

KEYS TO THE KINGDOM: NORTH KOREA'S ECONOMIC HERITAGE AND PROSPECTS AFTER KIM JONG-IL'S DEATH

By Aidan Foster-Carter

One of the cardinal problems arising in the revolution and construction in each country today is the problem concerning how and in what direction to develop its economy. Whether this problem is correctly solved or not poses (sic) as a question of principle affecting the destiny of the revolution and construction in each country.

- Economic Research Institute, Academy of Social Sciences of the DPRK; 10 October 1976¹

The 'theory' that large-scale economy cannot develop rapidly is but a sophistry brought forward by some people to justify the fact that their technical progress is slow and their economy stagnant because they, talking about 'liberalisation' and 'democratic development', did not educate their working people and [hence] the latter are ideologically so soft as to fiddle about and loaf on the job.

- Kim Il-sung, On Some Theoretical Problems of the Socialist Economy, 1969²

We opened already. Do I have to say it again? We allow foreign investment and joint ventures. We opened. Is there any room for more opening? We have set up zones where they can best fit in. When we open we do it in our own way, not following others. It's anathema for me to follow others.

- Kim Il-sung, interview with foreign visitors, April 1994³

At this time, when the situation is complicated, I cannot solve all knotty problems while handling practical economic work. I should take charge of the party, the Army, and other major sectors. If I

handle even practical economic work, it would have irreparable consequences on the revolution and construction. When he was alive, the leader [Kim Il-sung] told me not to get involved in economic work. He repeatedly told me that if I got involved in economic work, I would not be able to handle party and Army work properly ... Administrative and economic functionaries must take charge of economic work in a responsible manner ... Strengthening the Army is more important than anything else given today's complicated situation

- Kim Jong-il, speech at Kim Il-sung University for its 50th anniversary, December 1996 (just when famine was beginning to bite hard).⁴

Today the DPRK's economy is at the highest tide of its development ever in history.

- KCNA Commentary Terms 'DPRK's Economic Meltdown' Absurd, 11 November 2011⁵

Introduction

What is North Korea? A threat. A headache. A problem. But not so often an economy. The DPRK is much discussed and fretted over, yet our attention tends to be partial and selective.

In this, ironically, we mirror Pyongyang's own self-distortions. Nowadays – unlike the past, as witness the book from which the first quotation above is taken – this regime presents itself as a nuclear power, a political fortress, an ideological monolith: Anything but an economy.

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Everywhere else in the world, economic discourse dominates the serious media. Especially but not only in democracies, governments produce statistics, plans, and policies; knowing their citizens will judge, and maybe punish them, for their economic stewardship above all. As James Carville famously summed it up for Bill Clinton: “It’s the economy, stupid!”⁶

But not in North Korea. That is their failure, and also ours. Theirs is the original and greater sin. Having spent over forty years imbibing DPRK discourse,⁷ I am struck by how little it now focuses on the economy. You wonder what both speaker and audience are really thinking when, year after year, ministers present a budget with no hard numbers.⁸ A decade ago they at least gave total income and expenditure,⁹ while half a century ago Pyongyang published statistics like normal countries do. In this as in much else, North Korea has gone backwards.

If ever the DPRK media do broach matters economic, it is as homiletics rather than science. People are constantly urged to storm this or that height, show loyalty, keep the faith. All you need is will. Recently the Party daily *Rodong Sinmun* boasted: “The practical experience and reality of the DPRK go to prove that any country can achieve scientific and technological progress when it maintains an independent and creative stand and buckles *down to the work with a will* on the principle of self-reliance.”¹⁰ (emphasis added.)

We risk echoing that bias if we focus solely on political and security dimensions, crucial as those are for obvious reasons.

Evaluating the DPRK’s economic prospects now is a two-fold task. Like the Roman deity Janus, we have to look both ways. While this paper seeks to be future-oriented, any realistic predictions must be based on an accurate account and honest appraisal of the economic mess which Kim Jong-un has inherited. Literally and metaphorically, this is a poisoned chalice – or should we say *chalip*, echoing Pyongyang’s own slogan. (It means economic self-reliance, though that boast was always mendacious. In truth the DPRK was launched and sailed on a sea of Soviet aid, till Moscow finally and abruptly pulled the plug in 1991 – when this leaky creaky vessel began to take on water, almost sank, and has been foundering ever since.)¹¹

Northern Economic History: Wrenching Reorientations

What then is Kim Jong-un’s economic inheritance? We begin by sketching the *longue durée* in a wider context than is usually

done. Cha Myung-soo recently offered a brisk and perhaps contentious round-up of the past half-millennium of the whole peninsula’s economic history:

Two regime shifts divide the economic history of Korea during the past six centuries into three distinct periods: 1) the period of Malthusian stagnation up to 1910, when Japan annexed Korea; 2) the colonial period from 1910-45, when the country embarked upon modern economic growth; and 3) the post colonial decades, when living standards improved rapidly in South Korea, while North Korea returned to the world of disease and starvation.¹²

North Korea today is often likened to the late 19th century hermit kingdom in the Choson dynasty’s dying decades, when the Taewongun tried to keep the world at bay. Cha’s account suggests more specific comparisons. Much earlier, Choson too saw its command economy shattered, “forc[ing] a transition to a market economy.” Then too the agents were external: invasions from Japan and China. The modern version was more complex: Moscow pulling the plug caused farming to collapse, leading to famine and forcing the regime to allow markets. Or this too sounds rather familiar, in a section headlined “Dynastic Degeneration”:

During the nineteenth century, living standards appeared to deteriorate ... poor peasants left Korea for northern China The worsening living standards imply that the aggregate output contracted, because land and labor were being used in an ever more inefficient way. (ibid.)

Analogies apart, let me propose a tentative periodization of North Korean economic history based on two concepts: marginality, and wrenching reorientations. Historically, as Kim Sun-joo and her contributors show in a fascinating study,¹³ long before partition in 1945 the three traditional provinces of northern Korea were already a realm apart: peripheral, far from the center of things, marginal and discriminated against. Very little economic development took place. Hardly any analyses of the DPRK consider it against this background and context.

By contrast, the colonial era (1905-45) jolted northern Korea into centrality. The beginnings of industrialization saw its mineral and hydropower resources exploited, and rail and road networks built. Korea became a more connected economy, with heavy industry in the north while light industry and farming dominated the south. Integration was also international, in two directions:



not only perforce in subordination to Japan's needs, but also to some extent towards northeastern China, especially during Manchukuo's brief but interesting existence.¹⁴

1945 began a third phase, again discontinuous and doubly wrenching. Korea's partition saw North and South severed from one another, completely so after 1953. North Korea also lost its economic ties to Japan, though trade would later revive until Tokyo banned it recently. Swivelling to face north instead of east, the new DPRK now had the USSR, in Japan's former role – if more benignly – as its focus of orientation and sponsoring power.¹⁵ Though Kim Il-sung refused to join Comecon and flirted with China politically, for over forty years Moscow was Pyongyang's main trade partner, investor and lender of last resort. Like the Japanese era on which (despite the political rupture) it built economically, this too was a period of some economic development, albeit decelerating and stagnating towards the end.

