

## North Korea and the China Model: The Switch from Hostility to Acquiescence

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The global community has plainly noticed the critical role played by the People's Republic of China (PRC) in inducing change in North Korea's diplomatic behavior, particularly with respect to the recent international crisis created by North Korea's pursuit of a nuclear weapons program. Less attention has been given, however, to China's powerful influence over North Korean behavior on the economic front. As it turns out, China's influence on North Korea in the economic sphere, while subtle, has been considerable, extending beyond the simple empirical fact that China is the most important investment and trade partner for North Korea. China has, in fact, had an important impact on North Korean domestic economic policy, as a model and as a catalyst for the modest changes that have taken place despite North Korea's extreme regime rigidity and limited state capacity.

Hwang Jang-yop, the highest-ranking defector from the Democratic People's Republic of Korea (DPRK), who left Pyongyang in 1997, stated in his memoir that both Kim Il-sung and Kim Jong-il felt great hostility toward China after Deng Xiaoping launched China on the path of pursuing market-oriented "socialism with Chinese characteristics" in 1978.<sup>1</sup> This antipathy deepened after China participated in the Seoul Olympics in 1988.<sup>2</sup> Despite this anger and hos-

tility, and regardless of repeated denials from Pyongyang, the record shows that North Korea started to attempt to emulate certain aspects of China's economic reform policies as early as the first half of the 1980s. Sporadic Chinese-style reform attempts followed repeatedly thereafter, exhibiting a characteristically North Korean "go-and-stop" pattern of economic policymaking.

This paper constructs an empirical answer to the questions of why, when, and how North Korea shifted from a stance of hostility to one of acquiescence toward China's model of economic reform and development, coupled with continued authoritarian rule, and therefore in fact started to follow, even though hesitantly, a transition path.<sup>3</sup>

### The China Model and North Korea

China's economic reform model can be defined as encompassing aspects of simultaneous external opening and internal reform, accompanied by conscious efforts to create linkages between the two types of reform. China's economic transition model is a gradualist one and is predicated on the maintenance of authoritarian rule and reliance upon the Chinese state's considerable capacity for coherent policy implementation.<sup>4</sup>

Mika Marumoto's paper is the sixth in KEI's new *Academic Paper Series*, which began in December 2006. KEI intends to commission 9 to 10 papers per year on original subjects of current interest to Korea watchers on a wide array of topics. KEI will edit and distribute each paper as a *KEI Academic Paper* to over 2,000 government officials, think tank experts, and scholars around the United States and the world. Distribution of each paper will be followed by a public discussion with the author at KEI. The annual collection of *KEI Academic Papers* will be collated and published in a single volume by KEI. The next KEI Academic Paper will also be published in May 2007. Authored by **Dr. Han Park** of the University of Georgia, it will address **Kim Jong-il's Songun and North Korea**. Dr. Park will discuss the paper at KEI on **May 23**.

As its principal methodology, this paper documents the content of the most important DPRK-PRC leadership exchanges, starting from 1979 just before the Korean Workers Party's Sixth Congress formally enshrined Kim Jong-il as Kim Il-sung's successor in 1980<sup>5</sup> up through Kim Jong-il's most recent visit to China in January 2006. Those top leadership exchanges are presented in the context of key North Korean economic policy and institutional changes—both formal changes such as new regulations or laws and informal changes such as policy pronouncements by the two Kims, which occurred just prior to or immediately following the top-level visits. The direct causal relationship between top bilateral meetings and DPRK reform efforts may be difficult to ascertain with complete reliability.

But the degree to which the interaction of the two countries has affected DPRK perceptions toward the China model over time and how those changed perceptions have actually translated into North Korean institutional changes prove easier to demonstrate. This chronological study, split into three phases around certain key inflection points, is supplemented by additional analysis of why particular North Korean policy changes happened and identifies some of the crucial trigger factors that prompted the DPRK leadership to adopt Chinese-style economic policy measures.

The central argument of this paper is that careful empirical analysis reveals that Pyongyang's economic transition path was heavily influenced by interaction with Beijing's reform-oriented leadership. Although North Korea's economic reform path was characterized by numerous interruptions and setbacks, Beijing's attempts to coax Pyongyang to follow a transition path and Pyongyang's switch from hostility to acquiescence in the China model became increasingly obvious by the late 1990s. By that time, North Korea had lost its socialist bloc "brothers" abroad as well as its ideological "father," Kim Il-sung, at home, and many citizens had fallen victim to famine. Soon thereafter, by the early twenty-first century, North Korea appeared ready to attempt certain Chinese-style reforms in earnest, and its policy experiments expanded to include special economic zones (SEZs) and the new economic incentives set forth in the July 2002 reforms.

Throughout, however, Pyongyang failed to comprehend key elements of China's approach, including the importance of building coherent links between domestic and international economic policy. North Korea has also lacked sufficient state capacity to implement reforms effectively. These shortcomings may continue to present a decisive handicap to DPRK attempts to implement a coherent long-term economic transition strategy.

## Phase 1: 1979–87: A New Trade Policy and Joint Venture Law

North Korea's development mind-set in the late 1970s can be characterized by a strong commitment to central planning in economic management and pride in the spirit of *juche* (self-reliance), which seemed to outperform South Korea's economic system during the 1960s and 1970s.

In this context, a number of major pronouncements and economic policies adopted during the 1979–87 period stand out as particularly noteworthy and as significant departures from the orthodoxy of the previous decades:

- Kim Il-sung's public pronouncements during his 1979 and 1980 New Year's speeches concerning the need to expand external trade;
- Kim Jong-il's campaign in 1983 to "improve people's living standards";
- Official promulgation in 1984 of a new trade policy;<sup>6</sup>
- Enactment in September 1984 of a joint venture law along with related follow-up measures; and
- Establishment in 1984 of a more independent accounting system, which was intended to give greater responsibility to state enterprises at the local level.<sup>7</sup>

Between 1979 and 1984, at least five major interactions took place between Kim Il-sung and top Chinese leaders. First came three Chinese leadership visits to Pyongyang—by China's de facto top leader Deng Xiaoping in 1979, by Premier Zhao Ziyang in December 1981, and a secret visit by Deng and Chinese Communist Party General Secretary Hu Yaobang in April 1982.<sup>8</sup> These exchanges were followed by a lengthy visit by Kim Il-sung to Sichuan and Guangdong—China's most important initial "laboratories" for enterprise reform and SEZs—in September 1982,<sup>9</sup> and Hu Yaobang's visits to Pyongyang in May 1984 and to the North Korean border city of Sinuiju in May 1985. In 1987, Kim Il-sung made another official friendship visit to Beijing and Tianjin.<sup>10</sup>

