

## Pyongyang's "July Drama" and the Direction of the Kim Jong-un Regime -Where Is North Korea Going?-

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Pyongyang's "July drama" had just concluded. On July 15, the North Korean military's formerly influential Chief of General Staff, Ri Yong Ho, was quickly deposed, which immediately shifted the world's attention onto Pyongyang. During the progress of the Korean Workers' Party (KWP) Politburo Meeting, Ri Yong Ho had been relieved from all obligations as a KWP Politburo Standing Committee member and Vice-Chairman of the Central Military Commission. The following day on the 16<sup>th</sup>, General Hyun Yong-chol was promoted in rank and appointed Chief of General Staff to assume the vacated seat. At around 11:00 am on the 18<sup>th</sup>, Pyongyang announced "great news," and at noon, the great news very briefly reported that on the 17<sup>th</sup>, Kim Jong-un had been awarded the rank of "Marshal of the Democratic People's Republic of Korea (DPRK)." Kim Jong-un's title as "Marshal" was the highlight of Pyongyang's shocking drama. A celebration was held on the 18<sup>th</sup> in honor of Kim Jong-un receiving the title of Marshal, and Pyongyang celebrated on the 19<sup>th</sup>. These events took place within a 3-day time span in lightening speed from the 15<sup>th</sup> to the 17<sup>th</sup> of July. Thus, the prewritten drama was openly staged.

### Can Marshal Kim Jong-un "Shoulder the Burden?"

Within 7 months of the post-Kim Jong-il era, Kim Jong-un rose to the rank of "Marshal of the DPRK." It may indicate the final stage of suspending the military authorities' work, in addition to the message in the resolution regarding military domination. President Kim Il Sung was 39 years old in 1953 and Chairman of the National Defense

Commission (NDC), Kim Jong-il, was 50 years old in 1992 (with Oh Jin Wu, Minister of the People's Armed Forces) when they were awarded the title of "Marshal of the DPRK" (Grand Marshal Kim Il Sung), but First Secretary of the KWP Kim Jong-un was only 28-years old when he received his title as Marshal. In this regard, the question of whether Marshal of DPRK Kim Jong-un can bear the "leader's burden" stands out as an added interest to the problem of three generation of successions. If we reserve a long-term outlook, it appears that at this stage, the probability that challenges, including a power conflict or power struggle, to the Kim Jong-un regime is not that high. Under the blockage of the North Korean military's lateral and longitudinal linkages, the military authorities themselves have no pretext or alternative to go against the transition.

From here, let us analyze the core characteristics of power in the North Korean system. Currently, it can be said that with Kim Jong-un in the center, Kim Kyong Hui, Jang Song Taek and Choe Ryong Hae created a troika, in which they "live together and die together" and thereby share a common destiny to form the "Royal Family." The status, capability and personality among other traits of Kim Jong-un's aunt, Kim Kyong Hui, and uncle, Jang Song Taek, have become sufficiently known. The second son of Choe Hyun is the relatively lesser known Choe Ryong Hae (born 1950, Director of the KPA General Political Bureau, member of the Politburo Standing Committee, Vice-Chairman of the Central Military Commission, member of the NDC, rank in the KPA) is 8 years younger than Kim Jong-il and was nothing less than a brother to the departed leader. In early 1970, Choe Hyun, who carried out Partisan activities on behalf of Kim Il Sung, actively played a crucial role in building the succession process for Kim Jong-il, and as a consequence, he became Kim Il Sung's most trusted individual, while Choe Ryong Hae's entire future success was guaranteed. In Kim Il Sung's memoirs titled *With the Century (Volume 4)*, the chapter "The Most Experienced Choe Hyun" is specifically devoted to the memories and the occasional commendations to Choe Hyun, and it also praises the Chairman of the World Youth and Student Festival in Pyongyang, Choe Ryong Hae, by stating "like father, like son." Under the favor of Kim Il Sung and Kim Jong-il, Choe Ryong Hae's power was increasing, but in 2006, he was relegated to the responsibilities as Secretary of the North Hwanghae Province. Afterwards, in September 2010, Choe Ryong Hae was given the title of KPA General and joined the Party politics playing a central role in the Kim Jong-un succession, and subsequently became a member of the royal family. The Director of the KPA General Political Bureau, Choe Ryong Hae, who is in charge of an intelligence system and has an authority over personnel of other high-ranking officials, planned with Jang Song Taek, who controls the intelligence and security systems, to shortly enact the decisive actions and change the military generals into influential figures.