In the 1990s a third vicious wrench ushered in a tragic fourth phase, undermining what went before. The new Russia abruptly ended not only aid but most trade too, as Pyongyang could not pay. Unlike the previous two phases – and only half as long, lasting till about 2009 – this 'arduous march' era saw no single outside power economically predominant. China steadily increased its heft, but from 1998 Seoul rivaled Beijing for influence during the 'sunshine' decade. This ended when Lee Myung-bak took office as ROK President in February 2008.

We may now be entering a fifth phase, though this time the transition is less clear-cut. Since 2008, an almost unopposed China has steadily increased its economic and other influence in the DPRK.¹⁶ The figures are startling. Sino-North Korean trade rose almost three-fold in just four years (2007-2011); the DPRK's exports to China more than quadrupled.¹⁷ South Korean conservatives now grumble that North Korea is becoming a fourth province of Manchuria,¹⁸ seemingly oblivious that this unwelcome turn of events is entirely their own fault.¹⁹ The next ROK president, whoever she or he may be, will try to get back into the game in Pyongyang and recover ground lost by the current administration. Even the conservative Park Geun-hye, who dined with Kim Jong-il in Pyongyang in 2002,²⁰ advocates *trustpolitik* – though specifics of this plan are still unclear.²¹ The liberal Moon Jae-in goes so far as to propose an economic union with the North.²²

Yet with Rason²³ and more²⁴ increasingly a Chinese fief, mending inter-Korean fences will not be easy; it might even be too late. Blithe talk of North Korea opening often forgets that – if it happens at all – this may not be general, but rather directional. The question is: Opening to *whom*?²⁵ History has yet to answer; but unless Seoul changes its own policy approach, the Manchuria option seems all too likely.²⁶ Some of these issues are revisited below.

Great Leap Backwards

Before peering into the future we must summarize the DPRK's economic condition today. The economy Kim Jong-un inherits is unique in its trajectory and tragic story. By no means primevally undeveloped, it was once seen as postcolonial Asia's brightest economic hope. In the early years North Korea's GDP growth outpaced South Korea's.²⁷ But those initial gains were lost due to the perverse ineptitude of the men unaccountably dubbed 'Great Leaders.' Kim Il-sung promised his people rice and meat soup; Kim Jong-il delivered them famine.²⁸

There is no mystery at all about what went and still remains wrong. Despite Kim Il-sung's bluster quoted above, economics is a science. North Korea proved no exception to the rule that unreformed centrally planned economies must slow eventually, for familiar Kornaian reasons.²⁹ On top of this the Kims burdened the DPRK with many costly irrationalities.³⁰ These include hyper-militarization; grand unproductive edifices (mausolea, the Ryugyong hotel, an excess of statuary that must now all be altered);³¹ disastrous agricultural policies; leaderly whims (vinalon, ostrich farms) and arbitrary interference; and more. North Korea always blames everyone else – hardly a *juche* attitude – and there were external factors too, especially Moscow's abrupt cessation of aid in 1991. Yet the inexplicable failure to react to that body blow and plot a new course is the Kims' alone, as is overall responsibility for a shattered economy³² – and a chasm now so wide with South Korea that one could call it 'one country, two planets.'³³ Kim Jong-il's whining 1996 comment, also quoted above, suggests a total failure to grasp James Carville's nostrum cited above. For him it was the army, stupid. The urgent need is to change priorities, break with this dismal past and do differently; but politically that will not be easy for Kim Jong-un. We assess his performance so far below.



Hopes for the Future

Yet North Korea by no means lacks economic potential, even if its rulers have squandered its assets in ways that are unproductive or even value-destroying. Again, there is no mystery about how the DPRK should go about promoting economic recovery. It is even beginning to do some of it, haltingly. Several areas of particular if varying promise can be identified.³⁴

Minerals

First, by a quirk of geological fate northern Korea, unlike the south, is blessed with a wide range of minerals.³⁵ (By some accounts this rich endowment also includes rare earths.³⁶) In 2010 the ROK parastatal Korea Resources Corp valued the North's deposits at no less than 7 quadrillion *won*, but a more recent estimate ups this to 11 quadrillion *won* (\$9.7 trillion) in view of rising raw materials prices.³⁷ We are used to DPRK magnitudes being tiny, so these are dizzying sums; they have turned at least two heads. "Abundant mineral resources (valued at around 140 times 2008 GDP)" were a major factor cited by Goldman Sachs in a 2009 paper brimming with long-term optimism: "We project that the GDP of a united Korea in USD terms could exceed that of France, Germany and possibly Japan in 30-40 years." (This assumes "a peaceful and gradual economic integration between North and South Korea": a pious hope devoutly to be wished for, but surely a rash premise for an entire analysis.³⁸) In similar vein, some in Seoul cast avaricious eyes on the North's mineral wealth as a way to drastically cut the cost of unification: a stance North Koreans might deem presumptuous.³⁹

Unsurprisingly, minerals have always been prominent in the DPRK economy. In 2005 they made up 8.3% of GDP and 15.9% of export earnings.⁴⁰ Both proportions have since grown. For 2011 the (ROK) Bank of Korea (BoK) estimates mining as contributing 14.6% of North Korea's GDP,⁴¹ while the rapid recent expansion of DPRK exports to China mostly involves minerals.⁴² Whether such resources are being exploited optimally or even wisely is another matter: for example whether value is added by processing, or raw ores are exported 'as is.' Intriguingly, in the first economic treatise to bear his name Kim Jong-un (no less) complains:

Some people are now attempting to develop the valuable underground resources of the country at random on this or that excuse to export them for not a great sum of foreign exchange. This is an attitude lacking in far-sightedness and an expression of lack of patriotism.⁴³

Whether Marshal Kim's concept of patriotism extends to favoring South Korean investors, once a new president is in the Blue House, remains to be seen. Looking at the opening of Tanchon port in May, with its puny outdated cranes, one can only imagine how different this would have been had South Korea been involved – as was planned after their 2007 summit.⁴⁴

Export zones

Selling minerals depends on being lucky enough to have them, but any country can seek to develop by the tried and tested route of manufacturing for exports: usually starting with light industry, and often creating special zones (SEZs) for the purpose.⁴⁵ *Juche* is silent about this, but the DPRK has had a toe in the water for over twenty years. If little was achieved until recently, this is because the toe barely even became a foot, much less the necessary full immersion.

As noted above, Rason is finally starting to fulfil its potential⁴⁶ – but only since China took it by the scruff of the neck, for instance upgrading the border road which the DPRK had never even paved in twenty years.⁴⁷ The Rajin-Sonbong Free Economic and Trade Zone – the 'free' was soon dropped, and the name was later shortened to Rason – was gazetted as long ago as December 1991. While occasionally radical compared to the rest of the DPRK – it was here that the Northern *won* was first allowed to float, in 1997, and sank like a stone⁴⁸ – generally Pyongyang never gave Rason either the resources or the autonomy it needed. China is now providing the former, including electricity, and with any luck will also guarantee the latter.

