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North Korea's Changing Political Economy and Its Implications

Andrew Yeo¹

ABSTRACT ■ Since Kim Jong-un's rise to power in 2011, reports point to growing economic markets, an emerging "nouveau riche" class, and an emphasis on modernization and development. The paper evaluates the shifting relationship between state, society, and markets in an authoritarian context. Can there be a North Korean civil society? On one hand, the growth of markets has presumably altered the relationship between state and society, shifting power in favour of private market players while hollowing out the regime's legitimacy. On the other hand, markets are still beholden to the state. Thus, markets may actually empower rather than weaken the state as the latter may manage to co-opt the former.

KEYWORDS ■ North Korea, markets, social change, authoritarianism, legitimacy, civil society



¹ Dr. Yeo is Professor of Politics and Director of the Asian Studies Program at the The Catholic University of America in Washington, D.C. He was a visiting scholar at the University of Philippines Diliman as a US Fulbright Senior Researcher in 2020. His research and teaching interests include international relations theory, East Asian regionalism, Asian security, US grand strategy, civil society and democracy, Korean politics, and North Korea.

Introduction

I want to say upfront that in terms of research methodology, the number of times I have travelled to North Korea is exactly zero, so some may wonder, “How can you know what’s happening inside North Korea without ever having even visited the country?” There are a few reasons why I haven’t been there yet, one of them being my work on North Korean human rights advocacy which would make it problematic for me now to travel to North Korea. This research is therefore based on the secondary literature and a lot of survey data from defectors both in English and in Korean. I’m also conducting interviews with field workers who regularly travel to or even live inside North Korea to glean their insights about change. We do have a lot of students here so I thought I’d start with some easy questions. What images or impressions come to mind when you think about North Korea? This is a way for me to gauge what the discourse on North Korea is in the Philippines.

Usually, the comments that students come up with are human rights abuses, nuclear weapons, or a militarized state. They will talk about censorship. They will say it is a strange country ruled by a leader with a funny haircut. These are the kinds of image or impression people have of North Korea: a crazy, irrational country. But that is not the only impression of North Korea. If you read accounts of ordinary or everyday life in North Korea, you realize North Koreans are normal people. They have friends. They have family. It is very similar to other poor, underdeveloped countries. Some South Koreans exclaim, “Oh, this is like Korea in the 1950s or ‘60s,” or as the Chinese like to say, North Korea looks like China back in the 1950s or 1960s. One can gravitate towards a particular image, but all of these images can be correct or accurate. There are many different arguments about what North Korea is like or what it is not like, so it is difficult to understand and paint the society as a whole or in overly general terms. It never really does justice to what North Korea is like on the inside.

I wanted to quote a passage from a book about North Korea by two British journalists. They wrote a book called *North Korea Confidential* (2015) and made this observation: “Now flaunting your wealth and consuming conspicuously is no longer frowned upon. From

using a smartphone, flashing a Swiss watch or carrying a designer bag and drinking expensive coffee was once reserved for the upper elite is now middle-class pastime” (Tudor and Pearson 2015, 43). Some of you may be thinking, “I thought North Korea was a very poor impoverished country!” And it is. Look at North Korea’s GDP (gross domestic product). It is under two thousand dollars a month per capita. Yet the earlier quote suggests that there is some kind of change taking place in North Korea.

Is North Korean society and economy changing or is it static? Is it still autocratic, meaning that nothing has changed politically? These are some of the questions that motivate this research project. To what extent is change taking place in North Korean politics and society? How has the growth of markets shifted state-society relations, and are we beginning to see the rise of civil society in North Korea? My lecture is organized into three parts. First, I assume that not everyone here has the same level of knowledge about North Korea, so I begin by offering some brief background information to put us all on the same page. Second, I will talk about the rise of markets. Third and finally, I will address the implications of markets.

To offer some historical context, Korea, or the Korean Peninsula, was actually one country. It was colonized by Japan in the early 20th century until the end of World War II. After Japan’s surrender, rather than liberating the country, the northern half of the Peninsula, just above the 38th parallel, was occupied by the Soviet Union. The Soviet Union controlled North Korea, and the United States occupied South Korea. This might sound familiar to Filipinos. After being liberated by a colonial power at the end of the war, you think you are going to be gaining your independence, but instead you become (re)occupied by another power.

The occupation was only supposed to be temporary. It was under the guise of a United Nations (UN) trusteeship, but because of political jockeying and the reification of Cold War divisions by 1948, the North Koreans officially declared the establishment of the Democratic People’s Republic of Korea (DPRK), the official name of North Korea. Elections were held shortly thereafter in South Korea, which officially became the Republic of Korea. One nation became two divided states.

Neither North nor South Korea recognizes the other to this day—there's only one Korea. Especially for the North Koreans, there is only one legitimate Korea. When you hear arguments favoring diplomatic negotiations calling to “end the Korean War” or “sign a peace treaty,” a lot of this is about getting the two sides to recognize one another. That is why the two Koreas never signed a peace agreement because that would mean recognizing the existence of two Korean states.

