

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.

# 9

## ECONOMIC CHARACTERISTICS AND PROSPECT FOR DEVELOPMENT: WITH EMPHASIS ON AGRICULTURE

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In the early 1990s, the Democratic People's Republic of Korea (DPRK), commonly known as North Korea, is one of the few countries of the former world system where the traditional economic policy and a chosen adherence to socialism remain unchanged. However, as a typical example of totalitarian socialism, the DPRK feels the impact of the mistakes, deformities and distortions that were brought about by the Stalinist concepts of a new socialist society. Although not as obvious in other countries, the process of a global, all-pervading crisis is mounting in North Korea. These processes necessitate fundamental reforms in the DPRK's economy, politics, and ideology. However, the DPRK is still strong enough to retain its present economic and political system, whereas the constant military and political tensions enable it to maintain social stability and to keep in check simmering popular discontent. In addition, the DPRK is situated in the relatively stable region of Asia and the Pacific, where the tradition of totalitarian structures and so-called "iron fist" in political and economic processes are strong.

Numerous books and articles have been written about North Korea and the majority of this research has criticized *Juche*, cast doubts upon, or outright rejected the successes of North Korea in the post-colonial period. In this essay, I will size up the economic situation from a new angle and from the newer school of thought to openly admit the guilt of the USSR, its theoretical dogmas, and its actions which have deterred North Korea from holding its rightful place in world civilization which it could have achieved after Japan's withdrawal in 1945.

### NEW INTERPRETATION OF THE DIFFERENT PHASES OF ECONOMIC POLICY

The theory of the different phases of North Korea's economic policy is strictly aligned with Leninist-Stalinist methodology: the transitional period, the building of a socialist society on its own basis, the completion of the building of socialist society, and the accession to communism. The entire complex and contradictory dialectics of such development are subordinate to one communist idea: the creation of an antipode to capitalism and, consequently, the rejection of all that has been accumulated by world civilization, including the material and cultural values of the twentieth century.<sup>1</sup>

Capitalism is a multiform market economy, whereas socialism in its final form is the building of a class-free planned society. The basic criterion of the transition to socialism is the domination of policy over economy and,

consequently, coercive voluntarist methods of building a new society. This essay shows the actual content of the DPRK, its economic development divided into four long periods, each having specific tasks. The first period was 1945–1962. This period was characterized by the Stalinist model of socialism. This model involves the coercive expropriation of the means of production, the socialist transformation's primary goal of establishing a single, state-based form of ownership, and the beginning of the cultural revolution which involved the expansion of *Juche* nationalism. The explicit goals of the period included the integration of the DPRK into the world socialist market. In this early phase, the Soviet Union exerted decisive influence on the formation of the economic policy of the DPRK.

The second period of development ran from 1962 to 1983. During this period the DPRK drifted away from the Soviet model and adopted even more voluntarist Chinese methods of socialist construction. One of the many policies that the DPRK borrowed from the People's Republic of China was the principal ones were putting agriculture under state control, as well as the maintenance of the consistently high rate of growth of the economy by using running battle methods in order to achieve economic peaks. This policy was made public in 1969 in Kim's work, "On Certain Theoretical Problems in the Socialist Economy." Yet another policy included the rejection of worker management that made industrial leaders responsible for the work of their subordinates. This system was replaced by the team system of management through which industrial management is carried out by the Communist party committee using moral and political incentives, and the brainwashing of the masses in accordance with "jonsantri" methods. In addition, the DPRK chose to follow the Chinese thesis of reliance on one's own resources. At the same time, the newspapers carried editorials such as, "Let's Protect Self-Reliance." The authorities adopted the nationalist course which was formulated in these words: "independence in policy, self-reliance in the economy and defense."<sup>3</sup>

Finally, the DPRK borrowed the Chinese theory of three revolutions to start the ideological campaign of dissemination of *Juche*. The first revolution involved work to create a military industrial complex. Starting in 1962, and particularly after the party conference in 1966, militarized methods of economic management were introduced. The second stage coincided with the peak of the Cold War, on the one hand, and with tremendously increased expenditures on the propaganda of the ideas of *Juche* and the personality cult, on the other. Prerequisites took shape for the deformation and deterioration of social production for years to come.

The third period was from 1984 to 1989. During this period the DPRK's economic policy was reassessed and reviewed under the influence of economic reforms in China and the Soviet Union. The closed door policy

abandoned and in 1984 a new law on foreign investment was adopted. In addition, efforts were made for economic rapprochement with the Soviet Union, and the first limited economic reforms in industry were carried out.

New forms of foreign economic activity emerged, such as production cooperatives, joint ventures, and direct cross-border links with the Soviet Union. The government announced partial changes in its structural policy, with priority given to export and to branches of scientific and technical progress. Steps were taken to expand the sphere of consumer goods production and the sphere of services. If the government of the DPRK had deepened its innovations and developed them still further, it could very possibly have avoided the present economic crisis.

