

## *North Korea in Transition: Changes in Internal Politics and the Logic of Survival*

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### **Abstract**

The denuclearization of North Korea is a remote possibility. The significance of the nuclear program for North Korea (as a deterrent, diplomatic instrument, and propaganda tool) demonstrates that the gains of North Korea from denuclearization will be small compared to the advantages created by the nuclear program. The international community (above all the U.S.) has no significant leverage when it comes to dealing with the North Korean nuclear issue. Sanctions (if not sabotaged by China or Russia) will likely lead to another famine, but will not start a revolution; possible incentives are not sufficient either. The only possible compromise might include the tacit recognition of the nuclear status of North Korea, but such compromise is not acceptable (and probably not advisable) from the U.S. perspective. This article argues that years of difficult but fruitless negotiations lay ahead. Only the eventual collapse of the Kim family regime will result in a dramatic change in the North Korean attitude to nuclear weapons.

**Key Words:** the U.S., North Korea, South Korea, nuclear issue, sanctions

North Korea attracts much international attention that is disproportionate for a country the size of Mozambique but with an even weaker economic output. Unfortunately, most studies on North Korea tend to concentrate on issues, related to international politics, the Six-Party Talks, nuclear brinksmanship, and the ilk. However, the changes of the recent decade have provided a wealth of new information about the internal situation of the nation. It is possible only to surmise what the North Korean leaders think, as opposed to an easy understanding of what they actually do when it comes to regulating and directing North Korean society. The relative permeability of the Chinese border and large numbers of refugees that have already escaped the country make this information easily available.

This new situation raises a few important questions concerning North Korea. Can North Korea still be considered a Stalinist state and if so how can the present social system be described? What are the major social differences that exist between North Korea and two other groups of the post-Communist states: the self-reforming authoritarian regimes of the Chinese type and Eastern European Bloc where dramatic social and economic reforms followed political revolutions. Last, why has North Korea experienced neither revolution nor reform so far?

North Korea cannot be seen as a “communist state” any more, since it has exited the communist system in an indigenous and rather unique way that is at variance with both the Chinese and East European scenarios. Also argued is that the unusual historical path of North Korea was (to a large extent) a byproduct of the division of the Korean peninsula.

### **North Korea under Kim Il Sung: Perfect Stalinism**

In the late 1950s and early 1960s, the Sino-Soviet schism and reforms by Khrushchev in the USSR changed the monolithic Communist

camp. During the schism North Korea (while following the equidistance policy) resolutely refused to adhere to the view of Khrushchev which was considered 'revisionist.' Until the early 1990s North Korea remained a nearly perfect specimen of the Stalinist society where manifold peculiarities of the Stalin-era Soviet system were preserved and often taken to extremes.

Alex Dowlah and John Elliot in recent research on the Stalinist society in the USSR paid special attention to the following features of this model: "(1) dictatorship by the Communist party over the state; (2) personal tyranny by Stalin over the Communist party; (3) a closely knit set of institutional innovations for party/state control and coordination of the economy, namely, collectivization of agriculture, state ownership of the means of production, centralized planning, and a strong bureaucratic machine; (4) rapid industrialization, with emphasis on investment in heavy industry and shifts in resources from agriculture to industry; and (5) domination by the dictator, party, and state over society through monopolization of control over the armed forces, the media of mass communication, ideology, and education and the systematic use of secret police terror."<sup>1</sup> All those features can be found in the era of North Korean society under Kim Il Sung (with Kim Il Sung, rather than Stalin, at the top of the system).

Of these mentioned features, the total state control over the economy is of central importance. Pavel Campeanu in his analysis of the Stalinist system once underlined this centrality of the economy and ownership structure: "Stalinism wrested the whole of ownership from both class and state, i.e., from society. [...] Locating ownership outside society required the formation of a supreme authority which was capable of exercising that function precisely by virtue of its own position

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<sup>1</sup>-Alex F. Dowlah and John E. Elliot, *The Life and Times of Soviet Socialism* (Westport, CT: Praeger Publishers, 1997), p. 67.

outside society; hence the vital importance of this unprecedented social architecture created to ensure the isolation of a dual monopoly over power and ownership.”<sup>2</sup>

North Korea closely followed this Stalinist approach with exceptional thoroughness. No private industry ownership has been tolerated since the late 1940s, while small handicrafts and retail trade were privatized by the late 1950s. North Korean agriculture was completely collectivized as well. A deliberate effort was made to prevent farmers working private plots from earning significant income and was a major difference with the former USSR and Eastern Bloc countries of Europe where such activities were tolerated and even occasionally encouraged. In North Korea under Kim Il Sung, private plots were unusually small, typically 20-30 *pyong* (70-100 square meters) per household in the rural areas (and less in the cities).<sup>3</sup>

North Korean central planning was especially rigid and the public distribution system (PDS) was all encompassing. Nearly all food and consumption goods were distributed rather than sold. The emphasis on heavy industry (typical for the USSR) reached even greater heights in North Korea.

