

North Korea

Status Index (Democracy: 1.6 / Market economy: 1.6)		3.2	Management Index		1.0
System of government	Autocracy		Population	22.4 mill.	
Voter turnout	99.85 %		GDP p. c. (\$, PPP)	n. a.	
Women in Parliament	20.9 %		Unemployment rate	n. a.	
Population growth^a	1.3 %		HDI	n. a.	
Largest ethnic minority	~0 %		UN Education Index	n. a.	
			Gini Index	n. a.	
Data for 2001 – if not indicated otherwise. ^{a)} Annual growth between 1975 and 2001. Source: UN Human Development Report 2003.					

1. Introduction

North Korea must be viewed as an exceptional case in East Asia, because both quantitative data and reliable qualitative estimates are extraordinarily difficult to obtain and must always be regarded with the utmost caution and skepticism for the purposes of analysis. Local research in political science and other fields is nearly impossible. Official data are often falsified for ideological and military reasons. This must also be assumed for data provided by South Korea. Diversifying data sources and careful comparison of the respective results offers a partial solution to this problem, but this methodology has only a limited scope of application and still carries a substantial risk.

Basically, the question is not one of the form of transition and progress on a superficial level, but rather of when and under what conditions such a transformation can and would occur.

2. History and characteristics of transformation

The transformation process in North Korea is characterized by the close interdependence of economic and political reform. Here economic factors initiate an appropriate political transition process, while political factors determine the direction, pace and choice of method. The goal of maintaining, securing and expanding the political system, along with the ideology and persons involved, lies at the core of the process, which is completely initiated and controlled by the state, or, more specifically, from the top.

Democratic transition in North Korea is out of the question, although some developments have the potential to serve as a basis for such a process in the future. Starting in the late 1950s, the leadership has increasingly managed to fashion its own political position by exploiting ideological conflicts between its main political models and influences, the Soviet Union and the People's Republic of China.

The "Chuch'e" ideology embodies the codified expression of this position, and this ideological independence is one of the main reasons why North Korea did not undergo the transition processes of the former Eastern Bloc countries. According to the Chuch'e ideology, ideological independence must be accompanied by independence in economic, military and foreign policy issues. North Korea has resolutely followed this course to date. This same ideological independence, which at first had hindered "imported" transition, also explicitly allows the incorporation of a "creative point of view." This can be interpreted as a fundamental willingness to change and is used in exactly this sense in official communications.

In this context, the Joint Venture Law of 1984, and subsequent laws with similar objectives, must be considered noteworthy because they legalized and institutionalized economic collaboration with ideological adversaries. The actual implementation, which remains to a great extent incomplete, is really more of a technical matter than one of principles. The creation of free economic and trade zones in the early 1990s—in the Tumen Delta in the northeast of the state around the towns of Rajin and Sonbong—was also an important indicator of the changing character of economic development. Despite rather mediocre economic performance, the political implications of these and other special economic zones are of massive and lasting importance. The basic seeds of transition exist here also, and are waiting to germinate, depending on political considerations.

In 1994, the issue of succession after the death of Kim Il Sung, the *de facto* leader of the country since 1948, was a significant factor in accelerating and/or slackening the pace of the transition process. After three years (and without ceremony), his oldest son Kim Jong Il, who had long been designated as his successor, officially took over a share of power, which is unequally distributed among the military, party and executive spheres. The new situation was ratified by a 1998 change to the constitution, bestowing the title of President upon the deceased Kim Il Sung in perpetuity.

The position of Chairman of the National Defense Commission, held by Kim Jong Il, is therefore the key position in the state. Functions were combined so that he is also the General Secretary of the party. The last (6th) party congress was held in 1980, thereby leading to an election by declaration of intent by the primary organizations, rather than the convention delegates. This is presumably an interim solution that will be either confirmed or replaced at the next regular convention of

the party. Under the new leader and leadership, there is visible continuation, if not acceleration, of a process that could serve as a basis for transition.

3. Examination of criteria for democracy and a market economy

3.1 Democracy

3.1.1 Political organization

(1) Stateness: There are no problems with state identity in North Korea. The state has an unrestricted monopoly on the use of force. There is fundamental agreement on inclusion in the state population. According to the Citizenship Law, “blood ties” are the basis for defining citizenship and qualification for citizenship and include persons born or living outside the state, in some instances. The right to citizenship for citizens of South Korea is no longer mentioned in the current constitution (1998), but is still implied.

