

Chapter 5

Kim Jong-un's Economic Policy as a Means to Secure His Regime¹

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I. Introduction

The observers on the North Korean economy have faced the following three basic questions. Even though these questions are the ones which have been typically asked during the last several decades whenever we try to explain the North Korean economy, it gets much more difficult to answer them than before because fundamental changes have been made and deepened since the Kim Jong-un regime was launched.

The first question is how we evaluate the economic condition of North Korea. Of course, assessing the North Korean economic situation has not been easy due to the lack of data and information. But it becomes more difficult recently since we observe conflicting signals and reports concerning the North Korean economy. For instance, all experts were able to agree in the 1990s that the North Korean economic condition was very bad. In the last several years, however, some experts say that the North Korean economy has continued to decline while others insist that it has achieved considerable growth. Then, what is the real picture?

The second one is about the responses of the North Korean leadership or economic policies of North Korea. The most remarkable phenomenon of the present North Korean economy is the expansion of markets. The North Korean authority still argues that North Korea is and will be maintaining a socialist planned economic system. However, market activities have been growing rapidly and even official sectors are now dependent on markets. While markets are contributing to economic growth, the economic system itself has been collapsing due to markets. Under these circumstances, what kinds of economic policies does the North Korean leadership pursue?

The third question is about the future of the North Korean economy. Kim Jong-un is believed to have already secured political stability. Then, the next task to him should

¹ This is an updated version of the author's paper "The Current Situation and Future Prospects of the North Korean Economy" presented at the 2014 Korea Dialogue Conference on Strengthening North Pacific Cooperation organized by the East-West Center and Korea Institute for International Economic Policy held on July 24-25, 2014 in Honolulu, Hawaii, USA.

be to achieve economic stability because long-term stability of a regime cannot be guaranteed without both political and economic stabilities. Thus, Kim Jong-un has to focus on improving living standards of North Korean people. The economic textbook teaches that increase in inputs and/or increase in production efficiency are inevitable in order to increase outputs and thus North Korean economic policies are surely to go to this direction. Then, what would be the results?

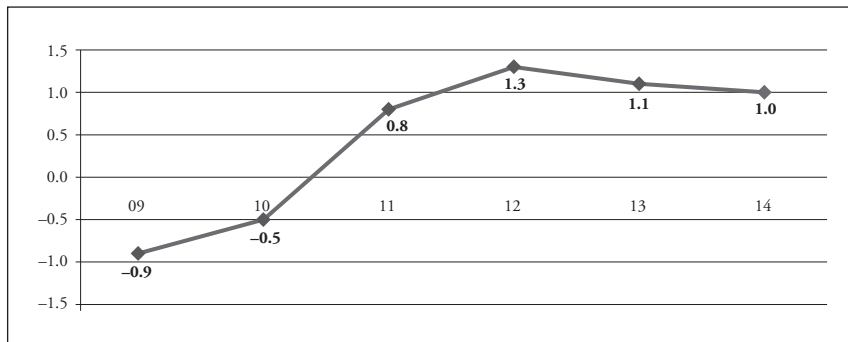
This paper seeks to answer these questions. In order to do so, it starts from the assessment of the current economic situation.

II. The Current Economic Situation

1. Analysis

The North Korean economy has been getting better in recent years. According to the Bank of Korea, an official institution estimating the North Korean economic condition, the North Korean economy has continued to achieve positive growth since the Kim Jong-un regime was launched while it had shown negative growth rates in 2009 and 2010.

*Figure 1: Economic Growth Rates of North Korea
(unit: %)*



Source: Bank of Korea, “The Estimation Results on the Economic Growth Rate of North Korea in 2014,” 2015.