In 1990 the country entered the fourth phase of its economic policy. The earlier domestic difficulties have now been complicated by the disintegration of the world socialist economic system, the loss of gratuitous sponsors, the depletion of natural resources, and the isolation of the DPRK from the Asian and Pacific Region, which threw the country back in scientific and technological areas.

The DPRK is again toughening its domestic policy under the guise of protecting the gains of socialism: The old Team system of work has been reanimated, and the authorities are fanning up military psychosis and war propaganda. In the fourth phase the DPRK will, in its economic policy, most likely rely on China. In its foreign economic policy it will seek to retain its traditional partners. Conceptually the authorities will seek to maintain their adherence to socialism and will not relinquish the *Juche* concept. Characteristic in this respect are Kim Il Sung's two policy-making statements made at the first session of the People's Assembly of the Korean People's Democratic Republic of the Eighth Convocation (December 30, 1986), as well as at the first session of the People's Assembly of the Ninth Convocation (May 24, 1990), and in his report on the occasion of the fortieth anniversary of the DPRK (September 8, 1988). In these speeches Kim Il Sung repeated the old theoretical precepts: To transform cooperative property into all-people's property, boost the high rates of production, strengthen the dictatorship of the proletariat, adhere to a monolithic *Juche* ideology, maintain the Team system of work, and to continue the three revolutions: ideological, technical, and cultural.

It seemed at first that at the Seventeenth Plenary Meeting of the Central Committee of the Korean Workers' Party's Sixth Convocation in January 1990 there were some signs of change in the economic policy of the country because the problem of further growth in production linked with the task of boosting the economy and the task of adopting the achievements of scientific and technological progress. It was suggested that the volume of investment should be reduced. The Party called for the adoption of the cost-accounting method. But as it turned out, plans for economic regulation, just as before in the years of "hot" seven-year-plans, were just talk. The costly economic mechanism does not allow production to be made any more effi-

cient or losses to be reduced. Subsidizing science, technology, and consumer goods production was put at the bottom of the list of priorities. The DPRK has a fairly well developed scientific and technological potential: 1.3 million scientific, technical personnel, two universities, 238 schools of higher learning, and 200 research centers. In addition, 10,000 North Korean specialists were trained in the USSR and other countries. A law was passed boosting science and technology to bring to account those officials who do not to carry out plans for scientific and technological development. However, the class approach to this sphere of activity—"the working class is the hegemon, whereas the intelligentsia is second in importance," and "there is a technical mysticism among intellectuals whereas workers show initiative in making inventions"—holds back scientific and technical progress.

In his statement "On Further Development of Science and Technology" (August 1, 1985, made before senior officials of the Central Committee of the Korean Workers' Party) Kim Jong Il enumerated some of the key areas of scientific and technical progress. He attached particular significance to microelectronics, computer technology, substitutes for missing raw materials, fuels, scientific and technical progress in metallurgy, chemistry, and so on. The program of sweeping modernization of science and technical progress calls for extensive resources and skilled personnel, neither of which can be found in the DPRK.

## LOST OPPORTUNITIES

Today we can say with a fair degree of certainty that the DPRK is pursuing a dead-end economic policy. The economic conditions and geographic position of North Korea among the most dynamic countries (Japan, the New Independent Country [NIC], the Association of Southeast Asian Nations [ASEAN]) and its relatively strong economy in the past enabled it to move ahead in the post-colonial period at a similarly high rate as South Korea, Taiwan, or the other NIC of Asia. Actually North Korea had a certain advantage over them in this respect.

The economic structure of colonial Korea had certain features that made it very different from other poorly developed dependent countries. On the one hand, it was an agrarian country with about 75 percent of the population engaged in agriculture and with 45,000 big landowners in the north alone. On the other hand, by the early 1940s North Korea was by far the most industrially developed colony in North-East Asia. It had modern metallurgical, extracting, military-chemical, and energy-generating facilities operating mainly in the north of the country and filling the needs of the Japanese war-oriented economy. North Korea produced over 90 percent of the iron and electric power and about 85 percent of minerals extracted on the peninsula as well as one-third of the products of its light industry. North Korea's industrial complex was closely linked with the Japanese economy. In c

words, it was oriented toward the Asian Pacific Region (APR). It is true that this complex suffered from major disproportions: It had no machine-building industry, nor any modern technology. However, the old traditions of its industrial development, the existence of a workforce 2 million strong, and rich mineral and fuel and energy resources enabled North Korea in the postwar 1940s to become one of the most rapidly developing countries of North-East Asia, along with Japan. That development was halted mainly for the following reasons.

