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# Factors Encouraging and Discouraging External Opening Policy by Kim Jong-il Regime

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## Introduction

Among the existing socialist countries, North Korea is the most closed off to the outside world, and slowest to implement economic reforms. However, in an attempt to jump-start its sluggish economy, since the 70s, the Democratic People's Republic of Korea (DPRK) has been pursuing a policy of gradually opening up its society by expanding trade with capitalist countries and the Third World. The former policy of relying on its own resources and concentrating on heavy industries, the foundation of socialist economy, drove the Pyongyang regime to break out from its hermit kingdom. Since then, DPRK has been operating a tightly controlled opening policy. Of course, the DPRK will never use the word 'open' to describe its new policy. Instead, words like 'friendly', 'cooperative', 'interaction', 'interchange', and 'collaboration' are used. In particular, 'interchange', 'interaction', 'collaboration' have been favorite choices of vocabulary since the joint venture law was revised. Terms like 'friendly' and 'cooperative' are employed when addressing trade issues with under-developed countries. From this we can see that the DPRK's opening policy generally refers to increased trade with capitalist countries, with the purpose of securing foreign capital and technology. The policy is not carried out within the country. Rather, it is an open-door policy restricted to

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economic exchanges with other countries.

In 1998, with a revision of the constitution and a formal ceremony, the Kim Jong-il was firmly established in the DPRK. Yet the country continues to record negative economic growth, suffer severe shortages of food and energy. The DPRK remains stubbornly fixated on building a powerful country and their own individual style of socialism. This paper will examine how Kim Il-sung and Kim Jong-il's economic policies and approach to the outside world have changed in the course of the DPRK attempting to establish contact and trade with western countries... countries that the North had considered with the utmost enmity. This paper will also study the relativity of North Korea's economic policy following the Constitution's revision and the passing of the People's Economic Plans. It will also attempt to pinpoint the factors that could spur or spurn efforts to open up to the world.

### **Comparison in the Economic Policies of Kim Il-sung and Kim Jong-il**

Due to the country's worship of its leader, the most important factor in the DPRK's economic policy is the political atmosphere. As the late Kim Il-sung did and Kim Jong-il now have supreme power in the country, the leader's personal decision can be said to have a greater impact on policies than a systematic order of decision-making. An opening policy will therefore depend on how the leader perceives the outside world and what the leader thinks is for the good of his country. Until his death, Kim Il-sung oversaw almost all state affairs, including the DPRK's policy toward other countries. His son and successor, Kim Jong-il who took over the reins from 1980, has also played a central role in deciding foreign policy. So before we examine DPRK policy toward the outside world, we must first understand the economic policy, philosophical thinking of the Kim Il-sung and his son. There is a limit on the study of these two men, having to rely only on New Year messages and other addresses to foreigners for an insight into their minds.

### *The Economic Policy of Kim Il-sung*

Since the North Korean state was set up in 1948 and up until his death in 1994, Kim Il-sung ruled over the country in his own style for 50 years. Rather than a three-way division of power between party, lawmakers and military, Kim Il-sung claimed absolute power. His words and orders instantly became policies all over the land. Looking at Kim's economic policy since adopting the opening policy in 1970, Kim repeatedly stressed the importance of foreign trade, and getting advanced technology and capital from the west, if the economic policy were to work out. While he was advertising that the economy would be developed internally, Kim also admitted that the DPRK must at least participate in the global economy. At the same time, Kim stressed the need to build both material and ideological fortresses. But Pyongyang's inability to repay overseas loans threw into confusion the policy to increase trade and exchanges with the world. Instead, Kim resorted once again to the policy of self-reliance. So from the 1970's, Kim strived to open the world to advanced technology and capital in order to realize his goal of people's economic plans.

