

Two Years after the DPRK's Currency Revaluation

It has been two years since the implementation of North Korea's currency revaluation and the South Korean government recently has presented an assessment of it, evaluating it as a complete failure, as exchange rates have skyrocketed and inflation set in.

It has been largely evaluated as having weakened the government control over the market and the people.

In the report released by South Korea's Ministry of Unification (MOU), the prices of rice and exchange rates have returned previously to the level before the measure went into effect. The prices of rice per kg that cost between 20 to 40 KPW in December 2009 has jumped to 3,000 to 5,000 KPW as of November of this year, which is more than a 2,300 times increase.

The price of rice that went for 2,400 KPW early this October is believed to be close to 5,000 KWP currently.

The fluctuation of rice price is allegedly associated with preparation for next year's celebration (i.e., of North Korea becoming a "strong and prosperous nation"). According to an anonymous North Korean government official, rice is being stockpiled to be released next year during the celebration period.

North Korea has self-proclaimed 2012, the centennial birthday of Kim Il Sung, as the first year of the "strong and prosperous nation." While it may be ephemeral, it said it will normalize rice distribution for next year.

The exchange rate for KPW in December 2009 was 35 North Korean won to one USD; a year later, it soared to 2,000 won, and it is currently worth 3,800 won.

At the time of the currency revaluation, the usage of foreign currency was completely banned. This in return made the exchange rate spiral up. In February of this year, North Korea eventually abandoned this measure.

One Chinese yuan is also worth about 400 KPW, standing shoulder to shoulder with the value of the US dollar. About 300 markets that exist currently in North Korea are affected by the soaring exchange rate of the yuan, raising the prices of Chinese products on the market.

North Korea also has increased wages for the workers a hundred fold during the currency redenomination; but life for the people has become harder due to hyperinflation.

The average monthly salary of a North Korean worker is about 3,000 KPW; however, the monthly expenses for an average family of four hovers around 100,000 KPW.

The MOU has announced that the currency reform implemented by the North Korean government two years ago was intended to weaken the role of the markets, and regulate the new-rich, generate supplies of capital for the construction industry, and adjust the amount of domestic currency in circulation. In the end, the reevaluation ended up achieving the opposite.

At the time, the government prohibited sales of imported and industrial products on the market and promoted marketization of agricultural goods. But the people's dependency on markets is as high as ever, leading to a relaxation of market regulation in February 2010.

The MOU also stated, "There is growing distrust of the government among North Koreans from the failed policy which in effect undermined the power of the government to control the market and the people."