

DEVELOPMENTS IN NORTH KOREA

VANTAGE

POINT

NOVEMBER 2004 - VOL. 27 NO. 11

- Special Report:
North Korea's Human Rights
 - Pressing for Change
 - Human Rights and Diplomatic Strategy
 - North Korea's Human Rights Situation
- External Economic Legal Advice Office
- North Korea's Foreign Currency
Management System



ISSN 1228-517X

 **YONHAP NEWS AGENCY**

CHARACTERISTICS OF CHANGES IN, AND LIMITS OF, NORTH KOREA'S FOREIGN CURRENCY MANAGEMENT SYSTEM

I. Introduction

North Korea, armed with the catchphrase “powerful and prosperous nation,” has been pressing ahead with hard struggles to reanimate its lackluster economy. One such struggle can be represented by its attempt in 2002 to improve its economic management. A new system was designed, aimed to “maximize actual profit while keeping the principle of socialism intact.” A change is being noticed also in its foreign currency management policy. This change is noteworthy in that North Korea has been suffering from a chronic shortage of foreign exchange, and it can be used as a yardstick to measure the country's external economic strategy in the future.

This writer intends to look into this new policy, based on the North's Law on Foreign Currency Management, which was rewritten in 2002. The focus will be placed on an analysis of the characteristics and limits of the new system rather than on details of its contents. It will deal mainly with changes in the foreign currency management system relevant to the North's business concerns and other organizations, and also to foreign companies in North Korea.

By Ryu Seung-ho
*Inter-Korean
Cooperation Group
Senior Deputy Director,
Korea Exim Bank*

II. North Korea's Foreign Currency Management Policy and System

1. The Concept of Foreign Currency

“Foreign currency” means foreign banknotes in a narrow

sense. In a broad sense, it includes checks and money on deposit convertible to foreign bank notes. "Foreign exchange" comprise all instruments employed in making payments between countries, which include notes, checks and bills of exchange. The term, foreign currency, refers to the fixed concept focused on the value of the currency, while foreign exchange refers to the dynamic concept connected with business dealings and exchanges.

Basically, this classification also exists in North Korea, but in reality, the country is using these two terms without clear distinction. The North refers to foreign exchange as all notes that guarantee the payment in "foreign currency," and refers to foreign currency as all foreign bank notes, or all means of payment that can be used to buy commodities from or pay debts to foreign countries.¹⁾

North Korea's Law on Foreign Currency Management also uses the term, foreign currency, based on a broad concept (see Table 1). The North classifies foreign currency into two categories, convertible and inconvertible currency. It is noteworthy that the North regards precious metals as belonging to the category of foreign currency.

2. Foreign Currency Management Policy

North Korea says that its foreign currency management policy is designed to earn more foreign currency, hold it in deposits without a loss and use it economically, and

that the policy aims at guaranteeing the profit of the people.

Basically, the socialism-oriented external economic policy places importance on external trade dealings on a passive basis. In other words, under the socialist policy, external trade places a heavier emphasis on making up for a domestic shortage of materials rather than on taking advantage of the international division of labor and comparative superiority for economic development.²⁾ This is because the socialist planned economy is designed to keep its domestic economy free from the influence of uncertain economic conditions in the external world. This is also the case of North Korea. Such a concept is also attributable to its intention to cope effectively with political and military pressure from the outside world for the maintenance of its national security. North Korea's leader Kim Jong-il once said: "If various enterprises, free from state control, begin to earn and use foreign currency through trade with capitalists, then our country will be open to the outside world, and a liberal economy and capitalism will make inroads into our country, thus satisfying the wishes of the imperialists."³⁾

Due to the above-mentioned reasons, North Korea has 1) placed external trade activities under the monopoly and control of the state, 2) carried them out in accordance with centralized trade plans, and 3) placed importance on the procurement of goods and technology necessary only for carrying out its planned economic programs.