On the issue of police surveillance and social control, North Korean leaders managed to become even more Stalinist than Stalin himself: many of the restrictions which existed in North Korea in the 1970s and 1980s would have been impossible (even unthinkable) in the Soviet Union under Stalin. In order to travel outside of a local town or county, North Korean citizens first had to apply for a special “travel permit”

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<sup>2</sup>- Pavel Campeanu, *The Genesis of the Stalinist Social Order* (Armonk, NY: M. E. Sharpe, 1988), p. 109.

<sup>3</sup>- U Yong-gun and Im Sang-ch'öl, “Pukhan hyöptong nongjang-üi hyöngsöng kwajöng-gwa unyöng ch'eje” [Formation and Management System of a Collective Farm in the DPRK], *Hankuk hyöptong chohap yöngu* [Korean Journal of Cooperative Studies], Vol. 12 (1994), p. 55.

which was issued by authorities after lengthy procedures. All North Koreans were required to belong to a “people’s group.” These groups included 25-40 families who lived in the same block or same apartment building. They operated under an appointed head who kept an eye on all activities occurring in the neighborhood. Everybody who stayed overnight with friends or relatives had to register first with the “people’s group” and produce the necessary documents.<sup>4</sup> Random home searches, conducted around midnight several times a year, were another part of the North Korean daily routine.<sup>5</sup>

Special measures were taken to ensure that the North Korean public would have no access to unauthorized overseas information. Radio sets with free tuning were illegal and all non-technical overseas publications could be accessed only by individuals with the proper security clearance. Private overseas trips were virtually impossible for anyone but the elite and official exchanges (even with supposedly friendly countries) were kept to a bare minimum. This isolation was vital for maintaining the myth of North Korean prosperity. While the country was increasingly lagging behind other countries (and above all South Korea) the population was assured that in terms of economic prosperity North Korea was first. Only strict self-isolation made this policy sustainable.

This system was very inefficient even in the best times. North Korea at the time of the communist takeover was the most developed industrial region of continental Asia, but began a downhill slide to

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<sup>4</sup>- For the role of people’s groups, see Kim Sŭng-ch’öl and Pak Sŏn-yŏng. “P’yŏngyangsi inminpan unyŏng silt’aewa chumin saenghwal” [The Management of a People’s Group in Pyongyang and the Life of the Population], *Pukhan*, No. 4 (2006), pp. 186-201.

<sup>5</sup>- Research on police control and surveillance in North Korea is still in its infancy, but the basic workings of the system outlined have been described many times, since it is well known to every North Korean. See, for example, a detailed description of travel restrictions in Kim Sŭng-ch’öl, *Pukhan tongp’ŏtŭlŭi saenghwal yangsikkwama machimak hŭimang* [The Way of Life of the North Korean Compatriots and the Last Hope] (Seoul: Charyowŏn, 2000), pp. 185-197.

become the poorest country in the region. Huge military spending aggravated the situation even further: first, the North Koreans overspent on the military because they hoped to take over the South; later, they kept overspending in order to keep abreast of South Korea (which was an increasingly difficult task considering the rapidly widening economic gap between the two Koreas).

Aid and subsidized trade with countries of the former communist bloc and above all with the Soviet Union and China was the major force that kept the increasingly inefficient North Korean economy afloat. Even in the Soviet era, Moscow had little sympathy for the regime of Kim Il Sung. However, the USSR needed a stable North Korea and wanted Pyongyang to remain neutral in the Sino-Soviet split. The USSR provided North Korea with aid grants, heavily subsidized oil, tolerated a large trade deficit, and often agreed to economically unfavorable conditions of trade. According to the estimates of Nicholas Eberstadt, the cumulative foreign trade deficit of North Korea in 1970-1997 amounted to \$12.5 billion US dollars (or about 40% of the cumulative nominal exports of the country).<sup>6</sup>

The collapse of the Soviet Union revealed that the frequent claims of North Korean self-sufficiency were false. In the new situation, Moscow saw no reason why it should continue the support of North Korea and the aid grants along with subsidized trade ended virtually overnight in 1991. After 1991, the North Korean economy went into a free fall. Throughout 1991-1999, the gross national product (GNP) of the Democratic People's Republic of Korea (DPRK) nearly halved. By early 1997, the average production of major plants was reportedly at 46% of capacity.<sup>7</sup> National industrial equipment was widely sold to

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<sup>6</sup>- Nicholas Eberstadt, *The End of North Korea* (Washington: AEI, 1999), pp. 99-100.

<sup>7</sup>- Yi Kyo-kwan, "Sanŏp sisŏl kadongyul 77%-ro k'ŭge hyangsang" [The Great Increase of the Capacity Usage Ratio to 77%], *Chosun Ilbo*, April 9, 2001, p. 41.

China as scrap metal.

Rations ceased to be issued in the countryside from around 1994, and soon afterwards the Public Distribution System (PDS) came to a halt. Though people in most areas still received ration coupons, these coupons could not be exchanged for food. Only in Pyongyang and other politically important areas was food distributed throughout the late 1990s, but even in those privileged areas rations were dramatically reduced. According to Meredith Woo-Cummings, only 6% of North Koreans survived on the PDS rations in 1997.<sup>8</sup>

From 1996-1999 the country suffered from a famine that was the worst humanitarian disaster East Asia has experienced in decades. No reliable figures have surfaced to date, but according to conservative estimates the “excessive deaths” from 1996-1999 were 600,000-900,000.<sup>9</sup> This represents one of the most spectacular failures a classical Stalinist or centrally planned communist economy has ever experienced.

