

# The Northeast Asian Economic Review

Vol. 3 No. 1 June 2015

## Contents

---

### **The Special Edition on the DPRK Economy**

Proactive Promotion of Agricultural Development in the DPRK .....Gwang-Nam Kim

The DPRK's Local Budget System and its Future Prospects ..... Chang-Hyok Li

The System for Training Professional Engineers and Technicians for Each Sector of the  
People's Economy in the DPRK and the Superiority Thereof.....Gyong-Il Kim

The Newly Created Economic Development Zones in the Democratic People's Republic of  
Korea: In relation to the new economic policy under the Kim Jong Un government  
.....Mitsuhiro Mimura

**ERINA**  
Economic Research Institute for Northeast Asia

## *The Northeast Asian Economic Review*

### *Editorial Committee*

Hirofumi Arai	Economic Research Institute for Northeast Asia
Kazuhiro Kumo	Hitotsubashi University
Tomoyoshi Nakajima*	Economic Research Institute for Northeast Asia
Yoshiaki Nishimura	Economic Research Institute for Northeast Asia
Shinichiro Tabata	Hokkaido University

\* Head of the Committee

**The Northeast Asian Economic Review** is an ERINA English-language academic journal to be published twice annually, and we will accept a wide-range of contributions.

While it includes studies on all aspects of economy and society in Northeast Asia, research in areas related to ERINA's research activities is particularly welcome.

---

Economic Research Institute for Northeast Asia (ERINA)  
13<sup>th</sup> Floor, Bandaijima Building, Bandaijima 5-1, Chuo-ku, Niigata City,  
950-0078, Japan

# *The Northeast Asian Economic Review*

---

**Vol. 3**

**June 2015**

**No. 1**

---

## **Contents**

### **The Special Edition on the DPRK Economy**

	<i>Page</i>
On the Special Edition ..... <i>Tomoyoshi Nakajima</i>	1
Proactive Promotion of Agricultural Development in the DPRK ..... <i>Gwang-Nam Kim</i>	3
The DPRK's Local Budget System and its Future Prospects ..... <i>Chang-Hyok Li</i>	15
The System for Training Professional Engineers and Technicians for Each Sector of the People's Economy in the DPRK and the Superiority Thereof ..... <i>Gyong-Il Kim</i>	21
The Newly Created Economic Development Zones in the Democratic People's Republic of Korea: In relation to the new economic policy under the Kim Jong Un government ..... <i>Mitsuhiro Mimura</i>	27

## The Special Edition on the Economy of the Democratic People's Republic of Korea

Tomoyoshi Nakajima

This issue is a special edition on the economy of the Democratic People's Republic of Korea (DPRK).

There are four papers published herein. The first is an analysis of agricultural policy by Gwang-Nam Kim, Director of the Institute of Economy, DPRK Academy of Social Sciences.

The second is an analysis of the local budget system by Chang-Hyok Li, Researcher at the same institute.

The third is an analysis concerning the training of professional engineers and technicians by Gyong-Il Kim, Researcher at the same institute.

The fourth is an analysis of the Economic Development Zones under the Kim Jong Un regime by Mitsuhiro Mimura, Senior Research Fellow at ERINA.

These papers offer valuable insights on sectors which have become key issues within the current DPRK economy. Moreover at the same time, it will become valuable material on the details of the DPRK economy for which the availability of information is limited.

## Proactive Promotion of Agricultural Development in the DPRK

Gwang-Nam Kim\*

Keywords: food problem, subworkteam management system, agricultural development policy

After agriculture was stipulated as the major thrust of the Democratic People's Republic of Korea's efforts to build a strong socialist economy and improve the people's standard of living, the entire country is now devoting its efforts to agricultural development.

First Secretary Kim Jong Un said the following. "Today, the most important task in the agricultural sector is to devote our energies to agriculture and substantially increase agricultural production. The agricultural front is the first battle in the war to protect socialism and the main area of thrust in which we should concentrate our efforts to build a strong socialist economy."

The year 2014 is a highly significant year, in that it marks the 50th anniversary of President Kim Il Sung's publication of the Theses on the Socialist Rural Question in Our Country.

This year, the 50th anniversary of the publication of the Theses on the Socialist Rural Question in Our Country, the tasks set out in First Secretary Kim Jong Un's New Year address and letter to the participants in the National Conference of Subworkteam Leaders in the Agricultural Sector are being fully implemented, and a proactive campaign is being waged to achieve fundamental innovation in agricultural production in the DPRK.

The following provides an overview of the factors behind the stipulation of agriculture as the major thrust in the struggle to build a strong socialist economy and improve the people's standard of living, and the tremendous efforts being devoted to this. The first background factor is the fact that at this point in time, the agricultural front is the first battle in the war to protect socialism and is therefore the sector to which we should devote our efforts to build a strong socialist economy.

The United States of America and its lackeys, which do not wish the DPRK to become powerful and affluent, are ramping up the pressure and economic sanctions on the Republic to an unprecedented degree, while causing the people to experience food shortages and engaging in contemptible machinations aimed at destroying the faith in socialism that lives in the hearts of the people.

For some time, the USA has been creating laws such as the Trading with the Enemy Act, foreign asset control regulations, the Export Control Act, the Trade Agreements Extension Act, the Foreign Assistance Act, and the Export-Import Bank Act, and using them to smother the DPRK.

In particular, in the 1990s, following the collapse of the socialist nations of Eastern Europe, the USA concocted and implemented various bad laws, such as the National Defense Authorization Act, the Foreign Operations, Export Financing and Related Programs Appropriations Act, the Consolidated Appropriations Act, and the Nuclear Proliferation Prevention Act, not to mention the economic sanctions acts that it had already implemented. On the other hand, more recently, it has gone so far as to ignore the legal rights of sovereign states and is even misusing international organizations in order to pursue its efforts to isolate and suppress the DPRK and impose economic sanctions by even more unscrupulous means.

The purpose of these sanctions is to use economic means to destroy faith in socialism, an

objective that they have not been able to achieve through their political and military machinations aimed at isolating and suppressing the DPRK.

Amid such an environment, devoting our energies to agriculture in order to completely resolve the food problems of the people and improve their dietary life is not simply a question of guaranteeing production of consumer goods to ensure our survival, but rather a fundamental task in order to crush the anti-republic, anti-socialist machinations of our enemies.

If we can manage our agriculture appropriately and achieve food self-sufficiency, socialism centered on the masses will not be swayed, no matter how much our adversaries might plot against us, and we will be able to achieve revolution and construction in accordance with our plan.

The second factor behind the decision to devote substantial effort to agricultural development in the DPRK is the objective of improving the people's standard of living in accordance with the need to build a prosperous and powerful nation and meet the material and cultural demands of the people, which are increasing daily.

Food security is an issue that is fundamental to human survival and socioeconomic development, so every country attaches great importance to agricultural development.

Worldwide, the very first strategy for breaking free from poverty is the resolution of food problems, which is something that cannot be considered in isolation from agricultural development.

Agricultural development is absolutely crucial in order to effectively resolve the food security issues faced by the people, stabilize and improve their daily lives, promote light industrial development, and switch to domestic production of raw materials.

Moreover, it will be possible to improve the people's standard of living, guarantee that they can engage in autonomous and creative activities, and actively promote the development of a strong socialist economy.

The third factor behind the decision to devote substantial effort to agricultural development in the DPRK relates to the ongoing global food crisis due to the effects of abnormal weather.

The effects of abnormal weather are a massive obstacle to efforts to improve agricultural productivity and are the reason why the rate of increase in agricultural production is declining in relation to demand.

Currently, ongoing abnormal weather phenomena continue to cause problems, including major droughts, torrential rain in the rainy season, unseasonal hail, and tsunami due to typhoons.

Globally too, the impact of abnormal weather is hindering the expansion of agricultural production, so, with the majority of countries building up their food stockpiles, there is nowhere to buy rice and nobody providing food aid.

This is why the DPRK must develop its agricultural sector unaided and achieve food self-sufficiency.

As described above, agriculture is an important issue, so the agricultural front has been designated as the major thrust of efforts to build a strong economy and this year, the agricultural sector has been positioned at the vanguard, brandishing the beacon of revolution to build a mighty socialist state.

## 1. Agricultural Development Policy

In this highly significant year, which marks the 50th anniversary of the publication of the Theses on the Socialist Rural Question in Our Country, we are devoting our energies to managing agriculture scientifically and technologically, in accordance with the Party's agricultural policy and *juche* farming methods. In doing so, maximizing per-hectare yields will be the fundamental key to increasing agricultural production, to achieve groundbreaking increases in production in all sectors of rural management, where cultivation of cereals, vegetables, livestock, fruit, and mushrooms has been launched.

The Theses on the Socialist Rural Question in Our Country propounded by President Kim Il Sung, the policy of agricultural revolution put forward by General Secretary Kim Jong Il, and the letter entitled "Let Us Bring About Innovations in Agricultural Production under the Unfurled Banner of the Socialist Rural Theses" sent by First Secretary Kim Jong Un to the participants in the National Conference of Subworkteam Leaders in the Agricultural Sector are the guiding principles for the transition to the new century of agricultural construction and production, and a great statement of intent to achieve socialist rural construction that will resolve the rural question once and for all.

The Party's agricultural policy clearly set out the direction and path to be followed to achieve great innovation in agricultural production and technology, including the basic tasks required to achieve socialist rural construction based on ideological, technological, and cultural revolution, as well as revolutionizing seed production, double cropping, planting potatoes, planting legumes, revolution in agricultural science and technology, land consolidation, construction of natural-flow waterways and irrigation channels, the development of organic farming methods, and improvements in the guidance and control of collective management.

Moreover, efforts are being made to achieve more proactive deployment of ideological, technological, and cultural revolution in rural areas of the DPRK.

In rural areas, ideological revolution is being promoted as a priority, in order to arm all agricultural workers with Kimilsungism-Kimjongilism, fortifying them as rural revolutionaries of the *songun* [military-first] era who will dedicate themselves to the benefit of society and the masses, to their nation and the people, and will faithfully and conscientiously give their all for the agricultural development of the DPRK.

In rural areas, proactive efforts are underway to spread scientific and technological knowledge, under the slogan "Let us make all the people well versed in science and technology"; all agricultural workers are being taught advanced farming techniques, learning how to use modern technologies, and being given access to comprehensive programs of study in an education system that enables more agricultural workers to study while working. Thus, agricultural workers are being equipped with the conditions necessary to allow them to freely enjoy a cultured lifestyle, and rural areas are being transformed more culturally, turning them into a civilized and beautiful socialist paradise.

The DPRK is forcefully promoting technological revolution in agricultural areas in accordance with the requirements of science, technology, and the information age, strengthening the material and technological foundations of rural management, and devoting its energies to modernizing agriculture and making it more scientific.

Accordingly, steps are being taken without delay to comprehensively mechanize rural management and make it more scientific, in order to consolidate the fruits of these efforts by

reducing disparities between agricultural and industrial labor, completely liberating farmers from heavy labor, and providing rural areas with a water supply. Moreover, new irrigation facilities are being constructed and various modern irrigation methods are being disseminated in order to perfect the irrigation system.