These top-level discussions between Beijing and Pyongyang officials concerned economic matters as well as international politics. Out of diplomatic necessity, the Chinese leaders generally brought aid packages with them to Pyongyang, but they also sought to obtain endorsement and understanding from Pyongyang for China's new path of socialism with Chinese characteristics. During Hu Yaobang's 1984 visit, Kim Il-sung proclaimed that China's transition, starting in 1978, had "opportunistically chartered a correct guiding idea

for the Party.”<sup>11</sup> In response, Hu expressed his appreciation for Pyongyang’s understanding of China’s new direction, and he reiterated the strength of Pyongyang-Beijing ties as shown by the growing number of PRC-DPRK technical exchanges.<sup>12</sup>

The particular significance of Kim Il-sung’s 1982 visit can be seen in the fact that the 78-year-old Deng personally escorted Kim Il-sung to Sichuan Province to explain the transformational nature of China’s economic reforms. To follow up on the lessons learned, Kim’s visit was followed by at least nine high-ranking Pyongyang delegations,<sup>13</sup> including Vice Premier Kim Yong-nam’s tour of the Shenzhen SEZ in February 1984.<sup>14</sup> In August 1984, an economic delegation led by North Korean Premier Kang Song-san<sup>15</sup> visited Beijing and met Hu and Zhao, specifically to discuss economic and technical cooperation between the two countries.<sup>16</sup> A month later, in September 1984, the DPRK followed up on its new trade policy by enacting its own joint venture law. This major step was clearly linked to the prior series of North Korean study trips to Shenzhen.

Kim Il-sung’s son, Kim Jong-il, also met Chinese leaders at least three times during the same period: once during Deng and Hu’s 1982 visit; another time in June 1983, when the younger Kim was invited by Hu to visit China on his own; and again in May 1985 when Hu visited Sinuiju. The purpose of Beijing’s 1983 invitation to the younger Kim was to recognize him as the legitimate successor of Kim Il-sung<sup>17</sup> but also to initiate Kim Jong-il in China’s new approaches to economic management. Kim Jong-il held four rounds of talks with the reformist Hu Yaobang, of which the second and third rounds, conducted on a special train bound for Nanjing from Beijing, focused on China’s economic reform and opening policies and achievements.<sup>18</sup> Hu Yaobang was well-known for his reform credentials and for advocating a central role for technocratic experts.<sup>19</sup> Upon his return to Pyongyang, the younger Kim initiated a campaign to “Bring About an Epochal Turning Point in Improving People’s Lives,”<sup>20</sup> emulating Deng Xiaoping’s own *xiaokang* programs aimed at providing a more comfortable living standard.

Pyongyang’s partial acquiescence toward the China model during phase 1, despite its political reluctance, can be attributed in large part to the DPRK’s deteriorating economic conditions. North Korea faced serious pressures, including a rapidly worsening external debt situation, the disappointing results of its second Seven-Year Plan for development, and Seoul’s threatening economic catch-up—in addition to China’s own remarkable market-based economic take-off. By 1984, the DPRK’s total cumulative external debt owed to Organization for Economic Cooperation and Development (OECD) countries amounted to \$1.2 billion,<sup>21</sup>

and South Korea’s per capita GNP had caught up with and surpassed the North’s.<sup>22</sup> By that time, Pyongyang had also had a chance to witness and internalize China’s remarkable economic takeoff; China’s average GDP growth rate jumped from 4.9 percent in 1965–78 to 9.3 percent in 1978–84.<sup>23</sup> The DPRK leadership certainly had China’s successes in mind when it embarked in the early 1980s on North Korea’s first-ever attempt to actively promote international trade and attract foreign investment.

## Phase 2: 1988–97: North Korea’s First Special Economic Zone

Following the flurry of bilateral DPRK-PRC exchanges—and coinciding North Korean economic policy innovations—in the early 1980s, things slowed down markedly in the latter half of the decade. China was at that time experiencing significant internal political and social challenges, culminating in the Tiananmen disaster of 1989, while the Soviet Union was also radically changing under Mikhail Gorbachev. Both trends made North Korea’s leadership more wary of dramatic change.

Pyongyang-Beijing relations exhibited serious strains following North Korea’s November 1987 placement of an explosive that brought down a Korean Airlines jet, followed by Beijing’s participation in the Seoul Olympics in the summer of 1988. Back in Pyongyang, both Kim Il-sung and Kim Jong-il expressed new disdain for China’s “capitalist” path.<sup>24</sup> In addition to their diplomatic unhappiness with China, North Korea’s economic-policy leaders were disappointed that the reforms of 1984 had failed to deliver significant new inflows of foreign exchange.<sup>25</sup> Pyongyang desired a panacea for its failing economy, but the 1984 joint venture law fell far short of the mark. Meanwhile, successor-apparent Kim Jong-il concentrated throughout the late 1980s on consolidating his own internal political position, particularly relative to North Korea’s military leaders.

Finally, in the early part of the 1990s, a second round of economic institutional and policy changes did begin to emerge:

- Announcement of a new civil code, designed to regulate property rights among institutions, state organs, and individuals;<sup>26</sup>
- Establishment of the Rajin-Sonbong economic and trade zone (ETZ) in December 1991;
- Enactment of a new socialist commerce law in 1992, permitting some commercial activities among private citizens;<sup>27</sup> and

- Promulgation of a foreign investment law, a foreign business law, and a revised joint venture law, along with some 57 other related laws and regulations, which were introduced almost every year up through 2000.<sup>28</sup>

During this turbulent time, there were also renewed annual meetings between Chinese and North Korean leaders: President Yang Shangkun's September 1988 visit to Pyongyang, Chinese Communist Party General Secretary Zhao Ziyang's April 1989 visit to North Korea amid the Tiananmen democratization protest, Kim Il-sung's unofficial November 1989 visit to Beijing to meet Deng, General Secretary Jiang Zemin's March 1990 visit soon after he assumed that post,<sup>29</sup> Premier Li Peng's May 1991 visit,<sup>30</sup> and another visit by Yang Shangkun in April 1992 followed by China's diplomatic normalization with South Korea in August 1992.

