Introduction: The Development–Geopolitics Nexus in North Korea

To say that North Korea is something of an enigma is to be guilty of considerable understatement. Two seemingly irreconcilable images of the country compete for dominance in the popular imagination. The first and primary reason that North Korea frequently grabs the global headlines is its increasingly sophisticated nuclear weapons and missile programme. The year 2017, for example, saw heightened international concern as Pyongyang not only successfully tested its first hydrogen bomb but also carried out dozens of missile tests, including launches of intercontinental ballistic missiles capable of reaching the US mainland. These rapid advances in nuclear and missile technology despite stringent international sanctions also suggested a growing reliance on indigenous technologies and manufacturing.¹ However, this image of a country with growing technological prowess in weapons of mass destruction competes with that of a poor ‘starving’ country, whose long-suffering population continues to live under a dictatorship that in every respect appears as an anachronistic throwback to the Soviet Union of the 1930s. Indeed, after decades of extolling the virtues of self-reliant development, North Korea earned the dubious distinction in the 1990s of becoming ‘the only literate and urbanized society in human history to suffer mass famine in peacetime’.²

So-called ‘excess deaths’ during the famine were estimated to be within a range of around 600,000 to 1 million, or approximately 3–5 per cent of the population.³ In that decade, the economy also shrank significantly, reportedly averaging 4.2 per cent negative annual growth in consecutive years from 1990 to 1998.⁴

Though the country is, in reality, no longer starving, widespread malnutrition persists as a result of continued challenges faced by the agricultural sector. Indeed, in 2017, the same year that North Korea made rapid advances in its nuclear and missile programme, the World Food Programme reported that 10.3 million North Koreans remained undernourished. For many observers, this juxtaposition of widespread economic hardship amidst technological advancement of the country’s nuclear and missile programme forms the basis of a strong normative critique of the misplaced priorities of the North Korean state. Yet, the enigma of North Korea remains. For a country whose Gross Domestic Product (GDP) per capita places it at around 176 out of 193 countries, the requisite capacities in science and technology necessary for an indigenous nuclear programme, such as that of North Korea’s, would be beyond the reach of many countries at a similar level of economic development.

If we adopt a diachronic view of the trajectory of the country’s development, the North Korean enigma becomes even more pronounced. Following national division and the destruction of the Korean War (1950–53), the country underwent a structural economic transformation that was arguably unparalleled in terms of its breadth and speed. By the end of the 1950s, North Korea had already experienced a significant degree of reconstruction, and in the following decade, North Korea was labelled by the British economist, Joan Robinson, as Asia’s first post-war ‘miracle economy’. While Robinson’s positive portrayal of the North Korean developmental model might be dismissed as that of a sympathetic ‘fellow traveller’, the country’s level of industrialisation and urbanisation did nonetheless place the country ahead of the majority of post-colonial Third World countries, and even compared favourably with the more advanced countries of Eastern Europe.

However, following failed attempts at increasing trade with the non-socialist world in the early 1970s, North Korea experienced a period of sustained economic decline. The diminishing returns of its centrally planned economy along with heightened levels of external indebtedness led to the country’s growing reliance on the largesse of its communist neighbours. Furthermore, the collapse of the Soviet Union in the early 1990s alongside China’s shift towards a more pragmatic foreign economic policy led to severe shortages in energy, raw materials and foreign currency, and tragically, to a collapse in food production and widespread famine. The fact that this occurred at the epicentre

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6 ‘National Accounts – Analysis of Main Aggregates (AMA)’ [https://unstats.un.org/unsd/snaama/ selbasicFast.asp] (accessed 8 March 2018). Original data is from South Korea’s Bank of Korea. It should be noted, however, that the reliability of the Bank of Korea’s estimates of North Korean GDP has been widely debated.

of the most dynamic region of the world economy makes North Korea’s predicament even more striking. Yet these catastrophic events did not seem to threaten the political stability of the regime. Despite widespread predictions since the 1990s of impending collapse, the distinctive feature of the North Korean regime has not been its fragility but precisely its longevity.

From the early 2000s, the North Korean economy experienced a modest degree of recovery, a process that continued following Kim Jong Un’s rise to power in December 2011. There was still widespread poverty in the country, particularly in rural areas, and much of the country’s public healthcare system remained dysfunctional. Yet, there was also a process of profound socio-economic change in the country. There were visible signs of economic dynamism in the cities alongside the emergence of a small but influential entrepreneurial class as well as a variety of profit-oriented market activities pursued by individuals and state enterprises. What is even more remarkable is that these domestic transformations took place under an increasingly stringent bilateral and multilateral sanctions regime. However, North Korea’s continued policy of nuclearisation alongside the onset of the Trump administration’s ‘maximum pressure’ campaign led to a further tightening of sanctions, raising new questions regarding the sustainability of North Korea’s post-crisis economic recovery.