We are aware that improving agricultural productivity and dramatically increasing cereal production output are pressing issues in the DPRK's agricultural sector today.

Mountains make up more than 80% of the total land area of the DPRK and our nation is surrounded on three sides by sea, so not only does the country have limited crop acreage and disparities in soil conditions, but it also suffers from severe changes in weather conditions.

Despite these conditions, our goal is to maximize per-hectare grain yields and proactively engage in the battle to ensure that farming is conducted in a scientific and technological way, in accordance with the requirements of *juche* farming methods.

Moreover, strenuous efforts are being devoted to ensuring that the Party's policy of revolutionizing seed production is accomplished. The fundamental approach to improving seed production efforts is to enhance varieties that are suited to our nation's climate and other natural conditions, have high yields, require little fertilizer, have a short growing period, and are resistant to a variety of issues, including drought, wind and rain, and damage caused by pests and diseases, while also developing a greater interest in efforts to introduce high-yield varieties from other countries.

In accordance with the needs of scientific agriculture, we are building modern seed-processing plants and developing a system for comprehensively selecting, sorting, and coating all seeds before supplying them to collective farms, so that excellent seeds can be produced and guaranteed to meet demand in each region and each collective farm.

The promotion of efforts to revolutionize seed production is assisting in the breeding of a large number of excellent seeds, including the first generation of high-yield hybrid rice and hybrid maize varieties, virus-free seed potatoes and legumes, and dry-field rice seeds, and initiatives to ensure their widespread use in agricultural production are being promoted, thereby improving the prospects for the expansion of agricultural production.

Actively incorporating scientific farming methods aimed at substantially increasing yields, while conserving both manpower and farming materials is regarded as a key source of potential for increasing agricultural production not only in arable and vegetable farming, but also in livestock farming, fruit farming, and sericulture. Together with modern agricultural development trends, such scientific approaches are forging innovations in farming methods.

To ensure that scientific farming methods are incorporated, the DPRK is emphasizing efforts to improve seedling cultivation based on the latest agricultural science and technology, ensuring a scientific number of seedlings per hectare, replenishing phosphorus, potassium, and silicon in the soil, improving the layout of crops and the supply of seeds, increasing production on low-yield land, and introducing multiple cropping and other intensive farming methods.

In addition, scientific cultivation systems suited to local conditions are being established in every region and farm, pursuing a more advanced and scientific approach to agricultural processes such as seed selection, sowing, transplantation, weeding, and harvesting, and ensuring that farming tasks are carried out in a scientific and technological manner in each season and process.

Beneficial seedling cultivation techniques for rice paddies are being disseminated, including granulated nutritive seedlings, cold-bed nutritive seedlings, fast-growing seedlings, and humus-

pot seedlings. In particular, a comprehensive nutritional supplement for rice seedbeds (to promote the growth of seedlings) is being used in an effort to cultivate strong seedlings capable of withstanding harsh conditions, in order to increase the *per-phyong* grain yield.

We are introducing a new seedbed technique to maize cultivation that involves the use of a coating agent and plug seedlings, in order to increase yields while conserving seeds, farming materials, and manpower, as well as preventing damage from pests and diseases, of course.

Following checks to confirm which production sectors and which crops and varieties are best suited to the local landscape and soil, based on the principle of planting the right crop in the right location at the right time, the most appropriate sectors, crops, and varieties are being deployed and developed in the DPRK. The agricultural production structure is mainly focused on cereals and large quantities of crops suited to the local geographical conditions are cultivated, in order to maximize food production.

In light of the pressing need to resolve the food problem, we are minimizing the land area given over to cultivating non-cereal crops and increasing the area devoted to rice and maize cultivation.

We are maximizing the area of land used for high-yield cereal crops and increasing cereal production output, as well as identifying appropriate land in cities and counties, proactively establishing and deploying composite forestry and agricultural management methods, and increasing cereal production output, while at the same time promoting tree-planting on mountainsides.

We are endeavoring to produce more grain with smaller amounts of fertilizer by using fertilizer more effectively, tailoring it to the attributes and growth stage of each crop.

Collective farms are moving away from the old approach of measuring water use and scattering fertilizer and pesticides by eye or hand, switching instead to a more advanced, proportionate approach based on scientific measurement and analysis.

Practical initiatives on collective farms are being used to actively introduce farming techniques including double and triple cropping based on earlier and later crops, as well as intercropping. In addition, they are scientifically conducting cereal-with-vegetable and cereal-with-cash crop cultivation, while giving priority to cereal-with-cereal and cereal-with-potato farming, thereby increasing the land utilization rate and the level of intensive farming.

In addition, organic farming methods are being actively encouraged. The production and use of large quantities of organic fertilizer is fundamental to organic farming.

What is vital in this process is to establish a system for recycling large quantities of manure from the livestock sector into arable farming. Collective farms are thoroughly implementing the Party's policy on establishing a system for recycling large quantities of manure from the livestock sector into arable farming, thereby revitalizing livestock farming and increasing grain production.

In addition, the DPRK is proactively developing agricultural science and technology.

In the field of agriculture-focused scientific research, efforts are being devoted to research projects aimed at fully eliminating scientific and technical barriers to the accomplishment of the Party's agricultural policy, including issues concerning seeds, farming techniques, and the development of new farming machinery.

Emphasizing the widespread application of the fruits of agricultural science and technology to production in a timely manner, the tendency to adhere to past experience and disregard science and technology is being eliminated, and the achievements of scientific research into the field of

agricultural production are being proactively introduced.

Through this process, various advanced farming methods and techniques are being developed and applied to production. These include cold-bed nutritive rice seedling cultivation, direct seeding cultivation, sparse planting culture, intercropping, double-cultivation, and sowing seeds in the levees between paddies.

Moreover, efforts are being made in the DPRK to protect arable land and increase the land area available for cereal cultivation. To prevent crop acreage being lost, rural areas routinely undertake tree planting, river improvements, and infrastructure repair and management, devoting their energies to ensuring that arable land is not flooded and washed away by torrential rain in the rainy season. In particular, strict discipline and order is being maintained to prevent such illegal practices as indiscriminately occupying arable land and misusing it for other purposes, and administrative and legal controls over such practices are being tightened.

Land development programs and various other methods are being used to bring new land under the plough, and crop acreage is being increased through the reclamation of mudflats.

Despite its many difficulties and shortages, the whole of the DPRK dedicated itself to swiftly developing land in Kangwon Province, North and South Phyongan Provinces, South Hwanghae Province, and Pyongyang City. In addition, rice fields with the optimal specifications for the mechanization of the land have been developed, allowing many new rice paddies and fields to be opened up for cultivation.

The reclamation of mudflats is being actively promoted and this process will, once completed, allow a great deal of new cropland to be developed.

Great efforts are being devoted to enhancing the level of irrigation in order to resolve various agricultural problems.

A powerful campaign by the masses nationwide is promoting efforts to update the technology used in existing irrigation facilities and equipment, and to build more modern irrigation facilities.

Laying the foundations for improving cereal production, waterways have already been constructed between Kaechon and Lake Thaesong, and between Paekma and Cholsan, as well as the Miru Plain natural-flow waterway, thereby guaranteeing enough water to irrigate several hundred thousand hectares of arable land, removing the need to use thousands of pumps and motors and a great deal of electricity.

Based on the experience gained in constructing the splendid waterways between Kaechon and Lake Thaesong, and Paekma and Cholsan, and the Miru Plain natural-flow waterway, the construction of a natural-flow waterway is currently being promoted in South Hwanghae Province and once it is completed in the near future, it will be possible to achieve an even higher level of irrigation of cereal acreage.

Learning from the experiences of model collective farms, all collective farms are devoting their energies to engaging in the struggle to carry out farm work through their own efforts.

Subworkteams are being strengthened to promote agricultural development and particular efforts are being devoted to enhancing the superiority of the subworkteam management system.

In early February this year, as a result of an idea by First Secretary Kim Jong Un himself and under his meticulous guidance, the first-ever National Conference of Subworkteam Leaders in the Agricultural Sector was held, at which the issues faced by the agricultural sector and the direction that should be taken were clearly set forth.

In order to further enhance the superiority of collective management in accordance with

the needs of the subworkteam management system, groups of subworkteam leaders have been formed to devote their energies to giving all team members a sense of responsibility, thereby enhancing their own sense of responsibility and role.

Moreover, efforts are being made to strengthen state support for rural areas.

Supporting rural areas is one of the basic principles of socialist rural construction, as set out in the Theses on the Socialist Rural Question in Our Country.

Accordingly, the state is increasing investment in the agricultural sector and improving efforts to secure material supplies.

Efforts are being made to provide power and coal to the Namhung Youth Chemical Complex in South Phyongan Province and the Hungnam Fertilizer Complex, ensuring that they can achieve a consistently high level of fertilizer production and devote their energies to producing and securing fertilizers containing various trace elements, including nitrogen, phosphorus, potassium, and silicon.

A large number of modern farming machines, including trucks suitable for rural areas, have been provided and steps are being taken to ensure that an adequate supply of the necessary farming materials for the relevant farming processes can be secured, including electricity, fuel oil, film, and pesticides.

Amid a situation in which the mechanization of agriculture has not yet reached an adequate level, rural labor support is being strengthened and initiatives aimed at providing such support are being organized, in accordance with the actual circumstances in each region and collective farm.

To increase the mental strength of the officials and workers in the agricultural sector in rural areas, ... we are steadily deploying government initiatives, creating role models, and dynamically expanding competition to ensure that all organizations learn from these models.

## **2. Powerfully promoting the construction of a livestock base in the Sepho district of Kangwon Province**

Today, energies are being devoted nationwide to developing the livestock industry in the DPRK.

In particular, proactive efforts are being made to build a livestock base in the district of Sepho.

The construction of a livestock base in Sepho district is a grasslands reclamation project being undertaken on the basis of a magnificent idea from First Secretary Kim Jong Un, with the aim of building a modern, large-scale livestock base suited to the needs of the new century in the Sepho district, thereby helping to develop the livestock industry nationwide.

The Sepho tableland is in the north of the Cholwon plateau in Pyonggang, Kangwon Province, which is located on the southern part of the East Sea coast. These grasslands covering tens of thousands of hectares and spanning the counties of Sepho, Pyonggang, and Ichon offer excellent conditions for land development.

The natural and geographic conditions of the Sepho tableland make it unsuitable for cereal cultivation, but it is good pasture land that is ideal for raising large numbers of domestic herbivores, so it has great potential for the development of the livestock industry.

The majority of this region is located at altitudes of 200-1,000 m, with an annual average

air temperature of at least 6-10 °C, cumulative temperature of 2,655-3,392 °C, annual average rainfall of 1,358.4-1,455.8 mm, and annual average wind speed of 1.7-3.6 m/s. (See the Great Korean Encyclopedia)

This area is well-ventilated and many forms of livestock fodder thrive there, including not only orchard grass, alfalfa, and clover, but also vegetables such as daikon radish, Jerusalem artichoke, and sugar beet.

Accordingly, once the Sepho tableland, which is ideal for livestock, has been reclaimed and the pastures there developed, it will be possible to produce meat and milk on a large scale. This will be a great step forward in improving the diet of the people and resolving the food problem.

