

**Chris Weston**

e-mail: cmweston@poczta.onet.pl

---

## THE DPRK: JUST ANOTHER COUNTRY?

---

## KRLD: CZY TO TYLKO ZWYKŁY KRAJ?

---

DOI: 10.15611/pn.2017.486.10

**Summary:** The paper notes that up until 1973 both North and South Korea had essentially comparable GDP *per capita*. Thereafter, it is argued that choices made by the DPRK were substantially influenced by recent history in terms of concentrating on the nuclear and ballistic missile programmes in order to meet the perceived need for security which overrode other possible choices. The development of the country's natural resources – whether energy, mineral reserves and the potential of the populace – have mitigated the sanctions regime in place since 1948. This paper argues that, when considering North Korea, history is “everything” and has influenced the economic choices and development of the country.

**Keywords:** North Korea; political economy; economic history; path dependency.

**Streszczenie:** W artykule autor wskazuje, że do 1973 r. Korea Północna oraz Korea Południowa miały porównywalną wartość PKB na mieszkańca. Argumentuje się, że na wybory dokonane przez KRLD znaczny wpływ miały wydarzenia historyczne i związane z tym koncentrowanie się na programach raketowych i raketach balistycznych motywowane dążeniem do zaspokojenia potrzeby bezpieczeństwa oraz dokonywaniem innych wyborów. Posiadany potencjał zasobów naturalnych kraju w postaci zasobów energetycznych, rezerw mineralowych czy też potencjału ludzkiego pozwoliły na złagodzenie reżimu sankcji obowiązującego od 1948 r. Wpływ na te procesy miały również decyzje ekonomiczne wytyczające rozwój gospodarki zgodnie z przykładami innych krajów, takich jak Japonia i Chiny. Przedstawiony w niniejszym artykule przykład Korei Północnej ma pokazać, iż historia ma dominujący wpływ na ekonomiczne wybory i rozwój kraju.

**Słowa kluczowe:** Korea Północna, ekonomia polityczna, historia gospodarcza, łańcuch zależności.

## 1. Introduction

North Korea (or the “DPRK”) remains for many observers an unfathomable country and one that evokes measures of horror, disgust and fascination in that it appears, on the face of it, to be a throwback to an earlier age in twentieth century history when

totalitarian regimes “stalked the earth” in the forms of Nazi Germany, Stalinist Soviet Union, Maoist China and Mussolini’s Italy.<sup>1</sup>

Such reactions by writers are supplemented by newspaper articles which also resort to crude stereotypes along the lines of a “last Stalinist state” and that the country and its leaders display irrationality – particularly by resort to a nuclear and ballistic missile development programme which, with unerring regularity, follows a cycle of “news cycles”: announcement of tests, followed by denunciations and a resort to further punitive sanctions, and so on. It should be noted that sanctions on North Korea have existed since 1948 when it first came into existence.

At the heart of this, there is, notwithstanding increased publications and news articles, a tendency to say that the country defies analysis as a “normal” country would not engage in such behaviours: whether it be a nuclear and assorted missile programmes, or maintain a “closed” society and economy.<sup>2</sup> This paper seeks to challenge such notions by drawing on the country’s history to convey a sense of why North Korea should be viewed as “just another country” where historical external events (or exogenous factors) have set the country on a trajectory to as yet unknown destination.

In the original doctoral dissertation, which considered the application of a conceptual framework in institutional economics devised by Douglass North and others to the case of North Korea (or “DPRK”), it was decided to specifically exclude fieldwork in terms of a visit to the country and to essentially arrive at the findings of the approach adopted and conclusions arising i.e. the efficacy of the framework, based on a reading of literature available on the country from multiple sources. A personal trip this year of almost ten days to Seoul in the Republic of Korea, which encompassed visits to museums and other sites of historical and contemporary interest, i.e., the Demilitarised Zone (“DMZ”) with the DPRK, as supplemented by reading of historical literature on Korea, led to a decision to visit North Korea. It was therefore decided to join a group organised tour to spend three weeks in the country

---

<sup>1</sup> See [Friedrich, Brzezinski 1966]. A “flavour” of various authors’ sentiments regarding North Korea can be gleaned by reference to the titles of their works: V. Cha, *North Korea: The Impossible State*, [2012]; J. Becker, *Rogue Regime* [2006]; A Lankov, *The Real North Korea: Life and Politics in the Failed Stalinist Utopia* [2013]; N. Eberstadt, *The North Korean Economy: Between Crisis and Catastrophe* [2007]; P. French, *North Korea: State of Paranoia* [2014]. Further examples, which might also serve as contenders, include B.E. Bechtol’s *Defiant Failed State and Red Rogue*.