However, it is very likely that the Bank of Korea underestimates the ‘real’ economic growth rates because the economic activities in market places which have been rapidly growing under the Kim Jong-un’s era are not fully captured in the estimation. Thus, the ‘real’ economic growth rate should be at least 3–5% points higher than the estimates by the

Bank of Korea if unofficial market activities are included. For instance, Michael Jonathan Green, currently a senior vice president at the Center for Strategic and International Studies (CSIS) and former special assistant to the president for national security affairs and senior director for Asia at the National Security Council, says in his column that the economic growth rate of North Korea in 2015 was 6%.² In addition, Prof. Dong-il Hyun, president of Research Institute for Northeast Asia at the Jilin University, insists that it was 7% on average during 2012–2015.³

In addition to market activities, there are several more factors which are believed to contribute to positive economic growth in recent years. Most of all, agricultural production has continuously increased since 2010. Agricultural production in 2015 was estimated to be 5.07 million tons, increasing by almost 25% compared to the production in 2010.

Table 1: Agricultural Situation of North Korea
(unit: million tons)

	2010	2011	2012	2013	2014	2015
Demand	5.46	5.34	5.40	5.43	5.37	5.49
Production	4.11	4.25	4.45	4.84	5.03	5.07
Shortage	1.35	1.09	0.95	0.59	0.34	0.42

Source: Ministry of Unification.

North Korea's agricultural production is estimated to have fallen in 2016. FAO reports that this year's total food production of North Korea has dropped for the first time since 2010 as water scarcity hits the agricultural sector, marking a 9% decrease compared to the production last year. In particular, production of paddy rice, the country's main staple, dropped by 26% mainly due to poor rains and little availability of water for irrigation.⁴ But it seems we need more information to make a conclusion regarding the food situation of North Korea. If the estimates by FAO are correct, then the price of food, especially rice, should sharply go up this year.

However, the price of rice in North Korea has continued to be stable even in 2016 as shown in <Figure 2>. For example, the price was 4,950 North Korean Won per kilogram

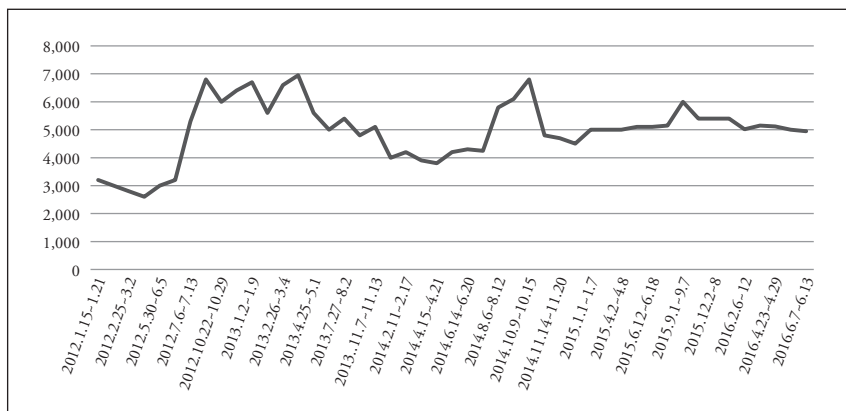
² *The JoongAng Ilbo*, June 10, 2016.

³ Dong-il Hyun, "Changes and Prospects of the North Korean Economy," *The Korea Exim North Korea Economic Review*, Summer, 2016, p.16.

⁴ <http://www.fao.org/news/story/en/item/412030/icode> (accessed June 20, 2016).

in June this year, while it was 5,100 North Korean Won in the same month last year. One may explain that import increases of grain including rice have contributed to the stability of the rice price. On the contrary, however, it is reported that North Korea's import of grain has dropped by 80% in the 1st quarter this year compared to the same period last year.⁵ Then the remaining possibility for the stability of rice price would be either unofficial import of grain, such as smuggling, or miscalculation by FAO not taking the increase in productivity into consideration, even if we cannot tell which one is a more convincing explanation due to lack of information.