Regarding North Korea's leadership, the Soviet Union backed an anti-Japanese guerilla resistance fighter living in Manchuria during World War II. His name was Kim Il-sung. He is the founding president of the DPRK. His official title is “The Eternal President of the Democratic People's Republic of Korea.” Kim was backed by the Soviet Union, and with the Soviet's reluctant blessing, launched the Korean War in 1950. North Korea was completely levelled by American bombing. The North Koreans rebuilt the country, adopting a Soviet-style planned economy with a lot of economic support from the Soviet Union. Their focus was on heavy industry. That made sense as the Japanese had built large industries in the north, whereas the south remained the agriculture breadbasket.

Kim Il-sung consolidated his leadership, eliminating any potential rivals. If you had any ties with South Korea or if you were part of the landed elite, you were thrown in prison or eliminated. South Korea also conducted its own mass purges and executions. Those with leftist sympathies were jailed. Before the border closed up, there was a lot of sorting out between the north and south. The bottom line in North Korea, however, was the development of a totalitarian state and a personality cult regime in the style of Mao and Stalin.

Kim Il-sung instituted an official ideology known as *juche*. One way of translating *juche* is “self-reliance,” although the word also has connotations to nationalism and economic autarky. This explains North Korea's hermetic seal from the outside world and the country's desire to do things its own way. They do not want to have to rely on the outside. The assertion of self-reliance is somewhat hypocritical because North Korea had received significant aid from the Soviet Union and Eastern European countries—and more recently, China. However, North Korea's leadership developed a mantra of independence and

“our-style” socialism. *Juche* might be seen as a Maoist-Leninist ideology with a North Korean twist.

Two other points that should be mentioned: one is that the North Koreans developed a food rationing system known as the public distribution system or the PDS. The amount of food rations one received depended on one’s socio-economic status or *songbun*. In a roughly three-tier class system, one is either part of the core class, the wavering class, or the hostile class. These three classes are then divided further into dozens of other subcategories. Based on one’s *songbun*, which determined one’s occupation, North Koreans received more or less food rations. For example, a soldier received more than a factory worker. The PDS is not only a food-rationing system, but it is also a means of controlling the population.

North Korea was actually better off economically than South Korea early on in the 1950s and 1960s. This period may have been the heyday of North Korea’s economy. However, the economy plunged at the end of the Cold War. The Soviet Union collapsed and suddenly, North Korea’s biggest patron is no longer providing aid or resources. That was a big blow to North Korea’s economy. The second blow was the famine that took place in the mid-1990s. The North Koreans refer to this period as “The Arduous March,” in reference to the 1930s when the North Koreans were fighting the Japanese in the dead of winter, and they had to survive without much food. The Public Distribution System collapsed, leading to severe food shortages and hunger.

The famine was precipitated by severe rain and flooding. North Korea is very mountainous. Because mountainside forests were earlier stripped for their timber, the lowlands and rice fields were severely flooded following biblical proportions of rain. More than natural disaster, however, economist Amartya Sen has argued that famine is attributed to human error—in this case, economic mismanagement and the inefficient allocation of food through the PDS. North Korea’s per capita income dropped in half. There are no concrete figures on the number of deaths, but at least 500,000 North Koreans may have perished. The larger point is that the famine was a real tragedy. It was also the first time for the international community to get a glimpse of what was happening, or what had become of North Korea as a

result of their “self-reliance.” After shunning the West and much of the outside world, North Korea was now seeking aid from the international community. This is when you see a number of Westerners from the aid community entering North Korea for the first time. North Korea’s economic condition eventually improved, but the economy has remained fairly stagnant overall. We can conclude that North Korea is still a poor country, especially when compared with South Korea’s development, whose economy is now forty times larger than that of North Korea. This was all background.

The rise of markets

As discussed earlier, journalists have reported on change in North Korea. Pyongyang citizens are becoming more fashionable, and listening to music that sounds closer to K-pop than folk music. Women’s skirt hemlines are getting higher, and boutique stores are popping up. Something is happening inside North Korea. How did we get from the famine—where North Koreans were reduced to foraging for food, with the state coming up with slogans, such as “Let’s eat two meals a day”—to what seems like affluence for some North Koreans today? The famine actually helped jump-start North Korea’s budding market economy. During the famine, North Koreans started growing their own food for private consumption, and whatever surplus food they had they started selling or bartering. Thus, consumer goods and foods were bartered or sold in markets. When I say markets, I refer to vendors on the streets or open markets with vendor stalls; nothing sophisticated. Due to the collapse of the North Korean economy, a process of marketization from below begins to grow as North Koreans became more resourceful. This is also the period when you begin to see defections rising as North Koreans leave for China in search for food and work opportunities, never to return to North Korea. Others crossed back and forth across the border to trade and survive, obtaining food and medicine. If they had extra supplies, they would sell these in the market to make money.

The famine led to the rise of black and gray markets and a robust informal economy. The regime permitted markets to emerge out of necessity. Of course, North Koreans did not have formal permission to

buy and sell goods in the markets initially. North Korea is a socialist state after all. However, the government knew that North Koreans would die of hunger if markets were shut down. So the regime tolerated market activities to a certain degree, loosening restrictions in the management of its economy.