## **De-Stalinization from Below**

To date, social scientists and historians believe that there are two major types of post-communist transition; two “exits from Communism.” One way was demonstrated by China that gradually dismantled the centrally planned economy while keeping in place the authoritarian state (largely as a guarantee of political stability). Another way was demonstrated by the former USSR where partial economic reforms were accompanied by an attempted political liberalization. In one of the earliest works dealing with the subject was published in 1994, the author,

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<sup>8</sup>- Meredith Woo-Cummings, “The Political Ecology of Famine: The North Korean Catastrophe and Its Lessons,” Asian Development Bank Institute, January 2002, p. 34.

<sup>9</sup>- On the different estimates of the demographic impact of the famine, see Stephen Huggard and Marcus Noland, *Famine in North Korea*, p. 27.

Minxin Pei, dubbed the first way as an “evolutionary authoritarian route” while the second was described as a “revolutionary double breakthrough” when the political reforms led to the growth of popular discontent and then to a collapse of the regime, followed by the switch to a market economy.<sup>10</sup>

The Chinese way implies a gradualist transformation of the society, with a piecemeal introduction of market institutions under the strict authoritarian control of the Communist party. However, as Minxin Pei noted in describing China and Vietnam: “The institutional, economic, and ideological foundations of orthodox communist rule had been so seriously undermined that by the early 1990s “communism” no longer accurately described the autocracies in these countries.”<sup>11</sup> In subsequent years, the divergence increased even more. Three decades of such policy produced a system that is clearly authoritarian, but more market-oriented and economically efficient.

The East European and Soviet approach implied a radical political reform. Unlike the Chinese and Vietnamese leaders who did not hide suspicions in regards to political democracy, Gorbachev and his supporters in the USSR (and elsewhere) hoped that a political rejuvenation would lead to a revival of the entire communist project; however, this did not happen. So, these are classified by Minxin Pei as societies that experienced a “revolutionary double breakthrough”: the first breakthrough was a switch to political democracy that was soon followed by the disintegration and complete collapse of the old communist system. The second breakthrough (a subsequent transition to the markets) continued under the political control of different regimes that usually claim adherence to the principles of a liberal

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<sup>10</sup> - Minxin Pei, *From Reform to Revolution: The Demise of Communism in China and the Soviet Union* (Boston: Harvard University Press, 1994), pp.18-25.

<sup>11</sup> - Minxin Pei, *ibid*, p. 2.



democracy and market economy.

This difference between the Soviet and Chinese model has been well studied, but North Korea is seldom considered in post-Communism transitional theory, since it has experienced neither Chinese style economy-centered reforms nor Soviet-style political transformation. North Korea is frequently described as a “Stalinist state.” However, this is a misleading description, since not only specific features of Stalinism, but also more general features of the communist system have disappeared. In the 1990s and early 2000s, North Korea demonstrated the third way to exit a communist system, the way of spontaneous marketization at a grassroots level. Unlike China and East Europe, this disintegration from below did not result in economic growth. North Korean cannot be described as a “communist” (let alone “Stalinist”) country any longer.

The state ownership of all major economic assets is both a central and specific feature of a communist state and is the area where changes were most profound. In post-Kim Il Sung North Korea, the state does not continue to control economic activity. In the mid-1990s, all meaningful economic activity moved to the private markets and the populace began to survive through activities in the “second” or non-official economy. A 2004-2005 survey of North Korean refugees (then residing in South Korea) indicated that earnings from the informal economy provided them with 78% of total income in 1998-2003 (the comparable figure for the 1964-1990 Soviet Union was 16.3%).<sup>12</sup>

These economic changes brought a deep social transformation. The “unprecedented social architecture created to ensure the isolation of a dual monopoly over power and ownership” (whose importance for the system was emphasized by Pavel Campeanu) began to unravel as

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<sup>12</sup>- Byung-Yeon Kim and Dongho Song, “The Participation of North Korean Households in the Informal Economy: Size, Determinants, and Effect,” *Seoul Journal of Economics* 21 No. 2 (2008), pp. 373-374.

well. The explosive growth of official corruption meant that many old restrictions (including a ban on unauthorized domestic travel) ceased to be enforced. For low-level officials that were badly paid and deprived of rations, corruption in the 1990s became the only way to survive and in some cases prosper. Bureaucrats began to ignore a great variety of illegal activities, especially if motivated through monetary rewards.<sup>13</sup>

The rise of the market economy also complicated day-to-day surveillance over the population. People involved in market activities discovered that they were independent of the government pressures that had enforced obedience for decades. Under the new circumstances, it became impossible to ensure that people attended indoctrination sessions, public rituals, tributes to the portraits and statues of the Great Leader, and mass rallies, which were once a daily feature for North Koreans. The more privileged still attended since they had something to lose; however, those at the bottom of the official hierarchy no longer cared.<sup>14</sup> Workers frequently bribed managers, who in turn marked attendance records while they were busy buying and selling goods somewhere in the market.<sup>15</sup>

Amid the crisis, the disintegration, and spontaneous marketization of the 1990s, a new entrepreneurial class began to emerge. In many cases, the new businesses penetrated the official bureaucracy. While officials are not normally allowed to run independent business operations,

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<sup>13</sup>-The unprecedented growth of corruption in North Korea is a widely discussed phenomenon. For a more academic view of the question, see Ch'ae Won-ho, Son Ho-chung, and Kim Ok-il, "Pukhan kwanryo pup'ae-üi silt'ae-wa wonin-e taehan yönku" [Study of the Current Situation and Reasons of Official Corruption in North Korea], *Hankuk köpönönsü hoepo* 13, No. 1 (2008), pp. 297-321.

