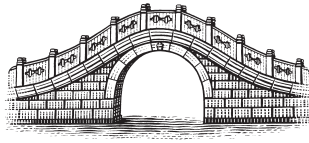


POLICY ANALYSIS

Pyongyang Strikes Back: North Korean Policies of 2002-08 and Attempts to Reverse “De-Stalinization from Below”

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KEYWORDS: NORTH KOREA; STALINISM; COMMUNISM; ECONOMY; STATE CONTROL

EXECUTIVE SUMMARY

This article explains why the North Korean government has attempted to reassert state control over society—which had been eroding from 1994–2002—and offers predictions regarding the impact that this shift will likely have on North Korean society.

MAIN ARGUMENT

From 1994 to 2002 North Korean society changed tremendously: state-run industry collapsed, the rationing system ceased to function, and free-market activity, though still technically illegal or semi-legal, became most citizen's major source of income. Although not initiated by the government, in 2002 some of these spontaneous changes won the belated and conditional approval of the regime.

The evidence emerging in the last three to four years demonstrates, however, that the North Korean government has chosen not to tolerate those changes. This policy of recrudescence, while economically self-destructive, makes political sense because the existence of an affluent and free South Korea makes North Korea far more insecure. The leadership in Pyongyang has reason to believe that any domestic liberal reform in North Korea would lead to a regime collapse.

POLICY IMPLICATIONS

- Pyongyang's decision to reject reformist policies is based on a rational and well-informed assessment of North Korea's domestic and international situation. Therefore, the outside world can do very little to influence the regime's position, and thus there is no chance of meaningful reform in North Korea in the foreseeable future as long as the current regime remains in power.
- Because the current policy makes sustainable economic growth impossible, the North Korean government will need to rely on stratagems to secure vital foreign aid, with the U.S. being one of the main (but not only) targets of these maneuvers. The "North Korean problem" will remain a part of the international landscape in the foreseeable future.
- If the current attempt by the government at counter-reform fails, this failure will create additional avenues for influencing the North Korean government from within.

The 1990s was a time of deep crisis for North Korea. Having been modeled on the Soviet system of the Stalinist era, North Korean society in essence de-Stalinized itself. In 2002 the government introduced a set of moderate reform policies, known as the 7.1 measures; for the most part, however, these reforms were merely a belated admission of social and economic changes that had already developed spontaneously and could not be reversed. Many optimists thus argued that the reform process would accelerate in the absence of outside pressures.

Yet relaxation of outside economic pressures and a partial improvement in the economic situation in North Korea did not lead to further transformation, let alone Chinese-style reform. On the contrary, since 2004 the North Korean government has persistently pursued a policy of counter-reform, with the clear objective of reviving—at least to some extent—the Stalinist system that collapsed in 1994–2004. Though a complete return to the 1980s system has not occurred (being perhaps impossible), the backlash has been partially successful in reversing the changes.

The counter-reform measures have damaged the country's economy such that a self-sustaining economic revival is virtually impossible. Nonetheless, these measures continue to be implemented with great persistence. This raises the question of why North Korean leaders chose to reject the seemingly attractive alternative of Chinese-style reforms and opted instead to revive the earlier system. The present article analyzes the mechanics of North Korea's transformation in order to answer this question.

This article argues that the current measures are perfectly rational if seen from the viewpoint of the Pyongyang elite. The existence of South Korea and its exceptional economic success means that North Korean leaders face a situation dramatically different from that of China. Chinese-style reforms, though rational from a purely economic viewpoint, are pregnant with political danger—such measures would increase the exposure of the North Korean population to the outside world. Above all, exposure to the prosperity and freedom of South Korea could ultimately undermine the North Korean regime's legitimacy. Therefore, it makes perfect sense for the regime to use all available resources to maintain the status quo domestically while pursuing a diplomatic strategy that aims to maximize aid inflow.

On a methodological note, the changes of the last decade greatly increased the scope of resources available to a student of North Korean society. The most important new factor is the emergence of a large community of defectors, in both China and South Korea. The testimonies of these people, who usually stay in touch with their families back in North Korea, have allowed scholars to

reconstruct changes in the daily functioning of North Korean society as well as in the attitudes of the authorities. Although the palaces of the ruling dynasty remain enigmatic, daily life in North Korea is better understood now than ever before. This article makes the most of this newly available information.

The article is divided into four sections:

- ≈ pp. 50–52 describe how, prior to the 1990s, North Korea was a controlled, Stalinist society
- ≈ pp. 52–58 overview the spontaneous liberalization of the country, beginning with grass-roots changes in the 1990s and proceeding to the regime's belated attempt at reform through the 7.1 measures in 2002
- ≈ pp. 58–66 highlight Pyongyang's attempts since 2004 to regain control over markets and society—looking first at the revival of the public distribution system (PDS) in 2005, then at the recent crackdowns on market activities, and finally at the general attempts to revive the control of society's daily operations
- ≈ pp. 66–71 trace the logic behind Pyongyang's latest decision to move against markets

KIM IL-SUNG'S NORTH KOREA: THE CONTROLLED SOCIETY

Until the early 1990s North Korea could be seen as a perfect specimen of the Soviet-style centrally planned economy, albeit one that was remarkable in its tendency to take this system's peculiarities to the extreme. In the 1970s and 80s, the public distribution system (PDS) was all-encompassing: almost all food and consumption goods were distributed rather than sold; private plots in the countryside were limited to 100 square meters per farming family, making private agricultural production virtually nonexistent; the planning mechanism was rigidly centralized and singularly inflexible; and international economic exchanges were deliberately minimized under the guise of a “self-reliance policy.”

This increasingly inefficient economy was kept afloat by aid from and subsidized trade with countries of the former Communist bloc—above all the Soviet Union (USSR). In the Soviet era, Moscow had little sympathy for Kim Il-sung's regime but needed a stable North Korea nonetheless. Hence, the USSR provided aid grants, shipped heavily subsidized oil, and tolerated a large trade deficit with North Korea. According to estimates of Korea scholar Nicholas Eberstadt, North Korea's cumulative foreign trade deficit in 1970–97,

if measured in current dollars, amounted to \$12.5 billion (or approximately 40% of the cumulative nominal exports of the country).¹

North Korean police surveillance was thorough to a degree that had few, if any, analogues in the Communist bloc. In order to travel outside their native town or county, North Korean citizens had to apply for a special “travel permit,” which was issued by authorities following a time-consuming procedure. Some areas—including the country’s capital, Pyongyang—remained closed to non-essential private travel for decades. Every North Korean belonged to a “people’s group,” consisting of 25–40 families who lived on the same block or in the same apartment building. These groups operated under an appointed head who monitored 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.² Random home searches, conducted around midnight several times a year, were another part of everyday life in North Korea.³

In short, Kim Il-sung’s North was a perfect example of a Stalinist society, one in which the peculiarities of this system (sometimes described as totalitarian Communism) were especially pronounced.⁴

Since the 1960s the North Korean leadership has realized that complete isolation from the outside world was an important condition for the regime’s survival. This became especially important following the early 1970s when South Korea began to overtake North Korea economically. Pyongyang applied extraordinary measures to keep the North Korean populace ignorant of growing South Korean prosperity. Radios with free tuning were made illegal so radio sets could receive only official broadcasts. All non-technical foreign publications were sent to special sections of libraries where they could be accessed only by people with appropriate security clearances (no exception was even made for periodicals from the supposedly “fraternal” countries of

¹ Nicholas Eberstadt, *The End of North Korea* (Washington: AEI, 1999), 99–100.