State-owned enterprises were also permitted to trade with foreign companies to maintain their operations and pay workers. State firms unable to pay sufficient wages allowed their workers to work in and receive income from markets. The regime implemented modest reforms to decentralize economic planning to the local level, a contradiction to the top-down Soviet-style planned economy. The regime referred to these “reforms” (a term avoided by the regime as it implies problems to the current system) as the July 1, 2002 measures. State-owned enterprises were also granted greater autonomy. State firms could set their own production targets and prices, and they could figure out what they needed to buy and sell in terms of capital inputs.

Although North Korea’s economy cannot be called a market-based economy, the socialist economy has begun to take on the characteristics of capitalism. No one is really sure of the exact size and scope of market activity in North Korea, but two conclusions can be drawn from surveys with North Korean defectors.

The role of markets

First, markets have grown substantially in North Korea. Byung-Yeon Kim, a South Korean economist at Seoul National University, found in his surveys of defectors that 71% of North Koreans participate in the informal economy, whereas only 50% of North Koreans participate in the official economy (2017, 101). These surveys were conducted in 2009 and 2011. The average monthly income made from the informal economy was eighty times higher than that in the official economy. North Koreans spend more time in their informal jobs than in their formal sector jobs. The primary reason why they work in the informal sector is because they do not generate enough income from their formal sector jobs. Thus, the incentive to work in the informal market economy is greater than in the formal-state sector.

Let me offer an example. If my official job in North Korea is to work in the coal mines, I get a wage or certain rations from the state for being a coal miner. I can work as hard as I want and put in longer hours, but the pay will still be the same. And after all that effort, wages will still be insufficient to earn a living. However, if the government allows me to participate from time to time in markets—say, a side job working a small garden plot where I can grow vegetables—the more time and effort I put into gardening, the more food I can grow. The more food I grow, the more I can sell in the market. Therefore, there is a much stronger incentive for me to spend time and energy working in unofficial markets growing vegetables than working in my official state job as a miner.

For this reason, some political economists believe that the formal economy is beginning to hollow out. There are few incentives for North Koreans to work hard in their state jobs. There are policies in place where if a worker pays the foreman or manager of a state-owned enterprise a certain fee or cut of his or her profit made from market activity, then the employer will allow the employee to work in his or her side job for two or three days. Workers can do this once a month. But it is not just two or three days; North Koreans may be absent from their state jobs half the time. Markets are part of both the formal and informal economy, but the formal economy will continue to hollow out as North Koreans operate in informal markets.

I do want to say something about bribery and corruption. Sometimes, North Korea is referred to as a mafia state. Bribery is a relative term. There is a negative connotation with the words “bribery” and “corruption”—and I’m not condoning either behavior. But sometimes, the use of bribes and corruption is just the way business is conducted. It becomes an accepted practice. The culture of bribery is really intrinsic within the market economy and the service sector in particular.

Let me provide an example. Because of the rise of markets, a need has arisen for a better transportation system. Subsequently, bus and other transportation companies and services have popped up. These are usually small businesses where the investors drive the buses themselves. But in addition to just transporting people—because North

Koreans are resourceful—they might also transport goods. Buses and other transportation vehicles, known as *servi-cha* in North Korea, are also doubling as a delivery service for merchants. These vehicles are registered with local government agencies or state firms. On paper, they look legitimate—it looks like they are run by a state entity. But in actuality, the companies are financed and administered by individual entrepreneurs who are making a profit from market activity and giving their state sponsor a cut for allowing them to register their vehicle for their private business.

This is what I mean by corruption. It is corrupt, but it is just an accepted way of doing business in North Korea. Moreover, in North Korea, citizens cannot move freely. There is no freedom of movement. You cannot travel from one province to another without getting permission in advance. So, how are these transportation vehicles moving across provinces? It is one thing to operate within a local area, but it is another to travel long distance to another province. The solution is really easy. Give a bribe to checkpoint guards or local government officials to allow you to traverse without permits.

Some see these bribes as another form of tax. It is just the cost of doing business in North Korea. Bribes allow markets to function, and the state is in on the corruption. It is really hard to separate the market from the state, as the two are intertwined.

State-owned enterprises are benefitting from these markets as well. They are a key player in markets. Private market investments help stimulate state firms and their production. State firms also rely on the markets to distribute their goods. Government factories use the profits generated from markets to pay their workers. Public officials, even those who manage state-owned enterprises, participate in private markets by using some of the profits these markets generated and by relying on certain services they offer. This has the effect of legitimizing markets. Whether markets are officially sanctioned by the state or not, when government officials resort to markets to make money, it gives market activity legitimacy.

Two hypotheses on shifting state-society relationships

If markets have become a permanent fixture in North Korea's economy, to what extent do trade networks and the markets alter state-society relations? I have two hypotheses on state-society relationships, and central to both explanations is the question of authoritarian legitimacy, that is, the legitimacy of the North Korean state.