The primary objective of the DPRK's concerted effort to build a livestock base in the Sepho tableland is to improve the people's standard of living more quickly, while rapidly developing agriculture in the Sepho district with a primary focus on the livestock industry, in a way that offers good prospects for the future.

At this point in time, the key task in improving the people's standard of living is to resolve the food problems of the people and increase the standard of their diets as quickly as possible. To this end, as well as increasing cereal production, we should develop the livestock industry in order to produce more meat and milk.

It is not possible to improve the diets of the people via cereals alone. If a large amount of meat and milk can be produced and used in people's diets, it will be possible to conserve a large amount of cereals, while still enhancing the people's diets, which will effectively resolve the food problems of a country where this is the sole source of stress. Ultimately, it could be said that producing a large amount of meat is the same as producing a large amount of grain.

Developing the livestock industry is a key condition for establishing a system for recycling large quantities of manure from the livestock sector into arable farming, thereby further increasing cereal production.

The most effective method of developing the livestock industry in the DPRK is to raise large numbers of grass-fed livestock. The crop acreage in the DPRK is limited, as mountains account for more than 80% of the nation's land area. Under such conditions, it is not possible to fully satisfy the growing dietary requirements of the people solely by developing the livestock industry using grain as feed.

Production costs in the grain-fed livestock industry are high, but if the livestock industry is developed with a focus on domestic herbivores, it will be possible to use grass growing naturally, thereby reducing production costs.

Looked at from the perspective of cost-effectiveness, along with the situation in the mountainous DPRK, the most economically effective means of increasing livestock production while reducing grain consumption is to develop grasslands and raise large numbers of domestic herbivores.

Accordingly, in light of the country's natural and geographic conditions, more grasslands should be developed in accordance with the actual conditions in the regions where this is possible, and large numbers of goats, rabbits, sheep, and other domestic herbivores should be raised.

This would facilitate a groundbreaking increase in the production of milk within a short time, while conserving grain feed, thereby making a major contribution to improving the dietary conditions of the people and resolving food problems.

At the same time, if the Sepho tableland can be transformed into a world-class livestock

base, it will make a wonderful tourist attraction for visitors to the DPRK to view, along with the development of the Wonsan district being undertaken by the state in Kangwon Province. This would enable tourists to view a modern, large-scale livestock base, while gaining a deeper understanding of the popular measures being deployed in the DPRK, as well as the will and efforts of the DPRK people, who are trying to build a mighty nation.

The construction of the livestock base at the Sepho tableland is a vast, complex program of construction work aimed at modifying nature. It involves the development of an immense area of grassland spanning tens of thousands of hectares and consisting of both natural and artificial pasture. Several hundred buildings containing livestock pens will be built in which to raise hundreds of thousands of cows, sheep, goats, rabbits, and pigs. Other facilities to be constructed include 20 livestock product processing bases equipped with modern scientific and technological facilities, a livestock industry research institute, an artificial insemination facility, a hygiene and quarantine facility, numerous holding pens and grazing paths, and well over a thousand residential blocks for workers, not to mention the planting of a windbreak spanning several hundred km.

Efforts are being devoted to selecting the ideal site on the Sepho tableland for reclamation, and maximizing speed, quality, and investment effectiveness, while making efficient use of labor, equipment, and resources<sup>1</sup>.

A mighty group of designers and builders has been mobilized to build the livestock base on the Sepho tableland, and equipment and resources such as high-horsepower trucks are being intensively devoted to the construction effort. Furthermore, the state, army, and people have come together in their entirety to support the construction effort.

The construction of the Sepho tableland livestock base began in September 2012. By early August last year, 30,000 ha of the tableland had been reclaimed; orchard grass, alfalfa, and other livestock fodder crops with a high nutritional value had been planted across most of this area; and 10,000 ha of natural grassland had been developed and cleared of miscellaneous shrubs.

At the same time, 4.2 million trees have been planted as a windbreak and construction of roads and grazing paths has been carried out, while the achievements in developing both artificial and natural pasture land have been expanded further.

Qualitative road construction is being carried out, based on specific calculations of the topographic conditions of the Sepho tableland, the prospects for the use of the pasture land, and the biological characteristics of domestic herbivores, as well as estimates of the livestock base running conditions, the scale of each livestock pen for each type of animal, and the per-head volume of livestock produce.

In the newly developed pasture zone, a total of 1,000 km of roads and grazing paths have been built, and around 50,000 tons of soil conditioner has been prepared for the autumn crops. Moreover, a total of 230 km of drainage channels have been constructed and initiatives are being promoted to protect the newly developed pasture land from rain storms.

Livestock pens to hold numerous animals and public facilities such as more than 100 residential blocks have also been constructed at the same time<sup>2</sup>.

More than 40,000 head of livestock have been secured, including cows, sheep, goats, rabbits, ducks, and many others, and an active effort is being made to develop a production system focused on outstanding varieties of livestock and breeding stock (both animal and poultry); there has also been an excellent harvest in the young livestock and poultry egg hatchery initiatives<sup>3</sup>.

In addition, large-scale construction has also begun on the reclaimed Sepho tableland, including more than 100 residential blocks, as well as livestock pens, a livestock research institute, a livestock industry base management center, and a hotel.

In developing the Sepho tableland, consideration has been given to both the convenience of daily life for people involved in livestock production in the future, and the specific features of the land and management methods to be used. A scientific breeding stock production system is being developed and buildings constructed to meet the technical requirements of the raising of such breeding stock.

At the Sepho tableland, where reclamation has already begun, youth work groups and production subworkteams have begun to be formed in order to manage the already-developed pasture land and manufacture livestock produce in the future.

As a result, a year after beginning construction on the Sepho tableland, which spans tens of thousands of hectares, natural pasture land has been developed, along with 2,000 ha of artificial pasture land; in addition, construction of more than 300 buildings has begun and more than 1,000 km of roads and grazing paths are being built, creating another Sepho tableland paradise<sup>4</sup>.

In the future, once construction of the Sepho district livestock base has been completed, livestock including goats, sheep, and rabbits, and poultry such as domestic and wild ducks will be able to graze freely, with large-scale production of meat products and milk due to begin in 2015, when construction work is completed.

In addition, development of the daikon radish, Jerusalem artichoke, and sugar beet fields is to be carried out, a windbreak covering several hundred square meters has been planted, more than 10 reservoirs have been constructed, and vegetable and potato production have increased markedly, so it is anticipated that a groundbreaking transformation in agricultural production will take place in this district.

A livestock research institute, artificial insemination facility, and hygiene and quarantine facility equipped with modern science and technology will be constructed, providing the conditions for producing an even larger number of excellent seeds. The active introduction of science and technology will facilitate its high-level integration with production.

### **3. Promoting initiatives for the swift implementation of the subworkteam system, in accordance with the need for practical development**

In the DPRK, there is particular interest in initiatives aimed at the swift implementation of the subworkteam management system, in accordance with the need for practical development, in order to further enhance the sense of responsibility and creative enthusiasm of farm workers.

Subworkteams are the smallest organization in rural areas, playing a crucial role in the development of rural management and agricultural production. The communal lifestyle and production activities of all farm workers is focused on the subworkteam unit.

The subworkteam management system, which was created by President Kim Il Sung, is an outstanding management system and a superb form of organizing production, in which farm workers participate heroically in production and management, with a sense of commitment to communal management.

In recent years, in order to strengthen the subworkteam management system created by President Kim Il Sung in accordance with the demands of practical development and increase the

enthusiasm of farm workteam members for production, efforts have been underway to correctly apply the field responsibility system within the framework of the subworkteam management system, based on the actual situation at communal farms, in order to further develop agricultural production.

Accordingly, in accordance with the requirements of the subworkteam management system, farm workteam members are being set clear tasks concerning land management and the execution of farming processes, as well as the implementation of production plans. These are implemented fully in a timely manner, without fail, and the socialist allocation principle through which workers earn only what corresponds to the amount of work that they have done is applied properly, thereby ensuring that all farm workteam members carry out their jobs with a sense of responsibility and enthusiasm, as well as a heroic awareness.

Based on a correct calculation of national food demand and the interests and day-to-day needs of farm workers, efforts are being made to rationally resolve issues relating to cereals and to encourage agricultural workers to exert themselves and battle on with a sense of confidence.

Under the subworkteam management system, the field responsibility system is thoroughly protecting principles that can contribute to increasing the collectivist spirit of mutual aid among farm subworkteam members, in accordance with the essential needs of collectivism-based socialism, as well as ensuring that the plans assigned to subworkteams are exceeded.

Under the wise guidance of First Secretary Kim Jong Un, agricultural workers and the people of the DPRK as a whole are striving to unfurl the banner of the Socialist Rural Theses, and to accomplish the tasks set out in the Socialist Rural Theses, the Party's policy of agricultural revolution, and the letter sent to the participants of the National Conference of Subworkteam Leaders in the Agricultural Sector. Their dedicated struggle is actively promoting agricultural development and will achieve a groundbreaking transformation in the future, in terms of both agricultural production and technology.

\* Director, Institute of Economy, Korean Academy of Social Sciences

<sup>1</sup> *Rodong Sinmun*, August 24, 2013

<sup>2</sup> *Rodong Sinmun*, August 8, 2013

<sup>3</sup> *Rodong Sinmun*, August 13, 2013

<sup>4</sup> *Rodong Sinmun*, December 15, 2013

## The DPRK's Local Budget System and its Future Prospects

Chang-Hyok Li\*

Keywords: local budget system, local government finance, county

The economy of the Democratic People's Republic of Korea is a socialist planned economy in which administrative power is highly centralized, so there might be people who think that there is little scope for individual regions to exercise their creativity in efforts to promote economic development and secure local people's lifestyles.

However, the creative local budget system policy propounded by President Kim Il Sung and its embodiment are one real-life example demonstrating that the DPRK is the most outstanding society, being one which maximizes the responsibility and creativity of its regions in their efforts to build up the economy and improve the people's standard of living.

President Kim Il Sung taught us the following.

"The local budget system is a creative socialist budget system that our nation is the first to implement." (*The Selected Works of Kim Il Sung*, vol. 33, p. 556)

The policy on implementing the local budget system in the DPRK was first set forth by President Kim Il Sung about 40 years ago, in 1973.

Before the implementation of the local budget system, all of the money required for the daily life of the people living in the republic's regions was secured from the central budget. This not only failed to give the regions a strong sense of the need to strive hard and demonstrate creativity in order to develop both the local economy and the lifestyles of the people, but also made it impossible for the state to intensively invest in developing key sectors and projects of national significance.

Initially, profits earned from central industry were allocated to the regions, resulting in growth in the network of services such as inns and canteens in the regions. These were not managed appropriately and not even the slightest effort was made to try to increase earnings and reduce expenditure. Many other inappropriate phenomena also arose, such as the failure of regions to repair their own roads when these were damaged. This situation posed a tremendous obstacle to efforts to consolidate the results of socialist industrialization in the DPRK and to proactively extend the battle to achieve high targets for making the people's economy more autonomous, modern, and scientific.

President Kim Il Sung had a profound understanding of this situation and set out the issues to be examined in reconsidering the question of the central budget and local budgets. He instructed that, rather than the center providing local budgets, the central budget and local budgets should be completely separated from each other and that a local budget system should be instituted to ensure that local officials took responsibility and played a part as masters of those regions.