Figure 2: Price of Rice in Pyongyang
(unit: North Korean Won/1kg of rice)

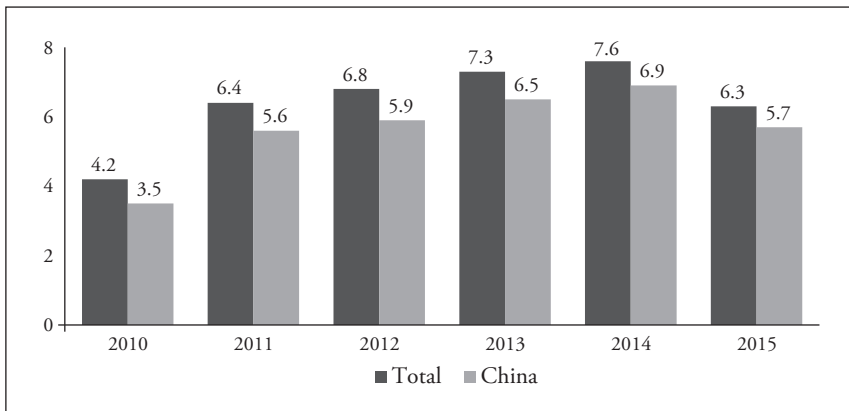


Source: Daily NK.

In addition, increase in trade by North Korea since 2010 is believed to be contributing to the economic growth of North Korea. Especially, there has been a remarkably sharp increase in trade with China. For instance, trade volume with China has been breaking the record every year and the volume in 2014 was nearly double that of 2010. Since trade with China makes up about 90% of North Korea's total trade and major import items from China have been energy and machinery, they must have exerted a strong influence on the economic performance of North Korea during recent years. Moreover, import of consumer goods from China has also been improving living standards of the North Korean people.

⁵ *The Weekly Chosun*, June 6, 2016.

Figure 3: Trade of North Korea
(unit: bil. US\$)



Source: KOTRA, *The Trend of North Korean Foreign Trade*, various years.

North Korea's trade volume slumped 18% in 2015 compared to that in 2014. It was the first decline in six years. Trade with its no. 1 partner China fell by 16% to US\$5.7 billion in 2015, explaining most of the decline. The biggest hit was from the sluggish Chinese economy because North Korea is very much dependent on China in terms of trade. Also, last year's price fall of natural resources, which are major export items for North Korea, played a big part in trade declines. For instance, coal exports to China increased 26.9% from the previous year, but the trade volume in terms of price declined 7.6% as the production cost of coal plummeted.

Another indicator which shows improvement of economic condition during the last several years is the increase in size of the government budget. As shown in <Table 2>, the government budget of North Korea has constantly expanded in recent years.

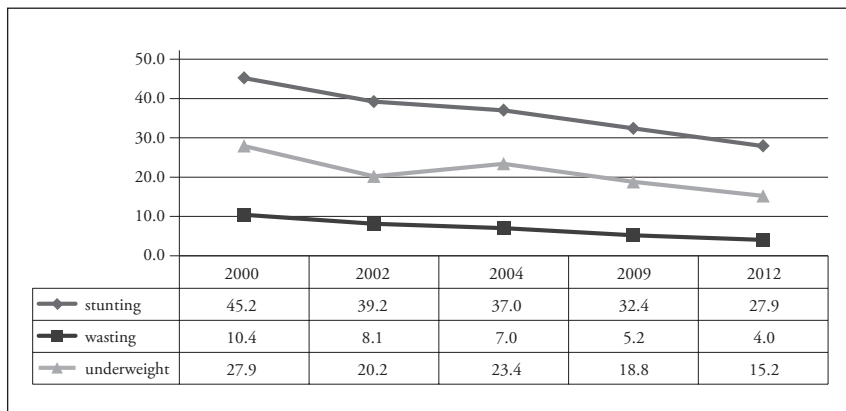
Table 2: Government Budget of North Korea
(unit: bil. North Korean Won, %)

	2010	2011	2012	2013	2014	2015
Budget	521	567	622	656	699	737
Rate of increase	8.1	8.8	9.7	5.5	6.5	5.5

Source: Ministry of Unification.

The improvement in economic condition can be confirmed from the overall progress in nutrition of North Korean children as shown in <Figure 4>.