Then there was Sinuiju, or rather wasn't. In an object lesson of how not to do this, a decade ago Kim Jong-il – so resistant to opening and reform on every other front – fell for a Dutch-Chinese orchid billionaire, Yang Bin (once China's second richest man) and appointed him to run the northwestern border city as a Special Administrative Region (SAR). Promising all kinds of freedoms for foreigners – whereas the natives were to be relocated *en masse* – Yang was swiftly arrested in China; in 2003 he was jailed for eighteen years for fraud.⁴⁹ The dear leader had apparently not thought either to check Yang out, or run all this past Beijing; as if China had no say in a zone right on its border, facing Dandong in Liaoning across the Yalu river.

So the Sinuiju SAR came to naught, but a decade later in June 2011 two tiny DPRK islands abutting Dandong were gazetted as Hwanggumphyong and Wihwa Islands Economic Zone. Despite this grand title, nothing is happening yet. This time China is



officially on board, but reluctantly. The islets have no merit, and don't fit with Dandong's existing plans. The rumor is that Kim Jong-il foisted this on China as the price of granting it a free hand in Rason.⁵⁰

With neat symmetry as regards points of the compass, this duo of zones in the DPRK's far northeast and northwest is matched by two in the southeast and southwest. As geography would suggest, the latter pair are joint ventures with South Korea; and again the history is checkered. Both the Mount Kumgang tourist resort (southeast) and the Kaesong Industrial Complex (KIC, southwest) were the vision of Chung Ju-yung: the northern-born founder of the Hyundai *chaebol*, whose financial muscle and personal drive turned Kim Dae-jung's sunshine policy from a politically driven dream into a practical business proposition.

But that begs the question. Cynically and short-sightedly, Pyongyang exploited Chung's goodwill. It charged nearly a billion dollars just to lease Kumgang, then made Hyundai pay on top to build all facilities: hotels, shops, port, etc.⁵¹ By this greed Kim Jong-il shot himself in the foot, for as a result every other *chaebol* has steered well clear of North Korea; the contrast with Taiwanese business vis-a-vis China is telling. The cold shoulder includes all of Chung's sons, except the ill-fated Mong-hun who paid a tragic price for his father's dream: indicted in June 2003 for his role in secretly transferring millions of dollars to the North Korean government, Mong-hun committed suicide two months later.

Still, in its heyday Kumgang was profitable, taking 1.9 million South Korean tourists to this odd enclave before another tragedy, a fatal shooting in July 2008, caused Seoul to suspend tours. Now it is in a sorry state,⁵² while the North's confiscation last year of South Korean assets worth US\$450 million hardly enhances its reputation as a trustworthy partner.⁵³ On 11 October an opposition lawmaker claimed that four years of closure have cost ROK firms and state bodies 2.3 trillion *won* (2.07 billion dollars).⁵⁴ This dismal situation bespeaks myopia in both Pyongyang and latterly Seoul; one can only hope that it will prove remediable.

The fourth of this quartet is a happier tale. That the KIC⁵⁵ exists at all, and survives, is quite remarkable. Chung Ju-yung sought a manufacturing SEZ to complement his tourist one. He wanted Haeju in the southwestern DPRK. The North countered with Sinuiju (this was before Yang Bin), but that was too distant from the South to be viable. Then, perhaps repenting his earlier

avarice, Kim Jong-il unexpectedly offered Kaesong: right on the Demilitarized Zone (DMZ), hence accessible by land. Hyundai and Seoul could not believe what one key player called "this incredible [gift] ... If we had been in their position, we would never have given up such an important strategic point."⁵⁶ This is worth pondering amidst the current furor about the late Roh Moo-hyun and the Northern Limit Line (NLL).⁵⁷ Had a Haeju peace zone come to pass, this would naturally alter the nature of the NLL; just as regular commuter traffic – the millionth cross-border passenger was clocked up on 27 June⁵⁸ – has started to change the once impermeable and still forbidding DMZ from a front line into a front door.

If the first miracle is that the KIC exists at all, the second is that it survived the *Cheonan*. In May 2010, President Lee Myung-bak notionally banned all inter-Korean trade in reprisal for the sinking of its corvette in March – but the KIC was specifically exempted. That makes nonsense of a 'ban', yet one is all the gladder in dark times that this one candle still flickers: lighting a better way for the two Koreas to relate. It remains small beer (to mix metaphors), though slowly growing. Production in the first half of 2012 was worth US\$236 million, up 23% year on year. In August, the zone's 51,310 workers – not quite the half a million once envisaged – got their usual 5% annual pay raise, taking the basic monthly wage to US\$67.05. In that, and the quality of this workforce, lies the KIC's comparative advantage.

A far-sighted South Korea would create two, three, many Kaesongs. Perhaps that will happen from 2013. It takes two to tango, and in the past the North had planned further SEZs. A decade ago the *People's Korea* compiled a web page of thirty articles, mostly from the late 1990s, whose upbeat titles make forlorn reading now: "Pyongyang Steps up Studies of Market Economy," "DPRK is Good Place to do Business," etc.⁵⁹ Intriguingly, one – in December 1997 – was titled "Outline of Nampo, Wonsan Bonded Zones...." Kim Mun-song, vice-chairman of the Committee for the Promotion of the External Economic Cooperation (CPEEC), presented this at the World Economic Forum in Hong Kong that October. Two bonded trade processing sites had been chosen, each to "be developed into an industrial park equipped with a wharf" where "foreign firms will be able to start business...on their own or in joint ventures with local companies." A special law had been drafted and was awaiting approval by the State Administration Council (as the Cabinet was then called), plus some necessary infrastructural work.⁶⁰



It never happened. Fifteen years on, Nampo and Wonsan are still SEZ-free, and the names cited in these articles are no longer around. Of the first two foreign banks to venture into the DPRK, Peregrine went bust while ING withdrew for lack of business. On the Pyongyang side, not only the CPEEC's Kim Mun-song, but his boss – the once ubiquitous Kim Jong-u, whose 1996 speech to an investment forum in Tokyo was a model of good sense⁶¹ and he also spoke in Washington the same year, and at Davos in 1997 – had disappeared by 1998; both were reportedly executed for corruption.⁶² It does not inspire confidence when the few North Koreans who liaise with the wider world on business seem especially prone to purging or worse. This includes two men once well known in Seoul, where great hopes were had of them (which may have been their undoing): Kim Dal-hyon and Choe Sung-chol.⁶³

Processing and outsourcing

A third mode of development is outsourcing. Having goods made – or less often, services rendered – in North Korea has a fairly long history, if as yet largely unwritten.⁶⁴ Pioneered in the 1980s by pro-DPRK Koreans in Japan associated with Chongryun,⁶⁵ mainly in textiles, in the 1990s the torch passed to South Korean SMEs.⁶⁶ Well before the Kaesong IC – which in a sense institutionalized a similar business model, but with greater control by the South – ROK firms engaged in processing on commission (PoC) in the DPRK: e.g. sending cloth (and in some cases old machines, already written off but still serviceable) north to be made into garments. This commerce and the firms involved in it were destroyed in 2010 when the Lee administration summarily banned inter-Korean trade – except in the KIC. As a result, here as in so much else, Chinese companies now predominate. European firms, if any, tend not to advertise that they operate in North Korea.⁶⁷ A Swiss data processing company, active in Pyongyang since 1996, refers only to being in 'Asia'.⁶⁸ Others are less coy.⁶⁹ Besides IT, every so often the western press rediscovers that the DPRK will make cartoons for you.⁷⁰ There is surely scope for North Korea to further develop both outsourcing and PoC.

