



North Korea

Markets and Military Rule

—— HAZEL SMITH ——

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Hazel Smith

University of Central Lancashire



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North Korea

In this historically grounded, richly empirical study of social and economic transformation in North Korea, Hazel Smith evaluates the 'marketisation from below' that followed the devastating famine of the early 1990s, estimated to be the cause of nearly one million fatalities. Smith questions preconceptions about North Korea; charting the development of a distinct northern identity prior to the creation of the Democratic People's Republic in 1948 before analysing the politics, economics and society of the Kim II Sung period. Smith shows how the end of the Cold War in Europe and the famine ushered in a process of marketisation that brought radical social change to all of North Korean society. This major new study analyses how different social groups in North Korea fared as a result of marketisation, transforming interests, expectations and values of the entire society, including Party members, the military, women and men, the young and the elderly. Smith shows how the daily life of North Koreans has become alienated from the daily pronouncements of the North Korean government. Challenging stereotypes of twenty-five million North Koreans as mere bystanders in history, Smith argues that North Koreans are 'neither victims nor villains' but active agents of their own destiny.

HAZEL SMITH is Professor of International Relations and Korean Studies and Director of the International Institute of Korean Studies at the University of Central Lancashire.

To Mihail – from Mount Myohyang to God's
own county ...

Acknowledgements

The subject of North Korea generates a lot of heat, but not a lot of light. To the extent that this book illuminates anything about North Korea it is because I have been lucky enough to have worked, over the years, with a number of people who have been generous with their time and expertise. Colleagues, some of whom I am twice lucky to count as friends, have shared information and ideas and many times organised fora, especially in Washington, DC and Seoul, that allowed for critical but constructive exchange and dialogue that helped me enormously in the rethinking, refinement and sometimes rejection of ideas that is utterly necessary in any process of research and writing.

This book has been a long time in the making and I have a lot of people to thank. In the United States, I learned a lot and continue to learn from those in the policy world who, despite the vagaries of the political cycle, continue trying to avoid the histrionics and grandstanding that surround so much of the public discussion about North Korea, to try to find a sensible policy that will contribute to denuclearisation, a stable peace and a future that will bring prosperity and freedom to North Koreans. The sterling work of Ambassador Donald Gregg, who has worked tirelessly to promote peaceful policies, even as these have become unpopular options in DC, provides a wonderful example of someone who still sees public service as important and whose obvious integrity underpins what is a highly knowledgeable and nuanced understanding of Korean politics. Jon Brause, Bob Carlin, Alexander Mansourov, Mark Manyin, Patrick McEachern and James Person are global authorities on North Korea; whose work I respect as providing consistently high-quality research and analysis.

Contrary to outside caricatures about the US government (which is far from monolithic) there are a ton of people in State, Defense and other agencies who can see a way in which serious policy development vis à vis North Korea, in the United States national interest, could evolve, but these folk rarely talk the loudest, and are often drowned out by those who know nothing about North Korea but everything about how to get their

name out there on the internet and in the press. I would like then to record my experience of the highly professional and genuinely reflective analysis that takes place in DC; in the Congressional Research Service, the United States Agency for International Development (USAID), the Bureau of Intelligence and Research (INR) and the Bureau of Conflict and Stabilisation and in Defense. The pity is that this knowledge and expertise does not seem to permeate top-level decision-making.

In the US, the East-West Center in Honolulu and the Woodrow Wilson International Center for Scholars in Washington, DC provided me with congenial surroundings and a hugely stimulating work environment. I thank Pohang Steel Company (POSCO) for the award of the POSCO fellowship which made it possible for me to carry out research in Hawaii in 2008, and the Woodrow Wilson Center for honouring me with the award of a nine-month visiting fellowship for the year 2012/13. Bob Hathaway is an exemplary scholar on Asia. I count myself lucky to have worked with him at the Woodrow Wilson Center.

