The Emergence of Deng Xiaoping in North Korea?
Determining the Prospects for North Korean Economic Reform

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Abstract—To what extent could North Korea's new leader Kim Jong-un follow the path of economic reform that Deng Xiaoping adopted in China starting in the late 1970s? This article analyzes the role of individual leadership, domestic context, and systemic considerations to determine whether or not China's past is applicable to North Korea's present. This comparative study shows that the prospect for economic reform in North Korea is not very promising.

The Democratic People's Republic of Korea (hereafter, DPRK or North Korea) in the early 2010s faced fairly similar political and economic conditions as those faced by the People's Republic of China (hereafter, PRC or China) in the late 1970s. A new North Korean leader, Kim Jong-un, took power in 2012 after the death of his father, Kim Jong-il, much in the same way that Deng Xiaoping succeeded Mao Zedong in the wake of his death in 1976. Kim Jong-un inherited a devastated economy, caused mainly by Kim Jong-il's “military first” policy and nuclear standoffs with the international community. Likewise, Deng Xiaoping was bequeathed a demolished economy and a divided society that resulted from Mao’s Great Leap Forward and Cultural Revolution. Under such ostensibly similar conditions, how plausible is it that Kim Jong-un might follow the path of Deng Xiaoping in terms of economic reform?

To address this question, this article seeks to explore factors that could exert influence on economic reforms in China and North Korea through three primary levels of analysis—individual, domestic, and systemic. It finds that at all the levels the PRC in the late 1970s largely had more favorable conditions for economic reforms than the DPRK has had in the early 2010s. Given this finding, the prospect for the new leader’s...
economic reform initiatives in North Korea is not promising. This article begins by examining the economic crises faced by China in the late 1970s and North Korea in the early 2010s, and lays out what measures they each adopted to address their economic problems. It then analyses major factors that could affect their economic reforms by employing the three levels of analysis. Lastly, the paper offers concluding remarks with implications for policy.

**China in the Late 1970s**

Notwithstanding some positive outcomes, the long rule of Mao Zedong (1949–1976) left the Chinese economy burdened with serious structural problems. Among these were “a shortage of consumer goods, inefficiency, waste of human and natural resources, slow technological progress and low labor morale.”¹ Added to these problems were low standards of living in both rural and urban areas and a decline of China’s world trade from around 1.4 percent in the mid-1950s to just 0.4 percent in the mid-1970s. Several periods of disruption—the Great Leap Forward (1958–1961) and the Cultural Revolution (1966–1976) in particular—are to blame for the tremendous damage done to the Chinese economy and society.²

In these circumstances, the PRC, led by Deng Xiaoping, began to reform its economy in late 1978. Its main focus was to pursue modernizations on four areas—agriculture, industry, science and technology, and national defense—in addition to opening the Chinese economy to external markets. Triggered by the Central Committee meeting of December 1978, China initiated its economic reform by raising state procurement prices for agricultural products and decollectivizing its agricultural system. These policy changes drastically promoted peasants’ incentives to work hard, leading to a sharp increase of agricultural production. As Kenneth Lieberthal states, “No other reform so significantly affected the lives and livelihoods of so many people” than full de-communization of agriculture and a return to family farming.³ The quantity of crop production increased 4.2 percent annually during 1978-1983 and peasants’ average income tripled between 1979 and 1985.⁴ Additionally, in 1979, the Chinese government sought to decentralize its industry in order to promote its production efficiency.⁵

Furthermore, the PRC adopted a series of economic opening measures. It introduced an import-led growth policy in 1978 and began large-scale foreign borrowing in 1979. In the same year, the Chinese government decided to create Special Economic Zones and eventually opened its first, in the province of Guangdong in 1980. Subsequently, in 1983, China relaxed the tax and tariff rules applicable to foreign investments and opened many coastal cities to foreign investment in 1984.⁶ As a consequence of these opening policies, China’s trade volume increased from $20 billion in 1978 to $500 billion in 1985.

