

**NORTH KOREA'S ECONOMIC
PROSPECT AFTER
TRUMP-KIM SUMMIT**

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Executive Summary

1. North Korea's economy suffered its worst setback in a decade, with negative growth of 3.5% in 2017 due to the effects of international economic sanctions.
2. China's sanction enforcement has made the greatest impact on North Korea's economy as it is North Korea's most important trade partner, contributing 86.4% and 91.4% of its total exports and imports in 2017 respectively.
3. The Trump-Kim meeting on 12 June 2018 in Singapore had raised hopes of the lifting of sanctions against North Korea. The United States mentioned its willingness to help rebuild North Korea's economic system if the latter agreed to denuclearise.
4. While nuclear weapons can better protect the country from external attacks, North Korea would still need to deliver economic growth and improve people's livelihoods for its internal stability.
5. Kim Jong-un announced a five-year plan for economic development in 2016. The aim is to boost economic growth through improving energy supply and increasing production in agricultural and consumer goods.
6. Kim is also keen to attract foreign direct investment (FDI). During the early 2000s, inter-Korean economic cooperation constituted a major part of North Korea's inward FDI. In recent years, China has taken the lion's share.
7. Tourism is another sector that North Korea has considered essential for developing its economy. China and South Korea are the two main sources of inbound tourism. North Korea announced in July 2018 that it will be working with Taiwan's travel agency to attract more Taiwanese travellers to the country.
8. North Korea's disagreement with the United States over its denuclearisation process could delay the lifting of sanctions and the boosting of its economy. China-US

competition in geopolitical interests in the Korean Peninsula may also delay the denuclearisation process.

9. Beyond the geopolitical uncertainties, it will take time for North Korea to reform its current economic systems, such as inadequate tax system and unreliable banking services, in order to adapt to the market-based economy.
10. In the long run, North Korea's economic achievement will largely depend on its integration with the global economy. However, due to its long-term inward-looking economic policies, North Korea lacks the experience to respond flexibly to global economic fluctuations.