As a new method of local fiscal management, the local budget system in the DPRK is a creative budget system that guarantees centralized administrative power and planned guidance by the state, while increasing the responsibility and creativity of the regions, thereby yielding greater benefits for the state and ensuring optimum fiscal management at both the national and local levels.

Under the local budget system, the guarantee of centralized administrative power and planned guidance by the state takes the form of the preparation of local budgets in accordance with standardized budget drafting methods and procedures set out by the state. The enhancement of the responsibility and creativity of the regions takes the form of the preparation by the regions of revenue and expenditure plans tailored to local circumstances, in accordance with national budget drafting methods and procedures, as well as the guarantees provided by the regions that they will mobilize and use local reserves and potential effectively in undertaking the fiscal management of their region.

In the DPRK, part of any budget surplus is placed in a priority fund for later use, in order to increase the responsibility and creativity of the regions and ensure effective implementation of the local budget system. The priority funds built up through the achievement of budget surpluses are basically used to meet collective demand in the region, with a certain portion being supplied to organizations and enterprises to reward officials who have contributed to the effort to increase local budget revenue.

This demonstrates that the DPRK's local budget system has no relationship to a system of administrative orders, which ignores the uniqueness and creativity of regions and merely compels them to obey the instructions and regulations of centralized administrative power. Moreover, it is completely different from a system of decentralization of power to regions, which asserts only the uniqueness of regions, while rejecting the unified guidance of the centralized administrative power of the state.

The presentation of the local budget system policy made it possible to set out the guiding principles to be adhered to in local fiscal management, within the socialist construction process being undertaken by the Party and state of the sovereign working class.

In many classic works, including "On Further Developing the Local Budget System" (April 1975), "Let Us Appropriately Implement the Local Budget System and Improve the Lives of the People" (April 1977), and "On Increasing Local Budget Revenue" (April 1978), President Kim Il Sung completely unraveled the essential issues in the implementation process of the local budget system, including the position and role of the army as a base in the regions, and the interdependent relationship between the central budget and local budgets. Moreover, he provided wise guidance on these matters, identifying the tasks to be completed and direction to be taken in the implementation of the system.

Having taken on the task of implementing President Kim Il Sung's last wishes, in such classic works as "On Improving and Strengthening Finance and Banking," General Secretary Kim Jong Il demonstrated the scientific nature, creativity, and legitimacy of the President's guidance and theories concerning the local budget system, expanding and further enriching it to meet the needs of actual development.

General Secretary Kim Jong Il strengthened the unified guidance provided by the state, developed local industry and agriculture in accordance with the specific attributes of each city and county, proactively expanded service activities, and ensured that fiscal management was covered in each region.

General Secretary Kim Jong Il not only organized socialist competition, created model organizations associated with the implementation of the local budget system, and devoted his energies to sharing his experience with the whole country, but also tirelessly deployed a campaign to grant regions the title of "model county for the implementation of the local budget system<sup>1</sup>."

Moreover, in November 2010, General Secretary Kim Jong Il visited Changsong County, North Phyongan Province, where he celebrated the 50th anniversary of the historic Changsong Joint Meeting of Local Party and Economic Officials<sup>2</sup>, while revitalizing the county and disseminating the outcomes of this to the rest of the country, thereby achieving another great leap forward in the field of regional economic development. This further promoted the modernization of local factories to a level that would meet the needs of a new generation, thereby initiating a new round of modern industrial revitalization based on local raw materials and resources.

The local budget system in the DPRK has demonstrated its legitimacy and power in practice.

Before the local budget system was implemented, the state provided all of the regions with all of the money that they required for local fiscal management, but by the time several years had passed following the implementation of the local budget system, all regions were able to guarantee their expenditure from their own revenues. Even in 1974, the year after the local budget system policy was set out, appropriate implementation of the local budget system in the regions enabled those regions to pay as much as 1 billion won to the state.

Today, as a result of the complete accomplishment of the local budget system policy, local budget revenue in the DPRK has increased more than sevenfold compared with the situation in 1973 and local budget revenue as a proportion of national budget revenue continues to grow. Several dozen counties (and cities/districts) have been conferred with the title local budget system model county (or city/district), including Hwapyong County in Chagang Province, and the number of counties exceeding their local budget revenue plans is increasing.

The precious positive outcomes of the implementation of the local budget system include the fact that many cities and counties are able to secure at least 60% of the value of local industrial production, based on their own raw materials. In addition, they are proactively developing commercial, support, and welfare services, achieving ongoing increases in revenue from the service sector.

The local budget system in the DPRK clearly demonstrated its superiority during the difficult period of the arduous march and the forced march.

Even when our nation's economic situation deteriorated beyond all measure as a result of the collapse of socialist markets worldwide and the machinations of imperialists and reactionaries seeking to isolate and suppress the great DPRK, our country continued to walk the path of socialism without wavering in the slightest. This outcome would have been unthinkable without the effective implementation of the creative local budget system, in which all regions mobilized their abundant reserves and potential to the maximum extent, thereby ensuring local economic development and improvements in the people's standard of living.

Today, under the wise guidance of First Secretary Kim Jong Un, the local budget system in the DPRK is entering a new phase of development.

The achievements of the local budget system are greatly determined by clear provisions concerning the status of counties, which are the basic organization in the local budget system, and by the overall level of development of local industry, such as local manufacturing industry and agriculture. Efforts to ensure thorough fiscal management by local authorities cannot be considered in isolation from the modernization of local industry as a whole, given that a portion of the net income created by factories, enterprises, and groups affiliated to the local budget is the main source of revenue for the local budget system.

General Secretary Kim Jong Il had a profound insight into the importance of ensuring the

demarcation of local fiscal management and creativity of the regions to efforts to guarantee the overall fiscal management of the nation. In his classic work “Let Us Build All Counties into a People’s Paradise Good to Live in by Embodying the Historic Spirit of the Changsong Joint Meeting” (August 2012), he explained in detail the tasks to be completed and the approach to be taken in order to increase the role of counties and turn them into a people’s paradise that is a pleasant place to live.

Based on the wise guidance of General Secretary Kim Jong Il, the status of counties in the republic as the basic organization in the local budget system will be further bolstered to enable them to serve as regional centers for building a mighty socialist state. All cities and counties are learning from the example of Changsong County in North Phyongan Province and actively participating in the battle to achieve a decisive transformation, in order to improve both local fiscal management and the people’s standard of living.

Through the process of receiving state investment and guidance from central industry, all counties nationwide are individually building up the foundations that will enable them to create products that will demonstrate distinctive local features, based on their own resources and raw materials. Moreover, they are constructing attractive, modern welfare facilities that meet the needs of the people and proactively undertaking efforts to normalize their running.

The Sakchu Foodstuffs Factory in North Phyongan Province is positioned as a model for the modernization of basic foodstuffs production and proactive efforts have been made to disseminate its approach widely. Moreover, modern production bases for basic foodstuffs, like the Hoeryong Foodstuffs Factory in North Hamgyong Province, have been constructed nationwide. In addition, modern factories producing local specialty foods are being constructed and the modernization of all local industrial plants is proceeding at a rapid pace.

In the development of agriculture, which also plays an important role in local industry, active efforts are underway to organize and run initiatives that will achieve a groundbreaking transformation.

The enthusiasm of DPRK farmworkers for production is growing through the implementation of the field responsibility system within the framework of the subworkteam management system at collective farms, in accordance with the specific attributes of each area. In addition, programs are being implemented to encourage agricultural workers to exert themselves in agricultural production with a sense of confidence. To this end, efforts are being made to correctly calculate national food demand and the interests and day-to-day needs of farm workers, and to rationally resolve difficulties in selling the cereals produced at farms, allocating goods in kind to farm workers on the basis of the actual number of days worked. Thus, the path to progress is being opened up in agricultural production.

Today, the people of the DPRK are proud of their unique and outstanding local budget system and filled with enthusiasm for the task of more thoroughly implementing it in order to ensure that General Secretary Kim Jong Il’s immortal achievement continues to shine brightly, long into the future.

Under the wise guidance of First Secretary Kim Jong Un, the DPRK’s local budget system will continue to demonstrate its supremacy, while achieving even greater results in building a strong economy.

---

\* Researcher, Institute of Economy, Korean Academy of Social Sciences

<sup>1</sup> The campaign to grant regions the title of “model army for the implementation of the local budget system” is a mass movement to promote the appropriate implementation of local budgets, ensure appropriate management of local finances, and improve the people’s standard of living. The title of “model army for the implementation of the local budget system” is conferred on counties (or cities or regions) that serve as an especially good role model in terms of improving the people’s standard of living and increasing local budgets by developing local industry and trade, and strengthening projects focused on the people’s welfare through efforts to enhance the creative local budget system policy of the Workers’ Party of Korea and powerfully deploy the three key forms of revolution (ideological, technological, and cultural).

<sup>2</sup> The Changsong Joint Meeting of Local Party and Economic Officials is a meeting that took place in August 1962 under the guidance of President Kim Il Sung, at Changsong Town, Changsong County, North Phyongan Province. Discussion focused on issues to be tackled in order to strengthen the role of the county, further develop local industry and rural management, and achieve groundbreaking improvements in the people’s standard of living. At the meeting, President Kim Il Sung reached an historic conclusion: “Let us strengthen the role of the county, further develop local industry and rural management, and significantly increase the standard of living of the people.”

## The System for Training Professional Engineers and Technicians for Each Sector of the People's Economy in the DPRK and the Superiority Thereof

Gyong-Il Kim\*

Keywords: higher education, occupational education, technical school

Today, under the excellent socialist education system founded for the people by President Kim Il Sung, all of the people of the Democratic People's Republic of Korea can study freely, work freely, and make full use of their talents and abilities in order to build a mighty socialist state.

In the DPRK, the training of the engineers and technicians required by each sector of the people's economy is carried out via a unique socialist education system, which is a supremely powerful tool in building a mighty socialist state.

The training of professional engineers and technicians for each sector of the people's economy in the DPRK begins with various forms of higher education.

General Secretary Kim Jong Il pointed out the following.

“The higher education system, which includes universities and vocational colleges, is an education system for cultivating personnel in the fields of science and technology with knowledge of a rich array of specialist fields, as well as for nurturing ethnic leaders.”

The higher education system is an education system for cultivating personnel in the fields of science and technology with knowledge of a rich array of specialist fields, as well as for nurturing the people's leaders.

The DPRK's higher education system is divided into a full-time higher education system, in which participants focus exclusively on their studies, and a part-time higher education system, in which participants study while working; this is one of the characteristic features of the DPRK's unique education system.

The full-time higher education system is designed to nurture talented scientists and engineers, as well as the people's leaders, and includes universities that cultivate scientists and engineers for all sectors, technical universities focused on a particular sector, and various polytechnics.

The part-time higher education system is a unique system that aims to cultivate all workers who currently have an occupation, helping to develop them into talented scientists and engineers, experts, and technical leaders in specialist fields. The institutions through which such education is provided include various factory colleges, correspondence colleges, farm colleges, and fishing ground colleges.

