Markets, Economic Change, and Political Stability in North Korea[*]

Marcus Noland

Today's talk is largely derived from a book I wrote with Stephen Haggard, of the University of California at San Diego, that came out earlier this year titled, *Witness the Transformation: Refugee Insights into North Korea*. The book is based on two surveys of North Korean refugees. One conducted in China and the other in South Korea—although technically speaking, I think the people in South Korea are not refugees.

In the first survey, conducted in China in 2005, we surveyed more than 1,600 people. The quality of the survey did not meet the standards of contemporary social science because of circumstances under which the survey was conducted. The problem with this survey is that it was done surreptitiously because the people we interviewed were in effect illegal aliens.

The second survey was conducted in South Korea in 2008 under much more secure legal conditions. We were able to administer a much longer and more nuanced questionnaire. It was gratifying for us to see that the results we obtained from the second survey largely lined up with the earlier study done in China, and that the two surveys reinforce each other. Most of the specific results that I will discuss this morning are actually derived from the second survey, done in South Korea.

The refugees are of interest for two reasons. First, we are interested in the refugees as human beings and they constitute a first order humanitarian problem in and of themselves. The second reason for interest is that they provide insight into the conditions in North Korea.

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My talk is divided into three parts. First, I will talk about the refugees themselves. Then I will discuss what they can tell us about North Korea. Finally—being from the Peterson Institute and being encouraged to offer policy prescriptions—I will ask the question, “What is to be done?” and go into policy.

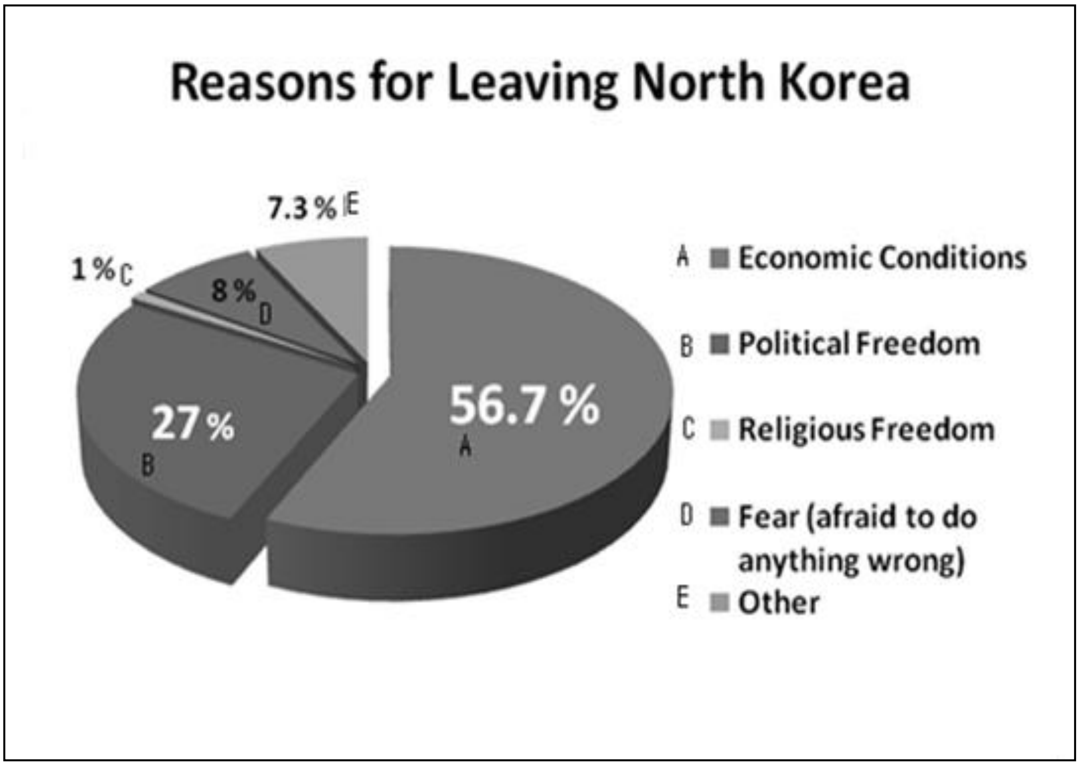
The basic demographics in the sample are a little different in the two surveys. In the China survey, men and women were represented roughly equally. In the survey in South Korea women predominated, as they do in the refugee/defector population that is now settled in South Korea. The age span ranged from adolescence to older people, but the bulk of the respondents were in their peak working ages of their 30’s or 40’s. Geographically they were from all provinces and regions in North Korea with the provinces of North and South Hamgyong predominated, as they do in the general refugee community.

Educational attainment is one area where the two surveys diverged. In the survey conducted in South Korea the median respondent had a high school education. That was not the case for the survey in China. One of the basic methodological issues that we face in this work is that we ask people questions and we have to assume they are telling the truth and that their memories are correct. Educational attainment is one area, that you might expect some respondents to exaggerate their credentials. So, it is really striking that in the China survey so many respondents answered that they had very low levels of education. This contradicts the claims by the North Korean regime about the educational attainment of the people in North Korea.

Finally, not only do we have information about the people themselves, we also have information about their fathers. What is striking when we look at this data is how little intergenerational socio-economic mobility there appears to be in North Korea. If your father was a farmer, then you are also a farmer. If your father was a laborer, then you are also a laborer, and so on. There is a bit of an upward drift in educational attainment, people on the whole tend to be a little better educated than their parents, but socio-economic mobility or occupational mobility is actually quite slight.

In both surveys we asked the refugees why they left North Korea. In the China survey, they overwhelmingly sited economic motivations. In the South Korean survey a majority sited economic reasons as well, but more than a quarter of the sample sited political reasons for leaving North Korea(see figure 1).