<sup>2</sup> Thus, it might be indeed argued that, by ignoring history, the rest of the world (particularly the USA) may be “irrational” rather than the DPRK. There is asymmetry of information since the DPRK population is familiar with its history whereas the US appears unwilling (or unable?) to familiarise itself with past events and its own share of responsibility for consequences that ensued on the Korean peninsula. The inconclusive result of the Korean War (where no peace agreement was signed and only an armistice in place to cease hostilities) has not allowed a victor to write “history” in their image. Contrast this state of affairs with the conclusion of the Vietnam War in 1975 and the US “acceptance” of its defeat. This has not stopped US growing coincidence of interests with Vietnam in containing China. Ditto North Korea in the fullness of time?

where I was principally based in Pyongyang but had the opportunity to visit Kaesong (the former ancient capital) and the DMZ – this time from the northern side looking onto South Korea, the western port of Nanpo as well as the major eastern cities of Wonsan and Hamhung. The latter two cities of not inconsiderable interest given Wonsan is often the location from which a number of missile launches are launched; Hamhung given it has been little visited by outsiders and of acute interest given prior to the war, it was the site of one of the largest and most modern chemical complexes in the world dedicated to Japanese arms production and allegedly the wartime Japanese nuclear project. Indeed, after visiting a local historical site belonging to the founder of the Choson dynasty (rulers of Korea from 1392 to 1910), we were given a guided tour of this complex. While Korean language was a major part of the tour (two hours plus each day largely at the University in Pyongyang), the trip was an opportunity to sample the local history, through visits to museums and sites of historical interest, and to employ “Mark I eyeball” to observe at close hand the subject of the doctoral dissertation written in Warsaw.

A critical aspect of the approach adopted in the doctoral dissertation was the employment of a “thick analysis” of the historical development of North Korea through its principal organisations: The Korean Workers Party (“KWP”); and the Korean People’s Army (“KPA”), as well as its economic initial allocation (as partly determined by its geography and the Japanese colonial occupation) and development thereafter up to recent times; as well as its belief system. These elements were found to be intertwined and often self-reinforcing. To give one example: the KPA was not only a Violent Capacity organisation (à la North) but deeply engaged in the economy (particularly agriculture and construction) and a core component of the beliefs system in the country. A key advantage of the trip was to observe these aspects at first hand and to again enhance understanding of the role of history in underpinning these as well as the more controversial aspects of the current regime as evidenced in the ballistic missile launches and nuclear tests.

D. Acemoglu and J.A. Robinson very briefly contrast the North and South Korea in their 2012 book *Why Nations Fail*. In their works (the 2012 book follows a 2005 chapter contribution for another work) the central thrust of their argument is that North Korea, by sustaining a communist regime, possessed only extractive institutions; whilst, on the other hand, South Korea, by accepting capitalism and promoting property rights, possessed inclusive institutions, which led to greater economic prosperity. The 2005 contribution is of more substantive interest since Acemoglu, Johnson and Robinson very briefly consider the history of the North, including the limited industrialisation carried out by the Japanese during the colonial occupation of 1910–1945, and its geography and culture. In essence, the authors argue that Korea represents an ideal “test case” since the quite disparate economic trajectories were clearly affected by their respective choice of institutions given, all things being equal, a common heritage, weather, geographical makeup, language etc.

However, D. Acemoglu, S. Johnson and J.A. Robinson also reproduce a graph showing the relevant GDP *per capita* for both North and South Korea over time from circa 1950 to 2003, based on Angus Maddison's work [Aghion, Durlauf 2005, p. 406; Maddison 2007, p. 176]. What piques the interest is that both sides of the Korean peninsula, according to the graph (as well as Maddison's own work) enjoyed the same GDP *per capita* up to 1973. Thereafter, significant GDP *per capita* growth is enjoyed by the South through the 1980s when, it should be said, the Korean army was effectively in charge of the country (and had been since 1961) and the further increased in the 1990s as North Korea's own GDP *per capita* sharply declined. The authors note that the South was already a "star performer" by the end of the 1960s but little is said about the North throughout this period when, it should be recalled, GDP *per capita* was the same in both countries. (According to C.Y. Thomas [1974, p. 84], citing World Bank figures, the average annual growth rate of GNP between 1960 and 1969 was 5.9% for North Korea and 6.4% for South Korea.)

