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B1, 1.4(D), 1.4(B)

BUREAU OF INTELLIGENCE AND RESEARCH: BRIEFING MEMORANDUM

The Political and Economic Situation in North Korea

B1

Other areas of probable debate may be appropriate corrective policies to improve the economy, which is in bad shape. Operating within the ideological straitjacket of self-reliance for 40 years, the highly centralized economy suffers from antiquated technology, inadequate distribution and communication networks, and a sizeable (for the DPRK) foreign debt (about 1.5 billion dollars in hard currencies, 3.5 billion dollars worldwide). North Korean inability or unwillingness to keep up its debt repayments seriously impedes its continuing efforts to build economic relations with Western countries.

Recently, there have been several indications that some new approaches to invigorate the ailing economy are being tried. In September 1984, a joint venture law was enacted, aimed at attracting capital and technology primarily from the socialist countries and Japan but also from other Western countries. North Korean officials have studied Chinese economic reform policies, but there appears to be considerable reluctance on political grounds to decentralize the North Korean economy. The DPRK has denied reports that Pyongyang may establish one or more special economic zones. Earlier this year, the DPRK introduced new wage and bonus policies to spur worker

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productivity. [REDACTED]

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There is little likelihood that the economy will quickly improve. Relatively few joint ventures have been formed, mostly involving Koreans living in Japan, and their economic success has not been established. [REDACTED]

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