

4. As an example, one may cite *Bukhan chongram* (Seoul, 1983) in which the nature of the Three Revolutions and Small Teams is described.
5. See *The Star of Leadership in the Self-Reliance Era* (in Japanese). Published and distributed by the Central Committee of *Chosen Soren*, Volume 2, pp. 161-162.
6. In Su Choi, *People's Leader Secretary Kim Jong Il* (in Japanese). Volume 2, pp. 63-64.
7. *Chosun Jonsa* (Complete History of Korea; in Korean). Pyongyang, The People's Press of Korea, Volume 31, pp. 32-34.
8. *The Great Victory for Juche Ideology* (in Japanese), p. 205.
9. *Chosun Jonsa*. Volume 31, pp. 34-35.
10. In Su Choi, op. cit., p. 41.
11. *Chosun Jonsa* states that "this construction is a central concern of the Party." See Volume 31, p. 35.
12. *Rodong sinmun*, June 5, 1967.
13. Shuhachi Inoue, *Contemporary North Korea and Secretary Kim Jong Il* (in Japanese), p. 163.
14. *Chosun Jonsa*, Volume 31, p. 36.
15. Ibid.
16. *The Star of Leadership in the Self-Reliance Era*, pp. 275-284.
17. In Su Choi, op. cit., pp. 112-113.
18. Ibid.
19. *Encyclopedia* (in Japanese), Volume 2, p. 647.
20. In Su Choi, op. cit., p. 73.
21. Ibid., pp. 74-78.
22. Ibid., p. 77.
23. Ibid., p. 85.
24. *Chosun Jonsa*. Volume 31, pp. 272-273.
25. In Su Choi, op. cit., pp. 87-93.
26. Ibid., p. 94.
27. Ibid., p. 122.
28. Shuhachi Inoue, op. cit., 118.
29. Masashi Ishikawa, *Kim Jong Il: Personality and Achievements* (in Japanese), p. 82.
30. Shuhachi Inoue, op. cit., 153.
31. *Chosun Jonsa*, Volume 32, p. 206.
32. *Chosun Jungang Yon Kam* (in Korean; Central Yearbook of Korea, Pyongyang), 1975, p. 283.
33. Ibid., pp. 283-286.
34. *Chosun Jonsa*, Volume 32, pp. 195-196.
35. *Rodong sinmun* reported a case of this educational method as practiced in a collective farm. See its August 10, 1974 issue.
36. The First occurred on March 10-13, 1975 and the Second on March 27-April 1, 1976.
37. *Chosun Jonsa*, Volume 32, pp. 202-205.
38. *Rodong sinmun*, October 13, 1973.
39. *Rodong sinmun*, April 25, 1974.
40. The magazine reported that "Let us further reinforce our invincible revolutionary power by perfecting the self-reliance policy line."
41. He stated further that "Our party is a revolutionary party guided by the great *Juche* ideology.
42. *Rodong sinmun* carried an editorial titled "Our Party's Glorious Revolutionary Military Power and the Korean People's Army," on February 8, 1978.
43. Ibid.

8

POLITICS AND STRATEGIES FOR ECONOMIC DEVELOPMENT

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Korea is a country with a history of several millennia and an abundance of natural resources. Lamentably, prolonged feudal rule impeded the country's economic development. In the twilight of the feudal society at the turn of the century, the country seemed to be at the threshold of an economic takeoff as it began dabbling in capitalism. Unfortunately, its hope for modernization evaporated as it fell victim to aggression and occupation by Japanese imperialism. The Japanese rulers imposed a colonial rule based on militarism and fascism and embarked on massive exploitation of the country's mineral, land, forest, and human resources. For nearly half a century, the Japanese colonial rule in Korea was simply a byword for cruelty and barbarism and the country's fragile base of national capitalism was decimated in its infancy. Korea was reduced to an appendage of the Japanese economy and its economy became an anomaly as a result of lopsided development. In the meanwhile, a backward, obsolescent feudal agrarian system remained intact in the countryside under Japanese protection. In this way, Korea degenerated into a semi-feudal, colonial society.

In the aftermath of World War II, Korea was partitioned into two separate political entities locked in a bitter rivalry. Based on the socio-economic system prevalent during various periods, the evolution of the economy in the northern half of the Korean peninsula can roughly be divided into three stages.

The first stage is known as the stage of democratic reform (1945–1948). The major developments during this stage included land reform, the nationalization of key industrial sectors (the confiscation by the government of the properties previously owned by the Japanese and their Korean collaborators), and a package of other reforms in financing, the judiciary, labor administration, and education.

The second stage is referred to as the stage of socialist transformation (1953–1958). Socialist transformation, or the transformation of the ownership of the means of production, is a process by which private ownership is abolished in favor of collective ownership. It has two dimensions, the socialist transformation of private farming and private handicraft, business, and industry.

The third stage is also known as the stage of socialist construction (1957–present). Due to space limitations, this study will primarily address itself to an examination of the lines, policies, and strategies pursued by North Korea after it had been ushered into the third stage.

