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# Pyongyang before and after COVID-19: A War on ‘Numbers’

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North Korea is waging a war on numbers. In commemoration of the 75<sup>th</sup> anniversary of the Party's foundation, North Korea is preoccupied with numbers while it evaluates the current status of the people's economic plan and the spirit of self-reliance (*Charkyok Kaengsaeng*) at the level of factory, enterprise, rural areas, and organizations. The focus on numbers is about evaluating how much the goal of localization (subjectivization), reform and expansion (modernization), and computerization (informatization) has been accomplished for the people's economy plan and the self-reliant economy. North Korea acknowledged at the 6<sup>th</sup> Plenary Meeting of the 7<sup>th</sup> Central Committee of Worker's Party of Korea (WPK) a poor economic performance since 2018 hindered by a triple whammy: stalemated North Korea-U.S. negotiations, sanctions, and COVID-19. While the planned economy is generally a result of control by planned numbers, the underlying meaning of the economic failure is a 'failure in numbers.' However, given the strategy and path of North Korean economic development after the DPRK-U.S. negotiations, the actual meaning of the economic failure refers to a lack of qualitative progress in the implementation strategy of transition to a more knowledge-based industrial ecosystem, which means a policy of changing the fundamentals in the overall industry. During the 8<sup>th</sup> Congress of the WPK in 2021, the policy for transition to an industrial informatization system is likely to be highlighted and implemented as major task of the cabinet.

## Transition to an Industrial Informatization System before and after COVID-19: 'Numbers-focused Economy'

Since June 2019, a message started to show up in North Korea that 'numbers' equal an act of patriotism, an increase in production, and a show of loyalty.<sup>1)</sup> The importance of numbers is highlighted in a variety of areas: reducing the weight of shoes, sparing raw materials and labor, improving the quality and quantity of production, promoting management and labor, and evaluating the competitiveness of products. The *Choson Sinbo* mentioned that an emphasis on numbers is a 'new notion in the economic arena.'<sup>2)</sup> North Korea stressed in the lead-up to the 3<sup>rd</sup> Session of the 14<sup>th</sup> Supreme People's Assembly of the Democratic People's Republic of Korea (DPRK) of April 12, 2020 that a 'number-oriented economy' is a means of optimizing human and material resources and a core goal for economic development.<sup>3)</sup> Until recently, the North has continuously emphasized that a focus on numbers is key to optimizing a corporate strategy and management strategy in accordance with scientific technology guidance for an increase in production, conservation, and reusing of resources.

In short, a number-centered economy refers to an economic structure and environment where there is a combination of information, knowledge, exchange, and intelligence as well as information processing technology, data technology, and information communications technology. North Korea has laid out the advantages of a number-centered economy as follows: △ scientific control on individual enterprises (real-time surveillance on planning, production, and the current status of management), and △ a transition to an industrial structure shaped by mutual organic linkage (a link between scientific technology products, production processes, and methods of how tasks are done). The logic is that a swift and speedy securing, distributing, and sharing of knowledge and information will enable an optimization of talents, labor, technology,

1) "Numbers and Patriotism," *Rodong Sinmun*, June 6, 2019; "Weight of Numbers," *Rodong Sinmun*, July 6, 2019.

2) "New Tone of the Economic Sector," *The Choson Sinbo*, August 5, 2019.

3) "Role of the Number-centered Economy in the Development of the People's Economy," *Rodong Sinmun*, April 8, 2020.

finance, resources, raw materials, and circulation. This means an overall transition to an industrial informatization system.

A transition to an industrial informatization system indicates an expansion of the knowledge economy policy to the entire industrial sector. A computerization of business management and a connection between the industrial sector and scientific technology is deemed an inevitable choice for △ the localization of raw materials, fuels, resources, and facilities, △ saving resources, labor, costs and promoting policy of reusing resources, △ improving environment for production, △ guaranteeing the quality and reliability of products, and △ seeking scientific statistics and control. In fact, the major goals of the knowledge economy sought by North Korea in 2020 are to △ establish an integrated production system in production activities (automation, modernization, multi-functionalization, and numeralization), and △ create an optimal management system in management activities (intellectualization, digitization, automation, and mechanization). It is a demand for a transition to an industrial structure equipped with a production and management system based on information and science technology.