<Figure 1>



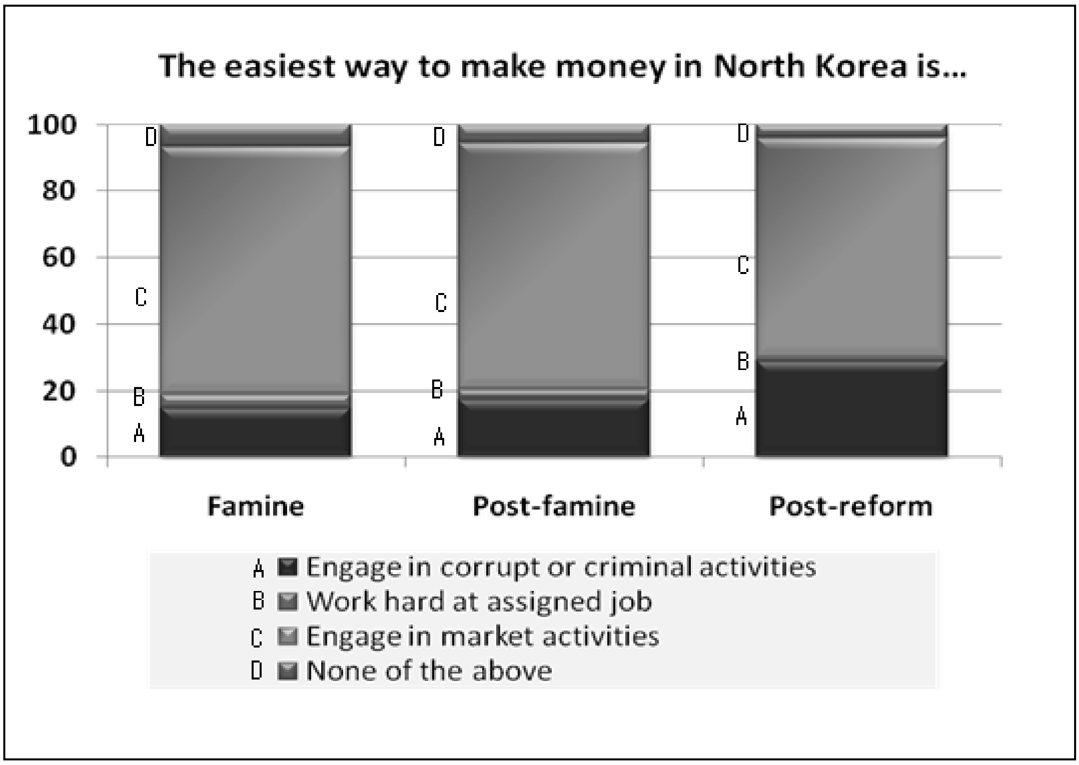
When we did the China Survey one of our collaborators was a psychologist, so a number of questions are related to the psychological or mental health status of the respondents. I think it is fair to say, in a clinical setting probably half or more of the people that we interviewed would be diagnosed with post-traumatic stress disorder. Indeed, there is a clinical literature being compiled, by psychologists and medical doctors, in South Korea documenting high levels of mental health problems among the population. When we analyze the data statistically it appears that these problems relate to both their experiences in both North Korea and China—where most of the people transit on their way to South Korea.

In North Korea, what we find is that the famine of the 1990’s continues to have a profound effect on society. About one third of the respondents indicated that either they had a family member die or had become separated from family during the famine period. One thing that we found surprising was a very high share of respondents indicated that they were unaware of the international food aid effort, when they were in North Korea. The vast majority of those who were aware believe that they did not personally benefit from the aid and that most of the food went to the army or high government officials. This does not prove that this is the case, but it is simply what the respondents believe. It turns out that being in that category, of people who knew of the aid but did not believe themselves as beneficiaries, is a profoundly demoralizing experience. These people feel as though they were abandoned at their time of need, causing a profound impact on their psychological status—even greater, in statistical terms, than being incarcerated in the prison system.

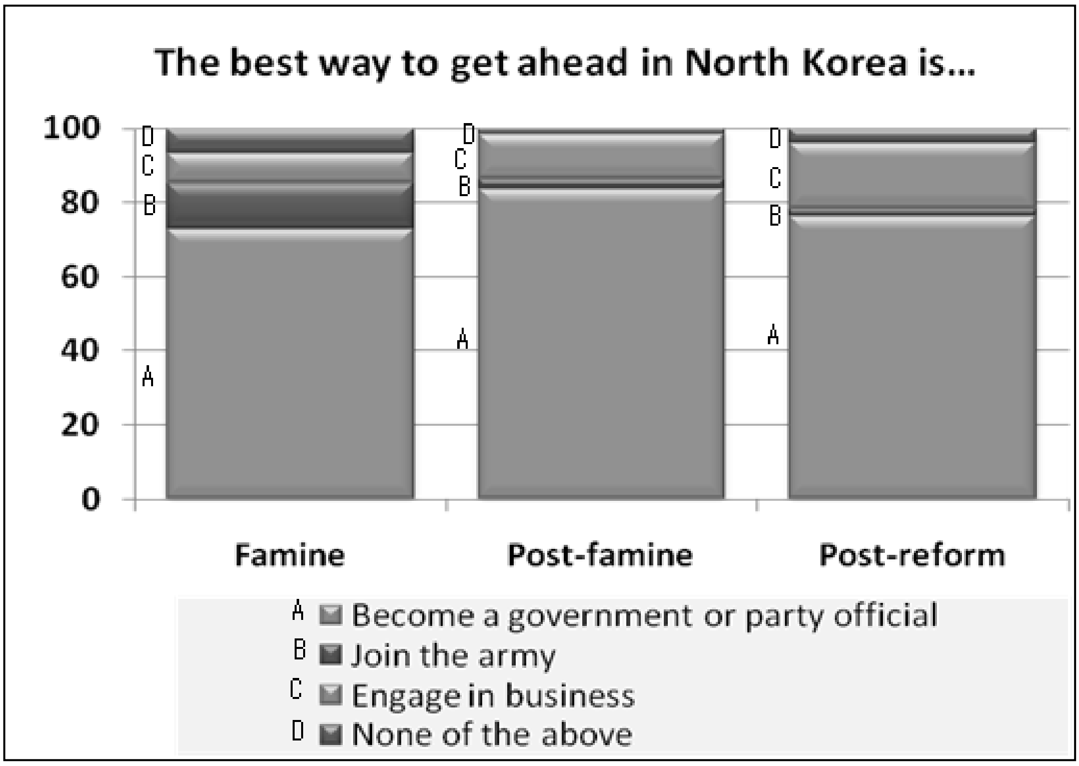
As mentioned earlier, the other reason refugees are of interest is for the window they can provide into North Korea, in this information constrained environment. One of the problems we have is that we cannot follow individuals within North Korea over time. What we can do is take the respondents that we have and stratify them by the time. For example, in Figure 2 and Figure 3, we break the sample up into three parts depending on when they left North Korea: the famine period, which we define as 1998 and earlier, the post famine period from 1999 to 2002, and the post reform period from 2003 on. Each group is roughly the same size, representing one-third of total sample.

