A Study of Decision Making by North Korea and Vietnam when Facing Economic Upheaval

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Abstract

This study examines the approaches taken by the Communist Party of Vietnam and the Workers’ Party of Korea when facing with economic crisis during the late 1980s and the early 1990s. The authors analyzed policies carried out by Hanoi and Pyongyang in an attempt to point out the differences in their reasoning and results. At the Communist Party of Vietnam’s 6th National Congress, hard-liners took responsibility for the economic failure of the country and voluntarily stepped down and make way for more liberal politicians. The new leadership then shifted the centrally-planned economy of the country to a socialist-oriented market economy. North Korea’s leadership, on the other hand, refused to admit the ineffectiveness of their economic policies while shifting the blame to people and natural disasters for the perilous situation of the country. The ruling Kim family also clung onto power. In order to maintain their influence in North Korea, they decided to isolate the country from the outside world. Furthermore, reforms were far and few while failing to live up to their purpose. The study pointed out three reasons behind those decisions (1) Pyongyang would be more vulnerable to legitimacy loss if they had admitted to mistakes and carried out reforms in comparison to Vietnam (2) Vietnam was not able to secure a stable source of foreign aid due to the invasion of Cambodia and Soviet Abandonment and (3) due to the constant state of warfare, Vietnam was in a more perilous economic situation than North Korea during the 1970s–1980s which put more pressure on the need to reform. As a result, despite the fact that both regimes survived the fall of the Soviet Union, Vietnam enjoyed a period of rapid economic development from the late 1980s while North Korea’s economy remained in a stagnant state.

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1. Introduction

It has been over two and a half decades since the collapse of the Soviet Union, upon which, many Eastern Bloc states would experience a governmental collapse. North Korea and Vietnam were able to avoid this fate and survive. At first glance, prior to the 1980s, the two states shared many uncanny similarities. Both states were colonized prior to the conclusion of the Second World War and would experience a bloody proxy war soon after. Additionally, both would make disastrous economic policies and embarked on a path that would isolate them from their neighbors and the international community. Due to poor economic policies, North Korea and Vietnam were both heavily reliant on economic and military aid from their allies to fuel their war and to rebuild their economy, specifically the Soviet Union. Once facing impending economic upheaval, however, Pyongyang and Hanoi’s surviving regime in both countries. In 2017, Vietnam had a GDP estimated at around $525.6 billion whileval strategies vastly differed. These different survival strategies subsequently led to different results, despite the unchanging North Korea had a GDP estimated at around $40 billion (Central Intelligence Agency 2016). Diplomatically, Vietnam is an active member of regional and international organizations, gaining recognition even from their former enemies while North Korea is still facing isolation and embargo for their hostile diplomatic policies.

This study attempts to reveal the differences in reasoning between Vietnam and North Korea’s measures when facing economic crisis. The study reveals that despite the initial similarities, Vietnam and North Korea were fundamentally different in dealing with upheaval. North Korean leadership would cling to power while further isolating the country from the international community and refused to reform the economic system. On the other hand, Vietnam’s leadership willingly

![Graph](image)

**Figure 1: North Korea and Vietnam’s GDP 1985 – 2014**

Note: Hanoi would take measures that would greatly benefit the economy while Pyongyang would retain their current policies as the economy would continue to stagnate.

transferred power to more liberal politicians who would in turn reform the economic and diplomatic system of the country.

2. Analysis of Measures Taken by Hanoi and Pyongyang

During the 1970s, both Pyongyang and Hanoi recognized that their economies were experiencing difficulties. During the North Korean Seven-Year Plan (1961 to 1970), it was clear to the Kim government that the workforce was not reaching its max potential. Gross Industrial Output grew during the Three-Year Plan by 41.8 percent and during the Five-Year Plan grew by 36.6 percent. However, during the Seven-Year Plan, Gross Industrial Output would drastically regress down to 12.8 percent (Chung 1972, p.532). This regression may be due to three factors. First, many of North Korea’s allies were beginning to decrease the amount of aid they were providing. Second, despite over two decades of expanding schools throughout the state, human capital seemed to continue to be inadequate. Thus little innovation and progress was accomplished during the past two decades. Third, the central economy failed to create incentive among workers to increase production. Nonetheless, the government continued to try to push for revolutionary zeal in the workforce to maximize production, rather than create measures that would generate incentive, improve procedures, and encourage technological innovation. It was not until it became apparent that the South Korean economy was growing and would soon surpass the economy of North Korea that the government would begin to take measures to grow the economy.

