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An Assessment of Economic Issues Raised in the 7th WPK Central Committee's 5th Plenary Session: Reorganizing the Economic Management System's Foundation Amid Emphasis on "Self-Reliance"



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Most of North Korea's New Year's addresses tend to avoid any mention of changes in the country's economic policies. While the North Korean government does emphasize the importance of the economy in these addresses, they have generally used the same frameworks to explain the state of the economy. This is mainly because North Korean leaders have generally believed that presenting such changes in these documents could suggest there are problems with the country's economic system. North Korea does, in fact, have a lot of economy-related slogans, but a careful review of them shows that they rarely yield much new information.

This year was different, however. North Korea chose to forgo the traditional New Year Address and instead published the results of the 5th plenary session of the 7th Central Committee. In the report, North Korean leader Kim Jong Un was stated as saying that the "challenges faced by us for the past several months were harsh and dangerous." This statement alone provides some explanation about why this year was different. The continuing deadlock between the US and North Korea and the continuing sanctions on the country are other reasons this year was different, but it is also true that Kim Jong Un has delineated himself from the Kim Jong Il-era by genuinely trying to find ways to address the economic problems facing his country.

In any case, North Korea appears to have started efforts to reinvent how it manages the national economy. The plenary session's report shows, as a matter of fact, that Kim himself ordered working-level members of the government to "reset" the framework in which the national economy is run. Now, working-level government workers are tasked with starting full-fledged efforts to come up with a plan to do just that.

There are two things missing from the plenary session's report that were once considered very important to both the country as a whole and the Supreme Leader himself.

The first thing missing from the report is mention of the "National Economic Development Strategy (2016-2020)." Kim had ambitiously presented this strategy at the first party congress held after a 36-year hiatus as a symbol of the government's efforts to normalize the country's socialist economic system. The completion of this strategy's goals was considered the highest priority. The strategy was mentioned repeatedly during New Year's addresses and at important public events. North Korea's state media constantly reported on the progress made in completing the strategy's objectives. In the plenary session's report, however, there was no mention of this strategy. This is extremely interesting given that 2020 is its final year. Of course, Kim could again order the completion of the strategy at another venue, but meeting those goals already appears near impossible.

The other thing missing from the report is emphasis Kim has made on the "improvement of the people's lives," a phrase that has been directly linked to Kim's image as a "man of the people." Since Kim gained power, he has emphasized his efforts to bring about improvement in his people's lives. In the early days of his reign, Kim stated during a speech he made on the centennial of Kim Il Sung's birthday (April 15, 2012) that "it is our party's resolute determination to let our people who are the best in the world — our people who have overcome

all obstacles and ordeals to uphold the party faithfully — not tighten their belts again and enjoy the wealth and prosperity of socialism as much as they like.” He has underlined his efforts to improve his people’s lives at every opportunity and had always mentioned it during his New Year’s addresses. This year, however, the plenary session report did not mention anything about improving people’s lives. In place of this phrase, the report quoted Kim saying that “it is our firm revolutionary faith that we will defend the dignity of the country and defeat imperialism by achieving prosperity by dint of self-reliance and even by tightening our belts.” In short, eight years after making a promise to no longer require his people to “tighten their belts,” he has made it official that his people will have to undergo sacrifices over the next year.

What is Kim intending to do as he reverses course on some of his most hallowed goals and talking points? Broadly speaking, he obviously places a priority on the survival of his regime and the North Korean state. That is why he has placed emphasis on “strengthening national defenses” and stressed “enduring” the obstacles facing the country’s economy. That being said, he still needs overarching yet superficial goals for his regime to head towards. That is, perhaps, why he presented the “ten long-term objectives” for the country’s economy during the plenary session. In the report, Kim was quoted as speaking of “the need to correctly set up index-wise plans of ten long-term objectives through scientific calculation to develop the country’s economy on a stable and long-term basis and build up the economic foundations of the country one by one through the struggle for carrying out the plans.”

These ten long-term objectives appear to have been created very recently and suggest that North Korea has now started the process of establishing specific objectives for its economic development. There are actually two sets of ten long-term objectives here: the first set corresponds to the overall economy, while the second set is aimed at developing the country’s science and technology spheres. Of course, the former is more important for the country. It is not clear, however, whether these two sets of ten long-term objectives replace the ones set out in the National Economic Development Strategy. Moreover, there is no clarity about what priority these two sets of ten long-term objectives will have within the country’s economic management system. Likely, the actual implementation of these long-term objectives will probably depend on the fate of the National Economic Development Strategy.