**North Korea in the Early 2010s**

As noted earlier, the DPRK that Kim Jong-un inherited from his father Kim Jong-il in the early 2010s had been in a desperate economic condition with the shortages of...
foreign exchange, energy and food. Such economic decline was primarily triggered by the demise of the Cold War in the early 1990s. With the collapse of the Communist Bloc, North Korea had lost its ideological, military, and economic partners. As South Korea normalized its relationships with Russia in 1990 and with China in 1992, North Korea found itself increasingly isolated from these neighbors and former allies. The North Korean economy, which had shown signs of distress earlier, was pushed even closer to collapse by the termination of patron aid by Moscow and Beijing. Frequent natural disasters further worsened North Korea’s economic condition.

Under these circumstances, and in the face of international condemnation about its human rights record and totalitarian form of governance, the DPRK began to develop nuclear weapons as a last resort to ensure survival of its regime. When the International Atomic Energy Agency (IAEA) demanded a special inspection of its nuclear facilities, North Korea declined this request and announced its withdrawal from the Nuclear Non-Proliferation Treaty (NPT) in 1993. In response to such nuclear adventuring, the United States imposed economic sanctions through the United Nations and seriously considered making a surgical strike on North Korean nuclear facilities. This crisis was ultimately resolved with the conclusion of the Geneva Agreed Framework in October 1994. Despite such a temporary resolution, however, North Korea’s nuclear standoff with the United States has continued, as the DPRK has never given up its nuclear ambition. This long-standing confrontation has prevented the DPRK from restoring its devastated economy, as North Korea has suffered from various economic sanctions imposed by the international community and has had no access to development funds loaned by the World Bank and the International Monetary Fund.

To alleviate economic difficulties, the DPRK regime after the death of Kim Jong-il in December 2011 has adopted notably different policies from ones taken under the rule of Kim Jong-il. First, Kim Jong-un has sought to reassert party control over the military, rolling back the military-first revolution. During the Kim Jong-il period (1997–2011), North Korean leaders pursued military-first politics to maintain regime stability. Consequently, the Korean People’s Army (KPA) and particularly the National Defense Commission (NDC) were granted almost absolute power to control the nation’s economy. This trend had a clear negative impact on the North Korean economy, as a significant amount of seriously limited economic resources were used for military purposes, as opposed to economic development. In contrast, the Kim Jong-un regime intends to increase economic efficiency by strengthening the authority of the Korean Workers’ Party (KWP) and Cabinet leaders, who have expertise in economy. To this end, the young leader consolidated the KWP’s authority over North Korean politics, put the military’s senior leadership under party control, purged high-ranked military commanders, and significantly diminished the military’s policymaking influence. The most conspicuous action following this policy line was to appoint in April 2012 the civilian party functionary Choe Ryong Hae (an individual lacking military experience) as director of the KPA’s General Political Department and to remove Vice-Marshal Ri Young Ho from power in July 2012.
Second, since the end of the 2000s, the North Korean regime has taken active steps to bring in more foreign investment, particularly through developing special economic zones with China in North Korea’s Hwanggeumpyong, Wiwhado, and Rajin-Sonbong (Rason) areas. The DPRK and the PRC have common economic interests in developing these areas together. North Korea desperately needs Chinese capital in order to revitalize its economy given the condition of its consistently confrontational relationships with the United States, South Korea, and Japan. In the same vein, it is necessary for China to develop those areas for three reasons: (1) Rason ports are very useful for access to the Pacific Ocean and to move coals and crops from China’s northeastern to southern region; (2) the joint projects can make it possible to easily procure the DPRK’s natural resources for China’s northeastern region, where rapid economic development is recently progressing; and (3) there are few language barriers to pursue the projects, because approximately two million Korean-Chinese people are living in the northeastern region of China.\(^\text{13}\) In light of these interests, Chinese Premier Wen Jiabao signed various investment agreements and a memorandum of understanding (MOU) with North Korea in October 2009, which includes the construction of a new Yalu River bridge and the development of a port at Rajin. Furthermore, in August 2012, North Korea’s Jang Sung-taek, vice chairman of the NDC and chief of the KWP, attended the third meeting of the DPRK-China Joint Steering Committee, held in Beijing, to discuss the joint development of the Hwanggumpyong-Wihwado and Rason Zones.\(^\text{14}\) It is believed that through this meeting, such joint projects reached a stage of practically developing those economic zones.\(^\text{15}\)

