

Analyzing the Structure and Performance of Kim Jong-un's Regime

A Research Brief of the Shorenstein Asia-Pacific Research Center at Stanford University and the Institute for National Security Strategy

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June 2017

As Kim Jong-un begins his sixth year as leader of the Democratic People's Republic of Korea (DPRK), it is appropriate to shift the focus from his moves to consolidate power to the impact that the organizational and staffing changes made under his leadership have had on the operations and efficacy of the system he leads. Toward that end, Stanford's Shorenstein Asia-Pacific Research Center and the Republic of Korea's Institute for National Security Strategy (INSS) have prepared a joint paper utilizing the complementary resources of both institutions. This paper summarizes the findings and insights from this collaboration. We focus on personnel and organizational changes, and the economic performance of North Korea.

Personnel and Organizational Changes

In contrast to the many articles that have described Kim Jong-un's removal or execution of literally dozens of officials associated with his father in order to consolidate power, we examine the people chosen to replace them, as well as the organizations that form the core of the Kim Jong-un regime.¹

¹ Examples include Andrew J. Nathan, "Who is Kim Jong-un?" *New York Review of Books*, August 18, 2016, <http://www.nybooks.com/articles/2016/08/18/who-is-kim-jong-un/>; and Choe Sang-Hun, "Removal of Army Chief Follows a Familiar Pattern in North Korea," *New York Times*, July 16, 2012.

Proven or presumed loyalty to Kim Jong-un was doubtless one of the reasons these individuals were selected for their new positions, but that alone does not explain why they were given the positions they now hold. Our working hypothesis is that their new assignments were also intended to maintain—or more likely enhance—the ability of the system to meet continuing and new policy objectives.

Three of the most notable personnel changes made during the last six years involved members of the Kim family (see Table 1). Kim Jong-un's uncle, Chang Song-taek, who many thought to be Kim's regent and the second most powerful man in North Korea, was executed in 2013. Kim Jong-un's half brother, Kim Jong-nam, was assassinated in February 2017. These relatives may have been killed to remove potential family rivals to Kim Jong-un. Kim Yeo-jong, Kim Jong-un's younger sister and deputy chief of the Korean Workers Party (KWP) propaganda department has had a different fate. She now plays a leading role extolling her brother as a "great leader."

Hwang Byong-so, a longtime bureaucrat in the KWP Organization and Guidance Department was tapped to be Kim Jong-un's political agent in the military. His predecessor, Choi Ryong-hae, a son of former Defense Minister Choi Hyun, is now a "representative figure" of the party. Park Bong-ju continues to serve as prime minister, but he now also has at least symbolic responsibility for the economy. These three men now constitute a troika representing the party, the army, and the cabinet.

The April 2017 meeting of the North's Supreme People's Assembly reestablished the Foreign Relations Committee and named Ri Su-yong its chairperson. Ri, known as Kim Jong-un's servant while he studied in Switzerland and manager of the Kim family's slush fund, is one of the most trusted officials in Kim's entourage. He appears to be in charge of diplomatic affairs.

Hyon Yong-chol, a former defense minister, was one of many generals executed by Kim Jong-un. The reported reasons were that he had fallen asleep in Kim Jong-un's presence at a military conference and had been heard complaining about Kim Jong-un in conversations that were covertly recorded in Hyon's home. Army General Kim Won-hong fared much better, at least initially. He was selected to head the State Security Ministry (upgraded from its previous status as a department). This position had been vacant for twenty-five years, presumably to prevent its use as a base to challenge Kim family leadership. But in January 2017, he was demoted to major general and his senior aides were charged with serious offenses and executed. No changes to his position were announced at the latest Supreme People's Assembly session. Kim Yong-chol, another general trusted by both Kim Jong-il and Kim Jong-un, has moved from chief of the Reconnaissance General Bureau to chief of the KWP's South Korean relations department. Previously officials with diplomatic backgrounds had usually filled the position.

