

# Trends in North Korea: the Impact of Economic Sanctions, Growing North-South Tension & Reform Under Self-Reliance



Author  
Mitsuhiko Mimura

By Mitsuhiko Mimura

## Foreword

The Democratic People's Republic of Korea (North Korea) has seen its trade and inbound foreign direct investment devastated by the sanctions imposed under five UN resolutions adopted in 2016 and 2017. Nevertheless, it has not given up its pursuit of domestic economic reform and also emphasizes procedural justice.

As the new type coronavirus spread in neighboring China, North Korea set up a special anti-epidemic system on Jan. 30, 2020 and closed its international borders in early February. It announced that the nation had no cases of Covid-19 as of Aug. 31. It has declared that it will continue to maintain its special anti-epidemic system even though the disease has stopped spreading in many East Asian countries. A close look reveals that there are political motives behind this.

In mid-June, North Korea gave a ferocious response regarding flyers floated from the Republic of Korea (South Korea) into the North by a group of North Korean defectors and blew up the building that housed the Joint Inter-Korean Liaison Office, a monument to the 5th Inter-Korean summit held in September 2018.

This report will cover the impact of sanctions on North Korea, the tension in North-South relations, reform under self-reliance, and other matters necessary to understanding recent trends in North Korea.

## The Impact of Economic Sanctions on North Korea

Sanctions against North Korea can be broadly divided into two categories: the unilateral sanctions by the United States, Japan, and South Korea, and the multilateral sanctions under UN resolutions. Since there had already been minimal trade between the US and North Korea, the practical effect of US sanctions will be to complicate North Korea's resumption of its place in the international community when its relations with the US improve. Japan's unilateral sanctions were codified in the first half of the 2000s as pressure on North Korea to resolve the abductee issue, but have been augmented whenever North Korea conducted ballistic missile and nuclear tests. Japanese imports from North Korea and Japanese exports to North Korea ceased in 2006 and 2008 respectively, much of them being replaced by trade with China and South Korea.

Since President Kim Dae-Jung's visit to North Korea in 2000, South Korea has been actively engaged including fiscal expenditures

in such activities as the construction of facilities in the Kaesong Industrial Zone (KIZ). However, the sinking of the South Korean warship *Cheonan* in March 2010 led the Lee Myung-Bak administration to impose unilateral sanctions. Since activities at the KIZ were suspended in 2016 under the Park Geun-Hye administration, there have been little to no economic exchanges between the two Koreas. Political relations have improved under the Moon Jae-In administration, but economic sanctions have yet to be lifted. The imbalance between political and economic relations has been one cause of the deterioration in the bilateral relationship.

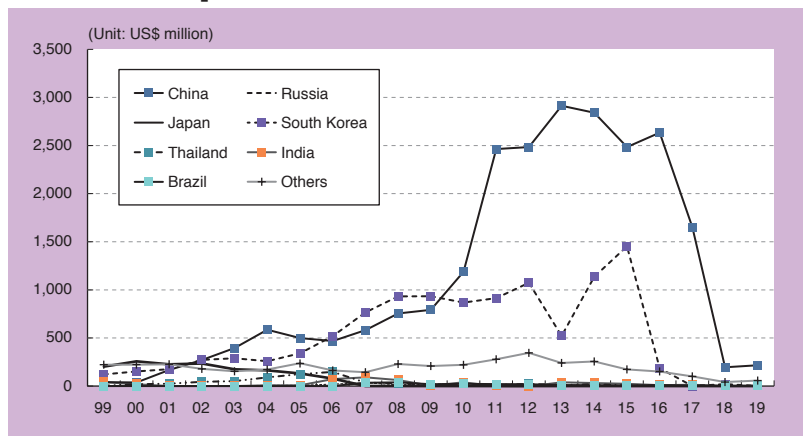
Multilateral sanctions under UN resolutions beginning with resolution 1718 (2006) adopted on Oct. 14, 2006 have been reinforced whenever North Korea has conducted nuclear or ballistic missile tests. The multilateral sanctions imposed under the five resolutions adopted in 2016 and 2017 in particular are extremely severe, as they clamped down on all overseas economic relations of North Korea including trade, financial transactions, foreign direct investment, and sending workers overseas, unlike sanctions under previous resolutions, which had been limited to nuclear and ballistic missile development and arms transactions. They were aimed at forcing North Korea to abandon its pursuit of nuclear weapons by cutting off its foreign exchange earnings and imports of production inputs necessary for industrial activities. Current multilateral sanctions (<https://www.un.org/securitycouncil/sanctions/1718>) under UN resolutions cover a wide range of activities.