In South Korea, I benefited from 'outings' of parts of this book at seminars organised by Professor Yoon Young-Kwan at Seoul National University, and Professor Moon Chung-In of Yonsei University at the East Asia Foundation. Both of these occasions were incredibly helpful to me; forcing me to abandon a descriptive approach to regional differentiation in the former and propelling me to rethink what was becoming a monocausal explanation of marketisation in the latter. Dr Lee Suk provided many formal and informal ways in which we could discuss the march of marketisation in North Korea; quite properly and helpfully forcing me to ensure that the empirics were rigorously investigated. Professor Kim Yongho provided a home-from-home in his Institute for the Study of North Korea at Yonsei University. I can't thank him enough for his kindness and generosity. My four former PhD students, Choi Yong-sub, Kim Ji-young, Moon Kyung-yon and Sung Ki-young, whom I am proud today to acknowledge as colleagues, continue to provide a day-to-day reminder that the future of the study of North Korea, and perhaps the future of inter-Korean relations, depends, crucially, on the new generation of scholars and analysts.

In North Korea, I have two or three colleagues and friends with whom I have maintained contact since I first worked in the DPRK in 1998. I don't intend to name them here as it could cause them to suffer negative consequences. My hope is that when North Korea and North Koreans are free, a very minor consequence of that development would be that I could name those many souls who I know have tried hard to improve the lives of their compatriots, despite all the obstacles that the system puts in their way.

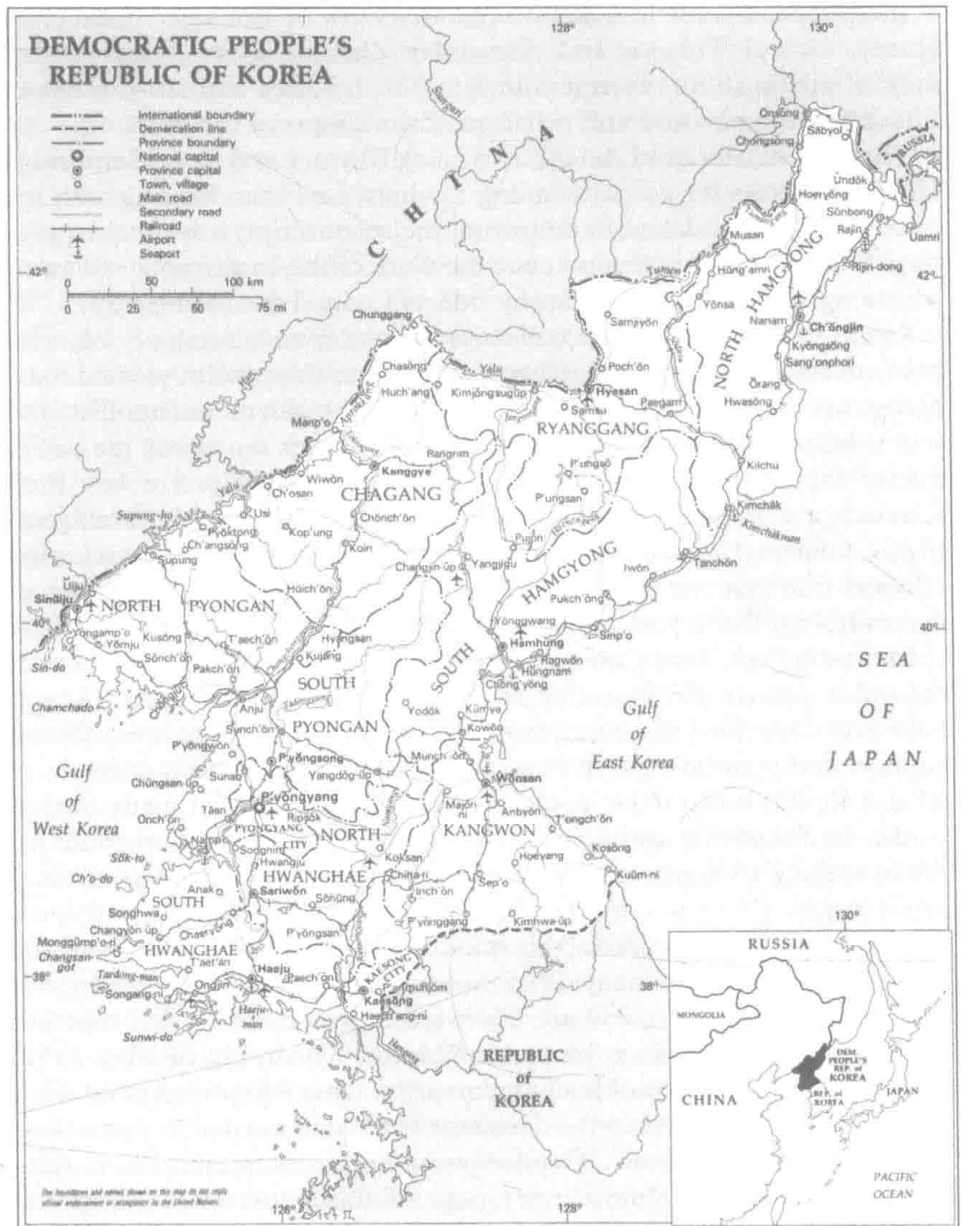
In Europe, I want to acknowledge the work of Ruediger Frank, Jim Hoare, Georgi Tolorya and Alexander Zhebin; all who know what they're talking about when it comes to North Korea and all with whom I have had the pleasure and privilege of working over the years.

