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The political economy of economic reform in North Korea

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Abstract

For over 10 years, North Korea has undergone a severe economic crisis, including food shortages, which has inflicted great suffering upon the North Korean people. Given such dire realities, it is beyond all doubt that the North Korean government should actively carry out comprehensive economic reforms as quickly as possible which aim to transform North Korea's present inefficient socialist planned economic system into a market economic system. Many argue that such reforms would give rise to successful economic growth in North Korea, which could enhance the legitimacy of the North Korean regime. Yet, the North Korean regime has consistently avoided implementing economic reforms, even though it has had a number of opportunities to do so. The July 1st reforms, which were introduced in 2002, have been half-hearted and inconsistently applied. This then raises an important question: Why has the North Korean government avoided adopting comprehensive economic reforms? In other words, what is the crucial

barrier that has hindered North Korea's implementation of economic reforms? This article pinpoints North Korea's unique political system—i.e. its monolithic system of political control and policy making which exhibits the highest level of power concentration in one individual among all political systems—as the biggest barrier to economic reforms. No doubt North Korea desperately needs comprehensive economic reforms, in light of its economic crisis and food shortages. Nonetheless, the current North Korean regime has avoided adopting such reforms since they will undermine North Korea's monolithic system. In conclusion, North Korea's monolithic system has been the biggest obstacle to North Korea's economic reforms.

过去十多年里，北朝鲜经历了严重的经济危机包括食品短缺，使朝鲜人民遭受巨大的苦难。在这种不堪的形势下，北朝鲜政府理应积极行动，尽早实施广泛的经济改革，将无效的社会主义计划经济体制转变为市场经济体制。许多人认为这样的改革将使经济成功地增长，从而增强北朝鲜体制的合法性。但北朝鲜政权一直在回避实施经济改革，尽管它有这样的一些机会。2002 年实施的七一改革，搞得半心半意，虎头蛇尾。这就提出一个重要的问题：北朝鲜政府为什么回避广泛的经济改革呢？本文指出，北朝鲜独特的政治制度，即政治控制和政策制定的大一统体制所表现的权力向个人的集中，在所有政治制度中登峰造极。这种制度构成了经济改革的最大障碍。遭受经济危机和食物短缺的北朝鲜当然亟需全面的经济改革。但北朝鲜现政权回避这样的改革，因为那会危及它的大一统体制。

Notes

1. In the present study, North Korea refers to the Democratic People's Republic of Korea (DPRK) and South Korea the Republic of Korea (ROK).

2. In 2002, it was estimated that only 20 percent of all factories in North Korea were operative (Ha 2004: 146).

3. At a UNICEF conference held in Beijing in May 2001, North Korea's Vice Foreign Minister Choi Su Hon reported that between 1995 and 1998 about 220,000 people had died from starvation. The World Food Programme estimated that 1 million people died from hunger. Médecins sans Frontières (Doctors without Borders) estimated that between 1995 and 1998 some 3.5 million people lost their lives due to starvation or disease (KINU 2004: 39).

4. At present, the number of North Korean defectors in South Korea totals 12,000 (North Korea Democratisation Forum 2007), and the number of North Korean escapees in China is estimated to be between 100,000 and 400,000 (KINU 2007: 278).

5. The Roh Moo Hyun government (2003–07), which left office in early 2008, had already allocated about 5.25 trillion won for aid to North Korea between 2006 and 2010. If other aid, such as energy, telecommunications and physical distribution, is added to this, then South Korean aid to North Korea is expected to total approximately 20 trillion won, which accounts for about 0.7 percent of South Korea's gross domestic product (Nam 2006: 262).

6. For an extensive policy analysis of North Korea's dependence on foreign aid, see Haggard et al. (2008).

7. For an overview of the contrasting reforms in China and Eastern Europe and the Soviet Union, see Ha (1997).

8. The North Korean government announced that the Sinuiju Special Administrative Region would operate free of central government interference for a period of 50 years, would operate its own legal and economic system, and even issue its own passports. Moreover, the government announced that the special economic zone would be run by Yang Bin, a Chinese agricultural and manufacturing magnate, who had taken Dutch citizenship. However, as Yang Bin was soon arrested in China for tax evasion, this whole plan came to nothing. For more research on North Korea's plan to establish the Sinuiju Special Administrative Region, see Namgung (2003).

9. The ‘jon’ is the subunit of the won (KPW), with 100 jon being equal to 1 won.

10. For more information on seon-goon politics, see Kim (2000).

11. Kim Jong Il was named General Secretary of the communist Korean Workers’ Party in October 1997. In September 1998, Kim Jong Il was reconfirmed as Chairman of the National Defence Commission, the highest office of the state, by the Supreme People's Assembly (SPA). However, the nominal head of state is the President of the Presidium of the SPA, Kim Yong Nam.

12. Many commentators liken the Juche idea to a sort of religious movement (see Armstrong 1998; Barry 1996: 118; Belke 1999; Cumings 1997; Oh and Hassig 2000; Park 1998, 2002; Snyder 1999).

13. Kim Il Sung indeed successfully transferred his power to his son, Kim Jong Il, far before his death. Likewise, Kim Jong Il is also reported to be preparing to hand over his power to one of his three sons—Kim Jong Nam, Kim Jong Chul and Kim Jong Un—at present (New York Times 2005; Times Online 2005). As of 2009, Kim Jong Nam, the oldest son, is 38 years old, while Kim Jong Chul and Kim Jong Un are 28 and 26, respectively.

14. The festival was held in an attempt to rival the 1988 Seoul Olympic Games, and the North Korean government spent approximately US$5 billion during the three years of preparation, which was roughly 23 percent of North Korea's gross national product at that time (Ha 1997: 169).

15. The official standpoint of the North Korean government, as far as opening is concerned, has always been to stop the inflow of the market as much as possible, though receiving capital and technologies from the West. Such a strategy is often called the ‘mosquito-net-style opening’.

Additional information

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