP since 1997 (-4.5%), with a further 0.1% contraction in 2021. North Korea's trade also fell to record lows. Total external trade volume plunged by 73.4% in 2020 and decreased again by 17.3% in 2021, marking the lowest volume since 1990. Additionally, various reports suggest that food availability is at its worst since the Great Famine in the 1990s. This indicates a significant deterioration in living standards for North Korean citizens and an ongoing humanitarian emergency.

In addition, the government embarked on a mission to crack down on foreign influence. In December 2020, North Korea approved the Reactionary Ideology and Culture Rejection Law at a plenary meeting of the Supreme People's Assembly. This law seems to have triggered a nationwide crackdown on foreign content and influence that threaten the regime's legitimacy. As countries globally adapt to a post-COVID-19 world and reopen borders, Pyongyang will be extra careful in determining what types of information can enter.

As for foreign policy, North Korea reverted to its traditional hostility after a brief period of summits and exchanges with South Korea and the United States in 2018. In September 2022, North Korea passed a new nuclear law, which specified that Kim Jong-un has sole authority over all decisions regarding nuclear weapons. The law also proclaimed that North Korea views the use of nuclear weapons as a last resort, but in the event that the leader's command and control are jeopardized by an attack from hostile forces, "a nuclear strike shall be launched automatically and immediately." Furthermore, during a six-day meeting in December 2022, Kim Jong-un called for an "exponential increase" in the country's nuclear arsenal in 2023 to counter alleged hostile acts from Washington and Seoul.

Finally, Russia's invasion of Ukraine, and heightened tensions between China and the United States, have rapidly polarized the world. Kim Jong-un may take advantage of this development and attempt to seek closer economic cooperation with China and Russia, while maintaining his hard-line posture toward the United States and South Korea.