Despite this Pyongyang would only create two major economic measures to address economic difficulties during the Kim Il-Sung and Kim Jong-Il era: the 1984 Joint Venture Laws and the 2002 July 1 Measures. The Joint Venture Laws provided opportunities for entities from foreign countries to invest in the industry, construction, transportation, science and technology, and tourism (Kihl 1985, p. 70). This was Pyongyang’s strategy to increase Foreign Direct Investment (FDI) in order to increase capital and modern technologies in the country. The July 1 Measures were designed to decentralize the distribution system, monetize the economy, introduce the market, and bring autonomy to companies. If we assume that the Workers’ Party of Korea (WPK) did not recognize the state’s economic difficulties until Kim Il-Sung’s speech about poor production results in 1968, then it took the government approximately sixteen years to create their first major reform following their first acknowledgement of economic difficulties. Additionally, when the Joint Venture Laws did not pan out it took an additional eighteen years to create further economic measures.3

On the other hand, facing impending economic upheaval, Hanoi was quick to address economic difficulties and created reforms. From 1976 to 1978, Vietnam’s industry saw some development, but from 1979 to 1989, industrial production experienced stagnation. The Second Five-Year Plan only

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2 The Seven-Year Plan was extended an additional three years because the state failed to meet output goals by 1967
3 Due to the unattractive nature of doing business in North Korea these new laws would fail to attract foreign entities to invest in the country. By 1993, the new law would only create 114 joint venture projects, most of which were from Korean-Japanese, that would invest a total of around $150 million (Lee 2000, p. 206).
saw Vietnam’s industry grow by 0.1 percent (Marr 1988, pp. 81-87). From 1975 to 1985, consumer price index in Vietnam increased almost 40 times, with the peak at 1982 and 1985, when prices doubled. Between 1986 and 1988, the inflation rate was 401.1 percent (Vn Economy 2011). As earlier as 1979, only four years after the end of the Vietnam War, Le Duan, the de facto leader of Vietnam at that time publicly recognized the economic hardship due to poor policies by the leadership (St. John 2006, p. 45). Later, in 1982, he further emphasized this point by admitting in his report that the Second Five-Year Plan had been a failure and endorsed reform (Vo 1990, p. 107). He also pushed to strengthen both the centrally planned and local economy (St. John 2006, p. 48).

However, prior to 1986, these changes had little effect, if anything at all. After the death of Le Duan and the change of leadership in 1986, along with taking responsibility for the perilous situation the country was in at that time, Hanoi would issue several economic measures during the Doi Moi which would soon bring about positive results: the Decree 217 HDBT in 1987 which granted stated owned companies more autonomy and responsibilities, the 1988 Land Law which recognized land right ownership, the 1990 Law of Private Enterprises which legalized private joint-stock companies and limited liability companies. These policies would soon transform the country and brought about positive results. Furthermore, in order to amend relations with the international community, after the Communist Party of Vietnam’s 6th National Congress, Vietnam began to withdraw its troops from Cambodia.

Another observation can be made in both Hanoi and Pyongyang’s international relations. When major combat ceased with the Korean War Armistice Agreement and the Paris Peace Accords for Vietnam, both Pyongyang and Hanoi would partake in activities that would quickly alienate them from the international community. Peace was not long-lasting in Vietnam. The invasion and occupation of Cambodia was a diplomatic disaster for Vietnam as it was denounced by many United Nations member countries (Thayer 1999, p. 10). China was the most responsive towards Vietnam’s invasion of Cambodia as the Khmer Rouge was a close ally of the Chinese Communists. In retaliation, the Chinese government would cease diplomatic relations and shut off aid to Vietnam. Soon after, the Sino-Vietnamese War broke out in 1979. The war did not only further devastate the already ruined economy of Vietnam but also completely isolated Vietnam from China and consequently left no chance for economic cooperation and aid. Furthermore, the normalization of diplomatic relations between the US and Vietnam was stalled and the US continued to enforce its trade embargo on Hanoi. Vietnam was also denied entrance to important international financial organizations such as the World Bank, the Asia Development Bank, and the International Monetary Fund and thus was unable to access the funds needed for reconstruction (Morley & Nishihara 1997, p. 204).

