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## Marketization in North Korea is Corrupting the Corrupted

Joseph Kim

Bard College, josephkim90@gmail.com

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# Marketization in North Korea is Corrupting the Corrupted

Senior Project Submitted to  
The Division of Social Studies  
of Bard College

by  
Joseph Kim

Annandale-on-Hudson, New York  
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## Introduction

The 1990s North Korean famine and the collapse of the Public Distribution System (PDS, hereafter) forced the creation of marketization in North Korea. The regime tacitly permitted informal markets as a survival mechanism to average people of North Korea. However, what started as a primitive market-based economy became a single most important source of living for a vast majority of North Korean families.

The authoritarian regime earns about \$56.8 millions<sup>1</sup> of dollars per year from the markets by collecting stall usage fees and sales tax, generating an additional revenue, which insinuates the growth of markets strengthening the regime instead of weakening it. On the one hand, pervasiveness of markets unleashing North Korean citizens to earn economic and socio-political liberation from the “bottom-up marketization” suggests the growth of markets present increasing challenges for the regime to rule.<sup>2</sup> The main question of this research is, what does marketization mean for the regime? More specifically, is the growth of markets an opportunity or a threat for the regime?

This paper considers the prospects of the Kim’s regime, given the growth of markets subverting the regime to reign. The rest of the research paper is structured in the following order: an examination of the state’s control mechanism, emergence of market-based economy, and the effect growing marketization on its relationship between the regime and citizens.

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<sup>1</sup> Cha, Victor, and Lisa Collins. "The Markets: Private Economy and Capitalism in North Korea?" Beyond Parallel. Last modified August 28, 2018. <https://beyondparallel.csis.org/markets-private-economy-capitalism-north-korea/>.

<sup>2</sup> Sang-Hun Choe, "As Economy Grows, North Korea’s Grip on Society Is Tested," The New York Times, April 30, 2017, <https://www.nytimes.com/2017/04/30/world/asia/north-korea-economy-marketplace.html>.

## Chapter 1: The Kim Regime and Its Control Mechanism

*“North Korea’s leader is a lot of things — but irrational is not one of them.” - The Washington Post.*

What counts as rational or not is a complex and long discussion, and it is not my intention of going into the path of philosophical debate about whether or not the regime is irrational. It’s helpful to take a simple definition of rationality, which is defined as “the quality of being based on or in accordance with reason or logic,” and irrationality is “the quality of being illogical or unreasonable.”<sup>3</sup> There is no doubt how terrible the dictator is, but evilness is not the same as irrationality. As a former North Korean refugee, I have no reason to support and to defend the regime by any means.

If the North Korea’s regime is so irrational and cannot think logically, how come we (the U.S. and international community) keep losing against the dictator? Deeming the regime irrational is an indirect offense to 25 million of North Korean people; somehow that also means all 25 million people are also unreasonable and lack logic to be ruled by an irrational ruler. The dictator is a terrible person, but he is not irrational.

The autocratic regime does not exist in a vacuum. The main objective of this chapter is to investigate the type of control tool the regime created and enforced to reign in power. Without a realization of the sociopolitical tools that support the regime to rule, recognizing the effect of the market economy, and considering the future of the regime can be more challenging than it already

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<sup>3</sup> Oxford dictionaries, "Rational | Definition of Rational in English by Oxford Dictionaries," Oxford Dictionaries | English, accessed December 5, 2018, <https://en.oxforddictionaries.com/definition/rational>.

is. The remaining of the chapter is to analyze Kim's political and social institutions, which allowed the regime to dictate political control.

### **Songbun (Caste System)**

This social class or caste system of the Songbun is created by the state to establish a social classification to rate individual's level of loyalty toward the Kim regime. Robert Collins claims that the "Resident Registration Project," which began from 1966 to 1970 created this system of Songbun, a report titled, "*Marked for Life: Songbun North Korea's Social Classification System.*"<sup>4</sup> According to the report, there are 51 specific categories of classification under a broader division of three classes.

The Core class consists of 28 % of the total population, 45% of Wavering class, and 27% of the Hostile class known as a group of individuals whose perceived loyalty toward the regime is the lowest, by North Korean regime's standard. The institution of the Songbun is a socio-political rank assigned as a heredity-base and individuals have no control over it.<sup>5</sup> Broadly speaking, your Songbun is determined by your ancestors by the time Korea was liberated from Japanese colonization on August 15, 1945.

1. The Core Class consists of descendants of individuals who fought for Korean revolutionary fighters with Kim Il-sung, descendants of individuals who demonstrated high morality and patriotism toward the regime during the Korean War, and children of lower classes during the Japanese colonial time, including peasants and former servants of high class masters.
2. The Wavering Class consists of people who had lived in South Korea or China or whose relatives went to the South Korea, or families of small-scale merchants, as well as elites during the colonial period.

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<sup>4</sup> Robert Collins, *Marked for Life:SONGBUN, North Korea's Social Classification System*, (Washington, DC: The Committee for Human Rights in North Korea, 2012), 23.

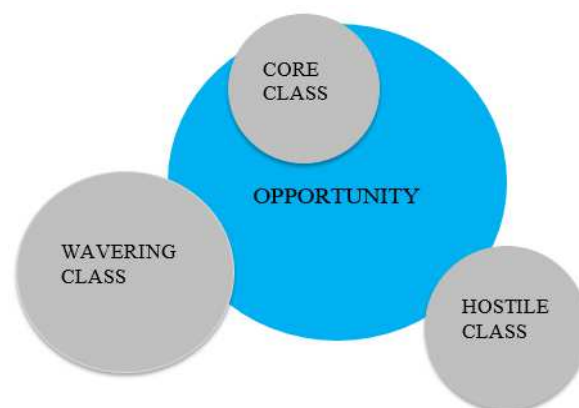
<sup>5</sup> Collins, "*Marked for life*", 24-26.

3. The Hostile Class includes individuals of descendants of landlords, capitalists, religious people, political prisoners, and people who had supported South Korean forces during the Korean War, or people who were perceived as antagonists of the Party. (Sokeel Park, Liberty in North Korea).

Basically, if your ancestor was one of the revolutionary fighters or supporters of Kim Il-sung by the time Korea gained independence, then your perceived loyalty for the Kim regime is high; therefore, assigned to be a Core class member. If your direct or indirect ancestors were small-scale merchants, intellectuals, or family members lives in abroad, you would be classified as a member of the Wavering class because your loyalty toward the regime is questionable.

By the same token, if you are a descendant of someone previously a landlord, religious, or helped South Korean forces during the Korean War from 1950 to 1953, then you would be marked as the Hostile class because the rating system mark you as disloyal to the regime, thus considered as the potential enemy of the state.

**Table 1: Effect of the Songbun**



Source: Liberty in North Korea



## **Effect of Songbun**

The reason why the Songbun system is an effective control mechanism for the regime is that it (Songbun) dictates every single aspect of North Korean citizens' lives. So, the Songbun determines the level of access to opportunity. The higher the Songbun means the more opportunity one gets.

## **Party Membership**

The Korean Workers' Party (KWP) is the founding and ruling political party that is virtually positioned above the nation's constitutional law. KWP makes most of the nation's significant decisions, so becoming a member of the party is a key to successful life in North Korea. Article 11 of the 2009 North Korean Constitution states: "The DPRK shall carry out all its activities under the leadership of the party."<sup>6</sup> Therefore, the most significant factor that determines the course of his or her life is whether you are a party member or not.

Party membership determines who you get to love and marry. Parents of daughters consider two priorities in deciding if a man is worthy to hand their daughter over into marriage or not, based on if the man has joined the party, and whether or not he served in the military.<sup>7</sup> However, members of the hostile class have near zero chance to join the party membership since the hostile class is marked as least loyal to the regime. The chances of a wavering class member becoming a party member is also slim, whereas for the core class, the promise of joining the party is almost guaranteed if not destined by the moment of their birth.

## **Military Service**

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<sup>6</sup> *Ibid.*, 43.

<sup>7</sup> *Ibid.*, 84-85.

The Korean People's Army (KPA) is viewed as the most wanted designated prestigious institution for men in North Korea. A man without the military service experience is often look-down on and considered as incompetent in the society. KPA is also a shortcut for becoming a KPA party member. Accordingly, military service is considered as a desirable choice and opportunity to join the membership in the KWP. As a result, the consequences of not having served the military entail a life of glimmer hope and future.<sup>8</sup>

Military service is a universal draft with exception to those physically inept to perform military exercises. Collins states in the report, Article 86 of the Constitution states that "Defending the fatherland is the supreme duty and honor of citizens. Citizens shall defend the fatherland and serve in the armed forces as prescribed by law."<sup>9</sup> Thus, access to military service is mandatory and a citizen should not be prevented from joining the KPA unless physical fitness requirements are met.

However, in reality, the regime denies access to military service to those who are members of the "hostile class". Since the hostile songbun is regarded as least loyal to the state, the regime pre-judges that individuals from the hostile class are not trustworthy for highly sensitive and important missions as a faithful soldier.

