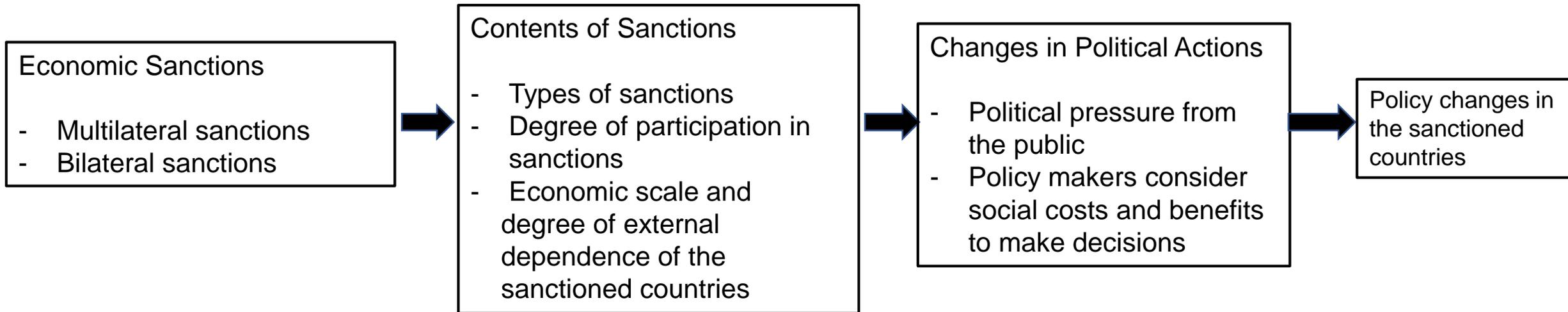


The North Korean Economy after Economic Sanctions

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Running Model of Economic Sanctions



The Impact of Economic Sanctions against North Korea

Trade Sanctions

- Trade embargo on major exports from North Korea (coal, textile products, fisheries products, etc.)
- Restriction on the export of petroleum to North Korea (2 million tons annually)
- Export embargo on luxury goods, metals, etc. to North Korea

Financial Sanctions

- Embargo on international financial trading (secondary boycott)
- Freeze of overseas assets (US, Japan, etc.)
- Embargo on direct and indirect investment to North Korea

Sanctions against individuals

- Embargo on overseas employment
- Restriction on overseas travel



Impact on the North Korean Economy

- Shrinking the scale of trade
- Return of workers employed overseas
- Restrictions on trilateral trade

Changes in North Korean Policies

- Halt on nuclear experiments and launch of long-range missiles
- Negotiations aimed at improving its relationship with the United States

Notable Changes after Economic Sanctions (1)

- **Political Changes**

- Emphasis on self-rehabilitation
 - Kim Jong-un's words after the Hanoi summit, "I had forgotten about it for a while... It is true that I was impatient thinking that if our relationship with the United States improved, it would all be resolved."
 - Emphasis on self-rehabilitation regardless of the existence of sanctions
- Resumption of using missiles for political gain
 - Reorganization to a short - to medium- range missile system (impact of the United States' withdrawal from the INF Treaty)
 - A new trump card for negotiations with the United States
- Exclusion of South Korea
 - Improvement of the relationship with the United States and the international community without the mediation of a third country (securing leadership of the situation in the Korean Peninsula)

Notable Changes after Economic Sanctions (2)

• Economic Changes

- Strengthening of the power of the central government
 - Paradox of the socialist corporate responsible management system and field responsibility system (30% immobilization)
 - Current situation of food shortage at each kolkhoz and company
- Shrinking market
 - Shrinking provincial city markets "There are more suppliers than consumers."
 - There is notable market shrinkage in cities such as Sinuiju, Pyongsong, Chongjin, and Sariwon.
- Minor fluctuations in market price
 - Simultaneous fall of demand and supply

Price Trends in the Pyongsong Market in January–July 2019

		Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.
(North Korean Won/kg)	Rice	4,794	4,875	5,250	4,780	4,600	5,000	4,850
	Corn	2,091	2,237	1,950	2,120	2,200	2,350	2,400
	Soy	3,986	3,625	3,580	3,500	3,520	3,430	3,500
	Cooking oil	12,150	9,387	9,765	11,000	13,500	13,100	12,800
	Wheat flour	3,550	4,662	5,500	4,300	4,300	4,000	4,100
	Gasoline	14,760	14,650	13,125	13,200	15,000	16,700	16,700
	Diesel	8,610	8,692	8,725	8,800	9,700	9,400	9,100
	Sugar	4,180	4,687	4,654	4,700	4,610	4,350	4,150
	Chinese cabbage	985	965	898	1,200	1,200	1,350	850
	Coal	150	175	165	170	230	190	180
Pork	14,700	15,100	18,750	17,900	17,000	8,500	9,500	
		1月	2月	3月	4月	5月	6月	7月
(North Korean Won/USD)	Exchange rate	8,075	8,100	8,125	8,250	8,400	8,300	8,310

Assessment of the Impacts of the Sanctions on North Korea

- While there was a policy turnaround in North Korea, it is still far from complete denuclearization, which is the final objective.
 - In the US-China showdown situation that formed in the Northeast Asia region, the new role of North Korea (China threat theory and joint regional nuclear control theory) will be utilized.
 - While the economic sanctions are currently strengthening the power of the central government, they are weakening the power of the market at the same time.
 - Work to lower again external dependence (to within 10%) which rose (to about 30%) due to the power of the market
 - Curb the liberalization brought about by the power of the market through external sanctions
-  Employing flexible sanctions that can strengthen the power of the market and weaken the power of the central government are necessary.

Thank you for your attention.