

# Policy Forum 10-015: North Korea: It's the Economy, Stupid

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# North Korea: It's the Economy, Stupid

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By Aidan Foster-Carter

CONTENTS

[I. Introduction](#)

[II. Article by Aidan Foster-Carter](#)

[III. Nautilus invites your responses](#)

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## I. Introduction

Aidan Foster-Carter, Honorary Senior Research Fellow in Sociology & Modern Korea at Leeds University, writes, "This is an astonishing episode, which history may record as pivotal. If the leadership learns its lesson and finally accepts that the market economy is as ineluctable as gravity, then the DPRK might conceivably survive on a reconstituted economic base and social contract, like today's China or Vietnam. But if Kim Jong-il (or whoever) keeps trying to square the circle, under the delusion that correct politics is a substitute for sound economics, there is no hope."

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## II. Article by Aidan Foster-Carter

- "North Korea: It's the Economy, Stupid"

By Aidan Foster-Carter

### Too many Kim Yong-ils

Korean names can set traps for the unwary. Amid a multitude of Kims, almost all unrelated, North Korea adds an extra twist. German speakers, and some others, tend to mispronounce the J in Kim Jong-il as a Y. Not only is this incorrect, but currently it can confuse; for North Korea's Premier - head of the civilian Cabinet, as distinct from the Dear Leader who chairs the more powerful National Defence Commission (NDC) - is named Kim Yong-il.

To add to the confusion, another Kim Yong-il was until recently vice foreign minister (one of several), but in January became director of the ruling Workers' Party of Korea (WPK)'s international department: a post apparently vacant since 2007. As such, this Kim Yong-il met his Chinese counterpart Wang Jiarui, head of the Chinese Communist Party (CCP)'s international liaison department, when Wang visited Pyongyang in early February. Since his promotion, Kim Yong-il 2 (as it may be best to call him) has been reported as frequently at Kim Jong-il's side. This suggests he may see far more of the Dear Leader than does anyone else involved in DPRK foreign policy, including the man hitherto thought to be the *eminence grise* on that front: first vice foreign minister Kang Sok-ju, who negotiated the 1994 Agreed Framework with the US. It was Kang whom the current US special envoy on North Korea, Stephen Bosworth, demanded to meet when he visited Pyongyang in December, rather than the North's main nuclear negotiator Kim Kye-gwan: a more junior deputy foreign minister.

Or is Washington behind the curve? That Kim Yong-il 2 is the DPRK's new foreign affairs head honcho seemed confirmed on February 23, when he turned up in Beijing and went right to the top: going straight into talks with President Hu Jintao and separately with Wang Jiarui. This flurry of activity suggests two possibilities. Either Kim Jong-il will soon visit China, as he is overdue to do; or North Korea may return to the nuclear Six Party Talks (6PT), which have not met in over a year. Or perhaps both, if we are especially fortunate.

If both Kim Yong-ils are now leading players, perhaps one of them could change his name? That is not a frivolous suggestion. Some DPRK officials do this, for no clear reason. Often the change is small, so this is not a case of deception. Thus Paek Nam-sun, DPRK foreign minister - meaning chief meeter and greeter rather than top negotiator - from 1998 until his death in 2007, was originally Paek Nam-jun. Ri Jong-hyok, who as vice-chairman of the Asia-Pacific Peace Committee (APPC) now handles relations with the South, was Ri Dong-hyok in the 1980s when this writer knew him as head of North Korea's mission in Paris.

(For completeness, yet another Kim Yong-il was Kim Jong-il's late half-brother. He died of liver cirrhosis in 2000 aged only 45 in Berlin, where he had a diplomatic posting tantamount to exile - as his elder brother Kim Pyong-il, the DPRK ambassador to Poland, still does.)

## **Jong and Yong both say sorry**

The past month saw both Chairman and Premier Kim doing something almost unheard of in Pyongyang. Apparently they both said sorry, although some reports got the two muddled up.