The stage of socialist construction can be further subdivided into four different periods according to the objectives the country pursued in its economic endeavor:

1. The period of laying a foundation for industrialization (1957–1961);
2. The period of developing industry and agriculture (1961–1976);
3. The period of building a complete and comprehensive national economy (1976–1984);
4. The period of laying a material and technological foundation for the completion of socialist construction (1987–1993).

Together, the first three periods constituted the period of building an independent, self-reliant national economy, whereas the last period was a period for laying on economic foundation for socialism.

In addition, throughout the period of socialist construction, especially from 1960 to 1965, strenuous efforts to improve economic management emerged in response to the demands for the expansion of social productive forces. In the 1980s, North Korea once again modified, though on a limited scale, its domestic and foreign economic policies in order to adjust to a relaxed international political climate and to changes in the country's internal economic and social situations.

Towards the late 1950s North Korea embarked on a policy of building an independent national economy. In the subsequent period from the First Five-Year Plan to the Second Seven-Year Plan, the country never veered off this course in its economic development effort. According to the North Koreans, the socialist economic system was not established in North Korea until 1958, the year in which the completion of socialist transformation was witnessed. That year was a watershed; it heralded the advent of socialist construction.

During that period, the recurrent and dominant theme which resonated in North Korea's economic development policy was the building of an independent and autonomous national economy (or a self-reliant economy, as the North Koreans put it) conceived in the doctrine of self-reliance. They defined economic self-reliance as an effort to "rise to its feet with its own strength and to carry revolution and construction through to the end with its own efforts." However, it is erroneous to equate self-reliance with an objection to economic ties with foreign countries or to construe it as a rejection of foreign cooperation and assistance. On the contrary, the policy amounts to giving primacy to self-reliance and supplementing the country's own efforts with foreign cooperation and assistance.

In the North Korean political parlance, an independent, self-reliant national economy refers to an economy free from foreign control, built with domestic resources and manpower, and serving the domestic needs and the domestic people.¹ Compliance with this principle entails desisting from dependence upon foreign countries for equipment, raw materials, technical personnel support, and capital funds.²

After settling on a policy of economic development, the North Korean communist regime proceeded to formulate a development strategy which favored heavy industry while pushing for a simultaneous growth of light industry and agriculture. In their opinion, a strategy with emphasis on heavy industry was conducive to the speedy creation of an independent and self-reliant national economy. A system like this would be one blessed with a perfect structure, supported by a stable raw material supply base, equipped with up-to-date technology, and characterized by a reasonable sectoral balance.

The period from the First Five-Year Plan to the Second Seven-Year Plan, devoted to the accomplishment of the above mentioned goals, can be subdivided into three periods. Below is an overview of the three periods.

The first period was the period of laying a foundation for industrialization (the period of the First Five-Year Plan 1957-1961). The basic tasks during this period involved economic rehabilitation, elimination of the pernicious influence of colonialism upon the economic structure, creation of a foundation for industrialization, technological modernization of various economic sectors in preparation for industrialization, and satisfaction of the popular needs for food, clothing, and shelter.

North Korea's industrialization program allegedly got under way as early as 1947, but the effort came to an abrupt halt with the outbreak of the Korean War. The Korean War left in a shambles the country's rudimentary national economy which had barely recovered from the destruction of World War II. Production was not restored to its prewar level until after three years of intensive rehabilitation work. For this reason, the foundation for industrialization was in fact laid during the first four years of the First Five-Year Plan (1957-1960) (the Plan was fulfilled one year ahead of schedule).

Based on the basic task of the period, North Korea proposed the notion of central tasks during the First Five-Year Plan. The central tasks entailed the creation of a foundation for industrialization, the solution of the problem of feeding, clothing and housing the population, and the transformation of North Korea from a backward agrarian nation into a self-reliant industrial-agricultural country. For this reason, the development of heavy industry was geared to the needs of light industry and agriculture.

The successful fulfillment of this task, the North Korean Workers' Party contended, was contingent upon giving top priority to the basic industrial sectors of the national economy, such as the metallurgical, electrical, machine-building, coal mining, chemical, and building materials industries. The development of a machine-building industry was the highest on the planners' agenda. In addition, in anticipation of their active role in alleviating the shortage of consumer goods, the planners gave favorable treatment to some light industries which could thrive on domestically available raw materials. Rapid development of the machine-building industry was designed to assist industry in its technological renovation and upgrading

efforts, and to provide equipment for agriculture, transportation, postal and telecommunication services, and the building industry.

The major production targets during the First Five-Year Plan period included 8,500,000 kilowatt-hours of electricity, 9,500,000 tons of coal, a 100 to 150 percent increase of steel output (approximately 400,000 to 500,000 tons if the 1956 output was 190,000 tons), 630,000 tons of chemical fertilizer, 1 to 1.5 million tons of Portland cement, 180 million meters of cotton goods, a more than 30 percent increase of aquatic products over 1956, 3.5 million tons of food grain, and half a million housing units.