While Hanoi would isolate Vietnam due to their belligerent activities towards Cambodia, Pyongyang would self-impose isolation onto themselves. Despite the state economy being critically dependent on foreign aid, Pyongyang pursued goals of self-sufficiency. According to Kim Il-Sung, it was necessary for North Korea to be a state that has political, economic, and military independence
from other nations. General Kim expressed that the people should live their lives through their own initiative and strength. Moscow would attempt to dissuade Pyongyang from committing to this plan as it was not viable as North Korea did not have an adequate workforce or resources to follow a completely self-sufficient path. Nonetheless, Pyongyang rejected Moscow’s warning and would refuse to join economically binding organizations such as Soviet-directed Council on Mutual Economic Assistance, like other socialist states (Armstrong 2005, p. 168). Pyongyang’s reluctance to integrate itself within the international community would continue until the collapse of the Soviet Union. Ironically, North Korea may have had little choice but to become self-reliant. North Korea would begin to lose aid from its two biggest allies due to disputes that were occurring between the three countries. Soviet aid decreased from $1.25 billion to $327.25 million from 1957 to 1960 (Koo 1992, p. 133). Chinese financial assistance to North Korea decreased from $157.5 million to $29 million during the seven-year plan (Koo 1992, p. 135).

Following Soviet abandonment, both North Korea and Vietnam sought out to repair their relationship with the international community. In 1991, Vietnam would withdraw its army from Cambodia and in 1996 would establish diplomatic relations with the United States. With the normalization of relations with the United States and the withdrawal of troops in Cambodia, relations between Vietnam and South East Asian countries were slowly improving. Vietnam showed interest in joining the Association of Southeast Asian Nations (ASEAN), which was ironically created in an effort to combat the proliferation of communism, and became an official member in July 1995 (Chauhan 2013). With formal membership, Vietnam quickly integrated into ASEAN both politically and economically. The country later became an active and important member of the group, acting as Chair in 2010. Trade between Vietnam and other ASEAN members also bloomed as a result. By carrying out open-door diplomatic policies, Vietnam was quickly accepted back into the international community and welcomed to comprehensively cooperate with its neighbors.

Being in a state of desperation, Pyongyang would also attempt to improve their relationship with the international community after Soviet abandonment, including their wartime enemies. The first major progress was the 1994 Agreed Framework. This framework with the United States potentially would have brought Pyongyang diplomatic recognition, economic benefits, and a security guarantee as long as Pyongyang abstained from nuclear weapons development (Minnich 2002, p. 5-28). However, the 1994 framework would fail due to transition in administrations and a difference in foreign policy towards North Korea. In 2000, Pyongyang would establish diplomatic relations with allies of the United States such as Italy, United Kingdom, Canada, Spain, and Germany. In 2002, North Korea attempted to establish diplomatic relations with Japan. However, dialogue went sour after the revelation of the abduction issue (Lankov 2014, p. 22). This resulted in Japanese (once the third largest trading partner with North Korea) and North Korean economic relations to decline rapidly.

The most important diplomatic development for North Korea during the new millennia was the Inter-Korean summit. In 2000, Kim Jong-Il met with South Korean president, Kim Dae-Jung. This
meeting sparked a variety of exchanges for the purpose of benefiting both Koreas. These exchanges were seen as a means for expanding joint North-South contacts, increase South Korean business operations in the North, and ameliorate tensions. In 2002, inter-Korean trade reached as high as $642 million (Kihl & Kim 2014, p. 227). However, Pyongyang’s continued pursuit for nuclear proliferation and missile launches has negated the benefits of its charm offensive. Various economic sanctions have been applied on North Korea for their nuclear weapon tests.

While Pyongyang will often deny the effectiveness of economic sanctions, these economic sanctions have crippled their country’s ability to experience economic growth. For example, the United Nations Security Council resolutions 1874 and 2270 targeted Pyongyang’s ability to receive financial assistance and to trade their profitable natural resources (Nanto 2011, p. 109; Weissmann & Hagström 2016, p. 65). As a result, North Korea’s trade with the European Union quickly decreased with each new nuclear weapons test. In 2006, European union exported over €120 million to North Korea, but would decrease to less than €20 million by 2015 (European Union 2016). Additionally, the closure of the Kaesong Industrial Complex in 2016 has lost the North Korean government hundreds of millions of dollars of annual income (Weissmann & Hagström 2016, p. 65). Prior to Soviet abandonment, it was Pyongyang’s dangerous policies and self-imposed isolation that crippled the national economy. Now, Pyongyang by continuing to pursue development of weapons of mass destruction has hindered the state’s ability to obtain adequate finances or raw material to use towards the development of the industry or agriculture due to economic sanctions.