### **Occupation**

In North Korea, there is no job application process. Preparing for a job interview is a non-existing concept because North Korean people do not get to select their occupation. Employment is assigned by the regime, and the regime decides jobs for each individual based on their background of Songbun. Labor Bureaus of regional People's Committees determine an

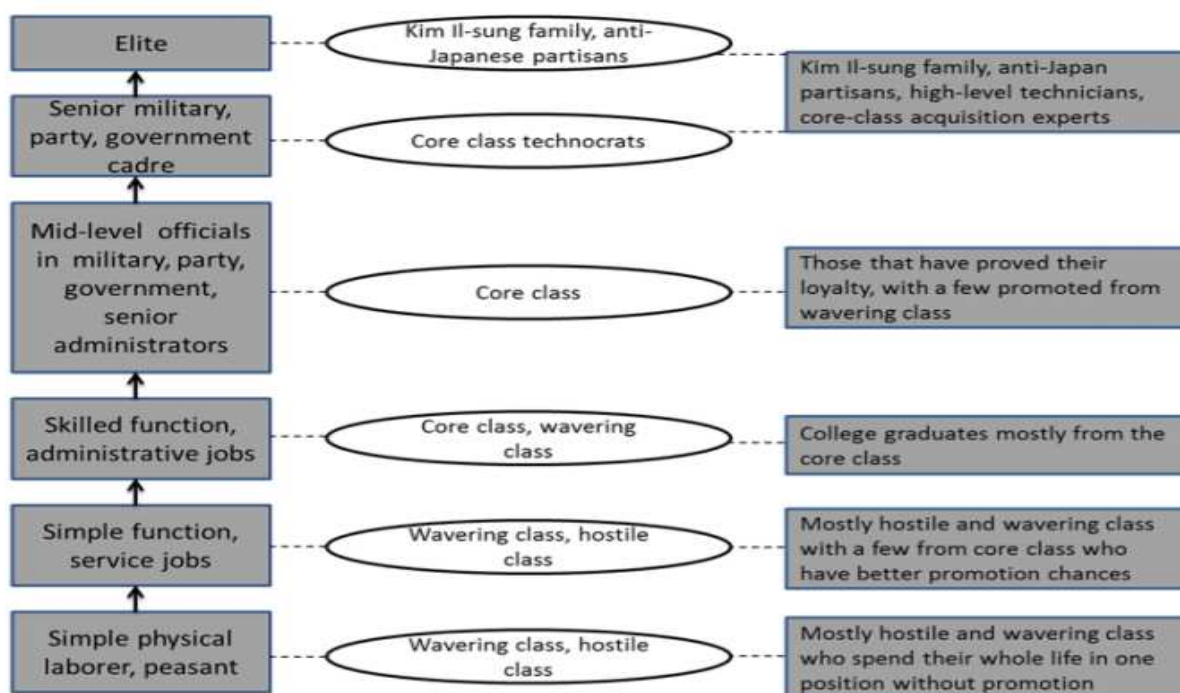
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<sup>8</sup> *Ibid.*, 60.

<sup>9</sup> *Ibid.*, 59.

employment for individuals with the permission from the local Korean Workers' Party committees.<sup>10</sup> This is against the DPRK's constitution of law. "Article 70 of the 2009 North Korean Constitution ostensibly guarantees each North Korean the right to choose one's occupation, but the private commercial enterprise has been prohibited since 1958. All institutions—economic, social welfare, cultural, or other are under KWP control."<sup>11</sup> Table 2 below shows the least desirable jobs are assigned to only wavering and hostile class people.

**Table 2: Employment Assigned Based on Songbun<sup>12</sup>**



## Education

The regime provides a total of eleven years of free education from Kindergarten to high school. Regardless of an individual's songbun, every child gets the same free eleven years of state provided education. From kindergarten classroom, all the way to senior year in high school, all

<sup>10</sup> *Ibid.*, 53.

<sup>11</sup> *Ibid.*, 54.

<sup>12</sup> *Ibid.*, 55.

students learn the history of Kim Il-sung (founder of North Korea), his son Kim Jong-Il, and Kim Jong-sook (mother of Kim Jong-Il and wife of Kim Il-sung).<sup>13</sup> Generally, it is permissible to fail math or Korean language final exams, but under-performance of the history of the Kim family is treated as morally shameful and humiliating.

Throughout the teaching of Kim's family history, students learn to build an intense hatred towards landlords during the Japanese colonial time, and those who assisted South Korean forces during the Korean War, traits that mark individuals who fall into the hostile songbun. In that regard, the institution of the education system is the single most effective tool for the Kim regime to control society through the practice of brainwashing.

While the regime allowed equal opportunity to all for up to high school, access to higher education is mostly denied based on the songbun background. North Korea's former deputy ambassador to the United Kingdom, Thae Yong Ho said during an interview, "best universities are only opened to children of the core class."<sup>14</sup> Regardless of how outstanding of a student you are, unless your songbun was in the core class, you cannot attend the kind of colleges you desired. Vice versa, even if you were not the brightest student from your school, if you are in the excellent songbun, you can go to prestigious universities.

Most people do not learn about their songbun until their senior year in high school; usually, people find out about their songbun when they apply for colleges or military services. When these students face denial based on their songbun, most of the time, the feeling of resentment goes toward

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<sup>13</sup> Anna Fifield, "North Korea begins brainwashing children in cult of the Kims as early as kindergarten," The Washington Post, January 16, 2015, <https://wapo.st/2QHmnlh>.

<sup>14</sup> Arirang News, "[Thae Yong-ho Special] Ep.6 - North Korea's Strict Social Class System \_ Full Episode," YouTube, April 3, 2017, <https://www.youtube.com/watch?v=MnBfaZs-EMU>.

their parents instead of the regime as a result of the highly intense hatred taught towards people of hostile class since their kindergarten classroom.

### **Security Apparatus**

The North Korean regime heavily relies on secret police-security forces as a tool to suppress the North Korean people. State Security Department (SSD), established in 1973, is the North regime's secret "police" agency. SSD is one the most prominent security and intelligence constitutions that support and maintain the regime's monolithic ideological system. SSD implement surveillance and investigations as a means to eliminate potential political uprisings in North Korea.<sup>15</sup> SSD oversees North Korean citizens' domestic movement, and it also dictates background screening process of DPRK citizens traveling to and from China according to the "38 North Korea Leadership Watch."

Another notorious security force is the Ministry of People's Security (MPS), the DPRK's core national police organization. It carried many different names. MPS is also previously known as the Ministry of Internal Affairs, Public Security Department, and most recently, until September 2010, Ministry of Public Security.<sup>16</sup> MPS is responsible for internal security, social control, and basic police functions. MPS gathers information through its social units including 'inminban' to eradicate possibility of any potential anti-state protest. In the early 1990s, there was an estimate of 144,000 public security personnel, but within a decade, the total members of MPS has increased by 25 percent.<sup>17</sup>

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<sup>15</sup> 38 North, "State Security Department," North Korea Leadership Watch, last modified September 6, 2010, <http://www.nkleadershipwatch.org/state-security-department/>.

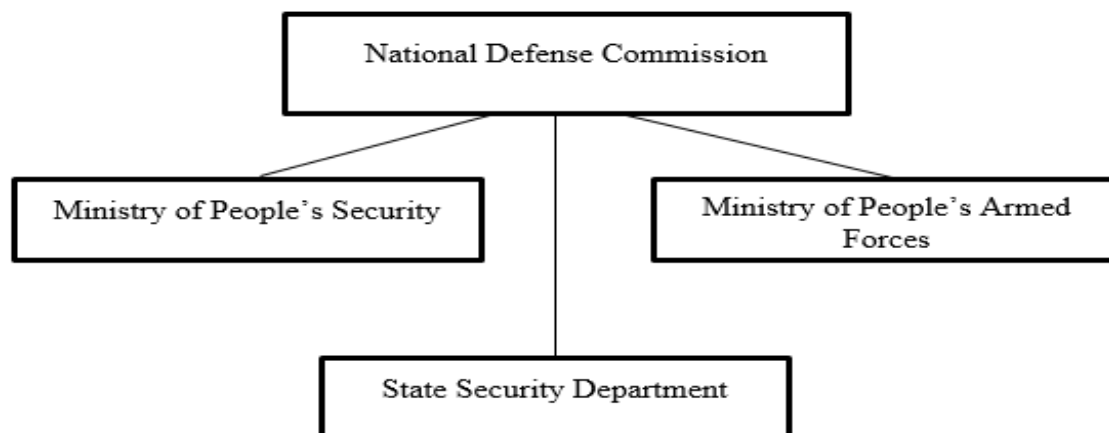
<sup>16</sup> Collins, "Marked for life", VI.

<sup>17</sup> John Pike, "Ministry of Public Security - North Korean Intelligence Agencies," GlobalSecurity.org, last modified September/October 7, 2016, <https://www.globalsecurity.org/intell/world/dprk/mps.htm>.

