

The Current State of and Future Prospects for the DPRK Economy and China-DPRK Economic Cooperation

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Summary

From 1999, the economy of the Democratic People's Republic of Korea (DPRK) has been in recovery. The economic structures of agriculture, light industry, and heavy industry have remained in an unbalanced state, however. Industrial production has been confined to slight increases, and of that production, energy, steel, coal and electrical power have become the four priority sectors of DPRK industry. Although agricultural production is moving in the right direction, food shortages are also the most important issue for the future. The current situation, however, is not as grave as the foreign press has reported, and a succession of people starving to death, because of a food crisis arising again, is difficult to imagine. The basic minimum living requirements of the people have been secured.

Compared to the mid-1990s, the DPRK economy today is clearly on the mend. Local markets are buzzing with vitality, and everyday commodities are relatively plentiful. In addition to government-distributed food items, the citizenry can obtain staple and supplementary food items through the markets. The result of a series of measures that were taken—such as the government expanding its “Potato Revolution,” spreading the system of two crops per year, and allowing land clearance by individuals—has been that food production has increased gradually year on year. On the other hand, although an upward trend is continuing in external trade, it has not yet recovered to the level at its peak.

Through a variety of economic adjustment measures, vitality has returned to the DPRK economy, and it is exploring its own unique economic reform policies. Although these economic adjustment measures have still not touched the core problems of the economic system and the structure of the economy, it could be said that the long-term state of economic stagnation has been improved to a certain degree. A double-layered economic structure of a state-owned economy and a non-state-owned economy has taken shape, and amid the establishing of a market economy in civil life, this spontaneously arising state of affairs is already irreversible. These changes will play a major role in the shape of the political system, economic system, and the civic consciousness and ethos of the DPRK.

Although China and the DPRK have maintained a friendly political relationship for many years, economically as well they have sustained a close cooperative relationship. Presently, Chinese private capital is actively investing in the DPRK, and the main investment methods are now compensation trade and joint investments. The scale of that investment, however, is small, and the investment from large state-owned enterprises is relatively lacking. In addition to this, many issues remain in China-DPRK trade cooperation, including the lack of preparation of legal guarantees, undeveloped channels for the collection of funds, the lack of export resources in the DPRK, fraudulent sales, cutthroat retail-price competition, unregulated competition, and the sale of counterfeit or inferior goods.

Via mutual complementarity the form of China-DPRK economic cooperation has changed, and the further expanding of the scale of economic and trade activity can be cited as a trend in China-DPRK economic cooperation. In future, it is thought that the DPRK, for its economic security, will avoid an excessive economic dependence on the outside world, and will have to adopt pluralist development strategies aimed toward the outside world. In that case, the possibility arises that another country will take China's place in economic cooperation with the DPRK. As a countermeasure to this it is necessary that Chinese enterprises raise their competitiveness, and strengthen economic cooperation with the DPRK based on a principle of reciprocity.

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