When we asked them, what was the easiest way to make money in North Korea, they responded that it would be going into business. Sadly, working hard at your assigned task is not much of a way to make money in North Korea—in fact, in the most recent period it disappears almost entirely. What is striking about Figure 2 is that engaging in corrupt or criminal activities is increasingly seen as the easiest way to make money. We then asked them what the best way to get ahead in North Korea is, and going into business was the response by a growing share of respondents. The military, conversely, is increasingly not seen as a way to get ahead (see Figure 3).

<Figure 2>


The easiest way to make money in North Korea is…
100
80
60
40
20
0
D
C
B
A
Famine
Post-famine
Post-reform
A ■ Engage in corrupt or criminal activities
B ■ Work hard at assigned job
C ■ Engage in market activities
D ■ None of the above

<Figure 3>


The best way to get ahead in North Korea is…
100
80
60
40
20
0
D
C
B
A
Famine
Post-famine
Post-reform
A ■ Become a government or party official
B ■ Join the army
C ■ Engage in business
D ■ None of the above

When I present this information to Washington, they say “Wait. North Korea has military first politics.” I say, “Yes, military first politics may be very good if you’re a general, but it appears that military first politics are not a very good way to get ahead if you are a conscript.” What is striking about Figure 3 is how much the party and the state are still seen as the best way to get ahead.

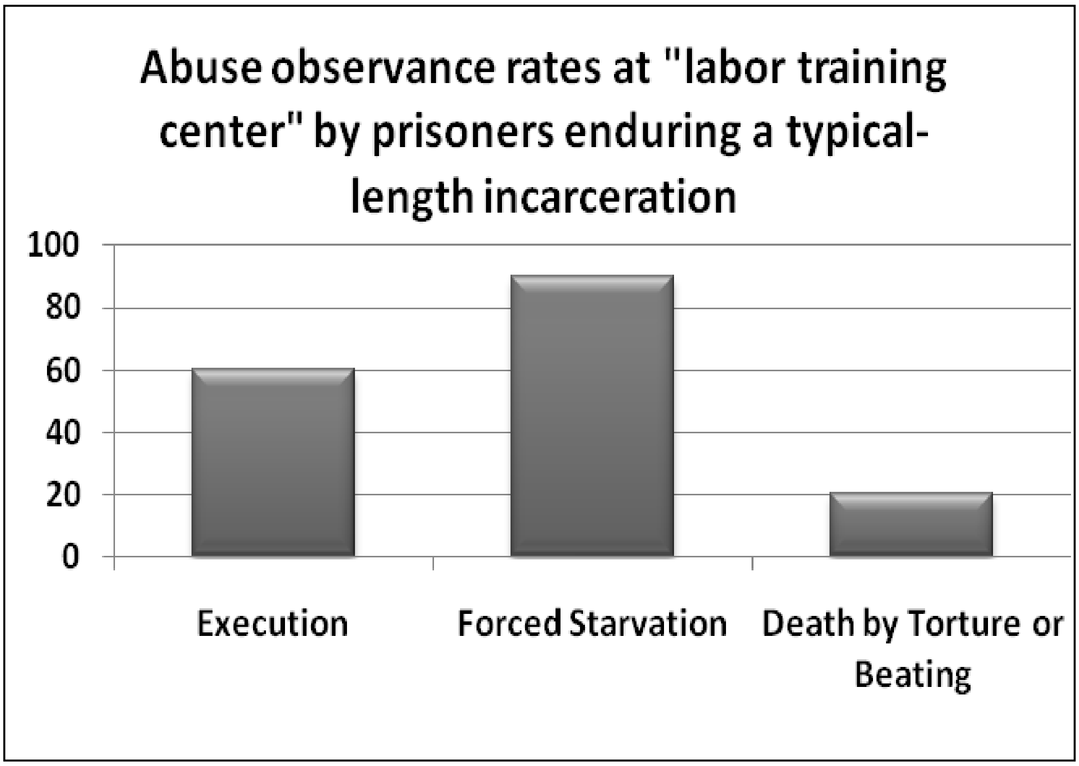
Indeed these two results are linked. We broke up the sample and simply looked at people who reported that their occupation had been working for the state or working at party offices, in North Korea. They report increased amounts of corruption amongst their colleagues and interestingly they also report increased amount of time in their offices devoted to ideological indoctrination. It appears the central authorities understand the fraying control they have over this system and they are trying to reinforce the ideological fidelity of the state and party cadre. Nevertheless keep in mind this basic result; corruption is a growth industry and the state remains the basic way of getting ahead.

One of the things we find, that we did not anticipate, is the degree of criminalization of economic activity. Legal code changes undertaken in North Korea have greatly broadened the range of economic crimes. It would be fair to say, that as an approximation, a typical non-elite North Korean probably runs afoul of one of these rules or regulation in their everyday behavior, making everyone in some sense a criminal. The police have extraordinary discretion with respect to whom to arrest and detain and the conditions in detention are horrific. This creates a perfect instrument for extortion. The police can basically come and grab anybody and put them into a facility where it is known that abuses are rampant. As a consequence, people are eager to pay bribes to keep themselves and their family from being entangled in such a system. In short the penal system has gone from its traditional role of enforcing political repression to a broader role of acting as a platform for economic predation on the population.

We found people involved in the market are arrested at a fifty percent higher rate than their peers. If they were arrested we asked them if they received any kind of formal proceeding or trial before being incarcerated and only twelve percent said that they had.

