

DPRK WON EXCHANGE RATE CONTINUES TO CLIMB

The exchange rate for the North Korean won shot up approximately 13-15 percent at the end of last year, and has maintained this high rate into January, according to an article in the on-line newsletter, "Open News for North Korea," on January 12.

According to the inaugural edition of the newsletter, the exchange rate last year was around 3,200 won per USD, or 460 won per Yuan, with only slight fluctuations, but shot up to 3,630 won per USD and 530 won per Yuan in December. In the first weeks of the new year, it has fallen only slightly, to 3,540 won per USD, and 530 won per Yuan.

According to traders who import and export between North Korea and China, "The sudden rise in the exchange rate appears to be related to trade regulations on goods imported from the North," and they stressed, "After North Korea protested to China about inferior Chinese goods leading to accidents around the country, China decided to set an example, and unilaterally imposed [trade] restrictions."

Because business with China makes up almost 50 percent of North Korea's trade, if DPRK-PRC trade, and in particular, North Korea's exports to China, are restricted, this would cause a large shock to the foreign currency market," and, "China's regulatory measures were eased as January come around," but, "this year, North Korea is strengthening crackdowns on domestic markets, making it difficult to expect the exchange rate to return" to last year's lower numbers. According to the article, "There is a foreign currency crisis in North Korea, as well, the scale of which is so great it can't even be compared to what is happening in the South."

The black market price for U.S. dollars has shot up from a low of 200 won, in July 2002, to 3,200 won in July of last year, and has continued to rise, peaking at 3,500 won currently. This is a sixteen-fold increase in just over six years. The newsletter put this in perspective by explaining, "North Korea has experienced a foreign currency crisis like that seen in South Korea in 1998 every year since 2002."

North Korea's haphazard currency distribution and chronic trade deficit has led to a reduction in the country's foreign currency reserves, while the failure of the authorities' currency stabilization policies combined with the growing demand for U.S. dollars by North Korean residents seeking imported goods have led to the sharp growth in the

exchange rate.