Hypothesis 1: Markets empowering society

The first hypothesis is that markets are empowering society and hollowing out the regime. I mentioned that markets are embedded in state-society relations. It is almost impossible now for the state to completely shut down markets. With greater privatization, there is now a demand for finance and credit. But some economists are saying that the formal state banking sector plays a much less significant role in the North Korean economy. Instead, state-owned enterprises get their financing from rich private entrepreneurs rather than the state. The entrepreneurs are known as *donjus*, which translates as “money masters.” These are entrepreneurs who become the main financiers of the private markets. Many of these “money masters” are either ethnic Koreans living in China (the *joseon-jok*), overseas Chinese residents living in North Korea (the *hwagyo*), or Korean descendants living in Japan (the *zainichi*), who send remittances to North Korea. Businesses in Japan, particularly in Osaka, send money to North Korea. These are the people who control a lot of the money and finance in North Korea. I have been focusing mainly on general markets (i.e., the consumer goods markets), but there are service sector markets, labor markets, transportation markets, and housing markets. Credit is especially important in the housing market. It is the “money masters” who provide financing for real estate.

The rise of the general markets has altered how North Koreans think about money. In the past, North Koreans stashed their money away. They just held onto money in cash. But now, they think it is much more useful to have money circulated and invested. With sufficient capital, some entrepreneurs have pooled their resources with others to enter into joint ventures. North Koreans have turned to credit

as lenders examine potential borrowers and share this information across networks.

The rise of markets, and in particular unofficial markets, has created networks of trust among private actors that may exist outside the formal control of the state. When you have repeated interactions with traders or between buyers or sellers, you need to exchange information. Buyers and sellers want to know the market prices. They want to know what the weather is like, for transportation. They need to know supply and logistics information. Over time, these markets can help generate “social capital.” Because social capital is the building block of civil society, it raises the question of whether civil society can emerge in North Korea.

In addition to the rise of markets, the second point I make is about the shift in power from state to markets, and possibly, society. The system of bribery and corruption and the willingness of state-owned enterprise managers to take part in markets make it very difficult for the regime to enforce policies that can restrict markets. Over time, market participants will fear the regime less. They will try to test the regime to see what is permissible and what is not permissible. But if the state is allowing markets to flourish, and if state firms and institutions themselves are benefitting from markets, individual North Koreans may take additional steps that help expand market activity. These steps may go beyond the sphere of markets and business and may shift patterns of thought and action about or towards the regime.

What I’m referring to is a widening gap between private and public discourse about the regime. The official regime ideology proclaims that the state provides for its people. However, North Koreans exposed to markets know what the outside world is like. They know that South Korea is much wealthier than North Korea. North Koreans may not be able to openly criticize the regime, but among trusted friends or family members, they may gripe and point out flaws with the system.

If contrary to its claims the state has little to offer, and North Koreans are increasingly relying on markets for survival, questions arise on whether the state is functioning as it should. With increasing

information about the outside world, and a growing gap between public and private spheres, the North Korean regime may be experiencing a legitimacy problem.

This leads to my last point about the *jangmadang* generation. *Jangmadang* means “market space”—or literally, “market yard.” The *jangmadang* generation refer to North Koreans born after the great famine. Their entire lives have been characterized by experiences with the markets. The *jangmadang* generation are more willing to take risks, and they have a different way of thinking from their predecessors. They have cellphones and access to other technologies. They are described as individualistic, more risk-prone, capitalistic, and hold greater access to foreign information. As scholar Hazel Smith (2015, 222) has argued, at this point, the regime and the Party may cease to act as a well-functioning, reliable transmission belt for ideological education and revolutionary discipline. Markets are introducing new ideas, new information, and new products imported from abroad. They may offer an ideational space for North Koreans to think and question the state propaganda machinery.

Hypothesis 2: Markets empower the state

If my first hypothesis argues that markets are empowering society, and that the absolute power of the state is diffusing towards markets and society, the counter-thesis is that markets are enhancing rather than eroding state power. Although corruption and bribery are reducing the credibility of state institutions, they also lubricate the economy. This is what permits the state to reap the material benefits and resources needed for production.

The regime has permitted markets to survive. One of these reforms are the August 3 (or 8.3) measures. One measure allows state firms to release laborers to work in their private garden plot or pursue other private work if they pay a fee. I have mentioned the July 1 measures of decentralization, where firms and institutions can set their own quotas, and inputs and outputs. The rise of markets is not completely regulated by the state, often falling in a gray zone. The state has survived because of these markets.

In other words, markets are keeping the regime afloat these days. There has been some discussion of renewed negotiations between the US and North Korea. One reason why North Korea might feel compelled to negotiate is because they need sanctions lifted to expand markets and develop their economy. Markets cannot flourish under heavy economic sanctions. In this case, markets are empowering the state with the regime maintaining its authoritarian control.

Tentative conclusions

A key takeaway from my research is that the emergence of a civil society in North Korea is contingent upon the regime's ability to co-opt and regulate the markets: if Kim Jong-un is successful in co-opting markets, if he is able to make the point that "the markets only exist because I allow it to," or "because I provide for the markets," and if he can incorporate markets into the regime's ideology, then I think he can maintain control over society. However, this means that the regime has to build a new narrative. The regime can still maintain *juche* ideology, but markets have to be included within *juche's* ideological framework. This may explain why Kim Jong-un had wanted to visit Vietnam and China and hold discussions in recent years. The regime wants to know how to pursue economic reforms without pursuing political liberalization.

Is there a civil society in North Korea? The answer is no. If someone were to write a book on this topic, it would be a really short book. But there is certainly potential for a civil society. Another question I often get asked is the possibility of an Arab Spring-like movement in North Korea? Is there going to be a revolution from below? The answer is also no. The state still wields tremendous coercive power to keep the population in check. It is almost impossible for collective action to take place in North Korea.