Labor export

Our remaining sub-sections are briefer, since unlike for minerals and SEZs there is little or no past record to review: each is barely a gleam in the eye so far. A fourth option is to send workers overseas. For decades the sole destination was the then USSR: specifically, forestry in Siberia. That has shrunk,⁷¹ but North

Koreans have expanded into other work, at least in Vladivostok.⁷² In recent years the scope and range has expanded. Besides the 20,000-odd DPRK workers in Russia, a similar number can be found in the Middle East (Kuwait, Qatar, UAE et al), plus up to 3,000 each in Mongolia and Africa.⁷³ There used to be a few hundred in eastern Europe, but human rights concerns – which indeed arise in all these cases: one Russian called this state-controlled system “a form of slavery”⁷⁴ – have caused a retreat.⁷⁵

No such anxieties trouble China, which now looks set to become the main destination for DPRK workers (legal and illicit) on a large scale.⁷⁶ While this makes economic sense, both efficiency and equity would gain if such workers were free to make their own travel and employment decisions, as in other countries, and to keep what they earn. (Ironically, only illegal workers to a degree enjoy these freedoms – though of course they run several other risks). It is hard to imagine so controlling a state as the DPRK letting go in this regard.

Mass market

Widespread though labor migration is and always has been around the world, it is arguably sub-optimal for people to have to go abroad to make a living. A country of some 24 million people⁷⁷ has the potential to become a sizeable⁷⁸ market – if only its citizens ever acquire the purchasing power to consume as they should, and would if they could. This is beginning to be seen in embryo in Pyongyang for a small elite,⁷⁹ but outside the capital poverty still rules.

Among its peculiarities, the DPRK has issued no macroeconomic statistical series for almost half a century. (We shall know it is changing when they release at least a few numbers: the budget would be a start.⁸⁰) So it is idle to look for official figures, especially as “the regime really does not like markets.”⁸¹ Mobile phones are one product where some data exist, since Egypt's Orascom publishes regular reports for its shareholders.⁸² Koryolink, its monopoly joint venture, reached one million subscribers in February 2012, three years after launching. Though a big change for North Korea, this is still barely 4% of the population. We shall see whether this rate of growth continues, or if burgeoning inequality limits further expansion.⁸³

South Korea is a global top ten market for cosmetics and whisky, and the North will one day make its mark as a market too. In the 1990s I heard a manager in Seoul for one of the largest consumer goods multinationals note that a South Korean woman has on



average \$100 worth of cosmetics in her handbag; he slavered for the sales opportunities once her Northern sisters could aspire likewise. Almost twenty years later, no such firms are yet active in the DPRK. UN sanctions are one reason, but basically the market is just not there. Yet it is not long since Chinese consumption was negligible, as indeed was South Korea's – but look at them now.

The real Korean hub

A sixth option requires a leap of imagination right now, yet is firmly grounded in geography. A few years ago we kept being told that South Korea or Seoul was the hub of northeast Asia. It was rarely clear what this meant (financial? logistical?), but the hubbub served a purpose: eroding the old 'fortress Korea' mindset, and inverting the 'shrimp among whales' complex. Now, being at the center of things was good. Can the DPRK similarly reframe its thinking? That would be a huge mental and policy leap, but North Korea has location on its side. A glance at the map reminds us which Korea is actually slap bang in the middle of Northeast Asia: sharing borders with China and Russia, and with Japan on its maritime doorstep.⁸⁴

The DPRK is well placed to look outward. Even before embracing an export orientation, as a minimum it could use its location for transit purposes. One obvious place to start would be that gas pipeline of which we heard so much a year ago, but oddly little since. How hard is it to sit and collect the rent while others pay to build infrastructure on your territory? That even a project as unthreatening as this, first mooted by Chung Ju-yung back in the 1980s, remains unbuilt is sad and worrying testimony to fear and obduracy. In his last months Kim Jong-il seemed to come round to this. Hopefully a filial Kim Jong-un will fulfill his father's legacy, but latest reports suggest this project is stalled because Pyongyang wants too much money.⁸⁵

Pipeline apart, North Korea's neighbors share an interest in upgrading its infrastructure so they can better connect across it. One day trains and trucks will roll between South Korea and to China, extending the Busan-Seoul corridor up to Dandong via Pyongyang. There will be links to Russia too, but realistically western North Korea will be where the action is.⁸⁶ All three neighbors have already each financed some DPRK roads or railways, and may do more – much as they want Pyongyang to pay its way.⁸⁷ Moreover, not all progress requires reform. Some areas, especially infrastructure, just need money thrown at them. Notably too, some ROK firms are already positioning themselves

for Northeast Asia's new regional economy. On 10 September Posco and Hyundai Group broke ground for a US\$177 million distribution center in Hunchun city, Yanbian: just upstream of Rason which it is clearly meant to serve.⁸⁸

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Going straight?

All in all, North Korea does not lack economic promise. But it also has severe downsides, which must be faced and tackled if future potential is to be fulfilled. The DPRK's image as a rogue state is well-earned, including in business. The charge-sheet is familiar. Pyongyang has time and again shown itself an untrustworthy partner. Not only has it hardly ever paid its debts, whether to Western banks from the 1970s or to Moscow which recently wrote them off;⁸⁹ but for decades it engaged in criminal activities.⁹⁰ That may now have stopped, but an astonishing recent public outburst by a Chinese investor, Xiyang, directly accusing its joint venture partners of swindling it, suggest that bad attitudes and behavior persist.⁹¹ Choson Exchange, a Singapore-based NGO which does laudable business and legal training in North Korea, as good as admits there can be no confidence that the rule of law obtains there.⁹²

All this matters, not only ethically but because in a globalized era for the DPRK to open up is not enough: it must also compete. Minerals or low wages are a lure, but the risk of being cheated outweighs these. Other negatives include deficient infrastructure and of course UN sanctions, imposed because of nuclear and missile defiance, which deter Western investors. China is less fazed by sanctions, but no one wants to lose his shirt. The Xiyang row suggests that some in Pyongyang still do not know or care how to treat a partner, perceiving deals as zero-sum rather than win-win.⁹³ They risk learning the hard way: Beijing might have made a strategic choice to prop up the DPRK, but it cannot force firms to go there. Xiyang may be an extreme case, but reports suggest that other Chinese firms are cautious if not skeptical.⁹⁴



A further behavioral issue is the prospect of South Korea and Russia renewing competition with China for influence in Pyongyang. This seems a mixed blessing. More resources will flow into the DPRK, yet this will also allow Kim Jong-un to adopt the old ploy of playing one power off against another. That in turn may promote rent-seeking rather than reform.

Kim Jong-un: New Leaf? New Broom?