On February 1 *Rodong Sinmun*, daily paper of the ruling Workers' Party of Korea (WPK), reported Kim Jong-il as lamenting his failure to fulfil his late father Kim Il-sung's pledge, to which he had also alluded shortly before on January 9, that all North Koreans would eat rice and meat soup (everyday fare for even the poorest South Korean, be it noted). This time Kim said: "What I should do now is feed the world's greatest people with rice and let them eat their fill of bread and noodles. Let us all honour the oath we made before the Leader and help our people feed themselves without having to know broken rice [an inferior version]".

Given Kim Jong-il's own notoriety as gourmet and gourmand, his professed "compassion" for his less fortunate subjects' deprivation may induce queasiness. Yet even this not-quite-apology glosses over the truth. Broken rice? They should be so lucky. As readers of Barbara Demick's excellent and heartbreaking new book *Nothing to Envy* will know, rice of any kind - whole or broken - is a rare luxury for most North Koreans. In the late 1990s a million or so starved to death; even today most remain malnourished. One refugee who fled to China saw her first rice in years in the first house she came to - in a dog's bowl. That is the true reality.

Worse, all this was and is avoidable: the result of stupid and vicious policies, not the natural disasters that the regime blames. The real cause was the government's failure to adapt in the 1990s after Moscow abruptly pulled the plug on aid. This hurt other ex-Soviet client states too. Cuba went for tourism; Vietnam tried cautious reform; Mongolia sold minerals. North Korea, bizarrely, did nothing - except watch its old system break down and growth plunge.

In a speech at Kim Il-sung University in December 1996, when famine was seriously biting, Kim Jong-il lashed out at the WPK and uttered this petulant but very revealing whinge:

In this complex situation, I cannot solve all the problems while I have the duty of being in charge of practical economic projects as well as the overall economy, since I have to control important sectors such as the military and the party as well. If I concentrated only on the economy there would be irrecoverable damage to the revolution. The great leader told me when he was alive never to be involved in economic projects, just concentrate on the military and the party and leave economics to party functionaries. If I do delve into economics then I cannot run the party and the military effectively.

Evidently Bill Clinton's famously apt watchword, which helped him win the presidency in 1992, had not breached North Korea's thick walls and heads. It's the economy, stupid! The paternal advice was dead wrong. (The full speech can be read on the much-missed [Kimssoft website](#). Unsurprisingly it is not part of the DPRK's official canon of the dear leader's works, but the scholarly consensus is that it is genuine. A slightly different version appears [here](#).)

## **Redenomination disaster**

Mass starvation, you might hope, would prompt some soul-searching and fresh thinking. From mid-2002 North Korea did essay cautious market reforms, but recently it has tried to squash Pandora back in her box. The latest such crass effort, a currency redenomination that deliberately wiped out most people's meagre savings, was discussed in December's Update.

By all accounts this has backfired badly, sparking runaway inflation (which it was supposed to stanch) and even riots. Forced on the defensive, the regime has issued an unprecedented apology. This being North Korea, it has not done so publicly; there are limits. Nor, in 2010 as in 1996, is Kim Jong-il about to take the rap, despite some newswires confusing J with Y.

But reliable intelligence claims that on February 5 Premier Kim Yong-il called all leaders of neighbourhood groups ( *inminban* ) to Pyongyang. The lowest unit in the DPRK's still tight system of socio-political control, each comprises 20-40 households. This suggests that over 10,000 people heard the premier say what no leader had ever said to them before: sorry. In his words: "I offer a sincere apology about the currency reform, as we pushed ahead with it without sufficient preparation and it caused a great pain to the people... We will do our best to stabilize people's lives." The audience's reaction is not recorded.

The situation on the ground remains confused, but markets appear to be functioning again unhindered. Good Friends, a seemingly well-informed South Korean Buddhist NGO, said on February 18 that after examining a report on food shortages and conditions nationwide by the Office of Economic Policy Review, the WPK Central Committee issued an 'Order for Absolutely No Regulation Regarding Foodstuffs'. All markets are to reopen as they were before recent government crackdowns, and under no circumstances must local authorities try to regulate food sales - "until central distribution is running smoothly." There may be a sting in that tail, but for now this is a complete, humiliating government U-turn and climbdown.

