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Discussion Paper
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North Korea: why they cannot reform themselves, and why they will change anyway?

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For nearly a decade by now, South Korean administrations in their dealing with North Korea have been following the so-called "sunshine policy". At first glance, this is the policy of unilateral concessions, but its underlying logic is somewhat more complicated than the usual logic of appeasement. German example demonstrated clearly that "unification by absorption" will be an economic disaster. It will probably wipe out the South Korean prosperity which has been gained by decades of hard work and sacrifice. Hence, the South Korean politicians hope that, given favorable circumstances, the North Korean leaders can be persuaded to emulate the remarkably successful Chinese example, introducing the market-oriented reforms. It is assumed that such a change of policies will help to launch an economic growth in the North, so with South Korean assistance the gap between two Korean economies will be narrowed, and one day, in some distant future, a painless and cheap unification will become possible.

This might sound good, but for over a decade North Korea, in spite of all Seoul's efforts, has not demonstrated any willingness to follow the seemingly attractive Chinese path. On the contrary, the recent events leave no doubt: from 2004 or so North Korean government has been working hard to turn the clock back, to revive the system that existed until the early 1990s and then collapsed under the pressures of famine and social disruption.

Signs of this ongoing backlash are many. There were attempts to revive the travel-permission system that forbids all North Koreans to leave their native counties without police permission. Occasional crackdowns have taken place at the private markets. The security measures were stepped up along the porous border with China. In October 2005 it was stated that North Korea would revive the Public Distribution System (PDS), under which all major food items were distributed by state. To the best of our knowledge, this undertaking has not succeeded completely, but still efforts to restart the distribution-based economy are easy to see.

But why does the North Korean leadership refuse to follow the seemingly most rational strategy – that is, of emulating Chinese or Vietnamese success? After all, the Chinese leadership solved the seemingly impossible economic and social problems and managed to remain in control even when the non-reformed (or rather half-reformed) Communist regimes of the former USSR and East Europe collapsed?

Very often North Korean policy of non-reforming is described as "paranoid". However, such description makes a great disservice to the Pyongyang leaders. They might be brutal and cynical, to be sure, but they are no paranoid. On the contrary, their strategy seems to be based on a very realistic and cold-minded assessment of their uneasy and very peculiar situation. The North Korean leaders are aware that the major security threat they face is internal, rather than external, and they also know that reforms are likely to increase the level of this threat dramatically.

The major peculiarity of North Korea's predicament is the existence of successful and democratic South Korea just across the border. For decades the North Korean leaders have claimed that the South is a living hell, land of poverty and destitution. They also based their own legitimacy on their supposed ability to deliver better material lives for their subjects. The need to maintain the myth of South Korean poverty and North Korean prosperity resulted at the policy of information self-isolation. The North Korean leaders maintained this policy with severity which has few if any parallels in the history of the communist regimes (for example, they introduced a complete ban on the radios with free tuning).

At the same time, North Korean populace has been repeatedly told that there is not such a thing as a "North Korean nation", since both South and North Koreas constitute two artificially divided pars the same nation, to be unified as soon as possible.

However, the myth has nothing to do with economic reality. The gap between two Korea is huge and keeps growing. Under the inept management of the Kims' regime, North Korea, once the most developed industrial region of continental East Asia, has become one of the world's poorest nations. Meanwhile South Korea has achieved an unprecedented economic breakthrough and finally joined the ranks of the world's leading economies. Nowadays, the estimated per capita income in the South is between 15 and 20 times the North Korean level. This is a far larger than the two- or three-fold gap which once existed between East and West Germany.

The existence of South Korea means that from Pyongyang's point of view Chinese-style reforms will be a very risky undertaking. The subjects of the Beijing government do not face a prosperous and free "another China" (Taiwan is too small to be seen as a serious alternative). Of course, the Chinese commoners are aware about America's prosperity, but they hardly see this prosperity as something directly related to their lives. After all, US is another country, with completely different history, culture and geography. The economic success of the US might confirm the potential of market-based economy and liberal democracy, but it does not directly undermine the domestic legitimacy of Beijing government. At any rate, inhabitants of Vietnam or China cannot improve their lot by joining the US as its 51st state. So, the Chinese realize that they have not much choice but to be patient and feel thankful for a steady improvement of living standards under the Communist Party's authoritarian rule.