## 2. "There is a great deal of ruin in a nation"

A first "port of call" for understanding the position of North Korea is to consider the Korean War that took place on the Korean peninsula in 1950–1953. The war should be viewed as a classic example in institutional economics of path dependency.<sup>3</sup>

The Korean War of 1950–1953 was to see the widespread devastation of the North, as a result of US bombing – the US airforce dropped more tons of high explosive on North Korea than in the whole of the Second World War. According to official DPRK estimates [Brun, Hersh 1976, pp. 163, 164], 8,700 factories and enterprises were destroyed. Due to the destruction, industrial production in 1953 was around 64% of 1949 output. The rural sector was hit particularly hard by the destruction of dikes and irrigation systems, and the damage of farmland as well as a significant proportion of the livestock perishing. The estimated material destruction was around US\$ 3,000 million – equivalent to six times the country's national income of 1949.

As an aside, the war followed a considerable dislocation caused by the enforced US-USSR occupation and division of the peninsular along the 38<sup>th</sup> parallel, as well as the Japanese loss of the war.<sup>4</sup> Korea had been integrated with the Japanese economy such that its ports were concentrated on directing goods to Japan, its colonial power. Goods were processed in Korea as a single market often travelling back and forth through the then undivided peninsular before exiting to Japan. When

---

<sup>3</sup> D.C. North [2005, p. 52] defines this as: "constraints on the choice set in the present that are derived from historical experiences of the past".

<sup>4</sup> After the defeat of Japan, the Japanese sought to destroy machinery and sabotage all transportation and industrial facilities in the north. According to A. Lankov [2002, p. 5]: Japanese also destroyed 1,015 small and medium sized enterprises when retreating.

the foreign powers divided the country in August 1945 such internal flows were rendered difficult. A good example of this was railway tickets for Korea were produced in a facility located in the south. After the division, the north needed to produce its own tickets and thus constructed its own facility for doing so. In economic terms, there is much attention paid to economic efficiency of minimising costs, etc., but this also hinges over the initial allocation of resources.

To which, there should be added the human cost of the conflict: 930,000 KPA soldiers (compared with 620,000 ROK soldiers and 160,000 UN soldiers, and around one million Chinese “volunteers” who fought with the KPA) and 2.5 million civilians. 3.7 million refugees were created and there were 10 million separated families.<sup>5</sup>

The war had important consequences in both political and economic terms – the effects of which are still, to a considerable extent, present today.

In the course of the Korean War, a number of North Korean arms and manufacturing facilities avoided destruction by being relocated in tunnels underground – the commencement of such activity that would lead to almost 500 km [Oh, Hassig 2000, p. 108] of such tunnels being constructed by North Korea and the KPA’s “soldier-builders”. We will circle back to this item later as the underground tunnelling expertise (or in business terms, its comparative advantage) highlights another interesting facet of North Korea’s economy in the light of a punishing sanctions regime.

According to C.K. Armstrong [2013, p. 59], following the conclusion of the Korean War, the dividing line between the army and civilian reconstruction workforce became increasingly blurred in this period as KPA draftees were retained in factory work rather than being sent for military service and active KPA troops were utilised, often in conjunction with Chinese PLA soldiers, in civilian reconstruction work.

The Military Construction Bureau (or Unit 583) has been engaged in a number of other defence related projects including underground arms, tank, missile and even shipyard facilities. This has led to distorting effects on the efficiency of the Korean economy as facilities have been shifted underground or even away from their natural geographic location away from the shoreline, which was heavily bombarded by US warships during the Korean war.

Foreigners, particularly South Korean, Japanese and American, are viewed through the prism of either colonial occupation or the Korean War of 1950–1953. Indeed, North Koreans from an early school age are imbued with the sense that foreigners have treated the peninsula as a “plaything” for their own aggrandisement and a cockpit for competing great powers to pursue their own selfish interests.<sup>6</sup> In present terms, this is manifested in perceived hostile acts ranging from South Korean

---

<sup>5</sup> See [Lee (ed.) 2015]. I obtained this book at the Korean War Memorial Museum in Seoul.

<sup>6</sup> Visits to the Shinchon Atrocities Museum and the Class Education Museum in Pyongyang provide worrying cases of alleged war crimes taking place in 1950–1953 that were to haunt the US in the Vietnam War a decade later. The glossing over of such events (and lack of scrutiny in the wake of the war given hardened sentiments) has fuelled North Korean grievances on top of the Japanese colonial occupation and the US/USSR division in 1945.