Figure 4: Nutrition of North Korean Children
(unit: %)



Lee, Jeong-hee, "The Comparison of Nutrition of North Korean Children: An Analysis of the Survey Reports on Nutrition of North Korean Children during 1998–2012," *KDI Review on the North Korean Economy*, April, 2014.

2. Evaluation

As analyzed above, the general economic situation of North Korea has improved since the launch of the Kim Jong-un regime. However, it does not mean that the economic difficulties have disappeared completely and North Korea has constructed a solid foundation for economic takeoff for the future. In fact, the North Korean economy still faces lots of serious problems. In his speech during the 7th Congress of the Workers Party on May 7, 2016, Kim Jong-un himself evaluated that some parts of the North Korean economy arrive at the leading edge but some others are still pathetically undeveloped.

North Korea still remains as one of the poorest countries in the world, even though it has continued positive economic growth in recent years. According to the United Nations, per capita gross national income of North Korea in 2013 was merely US\$622. Such an income level is far less than those of developing countries in East Asia and even lower than Myanmar and Cambodia which are often mentioned as the poorest countries in the region.

*Table 2: Comparison of Gross National Income Per Capita
(unit: US\$)*

Year	2005	2010	2013
North Korea	547	570	622
China	1,670	4,342	6,595
Vietnam	666	1,252	1,785
Philippines	1,515	2,579	3,316
Laos	448	986	1,511
Cambodia	403	746	885
Myanmar	238	800	1,183
Mongolia	979	2,079	3,787

Source: United Nations, *World Statistics Pocketbook 2015 Edition*, 2015.

The comparison of economic and social indicators between North and South Korea clearly shows that the North is still a very underdeveloped country.

Table 3: Comparison of Economic and Social Indicators

Indicator	North	South
GNI per capita (2013, US\$)	622	26,718
Mobile-cellular subscriptions (2013, per 100 inhabitants)	9.7	111.0
Life expectancy at birth (2010-2015, females/males)	73.3/66.3	84.6/77.9
Infant mortality rate (2010-2015, per 1,000 live births)	22.0	3.4
Population using improved sanitation facilities (2012, %)	82.0	100.0

Source: United Nations, *World Statistics Pocketbook 2015 Edition*, 2015.

The food situation of ordinary North Korean people is still insecure. The increase of agricultural production in recent years does not improve the food situation of ordinary people proportionally because there exists a serious and distorted distribution problem. Moreover, even though agricultural production has increased, it is still less than the demand.

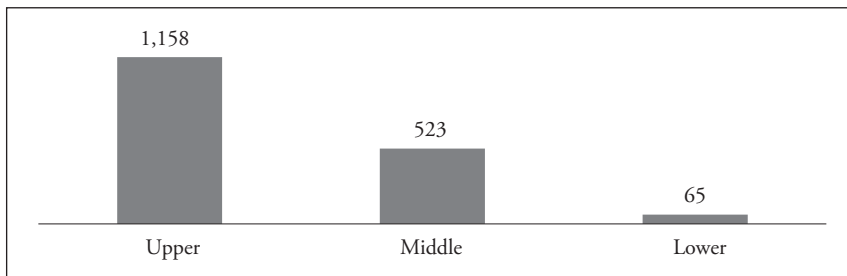
While North Korea remains absolutely poor, the polarization of income within the country has become more and more serious in recent years. The economic growth during the last several years means it is only 'growing on average.' The income gap between regions and classes has been wider than ever. When average per capita GDP is set to 100, for instance, per capita GDP of the upper 20% of the North Korean people is estimated to be 211 while it is only 17 for the lower 20%. In other words, per capita GDP of the upper 20% is about 12 times greater than that of the lower 20%.

Table 4: Estimation of Per Capita GDP by Income Level (average=100)

Accumulated population	Lower 20%	Lower 40%	Middle 50%	Upper 40%	Upper 20%
Per capita GDP	17	33	44	211	268

Source: Sung, Chae-gi, et. al., *An Alternative Estimation of North Korea's GDP Based on Purchasing Power Parity and Income Inequality*, 2014, p.187.