All citizens have the same civil rights, even though citizens are unofficially divided into categories, for example, such as main, wavering, and hostile (with corresponding sub-categories). The proletariat is assigned a leading role in the constitution (Art. 10). There is separation of church and state; secularization is total. Article 11 of the constitution assigns the leading role in internal state affairs to the Korean Workers’ Party (KWP). A capable administrative system is guaranteed, as is law and order. The state is present in a complex management infrastructure throughout the entire country, which allows diverse extraction and allocation of state resources.

(2) Political participation: Although de jure universal suffrage and the right to campaign for office exist, free and fair elections do not take place. Elections are held, but have only limited power in determining the actual leaders. The elections are properly conducted as dictated by the circumstances—the constitution gives ruling power to the KWP. There are few alternatives; generally, only one candidate runs for each position. Voter participation is considered mandatory and an expression of expected support for state policy, which results in a voter turnout of nearly (or even) 100 %.

The effective power to rule lies with the elected government, but also includes committees, such as the Standing Committee of the Politburo and the National Defense Commission. The KWP wields vast influence, at the same time filling most of the ranks in the government. There are no veto powers or political enclaves in the hands of the military. Indeed, Kim Jong Il rules in his capacity as Chairman of the National Defense Commission, basically as the top military leader.

The state-run media are controlled completely by the government. Political and civic organizations cannot form freely. Union activity does not comply with international conventions on labor rights, but is instead totally engaged in implementing state politics. Freedom of information, of opinion and of assembly are non-existent. Civil society does not exist.

(3) *Rule of law*: Checks and balances among the executive, legislative and judicial branches exist only on paper, as these institutions serve only to passively implement the orders of the KWP leadership and the National Defense Committee, that is, Kim Jong Il. North Korea's state apparatus is tightly structured and functions on the principle of democratic centralism (Const. Art. 5). Parliament's participation in the political decision-making process is negligible. The institutionally separate judiciary branch is a compliant instrument of the political leadership, even though Article 160 of the constitution declares the Supreme Court to be independent.

The legal system is considered the basic instrument of state administration (Const. Art. 18). The justice system is often employed to persecute actual or suspected political adversaries; however, there is no tendency toward show trials. Trials and enforcement of sentences are used as a means to indoctrinate the public at the local level. Constitutionally guaranteed civil rights are systematically violated because they rank below the requirements of the ideological system. The same holds true for individual freedoms, which are considered less important than obligations to society. Corrupt politicians are selectively persecuted.

3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability*: For an autocratic system such as North Korea's, this question does not apply.

(2) *Political and social integration*: The organizational patterns for political representation are stable. The constitution grants the leadership role to the KWP, and other, substantially smaller bloc parties participate as defined within the bounds of the national front. The highly stable political parties have political objectives geared toward expanding the socialist society of North Korea as well as peaceful and independent reunification with the South. Tendencies aiming at greater political independence from the central state—whether on the part of persons or regions—have always been consistently and firmly suppressed, so the political landscape can be considered homogenous.

Most analysts rule out the existence of underground opposition groups because of the strict and far-reaching state surveillance. Some suspect that there is a degree of fragmentation within the KWP, due to unavoidable personal relationships, but there are no data available on rival factions. The family of Kim Il Sung, and now Kim Jong Il, plays a special role in state institutions and is disproportionately

represented there. No political conflict of any kind occurs, due to the high degree of political homogeneity. This leads to stagnation. Thus, the most urgent issue for the transition toward democracy in North Korea is the acceptance of divergent political opinions (and learning to work with them). A well-differentiated spectrum of interest groups does not exist in North Korea, although it is suspected that a certain level of competition exists among army, party and administration, or between the center and the periphery.

As for unions and companies, both work toward the same goals set by the KWP. The party-dictated cooperation of workers and management at the heart of the Taean Work System as well as the Ch'òngsanri Method, its agricultural equivalent, is established in the constitution. Apart from the high voter turnout, which is attributable to other causes, there are no empirical data on the citizen's satisfaction with the performance of state and civic institutions. The local organizations for resolving everyday problems are "neighborhood groups," or *inminban*, made up of five families, but they are mandated and regulated by the state. Forming such communities is a long-standing tradition in Chinese-influenced East Asia. Self-help organizations—in agriculture for example—are traditionally known as *kye* in Korea.

3.2 Market economy

The cautious transformation of the economic order begun in the mid-1980s has continued. This presumably reflects the awareness of the need to adjust the economic policy apparatus to fit new conditions while still serving the unchanging goal of regime stability, rather than a general trend toward fundamental social transformation.