A distinct difference between MPS and SSD is that the MPS is responsible for containment of economic or social crimes in North Korean society, whereas the SSD is in charge of identifying and punishing political criminals who attempted or showed a sign of attitude expressing resentment against the regime or committing crimes against the state.

Another difference is that SSD has access to directly report to the Chairman Kim Jong-un if there are highly sensitive or urgent cases, while MPS receive orders and reports to the National Defense Commission. Regardless of the difference in power dynamics between MPS and SSD, both of the security apparatus support and strengthen the regime to maintain an incredible capacity control over the society through an extensive network of secret police and citizen informants.

**Table 3 Security Apparatus Command Line (Source: HRNK, Leadership Watch)**



### **Information Blockade**

Unlike the United States or other democratic societies, access to foreign media and any news about outside the world is completely blocked in North Korea. The only media and

information available are provided by the regime.<sup>18</sup> This is another reason why the regime is able to freely promote its erratic political propaganda, which force people to only think about the world the regime has provided. Even sharing a mild discontentment about the government in North Korea is treated as political crime with severe punishment.

Sharing outside information and foreign movies were not even thought of as the consequences of sharing the type of information or contents that have ideologies that are foreign or against the regime's political ideologies would not only punish the individual, but result in a collective punishment that extends up to your third and coming generations.

The absolute blockade of information from the rest of the world served as the North Korean regime control mechanism to maintain the power by completely isolating its citizens from the rest of the world. Daniel Byman and Jennifer Lind, authors of "Pyongyang's Survival Strategy: Tools of Authoritarian Control in North Korea", claim that the North Korean regime uses the manipulation of ideas and information as a control mechanism to stay in power.<sup>19</sup>

In North Korea, all media are state-run with radios and televisions fixed with only one channel provided by the regime. People can tinker with their radios to access foreign stations, but if inspectors discover during a surprise home search, the accused will be severely punished.

### **Strict Control of Movement**

A complete restriction on mobility is another control tool that reinforces the regime to sustain power. The constitution under chapter five, "Fundamental Rights and Duties of Citizens",

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<sup>18</sup> Victor Cha and Christopher Walsh, "Breaking North Korea's Information Blockade," FP(Foreign Policy), October 28, 2014, <https://foreignpolicy.com/2014/10/28/breaking-north-koreas-information-blockade/>.

<sup>19</sup> Daniel Byman and Jennifer Lind, "Pyongyang's Survival Strategy: Tools of Authoritarian Control in North Korea," *International Security*35, no. 1 (2010): 58, doi:10.1162/isec\_a\_00002.

Article 75 states “the citizens shall have the freedom to reside in and travel to any place.”<sup>20</sup> However, in reality, it is a criminal offense to leave the country without government permission. The consequences of attempting to leave North Korea is severe punishment. Domestic trips are also limited and one can travel only with the permission of their local government. If Songbun decides where he or she resides, the deprivation of mobility is the further reinforcement mechanism that allows the regime to sustain power by monitoring its citizens.

If you want to visit a relative who lives 24 miles away from your residence, it’s mandatory to provide the purpose of the trip and obtain travel permission from your work unit. Travel Document (Rye-hang-goon) is absolutely mandatory to travel even within the same providence. Korea Institute for National Unification (KINU) report on “Freedom of Movement in North Korea 2017” reveals the state-authorized permission of travel document is mandatory, and once one has requested the travel document from Local Provincial People's Committee, Department 2 makes the final decision, and usually these documents expire within three to four days. Traveling without permission results in up to ten days of detention, or rendering free labour for a certain number of days and hours.<sup>21</sup> It is nearly impossible to travel without travel documents because there are security checkpoints on the main roads at the entry and exit points from each province, and city border.<sup>22</sup>

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<sup>20</sup> Constituteproject.org, "Korea (Democratic People's Republic of)'s Constitution of 1972 with Amendments through 1998," Constitute, last modified July 31, 2018, 14.

[https://www.constituteproject.org/constitution/Peoples\\_Republic\\_of\\_Korea\\_1998.pdf?lang=en](https://www.constituteproject.org/constitution/Peoples_Republic_of_Korea_1998.pdf?lang=en).

<sup>21</sup> Ministry of Unification, Republic of Korea, "이동·거주의 자유 제한< 북한인권 침해실태< 북한인권정보< 북한인권포털," Unikorea, last modified December 23, 2016, [http://www.unikorea.go.kr/nkhr/info/invasion/residence/;jsessionid=Pd2sXXvwietZICSyysGBwpRF.unikorea21?boardId=bbs\\_000000000000073&mode=view&cntId=51455&category=&pageIdx=](http://www.unikorea.go.kr/nkhr/info/invasion/residence/;jsessionid=Pd2sXXvwietZICSyysGBwpRF.unikorea21?boardId=bbs_000000000000073&mode=view&cntId=51455&category=&pageIdx=).

<sup>22</sup> United States Department of State • Bureau of Democracy, Human Rights, "DEMOCRATIC PEOPLE’S REPUBLIC OF KOREA 2017 HUMAN RIGHTS REPORT," U.S. Department of



## **Collective Punishment**

One of the most frequently asked questions about North Korea is, why don't North Korean people protest or revolt against the regime? A shorter answer to the question is because the regime uses collective punishment as one of many coup-proofing tactics. The regime maintains power by exercising collective punishment. That means for anyone who expresses frustration or anger toward the regime, not only would the individual be punished, but the punishment goes down to his or her third generation.

The reason why it has been an effective control mechanism is that the collective punishment eliminates any potential political dissidents, because while one brave individual can find courage to speak up against the regime if that entails only his or her life to be in danger, it would be very difficult to sacrifice the whole family.<sup>23</sup> The severity of punishment is inhumane and depends on the kind of crime one commits. The consequences of such political offense is public execution or the whole family being sent to political concentration camps for the rest of life.

## **Political and Labor Concentration Camps**

The North Korean regime has never officially acknowledged the existence of the political prison camps, and the rest of the world did not know the existence of these imprisonment systems until the survivors testified in public after their defection from North Korea. Political concentration camps (kwan-li-so) alone have estimation of 80,000 to 130,000 North Korean political prisoners that are incarcerated, who are providing free labor.<sup>24</sup>

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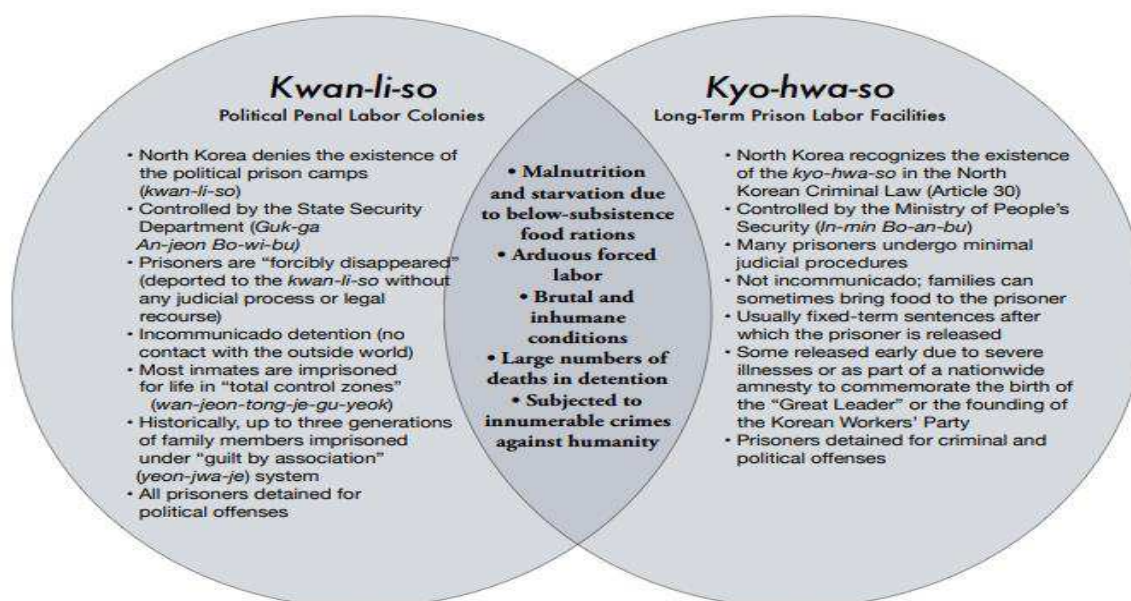
State | Home Page, last modified 2017,  
<https://www.state.gov/documents/organization/277333.pdf>.

<sup>23</sup> Liberty in North Korea, "The People's Challenges," Liberty in North Korea, accessed November 4, 2018, <https://www.libertyinnorthkorea.org/learn-nk-challenges/>.

<sup>24</sup> International Bar Association(IBA), *Report: Inquiry on Crimes Against Humanity in North Korean Political Prisons*, (London: The Global Voice of Legal Profession, 2017), 4.