– US annual wargames, Japanese moves to change their Constitution to allow greater flexibility to the deployment of their armed forces and increased UN sanctions.<sup>7</sup>

To which there is an additional overlay of “events” such as removal of Saddam Hussein in the Iraq War of 2003, “axis of evil” rhetoric and the violent overthrow of Libya’s Gaddafi, notwithstanding a “negotiated” disarmament of weapons of mass destruction.

The North Korean authorities have therefore prized security and stability above all and this is manifested itself in pursuing an ambitious nuclear and ballistic missile programme, notwithstanding its apparent economic weakness.<sup>8</sup> Maintenance of such a view as displaying “irrationality” thus seems oddly “off the mark”. The belief that “The past is another country” (to which we might also add “a faraway country of which we know little!”) is singularly unhelpful in seeking to understand North Korea. History, in this country’s sense, means everything as it has directly impacted upon its institutions ranging from the key players in the country such as the KPA, the Korean Workers Party to the way that people perceive both their country’s position in the world and the world’s reactions: “the Future is history in a mirror” as one Korean acquaintance put it. Or put another way, for a people who are naturally proud of their country and its accomplishments: if (North) Korea is so unimportant, why has it attracted so much foreign power interest throughout its history?

### 3. Post 1973: From rising industrial power to default

We noted earlier that the Japanese occupation had contributed to a development of the country which remained essentially sub optimal once the occupation and division took place. In the north, there was located one-third of light industry output, 76% of mining production; 92% of electricity generating capacity; and 80% of the heavy industrial facilities [Oh, Hassig 2000, p. 48]; but the south held the significant proportion of rice growing paddies. Indeed, North Korea’s strength of mountainous terrain, while contributing to hydro power, was also its principal weakness in terms of food production – 80% of its territory was nonarable mountainous terrain.<sup>9</sup>

<sup>7</sup> In one DPRK museum, I observed a photograph of Japanese premier Abe in the cockpit of a fighter plane with the numbers “371” visible. Unit 371 was the Japanese wartime unit engaged in chemical and biological warfare during the Pacific war (and “tested” on Koreans) and which was later “taken on” by the US for their own purposes in the ensuing Cold War. Such are North Korean sensitivities regarding the Japanese, this photo was viewed as a singular provocation.

<sup>8</sup> Of interest is Pakistan’s own recourse to a nuclear power status. It was, after all, Prime Minister Bhutto who famously said that the country should obtain a nuclear weapon even if “it has to eat leaves”. Pakistan was on the losing side of a number of wars with India and could not rely on its relationship with the USA to guarantee its vital national security in a dangerous neighbourhood. Ditto for North Korea and its relations with its “partners”, the USSR/Russia and China.

<sup>9</sup> Thus, North Korea is not natural agricultural country. Such agriculture as practised is to minimise its trade deficit with China rather than being a “natural” source of economic gains. That said, given the rationale, i.e., trade deficit minimisation in the light of non-availability of capital inflows, except from China as well as financial sanctions, it does make political economic sense of a fashion.



We have also noted that up to 1973 observers remained impressed with the development of the north to reaching a comparable GDP *per capita* with the south before it fell back and now – if the figures are to be believed – the disparity in GDP *per capita* has reached one to thirty.

As a result of the relaxation in international tensions in the early 1970s, including the US-USSR detente and the opening of relations between US and China, North Korea had decided to import equipment from the west as part of its retooling of an ageing industrial base. According to N. Eberstadt, North Korea had executed a strategic turn in the early 1970s towards Japan and other OECD countries for capital goods such that 3/5 were to come from OECD countries (mainly Japan) and the balance from the Soviet bloc [Eberstadt 2007, p. 65].

North Korea built a new oil refinery and petrochemical facility as well as steel and cement factories with west European and Japanese technical and economic assistance. According to J. Gittings [1977, p. 99],<sup>10</sup> North Korea was undertaking around 90 projects with western firms and banks at this time.

Thus, it borrowed in 1972 US\$ 80 million from France to build a fertiliser plant; in 1973 US\$ 160 million from the UK to build a cement factory; and in 1974, US\$ 400 million from Japan for large scale plant equipment. Between 1970 and 1975, the DPRK borrowed US\$ 1.2 billion [Cha 2012, pp. 114, 115].<sup>11</sup> When the debt markets closed in 1976 due to international financial problems,<sup>12</sup> the country was unable to refinance its borrowings and effectively defaulted.