What are Kim’s plans for the future, then? He may believe that the very foundations of the country’s economy need to be revamped. Kim’s harshly critical attitude toward the country’s economic bureaucrats was particularly noteworthy, including his use of the words “evil practices,” for example. He was quoted as saying that “state management and economic work which is insufficient for pulling and spurring the great cause of self-reliance and self-development and which fails to bring about a bold renovation but stays stagnant.” Moreover, he stated that the country’s economic situation was not good and there are “serious problems that need urgent solution in strengthening the state’s unified guidance over management of the economic work,” and noted that the Cabinet is in overall “command” of the economy but is failing in its responsibilities.

After that, he presented ways to remedy this situation. Kim pointed out that the most urgent task facing North Korea’s economy is to “rationally” organize the economic system. He also noted that the past, expedient ways of doing business were no longer valid and, after he presented “the tasks to be tackled in putting on the right track the economic work system and order . . . he illuminated the fundamental principles for improving the Cabinet-responsibility system and Cabinet-centered system, the core of the economic work system of the state.”

Up until this point, the report gives the sense that Kim is retreating from the economic reforms that he has championed thus far. It is easy to imagine, in fact, that given the current sanctions on the regime, North Korea has shifted to a more conservative stance on economic policies, as some North Korea observers have predicted.

However, a more careful reading of what the report says suggests that may not be the case. The plenary session’s report actually argues for the continued implementation of the Socialist

Enterprise Responsibility System, which is Kim Jong Un's most famous economic reform measure. The system is noteworthy for having replaced the Tae'an (Work) System, which was a Kim Il Sung-era method of economic management under the country's past planned economy. That's not all. Kim also called on the country to place its economy "firmly in conformity with the practical conditions" while maintaining a "revolutionary ideology and spirit." He also ordered the improvement of economic planning to meet "actual requirements" along with "decisively raising" the confidence among the people in the "national economic plan." What's noteworthy here is his use of the words "practical conditions" (i.e., the reality on the ground) and "planning."

The report also quotes Kim calling for a broad reorganization of the foundation of the economy and ordering that bureaucrats must be "vigorously pushing forward" with improving economic management. He specifically ordered the "restoring" of the "commercial system of the state" and "socialist commerce"; the elimination of unneeded procedures and systems; the fixing of areas of the economy that obstruct production activities; the expansion and strengthening of "specialized construction forces" and the modernization of building equipment; and, among others, the "realistic" implementation of the "socialist system of responsible business operation." Of course, he also mentioned several other issues apart from economic management, including several tasks regarding agricultural and industry, and the improvement of investment methods. Kim also noted "science [as] . . . an engine leading the economic development" as part of his emphasis on the importance of science and technology.

What's also noteworthy is his emphasis on the "restoring" "without delay" of the commerce system of the state and "socialist commerce." He noted that the country needs to "maintain the original features of the socialist commerce" yet also research methodology to improve commercial services to meet the interests of the state and the people. Here, we need to remember his prior emphasis on improving the country's economic planning to meet "actual requirements" and improving the people's confidence in the economic planning system.

All these measures are similar in nature to the Kim Jong Il-era's most well-known economic reform measure, the 'Our Style Economic Management System'. In short, the report from the plenary session shows that Kim Jong Un is placing North Korea's markets under the state's economic planning system while integrating many more elements of market economic systems into North Korea's economy than before; that being said, he is selling all of this to his domestic and foreign audience as a "strengthening" of the planned economy.

Meanwhile, the broadest policy theme that permeates Kim's proposed reorganization of his country's economic management is "self-reliance." Self-reliance, however, is not just important at the national level; it is also an important element at the local and even individual levels. Encouraging self-reliance at the local and individual levels is, at its heart, a way to diffuse power and essentially tells people and organizations to fend for themselves. Kim's emphasis on the strengthening of the country's national economic efforts, however, falls afoul of his emphasis on self-reliance.

What's more, in the plenary session report, Kim underlined the need to strengthen the "Cabinet-responsibility system" and the "Cabinet-centered system." However, he also stressed the need to strengthen military power along with the imperative "to strengthen the Party, [which is] the General Staff of the revolution." This is another area where he contradicts himself in the document.

Ultimately, the working-level bureaucrats who must research and plan for all these changes will have much to consider. They must present a plan to improve the system amidst various proposals and conditions that contradict each other significantly. Changing the system currently in place, moreover, provides no guarantee that economic development will come to North Korea. It remains difficult to know what kind of new changes the North Korean economy will experience, and, for that reason, we must continue to carefully observe new developments in the country.

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