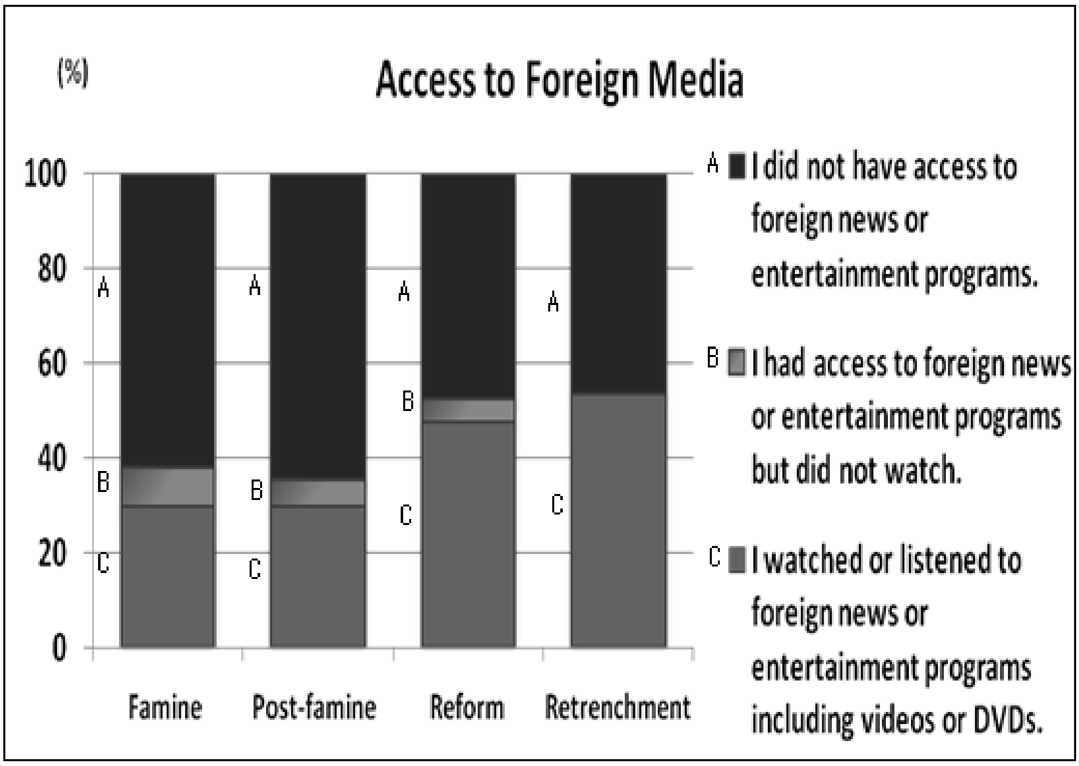
In North Korea, there are really four classes of penal institutions; there are misdemeanor jails, felony prisons, the political prison system, then coming out of the famine experiences of the 1990’s there is a new form of detention facility which has actually been codified in the legal code, called labor training centers. This is where many of these economic criminals are housed. So, we would expect going from the labor training center, to the jail, to the prison, to the political prison an escalation of abuse, and in fact we observe an escalation of abuse. What is really striking to us is how mild that escalation is, especially when you take into account the periods of detention or incarceration are shorter in the labor training centers and the jails than they are in the political gulag. So, when you look at a person incarcerated for a typical length of a period of months in one of these labor training centers, the likelihood of them seeing abuse is really very high (see Figure 4). So these abuses within the system appear to be pervasive and not limited only to the worse of the political prisons.

<Figure 4>



Now, this brings us to our third theme of increased access to foreign media and their increased consumption of it. Figure 5 shows the number of people who had access to foreign news and the number who consumed it. What we observe is that not only is consumption of foreign news rising, but inhibition against consuming it is disappearing. This is important because people who consume foreign news are associated with having more negative view or dissenting views of the regime. The regime's narrative that all of North Korea's problems are caused by hostile foreign forces is increasingly disbelieved by the population.

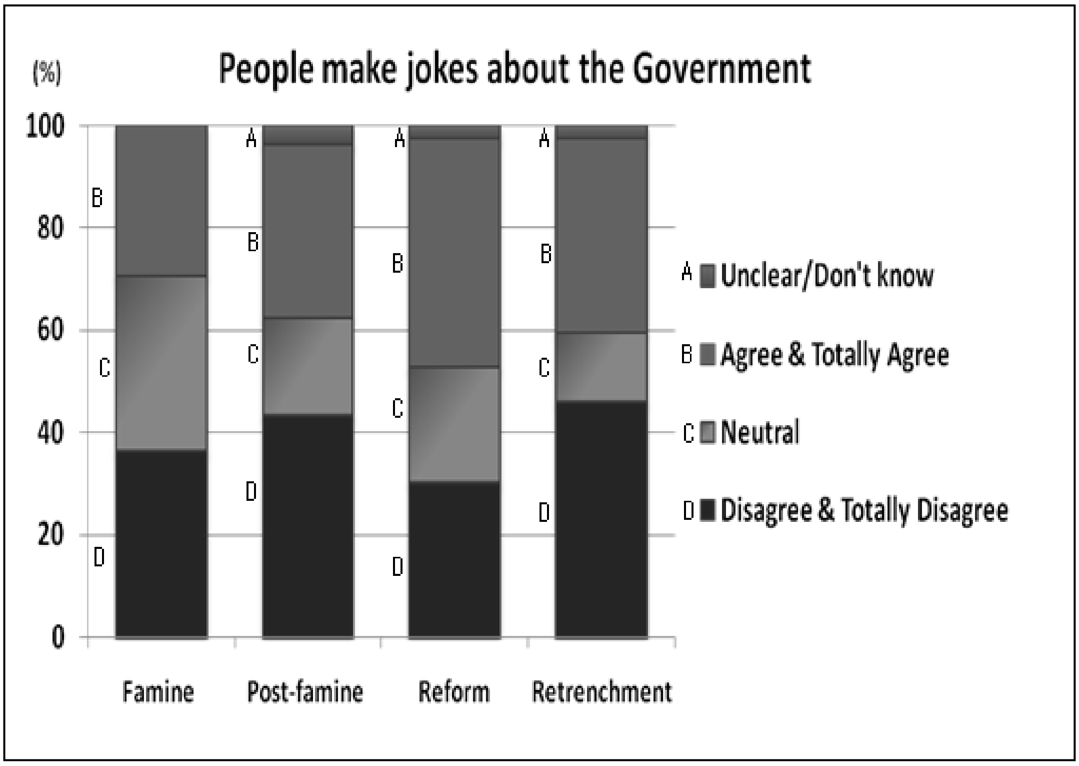
<Figure 5>



In our survey we ask a series of questions that could be considered political anthropology. We ask people: When you were in North Korea, among your friends, did you joke about conditions? Did you complain about conditions? Did you joke about the government? Did you complain about the government? Did you joke about Kim Jong-Il? Did you complain about Kim Jong-Il? Did you know people who were organizing against the government?

