



Policy Forum 09-068: Understanding New Opportunities to Enhance Human Security in the DPRK



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Understanding New Opportunities to Enhance Human Security in the DPRK

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By John S. Park

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I. Introduction

John S. Park, Senior Research Associate and Director of Northeast Asia projects at the U.S. Institute of Peace's Center for Conflict Analysis and Prevention and an Associate with the Harvard Kennedy

School's Managing the Atom Project, writes, "NGOs and government organizations seeking to achieve economic development goals can work closely with Chinese merchants to leverage routes and mechanisms to increase the flow of goods across Hamji. In doing so, these various players can substantially help improve human security in a key part of North Korea."

II. Article by John S. Park

- "Understanding New Opportunities to Enhance Human Security in the DPRK"

By John S. Park

Enhancing human security [1] in North Korea has been a perennial challenge for various countries and non-governmental organizations (NGOs). Most strategies and policies have been based on a high-level approach whereby countries and NGOs seek to negotiate improvements in human security with the North Korean government.

This paper explores new opportunities to enhance human security in North Korea at the local level. The first section examines the symbiotic relationship between North Korea's Hamgyong Province and China's Jilin Province in the eastern portion of the Sino-DPRK border area. This sub-regional phenomenon has produced an environment in which commercial activities have flourished relative to other parts of North Korea. For North Koreans involved in and benefiting from these activities, their level of human security is concomitantly higher relative to that of others in different parts of North Korea. What explains this variation? The second section focuses on "North Korea, Inc." - the web of state trading companies affiliated with the Korean People's Army (KPA), Korean Workers' Party (KWP), and the Cabinet. Examining how North Korea, Inc. operates provides insights into a mechanism through which human security has been indirectly improving in North Korea's northeastern area. The third section draws out some policy implications regarding human security based on the author's research interviews with recent North Korean defectors who previously worked in DPRK state trading companies. The final section identifies key policy recommendations to further promote human security in North Korea.

I. The Petri Dish: Hamgyong-Jilin ("Hamji")

Increasing commercial interaction in the DPRK-PRC border region has had an important impact inside North Korea. Northeastern border provinces, such as Hamgyong-bukdo, have been rising steadily compared to other provinces, such as Hwanghae-namdo, near the inter-Korean border. Hamgyong-bukdo's relative economic rise and Hwanghae-namdo's relative economic decline have contributed to a fundamental transformation inside North Korea.[2] The ongoing North Korean nuclear crisis and other high profile policy issues have largely overshadowed this transformation. Despite being separated by a border, North Korea's Hamgyong Province and China's Jilin Province - i.e., "Hamji" - have developed a symbiotic relationship based on mutual benefits derived from local level commercial interactions. Just as Washington is now viewing its Afghanistan policy from the lens of ACPAK (Afghanistan-Pakistan)[3], a better understanding of the nature and impact of Sino-DPRK commercial activities on the lives of local people can be facilitated by examining transformations in North Korea through the lens of Hamji.

By examining this Petri dish, we can observe how Beijing's bottom-up approach in this sub-region serves two important stabilizing functions for China. The first centers on promoting opportunities for more market activity in North Korea as a coping mechanism. Beijing has long believed that the more effective this coping mechanism is, the more stable certain parts of North Korea will be. Local Chinese merchants - mostly ethnic Korean Chinese - in Jilin Province play a middleman role by supplying Chinese consumer goods on a wholesale basis to be sold by North Korean business partners on a retail basis, predominantly in Hamgyong Province. Such bottom-up commercial

activity in HamJi is growing and considered "normal." This has led to the monetization of relationships - recurring commercial activity has fostered the development of a nascent network of suppliers, distributors, and customers. The HamJi network, in turn, has facilitated the emergence of resilient and agile markets in Hamgyong Province. In areas where these markets operate, there has been a concomitant rise in corruption. Defectors note that bribes provide officials with funds, which are used for operating budgets for their respective government organizations, as well as for personal use. (The impact of bribes will be discussed in more detail in section II.)

