7 Pockets of efficiency

An institutional approach to economic reform and development in North Korea[1]

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Perspectives on the early Kim Jong-un era are divided into two broadly opposing schools, each of which is reflected in the title of this book. There is the perspective that North Korea is changing and, in some assessments, that this change is taking place very quickly indeed. And then there is the perspective that it is not.

The "change" hypothesis argues that the transition away from Kim Jong-il's rule (1994–2011) has brought about a re-emphasis on improving livelihoods and that this involves allocation of a comparatively high percentage of investment capital for economic development. There is some documentary evidence to support this claim: the June 28 and May 30 directives of 2012 and 2013, respectively, which partially liberalised agriculture and parts of industry in a manner somewhat analogous with early Chinese reforms of the late 1970s and early 1980s, and the declaration of the *Byungjin*, a political doctrine that posits the development of military and civilian economic sectors equally.[2] There has also been a relatively large volume of very obvious investment in apartments and entertainment facilities in Pyongyang and, to a lesser extent, regional centres as well as (at the time of writing) rising trade volumes with China.[3]

On the other side of the debate, the "continuity" hypothesis points at the reinvention of Kim Jong-un to look like his grandfather (Kim Il-sung). This phenomenon is visible in Kim Jong-un's haircut, clothing and – in a rather ironic reversal – the statue of Kim Il-sung that dominates the lobby of the new Fatherland Liberation War Museum in Pyongyang, which arguably looks more like Kim Jong-un than his grandfather. The museum and its prominent statue are just one example of the scale of post-Kim Jong-il state investment in commemorative infrastructure, which under the continuity hypothesis is held to indicate no substantive change of political and economic approach. Further evidence in support of this claim includes the ongoing use of bellicose rhetoric and cyclical missile and nuclear tests, which serve to further isolate North Korea, inter alia, by strongly discouraging foreign direct investment. Relations with China have deteriorated as a consequence; nowhere is this more visible than at Dandong, where a multi-lane cable-stay bridge, built with Chinese capital and North Korean labour over three years between 2011 and 2014, stands unused.

Both the change and continuity perspectives can be evidenced, and each is somewhat compelling. What is lacking, however, is a standard by which to judge

what real developmental change might look like in the North Korean case. If present, this would permit a more coherent assessment of whether today's North Korea is committed to a path of development or is continuing down a pre-existing institutional route. A cursory examination of the South Korean case will aid in laying down a simple baseline by which to judge North Korea. It also acts as a sort of control case – a *what if* example – whereby developmental change is witnessed absent state socialism.

In this chapter, we attempt to bring a measure of clarity to this aspect of the debate over North Korea's path in the Kim Jong-un era. We posit instances of East Asian developmental states as the gold standard but at the same time bring in the concept of "pockets of efficiency," positing such (organisational) pockets as an intermediate, relatively productive and reasonably attainable form of state-driven economic activity. These pockets could, in principle, drive wider processes of change. We offer our assessment of the path being taken by the North Korean state at this moment in its history and propose answers to the thorny question of *why*.

Developmental states

The term "developmental state" emerged from instances of state intervention for the purpose of facilitating economic growth: first in Japan and then South Korea and Taiwan. These three were more than just states in the same geopolitical space with diligent, educated workforces that happened to preside over periods of impressive economic growth. Researchers conclude that what differentiates them and other developmental states from other types of states is not merely the presence of market conforming government intervention; rather, it is the particular kind of interventionist role played by certain internal structures within the state apparatus.[4]

Comparative political economist Peter Evans uses the idea of "embedded autonomy" to explain the unique institutional traits of the East Asian developmental states.[5] According to Evans, "embedded autonomy" captures the way "pilot agencies" in developmental economies, about which there is more to follow, represent an amalgamation of Weberian "corporate coherence," institutional insulation and the necessary state capacity to intervene in a way that replaces entrepreneurship and "induces decision-making."[6] In addition to enjoying a relatively high degree of isolation from political influence, key bureaucratic institutions in developmental states are tightly connected to social structure, which enables smoother bureaucracy-society relations. "Embeddedness," as Evans defines it with reference to the work of Mark Granovetter, "implies a concrete set of connections that link the state intimately and aggressively to particular social groups with whom the state shares a joint project of transformation."[7] In the Park Chung-hee period in South Korea, so embedded were government-*chaebol* relations that "visiting economists concluded that 'Korea Inc.' was 'undoubtedly a more apt description of the situation in Korea than [the more popularly cited] 'Japan, Inc.' "[8] In other words, the Korean government worked closely with and was more deeply enmeshed in the private than was the Japanese government.[9]