After 1976, North Korea was only able to service the interest on its loans due to insufficient foreign exchange and entered into three agreements to extend debt repayment periods. The recession in the west at this time had adversely affected North Korea's exports of tungsten (the country was among the top 5 producers in the world), tin and zinc, which therefore reduced its access to hard currency [Gittings 1977, p. 167]. The move to national self-reliance that North Korea had sought to accomplish was proving to be its "Achilles heel" since its concentration on its domestic economy led to it not seeking to increase its exports beyond its fraternal socialist area and thereby generating the hard foreign exchange it required to service its debts. Foreign loans were being employed to modernise plant operating solely for the domestic economy and thus a currency mismatch arose. To mitigate this, the country was reduced to selling raw materials which were subject to the vagaries of the world market.

---

<sup>10</sup> He also notes that trade with non-communist countries had increased from nil (in the mid-1950s) to 27% of total trade by 1969.

<sup>11</sup> To which should also be taken into consideration a sizeable trade deficit of US\$ 1.4 billion between 1973 and 1975. North Korea would appear to have never been not quite so isolated from the world-economy as people imagine or the state professed it to be.

<sup>12</sup> Indeed, 1976 witnessed the UK itself seeking a bailout from the IMF. See also [Sampson 1982] regarding the crises in the mid/late 1970s following recycling of OPEC oil money to many Asian and African countries.

The contrast with South Korea could not be starker. In this case, the South Koreans needed to export<sup>13</sup> to cover the foreign loans acquired for plant as well as cover its growing imports. Suffice to say, after 1984, North Korea was unable to even pay interest and in June 1988 was to formally request that two-thirds of its debt to western banks (US\$ 880 million) be written off [Oh, Hassig 2000, pp. 51, 52]<sup>14</sup>. Thus, North Korea was viewed, at least by western banks as in technical default of its borrowings and international financial markets were therefore closed to it (and, in fact, still are).

Thus, on the face of it, it was less a triumph of the free market versus a supposed centrally directed command economy “what did” for the DPRK in the 1970s but a good old fashioned “boom to bust” in world commodity prices. South Korea’s economy was underwritten by US aid and assistance often provided indirectly<sup>15</sup>, through the IMF and other means – which only essentially came to an end in the Asia Financial Crisis in December 1997 when the IMF had approved a US\$ 21 billion loan, that would be part of a US\$ 58.4 billion bailout plan for the South Korean economy – one of the largest bailouts up to this time.

Of interest is that North Korea has appeared to effect a reasonable economic turnaround<sup>16</sup> since the disastrous 1990s when it endured the collapse of its partners in the USSR and Central Europe, the move of China to a market type economy, famine, floods and the death of its founder, Kim Il Sung. (To which we might also add the conclusion of the long-running Iran-Iraq war in late 1988 from which the North Korean economy had also benefitted). In part, this is argued from a revival in commodity prices and the existence of a major consumer – China – on its doorstep.

The DPRK is abundant in underground resources including iron ores and other ferrous minerals; gold, silver, lead, zinc, and other non-ferrous minerals, including: magnesite, limestone, talc, kaolin and other non-metallic minerals; anthracite, lignite and coal reserves. Graphite and magnesite are among the world’s largest reserves [*Understanding Korea* 2016, pp. 17–21].

---

<sup>13</sup> Benefitting from access to the all-important US market and having established itself as a destination for Japanese manufacturing concerns – the latter arising from President Park concluding a controversial reparations agreement under martial law and cracking down on internal dissent.

<sup>14</sup> H.S. Park [1996] is strangely silent on this matter. J. Gittings notes DPRK’s debt to be US\$ 1.7 billion in 1975 against ROK’s US\$ 5.7 billion and notes the US and others assistance in ensuring the South did not default. N. Eberstadt [2007, p. 65] states “precisely why the debt problem so quickly overtook North Korea [...] is still a matter of debate.”

<sup>15</sup> An interesting ambiguity can be found in the Korean Contemporary History museum in Seoul where, on one side, there is an exhibit showing South Koreans working in a factory producing wigs for the US market – a favourite example for those highlighting South Korean export led development success – with an opposite exhibit explaining that South Korea received US\$ 1 billion just for its *initial* involvement in the Vietnam War under President Johnson. South Korea (and its *chaebols*) was a *military* aid development success story for the USA, contrary to what has sometimes been assumed.

<sup>16</sup> GDP growth in 2016 is estimated by the Bank of Korea to have been 3.9% with significant growth also expected this year.



According to an American investment bank report, the DPRK has about USD 3.7 trillion worth of mineral deposits. Le Monde estimated them at USD 6 trillion; while Reuters noted the country has abundant coal reserves in addition to magnesite, limestone, uranium, gold, lead, manganese and copper. To put these figures in context, the GDP of the DPRK was estimated in 2013 to be just USD 25 billion [Korea Foreign Investment and Economic Cooperation Committee 2016, p. 18].