While this paper's main topic is the curate's egg (good in very few parts) that Kim Jong-un inherits, a brief look at his first ten months is called for.⁹⁵ One appreciates the young leader's dilemma. Being only there because of whose son and grandson he is, Kim is bound to stress continuity, loyalty and fidelity. But that makes it hard to change without seeming to betray his inheritance. Squaring that circle will not be easy. One tactic is what might be called the *early Dylan move: The times they are a-changing*, so we have to adapt. Kim Jong-il spoke thus once, a decade ago, briefly raising hopes of change which were never fulfilled.⁹⁶

You also have to read between the lines. A 29 July KCNA article, headlined "To Expect 'Change' from DPRK Is Foolish Ambition," at first sounds unambiguous: "There cannot be any slightest change in all policies of the DPRK as they are meant to carry forward and accomplish the ideas and cause of the peerlessly great persons generation after generation." Yet that is immediately qualified: "The DPRK is putting forward new strategic and tactical policies in keeping with the changing and developing situation in each stage of revolution." And then this: "As far as 'attempt at reform and opening' is concerned, the DPRK has never left any field unreformed in socialist construction but always kept its door open."⁹⁷ To an outsider such verbal sleight of hand is tiresome and sounds contradictory, but such casuistry is needed if North Korea is to find ways it can allow itself to change on and in its own terms.

What about leadership style? Much is made of Kim Jong-un's more smiley and touchy-feely approach compared to his dour dad, but on matters economic there is more continuity than change. A baleful example is that this inexperienced youth already emulates his late father and grandfather by issuing pompous treatises, which assume his own omniscience and scold officials, as if any problems are their fault.⁹⁸ This is not the way forward, especially as so far these works are largely devoid of interest or originality. The most substantial, on land

management, has just one interesting passage, already quoted (on mining contracts). The rest is largely cosmetic: about the need to spruce everything up, especially Pyongyang.⁹⁹ For that matter, his on-the-spot guidance so far is oddly skewed towards funfairs, shops and so on rather than production sites. He leaves it to Premier Choe Yong-rim, almost three times as old, to do the strenuous rounds of provincial farms or factories, while he himself frolics on fast rides and in dolphinariums. Projecting a fun image is not enough: he needs to sound serious about getting the real economy moving.

As for concrete policy change, the past summer brought whispers of upcoming agricultural reform, known as the 6.28 policy.¹⁰⁰ Though in the event nothing about this was announced at September's unusual second session of the Supreme People's Assembly (SPA), as some had forecast, the rumors seemed to be vindicated when AP interviewed two named farmers near Sariwon, who confirmed that they would be allowed to keep and dispose of more of their crop in the future.¹⁰¹ (One said that she will 'donate' it to the state, which raises alarm bells.) This was due to start on 1 October, but latest reports are that there is no sign of it and all talk of the change has stopped.¹⁰² Perhaps someone got cold feet, or the reform is contentious, or they decided more time was needed.

It is also uncertain how far any such change in farming alone would help kick-start the wider economy. There is no suggestion of breaking up collective farms into family plots – strictly, contracts to work land that remains state-owned – as was done in China or Vietnam to boost productivity. And in a country still run by leaderly edicts, how much choice farmers will really get over what to grow or where to sell it remains to be seen. Nor is it clear how the state can get by without exacting grain.¹⁰³ Most North Koreans (60%) live in cities, and they – especially the Pyongyang elite – are the regime's core constituency. With harvests usually short of needs by a million tons, ensuring the urban population gets fed will become even harder. On another front, years of deforestation, rash mountain terracing and soil exhaustion must also set limits on how far crop yields can be raised – even if farmers are free to sell.

Reform – a word now sometimes heard, it seems¹⁰⁴ – may not be confined to agriculture. By one account, inspectors have toured the country to assess the condition of industrial plant, with a view to merging the weak (70%) into the strong (30%). That ratio raises fears that the former may drag down the latter;



while the fact that these flying squads include prosecutors suggests ominously that scapegoats rather than system-faults may be sought.¹⁰⁵

On underlying attitudes, Kim Jong-un recently made a striking comment. Visiting two elite single-sex academies for their 65th anniversary, he instructed Kang Pan Sok Revolutionary School (for girls) to “raise the quality of education in economic subjects.” No such order was given to its brother school, Mangyongdae (for boys).¹⁰⁶ One might interpret his father’s 1996 plait, cited at the outset, to mean economics is a girly subject: real men do party and army work. Yet the pioneering private Pyongyang University of Science and Technology – whose very existence is extraordinary – run by evangelical Christians and with programs including management, is bizarrely all-male so far.¹⁰⁷ In the DPRK as anywhere, but in its own way, gender issues are highly salient; as in Haggard and Noland’s arresting judgment that “the increasingly male-dominated state preys on the increasingly female-dominated market.”¹⁰⁸

All in all, it is far too soon to hail Kim Jong-un as North Korea’s Deng Xiaoping. These are early days; we must look carefully for signs of reform, and encourage them. But how Kim, or anyone, can balance the self-imposed politico-ideological imperative to fidelity with the basic changes essential for economic progress remains to be seen. Trying to pour new wine surreptitiously into the same dirty cracked old bottles, while insisting this is really the true vintage, sounds a complex and cumbersome task both theoretically and practically.

Coda: Taking Ownership

Weighed down by ideology, is North Korea even capable of self-appraisal? In one field, yes. Its disastrous legacy includes severe environmental issues, and these at least Pyongyang has admitted. A decade ago the United Nations Environment Programme (UNEP) worked with DPRK officials to produce a State of the Environment (SoE) report highlighting five areas: forest depletion, declining water quality, air pollution, land degradation and biodiversity.¹⁰⁹ This ninety-page study, with nine North Koreans named as contributors and sixty more as involved, admitted serious problems. (Nobody blamed the Kims, but this is a start.) It includes a table claiming that GDP plunged by almost half in four years, from US\$20,875 million in 1992 to \$10,588 million in 1996; income per head more than halved, somehow, from \$990 to \$482. More strikingly still, total crop yield in the same period fell from 8.8 to 2.5 million tons.¹¹⁰

But the UNEP study was never built on. More recently Peter Hayes has sounded the alarm:

Nowhere has the terrible price of North Korea’s political and economic system been more visible than in the state of the country’s environment ... There’s no time to wait, or these enduring legacies will become unbearable, and feed into a vortex of chaos and collapse in North Korea, with unimaginable consequences for humans and nature alike.¹¹¹