A survey of North Korean defectors shows even more severe inequality. A study sponsored by the ministry of unification interviewed 1,073 North Korean defectors in 2013 and concluded that the monthly household income of the upper class is almost 18 times greater than that of the lower class.

*Figure 5: Monthly Household Income
(unit: 1,000 North Korean Won)*

Source: Soongsil Research Institute for Inter-Korean Exchanges and Cooperation, *A Report on Information Gathering from North Korean Defectors*, 2014.

<Figure 5> also tells how big and popular the market activities are now in North Korea. Average monthly wages for ordinary North Korean workers are about 3,000-5,000 North Korean Won. As shown in <Table 5>, however, even a lower class household needs about 65,000 North Korean Won a month. It means that at least one family member must go to the marketplace and be involved in certain kinds of businesses. The market has become the primary source of food for ordinary North Koreans and it seems that more than 90% of North Koreans maintain their livelihood through the marketplace. Though there are more than 400 official markets in the North, the majority are unofficial markets through which many people earn money. Depending on the amount of seed money, personal characters, networks with government officials, and so on, some people make a big fortune from business while others live only on normal wages.

Such a huge income inequality causes critical and fundamental problems because North Korea has maintained basically a system of economic equality and is still emphasizing the importance of economic equality as a socialist country. As income inequality has increased, however, the class structure of the North Korean society started to be divided and even a bourgeois class has appeared. For example, the dietary patterns of the North Korean people differ significantly according to their income levels as shown in <Table 4>. The polarization of income would inevitably have a harmful effect on the cohesion of the North Korean society.

Table 4: Dietary Patterns of North Korean People by Income Level

	Response rate		
	Upper class	Middle class	Lower class
Three meals a day	90%	87%	63%
Almost rice	100%	66%	29%
Meat intake 1-2 times a week	85%	42%	7%
Various and enough food	86%	44%	7%

Source: The Institute for Peace and Unification Studies at Seoul National University, *Changes in North Korean Society and Citizen Consciousness*, 2015, pp.70-71.

III. The Reaction of the North Korean Leadership

The Kim Jong-un regime was launched earlier than expected in December 2011, due to the sudden death of former leader Kim Jong-il and has been stabilized rapidly with the political center exerting control over the military. In fact, we cannot see any signs which imply political instability in the North. Thus many observers evaluate that the short-term political stability in the North has been secured even though it is uncertain in the medium and long terms. For instance, commander of the U.S. Forces Korea, Gen. Vincent K. Brooks said in his confirmation hearing at a U.S. Senate Armed Services Committee in Washington on April 19, 2016 that Kim Jong-un seizes power completely and there are no signs of instability in his regime.

However, the regime's stability cannot be achieved only by political stability. Therefore, the next step must be the one focusing on economic stability.⁶ In other words, the Kim Jong-un regime needs to acquire general support from ordinary people once it

⁶ Of course, national security should be a prerequisite for the regime's stability. Because this paper focuses on the economic matters of the Kim Jong-un regime, however, security issues are not discussed.

secures loyalty from power elites. It implies that the North Korean government should strive for better living conditions of the people.

There are additional grounds due to which the Kim Jong-un regime will have no choice but to concentrate on the nation's economy. First, the era of Kim Jong-un is all about the economy. He inherited the legacy from his father and grandfather to enable all the people in the nation to eat rice and drink meat soup every day. Without realizing economic development, he cannot gain legitimacy of his regime and support across the nation. It is true that he was appointed as the national leader by his father and approved by the elites of the nation. However, his leadership is still questionable by the North Korean people. The only way he can obtain trust and legitimacy from them is to improve their livelihood. Therefore, economic improvement would be the top priority for him. It is why Kim Jong-un vowed that his people will never have to tighten their belts again in his first public speech on April 15, 2012.