² For the role of people’s groups, see Kim Sung-chol and Pak Son-yong, “Pyongyangsi inminpan unyong siltaewa chumin saenghwal” [The Management of a People’s Group in Pyongyang and Life of the Population], *Pukhan*, no. 4 (2006): 186–201.

³ Research on police control and surveillance in North Korea is still in its infancy, but the basic workings of the system, outlined above, have been described many times, as they are well-known to every North Korean. See, for example, a detailed description of travel restrictions in Kim Sung-chol, *Pukhan tongpotului saenghwal yangsikkwa machimak huimang* [The Way of Life of the North Korean Compatriots and the Last Hope] (Seoul: Charyowon, 2000), 185–97.

⁴ For a discussion of the definition of “Stalinism,” see Seweryn Bialer, *Stalin’s Successors: Leadership, Stability, and Change in the Soviet Union* (Cambridge: Cambridge University Press, 1980), 9. The North Korean social system is sometimes described as “totalitarian,” but the present author prefers the term “Stalinist,” as it is more specific. For a more detailed discussion of the issue, see Andrew Scobell, “Making Sense of North Korea: Pyongyang and Comparative Communism,” *Asian Security* 1, no. 3 (2005): 244–56.

the Communist bloc). North Korean propaganda has maintained an image of South Korea as an impoverished U.S. colony. Other foreign countries fared little better, if the North Korean media of the 1970s and 1980s was to be believed, with North Korea being the world's major beacon of progress and material prosperity.

THE LIBERALIZATION OF NORTH KOREAN ECONOMIC AND SOCIAL LIFE

1994–2004: The Slow-Motion Collapse of Stalinist Society

The North Korean system began to unravel around 1990. The disintegration of the Communist bloc in 1989–91 meant that foreign subsidies suddenly dried up. Trade with the USSR came to a near halt, and by 1993 imports from Russia were merely 10% of their 1987–90 average, leading to an economic shock.⁵ From 1991 to 1998 North Korea experienced negative economic growth: GDP was shrinking.⁶ The official Stalinist-style economy, dominated by heavy industry, collapsed, and by 1997 the average operating rate of North Korean factories was estimated at a mere 46% of 1990 levels.⁷ The PDS, which for decades had provided food and basic goods to the general population, ceased to function. Beginning around 1994, people in the countryside did not regularly receive rations, and from 1996 even in Pyongyang only a privileged few received full rations.

In 1996 the economic decline led to a famine—East Asia's worst humanitarian disaster in decades. No reliable figures have surfaced to date, but according to conservative estimates, "excessive deaths" in the 1996–99 period numbered between 600,000 and 900,000 people.⁸

Famine and economic disintegration dealt a heavy blow to the system of pervasive state control. Although never formally abolished, the old regulations and restrictions became largely unenforceable, with many petty officials either accepting bribes or ignoring their duties. For example, since the mid-1990s travel permits have been easily obtained for a bribe of a few dollars (albeit trips to and from Pyongyang remain somewhat restricted). Similarly, local

⁵ Stephan Haggard and Marcus Noland, *Famine in North Korea: Markets, Aid, and Reform* (New York: Columbia University Press, 2007), 27.

⁶ "Gross Domestic Product of North Korea in 2007," Bank of Korea, June 18, 2008, 1.

⁷ Yi Kyo-kwan, "Sanop sisol katongyul 77%-ro k uge hyangsang" [The Great Increase of the Capacity Usage Ratio to 77%], *Choson Ilbo*, April 9, 2001, 41.

⁸ On the different estimates of the famine's demographic impact, see Haggard and Noland, *Famine in North Korea*, 27.

officials have accepted bribes from the owners of new businesses in exchange for overlooking entrepreneurial activities (which are technically illegal).⁹

Thus, amid the collapse of the state-operated industry, grass-roots capitalism was born. A 2004–05 survey of North Korean refugees now residing in South Korea indicated that earnings from the informal economy accounted for 78% of their total income in the period 1998–2003 (the comparable figure for the Soviet Union from 1964 to 1990 was a mere 16.3%).¹⁰ Of course, it is important to note that because former black market operators are overrepresented among the refugees, this sample is biased and the actual levels of informal income are likely lower. It is still clear, however, that the survival of the North Korean population now largely depends on activities outside the government-dominated official economy. Kim Byung-yeon and Song Dongho describe the current situation in North Korea:

Both in the cases of consumer goods as well as basic food and agricultural products, the share of consumption through the official distribution channels out of total consumption does not exceed 20%. This is a stark contrast to the period before the 1990s, during which the dominant distribution channels were rationing and state shops.¹¹

In the mid-1990s huge markets emerged on the outskirts of many North Korean cities. These markets were places not only for retail activities but also for other types of private enterprise. Private inns, eateries, video rooms, and even bus companies began to appear. The size of private plots increased, with produce being sold at the markets as well. Privately owned workshops produced assorted merchandise to be sold at these flourishing markets.¹² To facilitate the movement of merchandise between different regions, vendors began to rent trucks—and, because the trucks were technically owned by the

⁹ For a more detailed picture of North Korea during the 1990s, see Andrei Lankov, “Natural Death of North Korean Stalinism,” *Asia Policy*, no. 1 (2006): 96–121.

¹⁰ 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): 373–74.

¹¹ *Ibid.*, 374.

¹² The literature on the North Korean “marketization from below” is extensive and growing. For academic research, see, for example, Yi Mu-chol, “Pukhan chumintului kyongchekwankwa kaehyok, kaepang uisik” [North Koreans’ Attitude to the Economy and Consciousness in Regard to the Reforms and Opening], *Pukhan yonku hakhoepo* 10, no. 2 (2006): 187–213. Of special interest are the works of Yang Mun-su, including “Pukhanui chonghap sichang: unyongsiltae, pakuphyokwa, songkyokkwa uimi” [The General Markets of North Korea: Management, Effect, and Meaning], *Kyongchekhak kongtong haksultaehoe* (2005): 1–22. For first-person experiences of daily life in North Korean markets, see Yi Su-hyon, “Pukhanui anjun changsa” [The Market Trade in North Korea], *Pukhan* 12 (2002): 192–200. In English, the issue is treated at length in Haggard and Noland, *Famine in North Korea*, 165–209; and Andrei Lankov and Kim Seok-Hyang, “North Korean Market Vendors: The Rise of Grassroots Capitalists in a Post-Stalinist Society,” *Pacific Affairs* 81, no. 1 (Spring 2008): 53–72.

state, “renting” actually meant bribing officials and clerks who controlled a particular vehicle.¹³ Lending services emerged as well, providing capital to the aspiring merchants and charging exorbitant interest of up to 30% per month.