By far the most important event, however, was Kim Il-sung's final visit to China in October 1991, which featured special attention to China's SEZ strategy. Kim Il-sung visited an economic and technological development zone in the vicinity of Jinan, Shandong Province,<sup>31</sup> matching his China itinerary to his desperate efforts to urge greater attention to agriculture and light-industrial development at home.<sup>32</sup> Two months after Kim's return, the Rajin-Sonbong ETZ—North Korea's first SEZ—was established in the northeast of the country, close to the DPRK border with China and Russia.<sup>33</sup>

The Rajin-Sonbong ETZ was far from a raging success. Although the original target for foreign investment inflows was set at \$4.7 billion, Rajin-Sonbong had attracted only \$80 million by the end of its 10th year, in 2001.<sup>34</sup> By contrast, China's Shenzhen SEZ pulled in more than \$1.5 billion in inward foreign direct investment during its first 10 years (1979–88).<sup>35</sup> One of the critical reasons for Rajin-Sonbong's dismal failure to attract foreign investment was undoubtedly the fact that it failed to create any significant new linkages between North Korea's external and internal economic sectors. In contrast, China consciously sought to link its outward-oriented SEZs to the Chinese internal economy in order to create international market opportunities for domestic enterprises as well as to funnel imported technology and management ideas in the direction of its internal economy.<sup>36</sup> In addition to providing labor and raw materials, Chinese domestic enterprises from around the nation were encouraged to operate inside the SEZs as subcontractors. These so-called *neilian* (domestic link)<sup>37</sup> companies played a critical role in linking the internal and external sectors, prompting state-owned-enterprise reform and contributing some 16–18 percent of the total industrial output of the Shenzhen SEZ by the latter half of the 1980s.<sup>38</sup>

The economic policy focus of Kim Il-sung's October 1991 visit—including Kim's keen interest in SEZs—was no doubt triggered in large part by the demise of the Soviet Union and the socialist bloc, which had grave political and economic implications for North Korea. Up to that point, North Korea had been heavily dependent on the Soviet Union, and it faced extreme difficulty keeping up with payments for the imports needed to complete the third Seven-Year Economic Plan amid higher import prices and new demands from its trading partners for payment in hard currency. By 1993, imports from Russia had fallen to only 10 percent of their 1987–90 average.<sup>39</sup> North Korea's external debt increased from 34 percent of its GNP in 1990 up to as high as 96 percent in 1998.<sup>40</sup>

North Korea desperately sought a prescription for achieving economic recovery while maintaining internal political and social control. North Korea could neither mobilize resources to achieve its third Seven-Year Economic Plan targets, nor even feed its own people, launching a "let's eat only two meals a day" campaign in 1991. During his summit with Yang Shangkun in 1992, Kim Il-sung publicly acknowledged some of these problems, even while reaffirming the DPRK's third Seven-Year Plan goal of increasing production and raising people's standard of living by meeting daily needs for food, shelter, and clothing.<sup>41</sup>

Pyongyang looked anew to the China model in the early 1990s because it offered the possibility of saving North Korea's ailing economy while maintaining Communist political institutions and internal legitimacy. The political collapse of the Soviet Union and the Eastern European socialist bloc, and their rapid diplomatic normalization with South Korea, had shocked and angered North Korean leaders beyond description, prompting Pyongyang to emphasize its *uri sik* (our way) path.<sup>42</sup> Even so, in January 1994, immediately after the last year of the third Seven-Year Plan, Kim Jong-il sent Hwang Jang-yop, then party secretary in charge of international affairs, to meet Jiang Zemin and to visit Shenzhen and Zhuhai in order to study more about China's open-door policy.<sup>43</sup> Unfortunately, subsequent months did not see any improvement in attracting foreign investment after Pyongyang's failure to attain its third Seven-Year Plan targets in 1993.<sup>44</sup>

Ultimately, the roller-coaster years of phase 2 saw yet another reassertion of the influence of the military over Pyongyang's economic policy, cementing North Korea's go-and-stop pattern of economic policymaking. In December 1993, several top State Planning Commission officials were scapegoated and dismissed for the DPRK's failing to achieve the third Seven-Year Plan targets.<sup>45</sup> Rather than temper the influence of the military, successor-apparent Kim

Jong-il evidently decided it would be wiser to seek their firm backing. The chief of the general staff of the Korean People's Army, Choi Gwang, for example, praised Kim Jong-il as "the most distinguished commander who is possessed of all character and quality."<sup>46</sup> Kim Il-sung's sudden death in 1994 prompted a few additional deathbed legal changes to support the Rajin-Sonbong ETZ project,<sup>47</sup> including revisions to the 1976 civil procedures law to delete ideological references to *juche* and class struggles.<sup>48</sup> Following the elder Kim's death and amid debate between opposing groups about reform and the direction of possible opening, Kim Jong-il clearly associated himself with the military and conservative forces, launching a very public three-year mourning period from 1994 to 1997 in order to solidify his leadership position through self-portrayal as the faithful son of Kim Il-sung.<sup>49</sup>

Predictably, the level and frequency of senior Chinese visits to North Korea and DPRK delegations to China dropped off sharply during the mourning period for Kim Il-sung. The main exceptions were DPRK official visits to Beijing to obtain food aid. Roughly 600,000–1,000,000 North Koreans, or about 3–5 percent of the population,<sup>50</sup> died of hunger during the unprecedented famine of 1994–98,<sup>51</sup> which was triggered by natural disasters that were badly worsened by the severe degradation of North Korean farmland and the general ineptitude and lack of compassion of Kim Jong-il's totalitarian regime. In May 1996, Vice Premier Hong Song-nam visited Beijing to sign an economic and technology cooperation agreement, and he received a small amount of food aid (20,000 tons) in return.<sup>52</sup> Out of desperation, North Korea started to adopt a range of agricultural policy reforms to try to fix the food supply problem, including explicit recognition of the importance of certain rational incentives.<sup>53</sup>

For the most part, however, phase 2 (1988–97) can be best characterized as a lost decade for economic policy reform. North Korea showed clear signs of affinity for the China model in the early 1990s, especially following the abrupt demise of the European socialist bloc countries. But Kim Il-sung failed to maintain domestic political support for reform as power slipped to his son. His son then proved to be less interested in economic performance and more focused on using pro-military policies to consolidate political authority. Losing its "brothers" abroad in Moscow and Europe and losing its "father" at home when Kim Il-sung died, North Korea ended up also forfeiting the lives of hundreds of thousands of its citizens in a tragic famine. Waiting impatiently on the sidelines of this drama, China stood alone as the DPRK's only consistent geopolitical ally, offering a now clearly proved model of economic success combined with continued Communist Party rule.

### Phase 3: 1998 to the Present, the Kim Jong-il Era

Immediately after North Korea's mourning period ended in June 1997, a newly confident Kim Jong-il began yet another series of attempts to institutionalize economic opening and reform. This time, even more explicitly than before, Kim turned to China for policy ideas and used China as a model to bolster his case for economic policy change.