The North says its "self-reliant econo-

my" is not a "closed economy," however, the reality is that the country has maintained a passive attitude regarding external trade owing to many restrictions in its socialist system, as well as to a lack of competitiveness of its products, a shortage of external payment means and the inflexibility of its trade system.

These passive characteristics can be noticed also in its foreign currency management policy. The principles the North maintains regarding the policy are that foreign currency must be placed under the exclusive control of the state and the planned management of the state in accordance with the people's economic plan, and the payment of foreign currency must be guaranteed only by its foreign currency income.⁴⁾

As a result, the North's foreign currency management policy has produced certain characteristics. The country has come to use an administrative method, rather than an indirect means of adjusting economic conditions, for controlling foreign currency holdings. It also focuses on the procurement of foreign currency necessary for the import of only goods essential to carrying out its economic plan. Additionally, it places importance on the effective control of foreign currency in hand, rather than on the support of smooth trade exchange, thus maintaining a balance between income and payment.

3. Law and Regulations on Foreign Currency Management

North Korea has begun to publicize

laws and regulations on foreign currency management as part of its policy to induce foreign investment. The North has since 1985, when it announced its first-ever joint venture law, begun to insert clauses referring to its foreign currency control in various laws and regulations, such as the Law on Foreign Enterprises and the Law on the Rajin-Sonbong Economic and Trade Zone. But the first laws and regulations applicable to both foreign and domestic enterprises, including the Law on Management of Foreign Currency and its enforcement decree of foreign currency management law, were promulgated in 1993 and 1994, respectively. This was followed by detailed regulations regarding foreign currency control in special economic zones. Among these are the Law on Management of Foreign Currency Holdings of Foreign Enterprises, the Law on Foreign Currency Management in Special Economic Zones and other regulations.

North Korea designated Sinuiju, Kaesong and the Mt. Kumgang area as special economic zones, and promulgated specific laws applicable to these areas. They include the Regulation on Currency Circulation in the Rajin-Sonbong Free Economic and Trade Zone (July 15, 1996), the Regulation on Foreign Currency Management in the Kaesong Industrial Zone (Feb. 25, 2004), and the Regulation on Foreign Currency Management in the Mt. Kumgang Tourist Zone (May 6, 2004). A regulation regarding the Sinuiju Special Administrative Region has yet to be announced because of a delay in the

development of the district.

The Law on Foreign Currency Holdings is applicable to all areas other than the above-mentioned special zones, and all North Korean companies, as well as foreign enterprises, the offices of foreign governments and international organizations in these general areas are liable to this general law. The law was rewritten twice, in 1999 and 2002. The major revisions included permission for domestic enterprises to possess foreign currency, the obligation for domestic enterprises to transfer certain portion of foreign currency income to the state and the exclusion of special economic zones from the targets of application.

4. The Foreign Currency Management System

North Korea enforces centralized and planned foreign currency management through various Cabinet organizations that are responsible for controlling relevant industrial sectors and regions. The Law on Foreign Currency Management (Article 32) and its Enforcement Ordinance (Article 64) stipulate: "The Finance Ministry guides directly all organizations and enterprises under the direct control of central budget, and guides, through provincial people's committees, all organizations and enterprises under the control of local budget" (Article 32). In the past, foreign currency related to trade had been placed under the control of the Trade Ministry, while that for other purposes

was under the control of the Finance Ministry, but under the new law, the Finance Ministry emerged as the top controlling organization.⁵⁾

The Cabinet, as the top organization to control foreign currency holdings, is responsible for approving the payment of foreign currency in the state's bank accounts and the foreign currency loan plan. It also receives reports on the foreign currency income and payment plan, and approves plans to introduce loans from foreign governments, international financing organizations and foreign enterprises. It also oversees additional opening of bank accounts by North Korean organizations abroad and their urgent and on-site payment plans.