With the aim of guaranteeing to fully meet demand for scientists and engineers, which is growing by the day in each sector of the people's economy, and also ensuring that all of the people can serve as scientists and engineers, the state is systematically targeting all workers in its efforts to cultivate talented engineers and experts with scientific and technical knowledge in specialist fields.

The DPRK's higher education system is an education system for nurturing the engineers and experts required in the people's economy and occupations in each sector.

Above all, the DPRK's full-time higher education system is the main education system for nurturing the engineers and experts required in the people's economy and a diverse range of occupations in each sector.

The full-time higher education system could be described as a continuous program that is closely linked to the occupational deployment of the engineers and experts that have completed that program. Once graduates have successfully completed the DPRK's full-time higher education program, the state takes responsibility for deploying them in an appropriate workplace, aiming to place the right person in the right job, in accordance with the level of skills and specialist knowledge that they have attained.

Most of the engineers and experts who have received higher education in the DPRK are assigned to managerial posts and occupations appropriate to their level of skill and knowledge in their specialist fields, so each person fully demonstrates their wisdom and talents, based on the knowledge that they have learned.

The full-time higher education system is a unique education system that teaches workers with posts in the various sectors of the people's economy the specialist scientific and technical knowledge relevant to the occupations in advance, thereby fostering talented engineers and experts.

It is a universal phenomenon in capitalist states that no matter how highly educated an engineer might be, they have no choice but to opt for a workplace outside their field of specialism if there is no demand for their services at a relevant company.

However, the DPRK's higher education system cultivates in a planned and systematic way the engineers and experts required by each sector of society and the economy, based on calculations of demand for scientists and engineers, and guarantees that they will be deployed in an appropriate workplace suited to their specialist knowledge and skills after completing their higher education.

This demonstrates that the full-time higher education system in the DPRK is not an academic program purely for the purposes of education, but is rather a program of technical human resource development that systematically cultivates the numerous engineers and experts required by the diverse array of occupations in each sector of the people's economy.

Moreover, the part-time higher education system is another of the key education systems for cultivating the technical personnel required in a wide range of occupations in the people's economy.

To develop all workers into talented technical personnel who have received higher education in a specialist field, the DPRK has developed a part-time higher education system that provides a specialist scientific and technical education to front-line workers while they continue to work.

Today, in the age of the knowledge economy, the reality is that all workers must be developed into scientists and engineers fully equipped with an abundance of knowledge, both theoretical and practical.

The part-time higher education system is a new style of higher education that organically links education to production, and theory to practice. Based on ideas and proficiency developed in the process of practical production activities, students following these programs gain an in-depth understanding of the latest basic scientific theories and principles, while their work on the shop floor enables them to apply the theories that they have learned in class to real-life production. Accordingly, the part-time higher education system is the education system that most closely links education to production, and theory to practice, developing students into talented

technical personnel equipped with both theoretical knowledge and practical skills.

The part-time higher education system is a unique education system that fully cultivates and guarantees the supply of the technical personnel needed in all occupations in the people's economy.

The part-time higher education system enables workers to gain not only specialist scientific and technical knowledge related to their own occupation without the need to suspend their involvement in production work or leave their job, but also a wide range of knowledge in all areas of society. This means that the state can provide all workers with higher education without affecting efforts to build up the socialist economy. The part-time higher education system enables workers involved in front-line production and labor activities to become technical personnel equipped with the abundant scientific and technical knowledge required in their workplaces.

Most of the workers who have completed the part-time higher education system go on to be engineers, researchers, and experts with a high level of scientific and technical knowledge in managerial posts and occupations in all sectors of the people's economy. Moreover, they go on to become not only people's leaders, but also talented technical personnel serving the nation as a whole, capable of creating many original ideas, designs, and inventions of national significance while working in their current workplaces, thereby contributing substantially to efforts to build up the economy.

Precisely because students continue to work as they learn, the part-time higher education system could be described as an outstanding system for turning all workers in the DPRK into skilled and creative engineers.

Technical schools also form part of the education system for cultivating the engineers and technicians needed in occupations in all sectors of the people's economy.

Technical schools are a form of vocational educational institution through which each organization and sector of the people's economy takes responsibility for training workers who do not have the vocational skills required in their sector and workers who should have more advanced skills, developing the new generation deployed in each organization after completing the 12-year program of compulsory education into technicians who can work autonomously in a specific workplace.

The overall standard of technology and equipment in the people's economy is growing continuously, and the range of new managerial posts and occupations is expanding by the day, so each sector of the people's economy requires not only experts and engineers, but also technicians.

The DPRK's technical schools target the new generation, who have completed their general secondary education and have reached working age; these schools educate them in a diverse range of skills and techniques, enabling them to work in specific workplaces. Moreover, as well as being institutions that provide a formal education to workers without the skills currently required by a factory or enterprise, these technical schools are becoming institutions that predict and systematically cultivate the technicians that will be required in relevant sectors of the people's economy in the future.

Under the Workers' Party of Korea's proactive policy of cultivating technicians, the DPRK today has numerous institutions for nurturing technicians, including technical schools, technician training schools, and technician training groups, and many technicians are undergoing professional development via this formalized system for fostering technicians.

Technical schools are also organized and run by factories, enterprises, relevant sectors of the people's economy, and each region, tailored to their specific characteristics.

First and foremost, to cultivate technicians, factories and enterprises organize various forms of technical school tailored to the specific attributes of each occupation.

Large-scale factories and enterprises that need to develop a large number of technicians set up and run technical schools or technician training schools, while those that need comparatively few establish technician training groups.

Technical schools can be classified into general technical schools, advanced technical schools, and special technical schools, according to the skill level and occupation of the technicians that they seek to cultivate.

Direct responsibility for the management of technical schools run by factories and enterprises is held by the factories and enterprises themselves.

In addition, each socioeconomic sector and region establishes and runs its own technical school to train the technicians that it needs.

Where organizations have few employees or the enterprises in a sector are dispersed over a large area, technical schools covering a particular region are established. For example, organizations and enterprises in the agriculture, local industry, local construction, fisheries, urban management, commerce, and service sectors are dispersed across a wide area within each region, and only needs to cultivate a few technicians, so technical schools in these fields are generally organized on a regional basis.

In the agricultural sector, there are cases in which technical schools are established to serve a single county or city, and others in which the schools serve several cities or counties.

Where organizations and enterprises are seeking technicians in the same occupation, technical schools are established to serve a particular sector or region.

For example, technical schools such as prospecting schools, forestry schools, commercial executives' schools, agricultural management schools, captains' and engine drivers' schools, professional drivers' schools, and projectionists' schools cultivate technicians for the same occupation in each sector, so they are organized on a sector- or region-wide basis. In addition, there are special technical schools established to serve the whole country, including a diesel engine operators' school, a compressor operators' school, a bulldozer operators' school, a submarine operators' school, and a rail track maintenance supervisors' school.

All organizations and enterprises send the new high school graduates allocated to them and workers who do not have the relevant professional skills to these technical schools for training before deploying them in work requiring specialist skills.

Technical schools take in graduates from higher-level secondary schools, as well as those discharged from the military, housewives, and others with no vocational skills, training them as third- or fourth-class technicians; in addition, they accept people already working on the shop floor, training them to a level or two higher than their current level.

Technical schools provide each graduate with a diploma indicating their technical proficiency rating.

While fulfilling their basic mission of nurturing all students as builders of socialism armed with the great *juche* idea, the DPRK's technical schools educate students in the specialist skills required in their assigned occupations through teaching and learning focused on practical education.

Today's formalized system of vocational and technical education is the result of the development of the new system of technical schools under the wise guidance of President Kim Il Sung, and the establishment of the technical schools required by organizations in each sector of

the people's economy and each area of society.

The system for cultivating engineers and technicians in each sector of the people's economy gives the DPRK tremendous superiority in building socialism.

The primary area that demonstrates the superiority of the DPRK's system for cultivating engineers and technicians is the fact that it is a fully inclusive education system that develops all members of society into talented technical personnel for the nation's workplaces.

In the DPRK, if a person wishes to work at a particular workplace, they need to master the relevant technical skills without fail and to take a relevant course for cultivating technical personnel.

As well as students going out into the world of work after completing the 12-year system of compulsory education, those moving from a certain workplace to another post or occupation must complete a certain program of vocational and technical education, as must those leaving their occupation for whatever reason and those participating in social production work for the first time.

This is because education in the DPRK is not a system aimed merely at the development of a specific sector or company, but a fully inclusive education system for educating all workers, the essential mission of which is to instill in all workers the technical skills needed to work in a specific workplace.

In capitalist societies, which are entirely driven by the pursuit of profit, technical training and education programs do not have the provision of fully inclusive education as their mission; rather, such training and education is closely related to corporate profit-seeking, with technical education selected to achieve that goal and offered only to a limited few.

Efforts to cultivate engineers and technicians in the DPRK target all workers, so all workers in society are free to study freely not only at technical schools, which provide short-term skills training, but also on higher education programs that cultivate specialist scientists and engineers, irrespective of whether the individual concerned is currently working, has an occupation, or is becoming a working member of society for the first time. After going through this process of education, each individual is deployed in a relevant occupation, based on the technical skills that they have acquired.

The superiority of the DPRK's system for cultivating engineers and technicians lies in the fact that it is an education system that regards the provision of specialist skills and knowledge to all workers in order to develop them into talented engineers, experts, and technicians as a crucial mission.

Another area of superiority is the fact that it develops all members of society into independent and creative people, fostering technical personnel with an awareness that they are the true masters of the state and society.

In the DPRK's system for cultivating engineers and technicians, the education provided to workers does not relate solely to their occupation. While education in the DPRK is a program of technical skills education aimed at enabling all workers to work freely, fully demonstrating their skills in the workplace, it is also a vital educational program for developing them into the independent and creative working members of society who are the true masters of society.

The trend in modern education is to cultivate technical personnel capable of meeting the needs of social development and the age of the knowledge economy not only by training them in their own field of specialism, but also by providing them with a multifaceted array of technical knowledge in a wide range of fields.

The education provided in the DPRK includes not only technical education in a particular specialist field and occupation, but also educational programs that provide a multifaceted array of knowledge concerning various aspects of daily life in society, including politics, economics, and culture. The process of ensuring that all members of society can utilize their skills in their workplace enables them to fully demonstrate their abilities as independent and creative individuals who are the masters of the state and society.

The content of technical education in capitalist societies revolving around money is constrained by the greedy demands of profit-seeking corporations. Such education programs therefore churn out warped individuals who pursue money alone, acquire technical skills solely for the purpose of money, and become wage slaves forced to sell their technical skills to corporations to gain money.

In capitalist societies, the work of those with jobs is not the work of independent, creative humans, but rather work that they are forced to do in order to live. Moreover, the technical skills that they possess are not skills demonstrated in order to play an autonomous role in their own right for the sake of their state and its social development; rather, they are solely a way of earning the money they need to survive and a means of making money by helping corporations to make a profit.

Technical education in the DPRK is an educational program aimed at giving all workers the awareness that they are the true masters of the state and society, and, based on this, instilling in them the techniques and skills that they need to work creatively to the full extent of their abilities in their assigned workplace. Unlike in capitalist societies, the content of this education is based on the cultivation of autonomous individuals and is designed to give them an abundance of knowledge in their field of specialism, while developing them as fully-rounded social entities. This is another of the elements of the DPRK's system for cultivating engineers and technicians that makes it intrinsically superior.