### Levels of Analysis of Economic Reforms in China and North Korea

Given this context, the following section explores the role of individual leadership, domestic conditions, and systemic considerations in order to determine whether or not China’s past is applicable to North Korea’s present. These three levels of analysis offer insights into the primary factors that may have an impact on economic reforms in authoritarian, communist countries such as North Korea and China. Based on IR scholar Barry Buzan’s ideas, this section emphasizes how the three different levels are assembled for a comprehensive understanding, as opposed to placing emphasis on which level is winning (or losing).\(^\text{16}\)

#### Individual Level of Analysis

The most overriding factors for successful economic reforms might be the extent to which top leaders recognize their countries’ economic crises, whether or not they have a strong will to rectify the condition, and whether or not they have political resources to push for their will.
strong will to rectify the condition, and whether or not they have political resources to push for their will. Economic reform measures could not be initiated without a top leader’s accurate recognition of economic problems. A good example is found in the leadership of Mao Zedong, who could not clearly assess the devastating effects of the Great Leap Forward on the Chinese economy in the late 1950s due to false reports made by lower-level officials, the result of which eventually led to a great famine. To produce effective outcomes, a proper recognition of economic crisis should be integrated with the leader’s political will and resources to work his will. These elements could be highly important, because drastic reform measures could often bring about backlashes from privileged groups that were gaining benefits from previous policies. Such resistance could easily knock down reform initiatives unless the top leader contained those features.

Deng Xiaoping held the three important individual attributes for economic reforms—a clear recognition of China’s economic crisis, a resolve to change the dire condition, and political capitals to accomplish his determination. It is evident that Deng perceived the economic failure that had taken place under the rule of Mao Zedong (1949–1976). According to Maurice Meisner, “When Deng Xiaoping and his allies achieved political dominance in December 1978, they extended the critique of past economic errors back to most of the Mao era . . . As time went on, the economists in Deng’s political entourage painted an ever–darker picture of the Maoist past.” Additionally, June Dreyer notes “when Deng Xiaoping returned to power, he was highly critical of the country’s economic situation, saying that it had stagnated under the Gang of Four – and unmentioned but quite clearly implied, under Mao.” Given this recognition, Deng showed a strong will to remedy economic problems. Ezra Vogel states, “Deng wanted to know the true situation at home; he did not want to hear exaggerated reports of progress, which had caused such deep problems during the Great Leap.” As Lieberthal also posits, Deng decided that China should build an economically efficient society with a capacity for technological change if it wanted to become a prosperous and strong nation.

Deng Xiaoping, furthermore, had abundant political assets to pursue his economic reforms, given his long career in both military affairs and civilian administration. Power in China tends to stem from personal resources as much as formal office. Particularly important was personal relationships after the institutional havoc wrought by the long political upheaval, the Cultural Revolution (1966–1976). Deng initiated his career in the Chinese Communist Party (CCP) during his stay in France in the 1920s. Upon returning from France, he ardently supported Mao Zedong, participated in the Long March, and served for years as a high-ranking commander in one of the major communist guerrilla armies. In the wake of the civil war in 1949, Deng mostly worked as a general secretary of the CCP in Beijing until 1966 when he was first purged. This position enabled him to keep cultivating close relationships with a large number of party officials throughout the country. Such well-developed personal relationships became tremendous political resources when he took power in 1978 and initiated dramatic economic reform measures.

Like Deng Xiaoping, it appears that Kim Jong-un has an unambiguous recognition of North Korea’s economic failure and contains a strong will to address the serious problem. Fujimoto Kenji – a Japanese cook for Kim Jong-il between 1988 and 2001 – noted that
Despite his young age, Kim Jong-un often conveyed in their frequent conversations his opinions about North Korea’s outdated economic system. Kim’s foreign experiences in Switzerland for five years (1996–2001) might have opened his eyes to this reality and fostered an ability to compare North Korea with other countries. In his book, Fujimoto also wrote that Kim Jong-un seriously expressed his concerns and anxiety about the DPRK’s future after he heard about China’s rapid development from his father who had visited China in August 2000. According to Fujimoto, it seemed that Kim Jong-un began to contemplate taking after the Chinese model so that he could change North Korea’s problematic situation. It was also reported that in August 2009 Kim Jong-un had created a task-force team to design DPRK’s reform and opening strategies under the guidance of Kim Jong-il. In an interview with the Associated Press in January 2012, North Korea’s highest-ranking press official related that Kim Jong-un was focused on developing a knowledge-based economy and conducted research on other countries’ economic reform models, including the Chinese one.