The degree and scale of the transformation was such that it became possible to describe North Korea as a “post-Stalinist society.” Thus, as Andrew Scobell wrote in 2008, “in the first decade of the 21st century, Pyongyang is best described as a failing or eroding totalitarian regime where exhaustion, loosening of central control, and weakening of the monopoly of information are taking their toll.”¹⁴ Scobell, however, emphasizes that Pyongyang, though weakened, still retains considerable power.

In the absence of structural change, grass-roots capitalism was unable to lead to a Chinese-style economic breakthrough. Nonetheless, it became an important coping mechanism. According to a North Korean joke, “there are only two kinds of people in North Korea: those who are engaged in trade and those who are dying.”

Another important change was the spread of foreign video tapes and DVDs. Around the year 2000, VCRs began to be sold in North Korea in increasing numbers. Soon afterward DVD players also became affordable to more affluent North Korean families. According to Chinese customs statistics, 350,000 DVD players were brought to North Korea in 2006 alone, which is a large number for a country with a population of 23 million. Unlike radio sets with free tuning, DVD players and VCRs are legal in North Korea, though it is assumed that they will be used to watch North Korean or other officially endorsed media. Since smuggling networks have begun to flood the country with foreign, and especially South Korean, videos, however, this is not the case. Such videos have had a great impact on people’s minds.¹⁵ As one defector, a woman in her late 50s, remarked to the present author: “Well, perhaps children from primary schools still believe that South Koreans are poor. Everybody else knows that the South is rich.”¹⁶

Equally important was the large-scale cross-border movement of refugees to China. Their numbers peaked in the 1998–99 period when an

¹³ Yang Mun-su, *Pukhanesoui sichangui hyongsongkwa palchon* [The Formation and Development of North Korean Markets] (Seoul: Pukhan taehakwon, 2006), 25–26.

¹⁴ Andrew Scobell, *Projecting Pyongyang: The Future of North Korea’s Kim Jong Il Regime* (Carlisle: Strategic Studies Institute, 2008), 13.

¹⁵ The spread of videos was widely reported by refugees and the media. For a detailed account of the North Korean “video revolution,” see Yi Chu-chol, “Pukhan chuminui oepu chongpo suyong taeto pyonhwa” [The Research of Changes in North Koreans’ Attitudes toward Outside World Information], *Hankuk tongpuka nonchong* 46 (2008): 245–48.

¹⁶ Author’s interview with a North Korean defector, Seoul, November 1, 2008.

estimated 250,000 North Korean migrants were hiding in China. Most of these people were natives of the northern provinces who had fled to China to escape famine. A small fraction of these refugees eventually moved to South Korea, whereas the majority eked out a modest living as illegal workers in China. Until 2004 many of these people traveled back and forth across the border with great ease, coming home for brief visits and then departing for China again. This movement was made possible by the fact that demoralized North Korean border guards either ignored their duties completely or readily accepted bribes.¹⁷ As a result, some half a million people might have visited China over the last fifteen years.¹⁸ When returning to North Korea, these migrants brought not only money but also stories about Chinese economic success and South Korea's remarkable prosperity.

The "7.1 Measures": A Belated Attempt at Reform

It is important to remember that most of the activities described above remained technically illegal, and anecdotal evidence indicates that even in the middle of the famine North Korean authorities sporadically cracked down both on black markets and on so-called capitalist profiteering.

This is the major difference between North Korea and China. The Chinese government undertook bold social and economic reforms that for all practical purposes led to the gradual dismantlement of Soviet-style state socialism. Beginning in the late 1970s, China introduced a system of family responsibility in agriculture, encouraged private entrepreneurship in industry, phased out central planning, and greatly liberalized control over relations with the outside world. These measures are almost universally credited for China's spectacular economic success, and similar measures have produced impressive results in Vietnam as well. Although aware of the success of such policies in China and other countries, Pyongyang nevertheless chose not to implement Chinese-style reforms.

In 2002, however, Pyongyang's attitude to the emerging market economy appeared to change. On July 1, 2002, North Korean leaders introduced a set of measures that are frequently described in the foreign media as the "2002 reforms." With the word "reform" regarded as too radical, the state media

¹⁷ The literature on the North Korean refugee issue is huge. For an up-to-date introduction, see Stephan Haggard and Marcus Noland, eds., *The North Korean Refugee Crisis: Human Rights and International Response* (Washington: U.S. Committee for Human Rights in North Korea, 2006).

¹⁸ Author's communication with Courtland Robinson, April 2008. Robinson's group has conducted field research on North Korean refugee populations in northeast China since the late 1990s.

never accepted this description, and the policy is officially known in North Korea as the “7.1 measures.”¹⁹

The 7.1 measures in fact included several different sets of policies. First, consumer prices were raised dramatically. For example, for decades rice was sold within the PDS at the token price of 0.08 North Korean won per kilogram (kg). After the reforms, the price increased by a multiple of 550 to 44 won per kg, approximating market price at the time. Official wages increased as well, albeit on a smaller scale (according to Yim Kyong-hun, retail prices on average increased by a multiple of 25, whereas wages increased merely by a multiple of 18).²⁰

Second, the 7.1 measures introduced changes in the management of state companies that increased the power and independence of company managers. Not only were managers allowed to use the market to acquire resources and sell finished products but they were also given more freedom to design incentives for workers, such as performance bonuses. Foreign experts often compared this policy with the early stages of China’s reforms or with the quasi-market experiments in Hungary in the 1960s.²¹

Third, the 7.1 measures envisioned the establishment of “general markets” (*chonghap sichang*), a move that was often described misleadingly in the foreign media as “lifting the ban on private market trade” (no such ban ever existed, and by 2002 a majority of North Koreans were likely already earning their living through private market activity of some kind). Vendors were formally allowed to trade in items whose sale had not been permitted—at least technically—before the measures (for example, assorted industrial goods). The establishment of general markets did not, however, amount to a significant change. For all practical purposes trade in industrial items, though technically illegal, flourished in the 1990s. The market vendors whom this author interviewed all agreed that the 7.1 measures did not make much impact either on the activity of these vendors’ hometown markets or on their

¹⁹ “7.1” refers to the fact that the measures were introduced on July 1. Seen as the beginning of a long-awaited Chinese-style reform program, the 7.1 measures have been treated at great length by numerous scholars. For the best summary in English, see Young Chul Chung, “North Korean Reform and Opening: Dual Strategy and ‘Silli (Practical) Socialism,’” *Pacific Affairs* 77, no. 2 (Summer 2004): 283–305. For a summary in Korean, see Kang Il-chon and Kong Son-yong, “7.1 kyongche kwanri kaeson chochi 1 nyonui pyongkawa chaeaesok” [The First Anniversary of the 7.1 Economy Management Improvement Measures: Analysis and Appraisal], *Pyonghwa munche yonkuso, tongil munche yonku* 15, no. 2, (November 2003): 131–46.

