

# DPRK Markets: A Defector's Perspective

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# DPRK Markets: A Defector's Perspective

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by the Institute for Science and International Security (ISIS)

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## I. Introduction

The Institute of Far Eastern Studies at Kyungnam University released this report on the status of markets in the DPRK. The report states: "However, as North Koreans gradually become more quality-conscious, Chinese-made goods will lose market strength, especially as better quality imports -- such as those from South Korea, which are imported on a limited basis -- begin to raise the awareness of North Koreans."

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## II. Report by the Institute for Science and International Security (ISIS)

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- "DPRK Markets: A Defector's Perspective"

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As expectations increase for inter-Korean exchanges, so also does interest in North Korean markets.

According to official statistics, trade between China and North Korea (at 39 percent of the DPRK's overall trade) is almost twice that of inter-Korean trade (19.6 percent). This includes 90 percent of industrial goods and over 60 percent of foodstuffs.

Of course, products imported from China include everything from fingernail clippers to knockoffs of European scarves for women, as well as a range of everyday items. In fact, daily necessities sold on the North Korean markets are now almost exclusively Chinese-made. Goods used in North Korea's primary industries -- such as gauges, tools, raw materials, parts, etc. -- are also swiftly being replaced with imports from the PRC, while equipment used in the newly emerging DPRK service sector -- from karaoke machines and pool tables to saunas and IT distributors -- is also mostly the manufacture of a Chinese factory.

Since the implementation of the July 2002 Economic Improvement Measures in the DPRK, the amount of DPRK-made goods sold domestically has shrunk, while imports from China have risen notably. Despite the tendency toward a market economy, energy and natural resource shortages have inevitably led to a considerable decline in production in North Korea.

According to defectors, however, the quality of these Chinese-made goods is substandard. While relatively high-quality Chinese goods are sold to Pyongyang's elite in places like the DPRK-PRC Product Sales Center and Pyongyang No. 1 Department Store, goods sold at the average market are of relatively poor quality; too low-grade even to be sold in China.

In the Chinese cities of Tumen, Hwaryong, and others close to the PRC-DPRK border, there are many production plants producing cheap goods targeted for sale on North Korean markets. It follows, then, that high-ranking officials and wealthy residents in the border region place orders for goods with the traders who have families on both sides of the border.

Why is the inferior quality allowed? The importance of the special relationship between China and the DPRK brought about by the North's policy of prioritizing the preservation of its system, the geographic proximity of the two countries, their shared socialist values, and the flow of international market prices or market transactions faced by the DPRK are not irrelevant factors. But today's transformed market in the DPRK is a direct result of this work between Chinese technical officials who already have their sites set on the North's markets and a North Korea struggling to overcome its economic difficulties.

However, as North Koreans gradually become more quality-conscious, Chinese-made goods will lose market strength, especially as better quality imports -- such as those from South Korea, which are imported on a limited basis -- begin to raise the awareness of North Koreans.

### **III. Nautilus Invites Your Responses**

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: [bscott@nautilus.org](mailto:bscott@nautilus.org). Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

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