<sup>14</sup>-Byung-Yeon Kim and Dongho Song, "The Participation of North Korean Households in the Informal Economy: Size, Determinants, and Effect," *Seoul Journal of Economics* 21 No. 2 (2008), pp. 373-374.

<sup>15</sup>-A detailed description of these activities, see Pak Yong-cha, "2000nyöntae Pukhan notoncha-tül-üi notong ilsang" [Daily Work Conditions of the North Korean Workers in the early 2000s], *Chinpo pyöngron* 38, December 2008, pp. 193-196.

the line between private and state business has blurred. In many cases the officials use family members to trade, and in some cases government companies are used as a cover for private economic activities (for example, private buses and trucks are registered under the name of a particular government company whose management receives payoffs from the actual owner).<sup>16</sup> State-run companies also began to make deals with private traders and borrow money on the black market that blurred the line between private and state ownership.

Important were the changes that occurred on the long border with China. This line was never guarded with great efficiency. When the famine struck the northern parts of the DPKR in the late 1990s, many farmers escaped death through migration across the frontier where many had relatives (the adjacent parts of China have a substantial ethnic Korean population). In the late 1990s, the number of these refugees reached an estimated 200,000 or more.<sup>17</sup> Eventually, some of them turned to cross-border smuggling or began to visit China regularly, looking for employment. This cross-border movement introduced to North Korea a variety of information about the outside world, including VHS tapes (later VCDs and DVDs) of foreign movies and South Korean TV shows. This influx dealt a serious blow to the credibility of official propaganda.

It is important to understand that the regime never fully approved of these changes, let alone promoted this social transformation. During the famine, authorities staged occasional crackdowns on market activities, though these restraints seldom had a lasting impact.

In 2002, it appeared briefly as if the state itself had decided to bow to the pressure of market forces. In July that year, the government quietly introduced the so-called “Industrial Management Improvement

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<sup>16</sup> - For some details, see *Onŭlŭi Pukhansosik* [North Korea Today], January 13, 2009, p. 2.

<sup>17</sup> - For a summary of the refugee situation around 2000-2001, see Andrei Lankov, “North Korean Refugees in Northeast Asia,” *Asian Survey* 44, No. 6.

Measures” (never officially described as “reforms,” since this word has always been a term of abuse in the lexicon of Pyongyang). The “measures” decriminalized a broad swathe of market activity and introduced some changes to the industrial management system, enhancing the rights of industrial managers.<sup>18</sup>

These “July 1<sup>st</sup> measures” were widely hailed overseas as a sign of change: many optimists (especially from the South Korean Left) believed that only outside pressure had prevented Kim Jong-il and his entourage from embracing Chinese-style reforms. At that time both the mainstream media and academic publications frequently featured statements to the effect that “the country has recently initiated a policy of internal reform and external engagement.”<sup>19</sup> The major newspaper headlines were equally optimistic: “With Little Choice, Stalinist North Korea Lets Markets Emerge” (*Wall Street Journal*, June 20, 2003); “Signs That North Korea Is Coming to Market” (*New York Times*, June 3, 2004); and “North Korea Experiments, With China as Its Model” (*New York Times*, March 28, 2005).

The “July 1<sup>st</sup> measures” of 2002 were far less radical than many initially assumed; with few exceptions. The North Korean government simply gave belated approval to activities that had been going on for years and which the regime could not eradicate. For example, after 2002 vendors were formally allowed to trade in industrial goods whose sales had not been permitted before. In real life, the trade in industrial items

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<sup>18</sup>- Since the July 1<sup>st</sup> measures were seen as the beginning of a long-awaited Chinese-style reform program, they were discussed at great length by numerous scholars. In English, the best summary is Young Chul Chung, “North Korean Reform and Opening: Dual Strategy and ‘Silli [Practical] Socialism’,” *Pacific Affairs* 77 No. 2 (Summer 2004), pp. 283-305. In Korean Kang Il-ch’ŏn and Kong Sŏn-yvng, “7.1 kyŏngche kwanni kaesŏn choch’i il nyŏnŭi p’yŏngkawa chaehaesŏk” [The First Anniversary of the July 1<sup>st</sup> Economic Management Improvement Measures: Analysis and Appraisal], *P’yŏnghwa munche yŏnkuso, t’ongil munche yŏnku* 15 No. 2 (November 2003), pp. 131-146.

<sup>19</sup>- Sang T Choe, Suk-Hi Kim, and Hyun Jeong Cho, “Analysis of North Korea’s Foreign Trade: 1970-2001,” *Multinational Business Review* 11 No. 1 (Spring 2003), p. 104.