3. The Political Reasoning of Pyongyang and Hanoi

North Korea had the potential to address their economic problem sooner than Vietnam for two reasons: their longer reconstruction period and South Korea, which served a warning and a reminder for North Korea’s economic stagnation. First and foremost, the parties involved in the Korean War stopped to engage in major combat after the Korean Armistice Agreement in 1953 while the actual fighting in the Vietnam War did not cease until 1975, thus North Korea had more than two decades to focus on economic development and address economic difficulties while Vietnam was still being devastated by war. Secondly, the economic miracle experienced by South Korea during the 1970s should have served as a warning to reform for Pyongyang. By comparing itself with South Korea, North Korea would have a clearer “economic development meter” and thus realize their own stagnation sooner than Vietnam. Vietnam had no such reminder as South Vietnam collapsed in 1975 with the Fall of Saigon. Prior to 1975, both North and South Vietnam relied on foreign aid heavily to carry on the war with each other so economic development was not the main method for both sides to compete for legitimacy as in the case between North and South Korea. Despite the two aforementioned factors, in fact, it was Vietnam who recognized and took drastic measures to remedy the failed economic policies. There are three factors that encouraged Hanoi to pursue economic reforms: Vietnam’s lack of international aid, a lesser need for military expenditure, and a lesser concern towards securing the regime’s legitimacy.
3.1 Regarding International Aid and Military Expenditure

While both countries would experience economic difficulties during the 1970s, North Korea always had at least one dependable source for economic aid, which was not the case with Vietnam. Specifically, both Beijing and Moscow viewed North Korea as a necessary ally as it served as a buffer state from the United States. For this reason, despite their frequent dismay with Pyongyang, they would continue to supply aid that would be used to relieve the North’s ongoing problems in production and distribution. During the 1960s and 1970s, China and the Soviet Union provided North Korea with an estimate of $1.7 billion in economic aid alone. During the 1980s, both states would provide North Korea with $1 billion in economic aid (North Korean Economic Indicators 1996, p. 161). However, with the unification of Vietnam in favor of Hanoi, Beijing no longer viewed Vietnam a necessary buffer state in their conflict with the United States. As a result, Beijing could easily turn their back on Hanoi when it invaded and occupied Cambodia. From 1979, due to Vietnam’s invasion of Cambodia, no state was willing to provide Vietnam with aid even Sweden and Japan, two of the most stalwart supporters of Vietnam (Cima 1987, p. 176 and Shiraishi 1990, p.103). Even the Soviet Union was less willing to provide aid to Vietnam due to being preoccupied in their conflict in Afghanistan. The second factor that encouraged Vietnam to reform was a favorable one: a lesser need for military expenditure. While the Vietnam War concluded in 1975, the Korean War is still technically ongoing after 1953. While Vietnam would spend resources on national defense as it was involved in the Cambodian-Vietnamese War from 1977 to 1991 and the consequent Sino-Vietnamese War (Thayer 1994; Joyaux 1994), Vietnam’s military spending only amounted to around 6 to 7 percent of its GDP while that of North Korea exceeded 40 percent of its GDP (The World Bank 2007; Kim 1995). This might be due to the fact that Hanoi no longer had a direct competitor that could threaten its survival while the United States is still a major adversary of North Korea.

3.2 The Primary Goal of Maintaining Legitimacy

In North Korea, the hierarchy of power is more similar to that of an absolute monarchy, in which absolute power is held by one family with a patriarch as its head (Lankov 2014, p. 68). Typically, in these monarchies, authoritarian leaders will use everything in their disposal to stay in power. They are likely to accomplish this through restrictive social policies, indoctrination, manipulation, etc. The Kim family may be considered one of the most resolute authoritarian rulers as they would place government survival over actual economic, social, or political needs. Pyongyang displayed this characteristic by eliminating leaders that opposed their rule, refuse to admit to errors in their government’s policies, and refrain from pursuing policies that would weaken their grip over the state.

