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Analysis of the 8th Party Congress of WPK in North Korea(2): Economy, Society, and Culture

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North Korea's 8th Party Congress of the Workers' Party of Korea unveiled a 'five-year economic development plan.' What stood out was as follows: the 8th Party Congress vowed to learn lessons from the failure of a past five-year economic development strategy, which was implemented after the 7th Party Congress but failed to make satisfactory results; it set a cautious and realistic goal with a focus on constructing a self-reliant economy; and in the economic management, it laid out a plan to reorganize the planned economy and improve the efficiency of utilizing internal resources. To what extent the set goal could be accomplished will depend on the level of advancement of North Korea-China relations in the future and whether economic management reformative measures would yield desired outcomes. But the North Korean economy is highly likely to go through difficulties for the time being regardless of whether the five-year economic development plan would meet its set goal. In the meantime, there have been no noticeable achievements in the social and cultural sectors since the 7th Party Congress. Social control is expected to be much more reinforced with the existing policy line in place.

North Korea's leader Kim Jong-un unveiled a 'five-year economic development plan ('five-year plan')' via the performance assessment report of the 8th Party Congress. It was an announcement that reveals how North Korea would operate its economy for the next five years amid the continued aftermath of COVID-19 as well as intensified sanctions imposed on North Korea. The goal and the direction of the policy on society and culture have also been presented. This paper seeks to analyze the characteristics and implications of this initiative presented at the 8th Party Congress on North Korea's economy, society, and culture.

All-out-effort on Presenting a Realistic Plan Based on the Experiences of Implementation of Five-year Strategy

As is known, North Korea's economic situation is dismal due to the intensified sanctions imposed on North Korea, ever since the second half of 2017 in combination with the reverberations of COVID-19 in 2020. Chairman Kim Jong-un said at a performance assessment report reflecting such a reality that a five-year economic development strategy ('five-year strategy') of 2016-2020 "failed to meet its goal on a big scale and to make advances in improving the livelihood of people." It was an admission of failure of a five-year strategy falling short of making satisfactory results. Although it was mentioned that implementing a five-year plan has laid the foundation for self-sufficient economic development, the focus seemed to have placed on the 'failure' of the past strategy.

North Korea appeared to learn a lesson from the process of having established, albeit not a satisfactory one, a five-year strategy. A large amount of time was allocated to having analyzed the reasons behind the failure of meeting the goal of the five-year strategy at a performance assessment report at the 8th Party Congress. It was quite different from what had been reported at the 7th Party Congress where the focus was on illuminating the detailed achievements of the previous plan. On a closing note, Chairman Kim mentioned that "...critically analyzing and reflecting on one's own projects at this Party Congress carried significance, which is tantamount to the achievements made during the concluding session."

Another feature of this Party Congress is that North Korea did not ascribe the causes of a lack of achievements to external factors. North Korea could have blamed the failure of fulfilling the goals on external factors given the unexpected unfavorable elements such as sanctions and COVID-19. However, Chairman Kim said that “if we rely on objective conditions, there is nothing we can do” and went on to mention internal factors, such as a flaw in a five-year strategy, a lack of role of science and technology, and a problem in the economic management system. North Korea candidly admitted that a five-year strategy was designed without regard for the reality and that advancing high technology and seeking a knowledge economy turned out to be a pipe dream given the current level of funding sources and the science technology.

Such recognition seems to have been reflected in the process of establishing this five-year plan. While the five-year strategy unveiled at the 7th Party Congress laid out an audacious and proactive direction of economic development, the five-year plan at the 8th Party Congress has focused on reality and practicality. For example, while the five-year strategy mostly emphasized a transition to the knowledge economy and science technology, this five-year plan does not give a focus to science technology. It could be viewed as establishing a more realistic plan with a reflection of the past experiences of the failed economic plan and unfavorable external conditions.

Economic Development: Focus on Self-sufficient Economy and Cautious Move With a Consideration for Feasibility

This five-year plan sets the metal industry, chemical industry, agriculture sector, and light industry as the major tasks to be achieved. The metal and chemical industries are an essential industry that will maintain a country’s self-sufficient production structure. In contrast, agricultural and light industries are directly related to the people’s livelihoods. As steel, known as the essence of the metal industry, has significant implications on other industries, such as the construction and machine industry, the need for expanding its domestic production has gone up since it is

subject to an import ban of the UN Security Council. The chemical industry, too, is a representative industry with high demands of other industries, which carries the forward-linkage effect, among which fertilizer, in particular, has a significant impact on agricultural production. While the metal and chemical industries are crucial as the ‘axis of a self-sufficient economy,’ agriculture and light industries directly impact North Koreans’ livelihoods. What stood out was that the ‘state’s obligatory plan for buying grain’ of 2019—a year that saw the sound grain production—was set as a short-term goal of the next two to three years and that an approach for giving an incentive for workers and subsequently improving productivity was suggested. An emphasis in the light industry on localization and re-resourcification of raw materials reflects a lack of import of such materials in the food manufacturing industry and textile industry.