The fate of the DPRK's royal family members themselves is intertwined. Inheritance and heritage are the basis of the existence of the four members of the nation's royal family. This is due to the fact that hereditary succession is not based on the succession of revolutionary tradition, but rather on blood succession since the bloodline-centered tradition is instinctively the only criteria for trust. Following this case on the family's bloodline, Kim Kyong Hui's absence may be an added complex factor in the landscape of North Korean politics. It can be said that the royal family members are

central power and true nature of the North Korean regime going beyond national organizations, such as the Party, Cabinet and others, and a level of any institutionalization. It is highly unlikely that the military intended to direct action and to anticipate results under the current situation. If that were the case, then the direction of the Kim Jong-un regime would emerge as a point of substantial interest.

### From the Military First Policy to the Party First Policy!

Power comes from the gun point! This gun-focused idea is the signal of introducing the Military First Politics of the Kim Jong-il era. However, the Kim Jong-un era is different. Rice does not come from the gun point! This can be considered the First Secretary Kim Jong-un's recognition. For instance, the Party and the country will provide guns and bullets, so that the military can go back to the battlefield. The Military First Policy is the legacy of Kim Jong-il. However, the Kim Jong-un regime perceives the inheritance as a burden rather than an asset. In other words, the burden of the legacy of the Military First Politics cannot be resolved overnight, because it can provoke a dangerous situation. Under the Military First Policy era, the North Korean military experienced "excessive growth" and in particular, had a monopoly and privileges over national resources, which made the normal operation of state affairs for economic recovery difficult. As a consequence, the military will now stand back and the Party will step forward with the Cabinet leading the normalization of the state. Thus, the Military First Policy is definitely paving the way towards a Party First system.

In other words, the reconstruction of the Party, or the "pivot of the Party," had already started at the 3<sup>rd</sup> Conference of the Party Delegates in September 2010. At that time, Chairman Kim Jong-il recognized the limits of the Military First Politics of his time, and quickly built a party-centric system. By pushing to revitalize work within the Party in his later years, Kim Jong-il established the base of his successor's power at the Party center as a means to normalize the socialist state through the restoration of a "Party-State" system. The establishment of a party-centric system indicates the decline of the military in place of domestic and foreign policy, so it is possible to allocate the basis of the military economy, which has been detrimental to the entire national economy, to the Party-State (Cabinet). In order for his hereditary successor to maintain its dominance within the Party system, Kim Jong-il generously granted the title of generals to the military-unrelated Kim Jong-un support group. On this basis, new leadership sought the normalization of government by transitioning from the Military First Politics to the guidance and advantage of a Party First system.

Nevertheless, the military did not foresee the changes due to their pride during the Military First era, so Chairman Kim Jong-il rushed to reconstruct the Party, while the military was unable to discern his and the succession groups' intentions. Since early April when the former Vice-Director of the National Security Agency, Woo Dong Cheuk, had been purged, despite Kim Jong-un and his royal family's secret operation for domination had surfaced, the influential members of the military did not recognize the movement at all. In the case of Ri Yong Ho, he criticized the series of policy directions prior to and after the 4<sup>th</sup> Conference of Party Delegates, and since he did not understand the extent of the royal family's power and control, he hastened his own demise.

## The Cabinet: The General Headquarters of North Korea's Economic Reconstruction

Although the royal family is dominating the Party hegemony amid the struggle for military control, it must immediately solve the problems of feeding the general population and provide a vision for economic recovery. This is due to the fact Kim Jong-un's power comes from rice and the results for economic recovery rather than at the gun point. The road is long, but the steps must be hastened in this situation. On April 19, this position was made clear when the contents of Kim Jong-un and members of the Party's Central Committee's conversation were published in the *Rodong Sinmun*. Preceding the 4<sup>th</sup> Conference of Party Delegates, the discourse was held on April 6 under the title of "Let us serve the great comrade Kim Jong-il as our Party's Eternal General Secretary and let the *Juche* revolutionary cause shine into perfection," which provides official documents that are crucial to our understanding of North Korea's potential policy direction. The preamble of the discourse with 16 pages was fairly long, and there was crucial information on emphasizing the sole leadership system with the reinforcement of the Party status, establishing the task of "solving the general population's food crisis" as a priority. To this end, the policy strives to increase the production of consumer goods vis-à-vis plans for the national investment on agricultural production as well as the development of light industries.