However, it seems doubtful that Kim Jong-un currently has enough political capital to push for economic reforms. Unlike Deng, Kim Jong-un became a top leader at age twenty-seven without prior military or political experience, and thus maintains a weak power base. After the death of Kim Jong-il in December 2011, Kim Jong-un was able to take power only based on the robust support of his relatives— aunt Kim Kyong-hui and uncle Chang Sung-teak. To strengthen Kim’s power base, furthermore, they had to purge many high-ranking military and government officials who might become barriers to Kim’s regime. Although Kim Jong-un currently seems to have consolidated his rule over North Korea, it is reported that top-ranked military officials have strong complaints against him, and the threat of a potential power struggle between them is continually present. In these circumstances, it would be hard for Kim Jong-un to push for drastic economic reforms, as such measures may generate a strong backlash from conservative military forces.

### Domestic Level of Analysis

Moving beyond the individual factors, a domestic level of analysis—centered on political systems and ideologies—could offer useful insights in discerning crucial components for successful economic reforms in China and North Korea. The first domestic element worth highlighting is the distinct characteristics of each country’s political system—China’s collective leadership system versus North Korea’s hereditary power-transfer system. The long period between 1949 and 1976 in China witnessed Mao’s absolute leadership based on his personality cult and autocratic state institutions. After Mao’s death in 1976, however, power struggle among the elite culminated in Deng’s emergence as a top leader in December 1978. Under this system, Deng became preeminent leader, but other leaders also took part in managing national policies.
other words, Deng’s authority had been in competition with and often balanced by Chen Yun since the late 1970s, although Deng always remained the more preeminent of the two. Hence, the PRC successfully achieved policy change through leadership change. The reform-oriented leader Deng departed from Mao’s rigid ideological fervor and moved toward pragmatism. Such a leadership transition obviously played a key role in launching significant economic reform measures in the late 1970s and eventually established the basis for a collective leadership system.

On the other hand, the DPRK has stuck to a hereditary Kim dynasty-centered system. Kim Il-sung ruled North Korea with an iron fist for a long period of time (1948–1994). He passed on his power to his son Kim Jong-il through a long apprenticeship beginning in the mid-1970s. Similarly, after he had a stroke in 2008, Kim Jong-il rushed to transfer his power to his son Kim Jong-un, who eventually took power in 2012. Under this system, Kim Jong-un could have a substantial limitation in the scope of his policymaking. Since his power mainly derives from the legacies of his father/grandfather and their legacies, Kim Jong-un might find it very hard to adopt dramatic reform and open policies. That is, the adoption of such policies could mean the acknowledgment of his father’s economic failure, possibly leading to significantly destabilizing the Kim dynasty-centered regime. As noted before, many North Koreans have long suffered from the Kim dynasty’s political oppression and economic failure. On the other hand, Deng was a direct victim of Mao’s Cultural Revolution, because he was purged twice in 1966 and 1976. He could, to some extent, criticize Mao’s political and economic failure and turn national policies in a notably different direction without the fear that currently threatens Kim Jong-un.

Related to the issue of political systems, dominant political ideologies in each nation could greatly matter in either hindering or promoting the adoption of economic reform. Thanks to the changed political system, in the late 1970s, the PRC was liberated from Maoist ideology, which had deeply inculcated into the Chinese society and people’s minds for the last three decades. Though not thoroughly defined, Maoism was rooted in mass mobilization, egalitarianism, anti-intellectualism, class struggle, and self-reliance. As shown in the Great Leap Forward and the Cultural Revolution, this ideology played a pivotal role in devastating China’s national economy and the lives of its citizens. With the rise of Deng, the PRC gradually began to embrace pragmatism over Mao’s rigid ideology, summarized by a famous maxim that “it doesn’t matter whether a cat is white or black, as long as it catches mice.” It implies that China would be willing to adopt capitalist policy measures if they proved necessary to achieve its economic development. As Libeal states, “Such pragmatism permitted the leadership to delve into the country’s actual conditions and to suggest innovative solutions to the problems they uncovered.” On the contrary, the DPRK has continued to accept the so-called Suryongron and the Juche ideology that are harmful to economic reform and global outreach. Suryong (supreme leader) himself is the apex of the North Korean regime, meaning that Suryong’s ideology, command, and direction play central roles in social revolution and construction. This rigid ideology, furthermore, was built upon the Juche ideology, consisting of the following three main principles: independence in politics (jaju), self-sustenance in the economy (jarip), and self-defense in national
defense (jawi). Given the maintenance of these inflexible ideologies simultaneously with a hereditary dictatorship, the prospect for North Korea’s economic reform does not seem promising.