Endnotes

- ¹ The opening sentence of the Foreword to Economic Research Institute, Academy of Social Sciences of the DPRK, *The Building of an Independent National Economy in Korea*. Pyongyang: Foreign Languages Publishing House (FLPH), 1977.
- ² Kim Il-sung, *On Some Theoretical Problems of the Socialist Economy*. Pyongyang, FLPH 1969. Ironically Kim's later writings amply illustrate malfunctions: eg *Collected Works* vol 39 (1989, from 1980), pp 16-25.
- ³ From 'Kim Il-sung: In His Own Words,' *Korea Countdown* Seoul: Merit Consulting no 9 May 1994, p 6.
- ⁴ Two slightly different versions of this extract, which I have melded here, are in Jonathan D. Pollack and Chung Min Lee, *Preparing for Korean Unification: Scenarios and Implications*. Santa Monica, CA, Rand 1999, p 36; and Ralph C Hassig and Kongdan Oh, *The Hidden People of North Korea: Everyday Life in the Hermit Kingdom* Lanham, MD: Rowman and Littlefield, 2009, pp 40-41. The former is available at http://www.rand.org/content/dam/rand/pubs/monograph_reports/2007/MR1040.pdf. The full speech, essential if depressing reading for its insights into the author's mixture of panic, myopia and bile at this critical juncture – admitting to famine, praising the military, scolding the Party – can still be found at the much-missed Kimsoft: <http://web.archive.org/web/20051118120921/http://kimsoft.com/KOREA/kji-kisu.htm> The Korean original - not part of Kim Jong-il's official canon, obviously – was published in Seoul by *Wolgan Chosun* in April 1997.
- ⁵ KCNA, 10 November 2011; <http://www.kcna.co.jp/item/2011/201111/news10/20111110-47ee.html>.
- ⁶ That would have made a good title for this paper, but I was beaten to it. See Evan Ramstad, "Hey Kim Jong Eun It's The Economy Stupid," Korea Real Time blog, *The Wall Street Journal Asia* 2 October 2012. <http://blogs.wsj.com/korearealtime/2012/10/02/hey-kim-jong-eun-its-the-economy-stupid>.
- ⁷ For 30 years I was the anonymous author of the Economist Intelligence Unit (EIU)'s *Quarterly Economic Report* (later *Country Report*) on North Korea, from 1983 until 2012 when EIU abolished this format. That entailed penning 8,000 words or more on the DPRK economy every quarter. My first publication on this topic, best ignored, was 'North Korea: Development and Self-Reliance: A Critical Appraisal,' in Gavan McCormack and Mark Selden eds *Korea North and South: the Deepening Crisis*. New York: Monthly Review Press, 1978, pp 115-149. (A UK edition came out in 1977, but the later MR Press version is fuller and also more accessible.)
- ⁸ For the most recent case, see Korean Central News Agency (KCNA), "Results of Implementation of State Budget Last Year and State Budget for This Year," 13 April 2012 <http://www.kcna.co.jp/item/2012/201204/news13/20120413-25ee.html>. More detail in my "Budget Blanks and Blues," *38North* 26 June 2012; <http://38north.org/2012/06/afostercarter062712>. A more optimistic view is Ruediger Frank, "A Question of Interpretation: Economic Statistics From and About North Korea," *38North* 16 July 2012. <http://38north.org/2012/07/rfrank071612>.
- ⁹ The last year with hard numbers was 2002. "Report on state budget made at DPRK SPA session," KCNA 27 March 2002. <http://www.kcna.co.jp/item/2002/200203/news03/27.htm#4>. Reforms that July, which *inter alia* saw the *won* (KPW) devalued, must have made inter-year comparisons difficult or embarrassing thereafter.
- ¹⁰ "Rodong Sinmun Calls on Developing Countries to High Banner of Self-reliance (sic)," KCNA 22 September 2012. <http://www.kcna.co.jp/item/2012/201209/news22/20120922-07ee.html>.
- ¹¹ See endnote 15, and Erik Van Ree, "The Limits of *Juche*: North Korea's Dependence on Soviet Industrial Aid, 1953–76." *Journal of Communist Studies* 5 (Mar 1989): pp. 50–73. Available online at <http://www.tandfonline.com/doi/abs/10.1080/13523278908414954> (subscription required).
- ¹² Cha Myung-soo, "The Economic History of Korea: Three Periods," Economic History Association, *EH.net* February 2010 <http://eh.net/encyclopedia/article/cha.korea>.
- ¹³ Kim Sun-joo ed., *The Northern Region of Korea: History, Identity, and Culture*. Seattle, WA: Center for Korean Studies at the University of Washington, 2010.
- ¹⁴ Two stimulating accounts are Prasenjit Duara, 'The New Imperialism and the Post-Colonial Developmental State: Manchukuo in comparative perspective,' *Japan Focus* 30 January 2006 <http://www.japanfocus.org/-Prasenjit-Duara/1715>; and Hyun Ok Park, *Two Dreams in One Bed: Empire, Social Life, and the Origins of the North Korean Revolution in Manchuria*. Durham, NC: Duke University Press, 2005.
- ¹⁵ "After the Korean War, the USSR emerged as the main trading partner and sponsor of North Korea. Ninety-three North Korean factories were built with Russian technical assistance, forging the country's heavy-industrial backbone. Moreover, hundreds of thousands (sic) of North Koreans were educated in the USSR." Alexander Vorontsov, *Current Russia – North Korea Relations: Challenges And Achievements*. Washington DC: Brookings Institution, February 2007. <http://www.brookings.edu/fp/cnaps/papers/vorontsov2007.pdf>.
- ¹⁶ See e.g. Dick K. Nanto, "Increasing Dependency: North Korea's Economic Relations With China" in *KEI Korea's Economy 2011*, Volume 27 http://www.keia.org/sites/default/files/publications/30848_nanto_sp.pdf; Bates Gill, "China's North Korea Policy: Assessing Interests and Influences," Washington DC: United States Institute of Peace, July 2011 http://www.usip.org/files/resources/China%27s_North_Korea_Policy.pdf and Drew Thompson, *Silent Partners: Chinese Joint Ventures in North Korea* Washington DC: U.S.-Korea Institute at SAIS, February 2011 <http://uskoreainstitute.org/research/special-reports/silent-partners-chinese-joint-ventures-in-north-korea>. For valuable background detail on DPRK-China relations as they have evolved over time, see an earlier paper in this series: Mika Marumoto, "North Korea and the China Model: The Switch from Hostility to Acquiescence." Washington DC: Korea Economic Institute of America, KEI Academic Paper Series, May 2007 Volume 2. No 5 <http://www.keia.org/sites/default/files/publications/Marumoto.pdf>. See also the PRC embassy in Pyongyang: <http://kp.chineseembassy.org/eng/zcgx/jmw/t306852.htm>.
- ¹⁷ "N. Korea's trade with China nearly tripled over past 5 years," Yonhap Newsagency (Seoul) 7 October 2012 <http://english.yonhapnews.co.kr/northkorea/2012/10/07/77/0401000000AEN20121007002900315F.HTML>.



