



DPRK ECONOMIST: CURRENCY REFORM CAUSED INSTABILITY

Ri Ki Song, a professor at the Institute of Economics, a part of North Korea's Academy of Social Sciences, acknowledged during an interview on April 18 that the North's currency revaluation of last November had caused some instability to unfold across the country. Professor Ri emphasized during an interview in Pyongyang with Kyoto News, "there was some temporary unrest in some areas . . . but there was absolutely no social upheaval and unstable situations were immediately controlled."

Professor Ri, in answering questions for the Japanese news agency, was the first North Korean to acknowledge the problems caused by the reform. Regarding foreign media reports of the currency reform, Ri stated that the articles did not reflect the reality of the situation, and that the reforms had not destabilized the North Korean society. These comments were in line with those he made on April 1, when he stated at an APTN press conference, "Many people outside of North Korea have been noisily prattling on about problems emerging during exchange rate fluctuations, but there is no social unrest of the kind they speak of."

He explained that some instability had occurred because price controls and other measures had not immediately followed the revaluation, and that "markets did not open for a few days [after the currency reform]," acknowledging that preparations for the measures had been insufficient. He also explained that following the currency reform, North Korean authorities had taken steps



such as reducing prices on some foods and slashing unproductive expenditures. The government also encouraged women to take up jobs in light industry and in the service sector, and repaired the transport system. In an effort to develop the economy in 2010, the North Korean government boosted the budgets for the light industrial sector by 10.1 percent, and that of agriculture by 9.4 percent.

Professor Ri went on to say that authorities had reduced the price of a kilogram of rice from 40 won to 24 won, had lowered the price of eggs to 8 won, and had cut the prices on cooking oil and soap, as well. He added that this trend will continue for the near future.

The currency revaluation, the first of its kind since 1992, was aimed primarily at increasing the value of the North's money and harnessing inflation, but despite the reform, the government is still managing foreign exchange rates. While keeping exchange rates under control, Ri stated that authorities could still adjust the value of the won, depending on economic developments as well as other domestic and international conditions.

In both the APTN and Kyoto interviews, Professor Ri called foreign coverage of the North's economic situation "exceptional," and insisted that nothing was wrong with the DPRK economy.