Existing Understandings of North Korean Development

This distinctive trajectory of the rise, collapse and tentative recovery amidst ongoing socio-economic transformation in the context of a politically unreformed socialist state and increasingly adverse external environment provides the main analytical puzzle for this book. As we argue, much of the existing scholarship on North Korean economic development has typically reproduced post-war development theory’s internalism and methodological nationalism, whereby the features of a given country’s developmental experience are deemed as deriving largely from within that country itself. As a result, we argue that they fail to provide a holistic understanding of the vicissitudes of North Korean development. In existing mainstream approaches, the role of geopolitical contestation is integrated into analyses of North Korean development in a largely post-hoc manner. By contrast, we argue not simply that North Korean development should be situated within its broader international context but rather that processes of catch-up industrialisation and geopolitical contestation should be seen as fundamentally co-constitutive.

Much of the literature on North Korean development has either implicitly or explicitly adopted a liberal economic approach. This approach typically regards stalled development in the state socialist and postcolonial worlds as due not to the imperfections of the market but rather due to irrational
government interventions that serve to distort the workings of the price mechanism. Autarkic developmental strategies are also criticised for going against Ricardian principles of comparative advantage. By encouraging protectionism and thereby undermining competition, they are seen as merely serving to encourage the rent-seeking activities of domestic entrepreneurs. The economic isolation brought by autarkic policies also leads to scientific and cultural isolation and a suspicious attitude towards exchange with the West, thereby impeding the flow of money, products and capital as well as ideas. Engagement with the world market, on the other hand, is seen as the most effective means of providing aspiring developing countries with the means to achieve greater efficiency through economies of scale. State socialist countries have been subject to particular criticism as a result of low levels of productivity, lack of incentives, as well as an absence of competition between producers. Indeed, it is these chronic inefficiencies that are held responsible for the decline and ultimate collapse of the Soviet and Eastern European economies.

In line with these critiques, liberal economic analyses of the North Korean political economy typically point to the overbearing nature of the state and the resultant distortions of the economy. For example, it has been argued that the North Korean development strategy led to the excessive prioritisation of heavy industry at the expense of consumer goods and services. Furthermore, there was a misallocation of capital investment, with the economy blighted by poor infrastructure, outdated technology, shortages of technology from abroad and a lack of foreign exchange. As in other centrally planned economies, managers of North Korean enterprises spent a great deal of their time dealing with the central authorities to obtain supplies of materials as well as preferential tax or subsidy treatment. However, the soft budget constraint and the lack of bankruptcy laws led to a vicious circle of runaway demand for inputs, hoarding and a deepening shortage of materials. Enterprises typically produced a narrow range of products using techniques that by world standards had become

obsolete. Furthermore, the lack of material rewards linked to workers’ effort and the neglect of the consumer goods industry served to undermine incentives and productivity.\(^\text{15}\)

Similar critiques have also been directed at North Korea’s system of collectivised agriculture. It is conceded that prior to the 1980s, despite a shortage of arable land and its short growing season, North Korea achieved impressive increases in agricultural production as a result of land reform, mechanisation, the application of chemical fertilisers and the mass mobilisation of labour power. Nonetheless, the low material incentives inherent in collectivised agriculture subsequently led to declining productivity.\(^\text{16}\) As Rüdiger Frank has argued, soft budget constraints, the seller’s market and the limited use of money under the planned economy meant that agricultural cooperatives were weakly responsive to price signals. This led to an inefficient allocation of resources and low inputs, as well as the hoarding of resources which further aggravated shortages.\(^\text{17}\)

North Korea is also seen as having pursued a policy of economic autarky that served to inhibit ‘normal’ economic development. Suh Sang-Chul has argued that as with South Korea, the decline of foreign aid in the 1960s meant that North Korea was forced to find new sources of foreign exchange. Yet, as South Korea sought to earn foreign exchange through exports, North Korea strengthened its self-reliant model of development and thereby closed off such a strategy.\(^\text{18}\) Furthermore, as domestic industry became more capital and technology-intensive, efficiency in terms of plant size required larger-scale operations that exceeded domestic needs. Thus, North Korea’s autarkic approach led to higher production costs. Domestic producers were protected from foreign competition, creating weak incentives for innovation and productivity increases. Autarky also led to a lack of technology transfers from abroad, further contributing to the slowdown in growth.\(^\text{19}\) Indeed, in 1984, the dollar value of exports as a ratio of overall Gross National Product (GNP) (based on CIA estimates) stood at just 7 per cent, compared to 21 per cent in Hungary and 32 per cent in South Korea.\(^\text{20}\) Furthermore, the fact that for

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\(^\text{19}\) Ibid., p. 204.

decades the country traded primarily with non-convertible currency economies exacerbated its shortages of foreign currency. Criticism has also been directed at North Korea’s failure to pay its foreign loan commitments since the mid-1970s, which led to a poor credit rating, isolation from the global financial system and difficulty in attracting foreign investment despite facilitative measures the following decade.  