3.2.1 Purging Political Opponents

As soon as Kim Il-Sung was appointed by the Soviet Union to serve as chairman of the Workers’ Party of Korea, he would use his power to purge anyone who posed a threat to his power. Kim
would eliminate rivals from different factions or political parties. These included people such as Ho Kai-I and Pak Chang-Ok of the Soviet faction and Mu Chong and Pak Il-U of the Chinese faction (Lee 1982). After the Korean War, Kim Il-Sung consolidated much power and would not forgive members of the party to criticize his authority. In 1956, Choe Chang-Ik and others attacked Kim Il-Sung directly for his poor policies and his attempt to gain authoritarian rule over Korea but failed in their attempt (Kim 1962). Consequently, most of these people were sent to prison or executed for their actions (Lankov 2002, p. 87-119). Since then, the Kim family has had very little opposition against their legitimacy. However, Kim Il-Sung had the goal to not only secure his legitimacy during his lifetime but all his legacy. In October 1980, Kim Il-Sung officially announced that his son, Kim Jong-II, would be his heir. This was unusual because communist governments up until that time did not have hereditary leadership succession. However, after witnessing Khrushchev’s denouncement of Joseph Stalin in 1956, the destalinization that followed in Eastern Europe, and the attempted purge against his authority, Kim Il-Sung deemed it necessary for him to choose his own successor, a person that he was one-hundred percent confident would not jeopardize his legacy, his son (Lankov 2014, p. 68). Consequently, it created a monarchy government that had very little opposition. By the Kim family acquiring absolute power, no one outside of the Kim family had adequate power to encourage reforms, and there was little motive by Kim Il-Sung and Kim Jong-II to commit to economic reforms.

On the other hand, after the death of the childless Ho Chi Minh in 1969, Vietnam was under a collective leadership and power was shared among the highest ranking members of the politburo. This collective leadership was characterized by factional infighting, most notably between the pro-Soviet camp lead by Le Duan and Le Duc Tho and the pro-China camp lead by Hoang Van Hoan and Chu Van Tan (Nguyen & Cooper 1983). After the pro-China faction was purged out of the party in 1977, Le Duan and Le Duc Tho’s faction dominated the Communist Party of Vietnam via a patronage network. They were able to appoint their relatives and protégés to important positions within the government, for example, Le Duc Tho’s brothers Dinh Duc Thien and Mai Chi Tho became Minister of Communications and Transport and Chairman of the People's Committee of Hồ Chí Minh City, respectively (Nguyen & Cooper 1983). Nevertheless, Le Duan and his faction never enjoyed the absolute power the Kim family did in North Korea. Although Le Duan, during at least two occasions, orchestrated purges within the Communist Party of Vietnam in order to maintain his control over the party, there was no evidence that he attempted to become a godly figure like Kim Il Sung. The first reason for that was the symbol that Ho Chi Minh represented for the Vietnamese people and the world. Contrary to popular belief, power in Hanoi was not entirely monopolized by Ho Chi Minh alone. However, he was an inspirational symbol of Vietnam’s independence and nationalism which unified the Vietnamese people during the Vietnam War and the reconstruction period. Replacing Ho Chi Minh as a symbol of the Communist Party of Vietnam would seriously undermine its legitimacy. Secondly, despite the fact that Le Duan was the de-facto top decision-maker in Hanoi during the 1960s, 1970s, and 1980s, the Party leadership had a consensus that
a collective leadership must be upheld in order that no individual could gain absolute power. Agreement on collective leadership was reaffirmed after Ho’s death in 1969 (Woods 2002). As such, any attempt to gain absolute power would most likely end in failure.

### 3.2.2 Publicly Recognizing Errors and Concerns for Maintaining Legitimacy

With the conclusion of the Vietnam War, Hanoi was able to eliminate the greatest threat to their government’s legitimacy. This in turn allowed Vietnam to join international organizations such as the United Nations in 1977. A majority of Vietnamese from the 1970s to 1990s considered the Communist Party of Vietnam to be the legitimate ruler of the country on the ground that they restored the countries’ independence by winning the wars with France and the United States and rebuilt the country after those wars. A strong basis for legitimacy mitigated the gravity of the mistakes made by the leadership. Consequently, leaders could afford to apologize if they made mistakes without gravely endangering the existence of the party. As early as 1979, Le Duan, Vietnam’s top decision-maker, recognized the fact that Vietnam is in a perilous situation due to the policies which had been carried out by the leadership (St. John 2006, p. 45). At the 5th National Congress, he admitted to economic failure in the Second Five-Year plan and endorsed reform. After Le Duan’s death in 1986, other leaders including Pham Van Dong and Truong Chinh openly took responsibility for the economic failure of the country. The Vietnamese leadership openly took responsibility for failure of both the first Five-Year Plan (1976 to 1980) and the second Five-Year Plan (1981 to 1985) which resulted in the perilous economic situation at that time. Even the most prominent leaders such as Pham Van Dong and Truong Chinh were willing to step down for the reformists to carry out Doi Moi in order to address the problem. Truong Chinh reportedly quoted in his Political report at the 6th National Congress:

> The Central Committee, the Political Bureau, the Secretariat and the Council of Ministers were primarily responsible for the above-mentioned errors [economic crisis and overlapping bureaucracy] and shortcomings in the party leadership. It should be emphasized that the delay in correctly affecting a transition in the nucleus leading body was a direct cause for the inadequacy of party leadership in recent years in meeting the requirements of the new situation. The Central Committee wishes to self-criticize [itself] earnestly before the Congress over its shortcomings (Thayer 1987, p. 14).