- ¹⁸ Already in November 2007 the *Chosun Ilbo* was complaining of “N. Korea Becoming China’s ‘Fourth Northeastern Province.’” http://english.chosun.com/site/data/html_dir/2007/11/23/2007112361025.html. Or in similar vein a few months earlier, “China Is Spiriting Away N.Korea’s Resources,” *Chosun Ilbo* 12 April 2007 http://english.chosun.com/site/data/html_dir/2007/04/12/2007041261018.html.
- ¹⁹ Or so I argue in a pair of articles published at 38North in January 2011: <http://38north.org/2011/01/lee-myung-bak-pragmatic-moderate> and <http://38north.org/2011/01/lee-myung-bak-fateful-misstep>.
- ²⁰ A warm account by a pro-North source, with a photo of Ms Park dancing at the Mangyongdae Student Palace, is “Park Chung Hee’s Daughter Goes to North; Kim Jong Il Meets Ms. Park,” *The People’s Korea* (Tokyo) 25 May 2002 http://www1.korea-np.co.jp/pk/180th_issue/2002052501.htm. Pyongyang has since changed its tune and lost its manners: on 6 April this year the official Korean Central News Agency called her “a disgusting political prostitute” <http://www.kcna.co.jp/item/2012/201204/news06/20120406-15ee.html>.
- ²¹ Park Geun-hye, “A New Kind of Korea: Building Trust Between Seoul and Pyongyang” *Foreign Affairs* September-October 2011 <http://www.foreignaffairs.com/articles/68136/park-geun-hye/a-new-kind-of-korea>.
- ²² “Moon Jae-in’s Proposal for an Inter-Korean Economic Union,” translated by the (US) National Committee on North Korea (NCNK), 9 October 2012 <http://www.ncnk.org/dprk-news/2012/moon-jae-ins-proposal-for-an-inter-korean-economic-union>.
- ²³ On Rason, see an earlier paper in this series: Andray Abrahamian, “A Convergence of Interests: Prospects for Rason Special Economic Zone.” Washington DC: Korea Economic Institute of America, KEI Academic Paper Series, no #50, 24 February 2012 http://keia.org/sites/default/files/publications/rason_sez_paper.pdf.
- ²⁴ Specifically Chongjin. See “China inks second port deal with North Korea,” *Global Times* (Beijing) 12 September 2012 <http://www.globaltimes.cn/content/732625.shtml>. You know it is getting serious when the trade press picks up the story: see <http://shipandbunker.com/news/world/260736-china-invests-in-north-korea-ports> and <http://www.dredgingtoday.com/2012/09/11/chongjin-port-development-plan-signed-north-korea>.
- ²⁵ I try to conceptualize ‘opening’ more rigorously in another article at 38North, published in February 2012: “Is North Korea Opening? What Might That Mean?” <http://38north.org/2012/02/afostercarter022912>.
- ²⁶ All this obviously bears on the politically and emotionally charged issue of Korea’s reunification. That is beyond our scope here, but see my ‘Korean Reunification: Conditions, Dynamics and Challenges,’ Chapter 9 in International Institute for Strategic Studies, *North Korean security challenges: a net assessment*, IISS Strategic Dossiers series, London 2011, p 187. (IISS house style is not to name the contributors to its Dossiers, but I am the author of this chapter and also Chapter 2, ‘Non-military Security Challenges Posed by North Korea.’)
- ²⁷ As shown meticulously by Nicholas Eberstadt in his *Policy and Economic Performance in Divided Korea during the Cold War Era: 1945-91* (Washington DC: American Enterprise Institute Press, 2010), p 33.
- ²⁸ For book-length analyses of the famine, see (in order of publication) Andrew Natsios, *The Great North Korean Famine*, Washington DC: United States Institute of Peace (USIP), 2000; Hazel Smith, *Hungry for Peace: International Security, Humanitarian Assistance, and Social Change in North Korea*, USIP 2005; and above all Stephan Haggard & Marcus Noland, *Famine in North Korea: Markets, Aid, and Reform*, New York: Columbia UP, 2007. It is striking how little this trio refer to one another: Smith does not mention Natsios, though the same Washington think-tank published them both. For stimulating, indeed steamy debate, see a book review roundtable on Haggard and Noland: National Bureau of Asian Research (NBR) *Asia Policy* 5, January 2005, pp 185-221 http://www.nbr.org/publications/asia_policy/AP5/AP5_BookReview_RT.pdf.
- ²⁹ Janos Kornai, *The Socialist System: The Political Economy of Communism*. Oxford: Clarendon Press, 1992. For a summary and insightful discussion, see Ruediger Frank, ‘Researching Socialist Transformation in North Korea: Obstacles, Opportunities and Concepts,’ in *idem* and Sabine Burghart eds, *Driving Forces of Socialist Transformation: North Korea and the Experience of Europe and East Asia*. Vienna: Praesens, 2010. The contents, preface and Prof. Frank’s introductory chapter to this valuable comparativist volume are online at http://wirtschaft.ostasien.univie.ac.at/fileadmin/user_upload/lehrstuhl_wirtschaft_ostasien/Dokumente-Bilder_2010/Extract_Book_2010.pdf.
- ³⁰ This neglected topic is explored further in my “Whim Jong Il: North Korea’s Economic Irrationalities,” 38North, 26 November 2011 <http://38north.org/2011/11/afostercarter112611>; and in much greater detail in my paper “The Kims’ Great Leap Backwards: North Korea’s Economic Irrationalities,” commissioned by the Asan Institute for Policy Studies and presented at their conference on *The Viability of the North Korean Regime* in Seoul on 8-9 September 2011. The conference proceedings are awaiting publication, but see http://www.asaninst.org/eng/02_events/scholarship_detail.php?seq=1354&ipage=1&nums=2 and also video at <http://vimeo.com/30532375>.
- ³¹ The *Chosun Ilbo* claimed on 25 August that new statues and altered slogans since the death of Kim Jong-il alone cost US\$40 million. See http://english.chosun.com/site/data/html_dir/2012/08/25/2012082500347.html. Adapting Kumsusan Palace to display a second corpse will doubtless dwarf that: its original conversion to a mausoleum reputedly cost US\$900 million, according to the late Hwang Jang-yop See sources quoted in Kongdan Oh and Ralph C Hassig, *North Korea Through the Looking Glass* (Brookings, 2000), pp 97 and 228.
- ³² For more detail see Hy-Sang Lee, *North Korea: A Strange Socialist Fortress*. Westport, CT: Praeger, 2001. This neglected book offers a trenchant account of DPRK economic history. For recent years we have the milder if also little-cited Lim Soo-Ho, *The Rise of Markets within a Planned Economy - A Forecast for North Korea’s Economic Reform and System Change*. Seoul, Samsung Economic Research Institute 2009. A short overview stressing social conditions is Daniel Schwekendiek, *A Socioeconomic History of North Korea*, Jefferson, NC: McFarland, 2011. See also David Kang, “The Economy,” Chapter 3 in Robert L. Worden (ed) *North Korea: A Country Study*, Washington DC: Federal Research Division, Library of Congress, Area Handbook Series, 2008.