Systemic Level of Analysis

Systemic elements need to be equally weighed in examining vital factors that could affect economic reform/opening in China and North Korea. As Henry Nau summarizes, the systemic level of analysis can be divided into two categories—structural and process levels. The systemic structural level of analysis focuses on the position of states (actors) in the international system while the systemic process level of analysis takes into account the relationships between states. For instance, the former involves geopolitics and the relative distribution of power—whether the state is a sea or land power and whether the state is a great, middle, or small power. The latter is concerned with how states choose to align themselves with other states. Systemic factors themselves would not automatically lead to states’ economic policy changes without the above-mentioned individual and domestic factors, yet they could serve as important necessary conditions for the changes. Particularly, states’ policy performances vary markedly according to how countries forge their relationships with other nations, especially ones that have strong economic power.

Both systemic structural and process factors contributed greatly to the successful outcomes of Deng’s reform initiatives. In the late 1970s, the PRC was not a superpower comparable to the United States and the Soviet Union in terms of military and economic capabilities. China was, however, regarded as a regional power, which had certain influence in East Asia and could play an important role in the conduct of American-Soviet relations. That is, the China factor loomed large in the Cold War calculus. At the time, the United States was defeated in Vietnam, whereas the Soviet Union gained a new strategic weight as a consequence of its sustained military build-up. Since it was a strategically valuable country to the superpowers, the PRC could benefit from them—especially the United States—in pursuing economic reforms. At the systemic process level, Deng’s reforms became successful with the support of former adversary states, the United States and Japan. Starting in the early 1970s, the United States dramatically changed its confrontationist policy toward the PRC and eventually normalized the U.S.-Sino relationship in January 1979. Through State Secretary Kissinger’s and President Nixon’s surprise visits to Beijing in 1971 and 1972 respectively, the U.S. leaders sought to embrace China to balance against the Soviet Union. Alarmed by the dramatic changes of American policy toward China without prior notice, Japan also took steps to improve its relationship with China and subsequently normalized Sino-Japanese relations in 1979. Given these changes, China was able to receive strong support from the United States and Japan for its economic reform initiatives. The two economic giants were willing to support Deng’s economic reform measures in light of his departure from Mao’s ideology.

North Korea currently faces less favorable systemic structural and process factors for its economic reforms. On one hand, China recognizes DPRK’s strategic and even
economic importance. From a strategic viewpoint, North Korea has functioned as a buffer zone between China and the United States sphere of influence, including South Korea. It is also necessary for China, from an economic perspective, to use North Korea’s natural resources and ports for its rapidly advancing economic development in the three provinces near the DPRK. In this regard, North Korea has been getting more dependent on Chinese support for its regime’s survival and economic development. It appears, however, that Chinese aid itself is not sufficient for North Korea’s successful economic reforms, given the condition of its consistently contentious relationships with the United States, South Korea, and Japan. As mentioned before, North Korea’s nuclear/missile adventurism has been a major obstacle to the advancement of its relations with those nations. Due to such a long-standing confrontation, the DPRK has undergone a variety of economic sanctions imposed by the United States, in addition to being barred access to development loans offered by the World Bank and the International Monetary Fund. Additionally, the conservative Lee Myung-bak government in South Korea almost ended its economic support of North Korea on account of the nuclear issue and DPRK’s other provocative actions, including the Cheonan sinking and the shelling of Yeonpyong in 2010. DPRK-Japanese relations, furthermore, have been seriously frozen since the revelation of North Korea’s abduction and mistreatment of seventeen Japanese citizens in the mid-2000s as well as the nuclear/missile issue. All of these elements hamper prospects for economic reform in North Korea as they prevent the inflow of foreign investments.

Concluding Remarks

This article thus far examined primary factors that could exert influence on economic reforms in China and North Korea through three different levels of analysis—the role of individual leadership, domestic context, and systemic considerations.