In the 80's, the DPRK's attempt to open up took a leap forward with the passing of the Joint-Venture law in 1984. Because Kim Il-sung still favored the idea of strengthening self-reliance, the idea of joint ventures between western and North Korean companies remained largely just that, an ideological concept. At this time, Kim began to consider extending cooperation with Third World countries. He also acknowledged the need for technological know-how from advanced countries to realize his vision of an economy that is self-reliant, modernized and scientifically advanced. While stressing the need for increased exchanges with the North after the adoption of the Joint-Venture law, Kim also kept up the education of ideological revolution and sense of fighting class borders.

In the 90's, Kim took to stress the superiority of socialism and said the light industries and agricultural sectors needed to be overhauled. To provide basic needs for the people, Kim vowed to develop the political, cultural and material quality of life. Kim blamed the downfall of some socialist countries to their inability to

create a system of self-reliance and the introduction of capitalistic elements. In his final New Year's address in 1994, Kim expressed worries over a continued minus economic growth. Kim said the economy had come up against a major obstacle due to the unexpected response from the international world considering its nuclear program. He appealed to the middle class to scrimp and save, and said the economy must be built on the changing environment. Kim mentioned once again about the inevitability of opening up, citing the need to improve the DPRK's overseas image by diversifying and raising the quality of export items.

If one looks at the economy related ministries during Kim Il-sung's regime, there was the National Planning Committee which overlooked all of North Korea's economic issues, along with individual committees and departments that established and carried out detailed plans for every economic division. Eighty percent of the cabinet was comprised of economic departments and organizations. In November of 1992, the trade and overseas trade departments were merged to create the Committee for External Economy to unify efforts to attract foreign investment and carry out opening policies. With the Committee for the Promotion of International Trade and the Committee for the Promotion of External Economic Cooperation (CPEEC) within its control, the Committee for External Economy carried out economic diplomacy.

#### *Kim Jong-il's Economic Policy*

To establish the righteousness of the Kim Il-sung, Kim Jong-il succession of power, the DPRK built up theories of succession, revolution, and Juche or self-reliance. In 1980, Kim Jong-il was elevated to the status of the official successor, after which he was deeply involved in internal and external policy matters including that of opening up the DPRK.

In a report published in 1982, Kim Jong-il said "A self-reliant economy opposes the economic submission to another country. It does not deny the economic cooperation with other countries." By that statement, Kim showed a willingness to open up to the world by increasing trade with capitalist countries. In the 90's, Kim

acknowledged the need to import science and technological know-how from abroad. But he still had concerns over how opening up could lead to a weakening of socialist ideals, and how it could lead to an invasion of anti-communist culture. Therefore, he stressed the need to reinforce the idea of Juche as the country brought in advanced technology from overseas. Through this, we can see that Kim Jong-il, like his father, still adhered to the belief of building a self-reliant national economy.

In 1995, through the Korean Central News Agency, Kim Jong-il said "Under the principle of equality and reciprocity, we shall aggressively pursue economic, and cultural exchanges and cooperation with countries around the world." That expressed a willingness to continue pursuing a policy of opening. But on the other hand, in a thesis he wrote, "To carry out the great undertaking of socialism, ideology must be foremost". Kim embraced socialism once again and called for the strengthening of such ideals among citizens. Such contradictory statements can be explained as following. Due to its worsening economic status, the DPRK had no choice but to establish trade and exchanges with western capitalist countries. But at the same time, the Pyongyang regime was intent on blocking its citizens from developing a longing for capitalism. After the death of his father, Kim Jong-il's regime has been led by the military. Kim has said the economy should be left to party officials and administrative, economic officials. It shows Kim Jong-il's attempt to distance himself from any economic policy that may fail, and also his thought that the most pressing matter is to establish control over the party and the military. On the third anniversary of his father's death, Kim said "Our military might is now in a satisfactory state. We must now concentrate on building up our economic power. First of all, we must put our efforts into developing the tourism industry, and consider opening up more economic free trade zones besides Rajin-Sonbong." On the diplomatic front, Kim stressed the need to strengthen ties with Third World countries, shifting from the past ideological based diplomatic policy to one based on real tangible benefits.

