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Jo Sung-hyun of the DPRK Central Bank

Q: What is the purpose/background of this latest round of currency reform?

Jo: It has always been our Party's and our government's policy to strengthen our country's monetary system and to stabilize and solidify the circulation of our currency, won. The purpose of this currency reform is to stimulate currency circulation, further building our nation as a socialist economic power, safeguarding the interests of the working people and improving their standard of living. Over the past two decades, due to factors ranging from the hostile policies of the imperialists and a series of natural disasters to the collapse of the socialist market etc., normal economic development of our nation experienced tremendous obstacles. Since *gonanui haenggun* (고난의 행군, the famine) in the mid-90's, our nation has come to endure a lot, which saw a serious decline in production capacity in our factories and our people's livelihood greatly affected. Nevertheless the state injected a lot of money into circulation in efforts to boost national defense and to improve people's standard of living, as a result inflation and a series of uneven economic developments came into being. In order to overcome this problem, the state has taken many measures. At present, guided by the *songun* revolutionary leadership of General Kim Jong-il and to commemorate the 100th anniversary of the birth of our fatherly leader General Kim Il-sung in 2012, the year our country is set to become a powerful and prosperous country (강성대국), our people have illuminated mountains and rivers of our great country by taking a big leap forward in a new revolutionary

upsurge of the raging flames on all fronts of building socialism. By consistently improving modern technologies and building the state-of-art factories everywhere and through the successful completion of the 100-day battle, which followed the victorious 150-day battle, many sectors within our people's economy participated in a concerted effort to break through the highest annual production levels. The entire economy got back on the upward track, which provided a solid foundation for us to eradicate anomalies such as inflation. That's why we carried out this latest round of currency reform, which is aiming to push the building of our country as a socialist economic power to a new height, safeguarding the interests of working people and providing them with a stable livelihood.

In the ideological and artistic context, the old DPRK won in circulation (that is being replaced) is not well reflecting the requirement of the time-which is seeing our nation taking a rapid leap toward becoming a powerful and prosperous country in the spirit of a triumphant and heroic Korea. In addition, printing technology featured on the old DPRK won is clearly lagging behind those that are leading the development trend in this area. Ideologically and artistically the new currency fully embodies the glories of the three great generals of Mt. Baekdu (Kim Il-sung, Kim Jong-il and Kim Jong-suk) and the songun era. Also worth pointing out is that the new currency was produced at an extremely high standard with the help of modern and advanced currency printing technologies, and we improved currency denominations to better serve the people. The new currency features a 5,000, 2,000, 1,000, 500, 200, 100, 50, 10 and 5 won bill, plus a 1 won coin, and a 50, 10, 5 and 1 jeon coin. The time window for exchanging the old currency for the new is the week ending December 6th, 2009. Any leftover old currency that did not get exchanged within the time window and those that were illegally brought into the country will be rendered useless.

Q: How does one obtain the new currency?

Jo: At a 100:1 (100 old won for 1 new won) exchange rate. In principle each household as a unit will be able to exchange old for the new currency at designated currency exchange stations in their place of residence. While people will get 1 new won for every 100 old won in cash, deposits of old currency in the bank will be converted at a 10:1 exchange rate. Of course depositing money to the banks is completely voluntary. Previously the government had encouraged people to put their money in the banks to help develop the national economy. There will be no change in interest rate on deposits after the new currency is released, which is still maintained at around 3.6 %~ 4.5%.

Q: Will the domestic prices be adjusted after the new currency is released?

Jo: The government will adjust prices in line with the July 2002 level of measurements. Back then we used the international market price for rice as a benchmark to develop the overall price levels.

Q: By conducting the currency reform, does the DPRK have plans to steer toward a more market-oriented economy? Is this an experiment that will hopefully provide some useful observations?

Jo: Not at all. We are not heading toward a market economy, on the contrary we will further solidify the principles and orders of the socialist economy. Prices are based on the trends and changes of supply and demand. *The average level of market prices since July 1, 2002 should have fallen as we forecasted however they have surged to unreasonably high levels* (important note to readers: This is my own interpretation of the original text in Chinese

“但此次措施的原因在于市场物价的平均水平是自 2002 年 7 月 1 日之后预测降调而制定的” which doesn't make much sense to me. I will take the blame for any misrepresentation and guestimating what Jo had meant to say). Presently some economic activities to some extent have developed an over-reliance on the market rather than through the supply distribution system, resulting in some disruptive situations in distribution. To rectify the problem we should further strengthen the orders of the planned economy. And that's why we took these measures (conducting the currency reform). In the past the state had permitted the use of the market in some areas to help facilitate and procure required materials necessary for normal production activities of various enterprises to a certain extent. The intent was to utilize the market to supplement the dominant socialist economic principles and to fill the empty space if necessary. Now we have strengthened the power of the state (in directing economic activities), the auxiliary function of the market has been completed and therefore the role of the market will gradually weaken.

Q: How was this (currency reform) finalized and announced?

Jo: The Standing Committee of the Supreme People's Assembly issued a decree entitled “On the issue of new currency”. Subsequently the cabinet issued decisions relating to the currency reform. The goal of this currency reform is to reduce the money in circulation and to improve the purchasing power. If we had announced this in advance, it would have given time for illegal money to somehow become legal. And to not play into the hands of those who might take advantage of this, we decided to announce it to the whole country and carry out the related measures simultaneously.

Q: There have been some reports by foreign media claiming that the currency reform ignited tremendous chaos?

Jo: We had predicted that there would be some issues/situations within the first couple of days after the currency reform is announced (natural enough). The development and implementation of new price standards for state-owned stores and restaurants will be completed by December 3rd. All service outlets will be re-opened on December 4th.

Q: What have been the reactions from the people so far?

Jo: Those ordinary working people who are working very hard for the country and for the society, those who have worked their butts off for their pay have been treated well and received special considerations. The vast majority of the working masses, including workers, farmers and clerks etc. are very supportive of the measures the government has taken this time.

Q: What other measures has the government undertaken?

Jo: We have taken appropriate measures to deal with some disorders arose from the process according to plans drawn up earlier. At this time all stores and restaurants have suspended their foreign exchange operations. Foreigners and overseas Koreans who wish to visit stores and restaurants will need to go to a currency exchange station to exchange their foreign currency to the new DPRK won. We are sorry for the inconvenience that this has caused. That's it for now.