However, in North Korea things are different. Chinese-style reforms are bound to weaken the cohesion and control over the populace. One cannot conduct efficient market-oriented reforms in a society where even a short trip outside one's native county should be approved by police beforehand, where mobile phones are banned, where Internet connections are unthinkable. The unavoidable emphasis on economic efficiency will also mean diminishing ideological zeal, since the reformed society would reward economic performance rather then demonstrated political loyalty. Chinese government has survived these relaxations so far, but this is because its populace does not see any realistic alternative to steady improvement of their lot under the current regime.

In North Korea the situation is very different. The existence of the prosperous South presents North Korean populace with an easily visible and very attractive alternative, and they might wish use this alternative at the first opportunity. If North Koreans learn about the actual size of the gap in living standards between them and their cousins in the South, and if they become less certain that any act of defiance will be punished swiftly and brutally, what will prevent them from emulating East Germans and rebelling against the government, demanding dismantling the current political system and immediate unification with the rich South?

Of course, collapse of the communist system does not necessarily spell disaster for this system's leaders. The recent history of the former USSR and East Europe clearly demonstrated that under certain circumstances the ex-Communist elite can accept the reformist movement and even take over its leadership. As someone who

witnessed the collapse of the Soviet system from the inside, this writer can testify that popular discontent (quite real and steadily growing in the 1970s and 1980s) was only one of many factors which led to its eventual breakdown. The final blow to the communist system was dealt when members of the elite decided that it would make perfect sense to jettison their formal allegiance to communist beliefs (few of them sincerely shared these beliefs by the 1980s anyway), and rushed to re-package themselves as supporters of the market economy and democracy.

Politically, this was a wise decision: in nearly all post-Soviet countries, the elite nowadays overwhelmingly consists of former communist bureaucrats who, some 20 years ago, after a lifelong career in the Communist Party, suddenly proclaimed themselves staunch enemies of communism. Vladimir Putin, a former KGB colonel, and Boris Yeltsin, a former Politburo member are only two from among countless officials who in 1989 or 1990 decided that the old system was not worth to fight for.

In Eastern Europe and the former USSR it was the second and third tiers of apparatchiks who reaped the greatest benefits from the dismantling of the communist system. Their skills, training and expertise, as well as their connections and de-facto control over the state property allowed them to appropriate sizeable chunks of the former government assets. They then used this property to secure dominant positions in the new system and quickly re-modelled themselves as prominent businessmen or even "democratic politicians".

In North Korea, such a peaceful, if cynical, solution appears impossible: once again, it is prevented by the seemingly intractable problem in the form of South Korea. The North Korean elite suspect that a gloomy future awaits them, and they are probably correct. If the collapse of Kim's regime spells an end to the independent North Korean state, soon followed by unification under Seoul's auspices (a very likely option) the former North Korean elite would stand no chance of competing with the South Korean companies and their representatives. The former North Korean bureaucrats are no match to the people who will come from the South, backed by the capital of the powerful Seoul business conglomerates and equipped with both modern technology and knowledge of the modern world. The Soviet or Chinese apparatchiks faced no such competition.

Capitalism in post-Kim North Korea would be constructed not by former apparatchiks who some day declare themselves the born-again enemies of the evil Communism, but by resident managers of Samsung and LG. At best, the current elite might hope to gain some subaltern positions, but even this outcome is far from certain.