It is understood that Chinese companies have invested in this sector. Now and again, the sector has surfaced in the context of inner circle disputes (with a violent resolution<sup>17</sup>) or China announcing that it had fulfilled its quota of coal purchases ahead of sanctions being imposed in early 2017.

Through these reserves, the DPRK has been able to generate foreign exchange earnings to meet its foreign trade deficit (principally) with China as well as sustain its own domestic economic activities with particular focus on the construction industry.<sup>18</sup>

#### 4. “The language of priorities is the religion of socialism”

Nye Bevan, a post-war Labour politician and the founder of the British National Health Service, once remarked that: “The language of priorities is the religion of socialism” and that national planning involved making “ethical choices on a national scale [...] Every attempt to choose between alternative choices of conduct is a moral choice” [Campbell 1987, p. 207]. We have noted North Korea’s defence programme in the light of its history and its own choices, but some words on the country’s own economic choices.

North Korea’s own choice to concentrate on its own development has been influenced by a number of factors ranging from the consequences of the post-war division, its geographic resources, the Japanese colonial occupation, Great Power politics (China/Japan/USSR/USA rivalries, post Korean War reconstruction, sanctions regime to name the most immediate. By virtue of its natural resources, (combined with labour and possibly “a national spirit”<sup>19</sup>), it has the ability and

---

<sup>17</sup> In December 2013, Jang Song Taek, the uncle of the present incumbent leader, was arrested, convicted and executed. Among the charges was that he had “instructed his stooges to sell coal and other precious underground resources at random”. In short, Jang appeared to have run afoul of his nephew’s own business arrangements and paid the price. See *Business intrigue... 2013; North Korean... 2013*. It is debatable whether this is the whole story as there were also likely tensions arising between the older, experienced uncle and the then relatively junior Kim Jong Un. Contrary to the press reports as well as South Korean and US hopes, there was no sign of regime instability as was suggested.

<sup>18</sup> J.V. Hastings writes: “From 2006, North Korean mining exports skyrocketed as North Korean state companies built partnerships, mostly with Chinese mining firms, to extract minerals and export them abroad. Both iron and coal exports, among others, increased dramatically, although both had been increasing since 2004 [...] As the mining industry has grown in North Korea, state companies [...] have become so dependent on the income it provides that North Korea has in many respects become a resource export-dependent rentier state” [Hastings 2016, p. 71].

<sup>19</sup> This “spirit” has also been evident in South Korea particularly under President Park as he also sought to build a country with development at its core.

capacity to focus on its own development and, in particular, construction which accounts for almost 14 % of its GDP [Korea Foreign Investment and Economic Cooperation Committee 2016, p. 18].

This has historically always been the case. During the 1980s, the DPRK was engaged in a number of large sized, high profile projects.

Tideland reclamation, which was to increase the country's arable land by 25%, to reclaim 300,000 hectares of salt-marsh and a further 200,000 hectares of new land, through terracing, drainage and by ploughing fallow land, on the west coast – the Western Sea Lock Gate outside Nampo harbour, at a project cost of US\$ 4 billion.<sup>20</sup> Only 20,000 hectares was completed by 1994 and an accompanying project of US\$ 1.177 billion to build the world's largest dam was abandoned. KPA troops<sup>21</sup> were heavily involved in this project with other construction workers. An important intention was also to have been to employ “redundant labour”, as per H.S. Park [1996, p. 156].

In 1989, North Korea chose to hold the World Festival of Youth & Students, which required spending of around US\$ 4.5 billion. K. Oh and R.C. Hassig [2000, p. 131] cite a report from a former KPA construction battalion commander that an estimated 180,000 workers (of which 80,000 were soldiers) were employed in Pyongyang between 1985 and 1989 on preparing for these games with construction of sports and housing facilities. (According to J.S. Park [2009, p. 8]<sup>22</sup>, the DPRK further sought to establish trading companies, particularly among the KPA, to generate foreign currency to meet the significant debts incurred from holding this event.)

This has extended into successive decades. For example, in 2013 there was the construction of Victims of the Fatherland Liberation (Korean) War Museum as well as apartments for scientists in Pyongyang; renovation of grounds of Mirin Riding Club (equestrian company of Unit 534) in East Pyongyang; construction of Masik Pass skiing grounds as part of the Masikryong speed campaign. Reclamation works on Sep'otableland – reclaiming 50,000 hectares of grassland as well as a stockbreeding management centre. Construction on Ch'onych'ongang Power Station in Tiers. In addition, it is likely that other projects may entail use of KPA units on other “speed campaign” building work include: the construction of the terraced Ch'ongch'on

<sup>20</sup> The author visited this location in July 2017 and heard this figure cited in a video presentation. Given that the DPRK was a centrally planned economy with no real “prices” for labour and raw material inputs, this figure is nigh impossible to justify. Perhaps the North Koreans were estimating an equivalent sized project in the West? The figure (from the 1980s) is incredibly high when compared to a 2013 GDP of just US \$ 25 billion.