After the launch of the Kim Jong-il regime, North Korea has reshuffled its cabinet to one centered around the Political Committee,

and one that oversees economic affairs. The past 'department' has now changed to a 'ministry' and to increase efficiency, the number of ministries has been cut by 10 to 30. To head his cabinet, Kim appointed former economic prime minister Hong Sung-nam. Seventy percent of the entire cabinet members were replaced with those with expertise in economics. Kim dismantled the Committee for External Economy, having it absorbed instead into the Trade Ministry, and drastically cut the number of prime ministers from 10, to just two. The primary characteristic of Kim Jong-il's cabinet is that the members have either a military background, or experience as a technocrat.

### *Similarities*

When comparing Kim Jong-il's regime to that of Kim Il-sung, the younger Kim still regards carrying out his father's teachings as the most important task. This has also led to the fact that the outside world regards Kim Jong-il as the top man in the country, just like his father. First of all, after the 70's, the international order was changed by a detente, a new cold war, and the post cold war periods. But both Kim Jong-il and Kim Il-sung still observed outside happenings through the window of a cold war, in black and white pitting imperialism against socialism. On the breakdown of the socialist world, the Kim father and son blamed the failure not on socialism itself, but rather on the warping of ideals, and opportunists. Their reaction was the same, to stress the superiority of the DPRK's existing mechanism and Juche ideology. The two Kims repeatedly stressed the superiority of 'our own socialism' and on the eventual success of socialism. However, they also showed the strategic change of strict socialism to one accentuating one nation.

Secondly, both Kims acknowledged the need for exchanges with other countries to overcome the DPRK's hardships. Even while they warned of the dangers that such opening and reforms could bring, the two showed genuine efforts to boost the country's economy. Agriculture, light industries, and trade were accentuated by both, especially trade with other countries. However, they stressed the importance of setting up a self-reliant economy, and

continued to warn against an invasion of imperialism and reliance on such economies, even while pushing for more outside exchanges. In essence, the two leaders did not want the opening policy to weaken the ideological base of the North Korean people, to erode the one-leader policy. Therefore, they continued to limit their policy changes and opening, by promoting to the people a negative image of reforms and opening.

Third, both Kim Jong-il and Kim Il-sung followed policies that were centered around the military. The father established his ties based on his participation in the fight against the Japanese, and the son built up the military's might, to consolidate power inside the regime. The two leaders continuously used the military threat to secure their position both inside and outside the DPRK. As a result, Kim Jong-il's thinking was not much different from that of his father's in promoting policies and ideals through military might. With no structural reforms and incomplete opening, they both tried to correct the economic situation merely through diplomatic channels.

### *Differences*

On the whole, Kim Jong-il's domestic and international policies were similar to those of his father's. But there are a few differences worth noting.

First, the foundation of both of their ideals was anti-imperialism and self-rule. But while Kim Il-sung was a little more wary of a new world order, his son was more realistic and pursued mutually beneficial trade and reforms. In short, the two were similar in strongly adhering to communist principles and not pursuing any internal reforms, and content to maintain and develop 'our own socialism'. But Kim Jong-il increased contact with various international economic organizations, and was more open to economic contact with capitalist countries than his father ever was.

Second, there is more practicality to Kim Jong-il's diplomatic approach. Even though he adheres that capitalism is in its essence, imperialism, Kim refrains from making any direct attacks against the United States. Rather than seeing the US as an enemy that must

be crushed, Kim regards the US as a necessary tool in solving the problems that face his country. As a result, even during the rule of Kim Il-sung, North Korea had many different channels of dialogue with the US, showing a flexible approach to keep the talks going. So while following his father's teachings, Kim Jong-il also continued to expand economic ties with the US and Japan, explored the new definition of its relations with China and Russia, and exhibited a certain amount of flexibility to outside changes. Kim Jong-il's regime continues to stress the importance of the status quo, while showing flexibility in its overseas policy.

