Staying Alive

Why North Korea Will Not Change

By Andrei Lankov

From *Foreign Affairs* , March/April 2008

Summary: Despite international calls for reform, the North Korean government is doing its best to maintain the domestic status quo -- and with good reason, at least from its perspective. Still, change is coming in very slow motion thanks to international aid and illegal exchanges with the outside world, which are eroding Pyongyang's legitimacy.

ANDREI LANKOV is an Associate Professor at Kookmin University, in Seoul.

Fifteen years after taking over from his father, Kim Jong Il remains in full control of North Korea; he is still, at 66, the supreme ruler and "ever-victorious General." In the early 1990s, few outside observers expected him or his regime to survive this long. But he has persevered, thanks to his ruthless leadership, a gift for political manipulation, and his use of brinkmanship diplomacy -- and also because no other member of the top leadership has been willing or able to challenge him. Kim is both the head of the Korean Workers' Party and, along with a three-person standing committee, the head of the state. Nepotism and a cult of personality ensure Kim's dominance over the party; the lack of administrative or judicial checks, independent social organizations, or a free press ensures the party's dominance over the whole country. North Korea's elites feel cornered and understand that unity is a major condition for their survival. Thus, they continue to support their leader with little regard for the plight of most North Koreans.

Pyongyang is often described as the world's last Stalinist regime, but for all practical purposes, North Korea's state-run economy of steel mills and coal mines is dead. Despite loud paeans to self-reliance coming from the regime, even during the Cold War the North Korean economy survived only thanks to Soviet subsidies, and it collapsed as soon as Moscow discontinued its aid in 1990. The crisis that followed cut industrial output by 50 percent within a few years. The Public Distribution System was suspended -- a major blow to the population, which for decades had relied on government-subsidized grain rations as its main source of food. A disastrous famine from 1996 to 1999 killed between 600,000 and one million people.

The crisis has had many consequences. Until the early 1990s, the North Korean government strictly controlled private markets. However, things have changed. With the partial exception of the military industry, the only functioning parts of the North Korean economy are the unofficial private markets. Now, according to a North Korean trader, "There are two kinds of people in North Korea: those who have learned to trade and those who have starved to death." Indeed, in a country where the average monthly salary ($2-$3) buys only four kilos of rice, private economic activity is the only way to survive for a vast majority of the people. Even the bureaucrats, having realized that the government has no resources to reward their zeal, are looking for other opportunities. Corruption has exploded, making possible many things that were unthinkable 20 or 30 years ago, such as bribing the police for a travel permit or running a private inn.

The authorities have responded by reiterating their old antimarket rhetoric and staging frequent (but unsuccessful) campaigns against what they call "subversive, antisocialist activities." In 2005, Kim's government attempted to revive the comprehensive rationing system, but these efforts have been only partially successful, largely due to a shortage of funds and a general disruption of bureaucratic controls. It has since launched intense antimarket campaigns and increased security on the border with China to limit smuggling and unauthorized crossings by migrant workers. The regime in Pyongyang is doing its best to resist reform and maintain the domestic status quo for as long as possible -- and with good reason, at least from its perspective. No amount of foreign pressure, from Beijing or Seoul, is likely to persuade the leaders in Pyongyang to jeopardize their standing by ushering in reforms anytime soon.

GOOD NEIGHBOR POLICIES

China and South Korea have taken the lead in exhorting Pyongyang to open up its economy. Pointing to the successes of Vietnam, which suffered a famine in the mid-1980s but by the mid-1990s had transformed itself into a major rice exporter, and China, the once-impoverished economic miracle, they argue that economic liberalization is in the North Korean regime's interest.

Beijing's and Seoul's motivations are pragmatic. The Chinese government would prefer to keep the Korean Peninsula divided and maintain the North as a strategic buffer zone, and it fears that North Korea might implode, which would produce refugee flows into China. On the other hand, it is tiring of pouring aid into the inefficient North Korean economy: Beijing gives a few hundred thousand tons of grain to North Korea every year and sells it a large amount of oil at heavily discounted prices. As a result, the Chinese government is promoting its own style of reform in Pyongyang: economic liberalization with limited, incremental political change. During an official visit to North Korea in October 2005, Chinese President Hu Jintao touted the Chinese model: "As proved in practice, the path of socialism with Chinese characteristics is a correct way of leading China to prosperity, democracy, civilization, and harmony." Chinese diplomats are said to be even more assertive behind closed doors.

