

North Korea still stable despite external vulnerabilities

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North Korea seems to have had an internally stable 2015. Its economy is far from faltering and Kim Jong-un has firmly consolidated his power base. There were no explicit signs of internal challenge. Kim is both reigning and ruling. But Pyongyang's provocative behaviour in the international domain could produce severe consequences for North Korea. Uncertainty remains high.



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In late October, Pyongyang announced that it will hold the Seventh Congress of the Korean Workers' Party (KWP) in May 2016, 35 years after the Sixth Party Congress in 1980. At the first Inter-Korean Summit in 2000, the late North Korean chairman Kim Jong-il mentioned to then South Korean president Kim Dae-jung that he would convene a congress, but it was never realised. Kim Jong-un succeeded power without the congress ever being held. This announcement is therefore a significant move.

Kim Jong-un is likely to use the upcoming party congress as a platform to declare the beginning of a new era under his leadership. His [2015 New Year speech](#) ^[2] had already hinted the possibility of redirecting the governing ideology.

Kim Jong-un's previous New Year speeches made it clear that his rule is founded on two pillars: the ideological lines of his grandfather Kim Il-sung and father Kim Jong-il. But in 2015, such ideological edifices did not appear. Instead, Kim Jong-un routinely mentioned old rhetoric such as strengthening monolithic leadership, *juche* (self-reliance), as well as the importance of *songun* (military first) politics. The North Korean leader may well introduce his own brand of ruling ideology at the Seventh Party Congress in 2016.

The decision reveals Kim Jong-un's growing confidence in economic performance and power consolidation. North Korea underwent major economic difficulties in 2015 — partly because of international sanctions and poor harvests, and partly because of falling prices of coal and iron ore that accounted for almost half of its exports.

But Pyongyang's economic performance has remained rather robust, owing to the flourishing informal sector. Since 2009, more than 400 *jangmadang* (informal marketplaces) have been introduced. They have facilitated the distribution of necessary consumer goods through a quasi-market mechanism. Such informal markets critically mitigated the negative consequences of severe drought and poor harvest. This was a sharp contrast to the period of mass starvation of the 1990s, after which the public distribution system collapsed. Equally important is the advent of *donju* (money holders) who are serving as new agents of capital accumulation as well as sources of valuable hard currency.

The size of the informal sector is now believed to be larger than that of the formal sector. Some experts even compare the current North Korean economy to the Chinese economy under Deng Xiaoping's reform and opening up initiative. As the logic behind a market economy becomes more widespread, the state economy is becoming increasingly flexible. The state no longer commands and dictates the economy. Citizens themselves have become increasingly adaptive and entrepreneurial, seeking their own survival through whatever means available. Paradoxically, the adaptive behaviour of ordinary citizens has weakened the effectiveness of international sanctions.

The power structure has also been shifting from old, vested interests (such as the military) to the party and the cabinet. They now control overall economic activities, including foreign exchange earnings and foreign direct investment. Cadres from the Organisation and Guidance Department of the KWP — which played a pivotal role in Kim Jong-un's smooth succession to power — have emerged as the core power elite group.

The generational change of the power elite has been another defining characteristic of the Kim Jong-un leadership in 2015. Relatively young party members have been extensively recruited. Old guards, such as the second generation of revolutionary leaders and military personnel who were powerful during the Kim Jong-il era, have been either purged or discharged.

At the 70th anniversary of the founding of the KWP in October 2015, Kim Jong-un underscored the importance of people and youth in his speech. It was unusual that he mentioned the 'people's life' 90 times in his speech. This implied that North Korea had completed the task of consolidating power in the military, the party and the state, and improving the 'people's life' will now be Kim Jong-un's top policy priority.

North Korea's [internal landscape](#)^[3] looks relatively good. But major threats can come from the outside. If Kim Jong-un launches missiles or undertakes nuclear testing in 2016, the situation may worsen. International sanctions will intensify and China would be likely to join international efforts to punish the North — which could easily paralyse the *jangmadang* and *donju*. Such developments would deal a critical blow to the [informal sector](#)^[4] of North Korea, undermining Kim Jong-un's legitimacy as well as political stability.

So what should the international community do in this context? No matter how errant and incomprehensible the North is judged to be, there seems to be no choice but to recognise and engage with Pyongyang. Leaders should focus on reducing tensions on the Korean peninsula, fostering the opening of North Korea, as well as reforming and facilitating a negotiated resolution of the nuclear quagmire. Positive re-enforcement is better than pressure and sanctions. Practical problem-solving, rather than moralising judgment, should guide the international approach to North Korea in 2016.

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[1] <http://www.eastasiaforum.org/wp-content/uploads/2015/12/20151206001206685587-minihi ghres.jpg>

[2] 2015 New Year speech:
<http://www.ncnk.org/resources/news-items/kim-jong-uns-speeches-and-public-statements-1/2015-new-years-address>

[3] internal landscape:
<http://www.eastasiaforum.org/2015/12/16/slow-progress-for-north-koreas-cautious-reforms/>

[4] informal sector:
<http://www.eastasiaforum.org/2015/12/12/will-north-korea-embrace-market-reform/>

[5] *2015 in review and the year ahead:*

<http://www.eastasiaforum.org/tag/country-updates-2015/>