(while technically illegal) had flourished since the early 1990s. The market vendors that the author interviewed all agreed that the “July 1<sup>st</sup> measures” did not influence either the hometown activity of the markets or independent operations, the bans had been long ignored by 2002 when they were officially lifted. As one former black market dealer casually noted, “Most North Koreans do not even know what the ‘July 1<sup>st</sup> measures’ are.”<sup>20</sup> The decision to implement the new policies (however restricted) and to recognize some changes was clearly a sign of the willingness of the government to accept what was irreversible.

In the 1990s North Korean society experienced a dramatic transformation. This transformation was spontaneous and developed from below, unlike the changes initiated or encouraged by the authorities in the USSR or China. It could not lead to any sustainable economic growth. However, the growth of the market elements within the North Korean economy (combined with a dramatic decline of the state-owned industries) changed the workings of this society. The spontaneous marketization also became an important coping mechanism: without the markets and illegal trade in goods and services, more North Koreans would have perished during the famine of the late 1990s. Due to the decisive role of the market activities, it is implausible to describe North Korea of the last 15 years as a ‘communist’ let alone ‘Stalinist’ society.

## **The Backlash: The System Rebooted**

The North Korean authorities did not accept spontaneous changes and a backlash followed. The first possible sign of this reaction was a ban introduced in May 2004 on the private use of mobile telephones. Only

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<sup>20</sup>- So Yu-sŏk, “Pukhankun 31satan minkyŏng taetaewa taenam yŏnraksŏui silch’e” [The 31<sup>st</sup> Division of the North Korean Army and the Situation in the ‘South Liaison Centers’], *Pukhan* (June 2008), p. 198.

a small number of mobile phones were allowed to remain, to be used exclusively by the top bureaucracy and the military.<sup>21</sup>

The pendulum increased its backward movement in October 2005, when the Pyongyang authorities outlawed the sale of grain on the market and stated that the Public Distribution System would be fully re-started. The North Korean populace was then assured by the official media that citizens would be given standard rations on a regular basis, as had occurred under Kim Il Sung. The price of rations was fixed at the post-2002 official level; for example, rice was 44 NK won per kilo. However, by the time of the announcement, the market price had already reached 800-900 NK won, and by 2008, it was fluctuating around 2,500 NK won, so the PDS price remained essentially a token measure.<sup>22</sup> The revival of the PDS was presented as a sign of a “return to normality” and the majority of the North Korean population would undoubtedly agree with this description. The PDS had played a decisive role in food distribution since the late 1950s, so a majority of North Koreans would have lived entirely under the PDS and indeed would have come to perceive it as “normal.”

In December 2006, the authorities took the next step in prohibiting able-bodied males from participating in market trade.<sup>23</sup> It was believed that they should attend a “proper” job, that is, be employees of the government sector.

In December 2007, the North Korean authorities extended the ban

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<sup>21</sup>- The ban was widely reported and discussed in 2004-2005. “Puk, sonchǒnhwa kǔmchi sasil” [The Ban on Mobile Phones in the North Is Confirmed], *Hankuk Ilbo*, June 4, 2004, p. 5; “Puk, yongch’ŏn p’okpal ihu hyutae chǒnhwa kǔmchi choch’i” [North Korea: After the Yongch’ŏn Explosion, Mobile Phones Are Banned], *Kukmin Ilbo*, June 14, 2004, p. 11.

<sup>22</sup>- In May-June 2005, rice at the Hamhŭng market cost 950 NK won per kilo. See Kim Yong-chin, “Hampuk Musan chiyok ssalkaps sop’ok harak” [Rice Prices in Dramatic Decline in Munsan and North Hamgyong], *DailyNK*, July 17, 2007.

<sup>23</sup>- In both cases, the actual amount of grain is smaller since “voluntarily” deductions are made. These deductions roughly equate to 20%, so a person who is eligible to a 700g ration actually only gets 540g.

on market trade to females below 50 years of age.<sup>24</sup> This policy was based on the same assumption: every able-bodied North Korean (irrespective of gender) should be employed by the state sector and the private economy should be tolerated only as a coping mechanism for ameliorating temporary crises. Unlike the earlier decisions, this one guaranteed a serious impact on the North Korean markets, since middle-aged women are overrepresented among North Korean market vendors and small entrepreneurs.<sup>25</sup>

Vendors did what they could to counter these measures. There were also localized riots, as for example in Ch'ongjin in March 2008. In this city, the ban on private trade by younger women was enforced with special thoroughness while the PDS rations were delivered irregularly. Women who participated in the riots reportedly yelled, "If you do not let us trade, give us rations!" and "If you have no rice to give us [as rations], let us trade!"<sup>26</sup>

It is important to understand that these new restrictions had little to do with attempts to revive industrial production. A majority of North Korean factories have ceased to function and in many cases cannot be re-started without a massive investment that is unlikely to arrive. A defector recently described the plight of one family member who was still in North Korea, "They make him go to the plant, but what will he do there? The plant does not operate, and all the equipment was sold

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<sup>24</sup> - The imposition of this ban was reported in October when rumors began to spread. The ban came in effect from December 1, 2007. See *Onŭlŭi Pukhansosik* [North Korea Today], December 6, 2007, p. 2.