These two prison camps are one of the key operative control tools of the authoritarian rule. MPS is also in charge of the DPRK's labor re-education camps (kyo-hwa-so).<sup>25</sup> SSD is responsible for managing kwan-li-so, political prison camps or more commonly known as political concentration camps, in North Korea to strengthen further control of population for the regime.<sup>26</sup>

**Table 4: Difference between Political and Labor Camps<sup>27</sup>**



Navi Pillay, the former United Nations high commissioner for human rights told Washington Post, "there is not a comparable situation anywhere in the world, past or present."<sup>28</sup> A former survivor of the Nazi's Auschwitz concentration camp, Thoma Buergethal, said that the North Korea's political prisons are equally bad if not worse than the Holocaust camps.<sup>29</sup> According

<sup>25</sup> David Hawk and Amanda Mortwedt Oh, *The Parallel Gulag North Korea's "An-jeon-bu" Prison Camps*, (Washington, DC: Committee for Human Rights in North Korea, 2017),9-13.

<sup>26</sup> Hawk and Mortwedt Oh, "The Parrallel Gulag.",1.

<sup>27</sup> Collins, "*Marked for life*," 5.

<sup>28</sup> Joseph Hincks, "'Worse Than Nazi Camps.' New Report Details Gruesome Crimes Against Humanity at North Korean Prisons," Time, December 12, 2017. <http://time.com/5060144/north-korea-political-prisons/>.

<sup>29</sup> Anna Fifield, "North Korea's prisons are as bad as Nazi camps, says judge who survived Auschwitz," *The Washington Post*, December 11, 2017, <https://wapo.st/2RO1z3G>.

to [a report](#), Ahn Myong-chol, a former prison guard who served at Camp 14 testified that he witnessed a detained woman's newborn baby fed to prison guard dogs.<sup>30</sup>

The labor re-education camps are widely known among North Koreans citizens, but a vast majority of political concentration camps are covertly operated; therefore, even among North Korean citizens, the political concentration camps are relatively unknown or even if some knew about the existence of the kwan-li-so, the kind of atrocities and human rights abuse stories were mostly unknown.<sup>31</sup> The regime used the two kinds of camps as control tools for anyone, including high elites conducting any anti-socialist activities or irregular activities for commoners. These prison camps served as facilities for individuals who posed threats to the regime and challenged its state.

### **State Propaganda**

One might wonder how it can be possible for such a massive, inhumanely brutal system of suppression to exist in support of the regime. A common argument is that Pyongyang and the Kim family stays in power by exercise of coercions, control, surveillance, and punishment mechanism enforced by the state's secret police forces.<sup>32</sup> I agree secret police forces play a significant role in controlling the North Korean citizens, but with just an additional note.

There is no doubt how much secret police forces impacted the lives of North Korean citizens. But what made these institutions acceptable and effective was the state organized

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<sup>30</sup> IBA, "Crimes Against Humanity", 72

<sup>31</sup> NO CHAIN, "An Investigation into the Human Rights Situation in North Korea's Political Prison Camps: Testimonies of Detainee Families," The Committee for Human Rights in North Korea, accessed December 7, 2018.

[https://www.hrnk.org/uploads/pdfs/No%20Chain%20Translated%20Version\\_edits.pdf](https://www.hrnk.org/uploads/pdfs/No%20Chain%20Translated%20Version_edits.pdf).

<sup>32</sup> Ken E. Gause, Coercion, Control, Surveillance, and Punishment An Examination of the North Korean Police State, (Washington, DC: Committee for Human Rights in North Korea, 2012), 5-7. [https://www.hrnk.org/uploads/pdfs/HRNK\\_Ken-Gause\\_Web.pdf](https://www.hrnk.org/uploads/pdfs/HRNK_Ken-Gause_Web.pdf).

propaganda machines. Propaganda play a critical role in justifying and legitimizing the regime's political control mechanism.

“Kim Jong-il spent 20 years preparing for his succession to power. According to reports, it had actually been his uncle, Kim Yong-chu, his father's younger brother, who had been the original presumptive heir to Kim Il-sung. Kim Jong-il was eventually able to sideline his uncle and win the confidence of his father particularly through his efforts to expand the cult of personality of Kim Il-sung. It was really in 1972 that the intensity of the cult of personality of Kim Il-sung surpassed those of Mao Zedong or Joseph Stalin. DPRK citizens began to wear badges with his picture in addition to hanging his portrait on their walls. Kim Jong-il had been serving in the Party's powerful propaganda and organization departments until he organized the Fifth Party Congress in 1970 which proclaimed Juche as the monolithic ideology of the DPRK and further enhanced his father's cult of personality thereby setting in motion the process for his succession. Around this time, Kim Jong-il introduced Kimilsungism, a concept linked to Juche. 77 Kim Il-sung's cult of personality became an important instrument of Kim Jong-il's consolidation of his own succession, as his father was the main source of his legitimacy to rule the nation.” (UN COI Report, 34, 35).

Propaganda carries a two-band role. First, the regime used state-organized political propaganda to justify the system of repression without acknowledging the existence of these political control tools in public. Second, the state propaganda provided hope to people. For example, people with lower songbun were constantly fed with state-produced movies about how benevolent the Kim family is. For example, there are movies about descendants of landlords who face insurmountable challenges and barriers to climb up social mobility because of his or her ancestors throughout movies. However, at the end of the day, movies end with a common narrative that Kim Il-sung the founder of North Korea eventually learns about the main character's story

and grants trust and credit for the person to have worked hard realizing the wrongdoing his or her ancestor has done.

The essence of these stories are mostly pointing out that if one realizes and tries to make up their ancestors' mistakes, and try to fix those mistakes by working hard for the state, the regime eventually rewards at the end. North Korean citizens obey the authoritarian rule because they fear consequences of disobeying. However, there are also part motivations for people to obey the rule because it sounded justifiable, especially when there is no path to compare with other system.

Kim Jong-un ordered assassinations of his older brother in Malaysia and uncle.<sup>33</sup> All of these actions describe the system and the Kim family as lunatic and irrational. While all of the above reasons are understandable arguments for why the regime is one of the worst, horrific, and terrible, irrational is not the right world.

Despite the general perception produced from media and politics that portray the regime as irrational, what makes it difficult for the U.S. and international community to deal with the regime and the leadership is not that they are irrational; the irony is that the actual, and a more serious problem is quite the opposite.

The North Korean government and its leadership surely are one of the worst kinds, but they have strategic plans that work. However, the great news for us is that some of, if not most of these tools, are no longer effective after the famine and marketization.

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<sup>33</sup> Joshua Berlinger, "Murder of North Korea's Kim Jong Nam: Timeline of intrigue," *CNN*, March 2, 2017, <https://cnn.it/2rpj5Qq>.

## Chapter 2: Capitalism in North Korea?

*“The commonly held notion of North Korea as the only remaining Communist (or Stalinist or socialist) dictatorship on the planet is largely outdated.” - Andrei Lankov*

### Marketization

Marketization can be understood as a transitional period of a society experiencing growth of market from non-market oriented social domains.<sup>34</sup> Marketization is a process taking place when a state shifts the planned economy to private market-based economy.<sup>35</sup> Key actors of marketization are usually the state, where the government initiates economic reform through modification of legal environment and socio-political institutions. This model of market reform is referred to as top-down marketization. In North Korea, however, the expansion of markets is from the bottom-up process rather than top-down.<sup>36</sup> Taking into account the theoretical understanding of marketization, this chapter explores the causation of the emerging and growing markets and the relationship of markets and the regime.

### The 1990s Famine

Like many former communist states, North Korean economy was operating under the centrally-planned economy, where the government’s public distribution system (PDS) provided

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<sup>34</sup> Alexander Ebner, "Marketization: Theoretical Reflections Building on the Perspectives of Polanyi and Habermas," Goethe-Universität — Gesellschaftswissenschaften, last modified September 30, 2015, 369 - 370. <https://bit.ly/2B1kQaE>

<sup>35</sup> Ebner, "Marketization: *Theoretical Reflections*," 381.

<sup>36</sup> George Popp, "Magnetization of the North Korean Economy," Bitly | URL Shortener, Custom Branded URLs, API & Link Management, accessed December 9, 2018, 381. <https://bit.ly/2C11c0o>.

people with food and basic necessities.<sup>37</sup> All North Koreans relied upon the government's public distribution of rations.

However, starting from 1994, the regime stopped providing for people with a short advance notice. This was the beginning of the North Korean famine which took more than two millions of lives from starvation. Experts disagree about a precise origin of famine, but generally, most agree that a series of flood, draughts, the dissolution of economic aids from the Soviet Union, the government's mismanagement of economic policies and the refusal of international humanitarian aids are the reasons for the famine.<sup>38</sup>

Since the regime operated under the centrally planned economy, there were no private markets other than state-approved farmers markets (Jangmadang) which served as a place for farmers and families to exchange their home-grown agrarian products to generate cash to buy industrial goods from the state-operating stores.

The regime had strict policies and prohibitions as to what kind of goods or items could be traded in the farmers markets before the famine.<sup>39</sup> But, since the government could not provide food and basic needs, the regime unofficially tolerated a wider-range exchange of goods to avoid starvation and for survival.