*Chart 1* shows that North Korean exports declined by almost 90% as the result of more forceful multilateral sanctions. Imports, as *Chart 2* shows, have not suffered as much, but the deterioration in the trade balance has resulted in a serious loss of foreign exchange. The numbers are expected to deteriorate further in 2020 as North Korea has closed its borders in response to the new type coronavirus, as I will explain later.

Even while it suffered the consequences of these sanctions, North Korea continued to look to improve relations with the US and South Korea and ended the *byungjin* policy of parallel development of nuclear weapons and the economy on April 20, 2018, which it had been pursuing since March 31, 2013. This had the great symbolic significance of ending the policy of dedicating the bulk of its resources to building up national defense, which it had pursued for 55 and a half years since it adopted the *byungjin* policy of parallel development of national defense and the economy at the 5th plenary meeting of the 4th Central Committee of the Workers' Party of Korea

CHART 1

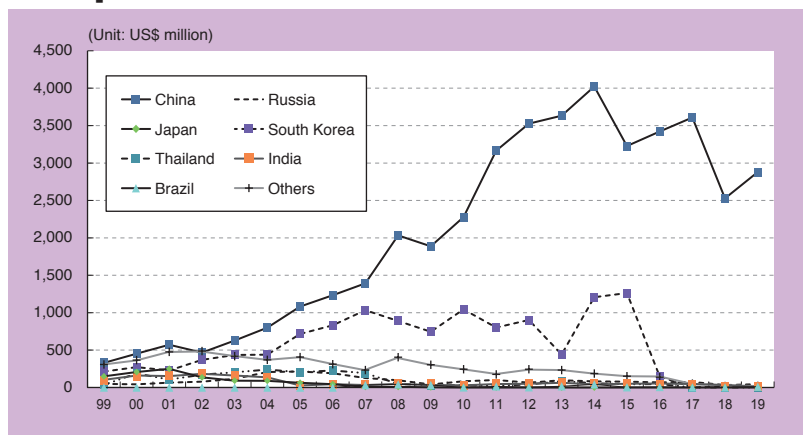
## Main export destinations of North Korea & value of exports



Source: Ministry of Unification, South Korea, and Korea Trade and Investment Promotion Agency

CHART 2

## Main import sources of North Korea & value of imports



Source: Ministry of Unification, South Korea, and Korea Trade and Investment Promotion Agency

in December 1962, and chose to focus on economic development. However, there was no progress in US-North Korea relations despite three US-North Korea summit meetings. Thus, at the 5th plenary meeting of the 7th Central Committee of the Workers' Party of Korea held from Dec. 28 to 31, 2019 in Pyongyang, Kim Jong Un, chairman of the Workers' Party of Korea, gave a report in which he stated that good international economic relations will not be achieved and that North Korea would be forced to live under sanctions (<http://www.kcna.co.jp/item/2020/202001/news01/20200101-01ee.html>). The defiant decision was subsequently made to pursue the policy of frontal breakthrough against sanctions and to focus on self-reliance for the foreseeable future. However, the decision was also made to engage in economic reform even under such circumstances. Thus, the strange situation prevails that the orientation towards domestic economic reform has not disappeared even as there are no expectations for expanding international economic relations.

## Transmission of the Novel Coronavirus & North Korea's Response

On Jan. 22, 2020, two days after China admitted the "human-to-human infection" of the new type coronavirus and announced that it would "firmly contain" it, North Korea prohibited the entry of tourists (actually including foreign visitors for business and other purposes) from China. Since almost all foreign visitors including from Japan enter North Korea through China, this effectively stopped all exchanges other than with Russia.

On Jan. 30, the Korean Central News Agency (KCNA), the state news agency of North Korea, conveyed the conversion of the sanitary and anti-epidemic system to a national emergency anti-epidemic system in a report entitled "Emergency Measures Are Being Taken to Thoroughly Prevent Covid-19". Two days later, on Feb. 1, the *Rodong Sinmun*, the official newspaper of the Workers' Party of Korea, published an editorial entitled "Execute Undertaking to Prevent the New Type Coronavirus with High Intensity".

Under the national emergency anti-epidemic system, international borders were shut down, and foreigners and overseas compatriots including Korean nationals living in Japan were required to undergo a 30-day self-quarantine and forbidden to go outside of embassies and hotels. The employees of the Pyongyang Hotel, where many Korean nationals living in Japan stay, were also required to undergo self-quarantine. Although service continued at the hotel, the entire facility was closed off, turning the place into one huge quarantine facility.

According to a March 9 report by ITAR-TASS, the Russian news agency, 80 people exasperated by this state of affairs, including German, French, Swiss,

Polish, Rumanian, Mongolian and Egyptian diplomats, and people related to Russian humanitarian organizations and businesses "evacuated" on an Air Koryo flight from Pyongyang to Vladivostok that day. According to a May 28 Reuters report, the British Embassy also temporarily suspended operations on May 27 and all diplomatic staff members left North Korea and crossed the border into China by land.