Today, the DPRK's system for cultivating engineers and technicians is moving into an even more advanced stage, under the wise guidance of First Secretary Kim Jong Un.

As a result of First Secretary Kim Jong Un's emphasis on science and education, the DPRK's higher education system is developing further by the day, cultivating countless engineers and experts required in the diverse array of occupations in each sector of the people's economy. In addition, these individuals are making a powerful contribution to the building of a mighty socialist state. Moreover, the DPRK's system for training technicians is being further enhanced and strengthened by increases in the number of the technical schools required by each sector and organization, while qualitative improvements in both study conditions and educational initiatives are being implemented in all technical schools.

Socioeconomic development will further perfect the DPRK's system for cultivating engineers and technicians, which will undoubtedly enable it to demonstrate its superiority and power even more clearly.

\* Researcher, Institute of Economy, Korean Academy of Social Sciences

# The Newly Created Economic Development Zones in the Democratic People's Republic of Korea: In relation to the new economic policy under the Kim Jong Un government

Mitsuhiro Mimura\*

## Abstract

*On March 31, 2013, at the March 2013 plenary meeting of the Central Committee of the Workers' Party of Korea (WPK), Kim Jong Un, the first secretary, stated in a report that economic development zones were to be set up and promoted having the local character of each province. The Presidium of the Supreme People's Assembly of the DPRK promulgated a decree on the DPRK Law on Economic Development Zones on May 29, 2013. It also issued a decree to set up thirteen economic development zones in various provinces on November 21, 2013. Six more economic development zones were added through a decree on July 22, 2014. This rapid expansion of economic development zones in the DPRK signifies that the country is seeking ways to attract foreign investment not only at the central government level but also at the local government (provincial) level. One of the key factors for the establishment of provincial economic development zones might be to set up "incubators" for foreign investors. At least within the zones the laws on foreign investment are in force. For middle- to large-scale investment, however, many of these provincial economic development zones are too small, too little populated or too far from the major cities. Therefore establishment of these zones does not mean that the DPRK has a mature investment climate, but rather that they have just started to seek ways to be more attractive to foreign investors.*

Keywords: special economic zone, North Korea, DPRK, external economic cooperation

## 1. Introduction

On March 31, 2013, at the March 2013 plenary meeting of the Central Committee of the Workers' Party of Korea (WPK), First Secretary Kim Jong Un stated in a report that tourist zones should be built in several places in the country including the Wonsan area and the Mt. Chilbo area, and that economic development zones were to be set up and promoted having the local character of each province.<sup>1</sup> The Presidium of the Supreme People's Assembly of the DPRK promulgated a decree on the DPRK Law on Economic Development Zones<sup>2</sup> on May 29, 2013<sup>3</sup>. It also issued a decree to set up thirteen economic development zones<sup>4</sup> in various provinces on November 21, 2013<sup>5</sup>. Six more economic development zones<sup>6</sup> were added through a decree of the Presidium of the Supreme People's Assembly on July 22, 2014.<sup>7</sup> This means that within a year and half, nineteen economic development zones were established. The number is more than three times that of the special economic zones which the DPRK has established in the past twenty-three years.

The objectives of this paper are (1) to outline the major trends in special economic zones in the DPRK, (2) to introduce the basic investment conditions of the newly created special economic zones, and (3) to provide analysis on the current policy on external economic cooperation in the DPRK.

## 2. The History of Special Economic Zones in the DPRK

The first special economic zone in the DPRK, Rajin-Sonbong Free Economic and Trade Zone (FETZ), was established in December 1991. Until the collapse of the Soviet Union was apparent, the DPRK had announced that the country had no intention of having a special economic zone as in China. Rajin-Sonbong FETZ was the first exception to that policy. It had been the only special economic zone in the DPRK for more than ten years. The DPRK amended its socialist constitution in 1998. Article 37 stated “The State shall encourage institutions, enterprises or associations of the DPRK to establish and operate equity and contractual joint venture enterprises with corporations or individuals of foreign countries within a special economic zone.” The article was the first constitutional safeguard for a special economic zone. Three special economic zones were established in 2002. Sinuiju Special Administrative Region was established in a border city with China in September 2002<sup>8</sup> and Mt. Kumgang Tourist Zone and Kaesong Industrial Zone, located in an area adjacent to the Republic of Korea, to attract South Korean tourists and businesses.

**Table 1: Historical Special Economic Zones in the DPRK**

No.	Name	Place	Established	Note
1	Rason Economic and Trade Zone	Rason	Dec. 1991	Originally “Rajin-Sonbong Free Economic and Trade Zone”
2	Sinuiju Special Administrative Region	Sinuiju	Sep. 2002	Development Suspended
3	Special Zone for International Tourism of Mt. Kumgang	Mt. Kumgang	Oct. 2002	Originally “Mt. Kumgang Tourist Zone”
4	Kaesong Industrial Zone	Kaesong	Nov. 2002	
5	Hwanggumphyong and Wihwado Economic Zone	Sinuiju	Dec. 2011	

Source: Korea Central News Agency

The establishment of Mt. Kumgang Tourist Zone had the positive effect of increasing South Korean tourists visiting Mt. Kumgang.<sup>9</sup> In 2008, the souring of relations between the North and the South resulted in a suspension of tourist activity between the North and the South due to the shooting of a South Korean tourist who entered the prohibited area.

In the Kaesong Industrial Zone, Hyundai Asan Co., Ltd., initiated an investment project, but most of the infrastructure investment was done through the Korea Land Corporation (Korea Land and Housing Corporation from October 2009 onward), which is a state-owned enterprise. The project is a governmental project for the DPRK and a quasi-governmental project for the ROK, which made the project easily influenced by tensions between the North and the South. On April 3, 2013, the DPRK blocked access to the zone to all ROK citizens. On April 8, 2013, the DPRK government removed all 53,000 workers from the zone, which effectively shut down all production activities within the zone. On August 15, 2013, both the North and the South agreed that the zone be reopened.

### 3. Newly Created Economic Development Zones

There are 20 newly built economic development zones. Among them, four are under the administrative control of the central government, while the other sixteen are under the control of the provinces. The former four are Sinuiju International Economic Zone, Kangryong International Green Model Zone, Unjong Cutting-Edge Technological Development Zone and Jindo Export Processing Zone. Except for Sinuiju International Economic Zone, these zones are quite small in size ranging from 1.37 km<sup>2</sup> to 8.1 km<sup>2</sup>.

In this paper, you will see a brief introduction of each economic development zone based on the materials from the Korea Economic Development Association of the DPRK.

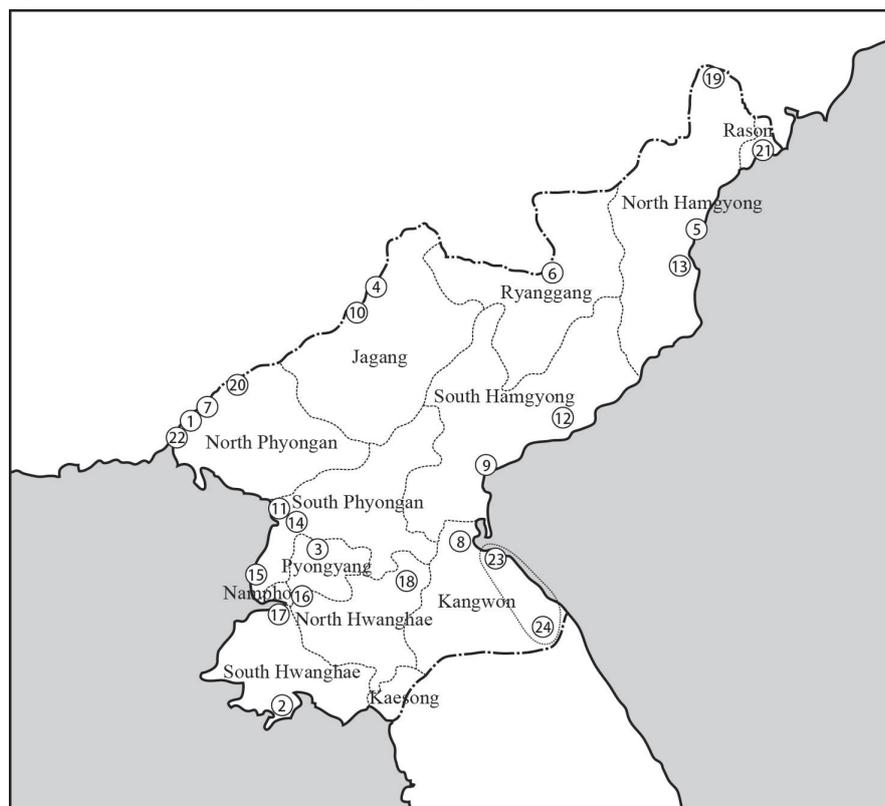
**Table 2: Special Economic Zones (as of March 2015)**

No.	Name	Classification	Category	Place	Size (km <sup>2</sup> )	Estimated investment Amount (US\$ million)	Content
1	Sinuiju International Economic Zone	Economic Development Zone (Central)	Comprehensive Economic Development Zone	Sinuiju City, North Phyongan	40	n/a	A comprehensive economic development zone with international airport and open port; cutting-edge technology, trade, tourism, finance, bonded processing
2	Kangryong International Green Model Zone	Economic Development Zone (Central)	Comprehensive Economic Development Zone	Kangryong County, South Hwanghae	3.5	n/a	Research and development of green industry
3	Unjong Cutting-Edge Technological Development Zone	Economic Development Zone (Central)	Comprehensive Economic Development Zone	Unjong District, Pyongyang	2	n/a	Research, development and implementation of information technology, nano technology, new materials and bioengineering, and production and export of cutting-edge products, and exchange and exhibition of cutting-edge products
4	Manpho Economic Development Zone	Economic Development Zone (Local)	Economic Development Zone	Manpho City, Jagang	3	120	Modern agriculture, tourism and recreation, and trade
5	Chongjin Economic Development Zone	Economic Development Zone (Local)	Economic Development Zone	Wolpo District, Chongjin City	5.4	200	metal processing, machine production, production of building materials, electrical products and light industry products, and export processing
6	Hyesan Economic Development Zone	Economic Development Zone (Local)	Economic Development Zone	Hyesan City, Ryanggang	2	100	export processing, modern agriculture, tourism and recreation, and trade
7	Amrokgang Economic Development Zone	Economic Development Zone (Local)	Economic Development Zone	Sinuiju City, North Phyongan	6.6	240	modern agriculture, tourism and recreation, and trade
8	Hyondong Industrial Development Zone	Economic Development Zone (Local)	Industrial Development Zone	Hyondong Township, Wonsan City, Kangwon	2	100	information industry and light industry including the production of souvenirs for tourists
9	Hungnam Industrial Development Zone	Economic Development Zone (Local)	Industrial Development Zone	Haean District, Hamhung City	2	100	bonded processing, chemical products, architectural materials, machinery and equipment