The Finance Ministry drafts and enforces regulations on foreign currency control, approves foreign currency income-payment plans and settles accounts of all organizations and enterprises, collects their payment in foreign currency to the government, and manages bonds and loans denominated in foreign currency. It oversees the establishment of a guidance system, the maintenance of balance between income and payment in foreign currency and the control and approval of foreign currency businesses by foreign account settlement banks. It additionally decides the quota on foreign currency use by North Korean nationals, what kind of foreign currency to use for external account settlement and makes decisions on exchange rates and fixed exchange rates. The Finance Ministry also grants permis-

sion on plural foreign currency bank accounts, conducts management of state's foreign currency bank accounts, gives approval for taking foreign currency-denominated securities out of the country, keeps information on foreign currency management by foreign investment companies and oversees the inspection of foreign currency management status by correspondent banks and other organizations.

The State Planning Commission finalizes the state foreign currency income and payment plan based on the income and payment plans prepared by various organizations and enterprises. Based on this State Planning Commission plan, the Finance Ministry draws up its foreign currency-related fiscal plan and the plan to collect foreign currency from enterprises. Other Cabinet offices and local governments also carry out foreign currency holdings control in their relevant sectors. Foreign currency holdings control is enforced not only in the spot transaction sector, but also in the financial transaction sector.

Correspondent banks in North Korea consist of the Trade Bank and special banks dealing with the matter. The Trade Bank in principle cares for all works in the North related with foreign exchange, and it acts as the central bank and concurrently as a commercial bank as far as the control of foreign currency holdings is concerned. The function of the Trade Bank is as follows: 1) deciding the procedure and methods and setting the rates of commissions and interest rates regarding foreign currency in consultations with the Finance Ministry, 2) fixing

the exchange rates on the market, 3) making correspondent arrangements with foreign banks in line with inter-government agreements, and 4) opening and settling the accounts for North Korean government offices and companies, offices from foreign governments and international institutions, and foreign investors. The special banks deal with foreign exchange business in a limited scope as approved by the Finance Ministry, such as opening and settling accounts for both domestic and foreign clients.

III. Characteristics and Limits of Foreign Currency Management

1. Characteristics under the New Law

a. The Permission for Domestic Organizations and Enterprises to Possess Foreign Currency

Until two year ago foreign currency was placed under the monopolized possession of the state, and enterprises were obliged to transfer all of their foreign currency income to the state and maintain bank accounts in domestic currency in exchange for what they had transferred. Under the rewritten law, North Korean organizations and enterprises are still obliged to transfer what they have earned, but only in part, and are permitted to possess the rest in the form of foreign currency accounts.

These previous practices were based on the concept that a certain amount of for-

foreign currency must be allocated to government offices and business concerns in accordance with the state plan, and to this end, the state must exercise monopolized authority for keeping and using the foreign currency. The new law, rewritten in 2002, stipulates, "Organizations and enterprises are required to deposit foreign currency they have earned in their accounts in the designated banks (new law, Article 11)," and "Organizations and enterprises are allowed to withdraw the amount not exceeding the balance (new Enforcement Ordinance, Article 43)," and "Correspondent banks are required to comply with the request for withdrawal by the organizations and enterprises without conditions (new Enforcement Ordinance, Article 44)." The new ordinance also stipulates, "The Correspondent banks shall not be allowed to use foreign currency in accounts of the clients without their consent" (Article 41).

The background of this change can be explained as follows. The country used to issue convertible bank notes, but this system was abolished first in the Rajin-Sonbong zone in 1997 and then throughout the country in 2002. After this, bank accounts in domestic currency convertible to foreign currency became meaningless. The new concept is that the possession of foreign currency can be permitted, but the state may continue to control its use.