Table 1. Noteworthy Personnel Changes (2012-2016)

Name	Killed or Purged	Promoted	Previous Position	Current Position/other information
Chang Song-taek	X		Head of KWP's Administration Department	Executed/KJU's Uncle
Kim Jong-nam	X		Lived in Macau, China	Assassinated/KJU's Half brother
Kim Yeo-jong		X		Deputy Head of KWP's Propaganda Department/KJU's Sister
Hwang Byong-so		X	Deputy Head of KWP's OGD	Director of KPA General Political Bureau
Choi Ryong-hae		X	Director of KPA General Political Bureau	Vice Chairman of KWP in charge of working peoples (political) organizations
Park Bong-ju		X	Head of KWP's Light Industry Department	Prime Minister
Ri Su-yong		X	Ambassador to Switzerland/Foreign Minister	Vice Chairman of KWP in charge of foreign affairs
Hyon Yong-chol	X		Defense Minister	Executed
Kim Won-hong		X	Vice Director of KPA General Political Bureau	SSD Chief (now a Ministry)
Kim Yong-chol		X	Director of KPA Reconnaissance General Bureau	Vice Chairman of KWP in charge of South Korean Affairs

Other personnel changes were similar to the ten changes noted above in that they presumably were made to cement loyalty to Kim Jong-un, preserve Juche and Kimism, and further Kim Jong-un's consolidation of power. Many changes in the military involved positions responsible for the oversight of foreign relations, education, agriculture, fishing, commerce, sports, oil, and statistics—areas that, for the most part, Kim Jong-un has given priority. This suggests that generals and ministers will be judged not only on their loyalty to Kim Jong-un, but also on their operational effectiveness.

North Korea's main decision-making body is the party, and the military exists to safeguard the party's preeminence. The Party maintains control by assigning party members to core positions within the military. Personnel and organizational changes within the party's Central Military Commission (CMC) may shed light on Kim Jong-un's priorities. During his first years in power (2011–2012), the CMC had sixteen members, but the number had dropped to eleven by 2016. The eleven who remain may rank among Kim Jong-un's closest advisors. The most notable change to the CMC under Kim Jong-un is that the position of first vice chairman has been abolished, an act meant to

underscore Kim Jong-un’s authority by not formally acknowledging any “second in command.”

Kim Jong-un’s reorganization of the government has made it more like the structure put in place by his grandfather. During his father Kim Jong-il’s “military first” era the National Military Commission was the country’s most powerful institution, but power has been transferred to the KWP and the Cabinet. Whether Kim Jung-un has done this to buttress his legitimacy, to weaken the power of the military vis-à-vis the party and the government, or to improve efficiency is not yet clear. Kim Jong-un has made the system slightly more transparent, but much remains opaque.

Table 2. Comparison of the Three Kim Systems and Performances

		Kim Il-sung	Kim Jong-il	Kim Jong-un
SYSTEM	Addressing	Great Leader	Party Centre Dear Leader	Young General Supreme Leader
	Title	General Secretary of the Party President Supreme Commander	General Secretary of the Party Chairman of National Defense Commission Supreme Commander	Chairman of the Party Chairman of State Affairs Committee Supreme Commander
	Ruling Apparatus	KWP (Politburo) Central People’s Committee	KWP (Secretariat) National Defense Commission	KWP (Political Affairs) State Affairs Committee
	Ideology	Juche Idea	Kimilsungism	Kimilsungism- Kimjongilism
PERFORMANCE	Policy	Building Socialism and Communism (Balanced Role of Party, Cabinet, and Military)	Military First Policy (Emergency Control, Reduced Role of Cabinet)	Party Centered Rule (Balanced Role of Party, Cabinet, and Military)
	Leadership	To the people	Behind Curtain Close Aide Reports Politics Gift Politics	Increased Transparency More Public Show Reports Politics Gift Politics
	Power Background	MountPaekdu Line (Anti-Japanese Guerrillas, 1stRevolution Generation)	Ryongnam Hill Line (Party+1stRevolution Generation)	Generation, Class Replacement

Concerns about the leader’s legitimacy and consolidation of power are important to the elite in the capital, but their relevance in regions farther from Pyongyang is less certain.

Pyongyang has been unable to assure the delivery of provisions to remote areas, and residents of these regions rely primarily on market activity for their daily needs. Anecdotal evidence suggests that regional political and economic disparities have increased.

Thus far, our research has not discovered clear links between personnel and structural changes and policy positions, but the new arrangement does assign economic responsibilities to all of the vice premiers. Whether (and how) this relates to observed changes in economic performance also requires further study. The same is true of the military's expanded role in the economy, which may have been ordered to improve the living conditions of soldiers, to compensate the military for its loss of power to the party, or both.

North Korea's Economic Performance

The second focus of our collaborative study is economic performance. Anecdotal evidence, including the observations of those who have visited the North many times, indicates that the economy is performing better, perhaps better than it has for decades.² It is difficult to assess the accuracy of these impressionistic assessments given that most observations are limited to Pyongyang and areas accessible to outsiders. Whether economic conditions have improved in other regions remains unknown.