As elsewhere in the Socialist Bloc, central planning has been regarded as a significant contributing factor to North Korea’s declining economic growth rate. Although it may have played a positive role in the context of post-Korean War reconstruction, the task of central planning became exceedingly complex as the economy expanded. The inefficiency of planning in terms of resource allocation along with the lack of adequate technology resulted in the failure to fulfil planned targets and in continued secular economic decline.  

As Kim Byung-Yeon has argued, the reduction of aid from the Soviet Union in the late 1950s and the resulting difficulties in securing adequate investment resources led North Korea to combine its central planning system with a mass mobilisation policy that sought to emphasise workers’ collective efforts. Nonetheless, the country saw a further centralisation of planning in the 1960s under the slogan of ‘unified and detailed planning’ at a time when much of the Socialist Bloc was experimenting with ‘market socialism’. Indeed, it was not until the 1980s that North Korea made any serious attempt at decentralising economic management.

The liberal economic perspective has also underpinned analyses of the North Korean famine of the 1990s. Stephan Haggard and Marcus Noland have argued, for example, that the famine was a result of several factors including the country’s heavy industry-first industrialisation strategy, the policy of self-sufficiency in food despite the shortage of arable land, the collective farm system, industrialised food production, and more broadly, the erosion of traditional farming techniques and the stifling of individual farmers’ incentives. Even when North Korea’s relations with its allies were drastically transformed at the outset of the 1990s, the regime sought to reduce domestic


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consumption rather than adopt fundamental reforms that would have allowed the country to earn the foreign exchange needed to pay for food imports. Haggard and Noland further argue, “it follows almost as a matter of logic that these problems will not be definitively resolved until the regime is replaced by one that, if not fully democratic, is at least more responsive to the needs of the citizenry.” Furthermore, attempts to address the shortcomings of this model have been seen as inadequate. In light of China’s economic ascent following its market-oriented reforms, critics have emphasised the need for North Korea to introduce similar reforms, including but not limited to the liberalisation of trade, the privatisation of state-owned enterprises (SOEs) and the introduction of private property rights. While North Korea did introduce certain measures in the 1980s such as a joint venture law in 1984 and the establishment of a special economic zone in 1991, the continued poor investment climate is seen as having deterred significant investment by foreign capital. A series of reforms in the early 2000s have similarly been interpreted as limited reforms within the system rather than fundamental reform of the system. In this view, rather than adopting the Chinese approach, North Korea’s reforms shared more in common with the failed attempts at ‘market socialism’ within the Soviet Bloc during the 1960s. As Yong-Soo Park argues, North Korea’s poor economic situation continues to be characterised by shortages in foreign exchange, energy and goods, all of which stem from North Korea’s autarkical line. These liberal economic analyses provide a powerful critique of the distortions caused by North Korea’s centrally planned economy and its insular developmental strategy. They correctly draw attention to chronic structural problems as well as to the ideological rigidity that has forestalled serious attempts at addressing those problems. The liberal economic approach is not without its shortcomings, however. First, it focusses primarily on explaining the failures of North Korea’s economic and political system. From an analytical perspective, it is by no means self-evident that the relatively successful years of post-war recovery and catch-up industrialisation should be regarded as

26 Haggard and Noland, Famine in North Korea, pp. 27. 27 Ibid., p. 3.
little more than a precursor to subsequent stagnation and collapse. Indeed, the focus on market-impeding institutions and autarkic policies runs into difficulties when it is deployed to analyse both the initial successes and subsequent failures of the North Korean economic system. The dominant argument in the literature has been that the ‘advantages of backwardness’ meant that strategies of extensive growth were relatively easy to achieve, notwithstanding the inherent shortcomings of the centrally planned model. Yet, this tells us little about the specificity of the North Korean experience and exactly how it was that the country was able to undergo what was by most accounts an extraordinarily rapid process of industrialisation and urbanisation in the post-war period.

Second, the distinction between state and market, inherent in liberal economic theory, fails to fully capture the subsequent economic recovery or processes of marketisation in North Korea following the crisis of the 1990s. Indeed, many ordinary North Koreans resorted to market activities as a means of survival, thereby reducing their dependence on the public distribution system. However, while marketisation is understood as a countervailing force outside of and against the state, the evidence suggests the emergence of a more mutually constitutive and co-dependent relationship between state and market that undermines their ontological separation in liberal economic theory. Indeed, the process of marketisation became increasingly inseparable from the economic reform measures, adopted from the early 2000s, which sought to legalise a significant proportion of hitherto illegal and semi-legal market activities.

