

# Analysis of DPRK Macroeconomic Trends in Recent Years

JIN, Zhe

Secretary-General,

Liaoning Academy of Social Sciences Center for Korean Peninsula Issues Studies,  
and ERINA Collaborative Researcher

In the DPRK the event of the supreme leader making an inspection in the economic sector is a peculiar tradition that has been continued over many years to encourage economic development. From the "Arduous March" on, the inspections of the economic sector by the supreme leader, as things to try and resuscitate the DPRK economy, have become a motivating power leading the DPRK economy in a better direction. Consequently by analyzing the trends in the inspections of the economic sector by General Secretary Kim Jong Il, it is possible to obtain important data which can become the basis for objectively and accurately analyzing the present macroeconomic trends.

The author carried out analysis on the DPRK macroeconomic trends in recent years, aggregating the reports by the Korean Central News Agency of inspections of the economic sector by General Secretary Kim Jong Il and compiling the "tables of statistics relating to the inspections in the economic sector of General Secretary Kim Jong Il (2005-2010)".

## 1. The DPRK Economy and Signs of Improvement 1-1. The New Breakthrough for Economic Difficulties and New Goals for Economic Development

From the mid 1990s the DPRK economy entered into a difficult period unprecedented in history termed the "Three Tribulations".<sup>1</sup> Therefore they were forced to undertake the "Arduous March". In order to extricate itself from such economic difficulties, the strategy which the DPRK took was the priority development of the electric power industry. As a result in a short period of time it eased the shortfall in the electricity supply, realized the recovery of economic growth, and in 2000 was able to bring the "Arduous March" to an end.

After the "Arduous March" the DPRK designated the machine industry as the core of the national economy. The machine industry, with a heavy-industry core, is the core of technological innovation, and the DPRK holds that it is a shortcut bringing decisive progress in the construction of an economically strong country.<sup>2</sup> Under this policy the DPRK encouraged economic recovery and development, and announced that in 2005 "the macroeconomy has stabilized and is on an upward trajectory".<sup>3</sup> In addition, having set out

in 2008 the development targets<sup>4</sup> to 2012, the year marking the 100 anniversary of the birth of the late President Kim Il Sung, it was determined that in the two years of 2010 and 2011 "[we will] accelerate the development of light industry once again as a priority", and they are trying to bring about decisive progress for the improvement of the standard of living of the people and the building of a great, prosperous and powerful country.

Putting the above together, it can be said that the domestic economy of the DPRK is developing in a good direction overall, and that the production of the sectors including steel, machinery, and mining is filled with vitality. In recent years they have been striving for the realization of large-scale growth, with a focus on light industry and agriculture.<sup>5</sup>

## 1-2. Light Industry and Agriculture is Improved to some Degree and the Basic Standard of Living of Pyongyang Residents is Secured at a Certain Level

In 2010 and 2011 the DPRK, for two straight years, employing the slogan "accelerate the development of light industry once again as a priority", has been aiming at the improvement of the standard of living of the people and the construction of a great, prosperous and powerful country. From 2005 on, seen from the number of inspections in the economic sector of General Secretary Kim Jong Il, more than half are in the area of people's livelihood<sup>6</sup> (Table 1).

As shown in Table 1, the number of inspections in the area of people's livelihood in the period 2005-2010 constituted 55.2% of the economic sector as a whole; in the year where that percentage was highest (2008) it was 71.8%; and in the year where that percentage was lowest (2006) it was 47.4%. In addition, when the inspections relating to the area of people's livelihood are looked at by region, the proportion of them for Pyongyang amounts to 20% of the total, and they furthermore constitute 97% of the total number of inspections in the economic sector in Pyongyang (Table 2). In effect, it can be said that the initiatives on light industry and agriculture are ones which have placed emphasis on safeguarding the standard of living of Pyongyang. These initiatives have to a certain degree improved the basic living conditions of Pyongyang

<sup>1</sup> The "Three Tribulations" denote the food-shortage, foreign-exchange, and energy difficulties.

<sup>2</sup> "Today's Songun Korea", Pyongyang Publishing House, 2007 [in Korean]

<sup>3</sup> 2006 Joint New Year Editorial

<sup>4</sup> 2008 Joint New Year Editorial

<sup>5</sup> Content from what was discussed when General Secretary Kim Jong Il met Wang Jiarui, Head of the International Liaison Department of the Communist Party of China (CPC) Central Committee on 9 February 2010.

<sup>6</sup> What is called the area of people's livelihood here denotes: the agriculture and livestock industry and fishing industry; the light industry sector; and the food industry.