The second function of Beijing's bottom-up approach is promoting economic development in China's northeast. Raising living standards in the northeastern provinces is a top domestic priority for Beijing as it seeks to close income gaps and bolster social stability within China. Mining and transporting North Korean energy resources to northeastern Chinese provinces comprise a key element of sustainable regional economic growth plans. Despite frustrations with a weak record of economic development, Beijing continues to seek ways to further its development goals in this underdeveloped frontier region. Beijing also viewed progress with these goals as beneficial to its efforts to encourage North Korea to carry out economic reform. In the late 1990s and early 2000s, Chinese authorities reportedly incentivized small and medium Chinese companies to engage in commercial activities in North Korea with grants and preferential loans in an effort to foster economic growth in the northeastern Chinese provinces and to stimulate market activity in bordering North Korean areas. Despite a series of early setbacks, Chinese companies who were involved in such activities eventually helped to expand HamJi networks that extended into North Korea.

As formal and informal HamJi commercial networks grew, so too did the level of human security of North Koreans in Hamgyong Province involved in the related commercial activities. A main factor in this phenomenon was the increased ability of these North Koreans - i.e., facilitators in producing, acquiring, shipping, or selling goods - to use newly earned funds to not only raise their material living standards, but also draw on them to "buy" their way out of trouble. North Koreans in other parts of the country - particularly regions farther away from the Sino-DPRK border - who did not have regular access to commercial networks like those in HamJi were not able to derive similar benefits.

II. The Organism: "North Korea, Inc."

Within this Petri dish of HamJi, an organism has been growing and adapting, which has provided opportunities for more North Koreans in this unique area to realize a greater degree of human security. "North Korea, Inc." - a web of state trading companies affiliated to the Korean Workers' Party (KWP), the Korean People's Army (KPA), and the Cabinet - has been increasing the scale and scope of its commercial activities via networks that move goods to sellers and buyers throughout HamJi. A significant development in North Korea, Inc. is the emergence of the so-called "foreign currency revenue generation base" or *weh-hwa buh-rhee-keegee* on a regional and sub-regional level in North Korea. Consisting of labor units drawn from military conscripts and local residents, these bases are tasked with harvesting or extracting exportable goods to be sold for foreign currency. The proceeds from the sale of these goods are funneled up the military and administrative chain of command of the KWP, the KPA, and the National Defense Commission (NDC).[4]

In fulfilling two critical roles, these state trading companies are able to sustainably draw in more North Koreans into direct and indirect commercial activities. First, a designated percentage of all revenues generated by these companies goes directly into Kim Jong Il's personal accounts. The Dear Leader reportedly uses funds from his personal accounts to retain the loyalty of the senior leadership in the Kim family-centered regime. Second, these state trading companies effectively provide scarce funds for operating budgets for the various branches of the KPA, the KWP, and the

Cabinet to which they are affiliated. They are the main sources of financing for running the DPRK state structure.[5]

Significantly, North Korean-Chinese commercial interactions comprise an important coping mechanism for Pyongyang. While these top-down (facilitated by Chinese state-owned enterprises) and bottom-up (facilitated by small Chinese trading operations) commercial activities are not sufficient to effect system-wide economic reform in North Korea, they offer a functional and adaptable means for North Koreans to engage in the closest form of "normal" commerce with another country.[6]

III. Implications of North Korea, Inc. on DPRK Human Security

Two phenomena are enabling the DPRK state trading company system to facilitate the expansion of commercial activity in HamJi with modest, but significant spillover effects in neighboring North Korean regions. The first is the expansion of corruption in the form of *wah-ku* forgery. A *wah-ku* is an official quota authorization document issued by the KWP. A DPRK state trading company needs to receive a *wah-ku* as it outlines the precise quantity of commodities or products it is permitted to trade or barter.

Wah-ku forgery has accelerated the scale and scope of commercial activity in North Korea, which, in turn, provides more North Koreans with access to small ad hoc markets sprouting up along the routes and areas where this activity is common. Originally a command economy central planning instrument, the *wah-ku* system has fostered greater market-oriented activity as a result of the rising incidence of *wah-ku* forgery. This unplanned commercial phenomenon, in effect, serves as an economic stimulus in key regions of North Korea that would otherwise be declining further. Although it is a stimulus of sorts, defectors report that *wah-ku* forgery is not sufficient to reverse the massive deterioration of the North Korean economic infrastructure.