An establishment of the industrial informatization system appears to be a basic task for managing an economy centered around the cabinet and improving the system, all of which has been increasingly highlighted since 2019. In more detail, it refers to establishing a network and IT management system that gives corporations a fast, accurate, and unitary guidance. However, creating such an informatization system is only limited to some administrative and economic tasks of certain corporations that are the size of associated enterprises, central organizations, and the National People's Congress at both the provincial and city level. Even though university and central-level scientific research institutions attempted to provide a variety of informatization systems, scientific technology knowledge, and relevant application programs, structural factors, such as finance, investment capacity, production environment, and business ecosystem make it hard to be applied to the overall industry. Such structural problems lead to a poor management system of the cabinet. In fact, the problem of cabinet-level projects, as continuously emphasized by Chairman Kim Jong Un before and after COVID-19, is a problem of unitary guidance on corporations' scientific technology production activities and

the informatization management system. This line of thinking hints at a possibility that economic difficulties both at home and abroad in the face of stalemated North Korea–U.S. negotiations, sanctions, and a prolonged COVID–19 phase accelerate the transition to an industrial informatization structure.

### **Frame of North Korean Economic Development after North Korea–U.S. Negotiations: Response -> All-out-efforts -> Breakthrough**

The knowledge economy, which came to the fore after Kim Jong Un came into power in 2012, was about seeking to change the fundamentals of the North Korean economy. While it is true that the knowledge economy policy has changed the way information is shared, distributed, and propagated in the area of education, science, and culture to some extent, it was quite limited in that such an economy failed to be implemented across the entire industrial sector. In addition, the knowledge economy has failed to significantly contribute to economic development, such as production and business management. The North Korean economy still faces huge obstacles in the form of an imbalance between sectors–corporations–businesses, the non–productive structure, poor business management, and problems in the management system. Nevertheless, the localization policy of 2013 in light industry has made brand food products, apparel, and cosmetics more available in Pyongyang, Wonsan, and Sinuiju, thereby having contributed to a reduction in market dependency on China to some extent.

The negotiation phase between the U.S. and North Korea in 2018 provided an opportunity to seek a way to improve the fundamentals of scientific technology in the overall industrial sector in North Korea. Along with that opportunity came the subjectivization of the people’s economic condition, modernization, informatization, scientification (May 2018). With a revolutionary–counter strategy (April 2018), North Korea appears to have focused its resources on, to some degree, creating an environment that braces for domestic investment in case that North Korea–U.S. talks make progress. Exemplary corporations who have taken the lead in brandification, diversification, automation, and modernization (Kim Jong Suk Textile Mill, the cosmetic factory in Sinuiju, and the shoe factory in Wonsan) have

expanded their operation into light industry factories nation-wide. While the State has focused on thermal power-based energy generation, the regions, organizational enterprises, groups and family units are assigned to promoting diversification of the energy system (small- and mid-size hydro electric power generation, gasification of coal, biomass, solar power, wind power) as part of large-scale social redevelopment. Starting in Pyongyang, basic livelihood infrastructures that represents each county in wider city and provinces have been constructed (kimchi factory, water factory (*saemmul* factory), greenhouse, fish farm, medical oxygen factory, nursing home, false reporting (*yangsaengwon*), and food manufacturing factory). Building on such developments, a ‘frontal breakthrough (2020)’ stressed the need for immediate restoration of the socialist commerce system. This is interpreted as an establishment of the core of a commerce system equipped with a competitive edge in the market and a signal of a subsequent decentralization of the local economy.<sup>4)</sup>