A strategy necessary for establishing a self-sufficient economy was also stressed in other industries (Refer to <Appendix 1> for detailed sector-by-sector goals, measures, and characteristics). Since sanctions imposed on North Korea have prolonged in major import industries, such as the coal industry, light industry, and fishing industry, resource redistribution is essential for the transition to domestic demands. In particular, as the emphasis placed on the coal industry appears to have been on raw materials, facilities, investments, and incentives for workers, the transition to the domestic demands seems challenging ever since a halt in export blocked by the toughening of sanctions. Industrialization could substitute for the imports in the machine industry amid a halt in imports of industrial machinery caused by sanctions. There was also a mentioning of having discussed ‘the current status and the causes behind the current situation of machinery industry.’ A focus on the transition of direction toward an ‘industry centered on creative development’ can be understood in this context. The construction industry, which includes housing and details the scale of cement construction, is the only industry that presents the ‘numbers’ as a goal for economic construction. The construction, communications, land management, ecological environment, and city management sectors appear to present a relatively wide range of measures for improving people’s livelihoods. Such a direction is partially in line with the ‘principle of putting our people first’ as

underscored at the 8th Party Congress. Given that the improvement of people's livelihood is possible without large-scale investment, it could be interpreted as a practical approach.

Meanwhile, there was a very cautious attitude toward the external economy at the 8th Party Congress contrary to the 7th Party Congress that emphasized the spirit of self-reliance (*Charkyok Kaengsaeng*), and measures for expanding external economic relations such as the adoption of the advanced technology via merger and joint venture and the creation of the environment for attracting investments for economic development zone. Except for the promotion of tourism projects, the 8th Party Congress did not report the expansion of external economic relations, which could point to the realistic judgment that seeking the expansion of external economic relations would be challenging under the imposed sanctions.

Internal and external conditions in North Korea's economy were sound at the 7th Party Congress that ushered in a full-blown era of the Kim Jong-un regime. The economy-building based on the influx of dollars from exports to China was booming back then with active large-scale construction projects springing up. The efficiency of economic operation had been partially improved during that period thanks to North Korea's own way of reform called 'North Korea's own economic management system.' What was reported in the economic construction sector at the 7th Party Congress was partially rooted in the confidence that stemmed from the economic conditions at that time. At the 8th Party Congress, however, the overall direction and goals of economic construction seemed to have been set under the prediction of North Korea's prolonged economic isolation due to the sanctions and the ongoing pandemic crisis with the lessons learned through the past implementation of five-year strategy.

<Table 1> Major Contents of Economic Sector at the 8th Party Congress
(In Comparison with the 7th Party Congress)

		7 th Party Congress	8 th Party Congress
Economic Development Plan		<ul style="list-style-type: none"> Five-year Economic Development Strategy (2016~2020) 	<ul style="list-style-type: none"> Five-year Economic Development Plan (2021~2025)
Internal Economy	Major Industry	<ul style="list-style-type: none"> Electricity, Coal, Steel, Railway Transportation, Machinery Agriculture, Light Industry 	<ul style="list-style-type: none"> Metal, Chemistry Agriculture, Light Industry
	Economic Management	<ul style="list-style-type: none"> Cabinet-centered System, System of Cabinet Responsibility North Korea's "own economic management system" Socialist Enterprise Responsibility Management System 	<ul style="list-style-type: none"> Cabinet-centered System, System of Cabinet Responsibility Development of National Commerce Network Optimization Measures for Economic Management Suitable for North Korea's Conditions
	Characteristics	<ul style="list-style-type: none"> Emphasis on Science Technology Leading the Growth 	<ul style="list-style-type: none"> Emphasis on Utilization of Economic Space
External Economy		<ul style="list-style-type: none"> Export of Manufacturing Goods, Expansion of Technology, and Service Trade Joint Venture and Development of Economic Development Zone Promotion of Tourism Industry 	<ul style="list-style-type: none"> Tourism Project (Development of Mt. Geumgang Tourism Project)

Economic Management: Reorganizing Planned Economy and Improving the Efficiency of Utilization of Internal Resources

When it comes to economic management, the basic direction of cabinet-centered economic operation unveiled at the 7th Party Congress remains in place. In the meantime, refining the planned economy was relatively more emphasized, such as developing national commerce networks and establishing a streamlined statistics system. Although there was lesser of the mentioning of North Korean-style reform in the entire economic management, it did not signal a retreat of the existing reform at once. North Korea is expected to strengthen its intervention in allocating resources while maintaining the existing reformative measures without further big changes.