In developmental states, implementation of long-term industrial policy and the actual planning, intervening and guiding of the economy, held apart from rent-seeking politicians and the short-term visions of businesspeople, is done by "pilot agencies" with the autonomy to allocate capital for developmental purposes. Examples can be found in Japan, Taiwan and South Korea.[10]

South Korea's Economic Planning Bureau (EPB), by way of example, exercised a high degree of discretion over which companies received foreign loans and technology, meaning that Korea's bureaucracy had a mandate to "pick winners and losers" through the capital import bureau setup within the EPB structure in addition to serving the role of a government ministry responsible for economic planning and budgeting. Economic growth plans drawn up every five years were the sole responsibility of the EPB.[11] Although in the final analysis the EPB was under tight constraint from a dictatorial executive, it proved its economic planning competence and commitment to furthering the national interests through rapid economic growth and was eventually granted a level of autonomy similar to that enjoyed by Ministry of International Trade and Investment (MITI) in Japan. Even when the political leadership attempted to reign in the EPB's autonomy and decision-making ability, it quickly learned that the ability of the EPB to act independently was an essential condition for attracting major foreign investment.[12]

Measured against and defined by this standard, there is no evidence that North Korea is pursuing a developmental state agenda at this point in the Kim Jong-un era. Too much of the hard currency income from trade is being reinvested in unproductive activities, and there is no hint of an overarching "pilot agency" like South Korea's EPB – much less one that is autonomous enough from the centralised political structure to convince investors.

Nevertheless, some parts of the North Korean economy are more developed than the remainder and relatively efficient by comparison. These enterprises come together to form what is sometimes called the "Royal Court Economy." As noted in in the second chapter of this volume, the relationship between North Korea's Constitution and the Party's Ten Principles, after his defection to South Korea in 1997, KWP International Secretary Hwang Jang-yop exposed the outline of the Royal Court Economy – although he did not initially call it as such. What Hwang described was an economic structure that ran parallel to, was partially dependent upon and was administratively independent of the North Korean "people's economy."[13]

In 2003, a less senior refugee, Kim Kwang-jin, fled his post at a trading company in Singapore and offered further clarity on the system Hwang had outlined. He explained that Kim Il-sung had ordered that the munitions industry be excised from the cabinet (i.e., the general economic administration) structure in the early 1970s and that shortly thereafter in 1974,

> [h]is heir Kim Jong-il created a new central party department called "Office No. 39" – named after the arbitrary office number where it began operations. Under 39's umbrella, "Daesong General Bureau" (a large-scale manufacturing and trading conglomerate) emerged, thus forming a new economic sector

> completely independent from the central planning and Cabinet control. The ensuing advent of new foreign exchange banks would also contribute to the process of destabilizing the existing economic system and the state's unilateral control of the foreign currency. From this new, independent sector run by the Central Committee of the Korean Workers' Party (KWP) – and ultimately controlled exclusively by Kim Jong-il – the Royal Court Economy would attain its current status.[14]

For our purposes, the key aspect of the Royal Court Economy is that unlike the largely moribund people's economy, it is relatively productive and has an oversight agency, Office No. 39, with an unusual level of discretionary power. As such, it resembles a so-called pocket of efficiency. The concept of a pocket of efficiency is best documented with reference to the Brazilian state of the late twentieth century.[15] Known as *bide de emprego* (source of jobs), merit-based recruitment for developmental institutions was not a priority in Brazil at the time. Thus, a developmental-oriented bureaucracy committed to the collective goal of development did not take root. Nevertheless, from time to time, pockets of efficiency arose. These were bureaucratic enclaves acting in a similar way to larger institutions in committed developmental states at the time but within an overall structure that cannot be considered "developmental."[16] Even though Brazil and others of similar organisational structures were considerably less successful than the East Asian developmental states, pockets of efficiency nevertheless rose (and fell) within their ineffective governing bureaucracies.[17]