Ever since the inception of all-out-efforts concentration policy for building self-reliant economy (2019), there has been a will to change the structure of the industrial ecosystem in North Korean economic policy. This can be viewed as an intention to change the usual production system of the industrial structure, which makes up the pillar of the self-reliant economy in preparation for prolonged sanctions and North Korea-U.S. negotiations. In fact, an enthusiasm for the localization, modernization, and informatization of light industry has translated into actual industrial fields. The modernization of relevant companies has become a necessary task to improve the production structure of key corporations in the strategic sector. Even large-scale construction in power generation, the tourist zone, tideland reclamation and waterways has been subject to mechanization and modernization. Policy demands that call for the transition from a traditional effort-mobilization to adoption of modern machinery have led to demands for modernization of machine

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4) The restoration of the socialistic commerce system refers to restoring a planned and organized product supply system (supply of consumer goods, social service for providing basic necessities for workers, general convenience service, and service for collecting recyclable goods); Bong Soon, Kim, “Thinking about the Fundamentals of the Socialist Commerce Preached by Great Leader Kim Jong-il,” *Economic Research*, vol. 2 (Pyongyang, Scientific Encyclopedia Publishing House, 2017), p. 4.

factories. Moreover, problems have been continuously raised on information-sharing between industries, the communication system of information and technology, integration between production and science technology, competitive power between businesses, and an economic management system.

However, disorder in the production system and control appears to be aggravated even when the cabinet and corporations are busy with implementing an outpouring array of policy that aims to reform the fundamentals of the industrial structure and to mobilize all the resources aimed for ‘all-out-efforts’ and a ‘breakthrough.’ This explains some of the problems raised at the 5<sup>th</sup> Plenary Meeting of the 7<sup>th</sup> Central Committee of the Workers’ Party of Korea (December 29–31, 2019) that an ‘ills and bottleneck’ status in industrial sectors need to be fully reviewed. It also accounts for problems raised at the 6<sup>th</sup> Plenary Meeting of the 7<sup>th</sup> Central Committee of WPK (August 19, 2020) that economic projects have yet to be reformed.

### **The Structural Factor of Economic Failure: Dual Structural of ‘Number-focused Control’**

As raised above, the economic failure mentioned by Chairman Kim Jong Un includes not only external factors, such as sanctions and COVID-19, but also more importantly a mishap in domestic economic reform projects. It is a complaint centered around projects in the cabinet not being able to keep up with increasing demands in the years 2019 and 2020 for modernization and informatization in the industrial sector. However, issues of guidance policy that aim to reform the economic projects are more closely related to structural factors of the planned economy, which is a ‘number-controlling.’ For example, ‘number-controlling’ is what lies behind how economic officials implement the projects—formalism, self-protectionism, and false reporting—or how quality issues come to the surface and the localization policy in the light industry has become generalized.

Socialist enterprises should be held accountable at the party level for a qualitative index of the planned economy as well as random planning and numbers for modernization, localization, and reusing of resources. For that reason, the Socialist Corporate Responsibility Management System cannot be properly functioning in the industrial field due to resistance to technology or an over-emphasis on the qualitative index of planning. The principal of the Socialist Corporate

Responsibility Management System is corporate autonomy as well as an autonomy in production and management (management of resources, materials, finance, and labor). While such an autonomy is at play in connection with businesses, many corporations lack a system of mathematics and statistics management (standardization, index management, finance control, etc.). Transparent numbers disappear while a majority of factories and enterprises are preoccupied with fears of being held responsible for implementing the abundance of policy projects. After all, quality issues emerge. In fact, while there has been an increase in the number of over-achievers in planning, innovative performance, and localization, the economic effect is still relatively slim. Last year's people's economy plan, which is announced every year at the Supreme People's Assembly (SPA), turned out to be implemented over 100% of its set goal in the entire industry. It was the same in 2019, but Chairman Kim Jong Un formally declared a lack of economic performance that year.

