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### **Where is North Korea Headed?**

*North Korea: the Logic of Survival*

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## NORTH KOREA: THE LOGIC OF SURVIVAL

It is frequently stated that North Korea's domestic and international policy is "irrational" and unpredictable. However, this cliché is deadly wrong. The long-time observations of North Korea behaviour show that it is both highly rational and quite predictable – perhaps, even more predictable than behavior of the average Western state whose policies much depend on the ever-changing public opinion and vagaries of the electoral politics.

In order to understand the rationale(s) behind North Korea's decision-making, one should concentrate, above all, on the inner logic of their international behavior, and on the goals they want to achieve.

### Avoiding reforms: survival domestically

The history of East Asia after the Second World War was, above all, the history of a spectacle economic growth. In 1960-2000 period, the average per capita GDP growth in East Asia reached 4.6% while the same indicator for the world was 2.8%.<sup>1</sup>

Now this remarkable growth is led by mainland China and Vietnam, which in the 1980s introduced the policies of reform. In accordance with this policy, the Communist Party elite keeps the quasi-Leninist decorum for the sake of domestic stability, but for all practical purposes it has switched to the model of a 'developmental dictatorship' which was once pioneered by Taiwan and South Korea. This policy implies promotion of market economy, tolerance of gross social inequality, strict control and suppression of labour movement.

The policy was unbelievably successful. In China and Vietnam the (technically) Communist oligarchy presided over an unprecedented economic growth and enormously enriched themselves while successfully maintaining domestic stability.

This option seems to be irresistibly attractive, so it has been suggested countless times that North Korean leaders should emulate the Chinese success. The North Korean elite are perfectly aware of the Chinese experiment, but still stubbornly refuse to emulate the Chinese success, and this is often pointed at as the sure indicator of North Korea's alleged 'irrationality'.

However, Pyongyang's unwillingness to emulate China has rational – indeed, very rational – explanations. North Korean leaders resist reform not because they are ideologically zealous and

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<sup>1</sup> Surjit Bhalla. *Imagine There's No Country: Poverty, Inequality, and Growth in the Era of Globalization*. Washington: Institute for International Economics, 2002, p.16.

blindly believe in the prescriptions of Juche Idea (they do not, and the said idea itself is too nebulous to be a guide to a practical policy anyway). The North Korean leaders do not want reforms because they realize that in the specific conditions of their country such reforms are bad for political stability and, if judged from the ruling elite point, might become the surest way of political (and, perhaps, physical) suicide.

The existence of rich and free South Korea is what makes North Korea's situation so different from that of China or Vietnam. The regime lives next to a country whose people speak the same language and are officially described as "members of our nation", but who, nonetheless, enjoy a per capita income at least 15 times (some claim even 50 times) higher than that of the North Korean people.<sup>2</sup> This is the world's largest per capita income difference between two countries which share a land border. To put things in comparison, the East/West income ratio in divided Germany never exceeded 1:3, and even this was enough to have the East Germans to overthrow the regime as soon as the fear of the Soviet retribution evaporated.

Reforms worked in Vietnam and China because their situation is different – to put things simple, Chinese reform was possible because there is no a prosperous and free South China whose size would be comparable with that of the China of the Communist Party. The prosperity of, for example, Japan or the United States is well known in China, but is not seen by the Chinese population as politically relevant – after all, Japan or the United States are different nations, with different histories, so their prosperity does not necessary demonstrate the inefficiency of the Communist Party rule.

And, of course, China is not going to join the US, becoming its 51st state. Neither Vietnam nor China has a rich "other" to with which to seek unification: Taiwan is too small to have a palpable impact on the average Chinese income in the event of unification, and South Vietnam ceased to exist in 1975. So, for the time being the common Chinese seemingly accept the same bargain which was accepted by the South Koreans or Taiwanese of the 1960s: they put up with the authoritarian rule as long as they enjoy stability and economic growth. However, in North Korea, due to the allure of the rich and free South, such bargain has very thin chances of success, and the Pyongyang leaders are aware of this.

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

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<sup>2</sup> For details on the ongoing argument over the actual size of North Korean GDP, see I Chong-sok, "Pukhan kukmin sotuk chaepyongka" [Reassessment of the National Income of North Korea], *Chongsewa chongchaek*, no. 3 (2008): 1–4.

dissemination of this information, as well as dangerous conclusions drawn from it, would become much easier and much more perilous for the power holders.

