

The 1st North Korea Economic Forum Annual Conference

“The North Korean Economy and Its Future: Change vs. the Status Quo”

Friday, September 27, 2019

Speakers Abstracts

William Brown, Georgetown University

North Korea and Its Money

Brown will review the important changes in North Korea's economy over the past couple of decades and the implications of the current U.N. sanctions on its odd monetary system. North Korea has changed from a largely communist-style ration system under Kim Il Sung, with no real money in circulation, to a partially dollarized system today, wherein money, either North Korean won or foreign money, circulates freely. This sounds like liberalizing reform but there are two big problems: the communist-style ration system, what we call a "command economy" still exists for probably half the people, including the regime stalwarts, and it inevitably conflicts with the market system used by growing numbers of private citizens. On top of that, U.N. sanctions have devastated North Korea's ordinary exports. So, there is likely outflow of the foreign exchange now used as normal currency as the economy still needs to buy imported goods. Brown will review these issues and suggest changes likely in the North Korean economy as it moves forward (or backward).

Joongho Kim, GW Institute for Korean Studies

Demystifying the North Korean Economy: Implications for the Future Engagement

Due to the extremely limited access to it, the North Korean economy has been miscomprehended and misrepresented in many discourses. In reshaping approaches to the North Korean economy viable and productive, one needs to demystify the hermit kingdom's internal and external economic conditions and sources of resilience. In this regard, the question of how the North Korean economy has survived and may sustain will be explored at the three levels of analysis: leadership, state, and foreign relations. This reassessment of the North Korean economy will contribute to making a better strategy for future engagement with the North Korean economy.

Kevin Gray, University of Sussex

Present and Future Trajectories of North Korean Development in Comparative Perspective

This paper examines the current state of the North Korean economy with a view to addressing the question of to what extent North Korea is likely to pursue its own policy of 'reform and opening up'. Extant approaches to this question have tended to take a somewhat voluntaristic approach, focusing on Kim Jong Un's strategic choices amidst competing geopolitical and domestic pressures and interests. By contrast, this paper proceeds by adopting a more structurally-focused framework that places the country in a comparative perspective and examines how the multiple historical lineages of North Korea's political economy problematize the oft-made comparisons between the choices facing 1970s/1980s China and Vietnam and those of North Korea today. The paper argues in this respect that the post-colonial nationalism of the North Korean state combined with the country's distinctive economic structure will have a significant impact on the latter's strategy of integration with the world economy. The paper also seeks to examine the implications of North Korea's ongoing process of marketization for its future policy choices. In doing so, the paper examines 'marketization from above' as a strategic effort to maintain a dualistic economic structure whereby the state retains a tight grip on the commanding heavy industrial heights of the economy, and non-strategic sectors such as light industry and the service sectors are increasingly fused with private capital. These structural characteristics of the North Korean economy suggest that while the regime will certainly be open to foreign investment, North Korean attitudes to greater engagement with the world economy are based on largely unreformed notions of autonomous development based on a core industrial sector. These ideas are likely to come into conflict with the interests of foreign investors, and North Korea's broader model of political economy suggests that foreign investment, even if proactively pursued by Pyongyang, is unlikely to see the transformative impact seen in other Asian reformed socialist countries.

Sue Mi Terry, Center for Strategic and International Studies

Assessing the Impact of Sanctions, North Korea's Evasion Efforts, and Its Overall Strategy

In trying to understand North Korea's coping strategies, we will first have to assess the impact of current sanctions on the North's economy. Clearly, sanctions that target North Korea's top-earning exports, such as coal, minerals, and textiles, are hurting North Korea. The question is how much? This presentation will assess how much and where both the U.N. Security Council and U.S. sanctions are squeezing the Kim regime. Moreover, the biggest challenge to the sanctions regime is enforcement, which is the responsibility of individual states. China, as the North's primary trade partner, bears the brunt of sanctions enforcement but is customarily censured for poor implementation. This presentation will also address the level of sanctions enforcement as well as how well the Kim regime has been able to evade sanctions, including, for example, how the North has been able to conduct trade through illicit ship-to-ship transfers. Finally, the presentation will conclude with a discussion of broad, overall strategy of the Kim JongUn regime.