Also in the past, production and export, and export and foreign currency income had been different things, and all incomes, wherever they came from, would revert to

the state. Therefore, enterprises had paid little concern regarding profit. Under the new economic management system, effective on July 1, 2002, enterprises were urged to run their businesses based on a tighter self-accounting system and permitted to dispose what they earned in accordance with their own programs. Under this system, enterprises have come to face the need to possess foreign currency. This is because the official exchange rates set by the government are unrealistic and it would be meaningless to possess foreign currency in domestic currency accounts. The new foreign currency policy means that the state will no longer stick to the old practice of encouraging enterprise incentives by providing workers with special allowances in kind. Instead, it will encourage enterprises to display autonomous incentives by letting them use what they have earned for procuring facilities and raw materials necessary for increasing production.⁶⁾

The new system is also designed to improve the competitiveness of enterprises. This is because the North is no longer able to enjoy the benefit of so-called socialist markets after the worldwide collapse of socialism and is now compelled to compete with capitalist companies abroad. In fact, since 1992, the country has been engaged in vigorous efforts to boost foreign trade by providing even local governments and organizations with the function to conduct trade activities.⁷⁾ In the past, trade activities were the monopolized business of particular trade companies.

Under the new economic management policy in 2002, North Korea took necessary steps to combine production and trade, saying, "Trade business should no longer be regarded as the monopolized activity of particular special institutions."⁸⁾ This combination was made in two ways. First, individual factories and enterprises were encouraged to conduct trade by organizing their own trade company when necessary under the guidance of the Trade Ministry.⁹⁾ Second, manufacturers and trade companies were integrated into one general company.¹⁰⁾ In the past, business activities were placed under the control of the relevant ministry. For example, transportation activities were under the control of the Railroad Ministry.¹¹⁾ Among such examples were the General Zinc Industry Company, the General Magnesia Clinker Company and the General Oil Complex. The North is also reported to be trying to introduce a Japanese-style general trade company.¹²⁾

The new foreign currency policy also aims at prodding illegal trades into the official sector. Since the 1990s, when enterprises began to suffer from a reduced supply of goods, they began to pursue ways to survive by engaging in unofficial activities to earn foreign currency. Some local companies began to engage in illegal activities to smuggle food into the North. North Korea was operating so-called foreign currency earning companies, but these had no right to conduct trade. However, they began to engage in trade from the early 1990s.¹³⁾ Accordingly, the

foreign currency earning business frequently resulted in smuggling. Kim Jong-il once warned about such activities, saying, "Some foreign currency earning companies now say that they want to use part of the foreign currency they have earned to import what they want, but this is a mistaken act deriving from their wrong perception of socialism... All trade activities, both import and export, must be conducted through one channel... External economic transaction must be conducted by particular companies as approved by the External Economic Committee and the state, and all organizations other than these particular companies must stay away from this business."¹⁴⁾ Despite this warning, smuggling continued to prevail. In an effort to prevent such activities from expanding and strengthen government control over their trade, the North in 1997 promulgated the Trade Law, and in 1998 reorganized 300 trade companies into 120.¹⁵⁾ All these efforts resulted in a failure due to the central authorities' inability to distribute enough resources to them. Finally, the country has come to permit enterprises and companies to possess foreign currency after transferring to the state part of what they have earned. This was the same with farmers' markets, which originally were a place where only farm products could be traded. However, these turned out to be black markets where all kinds of goods were traded, and finally the government came to allow them to operate as general markets and local authorities began to collect rental fees from merchants.

b. The Obligatory Foreign Currency Transfer System

This system, as mentioned above, is designed to permit enterprises to keep foreign currency in their bank accounts after transferring part of what they have earned to the state. It aims at providing enterprises with incentives to increase export as well as at letting them improve their own payability in trade. In the past, when enterprises were obliged to transfer all of their foreign currency income to the state, the government sought ways to encourage enterprises with incentives by spurring them to achieve their given goals regarding profit and foreign currency quotas, in addition to production quotas. Kim Jong-il once said, "This is the way to encourage factories and enterprises to increase the production as well and to improve the quality of export goods."¹⁶⁾ Kim may have thought that the incentives could be created through administrative control, regardless of the effect of material incentives.