We start from just making jokes about the situation to people organizing to overthrow the government. What is striking about our results is that even among the self-selected group of refugees—people who have voted with their feet, who by definition have negative appraisals of the conditions in North Korea—a relatively small number report even making jokes about the government (see Figure 6). To me, this is an indication of how atomized this population remains.

<Figure 6>



We conclude that discontent is likely to be wide spread, but there appears to be a complete absence of civil society institutions capable of channeling that mass discontent into any kind of constructive political action. This is where the market or the economic issues and the political issues meet. We find something that we labeled the market syndrome. I believe that the state on its own terms is right to fear the market. That explains the reluctance of the North Korean regime to embrace the economic reforms that would be necessary to rehabilitate the economy. We find that people who were involved in market activities are more likely to report political motives for departure. They are fifty percent more likely to have been arrested than their peers. They have even more negative views of the regime than the typical person in our sample, and critically, they are more likely to communicate those views to their peers.

The market is emerging not only as a mechanism of addressing the material deprivation of the North Korean people, but it is emerging as a semi-autonomous zone of social communication with a potential for political organizing. John Everard, who used to be the United Kingdom's ambassador to Pyongyang, made a habit of going into markets. In principle he was not supposed to but he is a very charming guy and he speaks beautiful Korean. He would just go into these markets. Recently somebody asked John, "What are they talking about in the market?" and he said "Egypt."

Now, one last methodological issue then I will talk a bit about policy. Obviously, we interviewed refugees, these people voted with their feet. They left the country, they presumably have negative views. The question is, are these views representative of the resident population. We spend a lot of time and effort in the book trying to get at that question. Ultimately, we cannot completely answer it.

There may be unobservable characteristics that simply make them different. Their views may not be representative, but to the extent that we can, we control for every kind of identifiable characteristic, whether it be a demographic characteristic or life experience. We try to control statistically for every single characteristic that we can observe. When we do that, we cannot reject the proposition that their views are indeed representative of the remaining resident population in North Korea.

On what I would describe as the factual questions, we were interested a lot in household economics and so we asked them lots of question along the lines of, what share of their household income came from employment at the state owned enterprise, what share of your household income came from unregulated market activity. For his kind of factual issue, the difference between the respondents and the counter-factual projection onto the remaining resident population appear to be very slight.

When we ask opinion questions there may be more room for difference. It appears we may have over sampled groups or people with experiences that would lend them to have negative appraisals of the regime. However, the information we obtain from our sample group always fall within the 95 percent confidence intervals. Obviously there is room for error in this work, but we think that what we are portraying is a reasonable portrayal of at least some significant share of the North Korean population and deserves to be taken seriously.

Well the book is based on refugee interviews, so refugees are important to us, but they simply represent the tip of the iceberg. They are only the visible part, 90 percent of the North Korean human rights problem is below the surface, involving the people that remain in North Korea. So, what is to be done? We divide the policies up into policies to address the needs of the resident population, policies to address the needs of the refugees, and we have what we call direct policies that involve negotiating with North Korean government, sort of traditional diplomacy—requiring acquiescence or cooperation by the North Korean government, then we have indirect policies, which are policies that do not require any assent by the North Korean government. For example, in terms of the resident population we think information is very important.

Ultimately, we do not think that there is much that can be done from the outside to change the fundamental nature of the North Korea political regime. However, what we can do is start to build, in North Korea, mechanisms for people to exert greater pressure on the regime to be accountable. The real tragedy in North Korea is that the regime has an almost untrammeled capacity for inflicting misery on its own population. What we want to do, is to begin to constrain that regime to act in a more responsible and accountable manner. Information and markets are two mechanisms that we can use to begin to constrain the regime. From the standpoint of outsiders, considering investing in North Korea, we might want to consider labor standards to make sure that the investors that go into North Korea are acting in a constructive way and not simply exploiting what amounts to virtual slave labor. In terms of refugees, in Table 1 I listed policies for the United States and China, but of course South Korea is also key.

<Table 1>

Human Rights Policy Matrix

Policies toward	Direct policies	Indirect policies
Resident population	• Official dialogue • Penal system • Humanitarian relief • POWs/abductees • Family unification • Nonofficial exchange	• Information • Labor standards
Refugees	• Decriminalize exit • Free repatriates • Enable determination	US: • Implement NKHRA • Support asylum seeking • Refugee scholarships China • Ease forced repatriation • UNHCR access

What we argue for in the book is what we call "engagement with our eyes open." That is to say, we think that it is important to engage with North Korea, but we also think it is very important not to have any delusions about the nature of the North Korean regime or what that engagement may accomplish. In terms of economics, we see a hierarchy of forms of engagement starting with humanitarian aid, going through development assistance and ultimately commercial engagement. The last one, commercial engagement, will be absolutely critical. The financial and technical needs for rehabilitating the North Korean economy are so vast that you will not be able to do it working only through public sector institutions. It is going to need private sector involvement. Figuring out the best way to move forward on commercial engagement is a critical issue.

So, where does this leave us? As Doctor Nam mentioned, North Korea faces a looming succession. We believe that discontent is wide spread, but as I mentioned earlier there is an absence of civil society, or at least we do not see civil society institution, capable of channeling that mass discontent. There is no Solidarity trade union nor Catholic Church as there was in Poland that we can see. There is no Civic Forum as there was in

Czechoslovakia. There is not even the role that Cardinal Sin played in the Philippines, of legitimizing dissent and the people's power revolution against the Marcos regime. We see a complete absence of these institutions. I hope they are there, but we do not see them.

So, rather than any kind of organized opposition to the regime, what we see is what the sociologist, James C. Scott, described in another context, as everyday forms of resistance. People are in effect dropping out of the system and trying to organize their lives in ways that do not involve high levels of entanglement with the state. However, as I mentioned earlier, the state is very intimately involved in people's lives though the criminal and penal system.

In this sense, we see the market as a zone of personal autonomy and freedom, and as outsiders we should be acting to try to strengthen the market as an institution in North Korea. Not only to address the material needs of the North Korean people, but to address broader humanitarian and social concerns as well. Ultimately, to use a Marxian formulation, we want to intensify the contradictions. We want to constrain what is effectively an unaccountable regime. And as I said earlier, to me that is the great tragedy of North Korea, that the political regime effectively has no accountability and that it can impose the worse sorts of misery on its people, with little capacity or mechanism within the system to correct those sorts of behaviors.