The concluding session at the 8th Party Congress mentioned the need for effective economic management measures suitable to North Korea's situation and evaluating and utilizing pilot measures. This is antithetical to the announcement of North Korea's 'own economic management system' and 'Socialist Enterprise

Responsibility Management System' mentioned at the 7th Party Congress. However, North Korean-style reforms are expected to continue given the following evaluations: a positive evaluation has been made on an increase of party revenues citing the overall rise in income of laborers thanks to a 'new economic management measure,' and incentives for workers were presented as a way to boost productivity in each industrial sector, such as coal industry and agriculture sector.

However, North Korea is likely to try a microscopic adjustment on existing measures in a direction that would strengthen the state's intervention in resource distribution even with the overall maintenance of North Korean-style reforms since it has no option but to emphasize a planned economy to mobilize internal resources amidst the blocked influx of external resources and funding. A development in national commerce networks and the strengthening of socialist nature of 'social service for improving the dietary life of workers, social service for providing necessities, social and convenience service (service work)' could be interpreted as an emphasis on state intervention in commodities consumed by households and service distribution. North Korea's economy is comprised of a combination of a planned economy and the market. When a supply in the planned economy reduces due to the toughening of sanctions, it will increase dependency on the market. An expansion of resource distribution by the market might lead to a deteriorating party revenue and to widen the gap between the rich and the poor of households. An emphasis on refining the planned economy amidst prolonged sanctions is understood as a way to control such changes.

An increase of control in the party's main revenue-generating projects can also be interpreted in this context. In fact, changes that could be interpreted as a deterioration of revenues were revealed at last year's Supreme People's Assembly. An increase in turnover revenue and deductions from enterprise profits—major source of state revenues in North Korea—has significantly stagnated among the 2020 state revenues. There was also an institutional change of enforcing 'enterprises pay depreciation expense to the state, which used to remain within the company, for state investment-incurred fixed assets.' The interpretation could be as follows: there was a reduction of the increase of tax revenues considering the expected downfall

of performance in each production unit due to the unprecedented health crisis, and North Korea may add other items of revenues for the budget to partially compensate for a reduction in budget revenues. Under the current overall deterioration of state finance, it is natural to mention controlling state-financed-projects' operation.

Lastly, it is noticeable that North Korea mentioned the 'utilization of economic space such as finance, financial sector, and price' in terms of economic management. If an emphasis on national commerce networks means the state's management on the distribution of consumer goods, North Korea's mentioning of 'finance, financial sector, and price' could be viewed as a focus on the state intervention in the capital circulation. It is also related to the necessity as follows: due to a decrease in foreign reserves caused by the toughening of sanctions, there has been an increased need for state intervention in the distribution of foreign currency; and market's price and exchange rates need to be stabilized through the management of internal and external liquidity for the 'state's unified management' of resource distribution and the stability of finance. After Chairman Kim Jong-un took power, he once implemented 'North Korean-style financial reform,'¹⁾ which absorbs internal and external liquidity into the official financial system. North Korean authority's policy goal itself remains the same, given that it still aims to restore the official financial system. The difference, however, lies in that the existing North Korean-style financial reform gives economic actors incentives, and that the approach of the coming years could be to reinforce the state control. The 'principle of putting people first' has been emphasized; imposing radical measures that could harm people's lives seems unlikely, such as currency reform.

Major Variables that Will Determine the Success of a Five-year Plan

The 8th Party Congress unveiled a cautious and realistic economic

1) Sumin Hwang: Moon-soo Yang, "A Research on 'North Korean Style' Financial Reform Under the Kim Jong-un Era," *National Strategy*, vol. 26, no. 1 (2020), pp. 167~197.

development plan building on the lessons learned through implementing the past five-year strategy and the grim prospects that the unfavorable external conditions would not likely significantly improve. Chairman Kim mentioned at the concluding session of the Party Congress, a “construction of socialist economic construction...is the overarching revolutionary task,” which hints at a concentrated allocation of budget and resources on the economic construction. Will this five-year plan, unlike the previous five-year strategy, yield a desirable outcome then? Here are some points that deserve attention.