First, the communist regime (established with the direct assistance of the Soviet military command) oriented North Korea's economic development within the framework of the world economic socialist system strictly in accordance with the general directive binding on all socialist-oriented countries—the creation of a socialist economic area (a world socialist market with its own currency, prices, and administrative mechanism) isolated from the global economy. In accordance with the concept of the international socialist division of labor, each country within this world socialist area was assigned its own specific role. The DPRK—just like Cuba, Mongolia, or Vietnam—was to become the source of raw materials and cheap labor for the global economy of socialism.

Second, the international and national interests clashed almost immediately because the Stalinist doctrine of a diversified and independent economy, a doctrine that dominated the world system of socialism, was equally applied to the DPRK where, in the years of industrialization, an unscientific, dead-end concept was taking root, the concept of the simultaneous development of heavy and light industries and agriculture, with the emphasis on the heavy industry. Because of this theory, the DPRK ruled out different priorities at different stages of economic development as did the Republic of Korea starting in the early 1960s. By doing so, North Korea ruled out the possibility of developing an export-oriented economy as part of the world (and not only of the socialist) economy.

Third, the economic strategy of the DPRK was undoubtedly influenced by the complex political situation on the Korean Peninsula. Starting in 1962 (and to this day) the DPRK has pursued a policy aimed at building an economy focused on defense. North Korea's defense expenditures made up one-third of the expendable part of the budget and its army personnel increased to 1 million. The orientation toward the military industrial complex left no room for the development of civil branches and opened the way for hypertrophied development of military industries, including mechanical engineering.

Simultaneously, North Korea strengthened its military and economic links with the Soviet Union and distanced itself from South Korea, Japan, the United States, and other countries of the West as "allies in the anti-communist bloc."

By the 1970s North Korea had developed a military industrial complex that drew on military assistance from the Soviet Union. This pecu-

liarity distinguished the DPRK from the other socialist Asian countries with their emphasis on the economic goals (rather than military), which gave the civil branches a fair reserve of strength. Even during the most difficult period (the war in Vietnam) China and Vietnam demilitarized their economies in the 1970s. The economic conversion in China enabled it to raise its general technical and technological level of industrial development and to speed the advance of its national economy.

## THE QUANTITATIVE AND QUALITATIVE CHARACTERISTICS OF THE NORTH KOREAN ECONOMY

In spite of all its efforts, the DPRK has failed to rise above the level of an average developed country with a deformed economic structure. The potential strength of any country lies in its labor resources. The level of population growth in North Korea is higher than many other countries (1.67 percent year on average). In South Korea, by contrast, population growth is a mere 0.97 percent. At present the population of the North Korea is 22.3 million with its active population at 6.6 million. The problem goes far beyond a shortage of jobs (according to some assessments, the excess of work force runs 200–400 thousand) or the low professional skills, and extends to a food shortage. Suffice it to say that there is only 300 kg of food produced in North Korea per capita (not counting 30 percent of losses), which is half as much required by health standards. North Korea has a limited gross national product and national income—19.5 billion and 18 billion won respectively, 47 percent of which (9.2 billion won) comes from industry, and 20 percent (3.9 billion won) from agriculture. In spite of the fact that 43 percent of the active population is involved in agriculture, the country cannot provide itself with farm produce and, according to some estimates, imports up to 1 million tons of grain annually.

The lopsided structure of the national economy can be illustrated by the overproduction of machines that have no foreign market (27.2 percent of the total cost of industrial output) and metal (15.3 percent). By contrast, consumer goods hold a rather modest proportion (13–14 percent).

The share of services and internal trade is miserably small. The paradoxes typical to a developing country, including an excess of labor and a shortage of a skilled workforce and 50 percent of expenditure going to capital construction, with half the existing capacities standing idle all exist. The familiar picture of wastefulness on one side and an acute shortage on the other is apparent. All of that is the result of the wasteful, ineffective system of economic management, the domination of the command system of administration, and the absence of market economic levers, money-commodity relations, and competition.

Starting in the 1970s North Korea lost out to South Korea in both qualitative and quantitative development, and consequently in the choice

its model of development which was oriented toward a public-based type of economy, massive assistance from the socialist countries, and a closed economy. As is known, South Korea started out with and continues its economic growth under the conditions of rigid, state-controlled management, as in North Korea, but at the same time it gave wide play to private enterprise. South Korea also observed sectoral priorities and pursued a rational financial policy (prices, taxes, bank interests, credit policy). North Korea rejected the need for using commodity-money relations and ignored the economic law of cost. Its fundamental theory is a high rate of development as the principal law of the socialist mode of production. The result of this policy is economic decline and stagnation (Table 1).

As Table 1 indicates, the actual growth rates are a far cry from the target figures that, according to the plan, are to rise steadily. The current Seven-Year Plan period (1987-1993) witnessed the beginning of an industrial decline in absolute terms (Table 2).

