

# Sejong Policy Brief



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## *Executive Summary*

### **Changes in North Korea's Economic System in the Kim Jong Un Era and Direction of Inter-Korean Cooperation**



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*This article is written based on the author's personal opinions and does not reflect the views of the Sejong Institute.*

## **Executive Summary**

- Changes in North Korea's Economic System since the Kim Jong Un Regime
  - Recent changes in the North Korean economic system involve the adjustment of incentive system to resolve problems resulted from its planned economy.
  - North Korea has strengthened the role of banks as a way of boosting innovation through competition, enhancing autonomy through decentralization, and managing corporations' economic activities.
  - Changes such as implementation of socialist corporate responsible management system and installation of commercial banks are policies friendly with the market mechanism.
  
- Need of Additional Improvement and Practical Opening for the Achievement of Institutional Reform
  - To achieve fruitful results, the government needs to demonstrate its capability and will to solve diverse issues that can be raised in process of implementing institutional reforms for the normalization of production and innovation process.
  - Regular contact with the global economy through trade and other measures can enhance the adaptability of economic units to the market economy and may contribute to the settlement of internal reforms.

□ Positive Implications of the Changes in the North Korean Economy for the Resumption of Inter-Korean Cooperation

- If changes in the North Korean economy are successfully implemented, inter-Korean cooperation projects may be diversified as corporation entities enjoy extended autonomy, and thus, participate in the projects as main actors, stepping away from the current, existing government-led projects.
- Nevertheless, negative impacts on inter-Korean cooperation projects due to the COVID-19 (coronavirus disease 2019) pandemic and its prolongation and the recent deterioration of inter-Korean relations cannot be ignored. Additional efforts to overcome such repercussions are requested. ❀

*※ Translator's note: This is a summarized unofficial translation of the original paper which was written in Korean. All references should be made to the original paper.*