



Letters to the Editors

Students weigh in on a solution for the North Korean Economy

Introduction

The “GAEE Essay Competition on the North Korean Economy” was hosted in October 2020 by the Global Association of Economics Education (GAEE) in association with the Youth Forum of North Korea Democratization (YFNKD), and with sponsorship from the Ministry of Unification of the Republic of Korea. With the intention of raising awareness on the North Korean economy, the contest provides middle-school and high-school students with the opportunity to demonstrate their understanding of the key aspects of the DPRK’s current state of the economy and the effects of future democratization on the country’s economy and its people. Participants will be expected to write an essay covering one of these topics:

1. Comparing North and South Korea’s economy; what are the structural advantages and disadvantages of each economy?; should there be a joint enterprise?; if investing in North Korea is allowed, which area would you invest in?; is there any country that were in a similar situation as North Korea that showed growth in the economy, and what is the possible way to do so?; what is the potential of North Korea’s economy in a free economy setting and what is the area with the most potential?
2. What would be the potential impacts of the liberalization of North Korea economy on employment, wages, productivity, and conditions of work.

GJAE is pleased to feature some of the most thought-provoking responses to this competition in this issue’s *letters to the editors* section.

Letter: North-South Joint Enterprises: A Pathway to the Peaceful Unification

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North Korea claims that its economic system is perfectly normal and stable. The majority of the North Korean propaganda and media, such as “with our race” (우리민족끼리), claim that South Korean and other capitalist economies could not catch up with North Korean economic growth. However, based on the statistics provided by the World Bank and the U.N., it seems like the South Korean economy is well above the economic development rate of North Korea. There have been constant observations that North Korean national economic income is significantly lower than any other Asian countries, due to several factors such as the unfair distribution of wealth, the dictatorship of Kim Jong-un, and even natural disasters. In order to effectively manage the North Korean economy to prepare for successful and efficient unification, there needs to be a constant comparison between these two states’ economies along with the establishment of joint enterprises.

The South Korean economy rapidly developed after the Miracle of Han River in 1961 from developing countries. Before this economic miracle, the South Korean economy was still being focused on raw materials, similar to other developing countries, due to the aftermath of the Korean war and factories being destroyed. However, the government led by President Park began a New-village campaign, which rapidly increased the production rate of these major productions and political investment in new manufacturing industries. This enabled the South Korean economy to rapidly recover to a level where it could be a member of OECD. This constant economic growth and plans enabled South Korea to have various international industries that produce the majority of the construction materials, automobiles, and electric devices, such as Hyundai and Samsung. The South Korean economy also became diversified to ship-manufacturing industries and tourism services as it also installed airports and other transportation to expand its business to services. Currently, the South Korean economy has improved significantly to a level where Korean companies are installing secondary factories in foreign countries, such as Southeast Asia. However, the South Korean economy on the production of raw

materials couldn't be said to be successful since the majority of the raw materials manufacturing industries have either announced their bankruptcy or changed their main business areas to the new service areas. The South Korean economy also treats workers as important economic elements, which sometimes are used in various labor protests against their working environment or economic flaws, such as raising minimum wages.

On the other hand, the North Korean economy is currently still based on the raw material industries since it didn't have enough facilities or governmental support to expand and diversify its major economy. Instead, the government is only focusing on maintaining their authority, power, and economic wealth. For instance, while the majority of the North Korean teenagers are unable to go to public schools and receive a proper education, Kim's family even received education from Ivy League schools and other foreign schools which don't have a free education system. The North Korean government also invests the majority of its annual income strictly on the preference of the ruling family, including the reform of the palace and invention of new weapons, including ICBM. As a result, the uneven distribution of wealth in North Korea is a serious issue that is currently an obstacle to North Korean economic growth. On the other hand, the North Korean economic system enables it to easily control the distribution of resources along with the life of citizens, since the government is the one who is responsible for passing the further legislations and deciding the next investments. This economic system has a decent advantage of the government being able to decide the next economic plan without any intervention or resistance from other political or labor organizations. Even if there are some workers who critically criticize the economic system, the government soon uses its secret police to arrest them and take them to rural areas, such as the Siberian plains, to force them to labor for the government away from their home.

As a result, while the South Korean economy has an advantage of rapidly recovering and expanding its major economic source of income, the North Korean economy has the advantage of being able to easily control the economic activities of citizens along with absolute power of the government to utilize the annual economic source. These two advantages could be united and used together using the joint enterprise system. This enterprise could be managed by both North Korean and South Korean economists and

officials, which is similar to the Shared-communication center. However, this shared enterprise mainly aims to establish a stable economic system that has both the advantages of North and South Korea from constant debate and discussion between North Korea and South Korean economists. These economists together propose various economic systems and generate the possible major advantages and disadvantages of each system or structure.