Thank you, Marigold Acland and Lucy Rhymer and all at Cambridge University Press for commissioning the book and then bearing with me through my awful delays in delivering the manuscript; it is much appreciated. I also very much appreciate the work of the anonymous reviewer, whose rigorous analysis was at my side as I edited the manuscript.

I want to thank my closest collaborators and friends on this book, who have constantly inspired me to carry on, even as this project seemed to be taking up far too many years. John O'Dea, resident nutritionist and senior humanitarian worker based in North Korea for nearly ten years; thanks for the continued swapping of ideas – it helped a lot. Fred Carrière – a constant source of ethically founded, highly intelligent, highly informed analysis: thank you. Henry Em, thanks for reviewing Chapter 2 to save me from myself. Jong Park and Hyun, for the years of comradeship, thank you.

Inevitably, age brings the necessity to thank those who are no longer around to receive the appreciation they deserve. In my case, I could not have ever conceived of writing anything professionally were it not for the support and comradeship of Fred Halliday who remains an example of what it should mean to be a scholar, not just to me but to many others. I miss the friendship and acuity of Jacob Bercovitch who worked all his life in seeking to improve our understanding of how to make peace and avoid war.

Finally, all of the work in this book was only possible thanks to the continuing support, in many different ways, of my wonderful family, and especially my husband, Mihail. We were more or less in this together from the beginning, since we met in Mount Myohyang in May 1990, twenty-five years ago, and his judgement on what's important and what isn't has been invaluable in the decisions as to what needed to stay in and what could be left for now. Thanks for reading, commenting on, finding typos and reviewing almost every page of this book, often numerous times. The better bits are probably down to him; the rest is definitely down to me.



MAP NO. 3399 Rev. 1 UNITED NATIONS
SEPTEMBER 1993

Map of North Korea (Map No 3399 Rev 1. UNITED NATIONS, September 1993. The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.)

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Introduction: North Korea: politics, economy and society

North Korea is mad, bad and sad.¹ The government is uniquely evil, malevolent and belligerent. The North Koreans are planning to fire missiles armed with nuclear bombs on Alaska. North Koreans are politically indoctrinated robots whose highest ambition is for their children to serve the fatherland in a life of endless privation and unsmiling devotion to a God-like figure in the person of the state leader, Chairman of the National Defence Commission, Kim Jong Un.

The conception of the Democratic People's Republic of Korea (DPRK – more commonly known as North Korea) as so far off the planet that it might as well be in outer space prevails in almost any report about North Korea in the so-called quality press from round the world. This is despite the fact that many of the claims about North Korea are as bizarre and illogical as the picture they are supposed to portray. There are over 24 million North Koreans – do they really all think the same? The dominance of the 'conventional wisdom' on North Korea drowns other perspectives to the extent that it would be surprising if the average, reasonably well-informed member of the public did not automatically view North Korea as alien and inexplicable.

Yet North Korea is far from unique and not a very difficult country to explain. North Korea has an authoritarian government that rules over an economically struggling society. North Korea is not a pleasant society to live in if you are poor, old, ill-connected, religious and/or a political dissident. Should North Koreans be brave enough or foolish enough to engage in political criticism of the government, they face brutal treatment, including imprisonment and internal exile.

North Korea, like many other countries in the early twenty-first century, is undergoing a transition from socialism to capitalism.² This

¹ The reference here is to Hazel Smith, 'Bad, Mad, Sad or Rational Actor: Why the "Securitisation" Paradigm makes for Poor Policy Analysis of North Korea', *International Affairs*, Vol. 76, No. 3, July 2000, pp. 593–617.