²⁰ Yim Kyong-hun, “Pukhansik kyongche kaehyoke taehan pyongkawa chonmang: 7.1 kyongche kwanri kaeson chochirul chungsimuro” [The Appraisal and Prospects of an Economic Reform, North Korean Style: Centered around 7.1 Economy Management Improvement Measures], *Hankuk chongchi yonku* 16, no. 1 (2007): 290, 295–391.

²¹ *Ibid.*, 295–391.

own operations: the bans had been long-ignored before being officially lifted in 2002. As a former black market dealer noted, “most North Koreans do not even know what the 7.1 measures are.”²²

Other changes in a similar vein followed the 7.1 measures. Around 2005 workers in some areas were given small plots of land (known as “number 112 plots,” in reference to the relevant government decision) on the assumption that they would produce a few months supply of food for themselves. Although this scheme—reminiscent of the “dacha” plots in the late Soviet Union—was not exactly a step toward marketization, it nonetheless clearly implied a greater role for private initiative.²³

There were other signs of a general relaxation in state control as well. Mobile phones were introduced in 2002, and by December 2003 the number of subscribers had reached twenty thousand.²⁴ The mobile phone was immediately a major status symbol in North Korea such that a Western European diplomat recalled how “around 2003 many North Korean officials seemingly arranged for a phone call to be made to their mobile during a meeting, so they could impress foreigners.”²⁵

Thus, by 2004 most observers believed that North Korea had finally embarked on a reformist path.²⁶ Both in mainstream media and in academic publications one frequently encountered statements to the effect that “the country has recently initiated a policy of internal reform and external engagement.”²⁷ Newspaper headlines were equally optimistic: “With Little Choice, Stalinist North Korea Lets Markets Emerge,” “Signs That North Korea Is Coming to Market,” and “North Korea Experiments, With China as Its Model.”²⁸

Subsequent events soon demonstrated that the optimism expressed in these statements was misplaced. Nonetheless, the 7.1 measures and associated policies indicated that the Pyongyang leadership—or at least those parts of

²² So Yu-sok, “Pukhankun 31 satan minkyong taetaewa taenam yonraksoui silche” [The 31 Division of the North Korean Army and the Situation in the “South Liaison Centers”], *Pukhan* (June 2008): 198.

²³ Regarding “number 112 plots,” see Kim Yong-chim, “Chonchin-si chumin 10 mun 10 tap” [Ten Questions and Ten Answers from People of Chongjin], *Daily NK*, December 27, 2005; and Ryu Kyong-won, “08 nyin sangpanki sikliangwiki-ui siltae-was wonin-ul pahyechita” [Disclosing the Reasons of the Food Crisis in Early 2008], *Rimchingang*, no. 3, 2008, 116n.

²⁴ “Han panto sosik” [News from the Korean Peninsula], *Hankyorye*, December 5, 2003, 4.

²⁵ Author’s communication with a European diplomat, London, January 2008.

²⁶ For an optimistic—albeit cautious—assessment of the 2002 reforms that is representative of the perception of the North Korean situation in 2004, see Chung, “North Korean Reform and Opening.”

²⁷ 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): 104.

²⁸ See, respectively, *Wall Street Journal*, June 20, 2004; *New York Times*, June 3, 2004; and *New York Times*, March 5, 2005.

the leadership in control at the time—had finally begun to acknowledge and, to an extent, accept spontaneous “de-Stalinization from below.”

THE BACKLASH

The Revival of the Public Distribution System

Relaxation did not last long. In 2004 North Korean authorities began to reverse the changes that had occurred in the previous decade—including both spontaneous changes and changes that the government had initiated. After moving toward greater political and economic liberalization from 1994 to 2004, the pendulum began to swing back in the opposite direction. Instead of continuing with reforms, the government attempted to revive the pre-crisis system by in a sense reimposing a Stalinist order, often despite social resistance.

Perhaps the first sign of this backlash was a May 2004 ban on the private use of mobile telephones (a small number of phones were allowed exclusively for the use of high-level government and military officials).²⁹ Some believe that this decision was partly a response to the Ryongchon disaster of April 2004 in which a huge explosion wiped out an entire railway station just a few hours after the armored train of Kim Jong-il had passed through.³⁰ According to one widespread rumor, the blast was an assassination attempt using an explosive device allegedly triggered by a mobile phone. Whether this was the case or not, the decision to ban the private use of mobile phones fits the general pattern of North Korean politics emerging since 2004: the spread of mobiles constituted the opening up of a new avenue of communication for many North Koreans, a development that was most unwelcome to the government.

The last few years have also seen a surge in the role of “groups for the eradication of anti-socialist activities.” First formed in 1992, these groups—which comprise members of the local administration and police—have been used sporadically. Since 2004 their activity has increased.

The most important counter-reform measure, however, was initiated in the autumn of 2005. Beginning in August of that year, the government introduced bans on the private sale of grain across the country. Rumors abounded at the

²⁹ The ban was widely reported and discussed in 2004 and 2005. See, for example, “Puk sonchonhwa kumchi sasil” [The Ban on Mobile Phones in the North is Confirmed], *Hankuk Ilbo*, June 4, 2004, 5; and “Puk, Yongchon pokpal ihu hyutae chonhwa kumchi chochi” [North Korea: After the Yongchon Explosion, Mobile Phones Are Banned], *Kukmin Ilbo*, June 14, 2004, 11.

³⁰ These rumors were very widespread. See, for example, Aidan Foster-Carter, “North Korea: The Columbus Complex,” *Asia Times*, February 2, 2008.

time that a complete reinstatement of the PDS was imminent.³¹ These rumors were indeed confirmed in October—during the lavish celebration of the ruling party’s 60th anniversary—when the government announced that the PDS would be restored in full, albeit with some minor modifications.

The North Korean populace was assured that everybody would be given proper 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—rice, for example, was 44 won per kg. By the time of the announcement, however, the market price for rice had already reached 800–900 won, and by 2008 was fluctuating around 2,500 won, meaning that the PDS price remained a token.³² The decision to reinstate the PDS was accompanied by the revival of the government’s monopoly on grain purchases, as private trade in grain was banned—or, rather, authorities confirmed the ban that had technically existed since 1957 but had not been enforced during the 1990s.