3.2.1 Level of socioeconomic development

The mostly unconfirmed data show a high level of development. The country is electrified; the population has access to education, regular work, more-or-less assured food, a uniform ideological foundation for life, settled rules for living, etc. There is no evidence of fundamental social exclusion through poverty, education or gender-specific discrimination. The level of equality is high, as is common in a social system such as North Korea's.

In some areas, the relative homogeneity can be attributed to a low overall level. The majority of the population has a limited list of options concerning its education, profession, place of residence, and so forth; freedom of choice is not available. Access to higher education and upward social mobility can be hindered by social background. Serious discrepancies in availability of supplies are suspected, depending on the availability of hard currency, as well as position in the social hierarchy.

3.2.2 Market structures and competition

Basic free market competition does not exist. The totally state-controlled national economy is highly regulated, and these regulations are non-transparent to a great degree (only occasionally accessible; unclear regulatory process) and are often resolved in an informal manner, in the sense that the responsible ministry directly exercises influence.

Attempts to allow private economic initiatives to expand the state economic order are limited to a few, clearly defined special economic zones. Private farmers' markets, which were apparently tolerated during the mid-1990s, have once again been restricted, according to the latest reports. But it can generally be assumed that the North Korean leadership has recognized the need to implement alternative—meaning market economy—models to increase productivity.

Currently, the North Korean leadership is clearly uncertain about how to reduce or eliminate the undesirable political effects of these models. North Korean requests to the EU for training for its managers reveal an interest in Western market-economy models, especially in the areas of banking, capital markets, foreign trade and accounting. At present, the entire national economy, including foreign trade and the financial sector, is strictly controlled by the state as owner and monopolist.

There is likely some competition between the “first” and the “second” national economy. The latter refers to agricultural and industrial production in the hands of the military, which confers on the military a special economic role within the state. There are no precise or reliable data about the size of this sector. In the absence of competition, campaigns with an ideological underpinning are employed to raise productivity. This “mass political orientation” is established in the constitution. Foreign trade is controlled or guided by the state. The country is to a great extent isolated from world markets. Banks are in state hands. There is no capital market.

3.2.3 Stability of currency and prices

Control of inflation is not one of the parameters of the economic order, system or policy, while the exchange-rate policy is subject to governmental and political motives. There are no generally available data on price stability for North Korea. The prices of individual goods and services are set by the state—as is the exchange rate—and are consistent over long periods of time, as a rule.

In July 2002, massive price adjustments were made for a range of important goods and services, as well as to the exchange rate to the dollar, reaching nominal extremes of 55,000 % (rice) or 7500 % (exchange rate). One can only speculate about the actual relevance of these changes, especially because data for

calculating the cost of a shopping basket of goods is incomplete, and because the restricted function of currency in North Korea means that nominal prices are only a limited indicator of the actual scarcity conditions. Black markets do exist, but there are no reliable data available on them.

The central bank is state-owned and functions totally as an agent of the government. North Korea's external debt of approximately \$12 billion has remained relatively stable over recent years. North Korea's efforts to solve its problems of financial scarcity by becoming a member of an organization such as the Asian Development Bank have been unsuccessful so far.

3.2.4 Private property

According to the constitution, private property is protected, although this does not apply to means of production. Private companies are allowed as exclusive enclaves at best; otherwise, the state dominates the economic system. The state is the sole owner of both industry and agriculture. "Kitchen gardens" for private production of agricultural products have been permitted in the last few years to overcome food shortage crises. Intellectual property is not protected. The North Korean economy is characterized by a maximum degree of concentration, in the sense of preventing redundant investments and exploiting economies of scale. In addition, the state is the sole owner of all means of production.

3.2.5 Welfare regime

All programs in the areas of welfare, health care, education, and so forth are provided by the state. In 2002, expenditures for these programs amounted to \$3.89 billion, or 38.8 % of the national budget (MOU 2002). Alternative safety net systems do not exist. There are no data available on unemployment. In general, low productivity levels indicate a labor shortage.

The shortage of energy and, in some areas, natural resources, especially crude oil, does indeed cause production to temporarily fall short of capacity, thereby creating a counter trend. It is unclear what the bottom line actually is. Because the state provides all social benefits and withholds the necessary funds indirectly from wages, there are no institutionalized systems of social security, such as health insurance and pensions. North Koreans do not pay any formal social security contributions or taxes. The use of indirect taxes, such as value-added tax, is equally unclear, as these are not revealed separately.