² The book expands on cause and consequence of marketisation from Chapter 8 onwards. A good summary of economic transformation is provided in Phillip H. Park (ed.), *The*

fitful and somewhat reluctant process nevertheless represents a very profound transformation of society. The country's economy is irreversibly marketised even though the government's political philosophy and rhetoric hangs on to some vestiges of its foundational socialist rhetoric. As in many poorly functioning states, North Korea's leaders struggle to maintain authority and legitimacy as they continue to rule over a disillusioned population, tired of political rhetoric and economic hardship. Externally, the government faces a new, hostile world in which communist authoritarian states in one camp and capitalist authoritarian states in the other are no longer protected by the bipolar division of the world led by the former Soviet Union and the United States.

The pivotal moment of social and economic change in North Korea was the catastrophic famine of the mid-1990s. Individuals, families and social groups learned to look after themselves as the government could no longer guarantee a living wage or reliable food supplies. The spontaneous activity of the population created a marketised economy 'from below' where the price of goods and services became determined by the relationship between supply and demand. Internationally determined market prices replaced government-dictated prices as the foundation for all economic transactions. Many of these transactions took place through non-state channels and even when state mechanisms were utilised, price and supply of goods could no longer be controlled by the government. From the late 1990s onwards, a gamut of market operations, some legal, some illegal, some in-between, together provided the main source of supply of food and other goods for most North Koreans.

Post-famine marketisation 'from below' did not produce political liberalisation nor did it result in the emergence of an organised political opposition. The struggle for economic survival, combined with authoritarian politics that savagely repressed political dissent, meant that North Koreans did not have the time, energy or opportunity to engage in politics or protest. Individuals made the rational choice. Regime change activity was risky and much less likely to achieve transformation of daily life compared to the marginal improvements that could be gained by engaging in 'grey market' activity. Everyday lives of North Koreans became increasingly detached from a government that publicly professed arcane ideologies about self-reliance or fighting imperialism and whose priority was regime survival through the development of nuclear weapons.

The seamless dynastic succession from founding president Kim Il Sung to his son Kim Jong Il in 1994 and to his son, Kim Jong Un in 2011 belies the fact that North Koreans aged up to about 30 have grown to adulthood in an economically and socially very different world from that of their parents and grandparents. The Kim Il Sungist era is as historically distant to young North Koreans today as the colonial period was to their parents who grew up after the liberation from Japan in 1945.

The focus of the book

The aim of this book is to show how and why social, economic and political change took place in North Korean society since the now well-known external and internal shocks of the early and mid-1990s.³ This book is a new venture although I have discussed many of its themes in previous work published in monographs, edited books, scholarly articles, policy reports for international organisations and governments, and media outlets.⁴

³ Studies that use substantive data to interrogate aspects of economic and social change in the DPRK include Nicholas Eberstadt and Judith Banister, *The Population of North Korea* (Berkeley, CA: Institute of East Asian Studies, 1992); Stephan Haggard and Marcus Noland, *Famine in North Korea: Markets, Aid and Reform* (New York: Columbia University Press, 2007); Suk Lee, 'Food Shortages and Economic Institutions in the Democratic People's Republic of Korea', doctoral dissertation, Department of Economics, University of Warwick, January 2003); Hazel Smith, *Hungry for Peace: International Security, Humanitarian Assistance and Social Change in North Korea* (Washington, DC: United States Institute of Peace Press, 2005); on political transformation see Patrick McEachern, *Inside the Red Box: North Korea's Post-Totalitarian Politics* (New York: Columbia University Press, 2010).