Reversing the pattern of the 1990s when Chinese envoys did most of the traveling, Kim Jong-il himself visited Beijing in May 2000, Shanghai in January 2001, and Beijing and Tianjin in April 2004; and in January 2006 he finally embarked on a lengthy southern tour of China's fastest-growing regions, tracing Deng Xiaoping's 1992 path. President Jiang Zemin, meanwhile, visited Pyongyang in September 2001 to make a major speech on his "Three Represents" theory for economic development under authoritarian rule.<sup>54</sup>

New North Korean economic policy initiatives were implemented in relatively rapid succession amid the renewed emphasis on the China model. New institutional and legal arrangements included, inter alia:

- Amendment of the constitution in 1998 to more clearly define private property and to encourage equity investments and contractual joint ventures with foreign entities;
- Statement by vice minister of the Agriculture Commission that the country was considering the introduction of a so-called Chinese-style contract production system, planting export crops, liberalizing grain prices, and gradually replacing state food rationing with market mechanisms;<sup>55</sup>
- Enactment and revision of some 16 other new economics-related ordinances from January 2000 to June 2002;<sup>56</sup>
- Initiation of market-economics training for economic officials and students both at home and abroad;<sup>57</sup>
- Pronouncements beginning in 2000 by Kim Jong-il concerning new ideas such as "New Thinking," "Aim High," and "practical socialism";
- Announcement in July 2002 of simultaneous external and internal price and policy reforms;
- Establishment in September 2002 of the Sinuiju special administrative region (SAR) across the river from the Chinese border city of Dandong; and

- Launch of the Mount Kumgang tourist zone and Kaesong industrial complex on North Korea's southern border in December 2002, in cooperation with South Korea's Hyundai Group.

Of these, the July 2002 economic reforms were the most important.

North Korea's 1998 constitutional amendments, which legalized new categories of private property,<sup>58</sup> are sometimes dismissed as little more than an *ex post facto* attempt to institutionalize changes that had already taken place in society as individuals struggled to meet basic survival needs. Still, the amendments represented a significant step forward in the direction of creating a more rational incentive structure, as evidenced by the follow-up enactment of other legislation such as a new inheritance law. Also, article 37 of the new constitution stipulated that the state could encourage joint ventures with foreign entities in SEZs. About this time, North Korea first reached rough agreement with South Korea's Hyundai Group leadership on the Mount Kumgang and Kaesong special zones.

By May 2000, Kim Jong-il apparently felt sufficiently confident of his internal position in North Korea to embark on his first foreign visit since June 1983, a hiatus of 17 years.<sup>59</sup> Inevitably, he returned to China. During his stay, Kim met China's top leaders, including President Jiang Zemin and Premier Zhu Rongji, and he made site visits to industrial facilities such as a computer factory run by the Legend Group, China's largest computer producer and exporter.<sup>60</sup> Before his trip, Kim Jong-il had proposed a major transformation in economic thinking, calling for *sillijuui*, which has been defined in English as either "pragmatism" or "commercialism." During a site visit to factories in Sinuiju in January 2000, Kim boldly declared that profit seeking was a form of "practical socialism."<sup>61</sup>

Kim Jong-il's next trip to China, just eight months later, in January 2001, brought him back to Shanghai. Almost two decades had passed since Kim's first encounter with Chinese reformers in 1982, followed by his first visit to Shanghai in 1983. This second trip, however, proved to be a seminal event in the course of North Korean economic policy change, marking a solidification of the younger Kim's acquiescence toward the China model.

The Shanghai visit was clearly designed to examine the potential for the DPRK to pursue more market-oriented economic policy approaches. Just before the trip, Kim delivered a major message in a New Year's joint editorial calling for graduation from "old thinking" to "new thinking,"<sup>62</sup> a signal of Kim's aspiration for directional change—although the military-first policy still retained top billing as a national

policy priority. During his visit, Kim Jong-il repeatedly asked Shanghai officials one key question: "Is a market economy compatible with socialism?"<sup>63</sup> Site visits included the Shanghai Stock Exchange and China's joint-venture factory with General Motors.<sup>64</sup> Chinese officials and scholars who made the behind-the-scene arrangements for Kim Jong-il's Shanghai visit (and follow-up visits by North Korean technocrats) had no doubt that Kim Jong-il was convinced of some of the advantages of a market economy by the end of his Shanghai trip.<sup>65</sup> During his most recent trip to China, in January 2006, Kim Jong-il noted:

Still fresh in my memory is my visit five years ago to Shanghai, which had changed beyond recognition. Touring various special economic zones, which are making a great contribution to the socialist modernization drive with Chinese characteristics, we were deeply moved by the Chinese people's enterprising and persevering efforts and the fruits [borne] from these efforts.<sup>66</sup>

Kim Jong-il's 2001 Shanghai trip appeared to accelerate the reform of DPRK economic institutions. A "Directive for Economic Management" was announced in late 2001, intended to decentralize economic decision-making power<sup>67</sup> and pave the way for North Korea's more radical economic reform measures adopted in July 2002. When announcing the July 2002 reforms, Kim Jong-il reportedly said that the policies would be pursued in an *uri sik* fashion, copying neither China nor Vietnam.<sup>68</sup> Yet, two months prior to the reforms, in May 2002, a Chinese Communist Party delegation visited Pyongyang and delivered an unpublished special message from Jiang Zemin.<sup>69</sup> The July 2002 economic measures included some textbook "transition economy" adjustment measures, including price, wage, and exchange rate increases; a partial deconstruction of the rationing system; and expanded management autonomy. But the reforms also hewed closely to the China model, with the prominent introduction of land use fees. The July 2002 economic measures aimed to better control North Korea's emerging pockets of decontrol<sup>70</sup> by harnessing some of the previously illegal market activity encouraged by prior Chinese-style reforms as well as rapidly increasing trade with China. Indeed, China was never far from the minds of North Korea's economic planners as they implemented the reforms of July 2002. The year 2002 culminated with the official announcement of the Sinuiju SAR in September 2002 and the formal launch of the Kaesong industrial complex in December 2002.