Kim Jong-un emphasized in his "April 6<sup>th</sup> Discourse" that "all problems that arose from the economic ventures were centered on the Cabinet and the Cabinet's unified command" because it is responsible for the country's economy as the de facto "economic headquarter." Furthermore, all the economic problems should be agreed, decided and implemented by the Cabinet acting as the consultant, and all levels of the Party should strive for strengthening the parliamentary (Cabinet) system and the cabinet-centered system. So to speak, it made clear that all the nation's economic problems should be centered on the Cabinet.

However, North Korea's economic policy direction and its constant association with "market" problems have drawn our interests because the market can act as a barometer to measure North Korea's reform and opening. In some ways, the Kim Jong-il era can be seen as a period of adjustments in terms of relationships with the "market and system (planned economy)." Thus, in the first half of the Kim Jong-il era, the official distribution system suddenly collapsed, and as a result, "Jamadang" (market grounds in North Korea) sprang up everywhere, which started to develop the marketization. The authorities, who discovered this trend, had to endure an "uncomfortable cohabitation" with the market. In 2005-2006 particularly during the latter period of the Kim Jong-il era, the authorities carried out an active control policy toward the market, since they considered the level of marketization as a threat to the regime. The trend towards conservatism in the North Korean institutional system became more apparent at this time, and finally, the influential elites, who were independent or growing through the market, collapsed due to the currency reform at the end of November 2009. Thus, in the second half of the Kim Jong-il era, the government confronted the "system and market" conflict as well as the "armband and shopping cart" conflict in the people's daily lives. Sunam Market in the city of Cheongjin is a prime example that symbolically exposed the North Korean authorities' fear of the market issue and their corresponding reactions.

On March 4, 2008, while Sunam Market opened at around 1:00 pm, throughout the city of Cheongjin, a large number of women began to gather. The group protested against the current state of affairs claiming, “If you won’t let us conduct business, then give us rations,” “We will all die if this continues. Since there is no rice, leave us alone and let us do our business,” “If we’re going to die, then let’s have you die with us.” When the security attempted to force a dispersal, an intimidating atmosphere immediately engulfed the crowd... Afterwards, the authorities allowed them to conduct business for a while... In June 2009, the authorities closed the Pyeongsung Market in Pyeongnam, and finally, the Sunam Market, which has also been referred to as the “Republic of wholesale market,” shut down in early 2010. Subsequently, it has been rumored that the Sunam Market was divided into smaller scales.<sup>1)</sup>

Given the North Korean authorities’ situation, it is anticipated that there will be no advance toward the direction of permitting marketization.

## The Kim Jong-un Regime’s Economic Policy Direction: National Economic Restoration through “Investment First”

Recently, an interesting official document referred to as the “April 6<sup>th</sup> Discourse” had been announced in North Korea. According to an inside source, North Korea made the public address in late June on “the establishing of a new economic management system in our own style,” or the “June 28<sup>th</sup> Policy.”<sup>2)</sup> This is the first economic policy under the Kim Jong-un regime, and it is a system, that provides production expenses, which reflect the market price, directly to the collective farms, factories and enterprises. In the case of collective farms, the current labor team (10-20 laborers) will be reduced to 4-6 laborers, and the land and production expenses will be assigned according to the teams. Afterwards, the government and the labor team will divide the products into certain percentages, but the new matter is that the government will pay production expenses first. In addition, the nation will “invest” its first production costs into factory enterprises as the enterprises will buy the raw materials to produce and sell, and ultimately, the nation will divide the profits into specific percentages with the corresponding enterprises. The reduction of the collective farm’s basic production measures can elevate the will to produce; thus, it is possible to profit from investing first in farms, factories and enterprises through the purchase of seeds and raw materials.

The fundamental nature of the Kim Jong-un regime’s pursuit of economic reform is to salvage the planned economy. So to speak, it is in pursuit of “reform without market,” which reflects the regime’s fear and repulsion to the market. The nation’s “Investment First” policy is a strategy that seeks the restoration of planned mechanisms in the production field and the creation of a cycle by

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1) Refer to *Good Friends*, “Today’s News on North Korea,” Number 115 (March 14, 2008), Number 116 (March 20, 2008) and Number 332 (January 6, 2010).