Second, North Korea has been faced with rising demand for market activities. As mentioned above, most people in the North cannot live without markets. Furthermore, the labor market is in development recently as market activities increase and the working class is being divided. Tradesmen were introduced and 'Embryo of Capitalism' is burgeoning. In addition, the markets will develop by themselves as seen from the cases of the former socialist countries in Eastern and Central Europe. Against this backdrop, it will be difficult for the planned economic system and socialism to be brought back. Besides, it will take a while for foreign capital to flow into the nation even though economic sanctions are lifted and economic assistances to North Korea are agreed among the related countries with the progress of North Korean nuclear issues. All in all, the regime cannot but allow the markets to be operated for a while. However, the Kim Jong-un regime still wants to maintain a socialist planned economic system. Therefore, North Korea needs economic growth to revitalize the official sector and have it overwhelm the markets.

Third, a 'new generation' has emerged in North Korea. North Koreans who were born in 1990, for instance, became 5 years old when the 'arduous march' began. The top priority for them was to survive and they learned how to survive instinctively. For them, therefore, what matters is material not ideology, and economy not politics. North Koreans born after the 'arduous march' have been basically in the same situation since they grew up with the markets. In this sense, they are very different from the previous generation and now account for about 40% of the total population of North Korea. Even though North Korea is a system of dictatorship, it should reflect their demands for better economic conditions in order to maintain the regime.

Therefore, we can say that the dual strategic line of promoting economic and nuclear development simultaneously, or the *Pyongjin* strategic line was to be anticipated. On March 31, 2013, the plenary meeting of the Central Committee of the Workers' Party of North Korea set forth this new strategic line on carrying out economic construction and building nuclear forces simultaneously. It is interpreted as a national grand design of North Korea in the era of Kim Jong-un or 'Kim Jong-un Doctrine' to achieve economic development and to strengthen national security. In fact, these two agendas are remaining tasks for Kim Jong-un to secure his regime once political stability was obtained.

Many observers say that this strategy is nothing but a duplication of the original dual strategic line of simultaneously developing the economy and national defense by Kim Il-sung in the 1960s. However, I believe that there is a big qualitative difference between them. In the 1950s after the end of the Korean War, North Korea was able to concentrate on the economic development thanks to strong economic and military supports from the former Soviet Union and China. Entering the 1960s, however, there were fundamental changes surrounding the Korean peninsula. The military coup occurred in the South and, as a result, a military government took the power and a so-called triangle security regime among the US, Japan and South Korea was launched. Moreover, the sharp dispute between the former Soviet Union and China made North Korea maintain neutrality. Thus, North Korea could not but pursue self-defense and had to put more resources into defense. It implies that the original dual strategic line in the Kim Il-sung era was to focus on defense.

However, today's situation is totally different. Building a nuclear deterrent makes North Korea feel relatively secure in defense. On the contrary, North Korea has a strong incentive to improve the economic condition. As explained above, the Kim Jong-un regime needs to construct a solid foundation for sustainable economic growth, to improve the people's standard of living, to show the ability of the new leadership, and to complete building a strong and prosperous nation or *Kangsungdaekuk* which is an unfinished work by his father. Therefore, the dual strategic line suggested by Kim Jong-un should be interpreted to focus on economic development.⁷

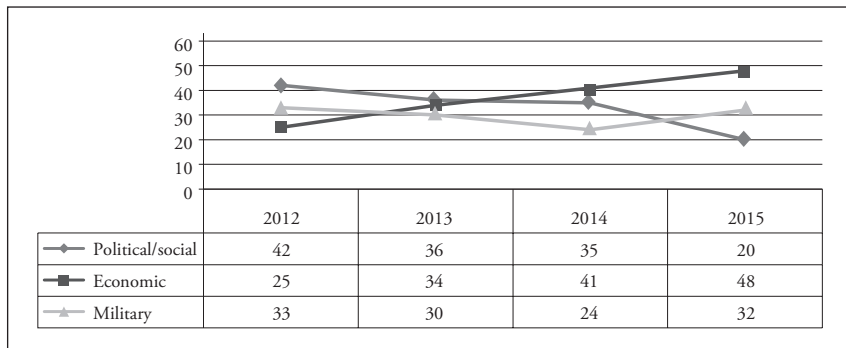
There are several examples which support this interpretation. As mentioned earlier, Kim Jong-un declared in his first public speech on April 15, 2012 that it is the firm resolution of the Workers' Party of North Korea to enable its people to live without tightening their belts any longer. In the New Year's Address every year, he emphasized