We argue here that in the Royal Court Economy, North Korea has its own pocket(s) of efficiency but that they are not recognised as such. In an interview with the authors in November 2012, Kim Kwang-jin expounded on the nature of the Royal Court Economy as a pocket of efficiency, confirming that firms within it

> introduce better technologies, and have better production lines. The people managing these industries are much better qualified than others to run businesses, in terms of finance and how to handle financial problems; their labour sector produces better products, they travel more than others and introduce more information.[18]

Thus, while North Korea cannot by any measure be called a developmental state, it does have pockets of efficiency within the economic structure as currently constituted. These could in principle be sufficient to drive wider economic improvement. The North Korean state, however, is seemingly not making use of the pockets of efficiency. The question, then, is: Why? This simple question is at the root of the "change or continuity" question that underpins this book from start to finish. We argue here that the answer lies not in the view that North Korea is hamstrung by externally imposed limitations such as sanctions or the threat of invasion from the United States. Rather, we believe that it is primarily down to a combination of ideological and domestic institutional factors, and it is to these that we now turn.

Ideological factors

The "culture-based structured interest" approach to institutional change helps us explain what could or would spur the kind of institutional change that would be required to transform the Royal Court Economy into a driver of economic development.[19] By bringing culture into political economy, it accounts for the institutions themselves as well as material conditions, thus creating space for the consideration of human agency, worldviews and ideology. The two concepts most frequently used to explain the North's ruling worldview are Juche, whereby "the masses of the people are the master of the revolution and construction," and, ever since the famine of the middle and late 1990s and rise of Kim Jong-il, Songun, or "carrying on the revolution and construction with the army as the main force on the principle of giving priority to the military affairs."[20]

Songun, although not half as novel as North Korean propaganda writers claim, is nevertheless the doctrine upon which the contemporary North Korean state operates, as this book's "Songun Politics" chapter shows.[21] It was forged during the difficult years of the early to mid-1990s, a period which saw the dissolution of the communist bloc, the withdrawal of economic support from Soviet Russia, the death of state founder Kim Il-sung and the onset of a famine that killed hundreds of thousands. In the words of one official North Korean publication,

> [i]n compliance with the guiding principle of the Juche idea on applying the theory of putting the main stress on thoughts, the *Songun* idea puts up the revolutionary soldier spirit as the main factor in defending the destiny of the nation and propelling overall socialist construction.[22]

Heonik Kwon and Byung-ho Chung, in *North Korea: Beyond Charismatic Politics*, demonstrate how Songun acts as an all-encompassing doctrine that guides policy-making decisions.[23] Their explication of Songun through the exegesis of *Understanding Songun Politics* strengthens the claim that North Korean government legitimacy, and thus continuity, is so tightly wrapped around the Songun narrative that any serious deviation from it would threaten the existence of the North Korean regime.

Kwon and Chung, among others, say that demilitarisation, or a "nonmilitary solution to the crisis in international socialism," is unacceptable. Songun, combined with its metaphysical counterpart, *chongdae* ("barrel of a gun"), provides both a raison d'etre for North Korea vis-à-vis its wealthy neighbor in the South and a clear path towards what, according to both state ideology and national narrative, is the ultimate goal for the state and its citizenry: a militarised struggle for the revolution and a continuation of the partisan heritage.[24]

By this analysis, the implementation of a serious developmental policy with an accompanying institutional agenda would precipitate the dissolution of allegiance to the state and loyalty to the regime, especially the supreme leader (*suryeong*), currently Kim Jong-un. Political leadership in North Korea is legitimised through Songun politics and cannot exist without it. In the words of Brian Myers, "[North

Korea] cannot shift focus from military affairs to economic affairs without becoming a fourth-rate South Korea."[25]

Institutional factors

In the rigidly top-down Songun system, power is highly concentrated around the supreme leader and his closest confidants. Military, party and administrative officials are all members of the party and overseen by its central institutions, thus generating policy coherence and strongly incentivising compliance. As such, it is not possible to countenance a plurality of opinions from competing power centres on issues of key national importance.[26] Songun thus undermines the theory of a North Korean "post-totalitarian institutionalism," which posits competing bureaucracies within the North Korean state.[27]

