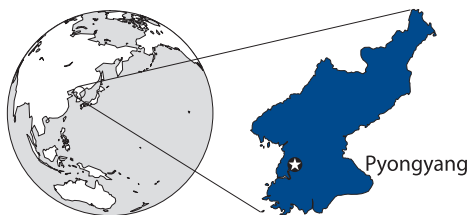
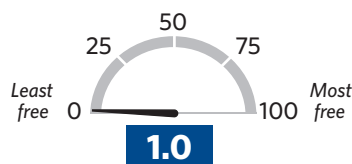


NORTH KOREA



World Rank: **179** Regional Rank: **41**

Economic Freedom Score



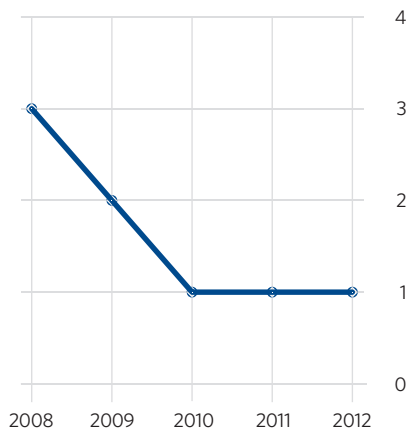
North Korea continues its isolation from much of the rest of the world. Data collection is extremely challenging, and reported information is largely unreliable. Based on limited available information, North Korea's economic freedom score is 1, making its economy the least free in the 2012 *Index*. North Korea is ranked last out of 41 countries in the Asia-Pacific region.

North Korea's dictatorial leadership remains unwilling to open or restructure its economy. It has experimented with a few market reforms but mainly adheres to the system of state command and control that has kept the country and its people in near bankruptcy for decades. The Communist Party controls every aspect of economic activity. The impoverished population is heavily dependent on food rations and government subsidies in housing. Deprivation is widespread. In recent years, the government has phased out or clamped down on existing private markets, reducing the already very limited free-market experimentation.

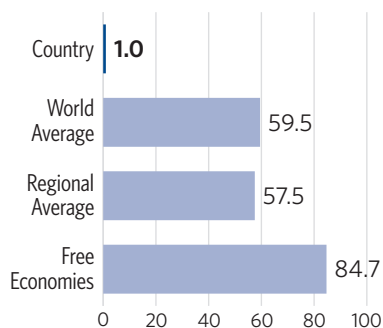
The North Korean economy has contracted for two consecutive years, with a negative growth rate of 0.5 percent in 2010 estimated after a 0.9 percent decline in 2009. The Hermit Kingdom may be attempting to allow limited foreign direct investment, but the dominant military establishment and ongoing leadership change make any significant near-term change unlikely. Normal foreign trade is minimal, with China and South Korea being the most important trading partners.

BACKGROUND: The Democratic People's Republic of Korea is a Communist regime. There are no human rights, and the state owns all industry. Belligerent foreign policies have led to international sanctions and restrictions on humanitarian assistance, and the DPRK remains heavily reliant on Chinese economic support. In late 2009, Pyongyang moved to regain control of burgeoning black markets. Though public unrest forced an unusual policy reversal, the attempt reflected continuing resistance to even minimal economic reform, and the government refuses to accept any responsibility for habitual food shortages.

Freedom Trend



Country Comparisons



Quick Facts

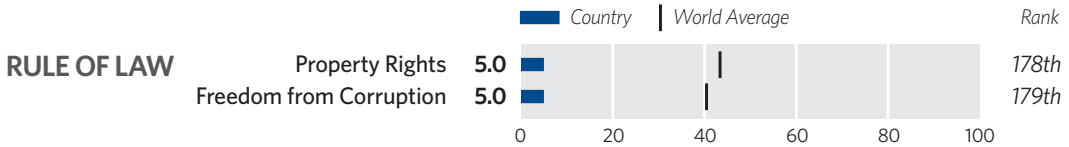
- Population:** 24.5 million
- GDP (nominal):** \$26.5 billion
- 0.5% growth in 2010
- 5-year compound annual growth n/a
- n/a per capita
- Unemployment:** n/a
- Inflation (CPI):** n/a
- FDI Inflow:** n/a
- Public Debt:** n/a

2010 data unless otherwise noted.
Data compiled as of September 2011.

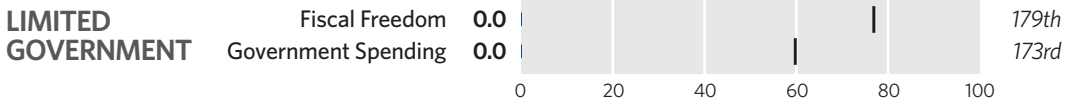
How Do We Measure Economic Freedom?

See page 455 for an explanation of the methodology or visit the *Index* Web site at heritage.org/index.

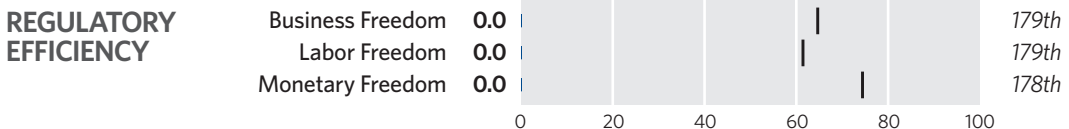
THE TEN ECONOMIC FREEDOMS



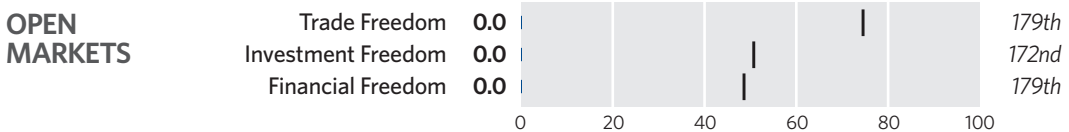
Property rights are not guaranteed. Almost all property belongs to the state, and government control extends even to all chattel property (domestically produced goods and all imports and exports). A functioning modern judicial system does not exist. Corruption in the government and security forces remains rampant. Military and government officials reportedly divert food aid from international donors and demand bribes before distributing it.



No effective tax system is in place. The government commands and dictates almost every part of the economy. The government sets production levels for most products, and state-owned industries account for nearly all GDP. The state directs all significant economic activity. Large military spending further drains scarce resources. Despite the state's attempts to crack down on them, black markets have grown.



The state continues to regulate the economy heavily through central planning and control. Entrepreneurial activity remains virtually impossible. As the main source of employment, the state determines wages. Since the 2002 economic reforms, factory managers have had limited autonomy to set wages and offer incentives, but the government controls the labor market. The botched currency reform in late 2009 has exacerbated monetary instability.



Formal trade is minimal. Most legitimate trade is *de facto* aid, mainly from North Korea's two main trading partners, China and South Korea. Inter-Korean trade remains constrained by North Korea's unwillingness to implement needed reform. Limited foreign participation is allowed in the economy through special economic zones where investment is approved on a case-by-case basis. The limited financial sector is tightly controlled by the state.

Score Changes

RULE OF LAW		LIMITED GOVERNMENT		REGULATORY EFFICIENCY		OPEN MARKETS	
Property Rights	0	Fiscal Freedom	0	Business Freedom	0	Trade Freedom	0
Freedom from Corruption	0	Government Spending	0	Labor Freedom	0	Investment Freedom	0
				Monetary Freedom	0	Financial Freedom	0