As evidenced by Table 3, the DPRK is no longer developing faster than the Republic of Korea: While in the mid-1970s the gap was 1.6-fold, by the early 1990s it had risen to 9 plus times. Though South Korea's economy is also in a downturn, its growth rates are still fairly high.

The energy sector is North Korea's Achilles heel since this complex was geared in the DPRK to electricity generated by hydropower and thermal power stations. The DPRK has depleted their stock of these energy carriers, and problems with the generation of electricity are what explain the major industrial decline in the two last years. Today construction is beginning on 10 big and 500 small and medium-sized hydropower stations. However, the problems before the energy sector can only be resolved through the use of oil and gas (no gas or oilfields have thus far been found in the country) and the construction of a nuclear power plant, that is, through the attraction of large foreign investments. But who is willing to give loans to that country and how can it repay loans?

Data concerning the level of the DPRK economy is extremely discordant, both in terms of value and physical indicators. Also, there are differences in the calculation of the won rate in dollars. The Soviet Union uses the following exchange rates: 1.6 won per ruble and 2.1 won per U.S. dollar. The U.S. Central Intelligence Agency must use different rates, which makes for

TABLE 1

PLANNED AND ACTUAL GROWTH RATE  
IN DPRK BY PLAN PERIODS (IN PERCENTAGE POINTS)

	1st 7-yr. plan pd. 1961-1967	6-yr. plan pd. 1971-1976	2nd 7-yr. plan pd. 1978-1984	3rd 7-yr. plan pd. 1987-1993
Target figure	14.6	10.3	9.6	7.9
Assessment	8.6	6.0	4.5	3.0

TABLE 2

PATTERN OF NORTH KOREAN ECONOMIC DEVELOPMENT DURING  
THE 3RD 7-YEAR PLAN PERIOD (1987-1993) (IN PERCENTAGE POINTS)

Indices	1987	1988	1989	1990
GNP	1.7	2.5	-5.3	0
Industry	1.4	3.2	-10.6	0.5
Agriculture	1	-1	-1	-1.3

SOURCE: *Choson Ilbo*, December 12, 1990 and assessments by Soviet experts.

different assessments of per capita national income: 400 to 500 U.S. dollars according to Soviet experts and some 900 dollars according to the CIA (Choson Ilbo, December 12, 1990). Though some of the data provided by South Korean experts and contained in Table 4 (on page 150) may be challenged, in particular those on foreign trade and debt, it is of interest and balance, is quite accurate as regards the gap between the DPRK and South Korea.

The North Korean economic specialization determines its role and profile in the global economic ties. North Korea's exports are typically those of a developing country: It mostly exports raw resources and commodities and its export-oriented sectors have long been technologically and morally obsolete. Among its basic export items are anthracite (2 million tons); iron ore (1 million tons); ferrous metal rolled products (400,000 tons); zinc (120,000 tons); cement (1.3 million tons); magnesite slag (600,000 tons).

North Korea has 400 engineering enterprises, including 100 large ones, but most of them service the military-industrial complex and their products are not on the global marketplace, being low-quality.

Therefore, North Korea's imports cannot become an answer to the problem of the upgrading of equipment since more than 40 percent of the value of the country's imports are crude oil and oil products (3 million tons and 150,000 tons, respectively), coke and coking coal (300,000 tons and 1 million tons, respectively).

Machinery and equipment account for 25 percent of the value of North Korea's imports, but the country is tied to the supplies of engineering

TABLE 3

PATTERN OF NORTH KOREAN ECONOMIC DEVELOPMENT  
(IN PERCENTAGE POINTS)

Indices	1987	1988	1989	1990 (assessment)
GNP	13	12.4	6.7	9
Industry	18.8	13.4	3.7	—

SOURCE: "Korea and the World, 1990"; *Key Statistics*—Seoul, 1990, p. 27.

TABLE 4

COMPARED LEVELS OF ECONOMIC DEVELOPMENT OF NORTH AND SOUTH KOREAS IN 1989

Indices	Unit of measurement	North Korea	South Korea
GNP	billion dollars	21.1	210.1
Per-capita GNP	U.S. dollars	987	4,968
Population	million people	21.4	42.4
Annual population growth	percentage	1.64	0.97
Defense expenditures	billion dollars	4.5	9.2
Energy generation	billion kwh	30-33	94.5
Coal production	million tons	50-52	19
Crude oil import	million tons	2.6	40.4
Steel production	million tons	3.7-4	21.9
Cement production	million tons	7-8	30.1
Rice production	million tons	4	6 <sup>a</sup>
Fish output	million tons	2	3.2 <sup>b</sup>
Length of railways	thousand km.	5.0	6.4
Foreign trade	billion dollars	4.79	118.2
Export	billion dollars	1.95	61.4
Import	billion dollars	2.84	56.8
Foreign aid	billion dollars	6.78	29.4

SOURCE: <sup>a</sup> *Hanguk kenzeyi Gus Thonge*, 1990, Seoul, 1990; *Korea and the World*, 1990; *Key Statistics*, Seoul, 1990, p.27. <sup>b</sup> 1988

products from the USSR—which, to be sure, is true of the bulk of raw resources.