The North Korea ruled by Kim Il-sung between 1945 and 1994 showed, from the 1960s and broadly in lockstep with the growing power of Kim Jong-il, all the major traits of a totalitarian state. A contested term, this requires further explanation: "totalitarianism" requires the unification of the three major hierarchies (power, money/property and knowledge/science), an amalgamation that dramatically limits the personal sphere of the nation's subjects and reduces to a vanishing point the ability of a civil society to exist, much less to come to terms with and thus restrict state power.[28] This leads to a state with "absolute control over all aspects of life . . . complete regulation by the state of all legal organizations, discretionary power in the hands of the rulers, prohibition of all democratic organizations, and liquidation of constitutional rights and freedoms."[29] On the other hand, the theory of post-totalitarian institutionalism points towards something else: a debate, played out in part on the pages of the state media, wherein different actors competed for Kim Jong-il's ear in an attempt to win him over to a more, or less, belligerent policy position.[30]

According to Jang Jin-sung, a high-ranking defector from the North, there was never any room in Kim Jong-il's North Korean media for opinions on major policy questions.[31] Speaking with the authors in November 2012, Jang noted, "Kim Jong-il would make known his opinion on important matters, and then it would be down to the writers to present his position." In short, the post-totalitarian institutionalism thesis overstates Songun North Korea's progress out of the totalitarian institutionalism that Kim Il-sung built.

Instead, as noted by Kwon and Chung, nowhere is more effort or per-capita resources poured into attempting to maintain and continuously refresh a form of charismatic leadership than in North Korea.[32] The regime has adroitly transformed the charismatic and, by his background as a partisan battling imperial Japan in Manchuria, legitimate leadership of Kim Il-sung into the root of the so-called Mount Baekdu bloodline, a term introduced to help incorporate Kim Jong-un into the meta-narrative of partisan struggle and familial rule. The government has stretched every sinew of the idea of a charismatic leader and in that way extended the Kim family's ruling legitimacy back as far as Kim's parents (and beyond but in a less fantastical manner), forward to his son, Kim Jong-il, and onward to the

grandson, Kim Jong-un. This has not allowed the leadership to maintain a complete monopoly over the country's 24 million hearts and minds (complete totalitarianism is a myth in any case), but it has permitted them to secure all the levers of centralised decision-making required to control policy from conception through to implementation.[33]

By way of a demonstration, let us look at North Korean nuclear and missile policy in late 2012 and early 2013. Here, the evidence suggests that events were not influenced in any way by a public institutional debate, as the post-totalitarian institutionalism thesis implied should have been the case. Rather, if we look at just the events of December 2012 and January 2013 which led up to North Korea's third nuclear test on February 12, there is the sense of an orchestrating body controlling the information strategy from top to bottom, coordinating which institutions (KWP, state administration/cabinet, and military/NDC) speak at which times throughout, what they say and do, and where. This provides a picture far more in keeping with that put forward by Jang Jin-sung earlier in this chapter. By incorporating information received from civilian sources inside North Korea, the signs of extremely centralised decision-making become visible:[34]

- December 10, 2012: The Korean Committee of Space Technology (*chosun uchu kongkan kisul wiwonhui*), whose specific institutional make-up is not known, releases a statement announcing that the window for a long-range rocket launch previously scheduled for some time between the December 10 and 18 is to be pushed back to a period ending on December 28.
- December 12, 2012: The rocket launch goes ahead within the original launch window.
- January 7, 2013: Eric Schmidt, the executive chairman of Google, arrives in Pyongyang. The trip follows a visit by North Korean officials to the headquarters of Google on April 1, 2011.
- January 10, 2013: Eric Schmidt departs Pyongyang.
- January 15, 2013: Seoul-based *Daily NK* reports that the KWP Propaganda and Agitation Department (a party entity) describes Schmidt's visit as the head of a "famous Internet company" coming to congratulate North Korea on its successful rocket launch.[35]
- January 22, 2013: The UN Security Council adopts Resolution 2087 in response to the December 12 missile test, which was performed in violation of existing UN resolutions.
- January 22, 2013 (two hours later): North Korea's Ministry of Foreign Affairs (a state administrative entity) releases a statement criticising the UN decision.
- January 23, 2013: North Korea's NDC (an entity staffed by military officers that reports to the supreme leader) releases a statement condemning the UN decision in harsher words still and stating North Korea's determination to conduct further missile launches and nuclear tests "targeting the United States."