Lastly, how does the discussion on markets and state-society relations tie into the nuclear question? The difference between Kim Jong-un and Kim Jong-il is that Kim Jong-un understands the promise of markets. He is much more receptive to markets and economic development. One of the major policy shifts under Kim Jong-un was

the move from a military-first policy under Kim Jong-il to a policy known as *byungjin* or “parallel line,” which entailed developing both the economy and nuclear weapons. North Korea has achieved its nuclear deterrent, and now its focus remains on the economy.

However, it will be very difficult to move forward without some sanctions relief. If we go back to the nuclear question, from 2016 to the end of 2017, North Korea conducted dozens of missile tests and two additional nuclear tests. Many believed North Korea was perfecting its long-range missile capability. Once achieved, they would shift attention to the economy. That is precisely what played out. After “fiery and fury” rhetoric between the US and North Korea, in 2018, North Korea did a diplomatic 180 and pursued diplomatic negotiations. From the Singapore to the Hanoi Summit, North Korea hoped to roll back sanctions so it could pursue economic development, even earnestly. Now, because of the way diplomatic negotiations played out, and because the Trump administration does not want to give any concessions unless they see North Korea take significant steps towards denuclearization upfront, North Korea is now just going to wait it out and see if Trump wins the next election or if they will have to deal with a new Democrat US administration. North Korea is limited in what it can do diplomatically, but I do believe that Kim Jong-un is serious in wanting the economy to develop because it is critical for the state.



Discussion

After the public lecture, Dr. Andrew Yeo was engaged in a conversation with Dr. Michelle Palumbarit, Assistant Professor at the UP Asian Center.

Dr. Michelle Palumbarit: That was a great presentation there, Andrew. You have made an interesting research project and at the same time raised challenging points. I have also read your draft, and I listened to your presentation as well. My reaction basically centers around the dynamics between the state, society, and the market.

One point you raised in your presentation is that there is a prospect for a civil society to grow if the regime is not flexible enough—that is, if it does not incorporate markets. On the other hand, you pointed out that if the regime is flexible enough to adapt to the market, then the possibility for the growth of a civil society is slim.

Here are the points that I would like to raise as well. Let me go through the first point. Looking back into the convictions of the Jong-il regime, particularly in the 1990s until his death in 2011, the regime was not very keen on incorporating markets or international trade into its ideology. The priority that you mentioned is *songun*, or the “military first” policy. Also, during the 1990s, there was this famine. The number of defectors exponentially increased during this period. The regime did not have a choice but to tolerate activities in the black market. What I see here is that these conditions could have undermined the regime. There was a possibility for the growth of a civil society in North Korea during this time, but why didn’t we witness that?

Another point you raised is that if the regime manages to co-opt markets, that is, if it is flexible enough to incorporate markets and international trade into its ideology, then the prospect of the growth of civil society in North Korea is slim, if not impossible. I could see this in the current Jong-un regime, particularly with his *byungjin* policy, as you mentioned a while ago. We see the existence of industrial complexes and special economic zones, like the port near Russia and China. At the same time, interestingly, there are also these North Korean overseas workers within Southeast Asia—in Thailand, Singapore, and Malaysia. I assume that, based on your argument, in this status quo, the possibility of the growth of civil society is slim.

However, given the rise of information and ideas on the socio-economic development of Korea, as well as democratic ideas of freedom and human rights from the South that infiltrated North Korean society, how long will this status quo hold? Of course, market as a catalyst of positive socio-economic and cultural change in North Korea is important. Equally important is the flexibility or inflexibility of the regime in adapting to the markets. The question of to what extent will the regime control its people is valid. But I think it is also interesting

to look into the North Korean people and their agency in effecting change within their society. I believe it is really interesting to not only ask the question on the extent the regime controls the people; it would also be interesting to see the extent to which the North Korean people tolerate such control. It would be interesting to see that in the equation as well, given the changes happening around and inside North Korea.

The last point is about the prospect of the growth of civil society in North Korea: What kind of civil society do you envision in North Korea? If so, how will it be sustained in the process? I would love to hear your thoughts about this.

Dr. Andrew Yeo: Those are excellent questions, especially this idea about agency among the North Korean people. It is ironic that I am talking about markets and civil society, but in my presentation the focus was not on civil society agency, but more on the agency of the regime. I think that is a terrific question.

Part of the problem is that we do not really know what sort of activities North Koreans engage in, because we cannot go to the country and just conduct surveys. We instead rely on and have received the most information from North Korean defectors. They have operations that attempt to flood the country with information. They are mainly part of human rights groups that want the country to open up. They want to tell their fellow countrymen about the lies that they are being told. They thus form or partner with human rights organizations to deliver things like USB sticks with South Korean dramas. They have delivered short-wave radio broadcasts from South Korea that present independent news, but also share what life is like in South Korea and in other places. The broadcasts are given by North Korean defectors in North Korean dialect. Their idea is that you can start something subversive by making people question the regime.