In April 2004, Kim Jong-il undertook yet another trip to China, this time an unofficial three-day visit by train to China's capital region.<sup>71</sup> Accompanied by other key North Korean leaders, including Premier Pak Pong-ju, Kim visited Tianjin and toured a mobile telephone factory and

brewery on the outskirts of Beijing.<sup>72</sup> During his meetings with top Chinese leaders, Kim discussed the two countries' trade and economic cooperation, China's remarkable economic development, and the "North Korean way of socialism."<sup>73</sup> President Hu Jintao was quoted as saying that he was pleased to see China and North Korea continuing to maintain high-level contacts, while further developing their economic and trade cooperation.<sup>74</sup> The state-run Korea Central News Agency reported that Kim Jong-il "completely agreed" with Hu Jintao's suggestions.<sup>75</sup> Kim also commended China's accomplishments that were based on the "Three Represents" philosophy, Jiang Zemin's brainchild legitimizing full participation of private business in socialist society,<sup>76</sup> and Kim expressed his interest in "*mutual learning and an exchange of experiences*," noting that both countries were undergoing simultaneous rural and urban development.<sup>77</sup> Premier Wen Jiabao, meanwhile, promised that China would encourage its enterprises to invest more in the DPRK.<sup>78</sup>

Pre-visit institutional changes related to Kim Jong-il's 2004 visit included North Korea's introduction of a "family-unit farming system"<sup>79</sup> and enterprise system reform, announced on a trial basis in January 2004.<sup>80</sup> North Korea had already transformed a considerable number of farmers' markets into general markets in March 2003, allowing merchants to sell manufactured goods and other commodities in addition to farm products.<sup>81</sup> Pyongyang also established markets exclusively for dealings between industrial concerns, where manufacturers could freely exchange inputs and outputs.<sup>82</sup> In addition, a new inheritance law was also enacted, enabling North Koreans to inherit their parents' house leases, automobiles, bank savings, and household appliances.<sup>83</sup> In August 2004, after Kim Jong-il returned from China, North Korea's legal code was published for the first time; the rules had long been accessible to a specific class of officials, but not to the general public.<sup>84</sup>

Taken together, Pyongyang's 2004 economic policy measures aimed at Chinese-style adjustments in incentive structures in a bid to energize and harness market forces. In the following year, during DPRK Premier Pak Pong-ju's visit to China, the two countries signed the "Agreement on Investment Promotion and Protection" and the "Agreement on Environment Cooperation."<sup>85</sup>

Kim Jong-il's longest and most in-depth study tour of China took place in January 2006. Kim appeared to consciously trace the path taken by Deng Xiaoping during his famous 1992 southern tour to promote economic reform.<sup>86</sup> Kim Jong-il commented in speeches that he was much impressed with developments in Wuhan, Guangzhou, Shenzhen, and Zhuhai, especially in the high-tech field.<sup>87</sup> He concluded

by saying: "In sum, our visit to the southern part of China convinced us once again that China has a rosier future thanks to the *correct line* and policies advanced by the Communist Party of China."<sup>88</sup> Kim's Shenzhen trip was followed in March 2006 by a 30-member North Korean economic delegation led by Kim's brother-in-law, Jang Song-taek.<sup>89</sup> Increasingly, experts have started to interpret Kim's southern tour and the subsequent visits of economic delegations to China as signaling Kim Jong-il's increased interest in pursuing economic reform,<sup>90</sup> rather than viewing them as mere tactics to induce more aid from China and South Korea.

### **Conclusion: North Korea Today: More Willing but Less Capable?**

To a much greater extent than is commonly acknowledged, the top leaders of China and North Korea have held intensive discussions of economic policy reform over the course of more than a quarter century. Both Kim Il-sung and Kim Jong-il were regularly exposed to direct conversations with China's reformist leaders starting as early as 1980. As a result—gradually, and with many setbacks—Pyongyang's leaders have partially overcome their resentment of China and their ideological commitment to North Korea's unique brand of socialism to attempt—however haltingly—economic policy reforms in the DPRK that closely resemble the earlier stages of China's economic transformation.

North Korea's acquiescence in the China model appears in retrospect to have been almost inevitable: The failings of North Korea's economy in comparison with China's vigor became too obvious to ignore, especially following the tragic famine, and North Korea has had no other real allies to turn to following the demise of the Soviet Union. North Korea's policy and institutional changes, especially as observed in phase 3, therefore closely resemble the China model and can be closely linked to North Korea's pattern of leadership interactions with China.

In retrospect, in fact, another crucial question—and a topic for separate study<sup>91</sup>—becomes not just why North Korea has acquiesced in the China model, but why it has been so slow and ineffective in doing so. Throughout the phases, and most clearly during phase 3, North Korea's lack of state capability<sup>92</sup> to implement rational long-term economic development policies can be identified as a critical impediment. State capacity has been eroded by Kim's de facto one-man leadership and decision making, backed by his personality cult and a bloated military. Economic policymaking has been characterized as a result by a politicized and capricious management style, which I term "guerilla tactics"<sup>93</sup>—an "achieve quick gains or abort the policy"

approach to economic policy implementation. The approach is fundamentally incompatible with long-term economic policy and reform implementation.

This approach seems to be prompted by Kim Jong-il's perceived external threats and internal fears, supplying the rationale for his military-first policies.<sup>94</sup> The global threat factor may be mitigated, depending on the progress of the ongoing six-party talks. But regardless of such progress, Kim Jong-il's domestic fear factor may remain as a major hurdle owing to his lack of alternative sources of political legitimacy. Ultimately, Beijing's role will be critical in orchestrating international efforts to "teach" Pyongyang how to run a modern economy and remove political bottlenecks preventing North Korea from taking a bolder approach toward economic opening and reform.