⁷ In fact, the North Korean economists and reporters I have met explained the same way.

the importance of economic development. For example, in the New Year's Address in 2013, he declared that the building of an economic giant is the most important task that comes to the fore in the present stage of building a thriving socialist country. In 2016, he said that the Workers' Party of North Korea gives top priority to the issue of improving people's living standards among millions of other national tasks. He also added that North Korea must create a turnaround in economic development.

The fact that Kim Jong-un's North Korea has been in a position to concentrate on economic development since the dual strategic line in 2013 can be also confirmed by the public activities of Kim Jong-un. In North Korea, so-called 'field guidance' by the supreme leader has been traditionally popular and Kim Jong-un is not an exception. Among his field guidance in 2012, military area was no. 1 accounting for 33%. However, the portion of economic area has consistently increased and made up the biggest portion accounting for 48% in 2015 while military area remained at around the 30% level.

Figure 6: Public Activities of Kim Jong-un by Area
(unit: %)



Source: Ministry of Unification.

IV. The Future Prospects

It is clear from the above analysis that North Korea has now a strong incentive to realize economic growth. Then what policies are North Korea likely to carry out for economic growth?

No matter whether the economic system of a country is socialist planned or capitalist market, the means to achieve economic growth cannot be different. If we define economic growth as the process of increasing outputs, there are only two ways to realize

economic growth: increasing inputs and/or increasing production efficiency. Thus the future direction of economic policies of North Korea is fully predictable.

An increase in efficiency produces more outputs at the same level of inputs. Therefore, North Korea is very likely to introduce several measures to improve its economic management system. The core of such measures must be the expansion of material incentives to workers and decentralization in decision making allowing more autonomy to individual firms and factories. Of course such measures are not sufficient to provide a solid foundation for long-term economic growth because they are basically 'improvement within the system.' In a socialist planned economic system, the core obstacle to economic growth is the system itself. Therefore, economics textbooks teach that privatization and liberalization are inevitable tasks in order to reform a socialist planned economic system fundamentally. However, North Korea is not ready to adopt such fundamental reform measures which imply transition from a socialist planned economic system to capitalist market economic system. Instead of full-scale privatization and liberalization, therefore, expansion of incentives and decentralization to some extent are realistic options North Korea can introduce at the present stage.

North Korea has been moving to this direction. Indeed, from late 2012, the North Korean government began to implement reform policies highly reminiscent of what China did in the late 1970s. Such reformist policies largely centered around two important documents, namely, the so-called 'June 28th Instructions' of 2012 and the so-called 'May 30th Measures' of 2014.

The most important part of these sets of policies was a far reaching change to North Korea's incentive mechanism in agriculture. The 'June 28th Instructions' envisioned that farmers would be permitted to work in family-based teams and allowed to retain 30% of the harvest. Under the new system, it is not surprising that North Korean farmers have stronger incentive to produce more food. Steady increases in agricultural production in recent years are evaluated to be outcomes of the 'June 28th Instructions.' The 'May 30th Measures' mainly for the manufacturing sector were even more ambitious in their scope. The measures allowed factory managers to buy industrial supplies and produce at market, while also being permitted to sell what their factories were to produce to whomsoever they pleased. They were also given the right to hire and fire personnel at will, as well as setting wages at levels they choose. This system was first implemented in early 2013 in some experimental enterprises. Such enterprises were easy to spot because workers there were paid what can be described as exorbitant wages by North Korean standards. Musan Iron Mine, for instance, being one such experimental enterprise, pays its workers

300,000-400,000 North Korean Won a month and it is roughly 100 times what workers would get paid under the old system.

However, inputs are usually more important factors for production than efficiency. Even though very productive ideas are suggested, they are not easy to be connected to real production unless more inputs are provided. Typical inputs are labor and capital. In the case of North Korea, capital is much more needed because North Korea has maintained a full employment system.