During this period, capital investments amounted to 30 billion won. The bulk of the development funds were allocated for production projects, with heavy industry receiving the lion's share. The country achieved all the plan targets a year ahead of schedule. North Korean statistical data indicated that compared with 1956, its total social production in 1960 increased 124 percent, and gross national product 114 percent. Labor productivity was boosted by a big margin, 40 percent in industry and 9 percent in capital construction. The national economy also underwent structural changes. The share of industrial production in total social product rose from 40.1 percent in 1956 to 57.1 percent in 1960, while that of agriculture declined from 26.6 percent to 23.6 percent in the same time frame. Table 1 provides more detailed information in this regard.

As for the people's living conditions, North Korea achieved initial success in meeting the basic needs for food, clothing, and shelter. In 1960 the real incomes for employees of state-run enterprises in urban areas were 110 percent higher than before. The volume of retail sales was 210 percent higher than in 1956. Between 1956 and 1960 the average annual income of a farm household in terms of food grain increased from 1,616 kilograms to 2,100 kilograms. Its cash earnings rose from 95 to 300 won. In the area of housing, 6,220,000 square meters of floor space were built in cities and 5,060,000 square meters in the countryside. Free medical care became an entitlement of the whole citizenry for the first time. In 1958 compulsory secondary education was instituted throughout the country, with a total school enrollment in the vicinity of 2.53 million. The number of institutions of higher learning

TABLE 1

STRUCTURAL CHANGE OF ECONOMY (1956-1960) (IN PERCENTAGE)

	GNP	Industry	Agri- culture	Trans./ Commun.	Social Indirect	Consumer Goods	Other
1956	100	40.1	26.6	4.0	12.3	10.8	6.2
1960	100	57.1	23.6	2.2	8.7	6.0	2.4

SOURCE: Various issues of *Statistics of National Economic Growth of the DPRK* (in Korean). Pyongyang, 1946-1960.

more than quadrupled, rising from 19 to 78, and their enrollment increased proportionally. (See Table 2 for detailed information on the fulfillment of targeted commodity outputs). The successful fulfillment of the first five-year plan ahead of schedule contributed to the undertaking of economic construction in the second period.

The second period was one of industrial and agricultural development (1961–1970). The basic tasks during this period were to carry out an all-around technological renovation of industry and agriculture and to raise the living standards of the citizenry. In addition there was an effort to carry out a cultural revolution. This task was embodied in the First Seven-Year Plan. The North Koreans devised a two-step formula for the implementation of the First Seven-Year Plan. The first three years were to be devoted to the consolidation and readjustment of heavy industry. The last four years would focus on a further expansion of heavy industry and the streamlining and modernization of its technical equipment. Under this precondition, light industry and agriculture were also to receive adequate attention. The focus of this policy also manifested itself in the pattern of capital investment. During the first three years of the Seven-Year Plan period, an overwhelmingly large proportion of the funding was earmarked for the consolidation and expansion of heavy industry (the North Korean metaphor for this process was "fleshing out the skeleton" of heavy industry) and other sectors of the economy closely associated with the people's lives, such as machine building, chemical, light industries, and fishing and agriculture. In contrast, during the last four years, the bulk of the resources were invested in the sectors which played a pivotal role in promoting industrialization. Notable among them were the energy, mining, metallurgical, machine-building, chemical, and other basic industries as well as the transportation industry.

Total state capital investment during the period was in the vicinity of 1 billion won, which represented a 130 percent increase over the previous seven years combined. Eighty-one percent of the funds were allotted for the expansion of productive capabilities, while 19 percent were intended to finance nonproductive construction projects. Industry received 58 percent of the total capital investment, of which 71 percent was invested in heavy industry. Forty-Four percent of the expenditure on nonproductive projects was invested in housing.

In order to effectively fulfill the basic tasks, North Korea's Labor Party entrusted the different sectors of the economy with the various, specific tasks.

First, the central tasks for industry were to further improve the structure of industry, to strengthen its technological foundation of industry, and to establish a diversified independent and self-reliant industrial system supported by a stable raw material base and equipped with advanced technology and facilities. In the last year of the period, total industrial output increased 220 percent. Capital goods output rose 220 percent, and consumer

TABLE 2
PRODUCTION TARGETS AND PERFORMANCES

Item	Unit	First 5 Y.P.		First 7 Y.P.		6 Y.P.		Second 7 Y.P.	
		trgt	perf 1960	trgt	perf 1970	trgt	perf 1976	trgt	perf 1984
Electricity	10 mkw	85	91	165	165	280	280	560	500
Coal	10000 tons	950	1062	2400	2750	5000	5000	7500	9000
Steel	10000 tons	45	64	235	220	390	400	760	740
Fertilizer	10000 tons	63	56	160	150	290	300	480	468
Cement	10000 tons	150	228	450	400	800	800	1300	1513
Fabrics	10 mill. meters	1.8	1.9	4.5	4	5.5	6	8	8.7
Marine Products	10000 tons	+30% (1956)	55			170	160	350	352
Grains	10000 tons	350	380	600	600	700	700	1000	900
Growth (%)			30		12.8		16.3		12.2

Following Korean sources are used: *Statistics of Economic Growth of the DPRK*, Pyongyang, 1946–1950; *Central Yearbook of the DPRK*, Pyongyang, 1971, 1978; *Rodong sinmun*, February 17, 1985; and *World Economy* (in Chinese), Peking, 1984.

goods 210 percent. Throughout the Seven-Year Plan the annual growth rate of total industrial output was 18 percent.