- ³³ A term I coined more than a decade ago, e.g. in the title of an article in *Asia Times Online* on 20 June 2001; <http://www.atimes.com/koreas/CF20Dg01.html> and have used it often since. For more detailed analysis see my ‘One Country, Two Planets: Is Korean reunification possible?’ presented at *Twenty Years after the Fall of the Berlin Wall and Lessons for the Korean Peninsula*, a conference co-hosted by the Institute for Far Eastern Studies (IFES), Kyungnam University and the Friedrich Naumann Foundation for Liberty (FNF), Germany, at IFES in Seoul, 9 November 2009 [http://www.fnfkorea.org/uploads/document/\(1109\)proceeding.pdf](http://www.fnfkorea.org/uploads/document/(1109)proceeding.pdf) pp 73-81.
- ³⁴ Some of this ground is trodden more visually in my PowerPoint presentation “North Korea: Coming in from the cold, at last?” given at the Nomura Asia Equity Forum in Singapore, 7 June 2012.
- ³⁵ See the detailed surveys by Edward Yoon and Choi Kyung-soo in a special issue of *The Korean Journal of Defense Analysis*, Volume 23, Number 2, June 2011 http://www.kida.re.kr/data/kjda/04_Edward%20Yoon.pdf and http://www.kida.re.kr/data/kjda/05_Choi%20Kyung-soo.pdf. The full contents of this issue, prepared by Peter Hayes and the Nautilus Institute and all well worth reading (energy and trade are covered as well), are at http://www.kida.re.kr/eng/publication/publication01_3.htm?divNum=2011. On implications for the ROK, see my “North Korea’s minerals sector: China’s gain, South Korea’s loss” *East Asia Forum* 18 February 2011 <http://www.eastasiaforum.org/2011/02/18/north-korea-s-minerals-sector-chinas-gain-south-koreas-loss> or more fully at <http://nautilus.org/supporting-documents/response-to-status-and-future-of-the-north-korean-minerals-sector>.
- ³⁶ Leonid Petrov, “Rare earths bankroll North Korea’s future,” *Asia Times Online*, 8 August 2012 <http://www.atimes.com/atimes/Korea/NH08Dg01.html>.
- ³⁷ “N. Korea’s mineral resources potentially worth \$9.7 tln: report” *Yonhap Newsagency* 26 August 2012. <http://english.yonhapnews.co.kr/northkorea/2012/08/26/39/0401000000AEN20120826000300315F.HTML>.
- ³⁸ Goohoon Kwon, *A United Korea? Reassessing North Korea Risks*. Goldman Sachs, Global Economics Paper No. 188, 21 Sept 2009. Available at http://www.nkeconwatch.com/nk-uploads/global_economics_paper_no_188_final.pdf.
- ³⁹ “Think tank says unification cost can be reduced to one-tenth of estimates” *Yonhap*, 26 July 2011. <http://english.yonhapnews.co.kr/national/2011/07/26/62/03/01000000AEN20110726007400315F.HTML>. For an elaboration of this optimistic argument, see Kyuryoon Kim, Byung-Duck Hwang et al., “New Approach to the Costs/Benefits of Korean Unification: Adopting Comprehensive Research Factors and Seeking Alternatives” and other related papers; available at <http://www.kinu.or.kr/upload/neoboard/DATA05/cb11-01.pdf>.
- ⁴⁰ Yoon, *KJDA* paper cited in endnote 35 above, page 1.
- ⁴¹ BoK’s data is often best perused via NKEconwatch: see <http://www.nkeconwatch.com/nk-uploads/DPRK-GDP-2011-BOK.pdf>. BoK estimates for earlier years can be accessed at <http://www.nkeconwatch.com/north-korea-statistical-sources>. Those who prefer the horse’s mouth must start with a URL of no less than 247 characters: I have abbreviated this to <http://tinyurl.com/8otx7vz>. This year for some reason BoK did not append their useful time-series run; this can be found at <http://eng.bok.or.kr/contents/total/eng/boardView.action?menuNavild=634&boardBean.brdid=10034&boardBean.menuid=634&boardBean.rnum=1>.
- ⁴² See endnotes 16-17 above, and also two further papers in the *KJDA* special issue cited above (endnote 35), by Nathaniel Aden http://www.kida.re.kr/data/kjda/06_Nathaniel%20Aden.pdf and Jin Moo Kim http://www.kida.re.kr/data/kjda/07_Jin%20Moo%20Kim.pdf.
- ⁴³ *On Bringing About a Revolutionary Turn in Land Administration in Line with the Requirements of the Building of a Thriving Socialist Country*,” said to be a “Talk to Senior Officials of the Party and State Economic Organs and Working People’s Organizations” given on April 27, Juche 101 (2012) http://www.naenara.com.kp/en/news/news_view.php?22+1594 (no page numbers, but this is towards the end). Readers in South Korea, perversely and pointlessly prevented from accessing this and other DPRK websites, may have better luck (if they can stomach red on black) at http://www.uk-songun.com/index.php?p=1_315.
- ⁴⁴ The opening can be watched at <http://www.youtube.com/watch?v=llgRjV64o1A>. (Since then this region was badly flooded; see “Army and People Launch Campaign to Recover from Damage in Komdok Area of DPRK,” KCNA 7 September 2012 <http://www.kcna.co.jp/item/2012/201209/news07/20120907-12ee.html>). See also <http://www.nkeconwatch.com/2012/05/03/tanchon-port-reconstruction-to-be-completed-by-2012>. On previous plans for ROK involvement, see my “South Korea-North Korea Relations: Not Getting Better,” *Comparative Connections* (Pacific Forum-CSIS) May 2011 http://csis.org/files/publication/1101qnk_sk.pdf, section “KoRes chafes too, for lost mines”; and “Inter-Korean coal mine projects suspended during Lee administration,” *Hankyoreh* 25 April 2011 http://english.hani.co.kr/arti/english_edition/e_northkorea/474670.html.
- ⁴⁵ For a slightly uncritical overview see Lim Sung-Hoon, “Rethinking Special Economic Zones as a Survival Strategy for North Korea” Chapter 9 in Suk Hi Kim, Terence Roehrig and Bernhard Seliger, *The Survival of North Korea: Essays on Strategy, Economics and International Relations* Jefferson, NC: McFarland, 2011.
- ⁴⁶ As admitted by Stephan Haggard: “Rason: Time to Be Contrarian on the Contrarians?” *WT* 12 September 2012 <http://www.piie.com/blogs/nk/?p=7392> (see also the useful hyperlinks). A timely recent overview, *inter alia* situating Rason in the wider literature on SEZs, is Bernhard Seliger, “Special Economic Zones, Trade and Economic Reform: The Curious Case of Rason Special City” in Rüdiger Frank, James E Hoare, Patrick Köllner and Susan Pares eds, *Korea 2012: Politics, Economy & Society*, Leiden and Boston: Brill 2012, pages 209-237.
- ⁴⁷ Abrahamian, op. cit. (endnote 23), page 4.
- ⁴⁸ Remarkably, the pro-DPRK *People’s Korea*, published in Tokyo, carried and still has on its website a frank UN account of the impact of this devaluation: “The change has created havoc for Pyongyang-based officials in the zone and those travelling to the zone as they have to take 100 times the amount than before for travel and accommodation costs, the vast majority of whom cannot do this.” “Survey on Newly Introduced Reforms in Rajin-Sonbong District: UNDP,” 30 July 1997 http://www1.korea-np.co.jp/pk/002nd_issue/97073002.htm.
- ⁴⁹ A suitably skeptical on-the-spot account at the time is Michael Schuman, “The Hermit Kingdom’s Bizarre SAR,” *Time*, 30 September 2002 <http://www.time.com/time/world/article/0,8599,356131,00.html>. The bizarre tale is well told by Paul French, who gives it a whole chapter. See “The Reality of Reform: A Case



Study of Sinuiju,” Chapter 7 in *North Korea –The Paranoid Peninsula*. London: Zed, 2007 (second edition). Praise for Yang, and links to an adulatory biography of him, can be found at <http://www.ybpeace.com/english/index.asp>.

- ⁵⁰ See posts filed on the essential *Sino-NK* at <http://sinonk.com/category/hwanggumphyong-and-wihwa>. Also on Adam Cathcart’s other blog *Sinomondiale*: <http://adamcathcart.wordpress.com/2012/09/13/dont-believe-the-hype>.
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