### **The Influence of the 1998 Constitutional Revision and People's Economic Plans**

By amending its Constitution in 1998, North Korea also changed some of the provisions on economic sectors. These changes were far more encompassing of market principles than previous attempts made 6 years earlier. The revised Constitution still stressed the importance of internal control through military might and ideologies, but it also provided the legal foundation for increased foreign trade, in order to bring in badly needed technology and capital. The main content is as follows, the state would acknowledge an individual's income from legal economic activities. Also stipulated, the self-supporting system of companies, abolishing the national supervisory right on foreign transaction, and encouraging the establishment and operations of various types of companies, not only joint ventures and enterprises in the special economic zones. There was also a change in expression of the self-supporting system of economics. The previous 'independent development', was expressed as 'flourishing prosperity'. This small but significant change showed the shift from a closed off self-supporting policy, to one that emphasized material benefits from increased trade and cooperation with the outside world. These Constitutional changes therefore can be understood as an expression of willingness, to accept more opening and begin down the road to a market economy.

However, an editorial in the Rodong Shinmun entitled 'Let's

continue the path to an independent economy' showed a very different train of thought. Some lines from the editorial read: "The imperialists' cries of reform and open-doors are but sugar-coated poison", and "Foreign capital is opium, an economy that's dependent on outside factors is doomed to a short life, while an independent economy is for the future". There is hardly any possibility of an open-door policy in the piece. Rather, the piece emphasizes heavy industries and the need to strengthen the DPRK's economic independence. If one looks at the "People's Economic Plans" law, passed during the second session of the 10th Supreme People's Assembly, there is also an emphasis on strengthening the state economy. It means fighting capitalist and other anti-disciplinary tendencies, the abolishment of subjectivity, tactfulness, and formalism, and the setting up of economic plans by day, month, quarterly, and other barometers. The People's Economic Plans is defined as the 'wise plan that tries to adhere to systematic policies, and blocking of the free trade', so that the state has sole control over economics and that only through the state, will economic policies be carried out. This was an attempt by the Pyongyang regime to block capitalist ideals from permeating the minds of North Koreans, by legalizing the state's ability to control all economic affairs. Therefore, quite different from the Constitution, the People's Economic Plans actually strengthened principles of planning and domination by the state, showing the regime's eagerness to block all capitalist elements from reaching the people. the DPRK continues to drill propaganda to its people, stressing the importance of unifying politics, ideals and economics under the state. So, the DPRK maintained its goal of building an independent economy, and its socialist principles.

Such contradictions do cast a shadow over the possibility that North Korea will indeed adopt an open-door policy one day. Under Kim Jong-il's regime that places the utmost importance on political and military power, it's not easy to expect a change to market principles and other opening policies.

## Factors that encourage and discourage opening policies

The DPRK's opening policy in fact relies on subjective and objective factors. Dividing those factors into encouraging and discouraging is for a matter of ease. They can always change sides depending on the situation.

### *Encouraging Factors for Open-Door Policies*

- 1) Political factor: Securing acknowledgment for Kim Jong-il's regime

To unite the people, the most important task facing Kim Jong-il is to stabilize the economy. As one can see by the growing number of North Korean defectors, there's a limit to how much citizens can take political and ideological theories on an empty stomach. Kim Jong-il has attained the highest positions in the country, as General Secretary of the ruling Worker's Party and President of State. However, he still needs to make a name for himself especially when compared to his father, who had unmistakable charisma, fought against the Japanese, and established North Korea on the international map. The Kim Jong-il regime is currently quite stable, but if officials are unable to reap real economic results, there is the possibility of turmoil. That is why the most urgent matter facing Kim Jong-il is to sort out the economic mess and improve the living standards of his people. While his father was still alive, Kim Jong-il left economic matters to the party elite, distancing himself from bearing any responsibility. Even after his administration was launched, he continued to separate himself from economic matters, putting them in the hands of the party. However, he will not succeed in winning the absolute worship that his father commanded from the people, without providing them with some kind of material comforts. The current form of beggar-diplomacy is not the answer, as it will not be able to revive the DPRK's deadbeat economy, and Kim Jong-il will be left with no choice but to embrace opening.