Third, although the critique of the inefficiencies of central planning and autarky is persuasive, the approach largely limits itself to that critique. In this sense, liberal economics is reflective of a broader predominant approach in the social sciences of methodological nationalism. The latter refers to ‘the all-pervasive assumption that the nation-state is the natural and necessary form of society in modernity; the nation-state is taken as the organising principle of modernity.’ A key defining feature of methodological nationalism is its ‘internalism’, which seeks to explain social phenomena by reference to the inner characteristics alone of a given society or type of society. In terms of analysing instances of national development, methodological nationalism explains economic performance with reference to national factors, and in

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particular, to the purposive actions of national governments. In this respect, ‘[n]ation states are taken to be like rational individuals with preferences, capabilities and responses to the stimuli and opportunities of their strategic environment’. However, because liberal economic theory largely limits itself to internal domestic factors as explanatory variables and neglects the causative role of ‘the international’, there is little explicit consideration of why and in response to what historical imperatives specific market-impeding institutions and developmental strategies are adopted. Instead, it places analytical weight on the decisions of policymakers and tends to treat international factors as either epiphenomenal or to be integrated into the analysis in post-hoc fashion.

As such, the geopolitical context underpinning North Korea’s national project of catch-up industrialisation is at a theoretical level largely elided from the analysis, or at best, there is a failure to integrate ‘the international’ into the analysis in any systematic way. As a result, such approaches are unable to provide an accurate explanation for the origins of North Korea’s political and socio-economic institutions, or to answer the question of why, in comparison to the Soviet Union and China, the impetus to reform has been so weak in North Korea. With regards to the latter question, reference is typically made to the cost-benefit calculations of the country’s leadership and the latter’s aversion to opening the country to forces that may undermine the system of political control over economy and society. Yet in doing so, this underplays both the question of how ‘the international’ has shaped the dangers and opportunities inherent in such reforms as well as the structural constraints that result from a developmental model that has historically been profoundly shaped by processes of intense geopolitical rivalry.

Dependency theorists, on the other hand, have adopted a quite different approach that does take into account more fully the role of the international system in differentially shaping countries’ developmental prospects. Dependency theory has mobilised a strong critique of modernisation and liberal economic theory by arguing that non-Western countries typically found themselves in conditions of underdevelopment not as a result of market-impeding institutions and autarkic developmental policies but rather due to the workings of global capitalism. The advanced economies of the West had, it is argued, achieved their developed status through their exploitation of the non-industrialised peripheral countries, leading to the latter’s underdevelopment. Thus, while the now-developed countries may have once been underdeveloped, they had never been actively underdeveloped, as with many of the

non-Western countries in contemporary times. Dependency thus refers to the situation whereby ‘the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected’. Imperialism, it is argued, imposed a division of labour on the colonial world in which the peripheral countries were reduced to the role of exporters of raw materials to the core and importers of the latter’s manufactured goods. Furthermore, this division of labour continued after formal independence, with postcolonial countries suffering from the continued effects of underdevelopment as a result of unequal exchange involving the steady transfer of economic surplus from the periphery to the core. These relations of dependency have also been seen as central to the shaping of class relations within the dependent countries. Situations of dependency typically entail the existence of clientele classes, namely ‘those which have a vested interest in the existing international system. These classes carry out certain functions on behalf of foreign interests; in return they enjoy a privileged and increasingly dominant and hegemonic position within their own societies, based largely on economic, political, or military support from abroad’. Given the pervasiveness of these relations of dependency, the main policy prescription that arises from this approach is diametrically opposed to that given by liberal economists. If aspiring developing countries wish to escape conditions of dependency, they must pursue strategies of autarkic development by withdrawing themselves from the global economy and achieving self-sufficiency.

How then has dependency theory been used to explain North Korea’s distinctive developmental trajectory? The answer to this question depends on whether the explanandum is North Korea’s early successes in catch-up industrialisation, the subsequent decline and collapse of its economy, or its subsequent recovery amidst deepening economic relations with China. In the 1970s, for example, several prominent scholars argued that North Korea had been able to achieve autonomous development through radical socialist revolution and delinking from the capitalist world economy. In this view, North Korea was

41 Byong Sik Kim, *Modern Korea: The Socialist North, Revolutionary Perspectives in the South, and Unification* (New York: International Publishers, 1970); Ellen Brun and Jacques Hersh,