Basically speaking, the DPRK, was experiencing changes in the international cooperation environment which included the following:

1. East European nations have virtually abandoned North Korea, have cut technological aid, and have reduced their trade sharply.
2. China withheld new loans to North Korea. Also, China does not take part in the North Korean modernization effort; in fact, all it does is develop trade in limited amounts on a well-balanced basis, with strict compliance with obligations concerning individual groups of commodities.
3. The Soviet Union suggested going over to world prices and convertible currencies in international trade beginning in 1991, demands the payment of loan-repayment arrears to the tune of 2.2 million rubles, does not give loans on preferential terms, and recalls its experts. Soviet enterprises are not showing an interest in the development of direct ties with the DPRK. Imposed by ministries "from the above," cooperation in the consumer industries using Soviet raw materials to produce end products began to fold down sharply beginning in 1990. Cooperation in engineering

(the building of ships and vessels by Soviet orders) is also stalling. Finally, the construction of the only big joint venture facility in engineering, Hichchon-Gorky, has been shelved too.

4. Worsening foreign trade environment, and search for alternative sources of economic initiative.

Stagnation and industrial decline in the late 1980s and early 1990s depressed the DPRK's foreign trade in absolute terms. While in 1989 the volume of foreign trade went down by 5 to 6 percent, in 1990 the drop was 9-plus percent. (*Choson Ilbo*, December 12, 1990).

The drop was most noticeable in trade with the main partners, the Soviet Union, China, and East European nations. Trade with this group of countries dropped by 12.8 percent (export by 15 percent), including 11.8 percent for the USSR because of the folding of ties in production cooperation and the consumer industry. The USSR is North Korea's main foreign trade partner and the only country giving North Korea technological aid (the construction of the East Pyongyang Thermal Power Plant with a capacity of 200,000 kW, a 100,000-spindle textile factory, the development of a feasibility study for a nuclear power plant with a capacity of some 1.7 million kW, etc.). In addition, the USSR is the only nation among North Korea's former allies that has small joint ventures with North Korea. However, now obligations concerning trade agreements have a 20-40 percent rate of fulfillment, and the projects built with technical aid from the Soviet Union operate at 70 to 80 percent of capacity.<sup>4</sup>

Trade is falling with all of North Korea's main trading partners (Table 5).

TABLE 5

DPRK TRADE IN 1990 (IN MILLION RUBLES)

	Trade Volume	% of Total	1990 as % of 1989 level
Total	1980	100	87.3
USSR	1340	67.7	39.2
China	317	16.0	94.5
Czechoslovakia	85	4.3	203.8
Bulgaria	23.1	1.2	92.8
Hungary	6.3	3.2	40.2
Poland	80	4.0	74.8
Mongolia	8	0.4	97.6
Cuba	38.5	1.9	269.0
Albania	10	0.5	100.0
Romania	10	0.5	40.0
Yugoslavia	1	0.5	—
GDR	5	0.3	11.1

SOURCE: Foreign trade statistics of the above countries.

This sharp drop in trade took place even before the transition in trade with the socialist countries for freely convertible currency. These countries account for 67 percent of all trade; capitalist ones, for 22 percent, and developing nations, for 11 percent.

Apparently, the DPRK cannot in the foreseeable future make up for the fall in the absolute figures of its trade with the countries of what was known as the world socialist system by expanding its trade with new partners from a different socialist system. This calls for making major changes to the internal course, economic reforms, the normalization of relations with the Republic of Korea that could take up much of the slack.

It is particularly disconcerting that the DPRK export level is virtually stagnant. Previously, the DPRK compensated for this by taking loans on import deliveries and keeping a chronic deficit of foreign trade, mainly by not fully meeting its delivery obligations to the USSR (Table 6).

The results of the economic development in 1990 indicate that no changes have taken place in the structural policies, despite the official protestations to the contrary. These policies continue to be based on the fuel, energy, and raw material sectors and the energy-extractive industry-engineering triad. However, the DPRK failed to expand its production of machine tools, ships, or railway carriages. For the time being, things do not go beyond verbal declarations concerning the development of electronics, information technology, computerization, and the production of robots. North Korea is to blame for marking time in the fields offering a possibility of progress: the production of numerically controlled machine tools, flexible systems, and modules manufactured by Soviet-North Korean joint ventures.

As we have noted above, cooperation for the production of end products from Soviet raw materials is being ended. The Soviet market did not receive 100 million rubles worth of goods or 25 million rubles worth of clothing because of the disruption of the supply to the DPRK of spare parts and accessories in 1990 alone (*Izvestia*, February 22, 1991).