Total state investment in industry amounted to 10.72 billion won, of which 79 percent went to heavy industry and 21 percent to light industry.³ According to the plan, the primary mission of heavy industry was to provide complete sets of equipment for key industrial firms, and to improve and expand the heavy industry base so as to provide better and more effective support for light industry and agriculture. The primary task of light industry was to increase the variety and enhance the quality of products. It was imperative for light industry to continuously adhere to the principle of the simultaneous development of centrally and locally controlled industries through the construction of huge new light industrial complexes and the remodeling and expansion of existing plants. Mechanization of locally controlled factories was called for in order to phase out manual operation.

The central task of agriculture was technological renovation and farm mechanization aimed at boosting agricultural productivity. The transportation, postal, and telecommunication industries were to strive to increase cargo volumes transported, and to rapidly expand railroad, waterway, and highway links across the land. Arterial railroad lines were to be electrified, and total metric tonnage of cargo was to exceed 75 million.

However, because of the deterioration in the international situation and the revision of its internal policy, North Korea made a decision in October 1966 to reorient the country's economic construction strategy and to defer the completion of the Seven-Year Plan for three years until 1970. The three-year extension prevented the country from defaulting on its commitments to the Plan. Finally in 1970 North Korea pronounced all the Plan targets achieved. A perusal of the statistics released by North Korea indicated that compared with 1956, the country's 1970 total industrial output rose by a spectacular 1,060 percent. The output of capital goods increased 1,230 percent, while that of consumer goods rose 830 percent. During the period between 1957 and 1970, or the period of industrialization, the average annual rate of growth in industrial production was 19.1 percent.⁴ The output of major industrial products were, respectively, 16.5 billion kilowatt-hours of electricity, 27.5 million tons of coal, 2.2 million tons of steel, 1.5 million tons of chemical fertilizer, and 4 million tons of Portland cement. Obviously, most of the Plan targets were reached.⁵

In the sector of heavy industry, North Korea managed to fill the technical gaps and eliminate the bottlenecks in the metallurgical, chemical, machine-building, energy, building materials, and other industries and improved structural balance. The same period also witnessed the construction and expansion of power stations, mines, metallurgical, machine-building, chemical, cement plants and other key firms. In the domain of light industry, a certain percentage of plants were remodeled, expanded, or newly constructed. The technological renovation and upgrading of the firms under

local jurisdiction were accelerated. As a result, a nationwide light industrial network of textile, food processing and other industries came into existence. In 1970 North Korea produced 400 million meters of textiles. Agriculture irrigation, mechanization, electrification, and chemical fertilizer became more extensively utilized than ever before. Food grain production rose to 6 million tons. In the transportation sector, the electrification of an additional 850 kilometers of railroad quintupled the extension of the country's electrified railroad lines. The tonnage of cargo vessels nearly doubled. Compared with 1950, the number of trucks increased 180 percent.

A corollary of the development of production was improved living standards of the people. By 1970 the average wages for government officials, teachers, technical personnel, and workers had increased 31.5 percent. In the meantime, the retail prices of textiles, children's apparel, and toys and over 1,000 other consumer goods were lowered. The benefits accruing from pay raises and reduced cost of living to the citizenry were estimated at more than 5 billion won. In the countryside in 1969 the average remuneration in the form of food grain for each farm household was 80 percent higher than 1960 levels and the cash compensation doubled 1960 levels. In this way, the real income of the peasantry was increased by 80 percent. Further, the construction of 800,000 housing units in both urban and rural areas during the period from 1961 to 1969 greatly relieved the pressure of a housing shortage.

The North Koreans claimed that though they had to grapple with a number of difficulties during the First Seven-Year Plan period, they could congratulate themselves upon the initial success in industrialization. They cited the following achievements as evidence of the initial success:

- First, the establishment of a fairly comprehensive and versatile heavy industry base centered on the machine-building industry and the creation of a heavy industry system capable of a variety of functions ranging from the production of raw materials to the assembly of products;
- Second, the creation of a machine-building industry with a 33.7 percent share of the total industrial output. The industry's productive capacity had been enhanced and it was now capable of turning out not only small and medium-sized but also large machines, and not only single machines but also complete sets of equipment. Its rate of self-sufficiency in equipment was a remarkable 80 percent. The industry was able to cope with the demands of different economic sectors for equipment;
- Third, the structural modernization of the national economy. In 1969 industry occupied a predominant position in the national economy. Industrial production accounted for 74 percent of the total industrial and agricultural output. By contrast, in 1956 it made up only 34 percent of the total.