Seoul also has its reasons for preaching reform. It worries that if the North were to be reunited with the South, the costs of the North's reconstruction would wipe out the South's hard-won prosperity. In late 2007, a report prepared for the budget committee of the South Korean National Assembly estimated that the expense of unification would be $0.8-$1.3 trillion -- a staggering amount and yet just enough to bring the North Koreans' average income to only half that enjoyed by South Koreans. South and North: Dead If United, a recent bestseller published by Seoul National University, argues that a German-style absorption of North Korea might deliver a mortal blow to South Korea.

On the other hand, Seoul no longer believes, as it did for decades, that the North poses a serious military threat. Even immediately after North Korea's nuclear test in early 2007, only 63.9 percent of South Koreans polled by the Social Trends Institute, a Seoul-based organization, said that they believed North Korea's nuclear weapons were a potential threat. Yet 90.4 percent of the respondents believed that if Japan developed a nuclear program, it would constitute a danger.

And so Seoul, like Beijing, would prefer to see a Chinese-style "developmental dictatorship" emerge in Pyongyang. It hopes that such a regime would maintain North Korea's stability while encouraging economic growth in order to gradually close the huge development gap between the two Koreas. The main goal of Seoul's so-called sunshine policy, which it has pursued since 1998, is to persuade Pyongyang that such a transformation is both feasible and desirable. In November 2007, South Korean President Roh Moo-hyun formulated this position once again: "We do not want to achieve unification through absorption of the North; neither do we consider it feasible. . . . The Government's support for and private investment in North Korea will continue simultaneously over a long period of time until the North Korean economy reaches a substantial level."

To create the environment necessary for such benign development, the South is engaged in a number of cooperation projects backed by large government subsidies, such as the Kaesong Industrial Park, a large industrial complex just north of the demilitarized zone where some 15,000 poorly paid North Koreans work for enterprises jointly run by the North Korean regime and South Korean businesses. In recent years, it has also essentially assumed responsibility for feeding the North Koreans. From 2002 to 2005, it provided 400,000-500,000 tons of grain annually, an amount equal to some ten percent of North Korea's average harvest. The North's agriculture is heavily dependent on mineral fertilizers that the country can no longer produce; about two-thirds of the fertilizer it uses comes from the South. Seoul may thus be essentially contributing as much as 40-50 percent of the calories consumed by the average North Korean.

MOINS ÇA CHANGE

Despite the leverage both countries have with North Korea, neither China nor South Korea has succeeded in persuading Pyongyang to change. In 2002, it briefly appeared as if Kim's government had belatedly decided to give the growing unofficial economy its conditional approval. In July of that year, the government issued the Improved Economic Management Measures, which decriminalized many market activities. Optimists worldwide hailed the measures as a sure sign that Pyongyang's long-awaited Chinese-style transformation had finally begun.

But the July measures were merely an admission of changes that had already occurred and that the authorities knew they could not control. And in the past few years, North Korean officials have walked back from even that concession and tried to turn back the clock to the 1980s by restoring extensive state controls. In October 2005, Pyongyang announced that the Public Distribution System would be fully reinstated and outlawed the sale of grain on the market (the ban has not been thoroughly enforced thanks to police corruption). Soon after, men were prohibited from trading at markets, a ban that has recently been extended to women below the age of 50. The message is clear: the able-bodied should go back to where they belong -- in the factories of the old-style Stalinist economy.

This policy was never really intended to spur an economic revival, however, for most factories could not be restarted -- and sure enough, after a brief spurt of very moderate growth, the economy shrank again in 2006. But returning people to the assembly lines made sense politically: government surveillance has long centered around work units. People were sent back not so much to the production lines as to interminable indoctrination sessions under the watchful eyes of police informers and away from the dangerous temptations of the marketplace. The North Korean authorities also greatly increased border surveillance and staged campaigns against the spread of smuggled foreign videos.