Questions & Answers

Q Many Koreans believe that China thinks of North Korea as a buffer zone against military aggression from the United States and South Korea and that they do not really want reunification on the Korean Peninsula. With this in mind, how can the South Korean government convince China that reunification will not damage Chinese security?

A Well, that is obviously a huge and important question. I believe that your fundamental premise is correct—China prefers a divided Korean Peninsula to a unified one. It likes having a fraternally allied socialist buffer state on its border. I believe beyond that, China, or at least some elements in China, find North Korea to be a useful pawn in China's rivalry with the United States and India. They can also have nuclear or missile cooperation with, say, Pakistan or Iran through North Korea, so that China does not have to get directly involved. Nevertheless, it creates heartburn for the United States and India, its two biggest geopolitical rivals. So, I believe that the Chinese preference would be to keep North Korea around. That is why China acts in ways that are very supportive of North Korea in terms of things like UN sanctions and so on.

So, what can South Korea do? It seems to me that South Korea needs to make it clear that North Korea has the potential to really destabilize Northeast Asia. North Korean nuclear activities put pressure on South Korea and Japan to strengthen their alliances with the United States and to potentially develop nuclear capabilities of their own—something that is not in China's interests. If Japan and South Korea can develop nuclear capability, then why not Taiwan as well—again this is not in China's interest. So, North Korea has the potential of not only strengthening this network of US alliances in Northeast Asia, but also of setting off a very real arms race with a set of wealthy technologically advanced counties. This is not in China's interest.

My own experience in China is that decision making is very stove-piped within China and that there is a strong generational component. So, there are people of, essentially, my father's generation who personally experienced the Korean War and have a personal or ideological affinity for North Korea, and they really do want to back the North Koreans. Then there are people who are essentially my age or younger. Many of whom had bad experiences themselves during the Cultural Revolution period. They look at North Korea's cult of personality and hereditary succession with complete derision. For them they could accept unification of the peninsula on South Korean terms. They believe China has perfectly prosperous and good relationship with South Korea. So, that is not the issue; the issue is the disposition of American troops. If you could work out a deal with the Chinese about how to handle an American troop presence after unification or the removal of American troops after unification, then I think there is a rising constituency in China that would accept that outcome. But that rising constituency is not the constituency that is in power today. So, today I expect China to continue its policy of effectively propping up North Korea.

Q Is there anything in your analysis concerning the concept or evaluation of the official ideology of *self-reliance* or *juche*.

A The simple answer is, no. We did not ask them about their views regarding *juche*. We did, however, ask them in both surveys about their hopes for the Korean Peninsula. We asked this in three ways. We asked them their preferred state of the Korean Peninsula today; their preferred state before they left North Korea; and their projection for what their friends want for the Korean Peninsula. The answers we get are basically consistent. There is overwhelming sentiment for unification. There is very little sentiment for a third way where North Korea would remain an independent state but have a regime change. As you can imagine with this population, there is virtually no sentiment for maintenance of the status quo. That does not address the issue of *juche* directly, but it suggests that the people we interviewed did not have a strong attachment to either the current national ideology or the maintenance of North Korea as an independent state.

Q Of course, the North Korean regime is aware of the significance of the North Korean people engaging in market activities and their response has been to try to suppress marketization and market activities. What does this mean for the future of the North Korean economy or North Korea as a whole?

A This fear of the market is a profound difficulty for North Korea. In order to rehabilitate the economy they need the market, but they are afraid of the market. That is why since the late 1990’s the state has shown this ambivalence; two steps forward, one step back. I would say that basically North Korea wants to be modern and wants to be prosperous, but they want to do it on their own terms.

In some other work that I have been doing with Haggard we surveyed three hundred Chinese enterprises doing business in North Korea. What we find is that the bulk of this activity is done by decentralized profit seeking enterprises and they are undertaking this cross-border exchange on market conforming terms. They are there to make money, and if they cannot make money they pull out. North Koreans seem to want to suppress or eliminate these decentralized, market conforming forms of exchange and replace it with integration and exchange with China through mechanisms and entities that are strictly controlled by the government. I cannot say that I am enthusiastic for this sort of thing.

One of the things we find in the survey of Chinese businesses is that the Chinese do not trust the North Koreans. They regard the North Koreans as incredibly corrupt. For example, they are quite explicitly afraid in expropriation of assets. They are reluctant to invest; they would rather export to North Korea than invest and produce in North Korea. When they export to North Korea, they want the deal to be transacted in China so that they have recourse to whatever dispute resolution systems they have in China. The financing terms are very strict, and they want US dollars, Chinese Yuan, or barter. The North Korean regime wants to eliminate that kind of activity and channel it through entities that are strictly controlled by the state. I think this is a basic contradiction for the North Korean regime. I do not see anything really changing as long as Kim Jong-Il is alive—he is too old and too invested in the system. I think when he dies North Korea is going to face a challenge in organizing a government. It will probably take that government some time to establish and consolidate political power and to start making changes—if they are interested in making changes. I see real change in North Korea to be some years off.

Q The Lee Myung-Bak government in South Korea has discontinued the Sunshine Policy, curtailing material and humanitarian aid to North Korea. How do you evaluate this policy change?

A President Kim Dae-Jung's conception of the Sunshine Policy was instrumental. It was aimed at changing or transforming the North Korean regime into a more prosperous and humane regime internally and into a regime with less bellicose external behavior. It seems to me that conception of engagement as an instrument to encourage the transformation of North Korea in desirable directions drifted to a very different policy under President Roh Moo-Hyun, which was engagement for engagement's sake. Engagement was seen as an end itself rather than an instrument to get to a certain goal. It is understandable that after ten years of engagement with very little to show for it the South Korean public wanted greater reciprocity. They wanted the North Koreans to show that they appreciated what South Korea was doing. One has to see President Lee Myung-Bak's election in that context.

Once he was elected he did two things that were understandable and defensible, but could perhaps be regarded as contradictory by the North Koreans. One was he put on the table a plan to have per-capita income at $3,000 at the same time he disavowed the commitment that his predecessor had made at the 2007 summit. Predictably, the North Koreans reacted negatively, for two reasons. Number one the free ride was over, South Korea was saying that they were willing to provide benefits, but the North would have to do something in return. Second the specific promises were no longer on the table. I thought the North Koreans would get over it and the two countries would start to converge towards a more constructive relationship. In another book, *Engaging North Korea: the Role of Economic State Craft*, which I wrote with Haggard is on exactly this topic of economic state craft. We reach the depressing conclusion that sanctions and inducement do not work very well with North Korea.

