

The Most Recent Changes in the Democratic People's Republic of Korea Economy and the Prospects for the Future

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Summary

The basis of the economic policy of the Democratic People's Republic of Korea (hereinafter the DPRK) is traditionally an adherence to a socialist planned economy and the expansion and development of an independent national economy. In terms of the ownership system, adherence to a socialist planned economy requires the societal ownership of the means of production. In addition, the carrying through of the leadership of the Workers' Party of Korea is also required. On top of that, the "Socialist Corporate Responsible Management System" has come to be implemented, which increases the autonomy of management of state-owned enterprises and cooperative farms.

Regarding the content of the "General Guidelines" which were issued by First Secretary Kim Jong Un in May 2014, from the results of interviews with DPRK academics which the author made multiple times, I found that there were the following two principles. First is properly realizing the nation's unified leadership and strategic management, that is to say, creating a scientific economic development strategy, and then based on that putting into effect a prospective plan (long-term economic plan) and a current plan (an economic plan for each year). Second is giving priority to the political projects of the Workers' Party of Korea aimed at economic projects.

The socialist management responsibility system in the industrial sector is to continue being reformed, while preserving the two above-mentioned principles on economic management methods for factories (they call institutions which are run under an independent accounting system "socialist enterprises"). Although the main strategic indices continue to be under the jurisdiction of the central government in the establishment, leading and control of economic planning, regarding other indices local People's Committees and enterprises are delegated the authority to create plans. There is a line of continuing to delegate to every socialist enterprise the right to production organization, management mechanisms, the right to labor adjustment, the right to product development, the right to quality control, the right to personnel management, the right to trade and the right to undertake joint ventures and collaboration, the right to financial management, and the right to price-setting and sales. In addition, there is the line which emphasizes the strategic management and management judgment of whole companies, introducing various management systems and responsibility systems on the criteria of such units as equipment, buildings, surface area, roads, and apartments, and strengthening the unified leadership, as with the "square meter management system".

The same as for the industrial sector, the socialist management responsibility system in the agricultural sector cooperative is to continue being reformed, while preserving the two above-mentioned principles on economic management methods for cooperative farms (the same as with factories, they call them "socialist enterprises" which are run under an independent accounting system).

As a method for that, and as a method for further heightening the responsibility system within the sub-work-team management system, a system of responsibility, dividing certain fields among individuals or small groups of people, making them responsible for feed management, and putting them in charge of fields which stresses the results of that distribution, was introduced nationwide in the second half of 2012. From the following year of 2013 it was substantively introduced, and in the writings of Kim Jong Un at the "National Agricultural Sector Sub-Work-Team Leaders Conference" on 6 February 2014 the "Field Responsibility System" was formulated. The production plan by the state has been directed in the same way as the Sub-Work-Team to date (on average, 15 to 25 people), but within the Sub-Work-Team at the time of division, it has come to be the case that the division stresses the size of the harvest for the fields which are taken charge of.

For changes other than those, in the 2015 "New Year Address" First Secretary Kim Jong Un emphasized a shift to

the “improvement of the people’s lives”, the “three pillars” of agriculture, the livestock industry and the marine products industry were taken up, and the making of the objective of the improvement of nutritional balance, and not only calories, was noted. In connection with economic management, in addition to the terms “management strategy”, “business strategy”, and “competitiveness” having come into use, the promotion of “activities to establish Korean-style economic management methods to meet real needs” was emphasized. The third national conference of financial and banking officials was held in Pyongyang on 13 December 2015. It hadn’t been held for almost 25 years. There, with First Secretary Kim Jong Un stating “Let us dynamically accelerate the building of a thriving nation by bringing about a turn in financial and banking work”, it could be seen that how they can satisfy the investment requirements for economic construction is currently a major economic issue in the DPRK. At the conference, in the report which Vice-Premier and Chairman of the State Planning Commission Ro Tu Chol made he stated “I emphasize that in financial management, we have to fulfill smoothly the needed funding requirements in order to realize measures for the people, properly combining creativity in individual units with the state unified planned guidance, raising the functions and role of the state budget, and thoroughly go through the translatory route of the Workers' Party of Korea”. If there is change in the financial sphere, and it is linked to official approval of investment via the decision of state-owned enterprise (namely, company activities with the aim of making a profit), then the economic aftereffects are forecast to be great.

After the 7th Congress of the Workers' Party of Korea, what direction will the DPRK head in politically and economically? Looking at the summary report of the party central committee at the 7th party congress, amongst other things, it would appear that matters will be carried out cautiously and steadily. This is based on the realistic judgment that it is not possible without the people and the army’s approval, being their own governing base, via the recovery of the domestic economy and the entry into a path of growth. However, with the antagonism with international society deepening, with, entering 2016, the nuclear test, the launching of a satellite using ballistic missile technology, and the firing of short-range missiles, what kind of growth strategy will be delineated? The uncertainty is great, and the reality is that the external situation will become increasingly harsh.

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