As for domestic residents, people returning from overseas business trips and people coming into contact with them were subjected to quarantine, medical observation, and other measures. Beginning in the middle of February, disinfection and other measures were taken on the subway, buses, and other transportation facilities under the assumption that there may be coronavirus carriers on them. According to an April 3 KCNA report, the current national emergency anti-epidemic system will be maintained until Covid-19 is brought under control globally. The system remained in place as of

Sept. 30. Classes opened in grade three in senior middle schools (the equivalent of Japanese senior high schools) and universities on April 20 and in all other schools on June 3, according to reports by South Korea's Yonhap News Agency.

### Politicization of Anti-Epidemic Activities & Actual Danger

The Feb. 1 *Rodong Sinmun* editorial "Execute Undertaking to Prevent the New Type Coronavirus with High Intensity" (<http://www.kcna.co.jp/item/2020/202002/news01/20200201-02ee.html>) argues that the significance of the national emergency anti-epidemic system is that it is for the protection of the people and a "manifestation of the masses of the people-first politics". It explains that undertaking to prevent Covid-19 not only protects the people but "is an important political project that protects the revolution, protects the safety of the lives of the people, and enables the image of Korean-style socialism to shine." Preventing Covid-19 is perceived as an undertaking to enhance the image of the state and a good opportunity to display to the world the superiority and power of the socialist system of North Korea.

Given this line of thought, losing to Covid-19 in North Korea means political defeat for the Workers' Party of Korea and the North Korean government, an unforgivable outcome. It is the prevailing view in Chinese discourse that the early containment of the coronavirus is a demonstration of the capability of the party and the government. Failure is even more unforgivable in North Korea than it is in China.

A July 26 *Rodong Sinmun* report states that a resident who defected from North Korea three years ago and returned to Kaesong city after illegally crossing the demarcation line was suspected of having been infected with the new coronavirus and that the Political Bureau of the Central Committee of the Workers' Party of Korea convened an emergency enlarged meeting on July 25. Located 80 kilometers north of Seoul on the demarcation line, Kaesong is the remotest location in the current political geography of North Korea

and unlikely to be a gateway for the coronavirus (the flow of people being through the borders with China and Russia or by sea and air), but was thrust to the anti-epidemic frontlines because of the returning defector.

Nevertheless, a July 30 report in the *Rodong Sinmun* claimed that there had still not been a single case of the new type coronavirus infection in North Korea. On Aug. 13, the 16th meeting of the Political Bureau of the 7th Central Committee of the Workers' Party of Korea decided to lift the lockdown of Kaesong, which had been in force from July 24 (<http://www.kcna.co.jp/item/2020/202008/news14/20200814-02ee.html>).

We cannot be sure that there are no cases of infection as North Korea claims. However, since Kaesong in July had been the only city under total lockdown, it is reasonable to assume that the situation is under control. Infectious diseases for which there are a significant number of cases in North Korea include tuberculosis (world ranking eighth for infection ratio and third for fatality ratio at 80 deaths per 100,000 people, according to the World Health Organization), malaria (61st in incidence rate), and typhoid fever. Given the national population, it can be deduced that approximately 20,000 people died in 2018 of tuberculosis. The current best estimates of infection fatality ratios were published on Sept. 10 by the Centers for Disease Control and Prevention (CDC), a US agency. According to the CDC study, with the basic reproduction number ( $R_0$ ) at 2.5, they were 0.02% for 20-49 year-olds and 0.5% for 50-69 year-olds. This means that the fatality ratio for the middle-aged and elderly for Covid-19 is 6.25 times the ratio for tuberculosis but only one-fourth for the 0-49 year-old age group (<https://www.cdc.gov/coronavirus/2019-ncov/hcp/planning-scenarios.html#table-1>). Covid-19 is not as dangerous as tuberculosis for North Korea, given its relatively youthful demographics. Therefore, I believe that North Korea maintains a rigorous anti-epidemic system to prevent the new coronavirus from spreading not because many people are dying but for prevention purposes or because of political motives including social control.