- January 25, 2013: Kim Jong-un leads a meeting of security and foreign affairs officials in Pyongyang (spanning the party, state administration and military), during which he announces that the North will take "great national steps" in response to the UN resolution. It is widely reported on state television.
- January 29, 2013: The NDC, which Kim chairs, declares a new level of military readiness, requiring added security measures on the ground, the calling up of reservists and halting of all leave for enlisted men.
- January 30, 2013: Local civilian lectures overseen by the KWP cell structure (party) inform assembled citizens, "The alliance of imperialists including the UN are sanctioning us to try and crush socialism in the only such country left in the world" and that "[t]he new Park Geun-hye administration wants to start a war with us, so people from every organ, enterprise and Worker and Peasant Red Guard unit must prepare to meet the threat."[36]

Given the time frame involved, it is highly unlikely that these events were the outcome of an organic period of debate and inter-agency wrangling. Rather, they show the hallmarks of top-down decision-making and a focus on unequivocal pursuit of national interest. As a Songun revolutionary state with a charismatic leader applying the logic of a partisan army to state functions of national importance, this is not surprising: there is little room for debate, only obedience to orders from the centre. There is also no space for change, only continuity, which appears to be the instinct of the Kim Jong-un government at this time.

Conclusion

North Korea is not only a low-income state with a moribund national economy: it also has a well-run, sector-specific economy within. As this chapter hypothesises, the pockets of efficiency that exist in this sector-specific Royal Court Economy could, in principle, be used to catalyze the steady development of the wider people's economy. This would not require the government to yield its monopoly on power. That institutions, including but not necessarily limited to Office No. 39, are already partially embedded into the social structure could be used as a starting point for further integration. Moreover, given the relative ease with which developmental dictatorships are able to provide political isolation and protection for specific institutions, the notion that the Kim Jong-un government might wish to confer such a status on a developmental institution is not unduly far-fetched in and of itself.

However, as we have shown with reference to ideological and institutional factors, the system of governance acts as a roadblock to the realisation of this idea. In North Korea, the economic sectors chosen to receive the guiding hand of state protection are not selected according to principles of comparative advantage, nor do they power the wider national economy.[37] Rather, they are selected according to an alternate hierarchy of need, predicated on maintenance of the elite coalition that keeps the Kim family in power.

What this focus means in practice is that only a limited percentage of the population is permitted to make contact with outsiders, and even then to a very limited extent, whereas information entering the country is also strictly controlled and rationed. Andrei Lankov is not the only one who believes that the influx of information that reform would precipitate would equal regime collapse[38]—Kim Jong-un and those in the inner circle of leadership show signs of agreement with him.

The issue of how the money raised from the Royal Court Economy is reinvested is extremely problematic. According to Kim Kwang-jin,

> [the Royal Court Economy] raises funds for Kim Jong-il, and he uses the funds according to his priorities. If the Royal Economy were to produce results and these were reinvested in production, then that would be fine. That would expand industry and that would help grow . . . a better economy. But it is not the case. They raise the funds, making use of all their resources and privileges, and then this all goes in cash to [the Supreme Leader]. He takes these funds and uses them for his priorities.[39]

The Royal Court Economy is a pocket of efficiency no different to the ones that arose in Brazil in the 1970s. As such, it represents North Korea's chance to escape from the economic trap that the country is currently in. However, for as long as the monies earned from the entities within that parallel economy go on being channeled into unproductive activities such as statues and other commemorative requirements of the hereditary ruling system and maintenance of the ruling coalition, North Korea will not be able to embark upon real change.[40] Cleaving to "continuity" will not be down to an absence of opportunity; it will be down to the choice to funnel available resources into unproductive activities and coalition maintenance. This is a choice borne of legacy, of charisma, and of ideas but not of the things that drive successful developmental states.

Notes

1 An earlier version of this essay was published in the *Papers of the British Association of Korean Studies*, Vol. 15 (2013): 92–111. The journal is thanked for permission to incorporate aspects of that article into the present work.