**Table 1: Table of Statistics for the Number of Inspections in the Economic Sector of General Secretary Kim Jong Il (2005-2010)**

| Year  | Electric Power Industry | Chemical Industry | Machine Industry | Metals Industry | Mining Sector | Agriculture & Livestock Industry and Fishing Industry | Light Industry Sector | Food Industry | Total | %     |
|-------|-------------------------|-------------------|------------------|-----------------|---------------|---|-----------------------|---------------|-------|-------|
| 2005  | 2                       | 2                 | 7                | 1               | 0             | 7   | 5                     | 3             | 27    | 8.3%  |
| 2006  | 5                       | 1                 | 3                | 1               | 0             | 7   | 2                     | 0             | 19    | 5.8%  |
| 2007  | 6                       | 2                 | 5                | 5               | 0             | 6   | 8                     | 2             | 34    | 10.4% |
| 2008  | 2                       | 1                 | 3                | 3               | 1             | 16  | 6                     | 6             | 39    | 12.0% |
| 2009  | 8                       | 6                 | 18               | 8               | 5             | 22  | 20                    | 6             | 93    | 28.5% |
| 2010  | 9                       | 9                 | 20               | 6               | 6             | 23  | 25                    | 16            | 114   | 35.0% |
| Total | 32                      | 21                | 56               | 25              | 12            | 81  | 66                    | 33            | 326   | 100%  |
| %     | 9.8%                    | 6.5%              | 17.2%            | 7.7%            | 3.7%          | 24.8%   | 20.2%                 | 10.1%         | 100%  | —     |

Source: Compiled by the author from reports by the Central Korean News Agency on the inspections in the economic sector of General Secretary Kim Jong Il.

residents. In the 2011 Joint New Year Editorial the DPRK placed emphasis on the development of regional industry, stating "accelerate the development of light industry once again". It can be said that the adjustment of such an economic development strategy is something that has been carried out based on the judgment that the basic living standard of Pyongyang residents has been safeguarded to a certain degree.

### 1-3. Certain Results in the Cultivation of Core Industries and Key Enterprises

From the "Arduous March" the DPRK has put effort into nurturing key industries and key enterprises as a powerful support and driver for economic development. The DPRK's cultivation of core industries and key enterprises has followed the three stages below:

#### ◆ Stage One: The Period of the "Arduous March" (1995-2000)

In this stage there was a breakthrough for the electric power industry to get out of economic difficulty. As the breakthrough for getting out of economic difficulty, the DPRK had placed emphasis on the development of the electric power industry. In September 1996 General Secretary Kim Jong Il made inspections in Jagang Province, and as well as designating the province as a model, indicated that, solving the problems of electricity supply and the people's standard of living through every kind of ingenuity, plants would reopen. Subsequently, in Jagang Province small and medium-sized hydroelectric power plants were constructed, and over just six months 29 hydroelectric power plants were constructed.<sup>7</sup> The experience of Jagang Province was disseminated at a national meeting of example-setters in self-reliance held in Pyongyang on 29 January 1998, and a construction boom in small and medium-sized hydroelectric power plants occurred nationwide. In the first five months of 1998, on a nationwide scale 1,640 small and medium-sized hydroelectric power plants were completed.<sup>8</sup> Then, in order

to fundamentally resolve the problem of electricity supply, the construction of large-scale hydroelectric power plants was required in addition to small and medium-sized hydroelectric power plants. In January 1999 General Secretary Kim Jong Il, the Chairman of the DPRK National Defence Commission, emphasized the importance of the construction of large-scale hydroelectric power plants, proclaiming Order No. 008 of the DPRK National Defence Commission: "Totally mobilizing the party, the army and the people, let's increase the construction of large-scale hydroelectric power plants". Under the strategy which placed emphasis on the development of the electric power industry, the DPRK eased the electricity supply shortage in a short period of time, and realized economic recovery. As a result it was able to bring the "Arduous March" to an end in 2000.

#### ◆ Stage Two: The Period of the Activation of Industrial Development (2000-2005)

In this stage the machine industry was the core of economic development. After the "Arduous March" the DPRK made electricity, coal, metals, and rail transportation the priority sectors. To start up more factories, the supply of equipment, raw materials, fuel and motive force had to be secured. In order to realize this aim the DPRK emphasized the core position of the machine industry and had developed it as a priority. The machine industry, with a heavy-industry core, is the nucleus for technological progress, and the DPRK holds that the developing of the machine industry is a short cut to bring about a decisive advance in the construction of a great, prosperous and powerful country. Under this policy, the DPRK realized economic recovery and development, and in 2005 announced that "the macroeconomy is stable and on an upward track".