Pyongyang's stubborn refusal to embrace an apparently beneficial strategy of reform may seem to be driven by paranoia. But this is not the case. Considering the peculiarities of Pyongyang's situation, its current policies are perfectly rational. The North Korean elites know that the greatest threats they face are internal, not external, and that resisting reform is the most effective way to control the population.

Consider an important -- and frequently overlooked -- difference between North Korea today and China or Vietnam in the 1990s: North Korea borders a rich and free country that speaks the same language and shares the same culture; South Korea is, in other words, a real-life vision of what North Korea could and perhaps should be. The people of China and Vietnam, although well aware of the affluence of, say, the United States and Japan, do not feel that their experiences are directly comparable. Likewise, tiny Taiwan and Hong Kong have followed their own trajectories in the shadow of huge mainland China. But for the North Koreans, the comparison with South Korea hurts. The Bank of Korea recently estimated, for example, that per capita gross national income in the South is 17 times that in the North. By comparison, per capita gross national income in West Germany before unification was roughly double that in East Germany.

Were North Korea to reform, the disparities with South Korea would only become starker to its population. For decades, Pyongyang has based its legitimacy on its alleged ability to provide its people with a better material life. Even though for most North Koreans living well means eating rice every day, government propaganda has insisted that they enjoy one of the world's highest living standards and has presented South Korea as a land of destitution -- a "living hell." It has managed to sustain the legitimacy of these claims with a self-imposed information blockade apparently unparalleled anywhere in the communist world, past or present.

Market reforms and increased foreign investment would unavoidably undermine this isolation. Many North Koreans, who have been exposed to South Korean videos and high-quality consumption goods smuggled in from China, already suspect that the official line about South Korea is misleading. But even they underestimate the extent of the government's lies. Faced with more graphic descriptions of the South's prosperity, the population would come to seriously question the North Korean regime's legitimacy. And this new awareness, combined with the intoxicating effect of unification talk, could imbue them with the belief -- possibly naive -- that their

problems would be easily resolved under Seoul's tutelage or by the wholesale adoption of the South Korean model. When outsiders extol the benefits of reform for North Korea, they seem to assume that a transformed Pyongyang could continue to suppress dissent by improving the living standards of the majority of the population -- much as Beijing appears to have done. But the Chinese government has not had to manage the kind of burst in popular expectations that Pyongyang would face.

REASONS IN MADNESS

Liberalization would have other challenging side effects as well. Adjusting to the market's demands would drive the North Koreans to pay less attention to party rituals and focus more on making money. The government would have to tolerate information exchange, travel between different areas of the country, and the growth of horizontal connections beyond its direct control. One cannot run a successful business in a country where it is illegal to leave one's place of residence without a travel permit issued by the police.

Another concern of the North Korean elite is that reform would precipitate a change of the guard. In most former communist countries, the collapse of the system did not undo the lives of party officials. On the contrary, many apparatchiks instantly remodeled themselves as capitalists and prospered. Thanks to a near monopoly on administrative experience, good educations, and de facto control over state property, they were the group best prepared to take over public assets and become the backbone of the new capitalist elite. Such a scenario is unlikely to unfold in North Korea. If the system collapses there, Kim's bureaucrats will have to compete with the resident managers of LG and Samsung and assorted carpetbaggers from Seoul. And without state backing, they would be certain to lose.

Many North Korean bureaucrats also fear a backlash against their brutal rule. There are at least 150,000 political prisoners in North Korean labor camps today, that is, one political prisoner for every 150 citizens -- a ratio comparable to that in the Soviet Union under the worst of Stalin's rule. They also fear retribution from the South Koreans or their sympathizers. According to current North Korean regulations, even the grandchildren of those who collaborated with Seoul during the war are banned from living in major cities or attending college. So why, North Korean bureaucrats wonder, would the South Koreans treat them and their families any differently if they lost power?

Pyongyang makes no secret of its hope that it can keep things more or less as they are now. The Korean Central News Agency tells its readers how to think about reform: the South Koreans "want to use their pitiful 'humanitarian aid' to lure us into 'openness' and 'reform' in order to destabilize our system from within." In March 2007, an editorial in the official daily Rodong Sinmun warned against the consequences of contact with the outside world: "Imperialists mobilize their spying agencies and use schemes of 'cooperation' and 'exchange' through various channels in order to implant the bourgeois ideology and culture within the socialist and anti-imperialist countries." The elites in Pyongyang believe, seemingly with good reason, that they must all hang together or else they will surely be hanged separately.