<sup>25</sup> - The special role of women in the North Korean informal economy has been highlighted by a number of researchers. For English-language publications, see Byung-Yeon Kim and Dongho Song, "The Participation of North Korean Households in the Informal Economy"; Andrei Lankov and Kim Seok-Hyang, "North Korean Market Vendors." In Korean, see Yi Mi-kyōng, "T'alpuk yōsōngkwau'i simch'ūng myōnchōpŭl t'onghaesō pon kyōngchenan ihu Pukhan yōsōngŭi chiwi pyōnhwa chōnmang" [The Prospects for Change in the Position of North Korean Females as seen through In-depth Interviews with Female Defectors], *Kachokgwa Munhwa*, No. 1, (2006), p. 37.

<sup>26</sup> - *Onŭlŭi Pukhansosik* [North Korea Today], March 12, 2008, pp. 2-3.

to China for scrap metal long ago. So he just goes and sits there, doing nothing.”<sup>27</sup> Judging by anecdotal evidence, this seems to be a common occurrence.

In this case, the goal of the government is not economic revival or even a reassertion of the totality of state ownership that is correctly seen as an essential feature of the Stalinist society. Rather, the government aims at reassertion of political and social control, since in the Kim Il Sung era the surveillance and indoctrination system was centered around the workplace. People are sent back not so much to the production lines, as to indoctrination sessions and to the watchful eyes of police informers, away from the subversive rumors and dangerous temptations of the marketplace.

Border security has increased and has led to a dramatic decline in the number of North Korean refugees in China (from some 200,000 in 2000 to 30,000-40,000 at present).<sup>28</sup> The authorities have said they will treat the border-crossers with increased severity, reviving the harsh approach that was quietly abandoned around 1996. Obviously, this combination of threats, improved surveillance, and tighter border control has been effective. Nowadays, independent crossings are almost impossible, so an entry or exit from China requires the assistance of border guards. This aid can be purchased with a bribe and is a cheap option for professional smugglers, but prohibitively expensive for the average

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<sup>27</sup> - Interview with North Korean defector, Seoul, October 15, 2008.

<sup>28</sup> - Concerning the number of North Korean defectors hiding in China in 2006-2008, some large estimates still exist, but the author tends to agree with Yun Yō-sang (Yun Yō-sang, “Haeoe t’alpokcha silt’aewa taech’ae” [The Current Situation of North Korean Defectors Overseas and the Policy towards Them], *Pukhan*, No. 5 (2008), p. 70). He concludes that in 2007 there were between 30,000 and 50,000 North Koreans hiding in China. In May 2007 NGO representatives operating there also agreed that the number of refugees was close to 30,000. “T’alpok haengryōl 10 nyōn ...suscha chulko kyech’ūng tayang” [Ten Years of Defections from the North ...Numbers Go Down, Social Variety Increases], *DailyNK*, May 14, 2007. These estimates coincide well with what the author himself is hearing in the borderland areas from both Chinese officials and independent researchers (trips in 2007 and 2008).



North Korean (the usual price for a border crossing was reported in 2007 as being 500 yuan or USD70).<sup>29</sup>

## Logic of Survival

The events of the last 15 years demonstrate that North Korean leadership has no intention to initiate reforms. Kim Jong-il and his entourage have no intention to emulate the policies of Gorbachev and other East European leaders, since the “revolutionary breakthrough” there led to the collapse of the power and privileges of the ruling elite. However, the North Korean government seems to be equally unimpressed by the prospects of the authoritarian transformation that worked so well in China. The clear unwillingness to initiate reforms (or accept spontaneous changes from below) is perplexing, and is sometimes explained away by some “paranoid fear of change” which is allegedly widespread among the North Korean elite.

Christopher Marsh wrote in his comparative study of Chinese and Russian transitions from communism, “While myriad factors were at work in often unique combinations in the dozens of societies that sought to exit from Communism in the late 1980s and early 1990s, the reform of Communism was not separate processes operating independently of each other, but rather part of a single, global phenomenon.”<sup>30</sup> In the course of the reform and transition process, knowledge acquired about the experience of other countries exercised a great influence on policy-makers and the public. North Korea was no exception, despite the self-isolation policy the regime leaders have always possessed a reliable

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<sup>29</sup> - Chu Song-ha, “Kim Chŏng-il ‘t’alpak hanryuyui-puro oyŏm Hoeryŏng kkaekkŭsi hara’,” [Kim Jong-il Ordered to Cleanse Hoeryŏng of Spiritual Pollution caused by the Spread of North Korean Culture and Defections], *Dong-A Ilbo*, February 26, 2007.

<sup>30</sup> - Christopher Marsh, *Unparalleled Reforms: China’s Rise, Russia’s Fall, and the Interdependence of Transition* (Lanham, MD: Lexington Books, 2005).

picture of the political situation in other communist countries.

It is assumed that Kim Jong-il must have been won over by the reports about Chinese reforms. However, these impressions were cancelled out by the experiences of East Europe, especially those of Romania and East Germany that once shared important similarities with (and special affinity to) North Korea. East Germany was the only divided country of Eastern Europe while the Romanian political system and ideology were particularly close to those of North Korea.