### Sudden Deterioration in North-South Relations

North Korea reacted negatively to the dispersion of anti-North Korea leaflets along the demarcation line by defectors that had escaped North Korea into South Korea. Kim Yo Jong, first vice department director of the Central Committee of the Workers' Party of Korea, issued a statement on June 4, 2020 titled "Do Not Invite Your Own Misfortune" (<http://www.kcna.co.jp/item/2020/202006/news04/20200604-01ee.html>), envisaging a deterioration in North-South relations. At noon on June 9, the North-South communication lines were shut down (<http://www.kcna.co.jp/item/2020/202006/news09/20200609-03ee.html>). On June 12, Jang Kum Chol, director of the United Front Department of the Central Committee of the Workers' Party of Korea, issued a statement (<http://www.kcna.co.jp/item/2020/202006/news12/20200612-16ee.html>). The following day, Kim Yo Jong issued another statement warning, "Before long, a tragic scene of the useless north-south joint liaison office completely

Photo 1: Author



The 9th Rason International Trade Fair, August 2019. Rason is a city near the borders with China and Russia.



collapsed would be seen” (<http://www.kcna.co.jp/item/2020/202006/news13/20200613-09ee.html>). Indeed, on June 16, the building in the KIZ, in North Korean territory, in which the Joint Inter-Korean Liaison Office was housed, was blown up. The following day, a spokesman for the General Staff of the Korean People’s Army (KPA) announced military action plans that included the deployment of troops to the KIZ and the Mount Kumgang Tourist Zone. On the same day, Kim Yo Jong, first vice department director of the Central Committee of the Workers’ Party of Korea, issued a statement in which she harshly criticized the June 15 speech given by President Moon in commemoration of the 20th anniversary of the June 15 North-South Joint Declaration (<https://english1.president.go.kr/BriefingSpeeches/Speeches/839>). In the statement, she repeated her criticism of the South Korean government for allowing a group of North Korean defectors to float anti-North Korea leaflets and stated that “[It] is a tragedy produced by the persistent and deep-seated pro-US flunkeyism and submission of the South Korean authorities that the north-south ties [are] reduced into the plaything of the US” and that “[It] is our fixed judgment that it is no longer possible to discuss the north-south ties with such a servile partner engaging only in disgrace and self-ruin, being soaked by deep-rooted flunkeyism” (<http://www.kcna.co.jp/item/2020/202006/news17/20200617-07ee.html>), intimating the complete abandonment of the substance of the agreement reached at the 5th inter-Korean summit held in September 2018 during Moon’s visit to Pyongyang and Mount Paektu. However, this plan was put on hold at the preparatory meeting for the 5th meeting of the 7th Central Military Commission of the Central Committee of the Workers’ Party of Korea and was not mentioned in reports on the 5th meeting (expanded meeting) itself, which was held on July 18.

The immediate causes of these actions by North Korea were most likely the over-the-top content of the leaflets as well as the mounting anger towards South Korea’s apparent lack of enthusiasm in securing the consent of the US for sanctions relief as part of the implementation of the agreed points at the 5th inter-Korean summit. However, it is necessary to keep in mind that it is also a reiteration of the North Korean intent to control the pace of the normalization of North-South relations, since rapid improvement could be a threat to its political system.

## Pursuing Procedural Justice Under Predicament

It was announced at the 6th plenary meeting of the 7th Central Committee of the Workers’ Party of Korea on Aug.19, 2020 that the 8th Congress of the Workers’ Party of Korea would be held in January 2021, where the five-year strategy for the national economic development for 2016-2020 would be evaluated and a new five-year economic development plan announced (<http://www.kcna.co.jp/item/2020/202008/news20/20200820-01ee.html>). It was indicated that the goals of the ongoing five-year plan would not be met. In the past, a party congress would not have been held if there had been no positive results for the occasion. The fact that it would be held at the five-year interval customary since the Kim Il Sung regime even after



Photo 2: Author

*Local residents sea bathing in Kyongsong County, North Hamgyong Province, in August 2019*

announcing that the ongoing plan would go unfulfilled is a major difference between the Kim Jong Il and Kim Jong Un regimes, even if the impact of the sanctions and the coronavirus is taken into consideration. The Kim Jong Un regime is more mindful of procedural justice and appears in a sense to be trying to make North Korea a “normal country”.

The year 2020 has seen a growing number of state media reports regarding important meetings of the Worker’s Party of Korea and the North Korean government. The discussions at these meetings show that the orientation towards an emphasis on the economy has not been abandoned; moreover, there is an emphasis on the need for reform. The orientation of the Kim Jong Un regime towards reform shows no sign of deterioration.

## Conclusion

In the announcement at the 6th plenary meeting of the 7th Central Committee of the Workers’ Party of Korea on the 8th Congress of the Workers’ Party of Korea, the fundamental orientation towards an emphasis on the economy has not been abandoned.

North Korea will digest the outcome of the US presidential election in November, conduct backstage negotiations with the US, and coordinate with China and take the occasion of the 8th Congress to put forward its strategy for dealing with the US under a newly mandated administration.

**JS**

Dr. Mitsuhiro Mimura is a senior research fellow at the Economic Research Institute for Northeast Asia. A graduate of the Korean Language Department in the Faculty of Foreign Studies at Osaka University of Foreign Studies and of the Graduate School of Law at Osaka University, he specializes in North Korean law and economy, and Northeast Asia economic cooperation.