In view of all this, it would not be an overstatement to assert that North Korea's impressive economic performance had qualified it for membership in the international community of industrialized nations.

The third period, or the period to establish a complete and comprehensive national economy, coincided with the periods of the Six-Year Plan (1971–1976) and the Second Seven-Year Plan (1978–1984). The basic tasks during this period were to further improve the sectoral balance of the national economy and to create an industrial system which consumed indigenous raw materials and had a 70 percent rate of self-sufficiency in raw materials. North Korea's strategy was to launch a Three Technical Revolution⁶ campaign oriented toward elevating the level of technical sophistication of the national economy. Moreover, it set the target of training high-caliber manpower and fostering an indigenous science and technology personnel of 1 million. These tasks of the third period were incorporated into the basic tasks of the Six-Year Plan and the Second Seven-Year Plan.

The basic tasks of the Six-Year Plan were to consolidate and promote industrialization and to carry out the technical revolution in an extensive and deep-going way, to strengthen the material and technical base of society, and to gradually reduce the burden of manual labor for the working people. Another objective was narrowing the differentials in income and living conditions between workers and farmers and between urban and rural areas.

The major targets of the Six-Year Plan included a 120 percent increase in total industrial output from 1970 to 1976. The output of capital goods was to rise 130 percent and that of consumer goods was to double. The average annual growth rate of industrial production would be 14 percent.⁷ Of the major industrial targets, electricity was to increase 110 percent, coal 80 percent, minerals 100 percent, metallurgical products 80 percent, machine tools 170 percent, ship building 260 percent, chemicals 150 percent, and building materials 90 percent. More specifically, the production of electricity would reach 28 to 30 billion kilowatt-hours, coal 50 to 53 million tons, steel 3.8 to 4 million tons, Portland cement 7.5 to 8 million tons, chemical fertilizer 2.8 to 3 million tons, food grain 7 to 7.5 million tons, housing 1 million units, reclaimed coastal marshlands 300 thousand jungbo, aquatic products 1.6 to 1.8 million tons, and textiles 500 to 600 million meters.⁸

During the Six-Year Plan period, North Korea's strategic calculus considered both the domestic and international factors and the needs of economic development when it mapped out plans for allocating capital investment and conducting its vigorous albeit small foreign trade. Such an approach paid off in a smooth implementation of the development plan. The official North Korean statistics released during this period demonstrate that the output of all major products, with the exception of steel and cement, reached the preset targets one year and four months ahead of schedule. The Plan period registered an average annual increase of 16.3 percent in total industrial output, which exceeded the targeted 14 percent. In 1976, total industrial

output was increased by 150 percent over the 1970 levels. The output of capital goods increased 110 percent and that of consumer goods 150 percent. As a result, the structural imbalance of industry was redressed. Industry acquired additional capacity for the production of raw materials, energy, and power and could provide 60 to 70 percent of the needs of various sectors of the national economy for raw materials. Agriculture achieved the target of 7 million tons in food grain production. The 1976 output of vegetables, fruit, and silk were 60, 120, and 120 percent higher than the 1970 figures respectively.

Growth in agricultural production and government subsidy and other forms of assistance raised the cash earnings of the workers on collective farms above the targeted level, enabling them to enjoy a living standard equivalent to that of the erstwhile rich middle farmers. As a result, the disparity in living conditions between country people and city dwellers was narrowing. The benefits of the economic boom were also dispersed to the urban population. In the second half of 1970, the average wages for workers, technicians, and government agency employees rose 31.5 percent. That year low-income employees in all sectors of the national economy received a 10 to 24 percent pay raise.

During the Six-Year Plan period, cultural and educational institutions also experienced rapid growth. In 1975 the country implemented an eleven-year compulsory education system. The number of engineers, technicians, and experts was augmented to 1 million, and a powerful indigenous technical and managerial elite became the mainstay of the nation's ambitious economic development.

During the Six-Year Plan period, new sectoral imbalances and bottlenecks stemming from an exceedingly high economic development rate emerged. The problems that gained the highest saliency included the failure of the transportation industry to keep pace with industry and agriculture. Such was also the case with the relationship between mining and manufacturing. This gave rise to such problems as the congestion of the transportation lines and a shortage of raw materials. To redress the sectoral imbalances and eliminate the bottlenecks, North Korea decided to put a one-year moratorium on the plan. The year of 1977 was designated as a year of readjustment. An effort was made to facilitate the implementation of the subsequent economic development plans.