Nguyen Van Linh, who would succeed Truong Chinh as the General Secretary of the Central Committee of the CPV also remarked that the disastrous economic policies had resulted in “sluggish production, confusion in distribution systems, enduring socio-economic difficulties, and flagging confidence of the population” (Stern 1987, p. 360). The Kim Government, on the other hand, was not successful in unifying the Korean Peninsula. Consequently, this resulted in leadership making
decisions that would secure their grip over the state rather than adequately address problems in the economy. As a result, Kim Il-Sung did not publicly recognize that the current system failed to properly educate workers to be responsible with materials and create an incentive for workers to adequately take care of materials to increase output among other problems. Kim Il-Sung would frequently blame the people’s lack of revolutionary zeal that the state failed to meet domestic output targets. In 1968 the Seven-Year Plan was not going to meet its targets and needed to be extended an additional two years. In response Kim Il-Sung said the following:

If I go to a factory or enterprise, what I see is not a single well-ordered warehouse, but large amounts of material being wasted... if materials like coal and cement were stored in warehouses not a bit would be lost, but it is negligently allowed to pile up outside where it gets rained upon and becomes unusable, and gets blown away by the wind (Kimura 1997).

In the final year of the seven-year plan, Kim Il-Sung would once again blame the workforce for the state’s inability to increase domestic output:

In recent years, grain production has failed to increase... now the managers in the collective farms have become slothful and lack a diligent spirit. Even when they go into the fields they make no attempt to work, but only issue instructions and wander around. During the busiest planting and cutting seasons, some collective farm managers do not try to participate in the production work, but in the autumn they transport many bundles of rice plants to earn labor points (Kimura 1997).

Pyongyang would again avoid taking measures that would boost worker incentive and increase the skillset of workers. Alternatively, Pyongyang would continue to rely on revolutionary zeal among the population to increase domestic production. When production would again not meet targets, blame would once again be towards the people’s work ethic and lack of responsibility. In 1973, the Kim government blamed the workforce:

“The reason why the people’s lives cannot be improved any faster is definitely not that the country’s material foundation is weak. We have the labor power, and we also have the materials. The problem is that the bureaucratic thinkers, and the conservative thinkers, and the self-promoting types always hold power. They neglect labor administration and do not take care of equipment, they do not provide supplies properly, and they do not care about their work... Recently, in order to investigate conditions in our light industrial sector I
went to a factory in Pyongyang. At the hosiery factory there was no place for installing machinery, and machines imported from foreign countries went unused for months. Not only that, but on the grounds there was no warehouse, raw materials were piled up anywhere... thread taken from a textile factory was rolled around until it became unusable” (Kimura 1997).

Due to Soviet abandonment in the 1990s, many Koreans were starving due to the inaccessibility to food. However, as economic difficulties persisted, the Kim government was reluctant to accept humanitarian assistance from the international community. It is possible that the North Korean government refused to accept humanitarian assistance because it would expose inadequacies and inconsistencies of Kim Il-Sung’s personality cult. The North Koreans created the Kim personality cult to encourage absolute loyalty among the people and to prevent potential uprisings from the people themselves. To accomplish this Kim Il-Sung was portrayed as a flawless leader. For example, North Korean materials such as stories, songs, and painting would often portray the great accomplishments of Kim Il-Sung throughout his lifetime. In one of his biographies, Kim Il-Sung is portrayed as a person who selflessly takes on many duties, solves problems at lightning speed, and touches the hearts of many (“Myers 2011”).

However, being portrayed as a gifted leader was not enough, the WPK lifted Kim Il-Sung to be an omnipotent-like being. Since the liberation of Korea, both the Soviet government and later the WPK would put an effort in creating the personality cult of Kim (Suh 1988). In 1946, the North Korean Federation of Literature and Art (NKFLA) was established for that purpose (Kwon 1991). The NKFLA would build the legacy of Kim Il-Sung by connecting him with the Holy Mt. Paektu, describing his accomplishments during the anti-Japanese movement, and portraying him to be a father-like figure for all Koreans. The personality cult of Kim became so huge that Koreans soon began to wear badges of the Kim family daily, routinely bow in front of their statues, hang up photos of the dear leaders in their homes, and memorize important quotations from the great leaders among other things. Kim Il-Sung created a society that virtually viewed him as god-like.