The result is unpromising: A fall in cooperation on the basis of Soviet-supplied raw materials amounted to 50 percent (*Izvestia*, February 22, 1991).

TABLE 6

DPRK TRADE WITH THE USSR (IN BILLION RUBLES)

	1987	1988	1989	1990
Total	1.23	1.60	1.50	1.34
Export	0.43	0.54	0.56	0.49
Import	0.8	1.06	0.94	0.85

NOTE: North Korea's clearing arrears to the USSR were equal to 260 million rubles in 1990.

SOURCES: Data concerning Soviet foreign trade statistics. See: Soviet Foreign trade in 1988 and 1989; Yearbook; data for 1990, assessment by the Ministry for Foreign Economic Ties.

Due to a lack of capital investments, the export strategy was not backed up by the growth of production. Under the plan, during the current five-year period the export of nonferrous metals was to rise fivefold, that of magnesite slag, cement, vegetables, and fruit, by twofold.

Without resources for the expansion of production, the DPRK began to go over to other forms: It began to export labor extensively, first of all to the USSR, Kuzbass coal field, the Yakutia SSR, the Primorsky Territory (construction projects and agriculture), and more attention was paid to foreign tourism. An emphasis is being made on small enterprises in the services and mediation services.

### CAN A NEW ROAD BE CHOSEN FOR ECONOMIC REJUVENATION?

The DPRK will have far more difficulty restructuring its economy than Vietnam and Mongolia had. The latter use their market economy to gain a margin of safety and to re-orient the structural policies for the agro-industrial era, that is, they accept the sensible alternative of self-containment in foodstuffs, accumulation at the expense of agriculture and industry processing agricultural produce, export, and, consequently, foreign currency resources.

But for the time being, the DPRK is not willing to change either its general approach (an overly centralized economy) or the traditional strategy of import substitution known as self-reliance. The task now is the need to obtain new loans from new creditors. To this end, the premier of the Administrative Council, En Hen Mun, made visits to China, Thailand, Indonesia, and Malaysia in 1990. However, these visits produced no visible results. China is preoccupied with its own economic problems. Besides, the DPRK is known to the world as an unreliable trade partner. The DPRK's total foreign debt is 4 to 5 billion rubles, including 2.2 billion rubles to the USSR (*Izvestia*, March 1, 1990). The total of its arrears to the USSR alone is 1.5 times as big as the value of the North Korean exports to this country. The USSR is raising the question that the North Korean debt should be denominated in freely convertible currency because of the transition in 1991 to payments and settlements in freely convertible currency and the current world prices (*Izvestia*, November 3, 1990).

What model for a new economy capable of coping with the economic crisis did Kim Il Sung choose? Many Western observers believe that North Korea is sure to follow the Chinese model of economic reform, that is, a planned, regulated market economy with an emphasis on an open economic policy. The North Korean leader may be fond of the Chinese model (economic rejuvenation without political reforms and the Chinese example of compromise solutions): a market economy and a rigid control on part of the state, a multisystem economy with the predominance of the state sector.

This compromise has allowed China to preserve social stability for a time, to prevent the breakdown of the command and administrative system, and to preserve the Communist Party's control of society. Kim Il Sung can reform the economy without reviewing the idea of a socialist choice of a society model without resorting to political pluralism and without sharing power with any opposition party.

The future of the North Korean economy will be determined, to an extent, by the destiny of perestroika in Russia, a republic with which the DPRK will probably preserve economic interests and by whether Russia's democrats succeed in breaking down the all-powerful command and bureaucratic machinery. Yet one should not overestimate the current influence of the USSR on the DPRK that is increasingly distancing itself from the USSR and moving closer to China, Japan, and other Asian-Pacific nations.

### AGRICULTURE IN THE DPRK'S SOCIOECONOMIC STRATEGY

The national policy of containment and geography create obstacles to North Korea's self-sufficiency in foodstuffs and to its agricultures developing into a major export-oriented sector. Like the USSR, North Korea has taken the line of combatting private interest and private property in agriculture, beginning with an agricultural reform in March 1946. At that time, there was a sequestration of not only landlords' lands but also those of well-to-do peasants, monasteries, and other owners. The August 1946 Nationalization Act destroyed virtually all the sources of private initiative, including title to factories, plants, finances, various kinds of large real estate, economic resources, and the right to trade. The North Korean authorities acted on the formula of the Bolsheviks in the Great October socialist revolution of 1917: all power to the Soviets (people's committees), the land to peasants (but only to those having little land and day laborers), the factories to workers. This laid the basis for the military communism, a society devoid of any private or individual initiative. As in Russia, peasants did not own their land for long, losing the title in 1954. During three years (1954-1956) the peasantry lost all land to cooperatives of a higher socialist type that socialized labor, land, and other means of production and robbed peasants of the right to dispose of their products on their own (i.e., to sell them). These actions later received a theoretical grounding in the party's two economic programs: Economic Problems of Socialist Construction and Theses on Socialist Agrarian Question. The next step was the implementation of the Communist doctrine concerning the wiping out existing differences between the state and the cooperative forms of property and enhancing the latter to the level of the former. This policy of the wiping out "essential differences" included:

- construction of all facilities in the countryside at the expense of state funds, confiscation of cooperatives' internal accumulated capital as a source of their own economic initiative;
- leveling the living standards and wages and salaries in town and country. The unit of work on collective farms, the work day, became in effect a strictly egalitarian labor remuneration system, and personal plots of land, a source for the functioning of peasant markers, were virtually eliminated. Other policies of this kind include the application of army-type work methods among the peasants; the construction of housing at state expense; a ban on the choice of the place of residence and work and even on travel in the country.

Therefore, rather than being bodies stimulating collective peasant labor, cooperatives began to carry out fiscal functions. But this was still little as the danger persisted that private peasant initiative would be revived because of the "survival" of the philosophy of private ownership among peasants. Therefore, beginning in 1974, the Workers' Party declared that it was time to develop cooperatives into different, consistently socialist, enterprises by combining what is purely peasant work with village industry with one person working in different crafts.<sup>5</sup>

What was essentially the scrapping of cooperatives was theoretically rationalized as an attempt to intellectualize the peasant and remove class distinctions since as soon as there is undivided property in the hands of the state and party apparatus, there is only one class: a socialist laborer.

This is what in effect has taken place in Korea if classes are defined regarding their relationship to different means of production and different kinds of ownership. However, even though this subject should be better dealt with in another work, a "new" class has emerged in North Korea (according to the Yugoslav scholar and politician, Gilas) that unconnected with the means of production and not being a productive class, oppresses; gives instructions to, and overshadows workers, peasants, and the intelligentsia. This class is party and state elite and the bodies of repression, even though for some reason they are described in socialist countries as law-enforcement agencies (in a state not ruled by law).

### AGRARIAN POLICY: PROGRESS AND PROSPECTS

The agrarian policy of the Workers Party of Korea has been, apart from bringing all activity in this field under state control, aimed at building a material and technical base of socialism in agriculture, attaining



country's self-sufficiency in essential foodstuffs, and replenishing its export resources with farm products. Stepping up intensive farming has been the only way to enhance production in the face of a dire shortage of arable land (there are 0.12 ha of cultivated area per inhabitant, on average, the arable land constituting only 16 percent of the national territory). The achievement the DPRK has to its credit in this respect is beyond question. With half the workforce engaged in farming and less than half the crop area, it produces nearly as much food as South Korea. This is due, notably, to irrigation and application of advanced farming techniques, including chemicals. An area of 1,400,000 ha is constantly irrigated; there are 1,700 reservoirs in operation, and the total length of irrigation ditches is 40,000 km (DPRK, *Reference Book*, Moscow, 1988, p. 65). The Kiyang, Phennam, and Odhidon water-engineering systems are among the major irrigation installations.

Plans are afoot to enlarge the arable area by 25 percent by bringing into cultivation 300,000 ha of salt-marsh and 200,000 ha of new land through terracing, drainage, and by ploughing up fallow land. These are, in large measure, public works, involving manual labor and employing redundant manpower for a time. A total of around 1,000 kilometers of dikes will have to be built to make more land suitable for cultivation on the Yellow Sea shore. One example of a modern-type water-engineering development is a high dam in the Taedong River estuary, just outside the city of Nampho. The dam is 8 km long, 30 m high, on average, and 150 meters wide at the foundation. This is a project of the century hard to overestimate: It will make the river navigable for shipping of up to 20,000 ton displacement from Nampho to Pyongyang, enable fresh-water irrigation of surrounding fields, improve water supply for the Pyongyang industrial zone, ease flood control, and resolve some general transportation problems (V.I. Denisov, V.I. Moiseyev, *DPRK—40 Years*, pp. 14–15).

However, success gained in building up the material and technical base, along with strong centralized leadership, cannot resolve the main problem—that of food supply—nor forestall the flood aftermath. There was a striking case in point to note in 1990 when heavy summer flooding destroyed one-third of the rice crop and the damage caused was estimated at \$1.5 billion. The DPRK appealed to international organizations for emergency aid to prevent threatened famine in some areas. It had to sacrifice some of its gold and foreign exchange reserves for grain purchases abroad. Because of a reduced grain harvest, the daily food rations had to be nearly halved. Normally, they averaged 400 grams of rice and 100–150 grams of other food.

