Prospects for Economic Reform in North Korea

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As China’s lone treaty ally and unruly neighbour, North Korea is closely watched by Chinese officials and scholars for developments that may impact Sino-North Korean relations, the Korean Peninsula, and even the Northeast Asia region. While North Korea’s nuclear program has attracted the world’s attention since the first crisis erupted in 1994, Chinese academics remain attentive to the progress of economic reform in the North. Taking the long view, Chinese scholars are generally optimistic about the prospects for continued North Korean economic reform under favourable international conditions.

28 years of economic reform and counting

Over the last three decades, North Korea has initiated a series of largely unsuccessful economic reforms, but has recently renewed Chinese hopes with a series of new initiatives since January 2010. According to Zhu Liaoye and Xu Yonggen, the history of economic reform in the North can be traced back as far as 1984 with the introduction of the Joint Venture Law (heying fa)
2020) for National Economic Development, created the Taepung International Investment Group and the National Development Bank, and elevated the Rason Economic and Trade Zone (luoxian jingji maoyi qu
materialism, and illegal markets. Zhang Huizhi believes the new investment company, national investment bank, and other initiatives are all part of this new style of reform, and that these reforms will eventually lead to the creation of a new economic system. In contrast with Zhang Liangui’s scepticism over Rason, Zhang Huizhi believes Rason allows the North Korean government to experiment with economic reforms without fear of political instability. Zhu and Xu believe the North Korean leaders will initiate the reforms, since the people lack the ability to initiate reforms themselves. They believe the reforms will start with the agricultural sector, namely agricultural privatisation, possibly based on China’s household responsibility system (baochan daohu).