There is a book by Baek Jieun (2016) on information warfare in North Korea. In her interviews, she finds that many North Korea defectors were not interested in politics, nor did they defect for political reasons. They left because they needed money or because they had families who had already defected. However, she raises the

issue of cognitive dissonance among defectors; when they hear radio broadcasts about the outside world—a lot of them try to listen to these. I have heard that one of the most popular programs is actually the weather forecast. They say that foreign broadcasts of the weather in North Korea are more reliable than forecasts from within North Korea. Outside information creates cognitive dissonance because they have to somehow square away what they are told in the official ideology with what is broadcast. Every week, North Koreans have to go through self-criticism sessions and go through the motions of reciting regime propaganda. Yet, defector-activists are much more optimistic and hopeful about cracks emerging from within the regime, and the possibility that dissent may lead to greater political change in North Korea.

There is a model for subversive change from the bottom up, following the example of Eastern Europe at the end of the Cold War. Timur Kuran (1991), who wrote about revolutions in Eastern Europe, describes how Eastern Europe—and East Germany in particular—was a very repressive society. The problem was that East Germans, by the mid-1980s, knew that things were much better in West Germany. They did not really believe in the communist government, but they were afraid to speak out. However, small protests began in Leipzig in the public square. As Gorbachev took power in the Soviet Union and instituted economic and political reforms, other Eastern Europeans began to see a glimmer of hope for change. Protests that started with a handful of people every Monday started to grow. Two hundred people became a thousand which became five thousand, ten thousand, and finally, hundreds of thousands of people. There was a cascade effect. You could say there is safety in numbers. You do not really know who else or how many people are disillusioned by the regime, so you do not want to speak up. But when you begin seeing signals that other people are disaffected, you begin to speak out. I think that is the mechanism that some of these defector groups hope to replicate to bring about change in North Korea.

But again, they do not know for sure how disaffected people are in North Korea. There are a few organizations that have tried to look at this with surveys, but the number of respondents is very low, around 50 or 60 people who cannot be representative. The research

with North Korean defectors is also not a representative sample. Three-quarters of all defectors come from primarily two regions along the Sino-North Korea border. The two provinces do not speak for the entire population. We really do not know, and that is the debate with some of these human rights organizations. Their thinking may be overly optimistic in the absence of real data or social scientific evidence.

So it is not that I do not give agency to the North Korean people. However, I am a student of social movements and adhere to the school of thought that advances “political opportunity structures.” Agency requires finding political openings at the top, within the regime. Unfortunately, there are very few cracks in the regime at the moment. Kim Jong-un executed his uncle and assassinated his half-brother, both whom may have been seen as potential threats to Kim’s rule. The only group that can challenge the regime really is the military. However, the military remains loyal. I hope to see more agency from potential civil societal actors, but I just do not see it.

I will just quickly answer this other terrific question raised about why there was not mass defection in the 1990s. If there was an opportunity to defect, it was during the famine. The famine was the time where North Koreans really saw that they were in a dismal state. The government was not providing anything, and the people were on their own. That is why they resorted to open markets. But we have to remember the regime’s ideology and the hold it has over society. At the time, there was not much information about the outside world. North Koreans were told that their country faced a famine and other hardships because of the United States. The blame is always shifted to something else. North Koreans are also unlikely to defect en masse, even if the regime falls. North Korean defectors still see themselves as North Koreans. Many long to go back, but under a different political situation. They would prefer to stay in North Korea because that is their home and what they are most familiar with. When you are faced with a situation of life or death, or starvation, you are not going to want to overthrow the regime. You are going to want to spend all your time looking for food or providing for your family. North Koreans were not really in a situation to oppose the regime at the time of the famine.

The regime faces a delicate balance. It knows that there are cracks, inefficiencies, and weaknesses in the system. But that is why the whole state propaganda machinery exists. Authoritarian countries spend billions of dollars on internal security. They spend more resources on internal security than on, sometimes, external security to police their country and keep people in line by feeding them the same propaganda over and over.

Dr. Palumbarit: I would just like to add to the discussion about the absence of mass defection in the 1990s. I think there was also this strong three-generation policy, right? If one member of the family defects, the rest of the family (from the first to the third generation) would be punished, too.

Dr. Yeo: Yes, it is very dangerous if you defect. The regime has a policy of punishing three generations of a single family. They will punish your grandparents and your children as well. And because you do not want your family to suffer, you would think twice about defecting.

Open forum

Dr. Teresa S. Encarnacion Tadem (Executive Director, UP Center for Integrative and Development Studies) was curious about one of the assumptions of the paper. It seems that “the markets,” as used in the lecture, is people-driven rather than driven by any corporation, which is a different dynamic in the West in general. Also, Dr. Encarnacion Tadem noted that in the Arab Spring and in other countries, what spurred revolutions and uprisings was inequality. She was wondering if extreme inequality is apparent in North Korea, specifically in the consumerist pattern of the upper class.