#### ◆ Stage Three: The Period of Balanced Development (2006 to present)

In this stage the metals industry is opening up a new breakthrough in the positive growth cycle of the DPRK'S

<sup>7</sup> Op. cit. Footnote 2

<sup>8</sup> Kim Song Kil "The DPRK Moving toward the Songun Era", Pyongyang Publishing House, 2002, p. 171 [in Korean]

**Table 2: Table of Statistics for the Number of Inspections in the Economic Sector of General Secretary Kim Jong Il by Region (2005-2010)**

|                      | Electric Power Industry |                     | Chemical Industry |                     | Machine Industry |                     | Metals Industry  |                     | Mining Sector    |                     | Agriculture & Livestock Industry and Fishing Industry |                     | Food Industry    |                     | Total            |                     |       |
|----------------------|-------------------------|---------------------|-------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|---|---------------------|------------------|---------------------|------------------|---------------------|-------|
|                      | Places Inspected        | No. Times Inspected | Places Inspected  | No. Times Inspected | Places Inspected | No. Times Inspected | Places Inspected | No. Times Inspected | Places Inspected | No. Times Inspected | Places Inspected                                      | No. Times Inspected | Places Inspected | No. Times Inspected | Places Inspected | No. Times Inspected |       |
| North Phyonan        | 2                       | 2                   | 0                 | 0                   | 11               | 26                  | 1                | 3                   | 3                | 3                   | 13  | 16                  | 8                | 1                   | 39               | 59                  |       |
|                      | 10 : 5.1                | 6.3 : 3.4           | 0                 | 0                   | 37.9 : 28.2      | 46.4 : 44.1         | 7.7 : 2.6        | 12 : 5.1            | 25 : 5.1         | 30 : 7.7            | 18.3 : 33.3   | 19.8 : 27.1         | 13.8 : 20.5      | 3.8 : 2.6           | 3 : 1.7          | 16.6% : 18.1%       |       |
| South Phyonan        | 2                       | 2                   | 1                 | 3                   | 4                | 4                   | 1                | 1                   | 1                | 1                   | 0   | 0                   | 2                | 0                   | 11               | 14                  |       |
|                      | 10 : 18.2               | 6.3 : 14.3          | 12.5 : 9.1        | 14.3 : 21.4         | 13.8 : 36.4      | 7.1 : 28.6          | 7.7 : 9.1        | 4 : 7.1             | 8.3 : 7.1        | 10 : 9.1            | 0   | 0                   | 3.4 : 18.1       | 4.5 : 21.4          | 0                | 4.3%                |       |
| North Hamgyong       | 3                       | 3                   | 2                 | 3                   | 2                | 3                   | 2                | 8                   | 1                | 1                   | 5   | 6                   | 6                | 6                   | 27               | 37                  |       |
|                      | 15 : 11.1               | 9.4 : 8.1           | 25 : 7.4          | 14.3 : 8.1          | 6.9 : 7.4        | 5.4 : 8.1           | 15.4 : 7.4       | 32 : 21.6           | 8.3 : 2.7        | 10 : 3.7            | 7 : 18.5  | 7.4 : 16.2          | 10.3 : 22.2      | 23.1 : 22.2         | 11.5%            | 11.3%               |       |
| South Hamgyong       | 4                       | 5                   | 4                 | 14                  | 2                | 8                   | 2                | 4                   | 3                | 3                   | 10  | 13                  | 6                | 1                   | 32               | 55                  |       |
|                      | 20 : 12.5               | 15.6 : 9.1          | 50 : 12.5         | 66.7 : 22.5         | 6.9 : 6.2        | 14.3 : 14.5         | 15.4 : 6.2       | 16 : 7.3            | 25 : 5.5         | 30 : 9.4            | 14.1 : 31.2   | 16 : 23.6           | 10.3 : 18.8      | 3.8 : 3.1           | 13.6%            | 16.9%               |       |
| Jagang               | 3                       | 8                   | 0                 | 0                   | 8                | 13                  | 3                | 4                   | 1                | 2                   | 7   | 7                   | 15               | 5                   | 42               | 59                  |       |
|                      | 15 : 7.1                | 25 : 13.6           | 0                 | 0                   | 27.6 : 19        | 23.2 : 22           | 23.1 : 7.1       | 16 : 9.5            | 16.7 : 3.4       | 10 : 2.4            | 9.9 : 16.7  | 8.6 : 11.9          | 25.9 : 35.7      | 19.2 : 11.9         | 18.1 : 10.2      | 17.9%               | 18.1% |