<sup>21</sup> Please note that while the KPA is viewed by observers as a force of over 1 million troops, the reality is that they are heavily engaged in all sectors of the economy – they are a reserve of mass labour involved in agriculture, construction and mining as well as other business/economic activities.

<sup>22</sup> Based on research, I believe the use of state trading companies antedates the 1980s at least into the 1970s and possibly even before although I would concede the cost of the Games would have encouraged other money-making efforts.

River Power Plant, Mount Paektu Military-First Youth Power Plant, and Wo'nsan Army-People Power Plant.

In August 2013, Kim Jong Un visited the construction of apartment housing for the science faculty and researchers of Kim Il Sung University in Pyongyang – one tower is comprised of 36 stories and the other 44 stories. The project was undertaken by KPA Unit#267.<sup>23</sup>

Indeed, more recent activity in Pyongyang has seen the opening of a brand new Childrens' Theatre (to replace its former post war construction) as well as a new major street containing modern apartment blocks. Similar construction activities has been observed outside the capital.

Thus, the DPRK within its own constraints and choices, is following Japan, China and other Asia countries<sup>24</sup> in depending on construction for a considerable amount of its economic activities [Woodall 1996].<sup>25</sup>

## 5. Conclusions

It is argued that a considerable amount of discourse on North Korea is influenced by Cold War rhetoric emanating from the division of the peninsula in late 1945 and the Korean War of 1950–1953.

One aspect to be noted is the widespread view that the country operates a repressive regime and whether it is indeed “totalitarian”. This matter deserves more fuller consideration than can be dealt with in this paper as there are arguments over what constitutes “totalitarian” in the light of the work of C.J. Friedrich and Z.K. Brzezinski and the results of a damning report prepared by the UN Human Rights body several years ago. One aspect that has been either downplayed or ignored is that North Korea is still technically at war with South Korea (and indeed technically the UN, although the USA is viewed as the *de facto* opposing side in this regard) and history has thrown up a spectrum of behaviours that would not otherwise be countenanced in peacetime. Even in the West, this has ranged from suspension of press and other freedoms i.e. habeas corpus, to mass surveillance and illegal break-ins (the USA during the Vietnam War against domestic war protestors), internment (the UK/USA during the Second World War) to state sponsored mass arrests, torture and killings (France in the Algerian War when Algeria was considered an integral part of country) and so on. A flavour of this was also revealed in an interview with the then President elect Trump. When Fox News host Bill O'Reilly pointed out to

---

<sup>23</sup> Professors each received a furnished apartment of around 260 m<sup>2</sup>. Education being viewed as a major priority for state expenditures in the DPRK versus private expenditures in South Korea.

<sup>24</sup> As well as European countries prior to the 2008 Financial Crisis, it might be added with Spain being a particularly prolific builder of new residences.

<sup>25</sup> For China, as an example, see: <http://www.businessinsider.com/108-giant-chinese-infrastructure-projects-that-are-reshaping-the-world-2011-12?IR=T>.

Trump that Russian President Putin is “a killer,” Trump’s response was: “You think our country is so innocent?”<sup>26</sup>

The DPRK can be understood by reference to Korean history and the involvement of Great Powers in the country pursuing their own interests. From the DPRK perspective, the USA and Japan (and possibly also China notwithstanding purported close relations) are a continuance of these foreign interests. Indeed, the de jure involvement of the UN itself in the war of 1950–1953, on the side of South Korea, also raises possible concerns of whether it can itself be a wholly neutral figure in resolving and concluding a long overdue end to the war.<sup>27</sup>

It is argued that choices made by the DPRK were substantially influenced by recent history in terms of concentrating on the nuclear and ballistic missile programmes in order to meet the perceived need for security which overrode other possible choices.

The development of the country’s natural resources – whether energy, mineral reserves and the potential of the populace – have mitigated the sanctions regime in place since 1948. Economic choices have also been influenced by these factors and it remains likely that construction and ancillary activities will continue for the foreseeable future as major contributors to the economy in line with other country examples, such as Japan and China.