The revival of the PDS was presented as a sign of a “return to normality” and even officially referred to in the North Korean media as the “normalization of food distribution” (*siklyang konkup chongsanghwa*). Most of the North Korean populace would no doubt agree with this description: after all, the PDS had played a decisive role in food distribution since the late 1950s. Thus, a majority of North Koreans would have lived most of their lives under the PDS and indeed would perceive the system as “normal.”

Surprisingly, the revival proved to be a partial success, due both to a stable influx of foreign food aid and to relatively good harvests in 2005 and 2006. In May 2008 the National Intelligence Service of South Korea estimated that in early 2008 60% of the North Korean population received full or nearly full rations (in most cases, the effective full ration was approximately 540 grams per day per adult), whereas less privileged individuals were issued reduced rations of 300–400 grams per day and therefore had to purchase additional grain from markets.³³ Though not a complete revival of the PDS, to be sure, the situation was nonetheless significantly different from that of the late 1990s when the PDS was barely functioning. Korean specialist Meredith

³¹ Kim Yong-chin, “Puk 10 wol puto 5 tungkup sikryang paekup silsi” [North Korea Will Conduct Five-level Food Distribution from October], *Daily NK*, September 15, 2005.

³² In May–June 2005 rice at Hamhung market cost 950 won per kilo. See Kim Yong-chin, “Hampuk Musan chiyok ssalkaps sopok harak” [Rice Prices in Dramatic Decline in Musan and North Hamgyong], *Daily NK*, July 17, 2007.

³³ “Choeso sopchwiryangui cholpanman pata” [They Receive Merely Half of the Minimum Necessary Intake], *Kyonghyang sinmun*, May 24, 2008, 5.

Woo-Cumings, for example, estimates that in 1997 a mere 6% of the entire population received food via the PDS.³⁴

The ban on the private sale of grain was seemingly less successful. The first months following the reintroduction of the PDS were marked by frequent campaigns against grain vendors. By late 2006 rice and corn were again sold and bought freely at markets, as the police and low-level officials were unwilling to enforce the regulations (in part out of a desire to extract bribes).

The Regime versus the Markets

The ban on private trade in grain was merely one of many policies aimed at limiting the economic and social significance of markets. Attempts to regulate or limit market activities intensified after 2005. In summer 2007, government authorities attempted to introduce official caps on market prices as well as limits on the maximum amount of merchandise sold by a single vendor. These restrictions were especially noticeable in Pyongyang. For example, the price of octopus was limited to 2,200 won per kg, well below the market price of 3,700 won. The number of items each vendor was allowed to trade was also limited to fifteen, and the sale of more than 10 kg of seafood per day was prohibited.³⁵

In summer 2008 the crackdowns continued. In July the groups for the eradication of anti-socialist activities patrolled the streets of Pyongyang looking for people who traded outside designated areas or who sold prohibited items. Group members explained that these activities could not be tolerated because they “damage the image of the socialist capital and undermine the state.”³⁶

In December 2006 authorities prohibited able-bodied males from engaging in market trade. Men were allowed to trade at the markets only if the aspiring vendor was not the primary breadwinner of the household but rather a dependant. Whereas dependents were normally eligible to receive approximately 300 grams of daily grain rations, breadwinners were issued 700

³⁴ Meredith Woo-Cumings, *The Political Ecology of Famine: The North Korean Catastrophe and Its Lessons* (Tokyo: Asian Development Bank Institute, 2002), 34.

³⁵ Yi Kwang-paek, “Puk changmatang tongche hyokwaopso...Kim Chong-il tokchae wihyop yoinuro” [The Control Over Markets in North Korea Is Not Efficient...Only because They Threaten the Kim Jong-il Dictatorship], *Daily NK*, November 18, 2006; and Yi Song-chin and Yang Chon-ga, “Puktangkuk changmatang kakyokkwa pummokkkachi tongche” [In North Korean Markets They Control Prices and Items Sold], *Daily NK*, November 15, 2007.

³⁶ Kang Chol-hwan, “Changsa tansoke Pyongyang siminto koeropta” [People in Pyongyang Are Annoyed because of the Crackdowns on Private Trade], *Choson Ilbo*, July 28, 2008.

grams per day.³⁷ As the status of dependent was seldom bestowed on adult men, for all practical purposes this decision excluded nearly all adult men from market activity.³⁸ Instead, men were expected to work a “proper” job—that is, find employment in the government sector and show up regularly for work. This policy did not have much effect on the quest for economic revival, however, given that most of the state-run factories, idle for a decade, could not be restarted. Workers were thus required to show up at workplaces where no meaningful production activity was likely to happen in the foreseeable future. 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 to China for scrap metal long ago. So he just goes and sits there, doing nothing.”³⁹ Judging by anecdotal evidence, this seems to be a very common occurrence.

The ban did not have much impact, however, on actual market activities because men seldom trade in North Korea: since its inception in the mid-1990s private retail trade has remained a pursuit of women. Therefore, the government’s decision a year later, in December 2007, to extend the ban on market trade to women below 50 years of age was much more important.⁴⁰ This policy was based on the same assumption: every able-bodied North Korean should be employed by the state sector; the private economy should be tolerated only as a mechanism for ameliorating temporary crises.

Unlike earlier measures, this policy was bound to have a serious impact on North Korean markets, given that middle-aged women are overrepresented among North Korean market operators and small entrepreneurs.⁴¹ The decision reportedly led to riots in March 2008, especially in the city of Chongjin, where the ban on private trade by younger women was strictly enforced despite PDS rations deliveries being irregular and incomplete. Women who participated in

³⁷ In both cases the actual amount of grain is smaller because “voluntary” deductions are made. These deductions roughly equate to 20% of the total ration; thus, a person who is eligible for 700 grams in rations actually receives roughly 560 grams.

³⁸ Kim Yong-chin, “Paekup 700g taesangun motu chikchang chulkunhara” [Those Who Are Eligible for 700g Rations Must Go to the Workplace], *Daily NK*, December 7, 2006.

³⁹ Author’s interview with North Korean defector, Seoul, October 15, 2008.

⁴⁰ The coming of this ban was reported in October when rumors began to spread. The ban went into effect on December 1, 2007. See *Onului Pukhansosik*, December 6, 2007, 2.

⁴¹ The special role of women in the North Korean informal economy has been emphasized by a number of researchers. For English-language publications, see Kim and Song, “The Participation of North Korean Households in the Informal Economy”; and Lankov and Kim, “North Korean Market Vendors.” In Korean, see Yi Mi-kyong, “Talpok yosongkwau simchung myonchopul tonghaeso pon kyongchenan ihu Pukhan yosongui chiwi pyonhwa chonmang” [The Prospects of Change in the Position of North Korean Females As Seen through In-depth Interviews with Female Defectors], *Kachokkwa Munhwa*, no. 1 (2006): 37.