Events in those two countries demonstrated to the North Korean elite that the greatest threats they face are internal. In both East Germany and Romania, the communist regimes (initially reluctant to reform) could not assert control over the population and were overthrown by popular movements. In both cases, the revolt was dramatic and wiped out the governments in a matter of days with almost no warning. This experience is well known in Pyongyang.

When North Korean leaders assess the local situation, they see an important difference between the North Korean position and those that exist in China or Vietnam. The dissimilarity is the existence of a rich and free South Korea whose population shares the same language and cultural heritage. This makes the predicament of North Korea more similar to that of East Germany than that of China. Actually, the outlook in North Korea is even worse, since the gap between the two Korean states is so large. The Bank of Korea recently estimated that the per capita GNI in the South is 17 times that of the North, while many experts believe that the actual disparity is greater.<sup>31</sup> To put matters into perspective, the difference between the East and West in pre-unification Germany was roughly twofold.<sup>32</sup>

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<sup>31</sup>- "2006 nyŏn Pukhan kyŏngje sŏngchangryul ch'uchŏng kyŏlkwa" [Estimates of the North Korean Economic Growth in the Year 2006] (Seoul: Bank of Korea, 2007). For some critical remarks about the BOK methodology, see *Hankuk Ilbo*, October 10, 2007.

<sup>32</sup>- Charles S. Maier, *Dissolution: The Crisis of Communism and the End of East Germany*

The population of China and Vietnam is perfectly aware of the affluence of the developed West, but does not see this as directly relevant to local problems. The U.S. or Japan are different nations whose citizens speak other languages and clearly belong to a dissimilar culture. In a hypothetical “reforming North Korea,” the situation would be different. For decades, the North Korean leaders based the claims of legitimacy on the ability to provide the population with a better material life. In reality, the stagnating North increasingly lagged behind the fast-growing South from around 1970 and propaganda could only be sustained if the population remained cut off from independent sources of information.

Market reforms and foreign investment will unavoidably undermine this isolation by bringing North Koreans into contact with foreigners, and especially with South Koreans who will probably constitute the overwhelming majority of investors. By now, it seems that many (if not most) North Koreans have come to suspect that the propaganda statements about South Korean destitution are erroneous. As a defector from a borderland town recently stated, “Well, perhaps children in the primary school still believe in South Korean poverty. Everybody else knows that the South is extremely rich.” Even though they suspect that the South is thriving, few North Koreans appreciate the size of the gap that divides them and the South. Graphic descriptions of Southern prosperity would produce a truly shocking effect and would inflict serious damage on the legitimacy of the North Korean regime.

There are other unavoidable side effects of Chinese-style market reforms. The need to reward economic efficiency will mean people pay less attention to party-state rituals and more to making money and to advancing careers through adjusting to market demands. The government

will also have to tolerate the growth of horizontal connections, information exchanges, and travel between different areas. Such changes will be conducive to the emergence of certain unofficial networks, a development that is seen by the regime as a grave potential danger.

When the expected benefits of reforms are extolled by optimists, it is always tacitly assumed that a reformed regime will be able to suppress open dissent, while keeping the majority docile through a gradual improvement of living standards as has occurred in China. However, China does not have to deal with a successful and democratic “South China” whose prosperity the citizens of the People’s Republic can conceivably join (even the completely implausible scenario of Chinese unification on Taiwanese terms is not likely to lead to the instant prosperity of 1.4 billion Chinese). The sheer comparative size of South Korea creates problems in the North. Knowledge of the prosperous South, combined with decades of unification propaganda, is likely to imbue the North Korean public with a belief (possibly naive) that problems will find an easy and immediate solution through unification, followed by a wholesale adoption of the South Korean social model and way of life.

It is worth remembering that the collapse of two Communist dictatorships took dramatic and revolutionary forms in two countries: in Romania whose political system was the closest analogue to the “National Stalinism” of North Korea, and in East Germany that was the only East European country to experience a national division. These comparisons are not lost on North Korean leaders.

The situation is further aggravated by the well-founded concerns of the North Korean elite who think that if the system were to collapse that they would be deprived of any future. In most Communist countries, the failure of the state socialist system has not ended the prosperity of former officials and their families. On the contrary, a large number of

Communist-era apparatchiks instantly remodeled themselves into capitalists and soon reached a level of prosperity that was unthinkable in the past. With the wisdom of hindsight, this appears to be logical. The officials enjoyed a near monopoly on administrative experience, combined with a good education and de-facto control over state property.

In North Korea, such a scenario does not appear likely. If the system collapses, the ex-bureaucrats of the Kim Jong-il regime will have to compete with South Korean managers who will be backed by the capital and experience of the South. The Northerners are certain to loose out in this competition, so capitalism in a post-unification North will be built not by born-again apparatchiks as in the former USSR, but rather by resident managers of LG and Samsung, along with an assortment of carpetbaggers from Seoul.