The second Seven-Year Plan was announced in December 1977 as an integral part of the third period and as a resumption of the effort to complete the construction of a self-reliant national economy. The basic tasks of the Second Seven-Year Plan were to enhance the independence of the national economy, to further consolidate the base of the socialist economy, and to raise the people's living standards. The main thrust of the Plan was to be directed at the development and utilization of indigenous natural resources, the establishment of new industrial sectors, the creation of a comprehensive, versatile national economy dependent on indigenous natural and human

resources and characterized by a reasonable structural balance. All this revolved around the strengthening of an independent and self-reliant national economy. The approaches to the accomplishment of these goals were an all-around mechanization and automation of industry and the industrialization of agriculture. Top priority would be given to scientific research, which would speed up the improvement of production technology and managerial skills.

The major objective of the Second Seven-Year Plan was a 120 percent increase in total industrial output in 1984 as compared with 1977. The output of capital goods was to increase 120 percent, consumer goods 110 percent. The goal for the average annual growth rate for industrial production was set at 12.1 percent. More specifically, the economy was to produce 56 to 60 billion kilowatt-hours of electricity, 70 to 80 million tons of coal, 7.4 to 8 million tons of steel, 4.8 million tons of chemical fertilizer, 12 to 13 million tons of Portland cement, 800 million meters of textiles, 3.5 million tons of aquatic products, 10 million tons of food grain, and 200 to 300 thousand housing units.

In consideration of an amelioration in the international climate and the domestic economic and social needs, North Korea made a number of modifications and alterations in its internal and external policies and practices.

First, a reform of the industrial leadership system was carried out. There was a transition from subordination of the local management to control by the sectoral leadership to the domination of the local management over the sectoral authorities. There was concurrently a partial devolution of decision-making power upon lower-level agencies and a rationalized division of labor among departments and agencies.

The second reform entailed a structural readjustment of industry. For the first time, the North Koreans experimented with what they termed the revolutions of the light and service industries aimed at improving the delivery of goods and services to the population.

Third, a new, albeit limited, flexibility in internal and external policy was implemented. For instance, in the countryside, the government instituted a system of workteam responsibility, approved reclamation of wasteland and household sideline occupations by farmers, and permitted free produce markets. The regime also acquiesced in the industrial firms' marketing of the commodities produced beyond the plan quotas and gave the management more leverage in deciding the distribution of the earnings from these sales. In addition, the existing industrial wage system was rationalized to establish a linkage between remuneration and worker performance. The regime delegated more powers to industrial firms at lower levels though it was still adamant in its refusal to abolish central planning and the micromanagement of industrial operation.

During the Second Seven-Year Plan period, though beset with difficulties, North Korea achieved substantial results in its economic endeavor.

This success may be attributed primarily to the regime's wise adaptation of some of its policies to the changing times and the reconciliation of ideological indoctrination with economic work by launching the campaigns for "emulating anonymous heroes" and for carrying out the "Three Revolutions." The Second Seven-Year Plan was officially completed in 1984. During the Plan period, total industrial output increased 120 percent, with an average annual growth rate of industrial production estimated at 12.2 percent. There was some noticeable growth in agricultural production. The food grain output of 1984 was 9 million tons. The number of farm tractors rose 50 percent and weed-mowers 100 percent, greatly curtailing manual farmwork. Overall, the period registered a rise in gross national product and the real incomes of both the rural and urban population. By 1984 the gross national product was 80 percent higher than 1977 and the real incomes of workers and government employees has grown 40 percent. The government outlays on social welfare were in the vicinity of 294 million won, averaging 800 won for each household.

During this period, North Korea went on a building spree with the construction of a number of monumental structures. Notable among them were the Great People's Study Hall (or the Central Library), Man Su Dae Conference Center, Chang Kwang Boulevard, and Man Su Boulevard, which were lined with clusters of modern high-rise apartment buildings. An impressive number of rural residences on the outskirts of such cities as Nampo, Wonsan, Hamhung, Chungjin, and Danchun were renovated or remodeled. In addition, 290 medical centers for disease prevention and cure were built. Many of them were equipped with advanced, up-to-date facilities. They included Pyongyang Maternity Hospital, South Hamhung Province Stomatological Hospital, the hospital affiliated with Kang Gae Medical College, and the Kum Duk Mining Complex Hospital. The number of physicians and surgeons increased 40 percent, and the life expectancy of the citizens reached seventy-four years, thirty-six years higher than before the Communist takeover. The completion of the Second Seven-Year Plan solidified the economic base of North Korea. It could be construed as an initial success in creating a comprehensive national economy.

Through twenty-eight years and three stages of arduous economic efforts, North Korea successfully redressed the abnormalities and eliminated the bottlenecks inherent in a colonial economy. It has turned an economy mired in poverty and backwardness into a comprehensive and versatile national economy comprised of various heavy- and light-industrial sectors and self-sufficient in raw material and equipment. The country has achieved remarkable economic progress, but in its economic endeavor it has never been immune to mistakes and problems. In fact, the country has followed a tortuous course and learned many valuable lessons.