Second, Kim Jong-il will only be able to secure foreign aid by abandoning diplomatic isolation. Kim has proven to be quite aggressive in improving ties with the US as a means to secure international acknowledgment of his regime. As a result, only when North Korea has managed to improve its economic situation by building up ties with the US, Japan and other western countries, will Kim gain the domestic and international recognition he so craves. To retain his power, Kim must ultimately separate politics from business, and open up to the outside world.

## 2) Government Factor: The Role of Technical Bureaucrat Elite

The first generation of the revolution, who had lived their lives with the purpose of communizing the South, has now retired from the front lines. In their place, are technical bureaucrats who have more specialized knowledge and experience in economics and politics. Along with political elites who are in charge of reinforcing the North's political system, there arose the need for specialists to carry out the policies. This class of elite in the fields of economy, science, technology and diplomacy, has also been involved in the process of making policies. In the 90's, many graduates of People's Economic University or Kim Il-sung University were posted overseas. Many of them returned to North Korea and took up management positions at trading companies. This did not shake up the established power structure, but once the first generation passes away, these technical bureaucrats will be taking their place. That shows the possibility of a movement toward more opening.

Second, the North Korean elite's perception of economics. The idea of an independent economy does not have much support among this new generation of specialists. Some of them have tried to introduce some changes like separate budgets for regional governments, and strengthening a company's or factory's independence, even while adhering to a central style of economic policies. Those who have access to outside information, like high officials, foreign school graduates, bureaucrats in foreign trade division, and press members, share the perception that an opening policy is needed. These same people will be able to lead the system from the

past ideological one, to a more practical system.

Third, the increasing role of the economic bureaucrat. If one looks at the various examples of the DPRK's foreign policies, even though Kim Jong-il holds the supreme decision making power in economic policies, the experienced bureaucrats are playing an increasingly important role. Even if it appears as Kim Jong-il alone decides on policies, in actuality, many organizations and bureaucrats are helping to shape those policies. Ever since the 80's, the power of departments that carry out policies has been growing. There is also a growing division between party bureaucrats and national bureaucrats. This is only natural since the number of issues that needs to be addressed keeps growing, and they require a seasoned hand. All these factors are expected to play a positive role in getting the DPRK to open up.

### 3) Economic Factor: The Limits of Self-Rejuvenating Economic Structure

The harsh economic conditions are the biggest problem in today's DPRK. The North has continued to record negative economic growth year after year since 1990. This shows there is no way the DPRK can overcome its problems on its own resources, and that the only way is to increase foreign trade. By choosing a closed off economic structure of self-rejuvenation, North Korea had limited foreign trade, dealing mainly with other socialist countries. This only led to a drop in exports, as North Korean exports lost competitiveness, and the old socialist regimes crumbled. North Korea's current economic problems can be blamed on its desire to build a self-sufficient economy, and that the only way to revive the economy, will be by reaching out.

Second, the DPRK erred by concentrating on the heavy industries. The policy of placing priority on heavy industries and strengthening the military and economy side by side, brought about an unevenness in its industrial development. It also delayed a growth in light industries which makes consumer products. With limited supplies mainly going to heavy industries that concentrated on making military equipment, the quality of life for the people

and other public facilities were left behind. Even though the DPRK made designations like 'Light Industries Revolution' and 'Year of Agriculture', the fact that heavy industries had little to do with light industries and agriculture led to the same result, meaning worsened quality of life for the people. For the DPRK's economy to grow in size and quality, the country must bring in advanced technology and capital from the west.