It is doubtful whether the North Korean population would agree to endure a further decade of destitution followed by a couple of decades of relative poverty and back-breaking work if they were to see another Korea – affluent, free, glamorous and attractive. Would they agree to tolerate a reforming but still authoritarian and repressive regime on the assumption that this regime will on some distant day probably deliver prosperity comparable to the present-day of South Korea? The North Koreans, unfortunately to their leaders, are much more likely to react to the new knowledge and new freedom in a different way: the most obvious solution for North Koreans would be to remove the current regime and unify with South Korea in order to partake in the fabulous prosperity of the dirty rich South.

There is another important difference between North Korea and China – and, once again, this difference is created by the existence of the successful South. It is an open secret that the Chinese party officials used the reforms to enrich themselves: the new Chinese entrepreneurial class to a significant extent consists of the former officials, their relations and buddies. The situation in the post-communist countries of the USSR and Eastern Europe is no different: with few exceptions, the political and economic life of those countries is still dominated by the former second-tier party apparatchiks. It might be just a minor exaggeration to describe the collapse of communism as “management buy-out”, as Richard Vinen recently did.<sup>3</sup>

However, the situation of the North Korean elites is different. They will stand little chance of becoming successful capitalists if the system is overthrown. At all probability, the regime collapse will be followed by the unification of the peninsula – after all, this is what the common North Korean masses will likely want, on (partially mistaken) assumption that unification will instantly deliver them the same level of consumption as enjoyed by their southern brethren. In such a case, all the important positions in the new economy will undoubtedly be taken by people from South Korea – people with capital, education, experience, and perhaps political support. The capitalism in the post-unification North is to be built not by born-again apparatchiks (as was the case of the former USSR), but rather by the resident managers of the LG and Samsung, as well as assorted carpet-baggers from Seoul.

This fact is understood by at least some North Korean bureaucrats, but it seems that majority has another, greater, fear. They know how brutal their rule had been. This makes them to be afraid of retribution, so they believe that the collapse of Kim Jong Il's regime will spell a disaster for them and their families. They are not merely afraid to lose power and access to material privileges, but also afraid to be slaughtered or sent to prisons, to suffer the same fate they have bestowed on their enemies for decades. As a high-level bureaucrat recently frankly told a high-level Western diplomat: “The human rights and the like might be a great idea, but if we start explaining it to our people, we will be killed in no time”. It is also not incidental that many visitors of Pyongyang, including the present author, had to answer the same question quietly asked by their minders: “What have happened to the former East German party and police officials?”

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<sup>3</sup> Richard Vinen. *History in fragments: Europe in the twentieth century*. London: Abacus, 2002. P. 513.

In other words, the North Korean elite seems to understand that it has nothing to gain and much to lose through unification with the South. It is important that their predicament is created by the existence of successful South, not by particular policies followed by a particular Seoul administration. Even if the most pro-North Korean administration imaginable will come to power in Seoul, it will not make South Korea less dangerous.

The international media often engage in the endless (and useless) speculations about the factional struggle in Pyongyang, writing about the technocrats, also known as “rationalists” who allegedly fight the conservative ideologues and military hard-liners. Such struggle might indeed go on even though most media reports are often based on speculations and hearsay. However, the oft-repeated description of the alleged reformers as “rationalists” or “pragmatists” is misleading. If such people actually exist, they are better described as “dangerous idealists” or “starry-eyed romanticists” whose reformist program, if carried out, will hasten the regime’s demise and lead to their own downfall (which will be good for a majority of the North Koreans – but this is an altogether different matter).

However, even if such reformers exist, they are a minority. What the mainstream North Korean elite want is to return to the year 1984 – not that of the Orwellian dystopia, but the last year when Kim Il Sung system was still functioning properly. It is possible that many people on the top sincerely hope that this Stalinist model might somehow work, but even if they do not succumb to such fantasies, they still have no choice: due to the existence of the rich South, the hyper-centralized and high-controlled Stalinist economy seems to be the only type compatible with maintaining the political stability.

Of course, in recent two decades the North Korean society has changed. It has experienced what can be described as “de-Stalinization from below” or, better, “capitalism from below”. The old state-run economy has come to a nearly complete standstill in the mid-1990s, so most income for the average North Korean family is now generated by the booming (but technically illegal) private businesses. While farmers are working at their illicit plots, most urban families began from bartering household items for food, but soon switched to trade and household production. From around 1995 huge markets began to grow in North Korea’s cities. They became the focal point of economic life in the country. Millions of North Koreans earn their family incomes through all kinds of retail activities.