Because of a lack of experience and the tension in East-West relations during the Cold War period, Communist countries invariably opted in favor

of the Stalinist development model in the early stage of economic development. In line with this model, heavy industry takes precedence over other sectors so as to create a comprehensive system of national economy. Moreover, a regimented, rigid circulation system based on a monolithic, planned, command economy and a centrally controlled resource distribution and rationing mechanism prevails. In this way, a product economy inevitably took the place of a commodity economy.

On the one hand, the communist countries' espousal of the Stalinist economic development model was motivated by a need to offset the constraints imposed by the hostile international climate of the time. On the other hand, the model demonstrated some practicality and feasibility during the initial stage of socialist construction. It was instrumental in concentrating material, financial, and human resources, overcoming the enormous difficulties, and promoting economic construction. It would also effectively assist in constraining consumption and achieving a high rate of capital accumulation, two prerequisites for a high growth rate and industrialization in socialist countries plagued by low levels of productivity.

However, the expansion of the socialist economy was inevitably accompanied by an augmentation in the scale of economic operation, an increase in the degree of specialization and division of labor, a diversification of the needs in production and life, and a rise in the frequency of socio-economic activities. Under such circumstances, an economy will fall into disarray if the people continue to reject the market mechanisms governed by the law of value and continue to allow a few bureaucrats cooped up in their offices to exercise control by issuing administrative orders. The reason is very obvious. No matter how sophisticated, capable, knowledgeable, down-to-earth, and meticulous the bureaucratic planners may be, they can hardly cope with the complexity and fluidity of economic phenomena. This handicap on the part of the economic planners stems from a problem inherent in the planned command economy—a lack of flexibility and adaptability to respond promptly and properly to changes in the market. Therefore, the socialist countries could hardly dispense with a reform of its planned command economy at a certain stage of economic development. An overhaul of such an economy is the key element of economic reform currently underway in China and other socialist countries. The implementation of such a reform is also dictated by the needs of economic development. At certain stages of economic development, it behooves the socialist countries to reform or readjust the systems and policies incompatible with the level of the development of the productive forces and to reconcile them with the changing domestic and international situation. Socialism can thrive only on such reforms.

China's experiences reveal that at the early stage of economic development when the economy was small, the indigenous economy could be equal to the task of performing the required functions ranging from mineral

extraction to the manufacturing of commodities. However, with the expansion of the economy and the improvement of technology, there will inevitably be demands for greater quantities and more varieties of raw materials, unfinished products, and spare parts. In this case, an obsessive desire to produce everything at home will prove counterproductive and disrupt sectoral balance. Such a practice will reduce the chances of improving the industrial structure because it requires no end of expansion in various sectors. This kind of expansion is a drain on the socialist economies, especially the weak and fragile ones riddled with a scarcity of resources. An oversized, overheated economy will precipitate a intersectoral scramble for capital funds, raw materials, energy and power supplies, transportation, and labor. It will also tax the economic system beyond its manpower, financial, and material capabilities. Shortfalls in raw materials and energy supply will cause the factories either to slow down or to operate below capacity. A resultant irony is that the expansion of productive capacity will not translate into an increase in production but result in the idling of production facilities.

Economic development by definition means reducing inputs to a minimum and increasing outputs to a maximum so as to add to the social wealth and to meet the needs for expanded reproduction and the ever-growing popular demands for consumption. An economy will hemorrhage excessively if the people continuously ignore the relationship between inputs and outputs and pay no heed to the economic effects or if the state and the people are not adequately rewarded for their contributions.

In the contemporary world, few if any countries still labor under the delusion that they can rely on their own efforts to provide all the required raw materials, energy, equipment and unfinished products. On the contrary, most of them strive to increase economic interaction with foreign countries while at the same time focusing their attention on the sectors in which they excel. The sectors in which they could outperform their rivals shall become the pillars of their economies. International economic specialization and division of labor and regional economic cooperation and mutual assistance will aid a country in fully tapping its strengths and overcoming its weaknesses. By availing itself of both domestic and foreign resources and markets, a country can more easily make use of the comparative advantage and will have less trouble stimulating economic growth and accelerating the process of modernization. In short, an economy pruned of its weak and inefficient limbs will surely outstrip those bogged down in a quagmire of perfectionism and excessive size.

Since 1984 North Korea has adopted a more flexible position in its economic relations with foreign countries. Its economic interactions with foreign countries have taken the forms of foreign trade, economic cooperation, joint ventures, scientific and technological cooperation, economic aid given gratis, loans and credits. At the present moment, North Korea's main thrust is directed at soliciting joint-venture partners. To this end, the govern-

ment enacted and issued the "Joint-Venture Enterprise Law" in September 1984. The following year it promulgated the "Joint-Venture Enterprise Income Tax Law."

North Korea abides by the following guiding principles in its effort to develop trade with foreign countries: Steadfastly uphold the principle of geographical and product diversity and the primacy of creditworthiness; gradually raise the share of machine tools in the percentage of exports; and upgrade the composition of exports.

In observance of the principle of independence, equality, and mutual assistance, North Korea rank-ordered its partners in its foreign economic relations.