This fact seems to be well understood by at least some North Korean bureaucrats, but it also seems that the majority harbor an even greater fear: they are afraid of retribution. The North Korean officials know how brutal their rule has been. Even now, at least 150,000 political prisoners are kept in North Korean concentration camps, or one political prisoner for every 150 citizens a level roughly similar to that of the USSR in the worst days of Stalin's rule.<sup>33</sup> They also know how they would have treated the South Korean elite had they won the intra-Korean feud, and do not see any reason why they would be treated any differently by the actual winners. This makes them fear retribution, so they believe that the collapse of the Kim Jong-il regime will spell disaster for them and their families. As a high-level bureaucrat told a Western diplomat in 2007 during a frank conversation: "Human rights and the like might be a great idea, but if we start explaining it to our people, we will be killed in no

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<sup>33</sup>- For example, a 2003 report estimated the number of political prisoners at 150,000-200,000. See "The Hidden Gulag: Exposing North Korea's Prison Camps" (Washington, DC: U.S. Committee for Human Rights in North Korea, 2003), p. 24. Similar estimates can be found in a number of independent sources.

time.” It is also not incidental that many visitors to Pyongyang (including the author) have had to answer the same question quietly but frequently from their minds: “What has happened to the former East German party and police officials?”

These worries seem to be well founded, and this makes the leaders in Pyongyang wary of any change that forms a remarkable cohesion and unity among the elite. They believe (with good reason) that, ‘they must hang together or else they will hang separately.’

Under the circumstances, the most rational policy choice is to avoid all dangerous reforms and keep the system as untouched as possible. This seems to be the current consensus of the ruling elite and Pyongyang in fact does not make any particular secret of this approach. Regular statements in the *Rodong Shinmun* daily and the KCNA news agency explain to readers what the true meaning of “reform” and “openness” (both terms of abuse in the Pyongyang lexicon) is, “The [South Korean reactionary forces] want to use their pitiful ‘humanitarian aid’ to lure us into ‘openness’ and ‘reform’ in order to undermine our system from within” (KCNA, March 30, 2002). Pyongyang politicians are equally frank when they talk about the threats associated with uncontrolled contact with the outside world. For example, on March 14, 2007 an editorial in *Rodong Shinmun* warned, “Imperialists mobilize their spying agencies and use schemes of “cooperation” and “exchange” through various channels in order to implant the bourgeois ideology and culture within the socialist and anti-imperialist countries.”

The major obstacle which prevents the North Korean leaders from accepting (and further developing) the changes which have happened in society over the last 15 years is the potential political problems which are created by the division of Korea into two rival and economically unequal states. This situation has brought about the unwillingness to introduce reforms, however it has not stopped changes *per se*, and did

not save the communist society from a spontaneous disintegration. What it has done is made impossible any systematic structural and institutional changes that can pave the way to economic recovery.

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The North Korean experience demonstrated that apart from two well-known scenarios of exiting communism (those of China and Vietnam and those of Eastern Europe and the USSR) there is also another possibility, so far demonstrated by North Korea only. In North Korea, the socialist state system disintegrated from below, without much encouragement from the authorities and often against clearly expressed wishes. The centrally planned economy, based on the state ownership, rationing, and bureaucratically controlled distribution, was replaced by a primitive version of the market economy, somewhat reminiscent of the market economy seen in the least developed societies. Industrial production came to a standstill and state-controlled distribution system was replaced by the markets. These economic changes had manifold social repercussions. The old system of societal control and surveillance, once patterned after that of Stalin's Russia, ceased to function with old efficiency. The "marketization from below" did not lead to any considerable economic growth. Judged on purely economic terms, it was a failure. From 1990, North Korea registered negative economic growth, and for the most part the changes developed against the background of the unprecedented famine that led to an estimated 600,000-900,000 deaths.

The economic inefficiency is a result of the unwillingness of the regime to embrace and lead the changes. Marketization remains incomplete, and market efficiency is damaged by the necessity to fight against constant pressure from the authorities. This approach is produced by the unique North Korean situation, defined by the national division.

The South Korean affluent and permissive lifestyle is potentially very attractive for the North Korean masses and this leaves the North Korean leadership with no choice. The most rational perhaps (the only available) survival strategy for the ruling elite in Pyongyang is simple: to keep changes at bay, avoid any reforms, and crack down on independent social and economic activities. Concerning foreign policy, aid extraction through all possible means remains the only practical option, since genuine cooperation and foreign investment will have an immense destabilizing effect, as the experience of Germany (the only other divided country of the Communist camp) has demonstrated.

The result is the equilibrium between the regime and society. The regime can inhibit the growth of the market economy and seriously hinder the chances of an economic recovery. However, it cannot completely wipe out market activities, partially because they constitute an important coping mechanism and partially because low- and mid-level bureaucrats have become embedded into the new market-driven system through manifold official and non-official channels. However, the market economy cannot really develop into a coherent system, since the government fears political consequences, which are certain to be created by a more radical and systematic marketization.

For how long can such equilibrium persist? In the short term, it seems that the uneasy balance does not face immediate danger. However, in the longer perspective, it is not sustainable. North Korean society has changed. Common people have learned that they can survive without relying on rations and giveaways from the government. It would be an oversimplification to believe that all North Koreans prefer the relative freedoms of recent years to the grotesquely regimented but stable existence of the bygone era, but it seems that socially active people do feel that way. In the end, the regime seems to be doomed. However, it knows how to stagger its own disintegration; the slow-motion collapse



will take years if not decades and the result of this transformation is uncertain.

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