The second phenomenon is the growing volume of remittances sent largely to HamJi by defectors in South Korea and ethnic Korean Chinese formerly from the Yanbian region working in other parts of China. In the case of the former, these defectors are distinct from the earlier group of defectors in that they previously worked in DPRK state trading companies. As a result of being short-changed by Chinese business partners or robbed by other North Koreans while conducting business for their respective DPRK state trading company on the Chinese side of the Sino-DPRK border, these former state trading company officials decided to defect to Seoul rather than return to North Korea and be accused of "pocketing" the funds. In North Korea, they are not listed as "defectors," but as "missing." This enables their family members to avoid punishment. From their base in Seoul, these defectors regularly send remittances back to their families and former business colleagues, who, in turn, use these funds for their own commercial activities.

An unintended, but beneficial consequence of *wah-ku* forgery and remittance flows is a concomitant rise in the level of human security for a growing number of North Koreans engaged in the related commercial interactions. As their level of individual prosperity rises, a major benefit is their increased ability to bribe their way out of trouble with state security forces in many instances. As long as infractions are not labeled as political crimes, this growing benefit appears to extend to a wide circle of family members and relatives.

IV. Policy Recommendations

What is to be done? Raising awareness about the connection between increasing commercial activities in HamJi and rising human security for North Koreans there is a strong starting point. This will establish a productive context within which the following policies could substantially expand

opportunities for more North Koreans to realize a higher level of human security. First, as North Korea, Inc. relies heavily on the Chinese side of HamJi for either selling North Korean products or purchasing cheap Chinese consumer goods for retail sale in North Korea, expanding NGO-facilitated micro-lending activities in this operationally important Chinese area will help foster more positive commercial spillover effects inside North Korea.

In order to promote these micro-lending programs with the full support and cooperation of local Chinese officials, particular attention will have to be placed on highlighting how these programs - first and foremost - benefit Chinese companies. This is not merely an exercise in optics, but an effective approach to cultivating Chinese government and private sector partners who have a long unattained stake in the economic development of the Jilin side of HamJi. Facilitating more public-private partnerships in the micro-lending sector would lay the groundwork for sustainable development in Jilin Province.

A second policy should be the promotion of training programs in Jilin, which would accelerate commercial activities sparked by micro-lending as more Chinese learn techniques and practices that can improve the productivity and quality of goods and services. As markets expand, transportation needs will grow as demand for goods rises. Through these expanded transportation routes, development-focused NGOs and trade promotion agencies can disseminate improved techniques and practices in the North Korean side of HamJi as lessons learned by Chinese can be transferred to their North Korean partners.

In short, NGOs and government organizations seeking to achieve economic development goals can work closely with Chinese merchants to leverage routes and mechanisms to increase the flow of goods across HamJi. In doing so, these various players can substantially help improve human security in a key part of North Korea.

III. Notes

[1] For the purposes of this paper, the Fletcher School's Institute for Human Security's concept of human security will be used: "Scholars, governments, and international organizations have recently begun using the term "human security" to bring together the concerns and practices that deal with the many faces of, and close relations between, freedom from fear and freedom from want. Under this rubric fall a broad variety of issues and trends, but they all share a desire to cross boundaries between fields of social change until now usually treated separately, and a strong ultimate focus on the inclusive well-being of all human beings." <http://fletcher.tufts.edu/humansecurity/about.html>

[2] John S. Park, "North Korea, Inc.: Gaining Insights into North Korean Regime Stability from Recent Commercial Activities," USIP Working Paper, April 22, 2009, p. 3.

[3] General James Jones, National Security Advisor, "President Obama's Afghanistan-Pakistan (AFPAK) Strategy," Foreign Press Center, Washington, D.C., March 27, 2009. <http://fpc.state.gov/120965.htm>

[4] Park, "North Korea, Inc.", p. 10.

[5] Ibid.

[6] Ibid., p. 12.

IV. Nautilus invites your responses

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: napsnet-reply@nautilus.org . Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

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