It may be recalled that one of the long-term priorities of economic expansion, which was to have hastened the "full victory of Socialism," is to grow a grain crop of 15 million tons, including 3.9 million tons of rice and 1.5 million tons of maize. Other items of average monthly agricultural production in the 1980s were 350–370 thousand tons of potatoes and batatas; 3.5–3.6

million tons of vegetables; 450 thousand tons of fruit crops, and 170–200 thousand tons of meat. Stable low levels of agricultural production, in the absence of food imports, make derationing impossible, although the rationing has been prompted also by ideological guidelines—those of maintaining an equalized distribution of material values, relieving the population of "extra" money, and discouraging commodity-money relations. Note-worthy figures are available in respect to equalized average monthly incomes of the urban and rural household; the urban income is 180 hwan. The annual income of a peasant family is 2,400 hwan. Consequently, the monthly income is 200 hwan. This sum is reduced by an order of 30 to 50 percent through all kinds of levies and savings bank deductions (although there has been no official taxation since 1974). Thus, the disposable income—that is, the amount that remains after deductions to meet the cost of public utilities, urban transport fares, public catering, and children's day-care accommodation, is \$4–5. That is the pay rate for 14–16 hours of hard work. Pension rates are 15–30 hwan which, considering the nearly total absence of a part-time farming income, means that the Korean peasant has no normal livelihood.

## UPSHOT AND OUTLOOK

The DPRK had great economic potential for quickly overcoming its economic backwardness and entering the dynamically developing Pacific Rim as an equal member. Some Asian NICs which had the same or even worse starting conditions than the DPRK when they set course for dynamic growth by implementing a flexible open-market economic policy have left the DPRK far behind. It is the developing capitalism that has so far won the economic competition with socialism on Korean soil.

The main drag on economic growth in the DPRK, especially on the evolution of a socialist order of society, was the negative influence of the Great Powers, its neighbors the USSR and China. The transplanting first of Stalin's and then of Mao Zedong's methods of building a new type of society to Korean soil—as an antipode of capitalism oriented toward cooperation within the restricted economic space of the world Socialist economy—deprived the DPRK of the advantages produced by world civilization and the world's scientific and technological progress of the twentieth century.

The persisting military instability on the Korean Peninsula, artificially fostered by Communist propaganda, with a danger of the Cold War escalating into a hot one, has compounded the above mentioned abnormalities with tailoring the DPRK's economic development to the needs of the military-industrial complex, which is drawing off one-third of public spending for noncivilian ends.

The DPRK has none of the advantages it could have derived from intra-Korean economic exchange and from economic, scientific, technological, and cultural cooperation with South Korea.

The external and internal conditions for a continued commitment to the Socialist option drastically worsened at the opening of the 1990s. An economic recession set in, external economic links decreased, and there was no more economic aid on soft terms from major sponsors, former allies. The structure of the Korean economy and its standard of performance keep it hamstrung, that is, prevent it from joining the economic processes in the Asian and Pacific region without considerable foreign aid injections. Western capital is so far steering clear of the DPRK's economy for want of political guarantees. The DPRK has gone bankrupt in the world exchange market. The only way out is to look for new mutually beneficial forms of cooperation with the USSR and to advance the political dialogue with South Korea.

The DPRK is on the threshold of economic change. In all likelihood, it will draw upon the experience of the Chinese economic reform which has served to score impressive economic gains while maintaining the traditional political structures and Communist ideology readjusted in line with the "specifically Chinese" mode of building Socialism.

## NOTES

1. These values are numerous and difficult to strictly define, yet they include such things as scientific and technological progress, democratization, social guarantees, and the law-based state.
2. In 1964 the Party made its agrarian program public in "Theses on the Socialist Agrarian Question in our Country."
3. The Political Programme of the Government of DPRK, 1967.
4. There was a time when the Soviet Union played an important role in the building of North Korea's industrial potential. Enterprises built with Soviet help produced basic, including export-oriented, products. In 1990 they produced: 65% of electricity, 40% of iron ore, 35 to 40% of rolled steel, 100% of aluminum, 60% of oil products, 20% of textiles, as well as 100% of enameled wire, 90% of batteries and microelectric motors, and 33% of ball bearings.
5. Significantly, Kim Il Sung said in his address to the ninth session of the DPRK's Supreme People's Assembly of the Fifth Convocation November 29, 1974, titled "Some Points Concerning the Full Implementation of Agrarian Theses:" "For long years our peasants lived under the conditions of the domination of private property, consequently, the ideology of individualism has struck deep roots in their minds. The agricultural cooperatives that will be the first to go over to a national ownership at the pilot stage must faithfully observe the socialist principle of distribution . . . . They must be administered by industrial methods. Agricultural cooperatives should be made national property at a district level . . . They must be administered by district committees for the administration of agriculture, . . ." (Ibid., Pyongyang, edition of 1979, pp. 5, 15, 17, 22.)

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