⁴ For selection see Hazel Smith, *Food Security and Agricultural Production* (Muscantine, IA/Berlin: Stanley Foundation/German Council on Foreign Relations, June 2005); Smith, *Hungry for Peace*; Hazel Smith, 'The Disintegration and Reconstitution of the State in the DPRK', in Simon Chesterman, Michael Ignatieff and Ramesh Thakur (eds.), *Making States Work* (Tokyo: United Nations Press, 2005), pp. 167–92; Hazel Smith 'North Koreans in China: Sorting Fact from Fiction', in Tsuneo Akaha and Anna Vassilieva (eds.), *Crossing National Borders: Human Migration Issues in Northeast Asia* (Tokyo: United Nations Press, 2005), pp. 165–90; Hazel Smith *Caritas and the DPRK – Building on 10 Years of Experience* (Hong Kong and Rome: Caritas, 2006); Hazel Smith 'Analysing Change in the DPR Korea', working paper (Bern: Swiss Agency for Development and Cooperation – East Asia Division, November 2006); Hazel Smith (ed.), *Reconstituting Korean Security: A Policy Primer* (Tokyo: United Nations Press, 2007); Hazel Smith, 'North Korean Shipping: A Potential for WMD Proliferation?', *Asia-Pacific Issues*, No. 87, February 2009; Hazel Smith, 'North Korea: Market Opportunity, Poverty and the Provinces', *New Political Economy*, Vol. 14, No. 3, June 2009, pp. 231–56; Hazel Smith, 'North Korea's Security Perspectives', in Andrew T. H. Tan (ed.), *East and South-East Asia: International Relations and Security Perspectives* (London: Routledge, 2013), pp. 121–32; Hazel Smith, 'Crimes Against Humanity? Unpacking the North Korean Human Rights Debate', in Christine Hong and Hazel Smith (eds.), *Critical Asian Studies, Reframing North Korean Human Rights*, Vol. 46, No. 1, March 2014, pp. 127–43.

The book aims to provide an empirically supported analysis of how and why the economy and society of North Korea has been transformed in the post-Cold War era, while the government has hardly changed its political trajectory. This is not therefore a book about North Korea's foreign policy, international relations or historical origins, although I do review these topics in the context of the overall explanation of social, economic and political change.⁵ The key questions at the heart of this investigation are 'how and why has the radical dissonance between everyday life and government pronouncements and policy come about and what are the implications for the future of North Korea?'

In this book, I challenge the media mythology that the DPRK is an unknown quantity and aim to shift the debate on from that based on tired and unhelpful stereotyping that characterises so much of the analysis of North Korean politics, economics and society.⁶ This includes assumptions that the government controls every action of every human being in North Korea; that North Korean society never changes; that North Korea is nothing more than a monolithic aggregation of persons with identical interests and outlooks; and that the country cannot be studied

⁵ For a representative selection of writings on foreign policy and international relations see Marion Creekmore, Jr., *A Moment of Crisis: Jimmy Carter, the Power of a Peace-maker, and North Korea's Nuclear Ambitions* (New York: Public Affairs, 2006); Yoichi Funabashi, *The Peninsula Question: A Chronicle of the Second Korean Nuclear Crisis* (Washington, DC: Brookings Institution Press, 2007); Chae-Jin Lee, *A Troubled Peace: US Policy and the Two Koreas* (Baltimore, MD: The Johns Hopkins University Press, 2006); Leon O. Sigal, *Disarming Strangers: Nuclear Diplomacy with North Korea* (Princeton University Press, 1998); Joel S. Wit, Daniel B. Poneman and Robert L. Gallucci, *Going Critical: The First North Korean Nuclear Crisis* (Washington, DC: Brookings Institution Press, 2005). For well-researched and authoritative historical analyses see for example Charles K. Armstrong, *The North Korean Revolution, 1945–1950* (Ithaca, NY: Cornell University Press, 2003); Bruce Cumings, *The Origins of the Korean War, Vol. I: Liberation and the Emergence of Separate Regimes 1945–1947* (Seoul: Yuksabipyungsa, 2002); Bruce Cumings, *The Origins of the Korean War, Vol. II: The Roaring of the Cataract 1947–1950* (Princeton, NJ/Oxford: Princeton University Press, 1990); Suzy Kim, *Everyday Life in the North Korean Revolution, 1945–1950* (Ithaca, NY: Cornell University Press, 2013); Don Oberdorfer, *The Two Koreas: A Contemporary History* (London: Warner Books, 1997).

⁶ Including the light-hearted and perhaps therefore forgivable anecdotal narrative of Michael Breen, *Kim Jong Il: North Korea's Dear Leader: Who he Is, What he Wants, What to Do about Him* (Chichester: John Wiley and Sons, 2004); the more serious account of the North Korean famine by Andrew S. Natsios, *The Great North Korean Famine: Famine, Politics and Foreign Policy* (Washington, DC: United States Institute of Peace Press, 2001) in which the author makes claims about famine figures that are not substantiated by way of the data; and the adjectival, apocalyptic prose in Nicholas Ebertstadt, *The End of North Korea* (Washington, DC: The American Enterprise Institute (AEI) Press, 1999) in which North Korea has (excerpt taken at random from the book) 'a fearsome arsenal of weapons of mass destruction'; the government presides over a 'starving, decaying state'; its weaponry has 'killing force'; the country has 'extortionist diplomacy'. The government's plans will 'only provide more of the ghastly, deepening twilight in which the regime is already enveloped' (pp. 21–2).