It is suspected that the price system reforms were aimed at adjusting prices to fit actual costs, laying the groundwork for indirect taxation. The society has homogenous features with a strong sense of equality, and there are a number of

programs to balance out blatant social differences. Women have more or less equal access to higher education, public office, etc., although this is also due to the need to fully utilize labor capacities in the face of generally low productivity. Laws guaranteeing the equality of women have been on the books since the late 1940s.

3.2.6 Strength of the economy

Based on South Korean data for the evaluation period 1998–2003, North Korea's GDP has grown after dropping to a low in 1997 (BOK 2002), but the low initial level of \$706 per capita must be taken into account. Economic growth does not even come close to the growth potential. The latter derives from a well-educated and disciplined labor pool, a domestic market that is for the most part unsaturated, and the extensive availability of natural resources.

Reasons for not exploiting these factors are a lack of financial resources, insufficient foreign direct investment, low productivity levels, lack of competition, and doubts of both an ideological and security policy nature about introducing a competitive system. Because of North Korea's international isolation and the economic sanctions against the state, the situation cannot be expected to improve before foreign policy problems are resolved. The reform of economic management with international support could lead to noticeable improvement in basic macroeconomic data within a short time.

3.2.7 Sustainability

Ecological sustainability is completely subordinated to the push for growth and does not have deep-seated institutional support. The state provides all-encompassing education and training programs, a dynamic research and technology sector, as well as a stable infrastructure. The qualitative and quantitative investments in education and training, as well as research and development, rank above average. The introduction of data processing in all areas of society, within the limits of its capacities, is a stated policy of state leaders.

4. Trend

(1) *Democracy*: State identity, political participation and rule of law have remained at the same level over the period under study. This must be regarded as remarkable, considering the instability feared after the 1994 death of Kim Il Sung and substantial pressure on both the domestic economy and foreign policy. There is still no free political participation, no liberal or democratic political institutions and no rule of law. No substantial progress in a democratic transformation can be seen. At the same time, the situation is not one of utter arbitrariness. People who

live within the ideological boundaries set by the party and the state's leadership can lead a comparatively unmolested and normal life.

(2) *Market economy*: There are no quantitative data on the status of socioeconomic development, because there are no reliable hard data for the country. The stabilization of the existing level of socioeconomic development can be assumed.

Institutional conditions for economic activity have improved slightly. This applies particularly to the activity of foreign companies in North Korea. The number of special economic zones has grown, and the level of freedom allowed within these zones has risen. The economic activities of citizens continue to be subject to the same heavy restrictions as in the past, but initial, albeit cautious experiments with increased individual responsibility for state economic entities must be noted. However, no predictions can be made about the sustainability of these measures.

The total economic development has improved slightly, both quantitatively (more than 1 %) and qualitatively, with reservations regarding the low starting level and the unreliability of available data.

5. Transformation management

5.1 Level of difficulty

The level of development must be considered low, according to the available data. The population has a high education level. There are no ethnic, religious or social conflicts, in spite of the stretched food supply and isolationist foreign policy. There are weak civic traditions, but they have been fully absorbed by the state, serving to uphold the system and thus neutralized in their potential for a democratic and market-oriented transformation. The rule of law does not exist. The political institutions of the autocratic system are stable.

5.2 Reliable pursuit of goals

The top priority of all North Korean policy is to preserve the regime. Secondary goals, such as introducing socialism into South Korea, were removed from the constitution in 1998. The state is pursuing long-term objectives and can in fact implement appropriate measures in that direction, but the objectives do not meet the country's development and transition needs. A reform policy does exist in general, and it does not contradict official ideology. The direction of reform is unclear, except, of course, for the above-mentioned preservation of the regime. The same is true of the concepts and elements of reform, the specific carriers of reform, etc. Often, the impression arises of partial, ad hoc reforms by trial and error.

Long-term efforts to satisfy changing conditions in the economic and political environment within the bounds of possibility—or more precisely, the defined possibilities—can be noted. The state is the general initiator of reform, but the details of responsibility and jurisdiction are not transparent. State policy guarantees a basic expectation of reliability in life, law and economy, but it is potentially vulnerable to sudden turns and changes in course. Civil and economic actors must expect politically generated insecurity. This holds true for foreign actors as well.