2 On economic liberalisation, see: Park Hyeong-jung, "North Korea's New Economic Management System: Main Features and Problems," *KDI Review of the North Korean Economy* (October 2013); and Marcus Noland, "The Elusive Nature of North Korean Reform," *Asia Pacific Issues*, No. 108 (February 2013): pp. 1–8. On *Byungjin*, see: Cheon Seong-Whun, "The Kim Jong-un Regime's 'Byungjin' (Parallel Development) Policy of Economy and Nuclear Weapons and the 'April 1st Nuclearization Law'," *KINU Online Series, CO 13–11*, 2013. Also see: Kim Seong-bae, "2013-nyeon Bukan-ui jeollyakjeok seontaekgwa dongasia gukjejeongchi [North Korea's Strategic Choice and East Asian International Politics in 2013]," *Peace Research*, Vol. 21, No. 2 (2013): 189–216.

3 "N. Korea-China trade Volume Up 12.7 Percent On-Year in Q1," *Yonhap News Agency*, April 13, 2016.

4 The deeply entrenched liberal economic position on the role of the state in the national economy is one of limited intervention and only to offset for market failures. The allocation of capital and resources is considered best done without the intervention of the state. Whereas this view has been significantly adjusted to take into account the developmental success of several East Asia economies and the social hardships created by massive state retrenchment, it is still an influential basic position. In a *Development Policy Review* publication, Justin Lin and Chang Ha-joon debate the merits of state intervention and comparative advantage. Although their opinions diverge regarding the degree to which the state can intervene without hindering economic growth and the degree to which a state should deviate from its comparative advantage, both development economists agree that state intervention is necessary to foster economic growth in developing economies. That Lin, the chief economist for the Washington-based World Bank, not only finds common ground with Joon but also actually agrees in principle with many of his main arguments is significant. Justin Yifu Lin and Chang Ha-joon, "Should Industrial Policy in Developing Countries Conform to Comparative Advantage or Defy It? A Debate between Justin Lin and Chang Ha-joon," *Development Policy Review*, 27, No. 5 (2009): 483–502.

5 Peter Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton: Princeton University Press, 1995).

6 Corporate coherence (and identity) reflects conditions under which the furtherance of the organisation's goals (i.e., the developmental state) is linked to the furtherance of the individual's self-interest. Lacking such coherence of organisational identity, the state's ability to support markets and capitalist accumulation diminishes, and developmental agendas become difficult, if not impossible, to pursue. The bureaucratic official in an organisation that lacks a strong corporate identity will be subject to corruption and the influence of the dominant class(es) of society; it is on this point that Marxists staked their claim that the state is little more than the executive of the bourgeois class. On the relative autonomy of developmental states, see: Peter Evans, "Predatory, Developmental, and Other Apparatuses: A Comparative Political Economy Perspective on the Third World State," *Sociological Forum*, 4, No. 4 (1989): 561–587, 567. For a theoretical explication of relative autonomy, see: Nicos Poulantzas, *Political Power and Social Classes* (New York: Verso, 1975). For the original idea, as articulated by Max Weber, see: Max Weber, *Economy and Society*, eds. Guenther Roth and Claus Wittich (Berkeley: University of California Press, 1978): esp. 959–960 and 979.

7 Evans, *Embedded Autonomy*: 59; and Mark Granovetter, "Economic Action and Social Structure: The Problem of Embeddedness," *American Journal of Sociology*, Vol. 91 (1985): 481–493.

8 "*Chaebol*" is defined as a large, multi-sector conglomerate entity best described through the use of examples: Samsung, Hyundai-Kia, LG, POSCO et al. For more on deeply embedded state-business and state-society relations, see: Mason et al., from Bruce Cumings, "The Origins and Development of the Northeast Asian Political Economy: Industrial Sectors, Product Cycles, and Political Consequences," In *The Political Economy of the New Asian Industrialism*, edited by Frederic Deyo (Ithaca: Cornell University Press, 1987), 73, cited in Evans, *Embedded Autonomy*: 53.

9 This is partly a consequence of the penetrating colonial state apparatus bequeathed to both North and South Korea by the Japanese colonial government. For more on the legacy of the penetrating Japanese colonial administration, see two works. For South Korea: Carter Eckert, *Offspring of Empire: The Ko'Chang Kims and the Origins of Korean Capitalism, 1876–1945* (Seattle: University of Washington Press, 1991). For North Korea, see: Charles Armstrong, *The North Korean Revolution, 1945–1949* (Ithaca: Cornell University Press, 2002).