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## Endnotes

1. Hwang Jang-yop, *Hwang Jang Yop Kaikoroku: Kim Seinichi eno Sensen Fukoku* [Hwang Jang-yop's Memoir: Declaration of War on Kim Jong-il], trans. Toru Ogiwara (Tokyo: Bungei Shunju, 1999), 254.
2. *Ibid.*, 270, 272.
3. In this paper, "transition" is defined as a process of changing incentive structures, emphasizing the role of institutions. See Susan Shirk, *The Political Logic of Economic Reform in China* (Berkeley: University of California Press, 1993); Dwight Perkins, "Completing China's Move to the Market," *Journal of Economic Perspectives* 8 (Spring 1994); Barry Naughton, *Growing Out of the Plan: Chinese Economic Reform, 1978-1993* (New York: Cambridge University Press, 1995); Gregory Chow, *China's Economic Transformation* (Malden, Mass.: Blackwell Publishers, 2002); and Andrew Walder, "China's Private Sector: A Global Perspective," in *China's Domestic Private Firms: Multidisciplinary Perspectives on Management and Performance*, ed. Anne S. Tsui, Yanjie Bian, and Leonard Cheng (New York: M. E. Sharpe, 2006). For North Korea, see Stephen Haggard and Marcus Noland, *Famine in North Korea: Markets, Aid, and Reform* (New York: Columbia University Press, 2007).
4. What constitutes the China model remains a contentious issue. This paper draws upon major academic studies interpreting the key factors for China's "successful" economic reform path, namely the role of institutions and state capability in implementing a long-term economic reform policy. For example, state capacity akin to East Asian developmental states is cited as China's "advantage" in a transition process, especially in the 1990s, by Jeffrey D. Sachs, Woo Wing Thye, Yang Xiaokai, *Economic Reforms and Constitutional Transition* (Cambridge: Center for International Development at Harvard University, 2000); Ryosei Kokubun, *Gendai Chugoku no Seiji to Kanryosei* [Modern Chinese Politics and Bureaucracy] (Tokyo: Keio University Press, 2004); Minxin Pei, "China: Can Economic Growth Continue without Political Reform?" in *Strategic Asia 2006-07: Trade, Interdependence, and Security*, ed. Ashley J. Tellis and Michael Wills (Seattle and Washington, D.C.: National Bureau of Asian Research, 2006).
5. Yang Sung-chul, *The North and South Korean Political Systems: A Comparative Analysis* (Elizabeth N.J.: Hollym, 1999), 675. According to various sources, including Hwang Jang-yop, Kim Jong-il was identified as de facto successor around 1974, and the personality cult of Kim Jong-il started in the mid-1970s.
6. *Kitachosenno Keizai to Boekino Tenbo* [Prospects for North Korea's Economy and Trade] (Tokyo: Japan External Trade Organization, 1984), 144-45. North Korea's Supreme People's Assembly ratified the decision, entitled "Strengthening South-South Cooperation and External Economic Work and Further Developing Foreign Trade."
7. Oh Kongdan and Ralph C. Hassig, *North Korea through the Looking Glass* (Washington, D.C.: Brookings Institution Press, 2000), 53.
8. The secret visit took place on 26-30 April 1982; see *Zhong Chao You Yi Shi Shang Xin de Yi Ye: Hu Yaobang Zong Shu Ji Fang Chao Wen Ji* [Opening a New Page in China-North Korea Friendship History: A Collection Commemorating State Secretary Hu Yao Bang's Visit to North Korea] (Beijing: Renmin Chubanshe: Xin hua shu dian fa xing, 1984).
9. *Renmin Ribao*, 17, 21, and 22 September 1982; Park Jae-kyu, Koh Byung-chul, and Kwak Tae-hwan, eds., *The Foreign Relations of North Korea: New Perspectives*, Institute for Far Eastern Studies Research Series, no. 33 (Boulder, Colo.: Westview Press, 1987), 128.



10. *Renmin Ribao*, 22, 23, and 25 May 1987.
11. Korean Central News Agency (KCNA), 4 May 1984. The full text of the speech, including the direct quotation in this paragraph, is in *North Korean Quarterly* 37/38 (Summer/Fall 1984): 110–14.
12. Technical exchanges at both the leadership level and at lower levels increased from approximately 100 in 1981 to 200 in 1983; KCNA, 4 May 1984.
13. Shenzhen Shi Duiwai Xuanbuchu [Shenzhen City Foreign Propaganda/Information Office], ed., *Shenzhen Tequ Shouce* [Shenzhen Special Economic Zone Handbook] (Hong Kong: Joint Publishing, 1986), 163–72. The number of delegations would go up to 23 if working-level delegations were included, according to Lin Jinshu in *Chaoxian Jingji* (Jilin: Jilin Renmin Chubanshe, 2000), 224. Quoted also in Imamura Hiroko, *Kitachosen: Kyoko no Keizai* [North Korea: Fabricated Economy] (Tokyo: Shueisha, 2005), 78.
14. Shenzhen Shi Duiwai Xuanbuchu, ed., *Shenzhen Tequ Shouce*, 172.
15. The delegation included Vice Premier of the Administration Council and Chairman of the Light Industry Commission Kim Boksin, Chairman of the Public Service Commission Yim Hyong-gu, Minister of Coal Industry Choi Gwanghyong, and Vice Minister of External Economic Affairs Chon Ilchon; see *North Korean Quarterly* 37/38 (Summer/Fall 1984): 16.
16. Xinhua News Agency, 10 August 1984.
17. Park, Koh, and Kwak, eds., *The Foreign Relations of North Korea*, 151. Hu and Kim also discussed the strategic agenda during the 1983 visit; it was at this point that the DPRK agreed to make the port of Chongjin available, allowing China a foothold on the DPRK's eastern coast, which up to that time had been dominated by the Soviet Union. It is notable that China honored the younger Kim despite China's official policy of condemning succession based on heredity and nepotism. In May 1984, Kim Il-sung also visited the Soviet Union, which was his first visit there since 1961. On this occasion, the Soviet Union also recognized Kim Jong-il as a successor to Kim Il-sung.
18. Kim Ilpyong J., "China in North Korean Foreign Policy," in *North Korean Foreign Relations in the Post-Cold War Era*, ed. Samuel S. Kim (New York: Oxford University Press, 1998), 103–4.
19. Cheng Li, *China's Leaders: The New Generation* (Lanham, Md.: Rowman & Littlefield, 2001), 34.
20. Oh Kongdan and Ralph C. Hassig, *North Korea through the Looking Glass*, 53.
21. This swelled up to \$4 billion after the exchange rate adjustment of the 1985 Plaza Accord, of which \$1.8 billion was owed to communist countries and \$2.2 billion to Western countries; *North Korean Quarterly* 48 (Spring 1987): 15–16. In July 1984, apparently in an attempt to appear in the West to be a more reliable credit risk, Kim Il-sung suddenly appeared in a western suit and tie for the first time, and Kim Il-sung's new look was photographed during a meeting with a Zambian delegation; *North Korean Quarterly* 37/38 (Summer/Fall 1984): 39–40.
22. Hwang Eui-gak, *Kankoku to Kitachosen no Keizai Hikaku* [The Korean Economies: A Comparison of North and South] (Tokyo: Omura Shoten, 2005), 128–29. The Republic of Korea (ROK) grew much faster after the ROK's aggregate GNP of \$28.5 billion first exceeded the North's \$28.2 billion in 1976 (ROK data are based on Economic Planning Board and Bank of Korea publications). The DPRK's estimated GNP has been converted into U.S. dollars, using North Korea's official exchange rate. Hwang cautions that the figure does not necessarily serve as a measure of real living standards if much of it goes to military or heavy industry; nonetheless, he argues that GNP estimates based on the North Korea's trade exchange rate underestimate North Korea's income.
23. Dwight H. Perkins and Thomas G. Rawski, "Forecasting China's Growth over the Next Two Decades" (preliminary paper presented at Harvard University on 29 September 2006). GDP growth rates were calculated on the basis of official data, with price distortions adjusted, being recalculated based on 2000 constant prices. The capital stock series was derived using the perpetual inventory method; the labor plus human capital series also involved some assumptions but basically used standard methods for such calculations. The critical point to note is a dramatically improved relative importance of total factor productivity for the post-1978 period.
24. Hwang Jang-yop, *Hwang Jang Yop Kaikoroku*, 254.
25. As of 1990, 54 joint ventures were set up. Approximately 47 were launched with participation from Chosen Soren-affiliated companies managed by North Korean residents in Japan, and three had participation from China; see *North Korean Economy* (Seoul: Ministry of Unification, 1989), 102, as quoted in Hwang Eui-gak, *Kankoku to Kitachosen no Keizai Hikaku*, 212–13.
26. Some initial confusion followed the adoption of the civil code, especially concerning the concept of profits and how these can be realized and rationalized. Roh Jeong-ho interpreted the DPRK civil code, resembling administrative law, as focused on the preservation of communal interests rather than the governing of actions and relationships between private persons; see Roh Jeong-ho, "Making Sense of the DPRK Legal System," in *The North Korean System in the Post-Cold War Era*, ed. Samuel S. Kim (New York: Palgrave, 2001).
27. This took place even though the constitution still stipulated that private ownership was banned. According to Roh's interpretation of articles 13 and 36 of the civil code (Ibid.), all forms of commercial activity were strictly forbidden: no person could sell at more than purchase prices.
28. Ahn Choong-yong, ed., *North Korea Development Report 2002/2003* (Seoul: Korea Institute for International Economic Policy [KIEP], 2003), 469–70; *Vantage Point*, Yonhap News Agency, January 2002.
29. *Renmin Ribao*, 13 November 1989.
30. *Renmin Ribao*, 5 May 1991.
31. *North Korea Quarterly* 61/62 (Summer/Fall 1992): 38.
32. *Rodong Sinmun*, 4 October 1991; *Renmin Ribao*, 4 October 1991.
33. *Rodong Sinmun*, 4, 5, and 6 October 1991. During his trip, Kim Il-sung also visited Nanjing; *Renmin Ribao*, 14 October 1991.
34. For the details of the target amount, see Ahn, ed., *North Korea Development Report 2002/2003*, 469. Although \$800 million in investment was contracted, only 10 percent was realized. *Vantage Point*, Yonhap News Agency, January 2002, 44.
35. Zhen Tianlun and Zhen Zhuohua, eds., *Zhongguo Jingji Tequ Shinian Congshu: Shenzhen* [Chinese Special Economic Zone Series: Shenzhen] (Hong Kong: Chinese University of Hong Kong, Center for Contemporary Asian Studies, China's Special Economic Zones Data and Research Unit, 1990), 248–49.