However, these changes happened against the government wishes and were tolerated only in 1995-2005. Since 2005 the regime does everything to restore control and pushed the situation back, to the ideal state of 1984. The most typical example of such retrograde policies is the 2009 currency reform. Like other similar measures, it ended in failure, but the intent is clear: the regime see emergence of the independent market forces as a dangerous challenge. This is, alas, a correct estimation – but it also means that the regime is saddled with a very inefficient economy and need to squeeze aid from the outside world just to make ends meet.

Another part of the policy aimed at maintenance the status quo is the recent promotion of Kim’s third son as the successor to his father. Kim Jong Eun, the world’s youngest four-star general, was born in 1983 and educated in Switzerland (this is where all children of Marshall Kim

attended high school). This background produced a lot of speculations, but actually not much is known about him – even his name for a long time was misspelled in the media.

The somewhat belated decision to choose an heir from the Kim family was made to ensure that the regime will outlive the not-so-distant demise of its current leader. This is what the elite clearly wants. They hope that Kim Jong Eun, perhaps initially assisted by experienced power brokers from his father's generation, will keep the situation under control – which essentially means keeping the situation unchanged and maintaining the status quo.

In such a case, which domestic policy will serve the North Korean elite best? The best course of action appears to be a continuation of the policies the current leadership has followed for last two decades. Domestically, the regime's policy aim has been to keep the North Korean population under control, terrified, compartmentalized and, above all, isolated from the outside world. Internationally, the safest solution is an aid-maximizing strategy, attempts to squeeze more aid from outside through diplomacy and blackmail.<sup>4</sup> This foreign aid helps to keep the inherently inefficient economy afloat, prevent another major famine, and allow the country's tiny elite to live a reasonably luxurious lifestyle while buying at least some support from the "strategically important" social groups (the aid was first distributed to the military, police and population of major urban centers).<sup>5</sup>

Judged from the point of view of leaders in Pyongyang, this policy has been a success: they remain in control and enjoy a privileged life even today, in 2011, while a vast majority of more liberal and permissive communist regimes have long been overthrown. Keeping the system unchanged and fighting the spontaneous growth of the private economy, the North Korean elite probably forfeit the chances to achieve sustainable economic growth. However, the growth is not their major concern. They do not mind growth, to be sure, but only as long as it does not jeopardize the political stability and their own domination.

### Going nuclear: survival on the international scene

The North Korean decision to develop nuclear weapons is what attracts most international attention to this otherwise small and inconsequential country. However, for the North Korean decision makers the entire nuclear program is merely one of strategies which they apply to achieve the same overriding goal of political survival. Like their unwillingness to reform themselves, Pyongyang leaders' costly decision to go nuclear is rational, deeply related to the peculiarities of their domestic and international situation and unlikely to ever be reconsidered.

The US and other major Western countries have good reasons to worry about the North Korean

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<sup>4</sup> Nicholas Eberstadt once aptly described North Korean diplomacy as a "chain of aid-seeking stratagems."

<sup>5</sup> For a careful study of the 'food diversion problem,' see, Stephan Haggard and Marcus Noland. *Famine in North Korea: Markets, Aid and Reform* (New York: Columbia University Press: NY, 2007), 108-125.

nuclear program. Contrary to what North Korean propagandists often tell their credible domestic audience, US leaders do not lose sleep fearing a North Korean nuclear attack on the United States. The North Korean nuclear potential is small and its delivery systems unreliable or non-existent, so such an attack is not likely.

What really worries the United States is that North Korea's bold defiance of international counter-proliferation regimes creates a dangerous precedent. There are reasons to worry that if North Korea will get away with its nuclear program, it is likely to be followed by other rogue countries.

Another worry of Washington is the ever present threat of proliferation itself. Indeed, the North Korean government might be willing to sell nuclear technology or fissile materials to the highest bidder. Nuclear proliferation and cooperation between Pakistan and North Korea is a well known fact and the seemingly reliable intelligence indicates that North Korean nuclear weapons experts have maintained cooperation with Iran, Burma and Syria.

When promoting their nuclear program, North Korean leaders essentially had three main goals in mind.

First of all, the North Korean nuclear program serves military purposes. Nuclear weapons can be seen as the ultimate deterrent, so North Koreans believe that as long as they have a credible nuclear potential they are unlikely to be attacked by any foreign power, above all by the United States. This fear of being attacked is partially justified by the experiences of the 1990s and 2000s when a number of states were the subject of US military action.

After the Iraq War, North Korean diplomats and politicians frequently tell to their foreigner interlocutors: "Had Saddam Hussein really had nukes he would probably still be in his palace". This opinion was further reinforced by recent events in Libya – after all, Colonel Gaddafi agreed to surrender nukes, but this did not prevent the outside world from a military intervention when his regime was challenged by the local opposition forces.