North Korea's economic policy is to maintain the stability of its system while controlling and expanding the market. North Korea now relies on markets to sustain its economy because its distribution system has not been functioning for quite a long time. Moreover, prolonged sanctions have restricted the inflow of capital. It seems improbable that North Korea will return to a planned economy.

Utilization of markets and market mechanisms has become widespread and seems to include a growing range and number of activities. The Korea Institute for National

² Examples include Anna Fifield, "North Korea's Growing Economy—and America's Misconceptions about it," *The Washington Post*, March 13, 2015,

https://www.washingtonpost.com/world/asia_pacific/north-koreas-growing-economy-and-americas-misconceptions-about-it/2015/03/13/b551d2d0-c1a8-11e4-a188-8e4971d37a8d_story.html?utm_term=.819e89ee6cdf;

Gregory Toloraya, "Deciphering North Korean Economic Policy Intentions," *38 North*, July 26, 2016,

<http://38north.org/2016/07/gtoloraya072616/>; and "How Sanctions are Impacting North Korea," *CBS News*, October 26, 2016, <http://www.cbsnews.com/videos/how-sanctions-are-impacting-north-korea/>.

Choe Sang-Hun, "As Economy Grows, North Korea's Grip on Society is Tested," *The New York Times*, April 30, 2017, [https://www.nytimes.com/2017/04/30/world/asia/north-korea-economy-](https://www.nytimes.com/2017/04/30/world/asia/north-korea-economy-marketplace.html?rref=collection%2Fsectioncollection%2Fasia&action=click&contentCollection=asia®ion=stream&module=stream_unit&version=latest&contentPlacement=34&pgtype=sectionfront)

[marketplace.html?rref=collection%2Fsectioncollection%2Fasia&action=click&contentCollection=asia®ion=stream&module=stream_unit&version=latest&contentPlacement=34&pgtype=sectionfront](https://www.nytimes.com/2017/04/30/world/asia/north-korea-economy-marketplace.html?rref=collection%2Fsectioncollection%2Fasia&action=click&contentCollection=asia®ion=stream&module=stream_unit&version=latest&contentPlacement=34&pgtype=sectionfront).

Unification (KINU) has estimated that there may be 404 officially licensed markets in North Korea with an average of 40.6 markets in each province.³ In each region, the people's committee collects taxes in the legal market. Officially legalized markets are different from "Jangmadang," which are classified as unofficial markets, and on average, 40.5 markets are located in each province in North Korea.

North Korea officially accepted the use of markets in 2003. The government has embraced markets as an acceptable and effective way to improve performance and enhance legitimacy but maintains the ability to regulate marketized activities.. Whether and how the regime attempts to capture earnings from markets is unclear and will be a subject for future study. What is clear is that the regime is pursuing a step-by-step approach intended to insulate the system from negative consequences of greater reliance on markets and greater scope for individuals and firms to operate outside the public sector.

The Korea Institute for International Economic Policy (KIEP) has estimated the degree of marketization of North Korea by using a ratio based on the North's population from the 2008 UN statistics. This yields a ratio of 83%. KIEP also estimated that 400,000 of the 500,000 businesses in North Korea are using unofficial financial institutions, and that 17.4 million people engage in informal economic activity through the markets.

Among the more interesting manifestations of greater reliance on markets is the practice whereby individuals—even groups of people—buy out the time that they would have worked for a state enterprise by reimbursing a portion of their wages so that they can use the time to pursue market activities. Another innovation is the use of *donju* (private, often illegal, moneylenders) institutions that facilitate the establishment and operation of market activities. It is difficult to determine the exact number of Donjus. Most have accumulated wealth through trade with China. More than 100 families and 10 Donju's might have accumulated more than ten million dollars.

The expansion and growing importance of markets have made the party and the military more dependent on the "private sector." Ordinary citizens have taken advantage of new opportunities, but the privileged elite has been better able to use markets to accumulate wealth. The poor are doing modestly better but the privileged are reaping disproportionate benefits.

Whether because of sanctions observed by other nations, proximity, or positive lessons learned from the opening to China initiated by Kim Jong-il, Kim Jong-un has expanded opportunities for Chinese firms to operate in the DPRK.

³ The largest number of legalized markets (65) is in Pyongnam Province. Pyongbuk Province has 51, Hamnam Province 48, Hambuk Province 46, Hwangnam and Hwangbuk Provinces each has 34 Kangwon Province 29, Jagang Province 24, Yanggang Province 18, Pyongyang 30, Nampo 21, and Rason 4.