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!”⁴²

The largest North Korean wholesale market is located in Pyongsong, near Pyongyang. In summer 2007 the local authorities explained that any large-scale trade at the Pyongsong market would be prohibited from that time forward. Authorities also specifically banned any wholesale trade that utilized trucks (*chapan changsa*).⁴³

In early 2008 *Rimchingang* magazine, which maintains unusually good connections inside North Korea, reported that in October 2007 the Central Committee issued a document dealing specifically with the market issue. The document was distributed to party organizations across the country and was highly critical of markets. The committee allegedly claimed that markets had become sources of disorder and hotbeds of profiteering—arguing that “the vendors raise prices and exact excessive profits.” The committee also noted that it was largely women of working age who were engaged in market activities—the implication being that women should work in the state-run economy. The document mentioned that smuggled South Korean merchandise is widely sold in North Korea and that markets thus helped to nurture and spread dangerous “fantasies about the enemy.” Finally, the document argued that the spread of market activities outside designated areas leads to disorder and damages the reputations of cities. On this last point, the document claims that unseemly scenes occur frequently in market squares, are secretly filmed by enemies, and are then used in malicious propaganda—an obvious reference to videos that have been secretly filmed in recent years and then smuggled overseas, largely for sale to Japanese television networks.

The Central Committee argued that these issues should be addressed by increasing control of market activities. Nonetheless, the document quotes Kim Jong-il to confirm that the existence of markets is unavoidable at the current stage of North Korea’s social and economic development but that markets should be better controlled and kept in their proper place as an auxiliary and secondary part of the national economy.⁴⁴

In late 2008 the North Korean government was preparing a decisive move against the markets. In November the local authorities were officially notified that beginning on January 3, 2009, the private markets would be allowed to operate only three days every month (on the 1st, 11th, and 21st).

⁴² Onului Pukhansosik, March 12, 2008, 2–3.

⁴³ Onului Pukhansosik, July 30, 2008, 6.

⁴⁴ *Rimchingang*, no. 2, 2008, 83–85.

General markets were to be transformed into farmers' markets where no sales of industrial goods would be allowed. The leadership explained that improvement in the North Korean economic and social situation would make markets obsolete.⁴⁵ If these measures had been carried through, nearly complete market closure would have resulted.

At the last moment, however, preparations were stopped. Market activity continued as before, and authorities issued an explanation stating that the measures needed to be postponed because the necessary preparations were not completed.⁴⁶ One can surmise that authorities were uneasy over the likely social and economic consequences of the proposed new policy and had decided that retreat would be prudent. So far, this aborted market "reform" has been both the most ambitious attempt at halting spontaneous social change of the North Korean system and also the most remarkable reversal of an important policy decision in the area of economic liberalization.

As an interesting illustration, consider a remark made by a North Korean official in late October 2005, just after the formal revival of the PDS was announced. When asked by a visiting South Korean scholar whether the government indeed had restarted the system, the official replied: "Now, when we have a good harvest and plentiful reserves of rice, is the sale of rice at the market necessary?"⁴⁷ The underlying assumption is clear: the "normal economy" should be based on administrative distribution and rationing, whereas markets and retail trade should be tolerated only as a means of coping with emergencies.

Increasing Control Over Society

The backlash was not limited to the market and the economy. The government also tried to reverse the relaxation of political control that had marked the previous decade. Although campaigns against the sale and use of smuggled foreign, especially South Korean, videos never ceased, even greater attention was given to these issues from 2005 onward.⁴⁸ The authorities also

⁴⁵ Ryu Kyong-won, "Changsakuntul nam choson sangpum-ul riyonghayo chok-e taehan hwansang-ul rypo" [Market Traders Use South Korean Merchandise to Disseminate Fantasies about the Enemy], *Onului Pukhansosik*, November 6, 2008, 1–2.

⁴⁶ "Puk, chonghap sichang pyechi yonki" [North Korea Postponed the Closure of the General Markets], *Yonhap*, January 14, 2009.

⁴⁷ Nam Song-uk, "Nongop punyau i kaehyok tanhaengkwa paekupche chaekae" [Execution of Reforms in Agriculture and Revival of the Rationing System], *Pukhan*, no. 12 (2005): 81.

⁴⁸ Reports of such eradication campaigns are quite frequent. See, for instance, Han Yong-chin, "Puk yonil 'chaponchui molanaecha'" [North Koreans Keep Talking about "Getting Rid of Capitalism"], *Daily NK*, January 10, 2006.

tried to step up control over the domestic movement of goods and people. From 2006 onward there have been reports of frequent checks of luggage on trains as well as on trucks and buses, and in late 2007 a major campaign was staged to intercept trucks carrying merchandise.⁴⁹ Around the same time, a large crackdown led to the cessation of private bus operations, which had flourished since the late 1990s (typical of the North Korean grey economy, these ventures had been disguised as state operations).⁵⁰ Special police patrols riding North Korean trains—the train police—were ordered to inspect the luggage of people with suspiciously large sacks and remove what clearly was merchandise for sale.⁵¹

Last but not least, the government increased control over the porous border with China—the major conduit of unauthorized information about the outside world. This led to a dramatic decline in the number of refugees hiding in China, falling from estimates of 200,000–250,000 in 1998 to a mere 30,000–40,000 in 2007.⁵² Although a number of factors, including improvement of the food situation, contributed to this dramatic drop in refugees, increased severity and efficiency of the North Korean border control played a major role as well. Since 2003 it has become far more difficult to cross the border river without bribing the border guards. Though inexpensive for professional smugglers, the assistance of these “protectors of the frontier” is prohibitively expensive for the poorest North Koreans (the usual price for a border crossing was reported in 2007 as being 500 yuan or approximately \$70).⁵³

Even bribing guards might be becoming less effective. Recent reports indicate that in October 2008 the groups for the extermination of anti-socialist activities began a large-scale investigation of the police and security personnel in borderland areas. The investigation targeted officials who have been

⁴⁹ Onului Pukhansosik, December 26, 2007, 2.

⁵⁰ Ibid., 2–3.

⁵¹ Kwon Chong-hyon, “Puk sichang tongche kuksim...yosong sokoskkachi komsa” [Control Over Markets Goes to the Extreme... They Even Check Women’s Underwear], *Daily NK*, November 29, 2007.

⁵² Regarding the number of North Korean defectors in China from 2006 to 2008, there are still large estimates, but this author tends to agree with Yun Yo-sang, who concludes that in 2007 there were between 30,000 and 50,000 North Koreans hiding in China. See Yun Yo-sang, “Haeoe talpukcha siltaewa taechaek” [The Current Situation of North Korean Defectors Overseas and Policy toward Them], *Pukhan*, no. 5 (2008): 70. In May 2007 NGO representatives operating in China also agreed that the number of refugees was close to 30,000. See “Talpuk haengryol 10 nyon...suscha chulko kyecheung tayang” [Ten Years of Defections from the North...Numbers Go Down, Social Variety Increases], *Daily NK*, May 14, 2007. These estimates are consistent with what the present author himself heard in 2007 and 2008 on trips to the borderland areas, both from Chinese officials and from independent researchers.