Nevertheless, the military significance of the North Korean nuclear program might be of secondary importance. North Korea does need nuclear weapons as a deterrent, but to a larger extent it needs them as a mighty tool for diplomatic blackmail.

For the United States, denuclearization is the overwhelming concern. Had North Korean nukes not existed, few Washington movers and shakers would care about North Korea at all. Pyongyang decision-makers rightly assume that nukes are their major leverage in dealing with the developed nations – and they have made a great use of this in the last two decades.

If we look at the geographic and macro-economic indicators the one of closest analogue to North Korea is Ghana. If the CIA Factbook is to be believed, in 2010 North Korea's and Ghana population was 24.4 and 24.7 million, while their per capita GDP \$1,800 and \$1,700 respectively. Needless to say, North Korea is light years ahead of Ghana when it comes to the international

attention and ability to manipulate the external environment. It's obvious that in terms of aid volume, North Korea also punches above its weight. It's also clear that the monitoring regime in North Korea is remarkably lax by any accepted standards. These are the sweet fruits of nuclear blackmail.

In the late 1980s North Korean leaders, never admirers of the post-Stalin Soviet Union, began to watch the developments in both Moscow and Beijing with growing unease. They probably understood that they might soon be left alone, and it was the time when the nuclear program, in development of few decades, acquired a new meaning – it became a potential money-earner. The first nuclear blackmail (aka 'the first nuclear crisis') began around 1990, when Pyongyang arranged first leaks about its nuclear weapons program (its existence was still officially denied at the time).

The strategy worked. After much sable-rattling and diplomatic maneuvering, in 1994 the "Agreed Framework" treaty was signed in Geneva. In exchange for this assistance, North Korea promised to freeze its military nuclear program and accept international monitoring of its nuclear facilities. According to the "Agreed Framework" an international consortium, known as KEDO was created by a number of countries with South Korea, Japan and the US as its major donors (in 1995-2005 they provided \$1,450, \$498 and \$405 million, respectively).<sup>6</sup> The KEDO was to build in North Korea two light water reactors. It was also promised that until the completion of reactors the KEDO would regularly ship free crude oil to North Korea.

The indirect impact of the nuclear program was great as well. In the late 1990s and early 2000s, North Korea got what it needed: a lot of foreign aid without too many monitors.

According to the data of the World Food program, throughout 1996-2001 period (the time when the food crisis was most acute) North Korea received the total 5.94 million metric ton of food aid. Ironically, most for this aid came from countries which were described by the official propaganda as the enemies of North Korea – the US, South Korea and Japan. Of the total of 5.94 million metric ton, the US provided 1.7 million ton or 28.6% of the total, South Korea provide 0.67 million metric ton (11% of the total) and Japan provided 0.81 million metric ton (13.6%). Of the ostensibly "friendly" countries, only China was a major provider of aid throughout this period, with 1.3 million metric ton of food shipped to the North.<sup>7</sup>

This success of the blackmail diplomacy in 1994, as well as the US decision to restart aid in the aftermath of the 2006 nuclear test, has shown North Koreans that blackmail usually works. In the recent few years, when the US and South Korean aid was much reduced, they are doing what they can to restart aid, using the same old but efficient strategy: first create a sense of an acute crisis, and then squeeze concessions as a reward for willingness to reduce the tension.

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<sup>6</sup> Korean Peninsula Energy Development Organization, 2005 Annual Report. New York, KEDO, 2005, p.13

<sup>7</sup> The World Food Program INTERFAIS database. Available at [www.wfp.org/fais](http://www.wfp.org/fais)

The last year 'provocations' (an attack on Cheonan warship, shelling of a South Korean island, a demonstration of a powerful uranium enrichment facility) can be seen as pretty standard North Korean policy measures aimed at the creating the sense of crisis – on assumption that Seoul and Washington will eventually blink. If they do not, the tension-building operations (a.k.a 'provocations' are certain to continue).

It is important to understand that the North does not need a resumption of such policies because he is desperate right now. On the contrary, as we will see below, its economy is improving to a significant extent. However, it still cannot survive without large-scale foreign aid, and now the only source of this vital aid is China. Excessive dependency on China is not a good news for Pyongyang, so it wants the US and South Koreans back to the diplomatic game, to be used as counterweights to the Chinese influence.

### Thinking about the future

So, what does future hold for North Korea? The future is unpredictable by definition, but current trends seemingly indicate that we are going to see more of the same. North Korea is not going to initiate major Chinese- style reforms, it is not going to surrender its nuclear program, and it will refrain from provocations only as long as Seoul and Washington will be willing to provide it with some aid (or, frankly, protection money).