Rather than an “exception”, North Korea is, by virtue of its geographical proximity to Great Powers and its tortured history, as offset by its rich resources in people and spirit, is rather just another country with its own hopes, fears and idiosyncrasies.

## References

- Acemoglu D., Robinson J.A., 2012, *Why Nations Fail: The Origins of Power, Prosperity and Poverty*, Profile Books, London.
- Aghion P., Durlauf S.N., 2005, *Handbook of Economic Growth*, vol. 1A, North Holland, Amsterdam.
- Armstrong C.K., 2013, *Tyranny of the Weak, North Korea and the World 1950–1992*, Cornell University, Ithaca, NY.
- Bechtol Jr B.E., 2008, *Red Rogue: The Persistent Challenge of North Korea*, Potomac Books, Washington, DC.
- Bechtol Jr B.E., 2010, *Defiant Failed State: The North Korean Threat to International Security*, Potomac Books, Washington, DC.
- Becker J., 2006, *Rogue Regime*, Oxford University Press, New York.

<sup>26</sup> See <https://www.vanityfair.com/news/2017/05/donald-trump-praising-authoritarians-rodrigo-duterte>. Attention is also drawn to N Chomsky’s *Manufacturing Consent* and the contrasting media coverage – again influenced by the Cold War – of Poland under military rule in the 1980s versus US involvement with regimes in Central America that engaged in mass murder.

<sup>27</sup> A main thoroughfare in the centre of Seoul indicated that South Korea enjoyed the support of almost 60 nations at the UN (noted by author in April 2017). The UN Security Council (with the USSR absent) voted in late June 1950 to establish the UN Command headed by US General MacArthur to reverse the invasion of South Korea.

- Brun E., Hersh J., 1976, *Socialist Korea: A Case Study in the Strategy of Economic Development*, Monthly Review Press, New York.
- Business intrigue led to North Korean purge South says*, 2013, International New York Times, 24-25 December.
- Campbell J., 1987, *Nye Bevan and the Mirage of British Socialism*, Weidenfield, London.
- Cha V., 2012, *North Korea: The Impossible State*, Bodley Head, London.
- Eberstadt N., 2007, *The North Korean Economy: Between Crisis and Catastrophe*, Transaction Publishers, USA.
- French P., 2014, *North Korea: State of Paranoia*, Zed Books, London.
- Friedrich C.J., Brzezinski Z.K., 1966, *Totalitarian Dictatorship and Autocracy*, Praeger, New York.
- Gittings J. et al., 1977, *Crisis in North Korea*, Nottingham.
- Hastings J.V., 2016, *A Most Enterprising Country: North Korea in the Global Economy*, Cornell University Press, Ithaca, NY.
- Korea Foreign Investment and Economic Cooperation Committee, 2016, *Investment Guide to the DPRK*, Pyongyang.
- Lankov A., 2002, *From Stalin to Kim Il Sung: The Formation of North Korea 1945–50*, Hurst, London.
- Lankov A., 2013, *The Real North Korea: Life and Politics in the Failed Stalinist Utopia*, Oxford University Press, Oxford.
- Lee J.K. (ed.), 2015, *Korean War 1129*, Woojung Books, Seoul.
- Maddison A., 2007, *Contours of the World Economy. 1–2030 AD*, Oxford University Press, Oxford.
- North D.C., 2005, *Understanding the Process of Economic Change*, Princeton University Press, Princeton, NJ.
- North Korean execution hints at instability*, 2013, International New York Times, 14-15 December.
- Oh K., Hassig R.C., 2000, *North Korea: Through the Looking Glass*, Brookings, Washington, DC.
- Park H.S., 1996, *North Korea: Ideology, Politics, Economy*, Prentice Hall.
- Park J.S., 2009, *North Korea Inc*, United States Institute of Peace, Washington, DC.
- Sampson A., 1982, *The Money Lenders: Banking in a Dangerous World*, Coronet, London.
- Thomas C.Y., 1974, *Dependence and Transformation: The Economics of the Transition to Socialism*, Monthly Review Press, New York.
- Understanding Korea*, 2016, no. 5, *Economy*, Pyongyang.
- Woodall B., 1996, *Japan Under Construction*, University of California Press, Berkeley.

## Websites

- <http://www.businessinsider.com/108-giant-chinese-infrastructure-projects-that-are-reshaping-the-world-2011-12?IR=T>.
- <https://www.vanityfair.com/news/2017/05/donald-trump-praising-authoritarians-rodrico-duterte>.

## **Part 2**

---

# **Cooperation Processes between the Countries of Asia, Europe and the World**