At all the levels, the PRC in the late 1970s largely had more favorable conditions for economic reforms than the DPRK has currently. At the individual level, China’s preeminent leader Deng Xiaoping then had a clear recognition of China’s economic crisis, a resolve to change the critical condition, and political resources to push for his will. North Korea’s top leader Kim Jong-un, on the other hand, seems to possess the first two features but lack political capital to achieve his reform initiatives. At the domestic level, China in the late 1970s had a far more flexible political system (collective leadership) and ideology (pragmatism) than North Korea holds now. The DPRK could find it very hard to pursue its economic reforms due to a clear limitation deriving from the maintenance of its hereditary power-transfer system and the Suryongron and Juche ideologies. At the systemic level, China’s strategic importance and improved relationships with the United States and Japan contributed greatly to Deng’s economic reforms, while North
Korea’s confrontational relationships with the United States, South Korea, and Japan are presently a significant barrier to Kim Jong-un’s reform initiatives.

Considering the above-mentioned factors, the prospect for North Korea’s economic reforms does not currently seem optimistic. Furthermore, DPRK’s recent long-range missile launch, third nuclear test, and spring 2013 provocations worsen such pessimistic prospect, as the United Nations, led by the United States, has been striving to impose more serious economic sanctions on the North Korean regime.

In these circumstances, the international community has few plausible policy options that could encourage the new DPRK regime to adopt more far-reaching economic reforms. One feasible action that could be taken by the United States, China, and South Korea would be to resume both the Six-Party Talks (which ceased in 2009) and direct governmental contacts. Such diplomatic dialogues could transform North Korea’s aggressive attitudes more effectively than punitive measures by providing moderate reformers within the DPRK regime with stronger authority to push for economic reforms. As recently shown, consistent UN economic sanctions would make the DPRK regime more defiant, leading to further destabilizing the Korean peninsula and the Northeast Asian region.

– Daniel Tam Claiborne served as Lead Editor for this article.

NOTES


3 Lieberthal, Governing China, 141.


8 Victor Cha and David Kang, Nuclear North Korea: A Debate on Engagement Strategies (New York: Columbia University Press, 2003): 38: For instance, “DPRK petroleum imports from the Soviet Union dropped by more than half between 1988 (3.4 million tons) and 1992 (1.5 million tons) after Moscow terminated subsidized sales. Similarly DPRK overall trade, three-fifths of which took with Warsaw Pact countries, contracted by nearly 33 percent between 1988 and 1991 after hard currency terms of customs settlement became required for most transactions.”


10 Noland, Avoiding the Apocalypse, 151: According to Marcus Noland, “The essential bargain of the Agreed Framework is that North Korea would remain in the NPT, freeze operations at the three graphite reactors and related facilities, and submit to IAEA inspections of the three graphite reactor sites. In return, it would receive two 1,000 megawatt light-water reactors by a target date of 2003 (valued at roughly $5 billion), 150,000 tons of heavy oil in 1995, and 500,000 tons annually from 1996 to 2003 to replace the potential energy supply from the shut-down reactors.”

11 For the detailed analyses of the second nuclear crisis, see Cha and Kang, Nuclear North Korea; Michael O’Hanlon and Mike Mochizuki, Crisis on the Korean Peninsula: How to Deal with a Nuclear North Korea (New York: McGraw-Hill, 2003).
For the detailed information on governmental transformation taken by Kim Jong-un, see Alexandre Mansourov, Overhauling the Legacy Government,” 38 North, December 21, accessed December 27, 2012. http://38north.org/2012/12/amansourov122112/ : It is reported that Ri Young Ho was purged due to “insubordination, including the repositioning of troops near Pyongyang without higher authorization, defying orders, and expressing dissatisfaction with the transfer of control over the KPA's foreign currency-earning businesses to the party, as well as personal corruption.”


Lieberthal, Governing China, 103–109.


Dreyer, China's Political System, 158.


Lieberthal, Governing China, 129.

Lieberthal, Governing China, 131.


Fujimori Genji, Bukhan ui Hugyeja oe Kim Jong-un inga? [Why is Kim Jong-un a power successor in North Korea], (Seoul: Max Media, 2010), 142.


For the detailed explanation of Mao Zedong Thought, see Lieberthal, Governing China, 60–77.

Lieberthal, Governing China, 133.