Since North Korea does not accumulate enough domestic capital to boost its economy, it has no alternatives but to try to attract foreign capital. Thus, the enactment of the Law on Economic Development Zones on May 29, 2013 can be interpreted as an inevitable choice by the North Korean leadership. Based on the Law on Economic Development Zones, the North Korean government announced in November 2013 the establishment of 13 Economic Development Zones in addition to the previous 4 Special Economic Zones. In July 2014, additional 6 Economic Development Zones were designated. All these zones are to attract foreign capital. Masikryong ski resort in connection with Wonsan Tourist Zone is also interpreted to invite foreign investment.

Of course, such efforts to invite foreign capital by establishing a considerable number of special economic zones are positive changes because it implies that North Korea is really concentrating on economic growth. Establishing the Economic Development Zones is especially remarkable since they are to be built in rural areas of North Korea's interior. Since the first special economic zone was introduced in Rajin-sonbong in 1991, the North Korean leadership has planned to build special economic zones only in border areas: Sineuiju, Kaesung, and Mt. Kumkang. All of them are located at the North Korean borders with China, Russia or South Korea. It was to minimize negative influences on the North Korean people.

However, the Economic Development Zones announced in 2013 and 2014 are located inside of North Korea. Some of them are even very close to large cities of North Korea. This implies that North Korea is now desperate and aggressive in inducing foreign capital.

Then, are those economic policies anticipated to bring about successful results? Unfortunately, the answer is negative. Even if North Korea introduces measures to improve the economic management system, there should exist certain limits because what is needed for the North Korean economy is 'reform of the system' not 'improvement within the system.' In fact, almost all East European countries had exercised similar measures to enhance their economic management systems in the 1960s and 1970s. The

*Table 5: Economic Development Zones Designated under the Kim Jong-un era
(unit: US\$ thousand)*

name	investment size
Waudu Export Processing Zone	100,000
Abrockang Economic Development Zone	240,000
Manpo Economic Development Zone	120,000
Wiwon Industrial Development Zone	150,000
Bukcheong Agricultural Development Zone	100,000
Heungnam Industrial Development Zone	100,000
Eorang Agricultural Development Zone	70,000
Cheongjin Economic Development Zone	200,000
Onsunsum Tourist Development Zone	90,000
Hesan Economic Development Zone	100,000
Hyeondong Industrial Development Zone	100,000
Sinpyung Tourist Development Zone	140,000
Songrim Export Processing Zone	80,000
Eunjeong Technology Development Zone	—
Gangryung Int'l Green Pilot Zone	—
Cheongnam Industrial Development Zone	—
Sukcheon Agricultural Development Zone	—
Cheongsu Tourist Development Zone	—
Jindo Export Processing Zone	—

examples are 'New System of Planning and Coordination of the National Economy' of the former East Germany in 1963, 'Reorganization of the Management System' of Albania in 1966, 'New Economic Mechanism' of Hungary in 1968, and 'Process of Improvement of the System of Planning and Management' of Poland in 1972. However, all those efforts failed since they were not reform of the system itself.

The same answer applies to the case of foreign investment. In order to make special economic zones successful, a host country should first provide well-prepared infrastructure and legal system. However, what North Korea has done so far is just announce the establishment of special economic zones. Even the plan on how to mobilize capital to build infrastructure in the zones and the merits for potential foreign investors are not revealed. In addition, it would not be easy to invite large-scale investment due to the economic sanctions by the United Nations and international society. Moreover, the extremely low purchasing power of North Korea would make foreign firms hesitant to

invest in North Korea.

In sum, considering North Korea's economic condition and international political environment, it must be a difficult task to produce fruitful outcomes for the success of the dual strategic line of promoting economic and nuclear development simultaneously. Therefore, North Korea should adopt fundamental 'reform' measures on the one hand, and work harder to improve its relations with foreign countries by making progress in talks about nuclear issues on the other hand.