2) *Daily NK*, July 10, 2012.

driving the production and promoting sales and consumption. However, a fundamental limit to the approach is securing an immediate source of finance. Agricultural reforms cannot be successful if adhering to the collective farm system, because the rejection of the market logic in order to seek the “realization of government purchased rations” contradicts this logic. Instead, the bold change in this concept requires the government to accept personal farms on a minimal level in order to implement an agricultural reform.

This economic policy focuses on the nation’s primary investment, which means arranging “seed money” for the production of farms and factory enterprises. However, this provokes questions as to how the nation will arrange the seed money. It is indisputably impossible to apply this government-funded primary investment nationwide due to the fact that it is difficult to maintain uniformity in every production process. Consequently, the primary investment on collective farms and factory enterprises can only be implemented through designating demonstration zones or a selective process. The economic policy’s success depends on how the finances that they currently need are secured. In order to encourage production, the government should mobilize the inner finances very tightly, but this will not proceed smoothly.

There are two methods in securing the national budget. One is to obtain extensive economic support from the outside. However, financial support is possible after the year 2012 in accordance with their relations with South Korea and the United States (It is expected that South Korea will provide assistance to the North in exchange for reunions amongst separated families this coming fall). The other method is to secure finances vis-à-vis inner resources. This will place national resource management, which is spread across many agencies, as well as the foreign currency organizations under the government’s control in order to secure the national finance.

The Party should be in control in regards to the mobilization of internal resources, particularly military-affiliated coal mines, farms-fisheries-ranches and trading companies among others, by claiming diverse foreign currency earning institutions. To this effect, the “April 6<sup>th</sup> Discourse” emphasized that “We should build our people’s army as the army of *Suryoung*, the army of the Party and the Supreme Commander, by erecting its revolutionary spirit, along with establishing the sole leadership of the Party and sole military system under the Supreme Commander of the entire Military.” Thus, the Party’s superiority of powerful control over the military was clear. This means that the military will yield, which is, in fact, a forewarning that all economic rights belonging to the military-affiliated organizations will be transferred to the Party. In this process, inter Party-military friction and conflict may occur. Following these points, there is always the potential of a power struggle. Nonetheless, the royal family is the core of the North Korean power, so it can implement economic reforms by addressing the issues and weaken the military’s economic privileges by placing the Party at the center of the structure. However, the “April 6<sup>th</sup> Discourse” only illustrates the Party’s accomplishments and its dominance over the government, rather than foreshadowing any potential reforms and openings, demonstrations on new visions for the future, or a even single strategic structure for economic recovery. In short, a vision for policy initiatives without concrete

reform and opening shows the limit of this Discourse.

## The Need for a Vision of Reform and Opening beyond the “Economic Reconstruction” Policy

Premier Choe Yong Rim (born 1930) is North Korea’s top authority figure on economics, who is widely respected by the Party, the Cabinet and the military, and holds the key to North Korea’s economic reconstruction. The Vice Director of the KWP’s Light Industries Department, Pak Pong-ju (born 1940), pushed for economic reforms as Premier in September 2003, but he was ousted from his position and condemned for “introducing capitalism.” In August 2010, Pak returned to the central committee holding an assistant position to the then Vice Director of the Party’s Light Industries Department, Kim Kyong Hui. After inheriting Kim Kyong Hui’s position, Pak has been recently tasked with solving the consumer goods crisis. Furthermore, the Vice-Premier and Chairman of the State Planning Commission Ro Tu-chol (born 1944) is a Cabinet member who is effectively in charge of the economic sector. Although the Cabinet may be greatly concerned, as it is the “economic headquarters responsible for the nation’s economy,” there is little chance that the economic reconstruction will be securely attained in the “empty storeroom.” Of course, this is not at all the responsibility of North Korea’s top three authorities on economics. In other words, it is difficult for these economic technocrats to fulfill their roles, as they are charged with a task of an economic reconstruction without substantial economic reform.

While the issue of who comes into power is important in determining North Korea’s future, it ultimately rests on the line and the kind of policies the ruling group pursues. In this regard, the Party-military conflict does not need to be emphasized as a key issue. Rather, the greatest point of interest should be on whether those who come to power can ultimately solve the “lack of food issue” and demonstrate a vision and strategy for North Korea’s future and its prospects for economic recovery. Without a clear strategy on reforming and opening “economic reconstruction” will only be an empty statement. It would be premature to perceive Pyongyang’s very public Moranbong musical performance featuring Mickey Mouse, a mere gesture of appeasement to the United States, as a sign of opening up. Rather, we urge the KWP and the royal family to make progressive and bold decisions for the future of North Korea.