SLOW BUT STEADY

Can Kim's regime hold on much longer? Some argue that the current situation is untenable because North Korea's economic system is inherently inefficient and the country is incapable of meeting its most basic needs, including feeding its people. But none of this is new, and the leadership in Pyongyang has nonetheless managed to retain its grip for decades. The North Korean economy was already unsustainable in the 1970s and 1980s and has been kept afloat largely thanks to aid grants, first from the Soviet Union and then from China and South Korea. The elites have good reason to believe that with skillful diplomacy such achievements can be repeated and some aid maintained. So far, they have deftly played on fears of a possible U.S.-Chinese rivalry, as well as on Seoul's anxieties about the consequences of North Korea's implosion and the costs of unification, to secure a moderate but steady flow of assistance from their neighbors. If the aid money does dry up, mass starvation would be a risk again, but even the great famine of 1996-99, which killed as many as one million people, created

no immediate domestic political challenge. Trained under the old system, deprived of opportunities to organize, and ignorant about the outside world, North Korea's starving farmers did not rebel. They just died.

Pyongyang can also continue to ward off international pressure for a while longer. Its nuclear blackmail paid off nicely in the 1990s -- and it might again. This is one reason why Pyongyang is unlikely to completely surrender its nuclear weapons, even though some compromises, including the dismantling of some facilities, might eventually be reached; Pyongyang's nuclear arsenal is its only real leverage with the international community. A security guarantee from the United States would not help much: leaders in Pyongyang are painfully aware that they are much more likely to be overthrown by their own discontented citizens than by a foreign power.

This is not to say, however, that North Korea is doomed never to change. Although the famine of the late 1990s has not prompted much political reform so far, it has had an irreversible impact on the expectations of ordinary North Koreans. The old Stalinist economy cannot be fully rebooted; even the authorities seem to care more about asserting state control over the people than about restarting the Stalinist production regime. Information from the outside world is filtering in more than the regime ever thought would be possible. Small efforts at grass-roots capitalism over the past decade have also created a new mood. The North Koreans once accepted being completely dependent on the government. Now they realize that they might be able to survive without its handouts. They make items for sale at home, trade in goods smuggled to and from China, and resell any food aid they can get their hands on. This grass-roots capitalism has created a new (slightly) rich class and changed the aspirations of the young. A smuggler told me recently, "In the old days, people wanted to go to the army in order to join the party there, and so they would become cadres. But what is the use of this now? They can live better than cadres if they are successful at markets."

In all likelihood, China and South Korea will continue to provide virtually unconditional aid to North Korea, since Seoul and, to a lesser extent, Beijing believe that the consequences of North Korea's collapse would be disastrous. Granting humanitarian assistance to the North Koreans is one of the few issues on which South Koreans broadly agree. According to an annual poll by Seoul National University, in 1995 merely 25.2 percent of South Koreans thought North Korea should get economic aid; by 2007, the figure had reached 56.6 percent. During last year's presidential race in South Korea, both the conservative candidate, Lee Myung-bak, and the liberal-nationalist candidate, Chung Dong-young, emphasized their support for such aid programs, arguing that they are a way of maintaining peace in North Korea. For all of Seoul's rhetoric advocating economic liberalization in the North, the major, if understated, short-term goal of its assistance is to ensure that Pyongyang remains stable. Seoul hardly even monitors how its aid is distributed, allowing the North Korean government to divert large sums to its cronies and the security forces.

Things will play out very differently in the long run, however, for aid and cooperation -- as well as spontaneous exchanges with the outside world -- will eventually undermine Pyongyang. They will facilitate the spread of rumors about life in South Korea and thus erode the major pillar of Kim's legitimacy. The North Koreans will gradually learn that their brethren across the border enjoy material conditions and social freedoms that would be unthinkable in North Korea, and sooner or later the masses will be tempted to join in that prosperity -- and quite likely by getting rid of the government whose policies have been disastrous. This change, however, will occur in very slow motion, for North Korea's leaders are in no hurry to introduce any reforms.

Copyright 2002--2008 by the Council on Foreign Relations. All rights reserved.