Third, the economy in the DPRK, is always second place to politics. Until now, the North has only pursued overseas exchanges that also bring political benefits. Take the nuclear agreement made with the U-S. The agreement was only made possible because it guaranteed North Korea with political stability along with economic benefits. Even though the North passed laws on joint ventures and established free economic zones, it never adopted economic reform measures that are based on market principles. Therefore, if the North is assured of its political power, it will continue to pursue an opening policy and import western capital and technology. The DPRK has been attending various international economic forums, explaining how much the country has opened up, and how much further it will open up, all in an attempt to attract foreign capital.

#### 4) Environmental Factor: Changes in the Global Environment

The DPRK's opening policy is deeply affected by changes in the global environment. By examining the changes and its effects on the DPRK, the Pyongyang regime has even shown flexibility in efforts to secure profits.

The single greatest factor on the country's opening policy, is multi-national organizations. The effect that the United Nations Development Project (UNDP) and the Korean Peninsula Energy Development Organization (KEDO) have had on the DPRK's reform and opening is considerable. The DPRK's economic policies have been greatly affected by its relation with the UNDP, and its ties to KEDO have played a role in changing its securities policy. The common feature about these two organizations are that they are multi-national, and they both have a profound effect on the

country's opening policy. With its simultaneous entry into the United Nations along with South Korea, the North hopes to gain memberships to other organizations such as the International Monetary Fund (IMF), the World Bank (IBRD), and the Asian Development Bank (ADB). The DPRK has also invited the World Food Program (WFP), UNICEF, OPEC and agriculture specialists from Japan to discuss food and technological aid to the North. Increased interaction between the DPRK and international organizations along with global consortiums will help spur the pace of the North's opening.

Second, the rising prominence of the US in the post-Cold War era is exerting influence on the DPRK's opening policy. During the Cold War, the North had relied quite heavily on China and the former Soviet Union for security, and had publicly denounced the US for dividing the peninsula in two. However, the dissolution of socialism also meant no more security support. The DPRK began instead to use the threat of its nuclear program to establish ties with the US and Japan. The DPRK is now concentrating on economic benefits, rather than ideologies. An urgent task facing the country is in fact reducing tensions with the US and Japan, and finding a way out of its economic troubles. It may seem paradoxical, but the post-Cold War era has actually helped the DPRK increase contact with the outside world.

Third, market principles and political pluralism is changing the landscape of the four major powers in Northeast Asia, based on economic advantages. Changes like the dissolution of economic ties with the former Soviet Union, which used to take up half of the DPRK's foreign trade, and China's astounding success in introducing market principles, all provide more reasons for the DPRK to open. Market principles are dominating the relations of the four major countries, and so, the DPRK has no choice but to throw away its closed-mindedness and embrace changes. That such international changes are affecting the DPRK's policies and that countries surrounding the North, are all taking part to encourage the DPRK to open up, will help prevent the sudden collapse of the Pyongyang regime and are in fact, fueling the move toward opening.

### *Discouraging Factors for Open-Door Policies*

#### 1) Political Factor: The Continuance of Feudal Patriarchy

First, one of the most remarkable features of DPRK's domestic politics is its totalitarian nature with a structural concentration of absolute power. Kim Jong-il regime still maintains a political social system that is highly closed and tightly controlled. All the sectors within the state and the society are linked to, and guided by, the Rodong Party and its center, Kim Jong-il. Ordinary residents, as they are completely separated from outside world, get only partial and distorted information from the Rodong Shinmun. Due to this closedness, they cannot properly recognize their country's difficult situation and problems.

Second, we can point out the patriarchal and feudal nature of DPRK's political culture. Right after the communist revolution, the country internalized authoritarian Confucian culture. As a result, the newly established system was more characteristic of a patriarchal feudal system than of a socialist system. As can be seen in the idolization of Kim Il-sung and Kim Jong-il and the hereditary system of power, DPRK is quite unique when compared to other socialist countries.