First, the self-reliance strategy based on the development of heavy chemical industry, such as metal and chemical industry, might not suit North Korea’s situation. The agricultural and light industry sector has a possibility to yield the desired outcome to some extent based on the *Charkyok Kaengsaeng* strategy. However, North Korea’s current situation indicates that such a strategy is not enough to meet the heavy chemical industry’s set goals. Also, production in the heavy chemical industry needs to follow in order to secure the facility and raw materials in the light industry. However, if this does not go smoothly, the light industry is at risk of being hit along the way. Although this strategy carries the inevitable aspects due to the sanctions imposed on North Korea, the *Charkyok Kaengsaeng* strategy appears to be a mid-to-long-term economic development strategy based on the metal and chemical industry not easily attainable for North Korea.

Second, attention should be paid to whether North Korea-China relations will advance in the future. Even in the midst of the toughening of sanctions, North Korea has strengthened economic relations with China. At this 8th Party Congress, North Korea publicly boasted about the achievements made in North Korea-China relations, unlike the 7th Party Congress. This sends a signal that North Korea could use the strengthening of North Korea-China economic cooperation in making up for a limitation of *Charkyok Kaengsaeng* strategy to some extent in the coming years. In particular, given that North Korea mentioned only the activation of tourism projects in terms of external economic relations at the 8th Party Congress, it is expected to take an active move in cooperating with China on the tourism sector once the coronavirus subsides.

Third, it remains to be seen to what extent the reformative economic management measures will yield practical results. As mentioned earlier, North Korea ascribed the causes of the stagnated performance of the previous five-year strategy to both external and internal factors. It also laid out a plan to reorganize the planned economy considering the unfavorable external environment and improve the efficiency of utilizing internal resources. One needs to pay attention to how much such measures would influence to mobilize internal capacity for economic development and whether production improvement measures such as the workers' incentives would lead to practical results in the industry.

Despite North Korea's such initiatives, the North Korean economy is highly likely to go through difficulties for the time being regardless of whether the five-year plan would meet its set goal. At this Party Congress, North Korea revealed a cautious and realistic plan, a declaration for core plan of 'muddling through' while stably managing the COVID-19 phase in the face of sanctions and coronavirus pandemic as opposed to announcing a fundamental change and improving the economic situation. Under the circumstances, it is hard to expect a radical improvement in the economic situation even when North Korea would later meet the goals of five-year plan.

Social and Cultural Sector: Lacking Performance, Maintaining the Existing Direction, and Signaling the Strengthening of Social Control

It has been internally and externally challenging to meet the goal of building a civilized socialist country presented at a written decision of the 7th Party Congress over the last five years. There have been no noticeable achievements in the social and cultural sectors from the period (2016~2020) mentioned in the performance assessment report. In particular, science, technology, and education sectors showed dismal performance as evaluated at the 8th Party Congress, contrary to the focus given to those two sectors at the 7th Party Congress. There was a brief mentioning in the health sector that the foundation and basis for a system of emergency quarantine projects have been established in response to the global pandemic. There

was no mentioning, though, of the literature and art sectors' achievements, which might indicate either an actual lack of performance or a relatively less policy priority than economy, politics, and the military.

However, what was noticeable was the mentioning of the national disaster prevention and crisis management system as the achievements of the 8th Party Congress, which was not mentioned at the 7th Party Congress. There was significant damage to natural disasters last year, such as floods and typhoons. The experiences of state- and party-led damage restoration projects over the short-term seemed to be reflected in the evaluation.

The goals and the tasks in the social and cultural sectors presented at the 8th Party Congress were mostly to maintain the existing policy line without new changes. The composition of social and cultural sectors was reduced by one third compared to the 7th Party Congress, and the policy priority was put on the back burner as well.

A general goal was readjusted to a lower level from the building of a civilized socialist country of the past to creating a blooming season imbued with socialist culture, which would create a 'new *Chosun*-style civilization.' In the educational sector, tasks ahead include: the contents and methods of education, the faculty management system's improvement, and the enhancement of the quality and capability of faculty members.

Also, there was a mentioning of the need for state investment and increased support. In the health sector, tasks ahead encompass the establishment of a quarantine base in response to the global health crisis and the restoration projects for medical institutions and pharmaceutical and medical appliance factories. In the culture and art sectors, an emphasis was given to ushering in a 'new blooming season' and strengthening the role of reporting, broadcasting, and the press.