First of all, preference is given to socialist countries in economic and technical cooperation; second, North Korea will strive to cement close economic ties with developing countries in response to the call for South-South cooperation; third, it will expand trade and economic and technological interaction with capitalist countries provided they respect North Korea's sovereignty and independence. It will also augment its economic ties with countries with which North Korea does not have diplomatic ties.

The fourth period of development for North Korea was the period of laying a material and technological foundation for the completion of socialist construction (the Third Seven-Year Plan period, 1987-1993). The overriding tasks during this period were the development of science and technology, the expansion of productive capacity, the strengthening of the national economy, and a significant improvement in the living standards of the people. To this end, North Korea decided to focus its attention on the development of basic industries. It viewed such development as a prerequisite of the consolidation of the nation's economic base.

Basic industries refer to the mining, electric, metallurgical, and transportation industries. During the Third Seven-Year Plan period, the development of these industries was the highest on North Korea's economic agenda. "It is of cardinal importance for us to concentrate our resources on mining, electric, communication and transportation industries, and strive for their modernization and a drastic increase in their productive and transportation capabilities."⁹ To avoid sectoral imbalances, North Korea did not neglect other industries. To raise the living standards of the people, it also exerted itself in developing light industry and agriculture.

In recent years, in view of the amelioration in the international political climate and the rapid change in the Northeastern Asian situation, North Korea has modified its foreign policy. For instance, since 1988 it has held several talks with the United States and repatriated the remains of some American soldiers killed in action during the Korean War. On September 28, 1990, North Korea signed a tripartite joint statement with Japan's Liberal Democratic Party and Socialist Party, and has since been actively seeking to normalize bilateral relations. From September to December 1990, North and South Korea held three talks at the prime-ministerial level. Though North

Korea still claims to be interested in Third World countries, its Asian neighbors now occupy a more prominent position in its diplomacy.

In response to the needs for implementing the new foreign policy seeking expanded cooperation with foreign countries, North Korea has set about improving its foreign affairs agencies and training a more competent diplomatic corps. In 1987 it established the Ministry of Joint-Venture Enterprise, thus enclosing collaboration with foreign investors and traders within the government. In February 1990, in order to strengthen the Foreign Affairs Committee of the Supreme People's Assembly, the Government appointed veteran career diplomat Hur Dam, Chairman of the Committee, and Kim Yong Soon, an expert on the Western world (also director of the International Department of the Labor Party), Vice-Chairman. In addition, a special committee in charge of the reunification policy was set up within the Supreme People's Assembly.

By the end of 1989, North Korea had conducted negotiations with more than sixty countries concerning joint-venture enterprises. Agreements on more than 100 projects had reportedly been reached. At the same time, the country was preparing to open up a special economic zone for foreign investment or joint ventures on the Hapsan Island (popularly known as the Little Gold Triangle) bordering on China and the Soviet Union. At the same time, strenuous efforts were being made to bring tourism into blossom. A plan was made to turn Kangwon Province into a province specializing in international tourism and to create tourist resorts and districts along the thoroughfares linking Kum Kang Mountain, Kaesung, and Myo Hyang San, as well as Pyongyang and Nampo.

All this notwithstanding, it is still evident from the blueprint of the Third Seven-Year Plan and related documentation that in the foreseeable future there will not be any major reversal of North Korea's economic policy. Barring a fundamental change, slow, tentative, minor amendments to the current policy are still likely. However, if there is further relaxation in the international situation, if North Korea's efforts to normalize its relations with Japan and the United States proceed smoothly, and if its economic cooperation with the "Southern" capitalist countries and regions in the form of trade and joint venture prove successful, we cannot rule out the possibility that the country will be encouraged to pursue a more flexible tentative foreign policy and embark on the road of reconciliation with other countries.

NOTES

1. Kim Jong Il: "On the *Juche* Idea," *The Central Yearbook of Korea*, 1983 edition, p. 42.
2. Kim Byung Jin: *The Experiences of Building an Independent National Economy*. North Korea, pp. 32-33.
3. National Reunification Board, South Korea: *The Second Seminar of the Promotion of Economic Interaction Between North and South Korea*, p. 10.
4. Kim Il Sung: *The Collected Works of Kim Il Sung*, Chinese version, Vol. 25, p. 190.

5. *Ibid.*, p. 192.
6. The Three Technical Revolutions are designed to narrow the difference between light and heavy industrial labor as well as industrial and agricultural labor and to relieve women of heavy housework.
7. *The Central Yearbook of Korea*, North Korea, 1976 edition, p. 322.
8. *The Policy of Socialist Construction as Expounded by Our Great Leader Kim Il Sung*. Pyongyang: The Labor Party Press, 1974.
9. Kim Il Sung: "Strive to Bring the Advantages of Socialism in Our Country into Full Play." A speech delivered in the Ninth Supreme People's Assembly, May 24, 1990.

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ECONOMIC CHARACTERISTICS AND PROSPECT FOR DEVELOPMENT: WITH EMPHASIS ON AGRICULTURE

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