Ken Gause, Center for Naval Analyses

North Korean Leadership Dynamics, Sanctions, Relief, and the Period of Diplomacy

The shift that took place in 2018 from a focus on the nuclear half of Byungjin to the economic half has had implications for North Korea policy, both in the domestic and foreign policy realms. My talk will examine changes that have occurred within the leadership to accommodate this increased emphasis on the economy. The talk will deal with the shift in portfolios in the formal leadership bodies, as well as how North Korea is pursuing its negotiations with the United States and the role sanctions relief plays in Kim JongUn's calculus.

Jong-Kyu Lee, Korea Development Institute

North Korea's Economic Challenges: Focusing on the Kim Jong Un Era

U.N. Security Council Resolution (UNSCR) 2356, 2371, 2375, and 2397 were adopted in 2017. In contrast to previous sanctions, which contained an exception for humanitarian goods, these resolutions were made a step more severe, but the most important characteristic is to ban on nearly 90% of the export items. De facto effects have been enormous throughout 2018 enough for its trade to be decreased by 51% compared with 2017 (export: -89%, import: -33%). According to KDI estimation ($\text{DPRK growth} = -0.59 + 0.065 \times \text{trade volume change}$), this may affect North Korea's economic growth (2018) in a negative way (-3.9%). Furthermore, the provision that all North Korean workers should return to North Korea by the end of this year means their ability to acquire foreign currency will worsen.

In this context, this study will examine the economic policies of the Kim Jong Un regime in response to the internal and external environment of the DPRK. On the external side, sanctions have negatively affected the economy, forcing the regime to emphasize the self-reliance movement, localization of products, etc. The internal production of goods through the utilization of the light industry and utilization of informal sector indicate a short-run strategy. On the internal side, marketization and dollarization have speedily developed, while economic growth through the labor mobilization has become impractical due to an aging population and increased number of people with experience in the informal sector. The growth through expanded revenue is also uncertain due to drain in central budget. And, stimulation of growth through an increased level of input no longer assists economic development plans. Thus, the North Korean authorities have taken a stance to utilize the informal sector in collaboration with the formal sector, with the emphasis on technological development.

Overall, the North Korean authorities will try to develop an institutional strategy, which reflects the recent propaganda depicting the North to be a 'normal country'. This could mean the end of wartime emergency and military-focused system and the beginning of peace and economic-focused system. Thus, it is very important for us to understand why and how North Korea tries to develop new institutions, which can be used as a means of alleviating the worsening economic condition caused by internal and external changes. In that sense, this study will focus on some crucial factors: (a) what kind of internal and external challenges in Kim JungUn's era has been observed; (b) what will be the impact of these changes on the DPRK economy; (c) how the North

will react to these changes; (d) how this kind of response will structure the future of North Korean economy.

Yonho Kim, GW Institute for Korean Studies

North Korea's Logistics Revolution and a New Business Era of 'Stay-at-Home' Merchants

Since Kim Jong Un came to power in late 2011, North Korea's unofficial markets have been experiencing rapid changes to the extent that they may be called 'the logistics revolution.' Along with the expansion of state-run mobile telecommunications and spontaneously formed private transportation services, unprecedented market activities are emerging. Marketization under the Kim Jong Un era has even made possible North Korean-style parcel delivery services. Coupled with the ability to operate a chain supply through a phone call, connecting traders, drivers, and even checkpoints has opened up a new business era of 'stay-at-home' merchants. As such, the combination of mobile telecommunications and private transportation services has created a synergy effect, complementing one another to greatly increase the efficiency of unofficial markets in North Korea. Considering North Korea's reality of great increase in mobility of people and products off the regime's radar, and rapid expansion of market information dissemination through mobile telecommunications, the 'combination' would be a core element in determining the changing direction of North Korean marketization and the way the unofficial markets mitigated the negative impacts of sanctions.