Moreover, a focus given to establishing a socialist lifestyle and the revolutionary law-abiding spirit could be interpreted as a presage for reinforced social control on people's livelihoods in the future. The 8th Party Congress presented the need to eradicate the "non-socialist and anti-socialist phenomenon" in the lifestyle and the strong implementation of "public struggle against the phenomenon unfit for socialist lifestyle." What was also noticeable is an emphasis on setting a

law-abiding spirit to maintain the state socialist system and on the role of law enforcement authorities, social safety organizations, and state security apparatus. Followed by a ‘law to eradicate anti-socialist culture and ideology’ enacted at the 12th Plenary Meeting of the 14th Central Committee of the Workers’ Party of Korea at the Supreme People’s Assembly, social control is expected to be much more reinforced to prevent the ideological loosening as well as deviant behaviors of residents. ©KINU 2020

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<Appendix 1> Goals, Measures, and Characteristics for Industry

Sector		Goal	Measures	Characteristics
Main Tasks	Metal	Completion of Production System for Steel/Expansion of Production for Steel Products	Reconstruction of Major Steelworks/Steel Mills/Construction of Energy-saving Blast Furnace/Technology Development with the Use of Brown Coal for the Production of Pig Iron	Industrialization that Substitutes for Import
	Chemistry	Strengthening of Technological Capacity/Expansion of Chemical Products	Application of Development for High Tech Industry/Use of Domestic Raw Materials	No Mentioning of Detailed Measures
	Agriculture	Meeting the Production Goal of Grain/Realizing Food Self-sufficiency	Seeds Innovation and Scientific Farming/Finding New Land and Reclamation of Tideland/Repairment and Mechanization of Comprehensive Agricultural Sector/Utilization of Science Technology in Response to Natural Disaster/Strengthening of Support for Giving Incentives to Agricultural Workers	Set a Goal of Fulfilling the 'State's Obligatory Plan for Buying' over the Next 2~3 Years Various Mentioning of Detailed Measures/Providing Workers with Incentives
	Light Industry	Localization, Re-resourcification, Modernization	Principle of Ensuring the Quality First and Quantity Later/Development of New Product	Transition from Export to Domestic Demand/No Mentioning of Detailed Measures
Electricity		Expansion of Electricity Generation	Construction of Tidal and Hydroelectric Power Plant/Establishment of Nuclear-powered Industry	Emergence of Creation of Nuclear-powered Industry
Coal		Increase in Coal Production	Emphasis on Ensuring Raw Materials, Facilities, Efforts, and Funding/Expansion of Coal Mining Field/Development of Bituminous (soft) Coal/Improvement of Working Conditions and Livelihood Conditions for Workers	Transition from Export to Domestic Demand/Providing Workers with Incentives
Machine		Modernization and Streamlining	Transition of Direction to Industry Centered on Creative Development	Industrialization that Substitutes for Import/No Mentioning of Detailed Measures
Extraction-Forestry		Expansion of Production	Extraction(Strengthening of Geological Exploration Capacity/Expansion of Production Capacity in Mining Field, Smelting Works, and Factory)/ Forestry(Ensuring the Supply of Log/Balance Between Production and Forest Development)	

Transportation	Railway Modernization/Ensuring the Demands for Railway Transportation	Railways(Stablization, Increase of Rail Weight/Extension of Standard Railroad/Renovation of Technology-Modernization of Subways in Pyongyang)/Shipping (Large Vessel-building, Integrated Car Transportation Management System, and Expansion of Public Transportation Production)	Presenting Various Detailed Measures
Construction Industry of Construction Materials	Expansion of Housing Expansion of Cement Production/Self-sufficiency of Finishing Construction Materials	Housing (50,000 in Pyongyang City and 25,000 in Kum-duk District)/ Construction Materials (Renovation and Foundation of Cement Factory/Establishment of Production Base for Finishing Materials)	Emphasizing the Improvement of People's Livelihood
Communications	Technological Innovation	Development of Mobile Telecommunication Technology/Organization of Cable Television and TV Broadcasting System	Industrialization that Substitutes for Import(Finishing Construction Materials)
Commerce	Development of National Commerce Network/Restoration of Socialist-nature Service Industry	State-led Commerce Service Activities/Designing People-centered, Culture-oriented, Modernized and Diversified Aspects	
Land Management Ecological Environment	Protection of People's Life-Health	Inspection into Ecological Environment and Establishment of Regulations and Tax Code for Environmental Protection/Anti-erosion Project for Natural Disaster/Road Construction and Management/Implementation of Construction Projects in East and West Coast	Various Mentioning of Detailed Measures
City Management	Improvement of People's Livelihood	Restoration of Housing/Improvement in Water Quality/Environment Improvement in Park-Recreation Space	
Fishing Industry	Modernization and Scientification	Development of Fishery and Base for Restoration of Vessels, Protection of Maritime Resources/Expansion of Fish Farming	Designating Three Areas Directly Related to People's Dietary Life Transition from Export to Domestic Demand