In recent years some observers expressed hope that the eventual death of Kim Jong Il will bring regime collapse. It might happen, but a smooth transition is more likely. People in position of power in Pyongyang understand that they should not rock the boat, since their position as a group is too precarious. The general population is divided, isolated and lacks any organization which might become a nucleus of resistance.

And, last but not least, the regime is doing quite well at the time of writing. If one reads newspaper reports about North Korea, one frequently comes across the grim predictions of a looming new famine (often with implicit – and unfounded – assumption that such a famine might provoke regime collapse). Indeed, over the last the last years there have been times when the food situation deteriorated seriously, perhaps nearly to the point of the another famine outbreak. Nonetheless, on balance the last decade can be described as a time of modest but undeniable improvement of the economic situation in North Korea.

Economic statistics are murky, but they seemingly indicate that by 2005 or, North Korean GDP has roughly returned to the pre-crisis level of the early 1990s. According to the estimates of the Bank of Korea, widely believed to be the most reliable (or, better say, the least unreliable) assessments of the North Korean economy, the GDP growth in 2000-2009, while being quite uneven, still averaged 1.4% per annum<sup>8</sup>. A moderate increase, to be sure, but the increase nonetheless.

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<sup>8</sup> 2009 년 북한 경제성장률 추정 결과. 서울: 한국은행, 2010, p.1.

Anecdotal evidence and observations generally support such estimates. We should not become too optimistic, of course: malnourishment remains common, but this has been the case for decades. At least, after 2000, almost few if any North Koreans has starved to death in the country. "Capitalism from below" brought social stratification, but the new middle class (and, of course, the rich and powerful) can now afford items which were unheard of in Kim Il Sung's time. Fridges remain rare, but ceased to be exceptional, and even a computer in a private house is not seen any more as a sign of extreme luxury.

As we have seen before, the most rational survival strategy for the North Korean government is to change nothing. They will probably succeed at this task for a while. If Kim Jong Eun (or whoever else who is going replace Kim Jong Il) wants to stay in power he has to follow four simple rules:

First, to avoid Chinese-style reforms and liberalization;

Second, to continue the zero-tolerance policy against dissent (to be simple and blunt: anybody who dares to criticize the government, should be dead or in a prison camp in no time);

Third, to inhibit and, whenever possible, roll back the spontaneous growth of the markets (but do so with considerable care since excessive pressure might be dangerous).

Fourth, use the nuclear program as a leverage in dealing with the outside powers, in order to press them into providing aid and concessions without many conditions attached. Manufacturing a crisis might be also useful as a means to create tensions and make partners more willing to give concessions.

Kim Jong Il seemingly understood these rules well enough, but it remains to be seen whether his future successor(s) will realize the importance of these requirements.

However, adherence to these rules doesn't mean that the system will continue indefinitely. It is quite possible that the government will succeed in its efforts to maintain the institutions of the centrally planned economy. However, this political success will prolong economic stagnation. The longer the centre will hold, the greater the gap between the North and its neighbours – above all South Korea – will become, and the greater potential for a future explosion is likely to be.

It seems that no amount of government efforts can possibly roll the situation back to what it used to be under Kim Il Sung in the 1960s and 1970s. National Stalinism was viable initially, because many North Koreans were willing to accept or even support the system at the earlier stages. The international environment was very different half a century ago. North Korea then boasted the most advanced economy of continental Asia and was surrounded by poor and dictatorial regimes. Last but not least, it was so much easier to keep people isolated and ill-informed before the advent of the digital age.

The situation has changed. The initial popular enthusiasm for the promises of Stalinism has long evaporated. North Korea is lagging hopelessly behind all its neighbors in terms of both economic performance and individual freedoms (even China looks like a true democracy to the

average North Korean). Information is getting inside the country thanks to the development of new media – DVD players, tapes, transistor radios and, increasingly, computers. The growth of the private businesses further undermine the regime's ability to control the population. It is highly unlikely that the government will be able to put the genie back in the bottle, to stop the spread of knowledge about the outside world, above all, about the prosperity of South Korea and China. The return to former levels of repression is not impossible but not very likely. The North Koreans are slowly losing their fear of the government and are increasingly willing to raise dangerously political topics in their private interactions.

This does not bode well for the long-time future of the regime. It might survive for another decade or two, perhaps even longer – but not forever. Nonetheless, its final crisis can be postponed for decades, and it seems that North Korean leaders know how to achieve this goal...