5.3 Effective use of resources

Effective allocation of resources is not evident in North Korea, because the system is inherently flawed. The available resources could be managed much more efficiently. Waste occurs for representative purposes. There is no effective implementation of reform policy, but the state is currently undergoing a learning process, and some of these failures stem from unrealistic goal-setting rather than inadequate implementation.

Government services are only partially provided, including the development of human resources. Protection for private ownership rights, functioning markets and an adequate infrastructure are either non-existent or markedly insufficient. Corruption is not a significant problem. Irregularities have been reported in connection with joining the Workers' Party (improved career opportunities) and relocation to better-supplied regions (the capital city).

The political elite successfully supports the regime with existing cultural legacies—not primarily to support reform, but to generally legitimize state actions. This also applies in varying degrees to shamanist, neo-Confucianist traditions and the legacy of the liberation struggle against the Japanese occupation (1910–1945).

5.4 Governance capability

The leading political actors do indeed react to failures and policy problems within their scope. But appropriate changes end up so marginal, due to ideological considerations, that policy often remains trapped in long-established routines. The learning process reaches the knowledge base or the cognitive bounds of policy, even if it is unclear to what extent. The interests of stakeholders are not at issue.

Examples of learning processes include the rejection of state-supported terrorism, willingness to begin dialogue with South Korea and the United States, and structural reform of the executive branch. The government has sufficient political authority to achieve reform. However, it ignores the distributive effects of its

policies and regularly incorrectly allocates production factors, thereby harming the chances of development. Here again, the higher priority is placed on political goals, such as keeping the regime in power, rather than on economic rationality or efficiency. Conflicts of interest and losses of efficiency are accepted as part of the price. Aside from the official leadership, there are no relevant political actors to push ahead with economic, political and social reform.

5.5 Consensus-building

There are no substantial political actors with an interest in building up a market-based democracy. The state successfully reduces cleavages in society and increases consensus across lines of division, although this is intended to spread uniform agreement with state policy and suppresses any alternative views. Class conflicts do not exist per se, particularly because the dictatorship of the proletariat is established in the constitution.

Ethnic and religious conflicts are unlikely, because of the high level of homogeneity. There are no reports of regional conflict potential, even though food supplies and opportunities for advancement often vary tremendously from one region to another. The state insistently fosters and develops solidarity between civic groups and citizens; the words: "All for one, and one for all," appear in the constitution (Art. 63). In addition, the political elite manipulates historic memories of injustice in the battle against political opponents. This is especially true of the colonial occupation by Japan and the Korean War.

5.6 International cooperation

Although the political actors collaborate with bilateral and international donors, they do not use international aid to improve policy. There are many reasons for this inadequate level of collaboration. The North Korean leadership often views international organizations as agents of political adversaries, as was demonstrated with extreme clarity by the dispute surrounding the IAEA at the end of 2002 and early 2003, and the state approaches them with deep mistrust.

In many cases, North Korea is excluded from collaboration although it has clearly and repeatedly signaled its willingness to cooperate (example: Asian Development Bank). A positive example is the membership of both Koreas in the UNO, which was finally achieved a few years ago after decades of disputes. North Korea is generally interested in international collaboration and actively pursues this.

The political leadership is not, or only minimally, willing to accept the conditions of international partners and meet demands for specific reform. As soon as North Korea considers the question of national security and security of the regime to be

adequately resolved (for example, by an appropriate agreement with the United States), its readiness for collaboration will markedly increase.

From the international community's standpoint, the North Korean government is unpredictable and acts without any consideration for the international environment. Collaboration with North Korea poses many risks, but the reason for the apparent unpredictability is often simply insufficient knowledge about North Korea's preferences and limited sphere of action. Because North Korea's leadership places top priority on the security and stability of the regime, collaboration is in fact risky from North Korea's perspective, and any collaboration will be terminated immediately if these are endangered, or even if the perception of danger arises.

North Korea's political actors collaborate only selectively or sporadically with individual neighboring countries, regions and international organizations. Willingness to terminate collaborative relations is high, but the willingness to resume them is also high.

6. Overall evaluation

In view of the originating conditions, current status and evolution achieved, as well as the actors' political achievements (management), this assessment comes to the following conclusions:

(1) Originating conditions: The starting conditions for transition can be rated as relatively positive. Although there were no functioning market economy structures, there have been a large number of small steps taken since the Joint Venture Law of 1984 that, despite being regionally quite limited at present, have introduced international standards for economic activity. The tolerance of farmers' markets and small private agricultural production units has allowed a large portion of the population to gain valuable experience of the basic principles of a free market economy.