⁵³ Chu Song-ha, “Kim Chong-il talpuk hanryuyupuro oyom Hoeryong kkaekkuski hara” [Kim Jong-il Ordered to Cleanse Hoeryong from Spiritual Pollution Caused by the Spread of North Korean Culture and Defections], *Donga Ilbo*, February 26, 2007.

involved with cross-border smuggling, thus implying that the ostensible task of the operation is to cut down on unauthorized exchanges with China.⁵⁴

There have been reports that the Chinese government is tightening control of its side of the border as well.⁵⁵ During trips to borderland areas and in conversations with reliable contacts in the region, however, the present author has not found evidence confirming these statements. Although security has increased on the Chinese side of the border, increasing vigilance from North Korean authorities appears to have created major obstacles to smuggling.

This is not the first attempt to crack down on smugglers and their protectors in the North Korean bureaucracy. In late 2007 the central authorities conducted a comprehensive investigation of officials in the largest border city, Sinuiju, which serves as a major center for both legal and illegal trade with China. Soon after the investigation, another team was dispatched from Pyongyang to conduct a thorough examination of local companies engaged in cross-border exchanges. The inquiry reportedly led to the public execution of some Sinuiju officials found guilty of corruption and to the dismissal of less unlucky bureaucrats, including the head of the local customs office.⁵⁶ One year earlier a similar investigation took place in the city of Hoeryong, the second most important hub of cross-border activity.⁵⁷

All these reports of crackdowns and new restrictions (whether enforceable or not) paint a remarkably consistent picture of North Korean policy since 2005 toward unofficial economic activities of all kinds. For a period, the only measures that seemed to contradict this trend were the expansion of the Kaesong Industrial Park and Pyongyang's willingness to allow a large number of South Korean tourists to visit the city of Kaesong. These contradictions, however, did not last: in December 2008 authorities stopped Kaesong tours and dramatically reduced the numbers of South Korean personnel in the Kaesong Industrial Park (without closing the park down).

Contrary to the optimists' expectations, the gradual and largely spontaneous relaxation of control in 1994–2004 did not lead to a more radical and systematic transformation of North Korean society and politics. Instead, since 2004 the government has pursued a policy whose goal is to roll back the

⁵⁴ Onului Pukhansosik, October 29, 2008, 3–4.

⁵⁵ “China Steps Up Arrests of North Korean Refugees,” Bloomberg, June 30, 2008; and “China to Beef Up Inspections at North Korean Border,” *International Herald Tribune*, July 22, 2008.

⁵⁶ The Sinuiju investigation was widely reported in the media. See Onului Pukhansosik, May 27, 2008, 4–5; and Kim Min-se, “Sinuichu sekwanchang pisakuruppa komyol hu chwachon” [The Head of Sinuiju Custom Office Was Demoted after Inspection by Groups for the Eradication of Anti-socialist Activities], *Daily NK*, October 29, 2007.

⁵⁷ Chu, “Kim Chong-il talpuk hanryuyuiuro oyom Hoeryong kkaekkusi hara.”

changes that had developed since the mid-1990s. Though the counter-reform measures have not always been successful, the government's intent is quite clear.

WHY IS PYONGYANG STRIKING BACK?

Foreign Aid and Changes in the International Environment

Why is the North Korean leadership so eager to move backward? Given that this same leadership grudgingly tolerated dramatic liberalization in the late 1990s, what changes in the domestic and international situations made this turn of policy, first, possible and, second, desirable?

In order to answer these questions other important changes to the international position of the North Korean regime that occurred between 2000 and 2002 must be briefly considered. From 1998 to 2008 South Korea was governed by left-leaning administrations whose approach to North Korea was known as the Sunshine Policy. This policy envisioned a dramatic increase in unilateral aid to North Korea, typically without any pre-existing conditions.⁵⁸ Thus, the amount of aid provided through both government and private channels increased dramatically around 2000, emphasized by the first Korean summit in 2000. The surge in aid was accompanied by a dramatic increase in trade and commercial exchanges, frequently subsidized by South Korea and therefore differing very little from direct aid (see **Table 1**).

TABLE 1

North Korea–South Korea Trade

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Trade volume (\$m)	308	222	333	425	403	642	724	697	1,055	1,349	1,797

Source: 2008 *nyon oekyo paekso* [The 2008 White Book on the Foreign Policy] (Seoul: Ministry of Foreign Affairs and Trade, 2008), 49.

⁵⁸ There is a large body of literature describing the Sunshine Policy. For the most detailed review available in English, see Norman D. Levin and Yong-Sup Han, *Sunshine in Korea: The South Korean Debate over Policies Toward North Korea* (Santa Monica: RAND, 2002).

Around the same time, exchanges between North Korea and China increased substantially as well. Beginning in 2001 the scale of commercial exchanges with China began to grow (see **Table 2**). There is good reason to believe that in 2001 Beijing decided that a North Korean collapse must be avoided and, to this end, began to allocate resources to keep the North Korean economy afloat. Bilateral trade volume more than tripled between 2000 and 2005, and it is likely that at least part of this growth was either subsidized or encouraged by the Chinese government. Simultaneously, Chinese aid to North Korea increased, although exact figures are not known. A recent report prepared after interviews with key Chinese scholars states:

Although the specifics of China's external aid relationship with North Korea remain classified, Chinese specialists indicate that North Korea's share of China's rapidly growing global development assistance budget has continued to expand, from an estimated one third of China's foreign assistance five years ago to approximately 40% of China's foreign assistance, according to current estimates. Given that China's assistance to Africa and other Asian countries on China's periphery has grown substantially, raising the total amount of China's aid, this proportion likely reflects a considerable jump in Chinese foreign assistance to the DPRK.⁵⁹

Pyongyang, therefore, became less isolated than it had been—in spite of the nuclear crisis that erupted in 2002 over the country's alleged uranium enrichment program. The scale of Chinese and South Korean aid was relatively moderate and clearly would not account for a dramatic revival of the North Korean economy (nor would such a revival be possible without considerable

TABLE 2

North Korea–China Trade

	1997	1998	1999	2000	2001	2002	2003	2004	2005
Trade volume (\$m)	650	410	370	480	740	730	1,020	1,360	1,580

Source: Choe Chun-hum, *Chungkukui taepuk chongchaekkwa 2.13 hapuie teahan ipchang* [China's North Korean Policy and Attitude toward the 13 February Agreement] (Seoul: KINU, 2007), 40.

⁵⁹ Bonnie Glaser, Scott Snyder, and John S. Park, *Keeping an Eye on an Unruly Neighbor: Chinese Views of Economic Reform and Stability in North Korea* (Washington, D.C.: Center for Strategic and International Studies and United States Institute of Peace, 2008), 11.

structural reform). Nonetheless, foreign aid brought considerable relief. The famine also abated, although the food situation still remains precarious at best.