36. *Ibid.*, 170–71.
37. Ezra F. Vogel, *One Step Ahead in China: Guangdong under Reform* (Cambridge: Harvard University Press, 1989), 140–41.
38. Zhen and Zhen, *Zhongguo Jingji Tequ Shinian Congshu: Shenzhen*, 244–45.
39. Nicholas Eberstadt, Mark Rubin, and Albina Tretyakova, “The Collapse of Soviet and Russian Trade with North Korea, 1989–1993: Impact and Implications,” *Korean Journal of National Unification* 4:87–104, quoted in Haggard and Noland, *Famine in North Korea*, 27.
40. Kukto Tongilwon [Ministry of Unification], *Pukhan Kaeyo* [North Korea Summary], quoted in Radio Press, *Kitachosen no Genkyo 2004* [North Korean Current Status 2004] (Tokyo: RP Printing, 2004).
41. *Renmin Ribao*, 14 April 1992.
42. Hwang Jang-yop, *Hwang Jang Yop Kaikoroku*, 272–73. *Rodong Simmun* printed vehement condemnations against Eastern European countries and the Soviet Union, reflecting Pyongyang’s desperate state in the global setting. For example, “unjust act will taste bitterness” (directed toward Poland), “act of discarding fidelity” (regarding Yugoslavia), “from A to Z a criminal act which left a disgraceful blot of flunkeyism treachery” (toward the Soviet Union); *Rodong Simmun*, 3 November 1989; 25 November 1989; KCNA, 7 June 1990, as quoted in *North Korean Quarterly* 57 (Summer 1990), 12.
43. Hwang Jang-yop, *Hwang Jang Yop Kaikoroku*, 293.
44. “Communiqué of the 21st Plenary Session of the Sixth Korean Workers’ Party Central Committee on the Status of the Fulfillment of the Third Seven-Year Plan 1987–1993, December 8, 1993,” *Pyongyang Times*, 11 December 1993; quoted in *North Korean Quarterly* 69/70 (Summer/Fall 1993): 61.
45. *Ibid.*
46. Central Broadcasting Station, Pyongyang, 23 December 1993. Choi also defined the army’s task as “reunification with guns.” Text of the full speech was transcribed in *North Korean Quarterly* 69/70 (Summer/Fall 1993).
47. One month before his passing, Kim Il-sung made a speech on the development of the Rajin-Sonbong ETZ; see Ahn, ed., *North Korea Development Report 2002/2003*, 469–70.
48. Roh, “Making Sense of the DPRK Legal System,” 150. Some legal experts have, however, interpreted the revisions of the civil procedure law as not necessarily aimed at creating a better mechanism for resolving disputes among private parties; rather, they believe the revisions reflected an exercise of authority to facilitate the rendering of court decisions that furthered North Korea’s unique brand of socialism.
49. For details, see Kim Ilpyong J., “China in North Korean Foreign Policy.”
50. Haggard and Noland, *Famine in North Korea*, 11. The most recently published comprehensive account of the famine in North Korea compellingly analyzed the connection between the famine and marketization, resulting from coping and survival measures from the bottom that the government was forced to tolerate. Also see Suk Lee, *DPRK Famine of 1994–2000: Existence and Impact* (Seoul: Korea Institute of National Unification, 2005) for a critical review of methodologies adopted by analysts and organizations to estimate the demographic impact of the famine. Jasper Becker, *Rogue Regime: Kim Jong Il and the Looming Threat of North Korea* (New York: Oxford University Press, 2005), 28, for example, inferred that the famine caused 3.5 million deaths.
51. Suk Lee in *DPRK Famine of 1994–2000* argued that the famine hit the DPRK as early as 1994, not 1995, which is the widely accepted year of the famine and when North Korea launched an international appeal for food aid. A sudden jump in the crude death rate to 6.8 occurred in 1994, up from a declining trend (5.9 to 5.5) over the previous three years, 1990–93.
52. Imamura, *Kitachosen: Kyoko no Keizai*, 44.
53. Haggard and Noland, *Famine in North Korea*, 176.
54. Chong Bong-uk, “Changing Party-Military Relations,” *Vantage Point*, Yonhap News Agency, November 2001, 2–7.
55. Suk Lee, *DPRK Famine of 1994–2000*, 14.
56. For details of these laws, see Kim Young-yoon and Choi Sooyoung, “Understanding North Korea’s Economic Reforms” (Seoul: Center for the North Korean Economy, Korea Institute for National Unification, 2005), 12–13.
57. For details of such training both at home and abroad, see *Vantage Point*, Yonhap News Agency, January 2002, 34–35.
58. Article 24 specifically states: “private property is confined to property meeting the simple and individual aims of the citizen,” and “the products of individual sideline activities including those from the kitchen gardens of cooperative farmers and income from other legal economic activities shall also belong to private property.”
59. Radio Press, *Kitachosen no Genkyo 2004*, 57. Prior to his visit to China, Kim Jong-il attended a dinner hosted by the Chinese ambassador in Pyongyang on 5 March to celebrate the new year. A personal visit by Kim Jong-il to a foreign embassy in Pyongyang can be considered to be extremely rare; in fact, Kim’s visit to the Chinese embassy on 5 March was the first recorded individual visit by Kim to a foreign embassy; Radio Press, *Kitachosen no Genkyo 2004*, 55. The other occasions were his condolence visits to the Soviet embassy, when he accompanied his late father, Kim Il-sung, following the passing of the Soviet Communist Party secretaries, Yuri Andropov and Konstantin Chernenko, in 1982 and 1983, respectively.
60. Kim visited the industrial facilities on 29–31 May 2000; Radio Press, *Kitachosen no Genkyo 2004*. See also Radio Press, *Kuronoroji de miru Kita Chosen* [North Korea Chronology] (Tokyo: RP Printing, 2004). In April 2003, as part of its globalization strategy, the Legend Group was renamed Lenovo Liangxiang.
61. Kim made his declaration on 25–28 January; Radio Press, *Kitachosen no Genkyo 2004*, 54.
62. The joint editorial called for North-South unification based on confederation, economic empowerment based on a military-first revolution, graduation from “old thinking,” and technological improvements.
63. Government official and scholars interviewed by the author, Shanghai, September 2005.
64. For more details of Kim Jong-il’s site visits, see Liu Ming, “North Korea Economic Reform: An Uncertain Future for a Third-Way Exploration,” in *Dynamic Forces on the Korean Peninsula: Strategic & Economic Implications* (Washington, D.C.: Korea Economic Institute, 2007).