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<sup>37</sup> Marcus Noland, Sherman Robinson, and Tao Wang, "FAMINE IN NORTH KOREA: Causes and Cures," Peterson Institute for International Economics, accessed November 2, 2018, 3-4 <https://piie.com/publications/wp/99-2.pdf>.

<sup>38</sup> Noland, Robinson, and Wang, "Famine in North Korea." 3-9.

<sup>39</sup> In Ho Park, "The Creation of the North Korean Market System." Seoul, Korea: DailyNK, 2017, 21 – 22

## Relationship of the regime and the markets

The timeline below is created to illustrate the marketization timeline and the regime's reaction toward expansion of markets. As can be seen in Table 5, there are three broad phases of marketization.

**Table 5 Marketization Timeline**



### **Phase One - bottom-up marketization (Jangmadang): 1994 - 1998**

Realizing that the regime no longer provided food and basic needs as it used to, people turned to the state-approved farmers market to start an exchange of goods for survival. In principle, no individuals were allowed to start a private business in North Korean society, but since the regime could no longer save people from starvation, the regime reluctantly permitted market operations to avoid a potential uprising.<sup>40</sup> The North Korean government did not officially accept the marketization, but under the regime's tolerance, markets gradually increased.

### **Phase Two: Top-down market reform: 1999 - 2005**

On July 1, North Korean government announced the, "*July 1st Economic Management Improvement*," an economic reform that officially acknowledged the legal privatization of the

<sup>40</sup> Anna Fifield, "A new film captures North Korea's 'bold and audacious' millennials," The Washington Post, December 15, 2017, <https://www.washingtonpost.com/>.



limited business model. Yang argues the motivation behind the implementation of the reform was to rescue the North Korean economy from a further recession. In March, 2003, the regime changed the name of the farmers market (Jangmadang) to “General Market” and expanded the scope of distributed products from agricultural to industrial goods.<sup>41</sup>

In 2003, the North Korean regime amended its legal system to guarantee the right to inherit private properties.<sup>42</sup> Why did the North Korean government adjust the legal system? Yang argues, first, it was to institutionalize the market activity publically, and that means the state would protect and encourage market-economy activities in the legal framework. Second, it was to provide various conditions for producers and consumers to be engaged in market-economy activities so that the market is properly operating under the control of the regime.<sup>43</sup>

### **Phase Three: Suppression of Markets: 2006 - 2010**

Various bodies of research support the evidence of the regime’s effort to contract the scale of market activities. The author of the report “*A Study on the Development Process of the North Korean Market*” Jeong, Eun Lee (정은이) describes 2007 to 2010 as the era of “억제 . 정돈기” which means suppression and reassessment of markets. In the report, Jeong states the North Korean markets faced a severe suppression from the government.

According to the author, the motive behind the suppression of market was to minimize corruption between local authorities and merchants and to restore and strengthen socialist creed by antagonizing capitalist values of individualism. Internal distribution of order by the Korean Workers’ Party, states “시장에 대한 인식을 바로 가지고 인민의 이익을 침해하는

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<sup>41</sup> Yang, “*The Marketization*,” 36-37.

<sup>42</sup> Ibid., 265.

<sup>43</sup> Ibid., 266-267.

비사회주의적 행위를 저지하자,” roughly translating “marketization weakens the socialist ideology and it has to be stopped.”<sup>44</sup>

### **Currency Reform**

The 2009 currency reform is another supporting evidence, which demonstrates the regime’s commitment to crack down on markets. On November 30, 2009, the regime initiated a surprise currency reform to weaken the rising middle class. This move burst out from the marketization and was meant to rejuvenate socialism.<sup>45</sup> Yang’s assessment of North Korea’s currency reform and the overall objectives of the reform was to control inflation while confiscating individually privatized and saved assets during the process of exchanging old currency to new currency.<sup>46</sup>

Another hypothesis is that the purpose of the reform was to boost financial income for the government through confiscation of individual’s wealth. Political calculation behind the currency reform was to eliminate corruption from local authorities who had been benefiting from illegal engagements. Corruption among the elite group was detected by tracking their record in the accumulation of wealth.<sup>47</sup>

### **Effect of the Reform**

The effect of the reform resulted in a huge political disobedience and economic turmoil. Political disobedience is still considered as intolerance in North Korean society.

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<sup>44</sup> Jeong, Eun Lee (정은이). A Study on the Development of the North Korean Market: The Regime’s Process of Pressuring the Public through Control and Tolerance (북한 시장의 발전과정에 대한 연구: 통제와 이완을 통한 인민의 압력에 대한 당국의 추진과정을 중심으로), Export-Import Bank of Korea (한국수출입은행), 2014, 51-57.

<sup>45</sup> Marcus Noland, "North Korea's Failed Currency Reform," PIIE, last modified August 31, 2018, <https://piie.com/commentary/op-eds/north-koreas-failed-currency-reform>.

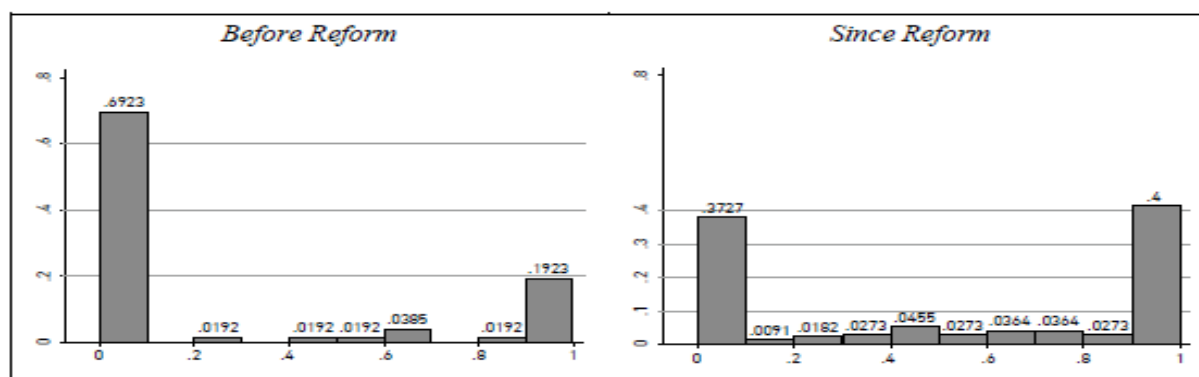
<sup>46</sup> Yang, “*The Marketization*,” 106 – 107.

<sup>47</sup> *Ibid.*, 109.

However, after the reform, people went out on the streets and burned remaining unexchanged old Korean currency to express their frustration and anger toward the regime for conducting a surprise currency reform.

Economic turbulence subsequent to the reform was expressed through the North Korean people's distrust in the Korean Won, which caused dollarization in North Korea. The table 2 below provided by a report titled "*Dollarization in North Korea: Evidence from a Survey of North Korean Refugees*" shows that after the reform, household saving consisted of more than 90% in foreign currencies, whereas prior to the reform, approximately 51 % Of North Korean people no longer trusted the North Korean Won.<sup>48</sup>

**Table 6: The Level of Trust in North Korean Currency before and after the Currency Reform<sup>49</sup>**



Source: Survey results are based on 161 respondents.

### Resistance and Prosperity of Markets

Despite the government's periodical and systematic crackdown on markets, North Korean marketization continuously thrived, and millions of people survived from these

<sup>48</sup> Sungmin Mun and SeungHo Jung, "Dollarization in North Korea: Evidence from a Survey of North Korean Refugees\*," SSRN Electronic Journal 21 (March 2017): 87, doi:10.2139/ssrn.2945815.

<sup>49</sup> Mun and Jung, "Dollarization," 87.

markets. In Ho Park, the author of a recent report called *Creation of the North Korean Market System Daily NK Creation of North Korea's Marketization*, claims approximately 16 percent of people survive directly from general market activities and about 60% of the population both directly or indirectly received benefits and lived on income from the markets. That means about 19 million people depended on markets to make a living.<sup>50</sup>

The *Beyond Parallel* studies conducted by the Center for Strategic and International Studies shows a similar conclusion. Research indicates 35 of the 36 North Koreans living in North Korea today replied to a survey claiming almost all of their household income is earned from market activities.<sup>51</sup> The *Beyond Parallel* study reveals there are 436 verified and internationally sanctioned official markets as of 2018.

### **Supply and Demand Structure**

Markets are divided into two broad categories; wholesale markets and retail (consumer-based) markets. The basis of the distinction between consumer and wholesale market is the volume and the type of goods exchanged. As can be seen in the Table 7, which depicts the distribution structure of merchandise and traded items in North Korea, the most significant wholesale markets are located in border towns with China.