However, his appearance as a flawless god-like leader would be in jeopardy if the North Korean government were to accept humanitarian assistance due to failures in their economic policies. This is because the economic policies are based on Kim Il Sung’s Juche Idea. The Juche Idea, the state ideology, encouraged for self-sufficiency in a country that could not be self-sufficient. For example, North Korea is a mountainous country with only 19.5 percent of arable land (Central Intelligence Agency 2016). At its peak, the North Korean agriculture could produce only 5.5 million tons of grain in 1989 to feed 20 million people (Park 2004). Ironically, this lead to North Korea to take aid, which was referred to as tribute by authorities to coincide with the state ideology, from Socialist allies to feed their people (“Myers 2011”). Therefore, the North Korean government could not accept humanitarian aid because they could not refer to humanitarian aid as tribute since it was coming from their enemies and most importantly it would show that Kim Il-Sung was not
omnipotent-like. By accepting humanitarian aid, the government would admit that their economic system, which is based on their dear leader’s ideology, has failed. This would discredit Kim Il-Sung which would possibly cost the Kim family loyalty from their people and its legitimacy.

Fortunately for the Kim government, North Korea was hit by floods that destroyed much of the country’s agriculture. This allowed the government to blame natural catastrophe rather than their own poor economic policies by the Kim government for the country’s economic difficulties (Lankov 2014, p. 78). This article argues that the personality cult is very important for North Korean legitimacy as the whole economic and political system is based on the Juche ideology that Kim Il-Sung is credited in creating. The Communist Party of Vietnam also promoted the cult of personality of Ho Chi Minh as a means to improve their legitimacy. The Party collective leadership is described to be led by his guidance. Ho Chi Minh was, however, characterized as a benevolent grandfatherly rather than an omnipotent god-like. He was revered in Vietnam as Uncle Ho, in contrast with Kim Il Sung, who was known as the Eternal President of the Republic. On many occasion, Ho himself had displayed his humanity, for example when he cried while apologizing for the mistakes made during the Land Reform in North Vietnam from 1953 to 1956. Following the example set by Ho, it is not uncommon for the leadership of Vietnam to apologize for their mistakes and the Vietnamese people would be more willing to accept mistakes from their leaders. Furthermore, the disastrous economic policies in North Vietnam before Doi Moi were carried out after Ho’s death. As such, his succeeding leaders took the responsibilities upon themselves and apologizing did not damage Ho’s position as a symbol of the Communist Party of Vietnam.4

3.2.3 Pursuing Policies that Favor Government Control

As mentioned previously, the number one priority of Pyongyang has always been to ensure the power and legitimacy of the Kim family. While it was important for Pyongyang to constantly portray the leaders positively, it was also important to restrict and control the daily activities of the people as well. Throughout the history of North Korea, Pyongyang has drastically restricted the freedom of Koreans. For example, Koreans living in North Korea can only listen to fixed wave-length radios that only offer officially approved programs, can only travel outside their native county with a travel permit, and only can receive their rations at one location in their county among other restrictions (Lankov 2007, p. 49, 325). This tight control made Koreans deeply dependent on the Kim government for their information and daily necessities. This prevented people from organizing a large enough group that could oppose the government due to the inability to travel, communicate, or receive politically dangerous information. This tight grip over society was so effective that Pyongyang would not pursue measures that would drastically change the current economic system due to fears of losing their grip over the population. This is evident in Kim Il-Sung’s own words. In 1977, Kim Il-

4 Even though the famine occurred after the death of Kim Il-Sung, since Kim Jong-Il was considered to be a part of the Paektu bloodline he would not be able to admit to his government committing errors just as his father was not able to.
Sung said to East German General Secretary Erich Honecker that, “As the standard of living rises the activity of the people becomes more ideologically lazier and more careless.” ("Myers 2011"). Consequently, Pyongyang’s July 1 Measures were unlikely to experience the same economic benefits as Hanoi’s Doi Moi despite both creating hope that both countries would adopt a market economy.

Despite the July 1 Measures being created to decentralize the distribution system and officially introduce the market, the Kim government would frequently attempt to block the prominence of the market. The Kim government was reluctant to adopt a market economy because it would jeopardize the grip the government had over the people. The market was possibly seen as a danger because it made people more independent and created the ability for the people to better communicate.