10	Wiwon Industrial Development Zone	Economic Development Zone (Local)	Industrial Development Zone	Wiwon County, Jagang	3	150	modern mineral resources processing, timber processing, machinery and agro processing
11	Chongnam Industrial Development Zone	Economic Development Zone (Local)	Industrial Development Zone	Ryongbuk-ri, Chongnam District, South Phyongan	2	n/a	producing parts and tools for mining sector, production, sales and export of coal chemicals
12	Pukchong Agricultural Development Zone	Economic Development Zone (Local)	Agricultural Development Zone	Pukchong County, South Hamgyong	3	100	fruit farms, a comprehensive fruit processing industry and the livestock industry
13	Orang Agricultural Development Zone	Economic Development Zone (Local)	Agricultural Development Zone	Orang County, North Hamgyong	4	70	an agricultural research and development base with mixed husbandry, a seed farm and breeding
14	Sukchon Agricultural Development Zone	Economic Development Zone (Local)	Agricultural Development Zone	Sukchon County, South Phyongan	3	n/a	modern agriculture, tourism and recreation, and trade
15	Waudu Export Processing Zone	Economic Development Zone (Local)	Export Processing Zone	Ryongnam-ri, Waudu District, Nampho	1.5	100	sophisticated export-oriented manufacturing and assembly
16	Songrim Export Processing Zone	Economic Development Zone (Local)	Export Processing Zone	Songrim City, North Hwanghae	2	80	export processing, warehousing business and freight-hauling business as the key businesses
17	Jindo Export Processing Zone	Economic Development Zone (Central)	Export Processing Zone	Waudu District, Nampho	1.37	n/a	contract manufacturing of light industry and chemical products
18	Sinphyong Tourist Development Zone	Economic Development Zone (Local)	Tourist Development Zone	Phyonghwa-ri of Sinphyong County, North Hwanghae	8.1	140	tourism
19	Onsong Island Tourist Development Zone	Economic Development Zone (Local)	Tourist Development Zone	Onsong Township, Onsong County, North Hamgyong	1.7	90	recreation and tourism services such as a golf course, a swimming pool, a racecourse and a Korean ethnic restaurant, etc., specializing in entertaining foreign tourists
20	Chongsu Tourist Development Zone	Economic Development Zone (Local)	Tourist Development Zone	Bangsang-ri, Sakju County, North Phyongan	1.4	n/a	tourism
21	Rason Economic and Trade Zone	Special Economic Zone	Comprehensive Economic Development Zone	Rason	470	n/a	International connecting transportation, trade, investment, finance and tourism
22	Hwanggumphyong and Wihwado Economic Zone	Special Economic Zone	Comprehensive Economic Development Zone	Sinuiju City, North Phyongan	44.5	n/a	Information industry, light industry, agriculture, commerce and tourism
23	Wonsan-Mt. Kungang International Tourism Zone (Wonsan, Tongchon, Sokwang Temple, Masikryong Ski Resort and Ullim Falls)	Economic Development Zone (Central)	Tourist Development Zone	Wonsan, Tongchon, Sokwang Temple, Masikryong Ski Resort and Ullim Falls, Kangwon Province	n/a	n/a	tourism
24	Special Zone for International Tourism of Mt. Kungang	Special Economic Zone	Comprehensive Economic Development Zone		n/a	n/a	tourism

Source: The Korean Economic Development Association, DPRK

**Figure 1: The Location of the Special Economic Zones in the DPRK**



Source: The Korea Economic Development Association, the DPRK and the *Choson Sinbo*

**1. Sinuiju International Economic Zone**

The objective of this zone is to build a comprehensive economic zone with cutting-edge industry, trade, tourism, finance, and bonded trade as the main features.

Foreign investment can be in the form of a joint venture with local enterprises for a period of fifty years.

**2. Kangryong International Green Model Zone**

The objective of this zone is to build the research and development base of green industry, to build an industrial development zone undertaking the processing of organic farming products and by-products, and then to make Kangryong County an international model area for the green industry.

Foreign investment can be either in the form of a joint venture with local enterprises or the establishment of a full-ownership company by foreign investors for a period of fifty years.

Production and trade of green industrial products are the main features of the zone. At the same time, utilization of fishery resources (sea water and inland water culture) is also possible.

**3. Unjong Cutting-Edge Technological Development Zone**

The main objective of this zone is to form a cutting-edge technological industry in the fields of information technology, nanotechnology, new materials and bioengineering. Processing trade and commerce will also be permitted.

Foreign investment can be either in the form of a joint venture with local enterprises or the

establishment of a full-ownership company by foreign investors for a period of fifty years.

The zone is divided into two areas. Area 1 is for administration, services, the information industry, biotechnology, the materials industry and industrial facilities. Area 2 is for high value-added cutting-edge industries in the fields of agriculture, livestock raising, pomiculture, fish culture, industrial crops and bioenergy.

#### 4. Manpho Economic Development Zone

The objective of this zone is to promote modern agriculture, tourism and recreation, and trade. In the Mitha-ri area, an international service base which binds tourism and trade together will be built. In the Phosang-ri area, modern agriculture, including intensive agricultural and livestock production, and cultivation of medical herbs will be created. Processing trade is also possible by the utilization of factories circumjacent to the zone.

Foreign investment can be in the form of a joint venture with local enterprises.

#### 5. Chongjin Economic Development Zone

The objective of this zone is to build an economic development zone with metal processing, machine production, production of building materials, electrical products and light industry products, and export processing.

Foreign investment can be either in the form of a joint venture with local enterprises or the establishment of a full-ownership company by foreign investors for a period of fifty years.

The zone is located five kilometers from Chongjin West Port, less than 100 km from the Chinese border, and 127 km from the Russian border. Chongjin has the Chongjin Thermal Power Plant, which has a 150,000 kW capacity.

#### 6. Hyesan Economic Development Zone

The objective of this zone is to build an economic development zone, with export processing, modern agriculture, tourism and recreation, and trade as the main features of the zone.

Foreign investment can be either in the form of a joint venture with local enterprises or the establishment of a full-ownership company by foreign investors for a period of fifty years.

The zone is located 20 km from a border-crossing point with China (Changbai, Jilin Province). Lakeside tourism facilities are to be built. In another area, clothing, spinning and metal processing utilizing the abundant mineral resources in Ryanggang Province (copper, lead, zinc, mercury, gold, silver, magnetite, iron sulfide, and magnetite) are also available in the future.

#### 7. Amrokgang Economic Development Zone

The objective of this zone is to promote modern agriculture, tourism and recreation, and trade. The key industry is modern agriculture with inverse agricultural production, building a research and development base including a seed farm, organic fertilizer production, small-scale agricultural machinery production and food processing.

Foreign investment can be either in the form of a joint venture with local enterprises or the establishment of a full-ownership company by foreign investors for a period of fifty years.

The zone faces the famous tourist spot of Hushan Great Wall, in Dandong, Liaoning Province, which a large number of Chinese tourists visit every year. At the moment, it is more rational for electricity and fuel gas to be supplied from China.

#### 8. Hyondong Industrial Development Zone

The objective of this zone is to build an industrial zone with the information industry and light industry, including the production of souvenirs for tourists, as core industries, utilizing the proximity to Wonsan-Mt. Kungang Tourist Region. Bonded processing is also possible.

Foreign investment can be either in the form of a joint venture with local enterprises or the establishment of a full-ownership company by foreign investors for a period of fifty years.

#### 9. Hungnam Industrial Development Zone

The objective of this zone is to build an industrial zone with bonded processing, chemical products, architectural materials, machinery and equipment as the key products. Production outsourcing to various state-owned enterprises such as Ryongsong Machine Complex, February 8 Vinalon Complex and Hamhung Wood Processing Factory can be organized.

Foreign investment is in the form of a joint venture with local enterprises for a period of fifty years.

#### 10. Wiwon Industrial Development Zone

The objective of this zone is to build an industrial zone with a base of modern mineral resources processing, timber processing, machinery equipment production and local agricultural products processing. The zone may also have a research and development base for sericulture and inland water culture.

Foreign investment is in the form of a joint venture or a contractual joint venture with local enterprises.

The zone boasts huge deposits of mineral resources (calcium carbonate, limestone, and galena, etc.) and timber resources located circumferentially. Secondary fabricating of these resources for export is the key feature of the zone.

#### 11. Chongnam Industrial Development Zone

The objective of this zone is to build an industrial zone to produce machinery and tools for the mining industry and to produce, sell and export chemical products made from lignite.

Foreign investment can be either in the form of a joint venture with local enterprises or the establishment of a full-ownership company by foreign investors for a period of fifty years.

Chongnam area boasts huge deposits of lignite. Coal gas liquefaction, production and export of coal chemicals, and the by-products and waste, are the key feature of the zone.

#### 12. Pukchong Agricultural Development Zone

The objective of this zone is to build a modern agricultural development zone with fruit farms, a comprehensive fruit processing industry and the livestock industry.

Foreign investment can be either in the form of a joint venture with local enterprises or the establishment of a full-ownership company by foreign investors for a period of fifty years.

Electricity can be supplied from Ankok electric power substation with 220,000 kVA capacity which utilizes electricity generated at Hochongang hydro power plant. This area has the Pukchong College of Horticulture and experts on pomology can be easily obtained.

#### 13. Orang Agricultural Development Zone

The objective of this zone is to build a modern and intensive agricultural development

zone with an agricultural research and development base with mixed husbandry, a seed farm and breeding.

Foreign investment can be either in the form of a joint venture with local enterprises or the establishment of a full-ownership company by foreign investors for a period of fifty years.

Electricity can be supplied from the newly built Orang River hydro power plant, with a capacity of 24,000 kVA. The proximity to the Orang River assures irrigation and water for daily life. There is almost nothing removed and relocated in the development area.

#### 14. Sukchon Agricultural Development Zone

The objective of this zone is to build a modern agricultural development zone with modern agriculture, tourism and recreation, and trade as the main targets.

Foreign investment can be either in the form of a joint venture with local enterprises or the establishment of a full-ownership company by foreign investors for a period of fifty years.

Electricity can be supplied from a nearby power plant with a 60,000 kW capacity. Organic farming of rice, maize, orchard trees, sericulture, a seed farm, breeding, food processing, research and development on organic farming, production of organic fertilizers, and stockbreeding and its processing shall be the main categories of industry in the zone.

#### 15. Waudo Export Processing Zone

The objective of this zone is to build a comprehensive export-processing zone with export-oriented manufacturing and assembly.

Foreign investment can be either in the form of a joint venture with local enterprises or the establishment of a full-ownership company by foreign investors for a period of fifty years.

This zone adjoins Nampho Port which has shipping services to China and Southeast Asia. Also this zone is easily accessed from Nampho City and Pyongyang which are advanced industry areas. Various forms of export-oriented assembly and production are the key features of this zone.

#### 16. Songrim Export Processing Zone

The objective of this zone is to build an intensive export processing zone with export processing, warehousing business and freight-hauling business as the key businesses.

Foreign investment can be either in the form of a joint venture with local enterprises or the establishment of a full-ownership company by foreign investors for a period of fifty years.