North Korea's behavior is fundamentally driven by internal political calculations; in particular succession is now a big issue. The outside world really has a limited ability to affect North Korean behavior. I do not see any major breakthroughs or changes, given the political situation in the United States, the political situation in South Korea, and the political situation in North Korea.

Q Do business mafias or an equivalent exist in North Korea? If so, how influential are they on the maintenance of the regime and the economy?

A This question is actually very interesting. Over the last fifteen or twenty years, the market in North Korea developed basically out of state failure. It was because of the state's inability to provide goods to the people; it was not because of any well thought out intended top down reform. That is one of the reasons why the state has never been comfortable with it. One aspect of the market's development, is that people who are part of the elite, either in the government or connected to the government, play an important role in the market. For example, the wives of national security agency agents are important in the market. Also, there are people who are managing public distribution centers for food being involved in the food market.

One of the ways that change is happening, is that the elite themselves are becoming embroiled or entangled in the market and that may constrain the government's ability to take action against it. For example, during the 2009 currency reform, the North Koreans engaged in currency confiscation. The obvious response was going to be a rush into the black market to get foreign currencies. Indeed the value of the North Korean Won collapsed because everybody was trying to sell Won. The government decided to ban foreign currencies. I thought to myself and said in many interviews that there is absolutely no way that can happen. The military itself controls so many dollars there is no way you can ban the use of foreign currency. Will you have agents go to the general's houses and take away their money? The government had to back off within a week.

The way the market developed is in a very unregulated and non-transparent way that has created a lot of relationships, which I don't think the regime itself understood. One of the things that happened in December following the currency reform is that the prestige projects to build apartment building in Pyongyang had to be halted because of a shortage of cement. Why was there a shortage of cement? The construction firms that were building these apartments were state-owned construction firms, but they were procuring supplies in the market. So, when the markets collapsed, even the state-owned construction firms did not have access to cement. This must have been eye opening for some people in Pyongyang, that even their core state institutions had been compromised by this reliance on the market. I think that there is a kind of business mafia in North Korea and it will have a profound impact on how the economy is reformed moving forward.

Q How do you view Kim Jong-Il's visit to Russia? Does it signal that he is desperate for assistance from the outside?

A In my case, anything I say about Kim Jong-Il visiting Russia is going to be completely speculative in nature. I do not know if it is because he is desperate. It seems to me there are two things going on. One, Russia seems to be trying to create a more assertive diplomacy. Not just on the Korean Peninsula; for example the Russians have become very active in trying to reach some sort of solution to the situation in Libya. I think this should be viewed as part of a broader Russian attempt to reassert its influence in the world. On the North Korean side, it could be that he is desperate; it could be that he is trying to shore up support. There is the looming succession issue and he may be trying to get as good a deal as he can for both North Korea and his successor. But, as I said, I have no particular knowledge of this situation. Those are just my guesses.

Q How can the discontent you mentioned be mobilized in order to bring about change in North Korea?

A I would say two things on the issue of mobilizing discontent. First, Information is critical and the more information we can get into North Korea the better. I do not mean propaganda or anti Kim Jong-Il tracts, just news of the world from unbiased sources of information. For example, North Korean official news accounts have said virtually nothing of the political revolutions happening in the Middle East. Indeed we hear reports that North Korean workers living in Libya have been told to stay where they are, because the regime is concerned what the workers will say when they come back to North Korea. So, information is critical.

Second, in terms of economic engagement, we want to engage with North Korea, but we also want to support the development of institutions that are not so tightly controlled by the central government. We want to support them because they may act in more economically efficient ways than institutions that are tightly controlled by the government. Also, we want to encourage the development of alternative sources of power to the central government. In terms of encouraging mobilization of the North Korean people, information and the expansion of personal and institutional autonomy not controlled by the state is the best way to move forward. The internal dynamics on the situation will begin to put greater and greater restraints on the regime's ability to behave in such an unaccountable and destructive way.

Q The North Korean regime gets very excited and the propaganda goes into overdrive every time conservative groups in South Korea send balloons over with propaganda and information leaflets. In your surveys, did you find that these activities have any effect at all? Do you think it is beneficial to flood North Korea with information and pamphlets?

A: No, we did not really explore that. I think you would have to do more recent surveys. In an historical sense, that activity is quite recent. A lot of these people left in 2005, 2003, or 1999, so they were not exposed to that kind of thing. On whether it is a good idea or not, I think that in general the more information the better. I was quite surprised by the political sophistication of the groups using these balloons. I expected really crude anti-regime propaganda—obviously these people are quite opposed to the regime. We reproduced one of these pamphlets and you can read it on our blog and it is basically a short history of the Korean Peninsula over the last sixty years. I feel like it is actually a pretty fair rendering of how different groups have behaved and puts the Kim family and that regime into a certain political context.

From what I understand, what drove the North Koreans completely apoplectic were the descriptions of Kim Jong-Il's personal life, and the fact that the pamphlets told of his multiple consorts and his children by a variety of women. They even reproduced a kind of family tree. It was my understanding that it was that personal information that made the North Koreans crazy. I think there is room for providing fairly neutral information that would not be attacking the regime, that I think would be of interest to North Korean people and probably be constructive. It would be useful if the North Korean people could simply read a newspaper and see what is going on in the world—not an American or South Korean newspaper, but something like the *London Times*, *Le Monde*, or *El País*. Just knowing about prices in various places or knowing about the weather would be beneficial. I think there are lots of things that could be provided to the North Koreans that is not anti-regime propaganda, which would actually be very constructive.

I understand why people are uncomfortable with the activities of some of these groups, but my ultimate bottom line is one should err on the side of not controlling this activity. Likewise, if private groups want to provide humanitarian aid to North Korea, I think one should err on not interfering with that as well. It is private groups working with their own resources.

Q How do you evaluate the American policy of "strategic patience" toward North Korea?