10 The three most prominent examples in East Asia include MITI, Taiwan's Council for Economic Planning and Development (CEPD), and the EPB. On MITI, see: Chalmers Johnson, *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925–1975*

(Stanford: Stanford UP, 1982); on CEPD, see: Robert Wade, *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization* (Princeton: Princeton UP, 1990); and for more on the EPB than is provided here, see: Alice Amsden, *Asia's Next Giant: South Korea and Late Industrialization* (Oxford: Oxford University Press, 1989).

11 Russell Mardon, "The State and the Effective Control of Foreign Capital: The Case of South Korea," *World Politics*, Vol. 43, No. 1 (1990): 116–119.

12 General Chun Doo-hwan, who led South Korea from 1979–1987, attempted to curtail the independence of the EPB but was strongly rebuked by negative foreign investor feedback. Johnson, "Political Institutions and Economic Performance": 154–155.

13 Hwang Jang-yop, *Naneun yeoksaeui jinrireul boatda*, [I Have Seen the Truth of History], Seoul: Sidae Jeongsin [Zeitgeist] (1998): 221.

14 Kim Kwang-jin, "The Defector's Tale: Inside North Korea's Secret Economy." Whereas other enterprises in the wider economy also pay so-called loyalty funds to the government, these funds are part of the entity's overall budget, they are not the sole rationale for the existence of the entity itself. For more, see: Ju Song-ha, "*Kim Jong-il bijanggum tamtanghaton ku konsikseoksange mosup dulonae 'irejok*'," [Kim Jong-il's Slush Fund Is Publically Revealed – an Unprecedented Story], *Nambukstory.com*, August 8, 2011.

15 See: Luciano Martins, *Estado Capitalista e Burocracia no Basil Pos64* (Rio de Janeiro: Pza e Terra, 1985); and Eliza J. Willis, "The State as Banker: The Expansion of the Public Sector in Brazil." Dissertation, University of Texas at Austin (Ann Arbor: University Microfilms International, 1986). Microfilm No. 8706131. Cited in Peter Evans, "Predatory, Developmental, and Other Apparatuses," *Sociological Review*, Vol. 4, No. 4 (1989): 561–587, 577.

16 One such example was Brazil's National Development Bank (BNDE) under Juscelino Kubitschek. According to Evans, "the BNDE offered 'a clear career path, developmental duties and an ethic of public service.'" Evans, "Predatory, Developmental, and Other Apparatuses": 577.

17 Although he finds South Korea's post-independence governance was largely dictated by political, not economic, considerations, David Kang argues the difference between Korea's merit-based recruiting system and the Philippines' favored-based system had significant impacts on each country's growth trajectories. See: David C. Kang, *Crony Capitalism: Corruption and Developmentalism in South Korea and the Philippines* (Cambridge: Cambridge University Press, 2002). See esp. Chapter 3: 61–95.

18 Interview with the authors in November 2012. See also: Christopher Green, "Marketization and Yuanization: Economic Changes in the DPRK," *Yonsei Journal of International Studies*, Vol. 5, No. 1 (2013): 111–118.

19 Chang Ha-joon and Peter Evans, "The Role of Institutions in Economic Change," In *Reimagining Growth: Towards a Renewal of Developmental Theory*, edited by Silvana De Paula and Gary A. Dymski (London and New York: Zed Books, 2005): 108.

20 On Juche, see: Juche, *Idea: Answers to a Hundred Questions*, Foreign Languages Publishing House, Pyongyang, Korea, 2012: 1. In other words, Juche represents a mix of self-reliant development wedded to Marxist principles of human triumph over nature. On Songun, see: *Questions and Answers on the Songun Idea* (Pyongyang: Foreign Languages Publishing House, 2012): 1. In other words, Songun represents the essentialist prioritisation of the military and military-industrial complex in resource allocation but also the absolute preeminence of power relations in international affairs.

21 As Adrian Buzo explains, the militarisation of North Korea began not in 1994 but in 1962, following the Cuban missile crisis, when it became evident that the Soviets would avoid direct confrontation with the United States and thus be unlikely to provide the North with a level of security necessary to justify a non-militaristic development strategy. In the same year, "the Fifth Plenum of the Fourth KWP Central Committee (CC) adopted the policy of Equal Emphasis, signifying that the country would place emphasis on economic development and military preparedness equally," although in reality it would

"[initiate] a military build-up which, in relation to the scale of the human and material resources of the country, can only be described as staggering." Andrian Buzo, *The Guerilla Dynasty: Politics and Leadership in North Korea* (London: I.B. Tauris, 1999): 62.