In reply, **Dr. Andrew Yeo** clarified that the term “markets” needs to be disaggregated. First, there are people-driven markets or the *jangmadang*. Those markets are prevalent in the northeast provinces that border China. Second, the state also operates markets. The state-owned enterprises in Pyongyang are firms that have their own businesses. They are raising revenue through markets and not just

from what the state provides in terms of their inputs and outputs. In some sense, there are almost two different types of markets: the kind that is run by ordinary people and the kind that is operated by the state. Dr. Yeo pointed out that Dr. Encarnacion Tadem was right in that within Pyongyang, there is the super-rich—those that are closely associated with the Kim family and have a lot of wealth. But if one lives in rural parts of North Korea, one does not really see extreme wealth. If one looks at Kim Jong-un, he is usually seen wearing the same kind of uniform. He does not come off as being extravagant. In North Korean media, the state-run news, one does not typically see images of extravagance and wealth. Even the upper-middle class in Pyongyang, there is no distinction. Inequality is not as noticeable as in other countries.

Dr. Eduardo Tadem (Convenor, UP CIDS Program on Alternative Development) finds the lecture very informative and eye-opening, especially on the role of the markets in North Korea. Markets in North Korea are usually being thought of as confined to the Special Economic Zones (SEZs) with lots of foreign investments. As the lecture pointed out, the growth of markets actually came from below, from farmers and households growing their own food and selling them. For Dr. Tadem, the closest parallel he could think of in the manner of where North Korea could possibly be heading would be China. He asked, “Is it possible to see socialism with North Korean characteristics, basically following the same path of development of China?” In China, the Communist Party is still in place (i.e., a one-party rule where all decisions have to be confirmed with the Party), but markets are allowed to thrive. Dr. Tadem noted that the Chinese case also started with small markets. The household responsibility system, which was set up by Deng Xiaoping, was started by small farm households who were allowed to sell some of their produce not to the state, but to the open market. And then later on, the state set up huge enterprises which now dominate the Chinese economy, got into the export market, and invited foreign investors to come in. Basically, the Chinese economy is capitalist, but the political setup has not changed. He asked if that would be a more plausible scenario for North Korea.

For Dr. Yeo, it is possible, and that might be the most hopeful scenario for North Korea, at least in terms of how the regime can

develop the country. Pyongyang and Kim Jong-un are interested in looking into socialist models, in particular China and Vietnam. The North Korea–China relationship is interesting because after Kim Jong-un came into power, for five or six years, he never visited China, nor did the Chinese leader visit North Korea. For Dr. Yeo, that is really strange because ninety percent of foreign trade in North Korea is from China. That is why the US is always pressing China to do more on the sanctions front because they think that North Korea is afloat because of the foreign trade that comes from China. There have been several instances reported that North Korean students are studying in business schools in China. For instance, tourism is one of the areas that North Korea wants to develop, and so, students go to China to study it.

The key difference between North Korea and China and why it might be difficult for North Korea to follow China's path is that the Chinese were much more open to foreign investment and trade than North Korea. That is not to say that North Korea does not have foreign trade—they trade with many Southeast Asian countries like Malaysia and Indonesia. But the problem with doing business with North Korea is the lack of predictability. First of all, the laws are not transparent. In a matter of days, the North Korean government can just shut everything down if they do not like something. It is not transparent and consistent. North Korea is replete with risks for investment. It is not part of any global financial treaty and not a member of the International Monetary Fund (IMF), the World Bank, or the Asian Development Bank (ADB) because it has not met any of the benchmarks or measures required. Furthermore, the reason why it would be hard for them to follow the path of China or Vietnam has a lot to do with their nuclear program. The first place to start is denuclearization, but the regime itself has its own calculus on why it wants to keep its nuclear weapons.

North Korea needs to open up more to the outside world. But opening up to the outside world means more information coming in and more North Koreans leaving the country to leave, study, or seek investment opportunities. Openness makes the regime more vulnerable to outside information. The path that China pursued is one avenue for North Korea to reform and develop, but because of their state ideology (the *juche*), it is more limited in terms of following that model.

Karen Miller (Visiting Scholar, UP Center for International Studies) was wondering about real estate. She asked if there is any marketization of land or housing, or if it is still completely state-owned.

Dr. Yeo remarked that there is a market for housing. He brought up in his lecture the *donju*, who are the ones investing in housing and providing the capital for real estate. The state is still a part of it too, because they have to get the requisite permits. But in terms of money and the financing, these *donju* live in China. It is like in the Philippines, where huge part of the real estate is run by the Chinese. These *donju* are Chinese-North Koreans or North Korean descendants who are living in northeast China and providing the capital and money to operating like a public-private type of arrangement.

As a follow-up, **Karen Miller** asked if the existing market is heating up and producing disparities and inequalities. In response, **Dr. Yeo** claimed that there is not the same sort of scale or demand, but certainly, there is a class of elites benefiting from marketization who are getting richer and buying newly built high-rise condominiums. However, housing projects are not present in Pyongyang or outside Pyongyang. Maybe in some of the SEZs—there’s a region in the northeast border of China with North Korea called Rason that might be an area where one can see these housing projects rising.

Mr. Nathaniel Candelaria (Program Officer, UP CIDS Program on Alternative Development) inquired, “How does the ongoing geopolitical environment in the northeast Asian region affect the development of markets in North Korea?” **Dr. Yeo** said that the biggest political implication is that the markets are limited because of the geopolitical tension and its effect on doing business in North Korea. As previously mentioned, the Chinese have invested in North Korea, but it is harder to get the other countries within the region (e.g., South Korea and Japan) to invest—in fact, they cannot due to sanctions.