The evidence of the last few years, therefore, testifies to the fact that the improvement in the economic situation and the relaxation of outside pressure has not pushed the North Korean leadership toward market-oriented reforms. On the contrary, relative economic stabilization formed a background for a backlash against the market-oriented institutions and activities that were grudgingly tolerated for a period.

The System in Its Madness: Domestic Logic

Given that the success of the Chinese and Vietnamese reforms is so clear, the behavior of the North Korean leadership seems irrational. In China the Communist oligarchy has managed to increase its power by presiding over an unprecedented economic growth while successfully maintaining domestic stability. This option is not, however, attractive to the North Korean elite, even though they are perfectly aware of the spectacular success of the Chinese experiment. The children of the North Korean elite often study overseas, including in China. Chinese leaders even arranged for Kim Jong-il to visit the Pudong area in Shanghai, a high-rise district that embodies the country's economic success, and there have been rumors of other similar excursions.⁶⁰ Though Kim Jong-il was said to be duly impressed, the visits have had no political consequences whatsoever.

Pyongyang's seemingly irrational unwillingness to reform has one possible rational explanation. North Korean leaders perhaps resist reform not because the leadership is ideologically zealous or ignorant of the outside world but because it realizes that North Korea's situation is dramatically different from that of China or Vietnam. It is the existence of rich and free South Korea that makes the decisive difference. The regime lives next to a country whose people speak the same language and are officially described as "members of our nation" but who enjoy a per capita income at least 17 times (some claim even 50 times) higher than that of the North Korean people.⁶¹ If ordinary North Koreans become aware of the prosperity of their brethren only a mere

⁶⁰ "Kim Jong Il Continues Shanghai Tour, Visits Bourse," Kyodo Wire Agency, January 18, 2001.

⁶¹ For details on the ongoing argument over the actual size of North Korean GDP, see I Chong-sok, "Pukhan kukmin sotuk chaepyongka" [Reassessment of the National Income of North Korea], *Chongsewa chongchaek*, no. 3 (2008): 1-4.

hundred miles or so away, the regime's legitimacy would suffer a major blow and, quite likely, would become untenable.

Admittedly, worries regarding the political implications of social reform are not unique to North Korea but are common to all Communist regimes considering dismantling command economies. In the case of North Korea, however, South Korea aggravates the situation. Rich South Korea's existence means that an "East German scenario" always remains a probability in Korea—a challenge that seems to be absent in the case of Vietnam or China. The prosperity of, for example, Japan or the United States is well known in China but is not seen by the Chinese as relevant—after all, those are different nations, with different histories. Neither Vietnam nor China has a rich "other" with which to seek unification: Taiwan is too small to have a palpable impact on the average Chinese income in the event of unification, and South Vietnam ceased to exist in 1975.

Reform is impossible without a certain relaxation of the information blockade and daily surveillance. Foreign investment and technology are necessary preconditions for growth, and therefore if reform were to be instigated, a large number of North Koreans would be exposed to dangerous knowledge of the outside world and above all of South Korea. A considerable relaxation of the regime's administrative control would be unavoidable as well: efficient market reforms cannot occur in a country where a business trip to the capital requires a month-long wait for the proper travel permit and where promotion is determined not so much by labor efficiency but by demonstrated political loyalty (including the ability to memorize the speeches of the "Dear Leader"). Relaxation would entail information flowing within the country, and the dissemination of this information, as well as of dangerous conclusions drawn from it, would become much easier and much more perilous.

If the populace were to learn just how desperate the country's situation is, and also feel less intimidated by the police and ideology, why would North Koreans remain as docile as they have been for decades, quietly accepting an authoritarian "developmental dictatorship"? The most obvious solution for North Korea would be to remove the current regime and unify with South Korea in order to partake in that country's prosperity.

Unlike their colleagues in the former USSR and Eastern Europe, North Korean elites will stand little chance of becoming successful capitalists if the system is overthrown and the peninsula united. All the important positions in the new economy will undoubtedly be taken by people from South Korea—people with capital, education, experience, and perhaps even political support. The North Korean elite seems to understand perfectly well that it has nothing

to gain and everything to lose through unification with the South. It is not incidental that one of most frequent questions foreign visitors to North Korea must answer concerns the post-unification fate of East German bureaucrats.

If this analysis is correct, and such an outcome is indeed what the top North Korean leaders fear, what is the best policy choice for the regime? The best course of action appears to be a continuation of the policies the current leaders and their predecessors have followed for decades. Domestically, the regime's policy aim has been to keep the North Korean population under control, terrified, compartmentalized, and isolated from the outside world. Internationally, the safest solution is an aid-maximizing strategy.⁶² Though probably not adequate to kick-start economic development, foreign aid may be sufficient to keep the economy afloat, prevent a major famine, and allow the country's tiny elite to live a reasonably luxurious lifestyle. Judged from the point of view of leaders in Pyongyang, this policy has been a success: they remain in control and enjoy a privileged life even today, in 2009, while a majority of similar regimes have long been overthrown and are now remembered with disdain.

Why, however, did the counter-reforms only seriously begin around 2004, when the domestic situation had already improved? It seems that once the government had (or believed it had) enough food to restart the PDS, this was the most logical thing to do. The North Korean surveillance system operates on the assumption that every adult has a proper job with a state-run enterprise; thus, indoctrination and police surveillance are centered on the workplace. Although sending people back to the state-run factories and offices does not make much economic sense—given that workers largely remain idle in both places—this policy makes perfect political sense for the government. In order to achieve this goal, however, the new-born private economy that provides an attractive alternative for many people and also encourages a dangerous flow of information must be limited or, ideally, wiped out.

Finally, to what extent are the current efforts of the authorities likely to succeed? If these policies do succeed in the short term, could they survive in the long run? At the current time these questions cannot be answered with any certainty. In some cases, the government has achieved its intended goals: for example, the number of refugees in China has decreased dramatically, the PDS is functioning with reasonable efficiency, and younger women in some

⁶² Nicholas Eberstadt once aptly described North Korean diplomacy as a "chain of aid-seeking stratagems." Nicholas Eberstadt, "The Persistence of North Korea," *Policy Review*, no. 137 (October and November 2004): 42.

areas no longer engage in market trade. On the other hand, the state monopoly on the sale of grain seems to be a failure, and recent attempts to close down markets ended in naught. If the government's efforts fail—a likely outcome due to the extreme economic inefficiency of the system the regime is trying to revive—the gradual slide toward a more permissive society will continue.

For now, however, this slide is set to be halted or even reversed. It is difficult to believe that any effort to reverse the tremendous social changes of the past fifteen years will be completely successful. Still, the period of largely unhindered de-Stalinization from below is over. North Korean authorities are working hard to re-Stalinize the country and to revive the old patterns of a centrally planned and heavily controlled state socialism. ◆

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