Compared to mainland towns, the bordered cities were the pioneer drivers of the marketization because cities bordered with China served as an unofficial distributional channel in the early marketization periods. Since the regime could not provide food and basic needs for its

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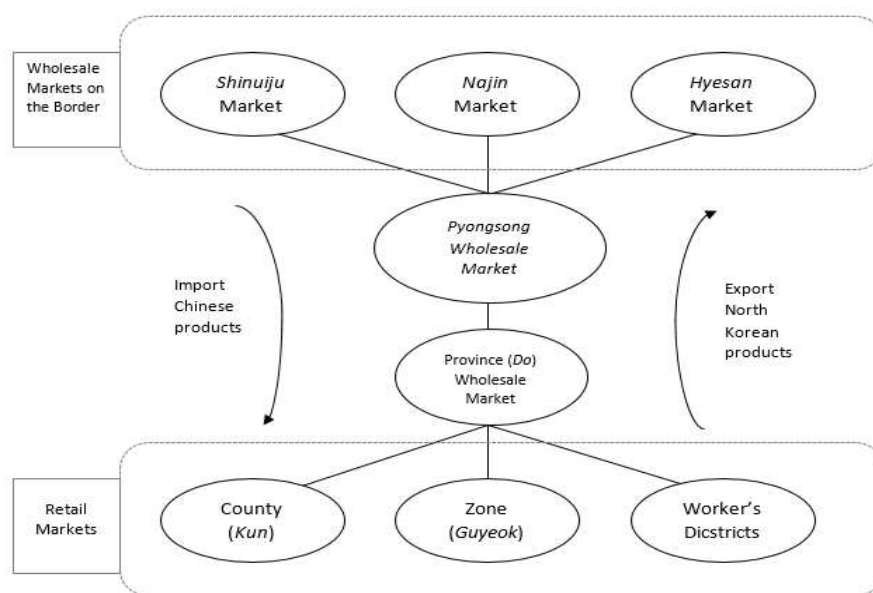
<sup>50</sup> Park, "The Creation of the North Korean Market System," 22-23.

<sup>51</sup> Marie DuMond, "Paradise Evaporated: Escaping the No Income Trap in North Korea," *Beyond Parallel*, last modified April 19, 2018, <https://beyondparallel.csis.org/paradise-evaporated-escaping-no-income-trap-north-korea/>.

people, the regime selectively allowed some North Koreans to visit China to receive economic support from their relatives living in China.

However, this process of waiting for the government's permission to visit relatives in China was long. As an alternative, families who had relatives in China wrote letters to their relatives, and waited in the bordered cities. When relatives brought money and other goods, such as the TV, radio, tons of corn and rice, and sewing machines to the bordered cities, people who lived in mainland North Korea had to sell these heavy goods within the border city markets as it was almost impossible to transfer the goods to their home because of poor transportation infrastructure. As a result, the border town markets have surplus supplies so the prices were lower compared to markets in the mainland.

**Table 7 - Distribution Structure of Merchandise and Traded Products in North Korea<sup>52</sup>**



<sup>52</sup> Byeong Uk(병욱) Kim(김) et al., Report on Total Number of Markets in North Korea(북한지역 시장 전수조사 보고서), (Seoul, South Korea: North Korea Development Institute(북한개발연구소), 2017),4.

## **Labor Market**

In principle, labor market does not exist in states that are operating under the planned economy because every individual's labor belongs to the state. The collapse of North Korea's planned economy brought a complete halt of most state owned enterprises with the exception to mining industry. Since most of the manufacturers and industrial companies no longer produced, there were no work and salaries for North Korean labor. Nonetheless, the regime demanded all workers to go to work even if they do not produce much.

This caused the creation of 8.3 laborers. Basically, the 8.3 laborers were still listed as workers of their affiliated companies on the paper, but they were not required to come to work. The laborers would operate private business in the markets, or provide labor to construction business and in return pay a certain portion of their profits every month to the state owned companies they affiliated.<sup>53</sup>

## **Financial Market**

Capital and the financial market do not exist in North Korea publicly. That does not mean the North Korean state does not have commercial banks. Banking system exists as the regime has a number of banks operating under the chasing the state Central Bank; however, merchants and companies do not trust the system. Therefore, no individuals actually rely on the banking system for transaction of purchase.<sup>54</sup> North Korea's financial market exists in the form of the private loan market, and represents the financial relationship between individuals or between an individual and

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<sup>53</sup> Yang, *"The Marketization,"* 249-252.

<sup>54</sup> Park, *"The Creation of Markets,"* 56.

an enterprise.<sup>55</sup> The interest rate is reported to be 10%-20% per month, which is not considered as a low-interest rate.<sup>56</sup>

### **Production Market**

There are two broad categories of goods in the General Markets: Chinese products and North Korea's domestically produced goods. Imports from China and products produced in North Korea are the main supply chain in the North Korean market. Majority of the manufactured and processed foods are Chinese products, and agricultural products and marine products are generally domestic products.

The most traded items are Chinese cloth, shoes, and other industrial goods. Chinese goods are brought into North Korean markets, smugglers and state enterprises conducting business with Chinese firms. The NKDI report and other research indicate that Chinese products are more popular than domestic products as qualities of domestic goods are inferior to the Chinese. Imported Chinese products are distributed through regional wholesale markets to region-wide North Korean consumer markets. After the "July 1st reform," the market distribution of Chinese goods has increased, which made possible for the inflow of foreign products, but also different aspects and knowledge about society outside of North Korea.

### **Service Market**

The growth of markets cause rising development of transportation infrastructure in North Korea. In Ho Park writes, "the rising market created new demand for both freight and transport services."<sup>57</sup> The train was the only available long-distance form of transportation before private markets arrived to North Korean society. However, due to the protracted economic stagnation, it

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<sup>55</sup> Ibid, 56-57.

<sup>56</sup> Yang, "The Marketization," 246-248.

<sup>57</sup> Park, "The Creation of Markets," 36.

was not able to operate effectively for a long time. A privately invested transportation system called Servi-truck (‘서비차’) was introduced as an alternative to the train. And these servi-trucks improved the transported goods between border cities and mainland.

While it has a relatively expensive service fee, the number of users has been increasing rapidly. In April, 2003, a long-distance bus is introduced by Pyongyang Unlim Transportation Union under the Ministry of People’s Security. Pyongyang Unlim Transportation Union is an enterprise established by investing government-approved private capitals, and by cooperating with a transportation company in Beijing, China. In exchange, the North Korean government receives a portion of the revenue from the enterprise.

With Pyongyang as the center, Sinuiju, Haeju, and Hamhung are the major destinations of the long-distance bus. The headquarter of the enterprise is located in Rangrang District Pyongyang (평양 낭랑구역), and its branches are located in Sinuiju, Haeju, Hamhung, and Chongjin. Even though the bus is much more expensive, those who can afford it prefer the bus to servi-trucks for safety reasons.<sup>58</sup>

### **The Markets are the Dictator’s “Hot potato”**

Over the last two decades, the *Jangmadang*, which started out as a primitive market-based economy has transformed into near-perfect private markets in North Korea today, and has become a primary source of surviving for many North Korean families.<sup>59</sup> So, the markets played a critical role in avoiding a further death of massive starvation. However, the rise of markets also weakening the authority created mild civil disobedience.

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<sup>58</sup> Yang, “*The Marketization*,” 99.

<sup>59</sup> Uni TV (Ministry of Unification, South Korea), "North Korea Marketization(북한의 시장화)," YouTube, June 13, 2013, <https://www.youtube.com/watch?v=NnabUNay1g8>.



In that sense, these growing markets are like a double-edged sword for the regime because shutting down the markets will jeopardize the lives of North Korean people and economic prosperity, but a complete liberation of markets can also subdue the regime's power to reign. Taking this into consideration, a desirable scenario for the regime is to have a "manageable marketization,"<sup>60</sup> according to Yang.

A growing number of literature points out that markets have transformed the North Korean society and its economic system. There is also an increasing expectation that markets will overthrow the regime.

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<sup>60</sup> Yang, *The Marketization*, 99 – 100.

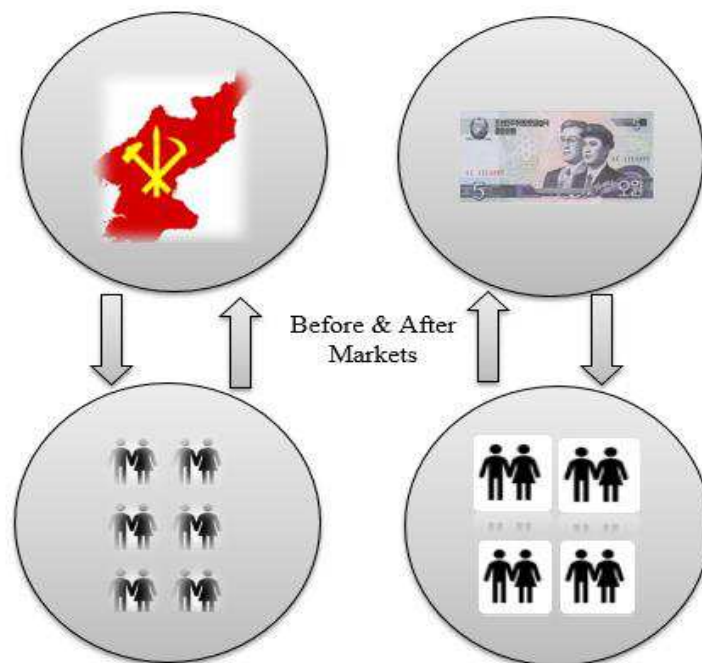
### Chapter 3: The Future Prospect of the Kim Regime

“Changing North Korea will not be impossible; it will be inevitable” - Sokeel Park

In Chapter 1, I explained the regime’s socio-political control tools and how they serve as key operatives for the regime to stay in power. In the process of developing markets and private business, the general public was exposed to foreign commodities and knowledge about the outside world, which made it harder for the regime to maintain control.