22 *Questions and Answers on the Songun Idea*: 4.

23 Heonik Kwon and Byung-ho Chung, *North Korea: Beyond Charismatic Politics* (Lanham, MD: Rowman and Littlefield, 2012).

24 Whether the citizenry actually feels this way is not at issue here; there is ample evidence that many, especially those living in provincial regions, feel no such thing. In any event, we do not address the issue in this chapter. Kwon an Chung, using the imagery associated with the passing of two guns from father (Kim Hyung-jik) to son (Kim Il-sung), elaborates on the philosophy of *chongdae* which is explained generally as "the entirety of North Korea's social forces, which, in the North Korean idiom, are united in the scared task of 'defending the core revolution . . . with our lives." Kwon and Chung, *Beyond Charismatic Politics*: 89.

25 Press briefing at the Asia Society Korea Center, November 25, 2012, Seoul, Korea. Video of the event available at: http://www.youtube.com/watch?v=JKgZE5wwc-I. This line has not gone unchallenged. The other side of the coin has long been advocated by former US State Department official and US-DPRK negotiator Robert Carlin. Carlin has put forward, in varying forms, the argument that the supremacy of military-first politics is not guaranteed and that it comes under constant pressure from those advocating an economics-first politics The primacy of military or economic concerns waxes and wanes, he believes, a position best represented in an article titled "The Debate in Bloom," which he co-authored with Joel Wit in 2006. In it, a close reading of North Korean publications, especially the economic journal *Kyeongje Yongu* (Economic Research), led the pair to suggest that from 2002 to 2005, there was a "debate in bloom" occurring between Songun-supporting conservatives and economic "reformers," with momentum behind those in favor of change.

26 We do not discount the possibility of debate on issues of limited importance for national security.

27 Patrick McEachern, *Inside the Red Box: North Korea's Post-Totalitarian Politics* (Columbia: Columbia University Press, 2010): 101.

28 Alexander Korchak, *Contemporary Totalitarianism*: *A Systems Approach* (New York City, NY: Columbia University Press, East European Monographs, 1994): 7.

29 Korchak, *Contemporary Totalitarianism*: 7.

30 McEachern, *Inside the Red Box: North Korea's Post-Totalitarian Politics*: 73.

31 Jang Jin-sung is a former officer in the United Front Department of the KWP and member of the Chosun Broadcasting Committee. He is now the chief editor of *New Focus*, an online media source based in Seoul.

32 From the section: "New Family State." Kwon and Chung, *Beyond Charismatic Politics* (Kindle version).

33 Among the many titles and posts held by Kim Jong-un, the positions of first secretary of the KWP and first chairman of the NDC are most indicative of the total control the young dictator holds over the decision-making process. The only people outranking Kim Jong-un are his father and grandfather. Kim Il-sung and Kim Jong-il were awarded posthumous eternal positions of a rank higher than Kim Jong-un's.

34 *Daily NK*, which provides much of the open source inside information on North Korea available internationally, keeps records of conversations with sources but does not make them public for security reasons. However, individual published articles are cited.

35 Choi Song-min, "'Google Delegation' Becomes Propaganda Tool," *Daily NK*, January 15, 2013.

36 Kim Kwang-jin [different from the interviewed person in this paper], "Emergency Lectures Emphasize Threat of War," *Daily NK*, January 31, 2013.

37 With the obvious exception of those involving primary goods such as coal, gold or uranium.

38 Lankov believes that enacting economic reforms would be akin to the current regime planting the seed of its own demise, emphasising the destabilising effects of a sudden and massive influx of information – a consequence of broader economic reform. He has stated bluntly that "reform would mean suicide" for the North Korean regime. Speech given at an NK Net lecture on North Korea Human Rights, April 25, 2012. For a summary of the speech, see: Matthew McGrath, "Lankov on Reform in North Korea," *NK News.org*, May 4, 2012.
39 Interview with these authors in November 2012.
40 Typified by the construction of statues and other commemorative edifices, which do not create surplus value in the wider economy.

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