The price reforms of July 2002 as well as the clear interest in consulting Westerners on questions of free trade mechanisms (particularly in collaboration with the EU) demonstrate the definite existence—although in reality limited and volatile—of the political will for far-reaching and extensive economic change.

The death of the dominant political leader in 1994 opened up an opportunity for cautious change in the political arena. The de facto elimination of the office of president (Kim Il Sung has been declared president in perpetuity in the constitution), the adoption of a new constitution and the first inter-Korean summit in June 2000 are signs of a new, if not a radical beginning.

In comparison to other countries, North Korea possesses clear and functioning state structures, the national identity is clear, and the population identifies strongly with the nation. Because reunification is considered the top political goal, the state identity is not limited solely to the north of the country, although the explicit claim of sole legitimate representation for all of Korea has been deleted from the constitution.

The lack of a civil society and political opposition are major obstacles to transformation. The highly developed education system has laid the groundwork well for the quick dissemination of political, economic and social concepts. Democratic traditions and values do not exist in North Korea, whose past has been dominated by neo-Confucianist hierarchic beliefs, a centralistic feudal Asian state (until 1910) and colonial oppression by a militaristic Japan (until 1945).

(2) *Current status and evolution:* There has been little progress toward a democratic transition during the evaluation period. This coincides with the generally extremely slow pace of changes implemented from above, due to the high priority placed on retaining control. Aside from the increased importance of the executive branch after the amendment of the constitution in 1998, there has been no progress worth mentioning. There is no recognizable internal threat to the authoritarian rule of Kim Jong Il; such a threat could only originate in elite circles, if at all, not in the general population.

The transition toward a market economy has progressed further and gives rise to hopes for a later spillover effect into the political system. But this still cannot be considered a market economy. The greater independence of individual state production units, the price reforms, the interest in international consultation and training in the workings of a market economy, as well as the existence of markets for surplus agricultural products are all positive signs.

But it remains unclear whether the progress is irreversible. Foreign policy concessions are noteworthy and must not be viewed separately from the set of problems posed by democracy and a market economy. These include the qualitatively singular confirmation in September 2002 of the kidnapping of Japanese civilians, as well as the suspension of the North Korean missile program. Developments since October 2002 concerning North Korea's atomic programs could be interpreted as way of using pressure to extract external help for reforms, as well as security guarantees in the event that reforms turn out to be destabilizing.

(3) *Management:* The verdict on the actors' relative management performance is negative. The fact that the stability of the regime has been preserved in the face of difficult internal (food shortages) and external (isolation) conditions must be considered a great success, as is the implementation of the individually described changes, including the transfer of power to Kim Jong Il. With regard to the imaginary goal of a well-developed democracy and market economy, progress is nil on democracy and minimal on a market economy. The government is a

significant hindrance to transformation. The potential for democracy and a market economy is not being adequately exploited; this is a logical consequence of the state's efforts to maintain power and the system.

7. Outlook

The latest move in the second nuclear poker game should be seen as an attempt to create stable conditions and the necessary external security for planned internal adjustments. The conditions for this are markedly better than in 1994, when the organizational capability of North Korea's leadership was limited during the transfer of power from the newly deceased Kim Il Sung to his son, Kim Jong Il. One-person rule will not likely last after Kim Jong Il, because there is neither a successor up for discussion nor a person who possesses the legitimacy and authority necessary. A planned transition to a form of collective leadership is suspected here, supported by the fact that the Korean Workers' Party has not held a party convention since 1980. In the future, such a party convention might be used to propagate a new line.

Radical changes cannot really be expected, but rather a gradual and controlled approach. Special economic zones—such as Rajin-Sonbong, Kaesong, and possibly Sinuiju as well—which function as a testing laboratory of sorts, are expected to provide new impetus for further transition toward a market economy. The urgent challenge is to systematically bring North Korean economic and social structures in line with international standards. This involves introducing transparent direct and indirect taxes, an independent social security system not hidden in the state budget, the disclosure of subsidies and a higher degree of transparency and individual responsibility in general.

It can be assumed that the powers and scope for action of the various production facilities will be expanded, internally at first. However, the state will seek to maintain its monopoly on foreign trade. A key element will be the development of a basic financial and banking sector and the training of all economic actors in its functions.

Democratic ideas patterned on Western models can only take hold if the state monopoly on information is overcome. The state leadership will do anything to prevent this from happening. Overly massive efforts to exercise influence from outside the country could lead to instability and/or retaliatory measures from a threatened elite.