Marketization caused a domino effect in debilitating the regime’s socio-political control mechanism. Taking into account the rise of markets and its effect on the shifting power relationship between states, chapter three considers the prospects of the stability of the regime.

**Table 8: Shifting Power Relationship between People and the Regime**



The marketization changed the power dynamic. Before marketization, the regime decided what to eat, where to live, whether or not an individual can travel and what kind of career one could get based on the individual’s Songbun. The regime gave people option to either comply with

the condition or defy the regime with consequences. People were left with only one option to be loyal to the regime or express defiance of the rule and jeopardize not only their life, but the lives of the whole family. The regime selectively chooses who to reward and punish based on their perceived loyalty toward the regime, and the secret police detects anyone who is anti-state through a meticulously designed surveillance system.

This uncivil system of oppression was justified by the state propaganda and limited ability to travel within the state and from and to outside of North Korea with information blockade reinforcing the regime's ability to monopolize information to rein in power. The Kim regime was the ultimate judge for individual success and opportunity to rise in social hierarchy.

However, the regime no longer has the total control of one's success. People can climb up the ladder of social hierarchy through privatization and marketization. Unlike in the past, today, people get to decide their allegiance, either toward state or money. While expressing anti-regime sentiment publicly is still subject to criminal punishment, however, pledging allegiance toward money privately by pursuing economic prosperity cannot be stopped or prohibited as the regime has made it legal to participate market activities. Marketization not only gave people a choice regarding where to make allegiance, but it also weakened the regime's control mechanism. The following section will explore a few cases of how markets weakened the regime's control mechanism.

### **The Role of Songbun is Diminishing**

Having a good Songbun would not hurt even after marketization. The difference is that Songbun no longer determines an individual's prosperity and future in North Korean society today. One can have a low songbun, but that does not deter whether or not one can make fortunes in the markets. North Korean defectors say, "the role of Songbun is gradually reducing, as the country is

becoming more and more capitalist: in North Korea, money now holds more power than the state.”

<sup>61</sup> In that regard, marketization is the equalizer; therefore, the role of Songbun as an instrument of political control has become ineffective. In fact, people with lower Songbun benefited the most from legalization of markets. In Ho Park claims Japanese Korean returnees and Korean Chinese (Josenjok) were one of the seven main actors who played a significant role in driving and developing consumer markets. Unlike ordinary North Korean citizens, Josenjok were permitted to visit China relatively freely with fewer restrictions, which allowed them to bring Chinese goods into North Korean markets.<sup>62</sup>

### **Collapse of Information Blockade and Propaganda**

A North Korean defector says circulation of foreign media and information about outside of North Korea is a more dangerous threat than the U.S. during an interview with CNN.<sup>63</sup> The regime used to monopolize information flow to isolate the population from the rest of the world. However, the regime lost the ability to isolate its people from the outside world as a result of marketization.

The North Korean government permitted operation of markets so that ordinary citizens of North Korea could avoid starvation, but the unintended result was the lost ability to monopolize information as people were given opportunity to be exposed to foreign movies including South Korean films. On November 1, 2017, a former North Korean deputy ambassador to United Kingdom, Thae Yong-ho, claimed that the regime’s iron grip on the North Korean people has

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<sup>61</sup> Tertitskiy Fyodor, "Songbun and the Five Castes of North Korea," NK News - North Korea News, last modified February 26, 2015, <https://www.nknews.org/2015/02/songbun-and-the-five-castes-of-north-korea/>.

<sup>62</sup> Park, "*Creation of Markets*," 28-30.

<sup>63</sup> Cohen, Zachary, "North Korea Defector Says Information More Dangerous Than US Threats," CNN, last modified November 2, 2017, <https://www.cnn.com/2017/11/02/politics/north-korean-defector-thae-kim-jong-un/index.html>.

become weakened due to information flow from outside of North Korea at the House of Foreign Affairs Committee.<sup>64</sup>

The influx of foreign TV shows hinder the regime's ability to reign in power because exposures to foreign movies enable people to realize the difference between realities of their living conditions. Manipulation of information and ideas by isolating people from the rest of the world was what enabled the regime to legitimize the regime's political ideology, but the regime can no longer rely on information blockade as a means of winning political control as a result of markets.

Thae claims that the increasing popularity of foreign movies in North Korea is an irreversible trend unless the regime completely shuts down the markets, and the continuation of the dissemination of information can possibly lead into a civilian uprising.<sup>65</sup>The U.C. Commission of Inquiry report on North Korea disclosed details of public execution for North Koreans possessing or distributing South Korean dramas.

However, despite the regime's warning, South Korean dramas become increasingly popular in North Korea society.<sup>66</sup>The North Korean regime propaganda was an effective machine to brainwash people because there was no other path to compare. Therefore, the lost ability to control information flow is a huge loss for the regime because foreign media and movies make the state propaganda virtually useless.

Propaganda machine is perhaps the biggest victim of marketization. The regime can no longer sustain its legitimacy of power because North Korean people are not interested in watching

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<sup>64</sup> Yong-ho Thae, "Testimony of Minister Thae, Yong-ho House Committee on Foreign Affairs" (presentation, U.S. Congress, Washington D.C., November 1, 2017).

<sup>65</sup> Zachary, "Information More Dangerous."

<sup>66</sup> UN Human Rights Council, "Report of the detailed findings of the commission of inquiry on human rights in the Democratic People's Republic of Korea," ODS HOME PAGE, accessed December 6, 2018, 59-61, <https://documents-dds-ny.un.org/doc/UNDOC/GEN/G14/108/71/PDF/G1410871.pdf?OpenElement>.

the domestically produced films, which used to train North Korean people to live and die for the regime. “State propaganda is shunned as more people watch South Korean television programs, forcing the government to allow the sale of DVDs of Soviet-era films and even American animation like Tom and Jerry.”<sup>67</sup>

A North Korean defector said in a NPR podcast that when she watched the movie Titanic, it confused her because most North Korean movies are about how an individual should die for the country and the Kim regime, but the movie was about how a man dies for a woman.<sup>68</sup> Information blockade was an essential social control mechanism, which strengthened the role of state propaganda to sustain power of the regime to have a total control of the populace. However, due to marketization, maintaining the absolute restriction on information has become increasingly difficult for the regime, which undermines the regime’s ability to rein in power.

### **Security Apparatus: Corrupting the Corrupted**

The regime’s secret police agency played a vital role in keeping the society in order. The secret police force was one of the most loyal institutions for the regime. Without the security force, the Kim regime could not effectively control the population. Before the famine and marketization arrived to the society, local authorities and police officers had little motivation to take bribes because there were limits as to what money could buy for them, when the state provided

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<sup>67</sup> Carol Morello, "Soaps and dramas may achieve change in North Korea more than military force, defector says," The Washington Post, November 1, 2017, [https://www.washingtonpost.com/world/national-security/soaps-and-dramas-may-achieve-change-in-north-korea-more-than-military-force-defector-says/2017/11/01/037ca224-bf2a-11e7-97d9-bdab5a0ab381\\_story.html?utm\\_term=.c3340d744c05](https://www.washingtonpost.com/world/national-security/soaps-and-dramas-may-achieve-change-in-north-korea-more-than-military-force-defector-says/2017/11/01/037ca224-bf2a-11e7-97d9-bdab5a0ab381_story.html?utm_term=.c3340d744c05).

<sup>68</sup> Danny Hajek, "Watching Foreign Movies Is Illegal In North Korea, But Some Do It Anyway," NPR.org, last modified July 5, 2017, <https://www.npr.org/2017/07/05/534742750/watching-foreign-movies-is-illegal-in-north-korea-but-plenty-do-it-anyway>.

everything.<sup>69</sup> Accepting bribes was considered as lowly and an act of betrayal against the regime's trust.

Communist officials in the mature Leninist state had a very rational reason to steer clear of bribe-taking: as long as the state socialist system functioned properly, cash could not buy you much. Of course, if you had enough cash in the Soviet Union of the 1970s, you could buy small luxuries like Japanese tape recorders or East German furniture, but things like cars, apartments, foreign travel and even some culinary delicacies could not be purchased with money. Rather, it was your position in the hierarchy that determined your access to such goods, which were either distributed or sold under controlled circumstances. Thus, for an official, it made sense to avoid taking bribes. Bribe money would not buy much, but there was a risk of scandal, which would jeopardize your chances of getting promoted and thus actually diminish your chances of getting access to high-quality goods and services, not to mention power. (Andrei Lankov, NK News).