Under the new economic management system in 2002, the self-accounting system was expanded, the function of currency was activated and the government faced the need to let enterprises keep and use part of their foreign currency income to improve trade activities. It can be said that North Korea adopted this system following a Chinese Foreign Currency Reserve System enforced in the early stage of its economic opening.

The Law on Foreign Currency Management (Article 14) stipulates, "Enterprises are obliged to abide by the

foreign currency earning plan and the transfer plan." Correspondent banks are also given the obligation to collect transferable foreign currency.

The obligatory transfer system is based on the principle of redistribution of income, so that the income of enterprises must be transferred to the state in accordance with the principle of collectivism, and then the useable quota for each enterprise will be decided by the state. Also, in order to provide each enterprise with material incentives, the useable quota will be decided in proportion to their achievements in a way to allocate larger quotas for larger-incomers.¹⁷⁾

It will be helpful to look into the ratio of transfer. In the Chinese case, the government allocated a different reserve ratio (the ratio enterprises are allowed to keep by themselves) by region and commodities, and applied a favorable ratio to the portion exceeding a given target. As the economic opening progressed, the ratio was gradually expanded to provide enterprises with incentives to increase exports. For example, in the early 1980s, the reserve ratio for general commodities was 20 percent, in the late 1980s 25 percent and in the 1990s 50 percent.¹⁸⁾

The case of North Korea is unclear. The Law on Foreign Currency Management stipulates, 1) "In the case of over-fulfilling a given target, the exceeding portion can be used by enterprises under their plans (Article 20 and Enforcement Ordinance, Article 37)," and 2) "When organizations and enterprises, which are not liable to the

foreign currency transfer plan, have foreign currency income, they are obliged to transfer to the state 10 percent of their income (Enforcement Ordinance, Article 25).” No reference can be found regarding the transfer ratio for other cases, but it is estimated that they are larger than the case of 1) and 2). Some reports say that enterprises are allowed to use 40 percent of their income under their own plans, up from 20 percent earlier,¹⁹⁾ although this has not been confirmed.

The use of foreign currency can differ depending on the enterprise. Enterprises under the direct control of the Cabinet must use it in accordance with a Cabinet plan. For example, the General Magnesia Clinker Company first uses it for increasing production and the rest for investing in the light-industrial sector, or the Rungrado Trade Bureau in Pyongyang City procures foreign currency funds from city-owned shops, which sells goods for only foreign currency, and other foreign currency earning factories under the control of the city, and uses it for importing raw materials for a plant in the capital producing cosmetics, or the Pyongyang Textile Factory uses what they have earned for importing modern machinery and raw materials²⁰⁾ This means enterprises’ autonomous rights to use foreign currency is still limited.

The system that is designed to permit enterprises to exercise autonomous rights to use part of their income aims at promoting their incentive. However, the effect will be different depending on conditions. First, if the allowed quota is 40 percent, as

some reports have it, a considerable effect can be expected. Second, enterprises are permitted to use foreign currency only in accordance with the Foreign Currency Payment Plan approved by the Finance Ministry (Foreign Currency Management Law, Article 19, and Enforcement Ordinance, Article 33), therefore, the incentives can be promoted depending on what kind of item the enterprises are permitted to import. Third, enterprises are permitted to exercise full autonomy only for the profit they have made in excess of a given target, and in this case, if the given target is too high for them to achieve, then these autonomous rights will turn out to be meaningless.

c. Favor for Foreign Companies and Special Economic Zone

Foreign companies are not liable to the foreign currency transfer obligation, however, they are obligated to submit reports on foreign currency income and payment. If the foreign companies have no foreign currency income, they may suffer from difficulties in making international settlements and remitting profit in foreign currency, because the value of the North’s domestic currency is exaggerated and the exchange rates can be unrealistic.