A Here is my very short and crude encapsulation of US policy towards North Korea. When President Obama was elected, in his inaugural address, he stuck out his hand to North Korea. North Korea's response was, within weeks, to engage in a nuclear test and missile tests. Also, President Obama came into office facing the worst economic crisis in the United States since the Great Depression, while having to manage two wars, in Iraq and Afghanistan that had been bequeathed to him by his predecessor. He stuck out his hand towards North Korea, and they slapped him. If you are in his situation, are you going to spend much time trying to deal with the North Koreans? No, you are going to turn to other issues. Now we have this policy of “strategic patience,” and people are becoming impatient with the policy of “strategic patience.” There are specific calls for us to have direct talks with the North Koreans. In fact, Senator Kerry had an op-ed in the Los Angeles Times saying we should do this. Fine, it’s always good to talk to people; I do not see how you can be hurt by talking to someone.

We have to recognize that the political context in the United States has changed. The political context is very much like the one in 1995. In October 1994, the United States and North Korea signed the Agreed Framework. The following month in November 1994, the Republican Party, the opposition party, won the congressional elections and took control of the congress. The following year 1995-1996 in the run up to the November 1996 presidential elections, the Republicans used the North Korean issue as a cudgel to beat the Clinton administration. So, now we face a situation in which Republicans took control of the House of Representatives in the last elections and Obama is going into a presidential election next year. He is going to be very reluctant to go out on a limb or risk any political capital for the North Koreans, because he knows anything he does will be attacked by the Republicans in Congress—even something as simple as providing humanitarian aid. Congressmen are already attacking the possibility that the United States will provide food aid to North Korea.

I think that basically, because of the political situation in South Korea, because of the political situation in the United State, and because of the succession issue in North Korea, it is very unlikely to see any major breakthroughs over the next several years.

Q Your research shows a rising trend of corruption in North Korea. How do you interpret the rise in corruption and the stability of the regime?

A Corruption acts as a kind of safety valve. You do not have to pay your policemen or your local officials a full salary because they are out extracting bribes from the local population. It also means that the centrally organized political agenda and the parochial interests of the agents and official that are expected to carry out may begin to diverge. I will give you a very simple illustration.

North Hamgyong is kind of the rust belt of North Korea. The economy is very depressed, and because of its location and the relative narrowness of the Tumen River it is comparatively easy to get out of North Korea from North Hamgyong. So, former residents of North Hamgyong make up a substantial share of the North Korean refugees in China as well as those who have reached South Korea. Remittances from those people, back to North Hamgyong, are now a significant share of the economy in North Hamgyong. Unauthorized exit from North Korea is illegal, and coming to South Korea is traitorous and your family should be incarcerated in the political prison system. What I have heard, anecdotally, is that in North Hamgyong agents go to the homes of people with family members who have fled to South Korea and say, “I heard that your brother is now in South Korea, and I understand that he is sending money home to you. If you are willing to share, then everything will be ok.”

First of all, because of increased policing on the border the transaction costs of sending money from South Korea to North Hamgyong has really gone up. Additionally, fifty percent is now being creamed off by the officials in North Hamgyong, but on the other hand people do not go to the gulag. So, this illustrates that although the central government may want those people to go to the gulag, the local officials are making money off this kind of corruption. It acts as a safety valve but it also creates a fraying of the actual instrument of control and that could not make the central government very comfortable.

One of the things we observe is an attempt by the Chinese to centralize their economic relationship with North Korea in order to get around the issue of every North Korean sticking their hand out for corruption. At the same time by centralizing it you centralize the corruption. When you look at the membership of these committees it is basically a map to the internal political economy of North Korea. You see which groups and individuals are influential and which groups are going to be able to extract the money from the Chinese investors coming in.

Q How do you see the future of North Korea? Could North Koreans have their own Jasmine Revolution if they had greater access to information and civil society institutions? Do you foresee Korean unification in the near future, if at all?

A I do foresee unification in my lifetime, and certainly within the next generation's. As for a Jasmine Revolution, the answer is no. Due to the nature of North Korea it is less likely to look like the Jasmine Revolution or the collapse of East Germany, and more like the Romania Revolution on steroids. It will be bloody and there will be people shooting people in the streets. If there is abrupt change, I see intra-elite fighting playing an important role and a variety of security and military agencies will be settling scores with each other. That is why when I look at the potential outcomes in the North, the East German case looks really good. There was not mass violence, nobody got hurt, and there were no loose nukes. Which is why, if I were a South Korean, I would go to bed every night praying for it. I think the actual outcome, if there is abrupt change, is likely to be much bloodier. The real risk of course is that one or more faction will appeal to either South Korea or China for support. The introduction of foreign forces into that kind of situation could really raise the stakes. Eventually, we will get towards unification, but it will be a very bumpy road.

Q How can one believe what the refugees are saying about the abuses they say they witnessed in the prison system? Maybe, they are just saying what they think we want to hear.

A We are very concerned about that. So, when we did our analysis we ask a hierarchy of questions. We asked the prisoners, when you were in prison did you see prisoners being beaten? The affirmative response rate was almost one hundred percent. My guess is that if you went to a local prison here in South Korea or if you went to the Washington DC city jail and asked if the prisoners had ever seen a prisoner beaten, probably a lot of them would say yes. If you go to any prison in the world and ask prisoners if they ever saw a prisoner beaten, lots of prisoners would say yes. Then we asked if they had ever seen a public execution, and a disturbing number of prisoners responded affirmatively, but it was a much lower number, maybe fifty percent.

We went through these various forms of abuse until we got to the issue of forced abortions and infanticide practiced against women who were pregnant at the time they were repatriated from China. In the China survey, the share of people who said they had firsthand knowledge of this was six percent, much lower, as one would expect. In the South Korea survey the share of respondents saying they had firsthand knowledge of this phenomenon was seven percent. So, you had both within the hierarchy of abuses a plausible pattern of narrowing and you had the numbers lining up from two surveys. This leads one to believe that something is really happening. Then we observed that within the North Korean legal system infanticide of these children was made illegal. Now it is allegedly continuing to occur, but we could observe the fact that this was now made a crime in the legal code, which suggests that implicitly it must have been going on.

One of the interesting things about looking at the North Korean legal code is to see how it evolves. It implicitly tells us what things are going on. When we look at the legal code we see all sorts of things being made illegal. Selling precious metals, well, somebody must have been doing if they made it illegal to do so. The one I find curious is that in one legal code change they made operating a prostitution ring out of a hotel or restaurant a crime and in a subsequent revision they made it a capital crime. You can now be executed for pimping in North Korea. This may be a good or bad thing; I will leave that up to you to decide.