At the end of the day, a structural factor in the economic failure is attributed to a dual structure of 'number-controlling.' First was a conflict between the people's economy plan and the randomly assigned plan of the corporations and the subsequent lack of an informatization-guidance management system in the cabinet. Next is a problem in modeling the planned economy. Once an exemplary corporation emerges that carries policy significance in the planned economy, it is strongly reflected in the entire economic sector. For that reason, most corporations end up being obsessed with maintaining the status quo, such as the inevitable, formalized, and blatant implementation of the plan and false reporting amidst a sea of new policies that are assigned at random. That is why the establishment of the informatization system is urgent so that the cabinet can swiftly and accurately adjust and control the nature of the corporations.

### **Replacement of Cabinet Minister and the Direction of Economic Development Plan for 2021: 'Reversal of Numbers'**

So far, the two major figures under the Kim Jong Un regime have been Park Bong-joo (April 1, 2013-April 11, 2019) and Kim Jae-ryong (April 11, 2019-August

14, 2020). Kim Jae-ryong made a field survey 62 times in sectors of power generation, metals, machinery, science and the relevant businesses and emphasized the importance of modernization, reform and expansion, issues of production volume, and business innovation. During the same duration, Park Bong-joo provided guidance on the sectors of chemistry and agriculture and addressed the current issues of agricultural production and prepared for the establishment of the C1 chemical industry. Park Bong-joo is a seasoned economic worker armed with countless field and administrative experiences in the chemical and light industrial sectors over the span of 40 years. During the tenure of Kim Jae-ryong, the North Korean economy was busy with all-out-efforts and responses but failed to show numbers in terms of innovation and changes through the economic guidance. Newly appointed Kim Duk-hoon is well-versed in numbers in that he used to be a manager of Taean Heavy Machine Complex that manages major machinery of the power generation and metal industry sectors and was in charge of the planned economy's implementation process: predicted numbers-controlled numbers-planned numbers (Chairman of National People's Congress, vice-minister of the cabinet, and the Chairman of the Budget Committee of the SPA). Therefore, it warrants attention how he will guide the structuralizing of the numbers-based economy, which is an ongoing task. The appointment of Kim Duk-hoon as the cabinet minister is related to the responsibility for qualitative numbers. Scientific statistics, the implementation of informatization, the direction of decentralization, and the standard for responsibility in numbers are expected to be strengthened.

Statistics are an aggregate result of the process. While numbers represent comprehensive data that result in a mathematical outcome from countless other data, the meaning of numbers as a relative result carries significance. North Korea years for qualitative numbers as a result of such a process and is waging a hard war against numbers.

At the 8<sup>th</sup> Congress of the WPK in 2021, the establishment of the informatization system is likely to be highlighted as a major task of the cabinet, through which the priorities in changing economic fundamentals can be controlled and managed by scientific numbers. Implementation planning and detailed projects of modernization and informatization in sectoral, regional, unit-wide (per



corporation), and in phase will be announced as core plans that should precede a five-year-plan so that it can improve the fundamentals of the industrial structure. In addition, construction achievements in basic infrastructure which represents each county to restore the socialistic commerce system will lead to a planning of infrastructure construction and establishment that represents each city (county and region). To that end, a decentralization policy in the local economy is expected to be expanded even more. Therefore, the goal of next year's five-year national economic development plan will be a 'reversal of numbers' owing to the establishment of the informatization system as opposed to 'numbers-controlling.'

In sum, enhancing the fundamentals of the North Korean economy requires △ an investment in the economic sector and the reforming of the antiquated thinking of economic officials so that North Korea can benefit from advanced scientific technology, △ the swift placement of scientific technology talents in the cabinet in the administrative and economic sector, which is expected in the coming days, and △ informational and technological coordination between industries, businesses and regions. Investment in science technology and information exchange will speed up North Korea's set goal of improving the fundamentals of the industrial structure, restoring the local economy, and promoting decentralization. To that end, inter-Korean technology trade and exchange should be implemented first in a way that closely approaches the implementation structure and direction of North Korea's sectoral and regional economic policy. It should be a focus on inter-Korean exchange and cooperation that will make an actual contribution to improving the fundamentals of North Korean industry. ©KINU 2020

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