in the same way as any other country.⁷ These clichés are factually misleading. No state or society is ever homogeneous or unchanging and no government, however effective, can control every aspect of its citizens' lives. Where the stereotypes are most misleading, however, is in the myopia about the dramatic social and economic changes that have constituted the fundamental fact of life for every North Korean for the past quarter century. The most basic tenet of social science is that all societies change – even if their governments do not. One conventional assumption about North Korea is that because political philosophy has not changed much since the creation of the state, then North Korea must be a society that does not change or in which social change is insignificant. In North Korea, where people experienced cataclysmic social upheaval during and after the famine of the early 1990s, the assumption of a static society is especially untenable, verging on the fatuous.

North Korea can be compared fairly straightforwardly to other Asian societies, societies in transition from communism to capitalism, and other poor societies. The book shows that the DPRK can be understood through conventional approaches to knowledge, using conventional or 'positivist' notions of social science that seek to assess factual data through a logical evaluation process.⁸ The further premise is that North Korea can be understood best through situating the contemporary social and political environment in a historical and cultural context. This historical framing is crucial in explaining the commonalities with South Korea as well as the major differences between the two countries.

In policy terms, this work is underpinned by an old-fashioned liberal trope: better analysis may produce better policy.

North Koreans as agents of change

In this book, I show how and why the society and economics of North Korea changed from a command economy to one that is marketised and in which the population became more and more disassociated from their government. I demonstrate how the political system became delegitimised as the government continually failed to deliver on its promises and as the people of North Korea became aware of the fact that they were poor and their neighbours prosperous. I also show how the government was unable to accommodate the socio-economic transformation that took place in North Korea 'from below' and how it failed to provide

⁷ For an exception and for analytically acute comments on social life see Andrei Lankov, *North of the DMZ: Essays on Daily Life in North Korea* (Jefferson, MO: McFarland, 2007).

⁸ Alan Bryman, *Social Research Methods*, fourth edition (Oxford University Press, 2012).

credible, effective and sustainable policies to provide secure futures for the population. North Korea is not a democratic state but, like all societies, is made up of different social and political groups with different interests, values, histories and opportunities. I explain and show the heterogeneity of experience of North Koreans as defined by social class, occupation, geographical provenance, gender and age.

This book unpacks the caricatures that have become the conventional 'wisdom' about North Korea, including that of all North Koreans as helpless targets of an all-powerful, omniscient government. From this perspective North Koreans are only either villains or victims. An aim of the book is to introduce North Koreans as the complicated subjects of history that they are. The ethical and political focus is on the potential of North Korean people to make their own history, separately from those in charge. North Koreans, in other words, are the agents of change in North Korea.

The data

The book draws on my twenty-five years of research on North Korea that is in turn very largely based on data from publicly accessible sources, including reports from governments, international organisations and non-governmental organisations (NGOs). I have been aided by the perhaps surprising propensity of the North Korean government to translate and publish huge amounts of books, reports and newspaper articles into English. I obtained these in the DPRK over the years but these days some specialist importers are marketing this material on websites and at Korean studies conferences. The total control of publishing by the government implies that all of these publications convey an official line of some sort and therefore this data has helped to provide representative data about government perspectives on various aspects of history, culture, politics, society and economics over time.

Thousands of reports on different aspects of North Korean society have been published and circulated by international organisations, as well as various governments and NGOs that have worked in the DPRK since the start of the on-going food and economic crisis in the 1990s.⁹

⁹ See references throughout the book. NGO sources, for example, include field reports such as Action Contre la Faim, *Nutritional Programme: North Hamgyong Province DPR of Korea, November 1999* (Pyongyang: Action Contre la Faim, 1999). DPRK government data is used if the information and analysis is undertaken with supervision and collaboration of international organisations, for example, EU, UNICEF and WFP in partnership with the Government of DPRK, *Nutrition Survey of the Democratic People's Republic of Korea* (Rome/Pyongyang: WFP, 1998); Central Bureau of Statistics, *Report on*