65. Government official and scholars interviewed by the author, Shanghai, September 2005.
66. "Speech of Kim Jong-il at Banquet," *The People's Korea*, 2006, <http://www1.korea-np.co.jp/pk/> (accessed on May 3, 2005).
67. Kim and Choi, "Understanding North Korea's Economic Reforms," 9.
68. Imamura, *Kitachosen: Kyoko no Keizai*, 56.
69. Radio Press, *Kuronoroji 2004*, 247; Radio Press, *Kitachosen no Genkyo 2004*, 73–4. On that occasion, Kim Jong-il reportedly expressed gratitude to Mai Qinglin, who had guided his May 2000 visit to Beijing.
70. Harry Harding, in *China's Second Revolution Reform after Mao* (Washington, D.C.: Brookings Institution, 1987), 38–39, used the term "pockets of decontrol" in describing the initial stage of China's reform as "a Swiss cheese economy or strategy of creating pockets of decontrol in which entrepreneurship can flourish."
71. *Renmin Ribao*, "Hu Jintao tong Jin Zheng-ri Juxing Huitan" [Hu Jintao and Kim Jong-il Held Summit Meeting], 22 April 2004; Radio Press, *Kuronoroji 2004*, 253.
72. *Renmin Ribao*, "Hu Jintao tong Jin Zheng-ri Juxing Huitan," 22 April 2004; Radio Press, *Kitachosen no Genkyo 2004*, 458, 467–71. Pak Pong-ju separately inspected a pilot village for agricultural reforms.
73. *Renmin Ribao*, "Hu Jintao tong Jin Zheng-ri Juxing Huitan," 22 April 2004.
74. KCNA, 22 April 2004.
75. *Renmin Ribao*, "Hu Jintao tong Jin Zheng-ri Juxing Huitan," 22 April 2004.
76. Ibid.
77. Ibid.
78. Ibid.
79. The family-unit system was to link anywhere from two to five households into distinct, smaller economic units.
80. Kim and Choi, "Understanding North Korea's Economic Reforms," 51.
81. *Vantage Point*, Yonhap News Agency, October 2004, 3. Farmers' markets emerged spontaneously with the government's tacit approval in the mid-1990s, amid the serious food shortages that led to the unprecedented famine.
82. *Chosun Sinbo*, 10 October 2003, quoted in *Vantage Point*, Yonhap News Agency, October 2004, 4.
83. Lee Kwang-ho, "Publication of New Law Book," *Vantage Point*, Yonhap News Agency, 28, no. 2 (February 2005): 14–15.
84. Ibid., 14.
85. Yonhap News, 23 March 2005.
86. *Chosun Ilbo*, 13 January 2006; *International Herald Tribune*, 24 January 2006.
87. *Chosun Sinbo*, Speech of Kim Jong-il at Banquet (28 January 2006), <http://www1.korea-np.co.jp/pk/>.
88. Ibid., author's emphasis.
89. "North Korean Economic Delegation Arrives in China, Sources Say," Yonhap News, 19 March 2006. Jang recovered from two years of political ostracism at roughly the time of Kim Jong-il's January 2006 trip; he had reportedly been criticized earlier as excessively reform oriented.
90. For instance, Lim Wonhyuk offered three inferences from the January 2006 trip: (1) Kim Jong-il's regime appeared stable, allowing him to take his longest overseas trip, lasting nine days; (2) relations had deepened between China and the DPRK; and (3) the DPRK appeared willing to pursue further economic reform, while still wanting to take a somewhat different approach than China's path. Lim Wonhyuk, "Kim Jong Il's Southern Tour: Beijing Consensus with a North Korean Twist?" Nautilus Institute, San Francisco, 2006, <http://nautilus.org/fora/security/616Lim.pdf>.
91. For a detailed analysis of North Korea's lack of state capacity to launch and implement long-term economic policy and reform measures, see the author's study, "The Path Not Taken: North Korea's Divergence from China's Economic Reform Trajectory" (presented at the 65th annual national conference of the Midwest Political Science Association, 12–15 April 2007).
92. For an analytical perspective regarding North Korea's willingness and state capability for reform, see Victor Cha and David C. Kang, *Nuclear North Korea: A Debate on Engagement Strategies* (New York: Columbia University Press, 2003).
93. Haruki Wada termed North Korea a "guerrilla-band state" (*Yuugekitai kokka*) in the August 1985 issue of the Japanese periodical, *Shiso*.
94. Haggard and Noland, in *Famine in North Korea*, argue that Kim Jong-il's military-first politics has been driven more by the internal logic of strengthening social control for regime stability and less by the external logic of North Korea's defense capability. The author is also indebted to Dr. Ezra F. Vogel, whose lecture and discussions at the Harvard-Yenching Institute provided insights regarding the North Korean leaders' fear of opening the country.



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