



North Korea's Dependence on Foreign Currency Increases

With last November's currency reform, North Korea's dependence on foreign currency has increased to the point that market prices today are determined in terms of dollars or yuan.

According to Daily NK's internal sources in Pyongyang, a recent surge in the use of dollars in market transactions has meant that market prices of goods are now determined based on dollars. Moreover, it has been revealed that individuals lending and borrowing money from one another collect and pay the interest in dollars.

As of September 2, the exchange rate in Pyongyang was about 100 US dollars to 150,000 won. If someone was to borrow 150,000 North Korean won from a friend, he would later have to repay that loan in however much North Korean won is equivalent to 100 US dollars at the time.

The source said, "These days, the merchants in the market charge everything in yuan and dollars, except for rice, corn or side dishes," and, "Clothing stores in Pyongyang's Seonkyo Market have actually put up signs indicating prices in dollars."

The source added, "Wholesale merchants, especially, do all of their business in dollars or yuan now," and "The value of North Korean money has fallen, and there are no more large bills anymore, so everyone is dependent on foreign currency."

After 2000, the yuan and the North Korean won were both came into common use in the border area between North Korea and China, while the dollar became popular in Pyongyang and Hwanghae Province. Expensive items, such as electric home appliance or industrial goods, were more often than not bought and sold in terms of dollars or yuan, bypassing North Korean currency altogether.

However, recent trends show that the use of dollars and yuan has spread to the sale of shoes, clothes, and other everyday consumer goods. Stores put up signs indicating prices in dollars and yuan, once done exclusively by currency exchange shops or hotel restaurants frequented by foreigners.

Last year, North Korea depreciated its currency at a rate of 1:100 in an attempt to



reform its currency, but the efforts to control inflation throughout the country failed. The price of rice in North Korean markets today is about 900 won per kilogram, about half the price it was before currency reform (about 2000 won per kilogram).

The source explained, “Because the value of the won is unstable, the exchange rate varies wildly. In order to not lose money, merchants have been fixing their prices higher than normal.”

The source emphasized, “Goods from China are all sold in dollars or yuan,” and “Considering that over 90% of the commodities circulating in the markets today are from China, it appears that North Korean money will be rendered useless in the near future.”

“In North Hamkyeong Province, Yangkang Province, and Sinuiju, where the yuan is often used, they say ‘This is Chinese land,’ and in Pyongyang, Sariwon, Haeju, and Wonsan, where the dollar is often used, they joke, ‘This is American land,’” added the source.