Future research will attempt to answer questions and explore puzzles about causation. For example, if—or to the extent that—economic performance has occurred, is it because Kim Jong-un’s appointees and/or organizational changes are more capable than those they replaced, because the policies being implemented are more effective, or because Pyongyang is now beginning to reap benefits from the influx of Chinese investment that began after 2009?

Comments on Economic Sanctions

Another set of questions centers on the effects of ever-tighter economic sanctions imposed by the United Nations Security Council, the ROK, the United States, and some other countries. If the economy really is performing better in the era of tighter sanctions, is it happening despite or because of the sanctions? Stated another way, are the sanctions ineffective, do they induce Pyongyang to redirect fiscal and other resources from the military to other sectors, or have efforts to isolate the DPRK from the global economy increased its ability to use fiscal and monetary instruments to improve infrastructure and foster growth with diminished concern about inflation or consequences from eventual exposure to foreign competition? Though definitive answers are difficult, there is considerable evidence that sanctions have increased regional inequality and induced the regime to redistribute constrained resources to Pyongyang. Also, reliance on China for trade has increased significantly.

<North Korea’s GNI and Economic Growth Rate>



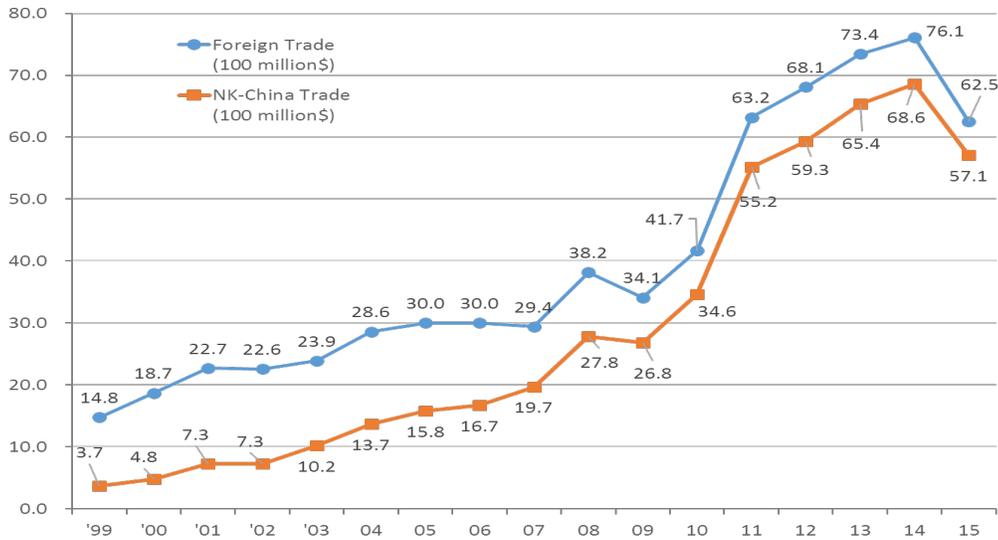
North Korea's economic growth was positive from 2012 to 2014, but it turned negative again in 2015. Positive economic growth in 2012-2014 was attributed to expansion of the market sector rather than to efficiencies from changes in economic personnel or policies. Markets in North Korea enabled the transfer of input factors to production facilities that had been idle. This increased production resulted in positive economic growth rates. The

North Korean economy relies increasingly on markets and the increase in production appears to have been achieved primarily by allocating input factors through markets rather than state agencies. International sanctions against North Korea may have accelerated the distribution of limited resources through the internal market.

However, the achievement of economic growth through use of market mechanisms is limited and sustained growth will require external inputs. In 2015, North Korea's economic growth rate turned negative once again, exacerbated by the decrease in trade with China.

The international community has tightened sanctions against North Korea several times since North Korea first tested a nuclear device in 2006. However, trade between China and North Korea has continued to increase. Indeed, it surged from 2012 to 2014. Although the total volume of China-DPRK trade (as well as North Korea's total foreign trade) decreased sharply in 2015, North Korea's trade dependence on China remained very high (91.3 percent or more).

<North Korea's Foreign Trade and China-North Korea Trade>



Much of China's tacit and strategic support for North Korea does not appear in official statistics. For example, China's oil and food aid have become very important to the military activities of North Korea. North Korea is successfully absorbing the impact of economic sanctions. The closed and dictatorial political system, now supplemented by markets, appears adequate to manage the effects of economic sanctions, at least with China continuing to dilute their impact.