Third, the country is heavily dependent upon the personal leadership offered by Kim Jong-il. Rational policy making in the process of gathering information and making diplomatic contacts for external opening can be negatively affected by this worship of one person. One characteristic of Kim Jong-il's power base is that it consists mainly of his personal networks such as family members and close friends, who pay absolute loyalty to their leader. Given this atmosphere, it is no wonder that the country's major policies are initiated by Kim Jong-il's close aids, and then finally approved by the leader himself.

Fourth, DPRK's core power elite members tend to have highly conservative characteristics. Most of the elite members should have both ideological clarity and professional knowledge. As a whole group, therefore, they are predominantly conservative, especially in matters regarding the regime survival. It is for this reason that

they are reluctant to implement the policy of reforms and opening even though they fully recognize its necessity. They have witnessed the fall of those with vested interests in the reforming process of Eastern European countries and Soviet Union.

## 2) Ideological Factor: The Rigidity of Juche Ideology

First, DPRK's Juche ideology is still functioning as the only guiding ideology in every sector of the society. North Korean residents have been repeatedly indoctrinated to believe that their supreme leader's guidance is essential for the completion of revolution and the construction of a socialist system. The ideology also functions as a prism through which DPRK's foreign policy makers sees the international environment, thus affecting the country's strategic and tactical behavior patterns. One may say that the ideology was largely responsible for DPRK's rigid and confrontational external policies of the past, and is a limiting factor for future policy changes.

Second, DPRK is still emphasizing the superiority of socialism over capitalism, despite the collapse of socialist countries in Eastern Europe. Attributing the collapse not so much to economic problems as to the weakening of people's spiritual and ideological purity, the leadership tries to differentiate DPRK from Eastern European countries by emphasizing the country's unique development mode and Juche ideology. Putting forward catch-phrases such as "Let's live in our own way," "march of ordeal," and "strong and great nation," the leadership is utilizing Juche ideology as a device to mobilize the residents without sufficient material compensations. Kim Jong-il has made it clear that DPRK's external opening must be pursued within the frame of Juche ideology, by giving priority to ideological indoctrination over economic development.

Third, the leadership has dealt with the problem of productivity reduction, not only by providing some material incentives, but also by intensifying mobilization efforts such as inspection of production sites. Since the launching of Kim Jong-il regime, the "red-flag" philosophy has been emphasized, and various ideological

indoctrination efforts to increase labor productivity have been strengthened. One may even say that the country is exhibiting a stronger internal cohesion in response to the global trend of reforms and opening. In sum, Juche ideology will make it implausible for the country to change in an essential way by functioning as an important factor limiting the width and depth of its policy changes toward opening and reforms.

### 3) Economic Factor: Unstable Economic Conditions

First, DPRK's economy is still based on unstable and contrasting principles. Emphasizing "self-reliance," the country has been putting all their efforts in establishing an independent economic system. Under this scheme, external trade cannot play a major role, as it is seen merely as a means of complementing the self-reliant system. In this context, DPRK's opening policy may be considered as an ad hoc measure to overcome economic problems caused by its rigid economic structure. Although the country has recently enacted and revised various laws and regulations regarding its external opening, they are being heavily constrained by the lack of consistency and transparency in its economic principles and policies.

Second, DPRK's investment conditions are not ripe for substantive economic opening. The technological backwardness, the insufficiency of infrastructure such as transportation and communication facilities, the small size of domestic markets, and the difficulties in supplying raw materials and energy are some of the structural restraints for Western investment into DPRK. It is no wonder that Western investors are more attracted to China and Vietnam than to DPRK. More fundamentally, the image advanced capitalist countries hold on DPRK is quite negative, since the country is seen as one with little credibility and high possibility of collapse. All these factors tend to prevent DPRK's opening policy from producing any substantial results.