| North Hwanghae       | 1                       | 5                   | 0                 | 0                   | 0                | 0                   | 1                | 2                   | 0                | 0                   | 4   | 5                   | 0                | 0                   | 6                | 12                  |       |
|                      | 5 : 16.7                | 15.6 : 16.7         | 0                 | 0                   | 0                | 0                   | 7.7 : 16.7       | 8 : 16.7            | 0                | 0                   | 5.6 : 66.7  | 6.2 : 41.7          | 0                | 0                   | 2.6%             | 3.7%                |       |
| South Hwanghae       | 0                       | 0                   | 0                 | 0                   | 0                | 0                   | 0                | 0                   | 1                | 2                   | 3   | 3                   | 0                | 0                   | 4                | 5                   |       |
|                      | 0                       | 0                   | 0                 | 0                   | 0                | 0                   | 0                | 0                   | 10 : 25          | 16.7 : 40           | 4.2 : 7.5   | 3.7 : 60            | 0                | 0                   | 1.7%             | 1.5%                |       |
| Kangwon              | 3                       | 5                   | 1                 | 1                   | 0                | 0                   | 1                | 1                   | 0                | 0                   | 2   | 2                   | 2                | 1                   | 10               | 13                  |       |
|                      | 15 : 30                 | 15.6 : 38.5         | 12.5 : 10         | 4.8 : 7.7           | 0                | 0                   | 7.7 : 10         | 4 : 7.7             | 0                | 0                   | 2.8 : 20  | 2.5 : 15.4          | 3.4 : 20         | 3.8 : 10            | 6 : 15.4         | 4.0%                |       |
| Ryanggang            | 2                       | 2                   | 0                 | 0                   | 0                | 0                   | 1                | 1                   | 0                | 0                   | 2   | 2                   | 1                | 2                   | 8                | 8                   |       |
|                      | 10 : 25                 | 6.3 : 25            | 0                 | 0                   | 0                | 0                   | 7.7 : 12.5       | 4 : 12.5            | 0                | 0                   | 2.8 : 25  | 2.5 : 25            | 6.3 : 12.5       | 7.8 : 25            | 6 : 25           | 2.5%                |       |
| Pyongyang            | 0                       | 0                   | 0                 | 0                   | 1                | 1                   | 0                | 0                   | 0                | 0                   | 5   | 6                   | 16               | 17                  | 30               | 37                  |       |
|                      | 0                       | 0                   | 0                 | 0                   | 3.4 : 3.3        | 1.8 : 2.7           | 0                | 0                   | 0                | 0                   | 7 : 16.7  | 12.3 : 27           | 27.6 : 53.3      | 30.8 : 26.7         | 39.4 : 35.1      | 11.3%               |       |
| Korean People's Army | 0                       | 0                   | 0                 | 0                   | 1                | 1                   | 1                | 1                   | 0                | 0                   | 20  | 21                  | 2                | 2                   | 26               | 27                  |       |
|                      | 0                       | 0                   | 0                 | 0                   | 3.4 : 3.8        | 1.8 : 3.7           | 7.7 : 3.8        | 4 : 3.7             | 0                | 0                   | 28.1 : 76.9   | 25.9 : 77.8         | 3.4 : 7.7        | 3 : 7.4             | 7.8 : 7.8        | 8.3%                |       |
| Total                | 20                      | 32                  | 8                 | 21                  | 29               | 56                  | 13               | 25                  | 10               | 12                  | 71  | 81                  | 58               | 66                  | 235              | 326                 |       |
| % of Total           | 8.5%                    | 9.8%                | 3.4%              | 6.5%                | 12.4%            | 17.2%               | 5.6%             | 7.7%                | 4.3%             | 3.7%                | 30.2%   | 24.8%               | 24.7%            | 11.1%               | 100%             | 100%                |       |

