

Online Series

2024. 02. 02 | CO 24-10

“20x10 Regional Development Policy”: Background and Implications

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A new task named “20x10 Regional Development Policy” was brought to the table at the recent 10th Session of the 14th Supreme People’s Assembly (January 15). The primary objective is that the Workers’ Party of Korea will push forward with the construction of ‘regional factories’ in ‘20 counties every year’ to ‘upgrade the material culture and livelihoods of all cities and counties, in other words, people with basic living standards within a decade.’¹⁾ To better understand “20x10 Regional Development Policy,” constraints such as the prolonged sanctions against North Korea and its unique geography of production reflected in the local industries must be considered.

Local Industries Policy: North Korea’s Unique Geography of Production Designed for Security²⁾

North Korea originally produces a significant portion of essential consumer goods in small to medium-scale ‘local factories.’ In the early 1980s, North Korea had 3,305 confirmed local factories, with an average of 16 to 20 local factories per city or

¹⁾ *Rodong Sinmun*, January 16, 2024.

²⁾ This was written based on Paragraph 3, Chapter 2 of KINU Research Series. Choi Ji-young, Kim Su-jeong, Choi Eun-joo. *The Kim Jong-un Era: Consumer Goods Production and Distribution in North Korea*, (Seoul: Korea Institute for National Unification, 2023).

county.³⁾ The economic crisis in the mid-1990s would have had a significant impact on local industries, but the framework of the ‘regional economic policy,’ which aims to connect production and consumption of essential consumer goods within each region, has been maintained. There are 206 regional units (based on city, county, and district standards) across North Korea.⁴⁾ The system of producing and consuming essential consumer goods within individual regions contrasts with regional specialization taking place in the general process of economic development.

North Korea’s policies for local industries are inefficient, which hampers the realization of economy of scale in consumer goods production and creation of a distribution system that satisfies the national demand. Nevertheless, North Korea has maintained its policies for local industries for a considerable period of time. Such industrial geography is the result of North Korea’s considerations for security aspects alongside its pursuit of selective growth, and the prioritization of the heavy industry. Regarding the security aspects, North Korea strategically located the heavy industries connected to military industries inland in anticipation of war. It designed an industrial structure where the autonomous production and consumption of final goods of the light industry take place within a city at minimum and within a province at maximum. Local industries in each province are primarily in charge of producing essential consumer goods in their respective province in accordance with such industrial geography. Furthermore, under the growth policy that prioritizes the heavy industry, national budget is primarily allocated to the heavy industry, which is directly related to the arms industry. The local industries would have to handle a significant share of light industry production, which has been relegated to a lower priority. This structure was established, institutionalized, and maintained with the implementation of Local Budget System (1973).

³⁾ Institute of North Korean Studies, *A Comprehensive Bibliography of North Korea*, (Seoul: Institute of North Korean Studies, 1983), p. 834.

⁴⁾ Statistics Korea (2016), *Statistical Indicators of North Korea*, p. 51.

“20x10 Regional Development Policy,” A Strategy for the Recovery of People’s Livelihoods in Anticipation of Prolonged Economic Sanctions

The plan to build local industrial factories in ‘20 counties every year’ within ‘10 years’ practically targets all city and county units. The purpose, as directly stated, is to improve the basic living standards (material culture) of the people.’ The negative impact of prolonged sanctions against North Korea is taking a heavy toll on the livelihoods of the people. If “New Era Rural Program” presented at the 4th Plenary Session of the 8th Central Committee is focused on food production, which is directly related to the survival of the regime, ‘20x10 Regional Development Policy’ aims to recover the production of essential consumer goods excluding foods. This can be interpreted as North Korean authorities’ strategy to maintain the production of consumer goods in agriculture and the light industry as well as their policy to restore the livelihoods of the people and boost domestic consumption to respond to the prolonged sanctions.

Furthermore, the fact that the North Korean authorities have established such a long-term plan indicates that they anticipate strong sanctions to continue for at least more than a decade. While North Korea’s policies for local industries may be inefficient, the production and consumption of essential consumer goods within individual regions can help alleviate immediate production disruptions from spreading across different regions. Encouraging the consumption of locally produced resources and energy is also helpful as imports are sharply decreasing due to sanctions.

The Prerequisites for Successful Performance of “20x10 Regional Development Policy?”

“20x10 Regional Development Policy” is a long-term plan to construct small to medium-sized local factories across the entire country within 10 years but it appears challenging to yield successful results. Supply of production facilities to be installed in local factories must be guaranteed as well as the raw materials necessary to operate the factories.

Machinery industry is one of the industries most severely affected by the tightened sanctions against North Korea. Be it an exaggeration or not, the mention of 5.1-fold increase in machine tool production proves that the demand for production facilities was significantly high. However, whether North Korea can domestically produce enough production facilities to supply 20 local factories annually over the next 10 years is uncertain. There are numerous obstacles to securing raw materials to improve the operation rate of local factories. Although imports have recently shown signs of recovery, it is difficult to guarantee how long they will be maintained, given that 90% of exports are blocked. There are also limits to what can be achieved with ‘resource recycling’ emphasized by the North Korean authorities.

For the North Korean authorities, there doesn’t seem to be a clear breakthrough in sight. Based on the decision⁵⁾ to mobilize ‘Korean People’s Army’ in the ‘struggle for regional industrial revolution’ during the 19th enlarged meeting of the Political Bureau of the 8th Central Committee of the Workers’ Party that was recently held (January 23–24), it appears that North Korea is trying to implement “20x10 Regional Development Policy” through the typical North Korean-style mobilization efforts. However, relying solely on mobilizing the workforce has limitations in restoring manufacturing and improving operation rates. ©KINU 2024

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⁵⁾ *Rodong Sinmun*, January 25, 2024