In contrast to two decades ago, today, collecting bribes has become almost a main source of income and economic prosperity for the security personnel. The prevalence of taking bribes has become a norm among the state security agents.<sup>70</sup> Research and strategy director for Liberty in North Korea Sokeel Park thinks the 1990s economic collapse caused the rising trend of bribery because the regime could not provide foods, and proper wage for government officers.<sup>71</sup>

The increased role of bribery is a serious threat to the regime because the result of taking bribes undermines the North Korean government's ability to execute and enforce punishing

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<sup>69</sup> Andrei Lankov, "Why North Korea is so corrupt, and why that may be good," NK NEWS.ORG, October 16, 2015. <https://www.nknews.org/2015/10/why-north-korea-is-so-corrupt-and-why-that-may-be-good/>.

<sup>70</sup> Elizabeth Shim, "North Korean agents demanding more bribes from defector networks," UPI, n.d.xx, accessed December 6, 2018, <https://www.upi.com/North-Korean-agents-demanding-more-bribes-from-defector-networks/8611519391719/>.

<sup>71</sup> Sokeel Park, "6 Reasons Why Kim Jong Un Is Screwed," The Atlantic, last modified June 20, 2013, <https://www.theatlantic.com/international/archive/2013/06/6-reasons-why-kim-jong-un-is-screwed/277072/>.

individuals watching or distributing foreign films. On December 19, 2013, Kim Jong-un, the current leader of North Korea, ordered its law enforcement to crack down on illegally transmitted South Korean dramas and other types of foreign movies.

Individuals who are caught from watching smuggled videos are to be sentenced to more than five years in jail, according to Radio Free Asia (herein RFA).<sup>72</sup> However, despite the regime's attempt to eradicate the root cause of social disobedience influenced by the foreign media, the RFA reports it only increased more opportunity for the local authority to earn financial boost from collecting bribes. Unless the Kim regime provides more than what security agents make from bribe-taking to eliminate incentives to take bribery like before, marketization, famine, and widespread bribery are less likely to stop.

The rising popularity of cell phones and increased number subscribers in North Korea is another factor to consider. The Kim regime may not need to rely on security personnel's surveillance system to monitor its citizens. Approximately two million people subscribed to state-provided cell phone service in North Korea according to a recent report by Yonho Kim.<sup>73</sup> Reportedly, the latest touch screen phone cost about \$700. Considering the monthly salary of an average worker is 2,000 to 2,500 won (equivalent 2 to 3 dollar with the current exchange rate), one can only imagine that cellphones are not for everyone.

However, despite the high cost, demand for mobile phones are increasing in North Korea because carrying around a cellphone in North Korea is thought as a symbol of power and wealth, Kim reports. Even though cell phones registered with the government provide service that

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<sup>72</sup> Radio Free Asia, "North Korean Video Crackdown Increases Bribery Opportunities for Officials," RFA, January 15, 2016, <https://www.rfa.org/english/news/korea/korea-bribes-01152016125259.html>.

<sup>73</sup> Yonho Kim, CELL PHONES IN NORTH KOREA Has North Korea Entered the Telecommunications Revolution?, (Washington D.C.: US-Korea Institute at SAIS, 2014), 8.



prohibits make international calls and denies access to the Internet,<sup>74</sup> they play an important role in exchanging information and trade activities in North Korea.<sup>75</sup>

“The official Koryolink (name of service provider) network has equipped domestic market traders with greater mobility. The wholesale and retail traders at the informal markets are now able to collect market information at an unprecedented speed and respond to changing market conditions promptly. Buyers and sellers often complete their bargaining over the phone, even before the goods are taken to market.” (Kim, 31).

While cell phones facilitate greater information flow in North Korea, they are also a double-edged sword.<sup>76</sup> The regime can alter the surveillance system from relying on increasingly corrupt police force as a cost effective mechanism by monitoring mobile phones. When or if the regime develops necessary technology to tap each phone user, not only can it transform the mode of surveillance, but it can also eliminate police personnel who are bought out from bribery. While it is not verified yet, according to Kim, many North Korean defectors guess the North Korean regime might have already developed necessary technologies to monitor calls and text messages.<sup>77</sup>

### **Marketization: Opportunity or Threat?**

Can the regime survive given the decreased ability to dictate people while markets are growing? A growing and popular belief is that the regime has lost the ability to maintain the Orwellian-like society due to the diminished role of the control mechanism as a result of the increased role of markets in the society. A general consensus of the argument is that the role of economic liberation and dependence from markets decreases the regime’s capacity to dictate political control while empowering civilians.

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<sup>74</sup> Kim, “*Cell Phones*,” 20

<sup>75</sup> Ibid, 30 - 31.

<sup>76</sup> Ibid., 8 – 9.

<sup>77</sup> Ibid., 38.

There are two different schools of thought on the effects of growing markets and its implication on the prospects of North Korean regime's future. One school of thought suggests that the rise of the markets began hollowing out the legitimacy of the regime as the markets subdue the regime's control system as a result of relatively free flow of information within and from outside of the regime. On the other hand, contrary to popular belief, even though the people initiate marketization, the prosperity of markets and structural management is facilitated by the regime.<sup>78</sup>

There isn't much to debate about whether or not the markets transformed the North Korean society, as an abundance of evidence indicate markets weakened the regime's capacity to control the populace. The regime may not launch a reform or policy targeting the entire population like they did in 2009, targeting individuals or a small group of individuals if their amount of wealth exceeded beyond the regime's standard.

Seemingly, the North Korean people also recognize a potential danger of becoming noticeably wealthy. For example, in the newly developed middle class commonly referred to as Donju, which literally means "masters of money", individuals who achieved great success through private business purchase a massive amount of government bonds to guarantee their security from the country according to Yang.<sup>79</sup>

In spite of the "The Inheritance Act," which was passed by the government in March 2002 to guarantee the right to inheritance of private properties, the "money masters" live under the fear of being targeted by the regime. The Kim regime's collective punishment as a means to instill fear and ongoing operation of concentration camps is still strong and the markets have not affected these two control tools yet.

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<sup>78</sup> Andrew Yeo. "The Prospects of Civil Society and Domestic Change in North Korea." Paper presented at 25th World Congress of Political Science, Brisbane, Australia, July 23, 2018, 1.

<sup>79</sup> Yang, "*Marketization in North Korea*," 259.

### **Kim Jong-un and his dilemma**

The prospect of reversing marketization appears near impossible, unless the regime restores a full functioning planned economy and offers greater economic and political freedom than the private markets.<sup>80</sup> This leaves the regime with only a few choices: a gradual economic reform with a similar fashion of “China’s economic reform”<sup>81</sup> to foster greater economic reform, or constraint of growing markets and taking the risk of potential uprising.

The problem is that a broader economic reform requires a stable internal security environment, but the chances of improving domestic security apparatus is challenging due to the prevalence of bribery. In addition to domestic security instability, the greater problem is the unstable external environment due to the regime’s nuclear politics.<sup>82</sup>

The international community will demand a complete denuclearization to join the international trade system. However, the likelihood of the regime giving up its nuclear weapons is slim. The regime’s nuclear weapons not only deter external military threats, but they also deter internal threats in the contingency of the regime’s elite turning against the dictator. It is impossible to predict the exact future of the regime, or how the regime will manage the dilemma, but what is certain is that the chances of reversing marketization are unlikely.

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<sup>80</sup> Park, "6 Reasons Why Kim Jong Un Is Screwed,"

<sup>81</sup> Seung-Youn Oh, "China’s Reform and Opening: 40 Years and Counting," *The Diplomat*, June 1, 2018, [thediplomat.com/2018/06/chinas-reform-and-opening-40-years-and-counting](http://thediplomat.com/2018/06/chinas-reform-and-opening-40-years-and-counting).

<sup>82</sup> Sooho LIM, Yoojeong CHOI, and Seokki HONG, *A Reassessment and Prospect of Economic Reform in North Korea: Focus on the Connection with Military-First Economic Policy*, (Korea Institute for International Economic Policy (대외경제정책연구원), 2015), 85-90.

## Conclusion

All things considered, North Korean marketization poses greater threat than opportunity for the regime to continue its reign. Rise of markets will continue to subvert authority, delegitimize the regime's political ideology, and incapacitate its control mechanism. Given the effects of rising markets on its relationship between the regime and state, the prospect of reversing marketization is highly unlikely. The regime's nuclear weapons may deter external military threats, but they cannot stop the growth of markets. Hence, as many scholars and experts have already expressed, changing North Korea is not only impossible, but inevitable.<sup>83</sup>

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<sup>83</sup> Sokeel Park, "How to solve a problem like North Korea" (speech, TED Talent Search, Seoul, Republic of Korea, June 25, 2012). <https://bit.ly/2PwhEJo>

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