This is an astonishing episode, which history may record as pivotal. If the leadership learns its lesson and finally accepts that the market economy is as ineluctable as gravity, then the DPRK might conceivably survive on a reconstituted economic base and social contract, like today's China or Vietnam. But if Kim Jong-il (or whoever) keeps trying to square the circle, under the delusion that correct politics is a substitute for sound economics, there is no hope.

## **Sea shells**

Relations with South Korea remain an odd blend of sabre-rattling and dialogue. Four times in the past month, starting on January 25 and most recently on February 19, the North has declared a series of no-sail zones for varied time periods. Some of these adjoin two ROK-held islands close to the Northern coast, Baengnyong and Daechong. For three days (January 27-29) the Korean People's Army (KPA) fired volleys of artillery shells near the Northern Limit Line (NLL): the *de facto* western sea border since 1953, which the North rejects.

Though no shells actually crossed the NLL, on the first day the South called this provocative and fired back - but again only within its own waters south of the line. By late February, a Southern defence spokesman called the latest shelling "a routine situation that is part of the North's winter military exercise", adding that this may go on till the end of March. Routine or not, a report submitted to the ROK National Assembly's Defence Committee on February 19 said Pyongyang has reinforced its military along the west coast of the peninsula and has strengthened military drills.

## **Kaesong and Kumgang remain unsettled**

The shelling did not stop the Koreas talking about their two joint venture zones just north of the Demilitarised Zone (DMZ). But they got nowhere, being far apart on the agenda, format and venue for talks. On the Kaesong Industrial Complex (KIC) - see last month's Update for more details - the North suggested that the South's issues - it wants smoother cross-border passage - were best left to military-level talks, which in the past have handled issues relating to the border and security. The South agreed, proposing February 23 at the border village of Panmunjom: the venue for all military

meetings hitherto. The North then counter-proposed March 2, at Kaesong; but on February 22 the South said it will insist on Panmunjom, rather than set the precedent of holding a military meeting inside North Korea. With both venue and agenda still in dispute, the chances of progress on the substantive issues looks remote.

### **Mount Kumgang tours remain suspended**

Separately, South Korea with some misgivings accepted the North's request for talks on resuming tours to the Mount Kumgang resort, suspended since a Southern tourist was shot dead there in July 2008. At the talks held in Kaesong on February 8, North Korea asked for tours to restart from April 1. It breezily declared that the South's three conditions - a probe into the shooting, efforts to ensure no repetition, and a cast-iron safety guarantee - had been met. But as the North well knows, the South's key demand is to send in its own investigating team - which the North resolutely refuses. The Northern side proposed continuing the talks on February 12, but the South declined unless the North accepts their three conditions first.

### **More arms are interdicted**

UN sanctions imposed last June after North Korea's second nuclear test seem to be biting. In February South Africa told the Security Council that in November it inspected a ship headed for the Congo Republic (Congo-Brazzaville). The French owners reported suspicions about cargo they took on in Malaysia from a Chinese vessel. Seizing the containers, South Africa found that what the manifest called "spare parts of bulldozer" were in fact tank components. The shipping agent, and likely origin, is North Korean. China said it will investigate its own vessel's role in the affair. UN resolution 1874 bans almost all DPRK weapons exports.

More ambiguously, on February 11 Thailand dropped charges against the crew of a plane seized in December and found to contain 35 tonnes of weapons from North Korea, including five crates of Manpads (man-portable air defence systems) which terrorists can use to shoot down aircraft. Next day all five were put on a flight to Almaty. Four are Kazakhs, and their government had asked that they be sent home to be tried. It will be dismaying if they are not.

### **III. Nautilus invites your responses**

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: [napsnet-reply@nautilus.org](mailto:napsnet-reply@nautilus.org) . Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

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[Return to top](#)

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