Note: There are two data items for "ratio (% : %)", the former is the percentage within the sector and the latter the percentage within the region. For example, the data for the electric power industry in North Phyonan Province are 10% and 5.1%, respectively; the 10% denotes the percentage within the electric power industry and the 5.1% the percentage within North Phyonan Province.

Source: Compiled by the author from reports by the Central Korean News Agency on the inspections in the economic sector of General Secretary Kim Jong Il.

economy. Taking a comprehensive look at the process of the DPRK's economic development since the "Arduous March", the electric power industry and the machine industry were the subjects for priority upgrading. After the DPRK economy got onto a stable upward track, they began to place emphasis on the overall development of the national economy, and in particular they emphasized the development of light industry and agriculture. In order to develop light industry and agriculture it is necessary to similarly secure the supply of production equipment and raw materials. However, in comparison to the supply for production equipment, there is relative leeway for the provision of electricity, but the supply of steel is lacking. Based on this, the DPRK's 2009 Joint New Year Editorial indicated that the developing of the metals industry is to be the immediate focus for economic development.

## 2. The DPRK Economy Remains in Difficulty

Although there are good points concerning the DPRK economy, it is in difficulty, still not having extricated itself from economic hardship. At the beginning of 2010 when General Secretary Kim Jong Il made regional inspections, he acknowledged that he had been unable to accomplish the late President Kim Il Sung's dying instructions. They were: the securing of the standard of living for the people to: "eat white rice and meat soup, wear silk clothes, and live in a house with a tiled roof". General Secretary Kim Jong Il stated, though improving the living standard of the people is not easy, his determination to improve it rapidly.<sup>9</sup>

### 2-1. The Core Industries and Key Enterprises are Incapable of an Overall Rejuvenation of the DPRK Economy

First, the strength of the DPRK's core industries and key enterprises is low. The DPRK has been fostering the core industries and key enterprises in the main, and propping up and driving the DPRK's economic development. As national power overall is weak, however, the power doesn't stretch to an overall rejuvenating of the DPRK. As shown in Table 2, the total number of enterprises which General Secretary Kim Jong Il inspected over the six-year period was 235, and within that the number of enterprises that constitute key enterprises was only 80. That doesn't mean that these enterprises are in full operation, however. It can only be said that to realize the overall recovery of the DPRK economy and the rejuvenation of the economy with such a small number of key enterprises is, as you would expect, inadequate.

Second, the underlying strength of the DPRK's core industries and key enterprises is insufficient. The DPRK, in a situation of troubles domestically and internationally, took emergency measures, concentrated the limited factors of production on the core industrial sectors and key enterprises, and activated production, and has achieved remarkable growth in a short period of time. Yet this could, however, also be said to have come at the cost of sacrificing the development of the other industrial sectors and the

regional economies. Consequently, the capacity for mobilization of the DPRK economy has reached its limit, and is unable to support the development of the core industries and key enterprises. The core industries and key enterprises also have been losing economic driving force, the balance of the industrial structure ultimately collapsed, and economic operation failed to function.

### 2-2. The Isolation of the DPRK Economy

First, the DPRK has to adhere to its principle of self-reliance [autonomous regeneration]. Self-reliance is the principle of economic construction which the DPRK has consistently adhered to. The following problems also exist, however. While it has been said that self-reliance in the past was conscious, presently it is passive to a large degree. After entering the 21st century, the DPRK has put new concepts into self-reliance. One is that self-reliance does not mean the closing out of the outside world in economic construction. The second is that "Self-reliance necessitates adhering to the principle of completely safeguarding economic benefit". The DPRK has added the interpretations of "group self-reliance" for further external economic interaction, and "innovation self-reliance"<sup>10</sup> for the development of science and technology. Under international economic sanctions, however, the DPRK can only return to its original path, and has to continue the principle of self-reliance.

Second, they have adjusted the industrial structure in accordance with the requirement of self-reliance. When General Secretary Kim Jong Il has inspected an enterprise, they have emphasized the utilizing of domestic power and technology, and domestic raw materials. Therefore the DPRK, when undertaking expanded construction of core industries and key enterprises, includes the following two pieces of content. One is to use cutting-edge technology for a firm's equipment. The second is, undertaking an adjustment of the industrial structure, to expand demand for production using domestic raw materials. For example, in the metals industry sector they set up a "Juche steel" production system, and make it possible for steel production to completely depend on domestic raw materials.

### 2-3. The Role of the Planned Economy is in Name only, and Self-Sufficiency is the Main Management Method for the DPRK Economy.

Under sustained economic difficulties, when they go forward as a priority with the strategy for the development of the core industries and key enterprises, they deplete the DPRK's national finances and the mutually cooperative relationships worsen between the priority industries and enterprises on the one hand and the other industries and enterprises, leading to economic operation failing to function, including the balance of the industrial structure collapsing. Therefore the nation loses its fundamental planned-economy functions and self-sufficiency will continue to be the main management method for the DPRK economy.

[Translated by ERINA]

<sup>9</sup> "Rodong Sinmun", dated 9 January 2010.

<sup>10</sup> Kim Young Yoon "Understanding North Korea's Economic Reforms", Analysis on North Korea, 2005-02, Korea Institute for National Unification, March 2005.