Export processing is possible utilizing materials from Songrim Port and Nampho Port. Collaboration with Hwanghae Iron and Steel Complex, such as secondary fabrication using materials from the steel complex, is one of the key features of this zone. Outsourcing of export-processing to numerous factories in Songrim City and Sariwon City is also possible.

#### 17. Jindo Export Processing Zone

The objective of this zone is to produce various light industry and chemical products for export, utilizing the industrial potential of Nampho City. Raw materials can be imported to this zone duty-free.

Foreign investment can be either in the form of a joint venture with local enterprises or the establishment of a full-ownership company by foreign investors for a period of fifty years.

This zone adjoins Nampho Port which has shipping services to China and Southeast Asia.

Also this zone is easily accessed from Nampho City and Pyongyang which are advanced industry areas. Processing trade and bonded trade will be the main target of this zone.

#### 18. Sinphyong Tourist Development Zone

The objective of this zone is to build a tourist zone in which tourists enjoy places of scenic beauty called “Sinphyong Kumgang,” through tourism activities such as relaxation, sports, and recreation, etc.

Foreign investment can be either in the form of a joint venture with local enterprises or the establishment of a full-ownership company by foreign investors for a period of fifty years.

Power plant construction (capacity: 100 kVA) and optical cable laying are in progress. There is almost nothing removed and relocated in the development area.

#### 19. Onsong Island Tourist Development Zone

The objective of this zone is to build a tourist zone with recreation and tourism services such as a golf course, a swimming pool, a racecourse, and a Korean ethnic restaurant, etc., specializing in entertaining foreign tourists.

Foreign investment can be either the establishment of a full-ownership company by foreign investors or in the form of a joint venture with local enterprises, for a period of fifty years.

At the opposite side of the zone is China. There is no border-crossing facility at the moment. The nearest border-crossing point is Namyang (to Tumen, Jilin Province) and is 12 km away. Electricity, heating and fuel gas are to be brought in from China for the moment, while water purification, sewage treatment, telecommunication facilities and a bridge connecting the zone and China are to be newly constructed.

#### 20. Chongsu Tourist Development Zone

The objective of this zone is to build a tourist zone taking advantage of the natural conditions of the Amrok River.

Foreign investment can be either the establishment of a full-ownership company by foreign investors or in the form of a joint venture with local enterprises, for a period of fifty years.

On the opposite side of the Amrok River is China. A cultural and recreation area, a folklore village, and a Korea–China Friendship Zone are to be constructed. In addition to that, mountain vegetables processing, timber processing, mineral water factories, a ginseng liquor factory and fish culture research facilities can also be considered as an objective for investment.

### **4. Wonsan-Mt. Kumgang International Tourism Zone**

The Presidium of the DPRK Supreme People's Assembly promulgated a decree on June 11, 2014 on the establishment of the Wonsan-Mt. Kumgang International Tourism Zone.<sup>10</sup> The objective of the zone is to set up the Wonsan-Mt. Kumgang International Tourism Zone in the Wonsan-Mt. Kumgang area in Kangwon Province to reenergize the international tourism of scenic spots in the area of Wonsan and scenic spots on the east coast now in the process of being turned into world famous tourist destinations. This project seems to be a high-priority project in the DPRK.<sup>11</sup>

However, establishment of the zone did not mean that Mt. Kumgang International Tourism Special Zone was incorporated into the new international tourism zone. According to the

explanation of the Wonsan Area Development Corporation of the DPRK, made at the investment seminar on the Wonsan-Mt. Kumgang International Tourism Zone held in Shenyang, China on March 20, 2015, the law of the DPRK on Mt. Kumgang International Tourism Special Zone is in force in the Mt. Kumgang area of the Wonsan-Mt. Kumgang International Tourist Zone, while the law of the DPRK on Economic Development Zones will be in force in the other five areas (Wonsan, Tongchon, Sokwang Temple, Masikryong Ski Resort and Ullim Falls). This implies that Mt. Kumgang is still being reserved for the reactivation of Mt. Kumgang tourism by the South which had once attracted more than 300,000 tourists a year.

We can see some aspects of the impromptu manner in selecting possible investors in the Wonsan-Mt. Kumgang International Tourism Zone through the process of the establishment and invitation of foreign investment. At the time of press for this article, the DPRK consider Chinese companies as the best prospect for investment. However, South Korean businesses might be the first priority, especially in the Mt. Kumgang International Tourism Special Zone.<sup>12</sup> As soon as relations between the two Koreas recover, there might be a major change in the investment climate of the Wonsan-Mt. Kumgang International Tourism Zone.

## 5. Conclusion

The history of the special economic zones in the DPRK shows that the special economic zones adjacent to the South (Mt. Kumgang and Kaesong) are easily influenced by tensions between the North and the South, but rapidly grows due to quasi-governmental investment from the South, and that the special economic zones bordered by China (Rason, Sinuiju, and Hwanggumphyong and Wihwado) have a comparatively slow speed, yet development is steadily progressing and is less influenced by political estrangement between the two nations.

Rapid expansion of the economic development zones in the DPRK signifies that the country is seeking ways to attract foreign investment not only at the central government level but also at the local government (provincial) level. Looking at the material used to introduce the investment climate of each economic development zone, you understand that the economy of the DPRK is more diverse compared to a decade ago. The central government now allows the initiatives of local governments. One of the key factors for the establishment of provincial economic development zones might be to set up “incubators” for foreign investors. At least in the zones, the laws on foreign investment are in place. For middle- to large-scale investment, however, many of these provincial economic development zones are too small, too little populated or too far from the major cities. Therefore, establishment of these zones does not mean that the DPRK has a mature investment climate, rather that they have just started to seek ways to be more attractive to foreign investors.

\* Senior Research Fellow, Research Division, ERINA

<sup>1</sup> *Rodong Sinmun*, April 2, 2013

<sup>2</sup> The law has seven chapters (62 articles) and additional rules (two articles) and deals with the fundamentals of the law, the establishment, development and management of economic development zones, economic transactions in the zones, their encouragement, preferential treatment and settlement of complaints and disputes. Article 2 of the additional rules of this law prescribes that this law is not applied to Rason ETZ, Hwanggumphyong and Wihwado Economic Zone, the Special Zone for International Tourism of Mt. Kumgang and the Kaesong Industrial Zone.

<sup>3</sup> “DPRK Law on Economic Development Zones Enacted”, Korea Central News Agency, June 5, 2013 [<http://>

- www.kcna.co.jp/item/2013/201306/news05/20130605-17ee.html]
- <sup>4</sup> Amrokgang economic development zone, Manpho economic development zone, Wiwon industrial development zone, Sinphyong tourist development zone, Songrim export processing zone, Hyondong industrial development zone, Hungnam industrial development zone, Pukchong agricultural development zone, Chongjin economic development zone, Orang agricultural development zone, Onsong island tourist development zone, Hyesan economic development zone and Waudo export processing zone
- <sup>5</sup> “*Provincial Economic Development Zones to Be Set Up in DPRK*”, Korea Central News Agency, November 22, 2013 [http://www.kcna.co.jp/item/2013/201311/news21/20131121-24ee.html]
- <sup>6</sup> Unjong cutting-edge technological development zone, Kangryong international green model zone, Jindo export processing zone, Chongnam industrial development zone, Sukchon agricultural development zone and Chongsu tourist development zone
- <sup>7</sup> “*Economic Development Zones to Be Set up in Provinces of DPRK*”, Korea Central News Agency, July 23, 2014 [http://www.kcna.co.jp/item/2014/201407/news23/20140723-24ee.html]
- <sup>8</sup> The region was designed to have independence like the Hong Kong Special Administrative Region, which had its own legislative authority. The DPRK appointed as governor Yang Bin, who was formerly listed as the second richest man in China for 2001 by Forbes in September 2002. He was placed under house arrest in October 2002 and sentenced in July 2003 to 18 years, and was fined 2.3 million renminbi (yuan). A second governor was not appointed and the development of the region was de facto suspended.
- <sup>9</sup> The number of South Koreans who visited Mt. Kumgang was 84,727 in 2002 and 74,334 in 2003, but the number suddenly grew very rapidly. In 2004, the number of South Korean tourists who visited Mt. Kumgang reached 268,420. In 2007, Mt. Kumgang greeted 345,006 South Korean visitors. It was the all-time high in the history of Mt. Kumgang tourism.
- <sup>10</sup> “*Int'l Tourist Zone to Appear in DPRK*”, Korea Central News Agency, June 12, 2014 [http://www.kcna.co.jp/item/2014/201406/news12/20140612-27ee.html]  
According to this article, the international tourist zone includes areas of Wonsan, Masikryong Ski Resort, Ullim Falls, Sokwang Temple, Tongchon and Mt. Kumgang. The DPRK law on the Mt. Kumgang International Tourist Special Zone, the law on economic development zones, and the laws related to foreign investment are applied to the relevant areas and objects in the Wonsan-Mt. Kumgang International Tourist Zone.
- <sup>11</sup> Kim Jong Un, the First Secretary of the WPK said in his new year address in 2015 “We should foster external economic relations in a multilateral way and accelerate the projects for economic development zones including the Wonsan-Mt. Kumgang international tourist zone.” “*Kim Jong Un's New Year Address*”, Korea Central News Agency, January 1, 2015 [http://www.kcna.co.jp/item/2015/201501/news01/20150101-21ee.html]
- <sup>12</sup> The law of the DPRK on the Mt. Kumgang International Tourism Special Zone still allows South Korean enterprises and individuals to invest in the zone.

## References

*The Choson Sinbo*

*Korean Central News Agency*

Quan, Xiulian and Zhenan Quan (2015) “Kita Chosen ni okeru Keizai Kaihatsuku Setsuritsu no Haikei oyobi Tenbo [The Background and the Outlook of North Korea's Economic Development Zones],” in *ERINA REPORT* No. 123, April 2015, pp. 55-61. Economic Research Institute for Northeast Asia [In Japanese]

Rim, Yong Chang (2014) “Chosen Minshushugi Jinmin Kyowakoku Keizai Kaihatsukuhou no Kihon Naiyo ni Kanshite [On the basic contents of the law of the DPRK on Economic Development Zone],” in *ERINA REPORT* No. 117, April 2014, pp. 68-70. Economic Research Institute for Northeast Asia [In Japanese]

*Rodong Sinmun*

## GUIDELINES FOR CONTRIBUTIONS (abstract)

Please send papers as email attachments or on a CD, in Microsoft Word or other text-file form. Papers should be double-spaced and not more than 5,000 words in length.

All papers must have an abstract of not more than 150 words, with keywords of from three to six terms following it, highlighting the main topics of the paper.

The title page should contain the title of the paper, the full names and addresses of the authors, their contact information (telephone number, facsimile number and email address) and their professional affiliation. As the name of the author is to be withheld from the referees *the title of the paper only* should be repeated on the first page of the main text.

Please refer to the “Guidelines for Authors” on ERINA website (<http://www.erina.or.jp/index.html.en>) regarding the other matters for the authors of papers we would like to be observed.

Once manuscripts have been anonymously peer-reviewed, their acceptance or rejection rests with the Editorial Committee.

The anonymity of both authors and referees will be maintained throughout the reviewing process.

The copyright of accepted papers will belong to the author. Please refer to the “Guidelines on Copyright” regarding the copyright for accepted papers.