In special economic zones, such as the Shinuiju Special Administrative Region, Kaesong Industrial Zone, the Mt. Kumgang Tourist Zone and the Rajin-Sonbong Zone, specific foreign currency management systems are applied. For example, the Foreign Currency Management Regulation in the

Kaesong Industrial Zone is applicable only to that zone.

But even the Kaesong Zone foreign currency management regulation leaves something undesirable. For example, foreign companies are to pay wages in foreign currency in the accounts of foreign exchange banks in the zone, and the North Korean authorities will give the wages to the workers in North Korean currency, applying the official exchange rates. In this case, the foreign currency wage system is meaningless because it is not enough to encourage the workers to display incentives. The companies operating in the Kaesong Zone will be mostly South Korea-based ones, but the regulation makes no reference to the South Korean currency. In the long run, the South Korean currency must be dealt with as one of the convertible foreign currencies in the zone.

2. Limits under the New Law

a. Centralized Foreign Currency Control

Though North Korean companies are permitted to keep and use part of their foreign currency income, there has been no change in the principle of centralized control of income and payments. Under this principle, enterprises will be allowed to exercise only limited autonomy. The Law on Foreign Currency Management carries the following principles. 1) The circulation of foreign money in domestic areas, other than in the special zone, is prohibited, therefore, foreign currency must be exchanged for domestic bank notes at des-

ignated places (Article 5). 2) The acts of buying, selling and depositing foreign currency can be conducted only through the designated correspondent banks. (Article 6). 3) The transaction of foreign currency is possible only through a single bank account in a single exchange bank. (Enforcement Ordinance, Article 18). The act of opening plural bank accounts will be possible only on approval by the North Korean authorities. Foreign and international organizations and companies are also liable to this regulation.

All organizations and enterprises must submit reports on the results of foreign currency settlement, together with the balance sheets issued by the bank, to the Finance Ministry monthly, quarterly and yearly. Foreign companies are also required to make these reports. The correspondent banks are also required to submit reports on financial status together with relevant statistics quarterly and yearly.

Organizations and enterprises that fail to abide by these regulations will face administrative and criminal punishments.

b. Income and Payment Plan

The State Planning Commission draws up a Foreign Currency Income and Payment Plan, and the Ministry of Finance prepares a Foreign Currency Financial Program. As shown in Table 3, the Foreign Currency Income and Payment Plan will be prepared together with a trade plan, and based on the SPC's plan, the Ministry of Finance finalizes its financial program and the plan to collect foreign currency. North

Korean organizations and enterprises are required to place a priority on the obligation to transfer part of their foreign currency income to the state. Correspondent banks are also required to place a priority on the settlement of this obligation.

No transfer obligation is imposed on foreign currency loans, but the loans are placed under the strict control of the government. Loans from foreign governments or international banks, and also from North Korean correspondent banks, and the issuance of foreign currency securities will be possible only on approval of the government. Enterprises are required to obtain approval from the Ministry of Finance when they need to use foreign currency, even in their own bank accounts.

VI. Evaluation and Implications

North Korea's new economic management system, enforced in 2002 as mentioned above, was designed to maximize actual profit while keeping socialist principles intact. The revision of the foreign currency control system was based on the same concept. This system can be characterized by the fact that North Korean enterprises are permitted to keep foreign currencies, although they still must transfer part of their foreign currency income to the state. This revised system implies the following.

First, can this new system be regarded as a sign of economic opening? The answer may be that it is designed to adapt changes in the lower sector to the frame-

work of a planned economy, rather than reflecting the reformatory intentions of the upper strata. In fact, the use of foreign currency was also under strict control in the past, but the reality is not much different from what is seen at present.

The flow of foreign currency into North Korea has increased through unofficial trade with China. This resulted in the devaluation of the North's currency, and people came to prefer foreign currency to domestic one. The amount of foreign currency held by the civilian sector increased to \$1 billion.²¹⁾ The new system can be said to have been aimed at collecting this foreign currency in the private sector. In this respect, the North Korean case should be differentiated from that of China.