### 4) Military Factor: Increasing Importance of Military Sector

First, DPRK's military sector including the Department of

National Security and Defense, and the Department of Social Safeguard represents the conservative forces restraining the country's reforms and opening. As shown in the Constitutional amendment in 1988, the country seems to be at emergency, with the military supporting the system. DPRK has been spending more than 25% of its GNP on the military, and despite the severe shortage in food and energy, the military spending is increasing. Kim Jong-il emphasizes the revolutionary military spirit and the principle of "military first, and then labor," while touting the military as "the fortification of socialism."

Second, since the launching of Kim Jong-il regime, the military elite's position within the power circle has been greatly secured. As the General Secretary of the Party, Kim Jong-il also occupies the two most important military positions: the Chairman of Defense Commission, and the Supreme Commander of the People's Army. Since the eighties, the military sector has been playing the leading role in idolize Kim Jong-il, exhibiting strong loyalty to him. In return, Kim Jong-il has steadily strengthened the military's political position by paying frequent visits to military troops and military facilities and treating military elite good. The top echelon of the military elite are composed of Kim Jong-il's closest friends, and it is not surprising to find them accompanying the leader in various official occasions. The military sector is closely tied to Kim Jong-il's political power, and thus plays a central role in the process of making important policies.

Third, environmental changes such as the collapse of the socialist bloc and the strengthening of the South Korean military have posed an increased threat to DPRK's national security, thus heightening the military's importance. In the name of defending against external world's physical interferences and intercepting the inflow of capitalist thoughts, the military is controlling the society as a whole. Moreover, DPRK's military power can also be an important diplomatic card, as it is often utilized as a leverage in negotiating with the U.S. and Japan for the normalization of the relations. In short, Kim Jong-il regime seems to be utilizing its military power in various aspects, in order to take a favorable position in negotiations with the U.S.

Fourth, the military sector is making considerable contributions to the country's economic development. It cultivates various agricultural products, operates factories, and even earns foreign currencies. In fact, as result of an excessive investment on the military, DPRK's military industry does have some external competitiveness, especially when compared to other industries. It can produce and manufacture various kinds of weapons, although they are mostly of low grade. By exporting tanks and missiles to those Middle Eastern countries such as Syria, Iraq, Iran, and Libya, DPRK's military is earning foreign currencies, thus improving its trade balance. Being in charge of the Second Economy, the military is exerting great influence on the national economy.

## Concluding Remarks

Since the seventies, DPRK has pursued the policy of external opening, while not being so enthusiastic about internal reforms. While the economic hardship required the introduction of Western capital and technologies, the country stuck to the principle of separating politics from economy, and sought to merely recover its economy through an opening policy in the economic sector, without any fundamental reforms. That is why DPRK's external opening policy is generally termed as being "local, partial, and limited." Notwithstanding the objective environment that necessitates an expansion of opening, the regime cannot but stick to such a limited opening policy in fear of enormous negative repercussions the opening could have on the regime survival.

The country is based on a logical structure that is different from that of Eastern European countries. Despite the trembling economy, the political system is not showing any special signs of malfunctioning. Moreover, the four neighboring major powers want the maintenance of the status quo in the region, not a sudden collapse of Kim Jong-il regime. The South Korean government's engagement policy also serves the same objective by providing various economic assistances. In the longer term, however, DPRK will not be able to sustain its political stability without resolving its economic difficulties to a considerable degree. The worsening of

the problem of food shortage, in particular, could be a serious system-altering factor. Fully aware of this possibility, Kim Jong-il regime will have to open up the economy, yet without endangering the regime survival.

In striking a balance between the two objectives of regime survival and economic recovery, Kim Jong-il will have to consider many variables and their relationships. As one important variable, the normalization of relations with the U.S. and Japan could not only resolve its economic problems considerably, but at the same provide an opportunity to accelerate the current opening policy. All things considered, the trend of DPRK's external opening seems to be irreversible. Due to the possibility that an expanded opening could bring about significant changes in the current system, Kim Jong-il regime may not voluntarily pursue aggressive reform and opening policy. In this sense, the provision of external assistances and incentives could play an important role in inducing the country's reforms and opening. EKR