So, the North Korean leaders, unlike their Soviet or Chinese counterparts, have few chances to keep their privileges in case of regime collapse, and they seem to realize it. But this is not their only worry. They also know how brutal their rule was. In the Soviet Union under Brezhnev, the political prisoners were numbered in few thousands. In North Korea, the most recent estimate is between 150,000 and 200,000 inmates in political prisoners' camps. In spite of some relaxation in recent years, the regime has been very harsh on its population for decades. Indeed, it is probably the regime with the worst human right records since the collapse of Pop Pot's government in Cambodia. So, the crimes of the North Korean regime are of unusual magnitude. From Pyongyang's point of view things are made worse by the fact that in post-Unification Korea there will be some political pressure to persecute them. Any post-unification transformation is certain to be painful. The new post-

unification government will need scapegoats, and the former North Korean leaders will be first in the firing line - perhaps both figuratively and literally. There have been rumors that Kim Jong Il once required the footage of Ceausescu's to be shown to the top North Korean officials as a reminder of their possible fate in case of regime collapse. While necessary apocryphal, these rumors still convene an important feature of the worldview which is common among the North Korean political elite.

Thus, the North Korean elite believes itself to be cornered. These people do not want to tamper with the system since they are afraid it will collapse as a result of such experiments. In such a case, they have nothing to gain and everything to lose - not only their prosperity, privilege and power, but also their freedom - and in some cases even their lives.
In the unusual North Korean situation both the top government leaders and the lower-level bureaucrats are deprived of decent exit options. Therefore they cannot be expected to risk the stability of the country by engaging in Chinese-style experiments and work towards the supposed wonders of a "reform". The Pyongyang bureaucrats obviously believe that reforms are likely to hasten the end of the regime and to spell their own end. Unfortunately they appear to be correct in this opinion, but even if this is not the case, they are not inclined to experiment with the system, since risks are too high.

Therefore, the most rational survival strategy for North Korean government is a steadfast rejection of domestic reforms. Ideally, Pyongyang would like to ensure the steady inflow of foreign aid which will partially compensate for the low efficiency of its economy. Such aid, if channeled through the old PDS (public distribution system) channels, can be used to increase the regime power base. A substantial part of such aid would go to the politically reliable sectors of population, like the inhabitants of Pyongyang, families of the military and party officials and the like, thus buying their support. If the aid is bountiful enough, it will flow to broader public as well, still servicing the same purpose. If the people are given food and basic supplies by the government, the regime will remain the major or even only provider of the economic livehood, always capable of rewarding the right and punishing the wrong behavior.

However, this does not mean that the current status quo can be maintained indefinitely. In spite of all government's efforts to keep the system intact, the economic disaster of the 1990s had deep impact on the North Korean society and resulted in dramatic changes of its structure.
The old Stalinist economy of steel mills and coal mines is almost dead, and the meaningful economic activity is taking place in the private sector. The markets, partially tolerated by the authorities, are booming. The new rich, largely successful market traders, now can exceed the old bureaucratic elite in their level of consumption. Smuggling along the Chinese border has become a major activity.

The society has changed as well. The explosive growth of corruption means that North Koreans can do many things which would be unthinkable until the mid-1990s. A small bribe will buy a right to travel freely within the country, while larger bribe will ensure that border guards will look other way when you cross a shallow border river and move to China. A really large bribe can buy freedom from persecution even in case of serious wrongdoing, sometimes of political nature. The South Korean videos are smuggled and watched widely, and the stories told by the former illegal residents of China are often re-told, so people are now aware that a large part of the official propaganda is lie.

All those ongoing changes steadily undermine the regime. The process is slow, since the government understands perfectly well how dangerous those changes are, and sporadically launches campaigns against all these “deviations”. As we have seen, these attempts became more frequent recently, not least because the aid coming from China and South Korea made Pyongyang more self-assured. Pyongyang leaders know that they should keep trying to turn the clock back. However, it remains to be seen whether they are really in position to do so. At most, these efforts can slow down the ongoing disintegration of the system from below.

So, in a long run the current situation is unsustainable. However, contrary to the optimistic hopes of many observers, including those who seem to have an upper hand in Seoul nowadays, the slow and orderly dismantling of the North Korean regime is very unlikely. It can survive for some time, using the life support it skillfully extracts from the outside world, but sooner or later it will go down, and its end is likely to be dramatic and fast.