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## The Illusion of North Korea's 'National, Planned, Scientific Self-rehabilitation'

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### English Abstract

At the 8th party congress held in early January 2021, North Korea failed to present bold economic reforms but highlighted the incompetence and criticism of its executives and the need to stick to socialist principles. Kim Jung-un specifically emphasized that "self-rehabilitation during the new project period should lead to national self-rehabilitation, planned self-rehabilitation, and scientific self-rehabilitation." It states that all production and management activities should be carried out under the unified control and control of the country—as well as strategic operations and direction. North Korea's new self-rehabilitation is not a theoretical argument based on sound logic, but a new version of its existing policy that puts pressure on the North Korean people.

Ideally, self-rehabilitation is to build an independent national economy with its own resources and people's power. North Korea's self-rehabilitation had some effect in developing underground resources—to replace imports and the production of light industrial products. However, the policy of forcing the heavy chemical industry, which is at the core of the North Korean industry, to rehabilitate itself, has already failed. In terms of efficiency, it is possible to apply the principle of self-rehabilitation to specific industries after comparing basic input and calculation. At the same time, the issue of opportunity costs must be considered. The construction of exhibition facilities, which is common in North Korea, is carried out by the order of the supreme leader

rather than by efficiency. Therefore, inefficiency is inevitably high. Heavy and chemical industries, which are the core of the North Korean industry, cannot be vitalized without large capital investment. It is not a fast-growing industry that the North Korean economy needs, as it requires large sunk cost, additional cost for accelerated depreciation, and a guarantee of sustainable supply of electricity and raw materials.

Completing a planned economy without market support is already a failed experiment. The expression ‘realization of unification guidance for the economic projects of the nation’ is not appropriate for the 21st century. The consequences of self-rehabilitation, in which the government puts all the responsibility on the people—instead of economic reform centered on the guarantee of the market and personal property rights—will be inevitably pessimistic. Instead of interfering in economic activities, the government and the party should make efforts to revitalize the market, create fair game rules, and monitor illegal activities. Based on South Korea's growth experience, universal reforms and follow-up policies are needed, such as expanding private ownership, revitalizing small-scale private ownership, and strengthening inter-Korean economic cooperation.

*※ Translator's note: This is a third party's unofficial translation of the original paper which was written in Korean. All references should be made to the original paper.*

*※ This article is written based on the author's personal opinions and does not reflect the views of the Sejong Institute.*