Mr. Jervy Briones (Graduate Student, UP Asian Center) asked if it is possible for North Korea to elect its first non-Kim leader, and if so, how it could possibly happen. **Dr. Yeo** thinks Kim Jong-un has a son, but told the audience that this detail still needs to be double-checked.

The regime is really seen as a family regime, so Dr. Yeo does not really see the likelihood of an outsider coming in to lead the country. North Korea has the longest, continuous regime that is run by a family dynasty. Most people would say that to have someone from outside the family to lead the country is out of the question. If there was someone, then that one would be seen as a challenge to the current regime.

An undergraduate student from the UP Department of Political Science asked if there is a possibility for other states, such as the US, to capitalize on the rise of these markets to topple the regime. In response, **Dr. Yeo** shared an anecdote during the Singapore Summit. As shown in a video, President Trump kept on talking about private investments for North Korea if Kim Jong-un were to denuclearize. Dr. Yeo is uncertain if US businesses would really jump on that opportunity given the many risks involved with investing in North Korea. It is highly unlikely to see huge US investments in North Korea. That is not to say that there are not any American investments at present. But most of them are philanthropic—those that are motivated by religion, for instance, rather than making profit. For example, a few Korean-Americans have been given permission by the regime to invest and to operate a goat farm, because the North Koreans wanted cheese. In short, there are American businesses in there, but they are very limited. Most of the businesses in North Korea are from China. Finally, the other hard thing is the sanctions. One cannot get anything inside North Korea without running into the sanctions law.

Dr. Eduardo Tadem noted from the lecture that the state makes use of the markets to generate state income, such as taxes. He asked, “If the markets emerging are informal and unregulated markets, how could they be taxed?” Further, on the less serious side of things, he also added the perceived “bromance” taking place between US President Trump and Kim Jong-un in their meetings. He asked how Dr. Yeo makes sense of it.

Dr. Yeo clarified that his use of the term “tax” does not mean tax levied by the regime. These markets operate in stalls. Each day, they have to pay the government fees from a certain percent of what they make. These market fees could be official and they are a way for the government to extract revenue from the markets. On the bromance

of the two leaders, **Dr. Yeo** thinks a lot of it has to do with ego on the part of Trump. Trump takes pride in the fact that he is the only American leader to have ever met the North Korean leader. He is not really bothered by the critics. In fact, he was heavily criticized in North Korea prior to the diplomatic summit. For Dr. Yeo, there is no other rationale for what Trump does. He is just able to build a personal rapport with Kim Jong-un. And Kim Jong-un also tried to use this to his advantage such as getting some sanctions relieved.

As a follow-up, **Dr. Tadem** also asked about the relationship between Kim Jong-un and President Moon Jae-in of South Korea. In reply, **Dr. Yeo** pointed out that Kim Jong-un is now criticizing South Korea again and the US–South Korea alliance. There was a diplomatic shift. Both Moon and Kim were ready to negotiate and North Korea was willing to stop provocations so that they could get some kind of economic concessions and the sanctions relieved. Both Koreas wanted engagement, but it did not materialize. Dr. Yeo feels sorry for the Moon government because that was one of President Moon's top priorities. But there are these structural constraints because of the US and its stiff sanctions policy. At the end of the day, the North Koreans know that it is really the US that is the key player behind the sanctions. Dr. Yeo was a little bit optimistic that the Singapore and Hanoi Summits might be a difference, but in the end, the situation is back at the same place.

Another undergraduate student from the UP Department of Political Science noted that the emergence of the market is not as politically motivated as one usually thinks it is. She is curious if Dr. Yeo thinks that, in the long run, the emergence of markets would do more harm than good to the regime. **Dr. Yeo** suggested that the market itself is not political. The market exists because people wanted to make profit and survive. But that is not to say that there are not any political implications about the rise of markets which could be undercutting the authority of the North Korean regime, among others.

As the last question, **Dr. Eduardo Tadem** asked regarding Korean reunification. Two years ago, two young women who are North Korean defectors visited UP CIDS. When asked about the biggest stumbling block for Korean reunification, they answered US government policy.

As a reaction, Dr. Yeo was not sure what to say as the biggest stumbling block to reunification. Usually, the number one answer of North Koreans and South Koreans is the United States, due to the presence of US military forces on the Korean Peninsula. US troops presence makes it difficult for North Koreans to accept unification, thus they demand the withdrawal of all troops. More recently, the US has not overtly welcomed Seoul's inter-Korea efforts as some of the proposals, such as building an inter-Korea railroad, require removing restrictions stipulated in the sanctions. ■



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Editorial Office: Lower Ground Floor, Ang Bahay ng Alumni, Magsaysay Avenue,
University of the Philippines, Diliman, Quezon City 1101
Telephone: 8981-8500 loc. 4266 to 68 / 8426-0955
Email: cids@up.edu.ph / cidspublications@up.edu.ph

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Lower Ground Floor, Ang Bahay ng Alumni
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Diliman, Quezon City 1101

Telephone: 8981-8500 loc. 4266 to 4268 / 8426-0955
Email: cids@up.edu.ph / cidspublications@up.edu.ph
Website: cids.up.edu.ph