Second, is the North's new foreign currency management system comparable to the Chinese case? China introduced a new trade and foreign currency control system as part of its economic reform and opening in 1978. The reform was carried out in four stages.

North Korea's current trade system can be compared to the first or second stage of Chinese reform measures, but reform in the foreign currency management system is being delayed. The exchange rate system in particular made little improvement because the gap between the official and unofficial rates has grown too wide, despite the North's drastic devaluation of its domestic currency in 2002. The noteworthy change in the foreign currency management system, however, is that enterprises are officially permitted to pos-

sess a certain ratio of foreign currency they have earned, and the ratio is gradually increasing.

Third, the new management system implies that both the state and enterprises came to possess foreign currency. This could mean that enterprises also emerged as foreign currency dealers. Individual organizations' and enterprises' dealing with foreign currency, which in the past was regarded as illegal, is now legal, and their autonomous functions are expected to expand. Under the new system, enterprises are encouraged to promote incentives to earn more foreign currency.

The problem is that the North Korean authorities are still trying to stick to the principle of a socialist-oriented planned economy, thus failing to accept changes in the lower strata as reality. This may result in provoking deviant activities by the lower strata. The North's political and economic conditions have not improved enough to enable smooth inflow of foreign investment funds or to boost exports. In macro-economic terms, it is too early to say that the country may attain what it expects from the new foreign currency system. (Yonhap)

Notes:

- 1) The Dictionary of Economics, No. 2 (Pyongyang: Social Science Printing Co., 1985), p. 712.
- 2) Korean Trade Association Forum on North Korean Economy, ed., The Theory and the Reality of North Korean Economy (1996), pp. 233-234.
- 3) Kim Jong-il's remarks (A Selection of Kim Jong-il's Works, No. 14, (Pyongyang: the Workers' Party Printing Co., 2000), pp. 294-295.
- 4) The Dictionary of Economics and Finance (Pyongyang: Social Science Printing Co., 1995), pp. 1436-1437.
- 5) The Law on the Foreign Currency Management, Article 3 and Enforcement Ordinance, Article 3.
- 6) Chosun Shinbo (Tokyo), October 4, 2002.
- 7) Li Shin-hyo, "The Substantial Characteristics and Superiority of the New Trade System," Kyongjae Yonku No. 4, 1992 (Pyongyang: Science Encyclopedia Printing Co.).
- 8) Chosun Sinbo, August 23, 2003.
- 9) *ibid.*
- 10) Kim Yong-sool, "Explanation on North Korea's Economic Policy," KDI Review of North Korean Economy, October, 2002, p. 45.
- 11) Chosun Sinbo, October 4, 2002.
- 12) *Op. cit.*, Kim Yong-sool.
- 13) Yang Moon-su, The Structure of North Korean Economy — the Mechanism of Economic Development and Stagnation (Seoul University Press, 2002), pp. 372-373.
- 14) A Selection of Kim Jong-il's Works, No. 14 (2000, Pyongyang), pp. 8-9.
- 15) The Ministry of Unification (Seoul), South-North Exchange and Cooperation and Changes in North Korea: With the Focus on the Experiences between China and Taiwan, 2003, 134.
- 16) A Selection of Kim Jong-il's Works, No. 13 (1998), pp. 24-25.
- 17) Chang Seong-un, "The Substance of Income by Factories and Enterprises and the Principled Requirement Regarding Distribution, Kyongjae Yonku, 2002, No. 4 (Pyongyang: Science Encyclopedia Printing Co.), pp. 39-41.
- 18) Yang Pyong-seop, China's Foreign Exchange Management (The Institute of External Economic Policy Study), July 1993, pp. 94-110.
- 19) Asahi Shimbun, October 4, 2003.
- 20) Chosun Sinbo Co., Fatherland (Monthly) June 2004.
- 21) Park Seok-sam, A Study of North Korea's Private Economic Sector, (Seoul: the Bank of Korea, 2002), p. 34.