The Public Distribution System (PDS) as the only official supplier of goods provided the government with three advantages. First, since Koreans could only receive rations through the PDS it made it difficult for them to travel outside of their domain without being hungry. This made it easy for the government to control the movement of Koreans and make sure they do not participate in any activities that would be dangerous for the government. Second, by controlling what goods the Koreans received, the government was able to effectively control the flow of information throughout the country. The government was able to prevent Koreans from receiving undesirable information from abroad, contain public outburst in one area, and prevent a large assembly from forming that could challenge the government. Third, the PDS made people exclusively reliant on the Kim government. This meant that Koreans would be less likely to criticize the government with fear of losing access to their daily necessities. For these reasons, the introduction of a market system in North Korea was extremely undesirable for the Kim government.

The Communist Party of Vietnam, on the other hand, was open to adopting a market economy within four years after the conclusion of the Vietnam War. Fforde argued that there were three main groups that pushed for the reform: technocrats and pro-market reformists who wished to remedy the economic failure, people who economically benefited from the previous experimental reform, and people who lived under the market system before 1975 in South Vietnam (Fforde & De Vylder 1996; Fforde 1993). The reformists believed that by embracing the market system, they could gain the support of the population in contrast with the belief held by the ruling Kim family in North Korea that only by keeping a tight grip on the population could they ensure their existence. The death of the Communist Party of Vietnam’s Secretary General Le Duan and other hardliners relinquished their power in 1986 finally paved the way for the reformists to take charge. In contrast, it would be impossible for the Kim family to abdicate to allow reformists take power in the case of North Korea.

4. Conclusion

Both North Korea and Vietnam share many similarities. Both states committed themselves to destructive economic policies such as excessively investing in the heavy industry by taking away from other sectors such as the light industry and agriculture, centralizing the economy to the
point that workers had no incentive to work hard, heavily investing in the military and defense, and perilously relying on allies to keep the economy on life support. However, due to differences in their approach towards domestic and foreign policy, the two countries addressed their economic difficulties differently. Vietnam was quick to adopt a social oriented market economy while North Korea was reluctant and slow to officially adopt a market-like economy. For this reason, from the 1980s, Vietnam would experience sizable economic growth, while North Korea would continue to experience economic shortcomings and failures which would lead to the collapse of the PDS.

There are three main reasons explaining the different approaches taken by both states to address economic difficulties. First, Pyongyang advertised Kim Il-Sung to be omnipotent-like and communism to be superior to capitalism. Therefore, admitting to failure in economic planning or creating new economic policies that mimic capitalism would critically jeopardize the legitimacy for communism, the regime, and Kim Il-Sung. Additionally, the Kim government wished to maintain control over every aspect of Korean lives in order to effectively maintain power. Any measure that could remove any sense of control would be deemed as undesirable. Therefore, the establishment of the market was not heavily favored by Pyongyang. Hanoi, on the other hand, had already eliminated their greatest rival for power and never portrayed its leaders to be omnipotent-like. Combined with the legitimacy gained from defending the country from foreign threats, the Communist Party of Vietnam could afford to take responsibilities for its mistakes. Second, while North Korea would often alienate their allies, they were able to secure some form of economic assistance from China and/or the Soviet Union to keep their economy stable. Vietnam soon after the conclusion of the Vietnam War was without economic assistance from both China and the Soviet Union due to their involvement in Cambodia and Soviet abandonment respectively. With failed policies and almost no country to ask for assistance from was forced to make economic reforms. Third, Vietnam seemed to have experienced greater economic difficulties than North Korea did. North Korea initially experienced considerable economic growth during their first two decades since their liberation. However, Hanoi experienced only failure after the unification of Vietnam. Therefore, along with the lack of economic assistance Vietnam was in a more desperate economic situation than North Korea was in.

In conclusion, Hanoi was quick to pursue economic reforms due to quick failure in their economic planning and the cease of economic assistance. Consequently, Vietnam was in deeper economic trouble than North Korea was in. Additionally, Hanoi had the ability to quickly commit itself to economic reforms because unlike Pyongyang, Hanoi did not have to worry about policy changes jeopardizing their power.

5. Future Research
This study primarily compared the decision making by Hanoi and Pyongyang from the 1970s to 1990s. However, since Kim Jong-II passed away, North Korea seems to have taken a different direction economically under Kim Jong-Un. New economic policies such as the "May
30th Measures” have been introduced. Additionally, due to frequent ballistic missile launch and nuclear weapon tests, North Korea has become more isolated from the international community and burdened with severe economic sanctions. In future research, it will be important to analyze these new measures under Kim Jong-Un and their potential impact on the future of North Korea. Furthermore, if North Korea is now facing a situation more similar to that of Vietnam during the 1980s, is it possible for Pyongyang to now make the same decisions Hanoi made previously?

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