These officials would also decide the most suitable economic system for unified Korea and predict the possible amount of money and other resources required for this system to be initiated. However, the challenge could be constantly seen, especially due to the ideological differences between the North and South Korean representatives. As North Korean citizens receive an education that justifies their current leader and dictatorial regime, some of the political officials could strongly disagree with establishing a close economic relationship with South Korea. Moreover, throughout constant meetings, these officials could also exchange their advanced technology or abundant amount of resources, which is one of the major successes in their current economic system. North Korean officials would receive manufacturing technologies that were developed from South Korea during the Miracle of Han River, while South Korean economists could receive abundant amounts of raw materials and other resources that could be found in South Korean regions.

It could not be denied that there are some considerable differences in the economy of North and South Korea along with their ideological differences. However, this joint enterprise would decrease the size of the gap between their relationships and become an effective method to prepare for the unification of the Korean Peninsula.

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Letter: A boat in a storm

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In July 27th 1953, the two Koreas signed an armistice to sever any previously existing ties for the next 60 years. Since making truce, a series of conflicts concerning nuclear proliferation and violation of human rights in North Korea have significantly deteriorated inter-Korean relations. However, with the recent Panmunjom Declaration, the divided nations have taken the big first step towards reunification. The Diplomat writes that “The Panmunjom Declaration assures the world that military action on the Korean Peninsula will not happen anytime soon”. Without doubt, the Panmunjom declaration has achieved an unprecedented feat- both Koreas settling for peace. Nevertheless, it is imperative to comprehend that the declaration specifies no imminent action, thus legitimizing President Moon’s urge to accelerate sequential processes towards lasting peace. For a comprehensive understanding of underlying post-war tensions, we must begin with the historical background in discrepancy of foreign policies.

Previously, South Korea’s Sunshine Policy dominated inter-Korean relations. First implemented by President Kim Dae Joong in 1998, it aimed to bridge the wealth gap between the two Koreas through economic cooperation. However, due to the totalitarian regime of the North Korean government, the Sunshine Policy never brought significant change in alleviating economic problems. For the following years, provisional interactions- including temporary reunification of separated families to nuclear war threats from North Korea- occurred between the two governments. In this raging storm of missile threats and intimidation tactics, the Panmunjom Declaration emerged as a shining beacon of light. However, to successfully reach ashore, we must steer with caution; to establish lasting peace in the Korean peninsula, it is crucial that we prioritize gradual denuclearization, while maintaining positive relations with China and the US.

Throughout history, denuclearization itself has never been a straightforward process. Similarly, North Korea’s president Kim Jong Un may be masking certain intentions by signing the Panmunjom Declaration. Thus, we should keenly be aware of any subsequent

action violating the declaration. Gradual denuclearization of the peninsula requires two important factors to be addressed: lowering tensions along the DMZ and rebuilding North Korea's economic sustainability. Currently, President Moon and President Kim have agreed to alleviate military tensions by eliminating any broadcasting loudspeakers or leaflets along the Demarcation line, and turn conflict-ridden areas in the West Sea into a maritime peace zone for fishing. Also, frequent meetings discussing future prospects of neutralizing areas around the demarcation line. On top of lowering tensions, North Korea's economy has to reach a certain level where it would be able to support its own population. According to the Wall Street Journal from March 2 2018, "the impact [of trade sanctions] within North Korea is likely to intensify later this year as it runs short of foreign currency, and could trigger an economic crisis by 2019". Continued sanctions will be detrimental to the North Korean economy and the denuclearization effort. Its economic stabilization can only be achieved through continual economic interactions between the divided nations in the form of foreign aid.

From an international perspective, the implications of the Panmunjom Declaration extend to China and the US. It is imperative that quadrilateral summit meetings be arranged to resolve any national conflicts involving certain issues. Controversies dealing with the involvement of the US military in South Korea, as well as relief of China and North Korea trade sanctions, should specifically be emphasized in these meetings. Likewise, the Korea Times writes "The U.S. and China are discussing a possible withdrawal of a U.S. missile defense system from South Korea as part of a grand bargain over North Korea's nuclear program, multiple sources familiar with the talks said". Agreements in such issues must be entrenched into the basis of international relations of the four nations to guarantee beneficent results for each nation and further ensure lasting peace in the Korean peninsula.

Simply put, the current situation in the Korean Peninsula can be accurately represented by a boat in a storm; the Panmunjom Declaration is a strong sea breeze. If we successfully manage to ride the wind, we will arrive safely back ashore. However, it will not be an easy journey—thunderous waves will batter down the hull—but the key is to remain persistent. With the aid of foreign countries and continuous effort of the crew, we can watch the beautiful sunset on the seaside—the democratization of North Korea.