

# BTI 2014 | North Korea Country Report

<b>Status Index</b>	1-10	<b>1.98</b>	# 127 of 129	
Political Transformation	1-10	2.60	# 125 of 129	➔
Economic Transformation	1-10	1.36	# 128 of 129	➔
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	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung's Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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### Key Indicators

Population	M	24.8	HDI	-	GDP p.c.	\$	-
Pop. growth <sup>1</sup>	% p.a.	0.5	HDI rank of 187	-	Gini Index		-
Life expectancy	years	69.2	UN Education Index	-	Poverty <sup>3</sup>	%	-
Urban population	%	60.5	Gender inequality <sup>2</sup>	-	Aid per capita	\$	2.3

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

## Executive Summary

The Democratic People's Republic of Korea (DPRK) has successfully managed the second hereditary succession in its post-1948 history. Heir apparent Kim Jong-un, the grandson of state founder and "Eternal President" Kim Il-sung (†1994) and third son of the "Dear Leader" Kim Jong-il, formally inherited the supreme positions in the army, the party, and the state within four months after the death of his father on 17 December 2011. Since then, the Korean Workers' Party (KWP) has positioned itself once again as the primary political institution, balancing the strong military that had served as Kim Jong-il's immediate power base since the mid-1990s. As of early 2013, Kim Jong-un has maintained the policies of tight social control, rejection of reform and military provocation.

Regardless of occasional speculation about Chinese-style reforms, the regime has thus far continued to repudiate any substantial policy changes that would remedy the flaws inherent in the North Korean economic system. The expansion of informal private markets has been constrained. From 2009 to the centenary of Kim Il-sung's birth in 2012, the regime intensified its "Strong and Prosperous State" campaign, which primarily served as a code for Kim Jong-un's rise to power. In this context, the regime diverted a large share of the country's scarce resources to a three-year "Great Surge" of mass mobilization from 2009 to 2012: massive construction of monumental buildings and showcase facilities in Pyongyang; a "high-tech breakthrough" for advancing capacities for weapons of mass destruction; and an infusion of capital to resurrect huge state firms in the heavy and chemical sectors, though without reform. For the funding of their projects, North Korean authorities not only amplified mineral exports to China, but also significantly increased internal exploitation through measures such as currency denomination. In addition, authorities considerably augmented the confiscation of food from farmers to feed the military and residents of Pyongyang.

Displays of military might and outright provocations directed against South Korea, the United States and Japan remain a cornerstone of DPRK foreign policy. Starting in 2009, North Korea

demanded to be treated by the international community as a state in possession of nuclear weapons and intercontinental missiles. To prove its capacity, North Korea tested a nuclear device for the third time in early 2013, fired several short- and long-range missiles, and disclosed its uranium enrichment facilities to foreign experts in 2010. In addition, North Korea attacked and threatened South Korea in unprecedented ways, including the sinking of the corvette “Cheonan” and the shelling of Yeonpyeong island in 2010. North Korea also recently attacked South Korean computer systems.

## History and Characteristics of Transformation

North Korea has experienced profound changes since the early 1990s. As a result, the Democratic People’s Republic of Korea (DPRK) has become a different country in comparison to the old Stalinist society that lasted until the end of the 1980s.

Due to a sudden and drastic deterioration of the economy, and a weakening of the traditional system in the early 1990s, the regime has faced difficulties in retaining control. The market and corruption expanded rapidly. The period of famine between 1995 and 1997, known as the “Arduous March,” was the most critical one for the regime and for North Korean society. International humanitarian assistance began in 1995. One of a number of means of strengthening the system was the creation of the “Military-First” policy in 1995. The regime reestablished itself in 1998. Outwardly, it pursued a policy of accommodation with South Korea beginning in 2000, and enjoyed economic support from its southern neighbor until the end of 2007. It also pursued a policy of adjustment in support of market expansion, which peaked in 2004. From 2005 on, the regime increased its control over market activities and sought to expand the role of the state sector in the economy.

The ideological, economic and social operating mechanisms have transformed since the death of state founder Kim Il-sung in 1994. “Communism” and “socialism” have ceased to be officially sanctioned frames of reference; instead, the people are coerced to take great pride in living under the “world’s best bloodline of great leaders,” and in a country with the capacity for nuclear weapons and intercontinental missiles. The enforcement of self-financing for public organizations and individual officials, due to the fiscal collapse of the central administration and government since the early 1990s, has promoted their engagement with commercial activities and made private economic actors the dominant actors in the expansion of market. The business organizations of the military, the party and the state could only have survived due to their licenses for economic monopolies and corruption (“use of public office for private gain”) in the market expansion. Reflecting the conspicuously hierarchical structure of power in the country, it has been easy for various state entities and individuals closely-linked to the regime to benefit from the newly expanding market – both legally and through corruption. The self-finance principle has also made the demarcation between “plan” and “market,” and between formal and informal activities and sectors, virtually indistinguishable. It has also made the North Korean economy a sort of hybrid

one. Since the 1990s, the regime has been on the brink of imminent breakdown due to economic collapse, market expansion, increased information inflow and latent public discontent. To maintain its survival, the regime has resorted to exemplary violence, and significant strengthening of internal security organizations and the penal system. Today, North Korea is one of the poorest, least-developed and most isolated countries in the world.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

Question  
Score

The state's monopoly on the use of force has not been challenged in North Korea since the end of the Korean War in July 1953. The drastic and rapid deterioration of the economy in the early 1990s significantly weakened the traditional instruments for penetration and control, especially party organizations. The military directly intervened to maintain internal order in the mid- to late 1990s, gradually ceding this role to various police forces. The implementation of penal law progressed through the early 2000s. As Kim Jong-un has consolidated power, the party has only reemphasized its ability to oversee the maintenance of internal order.

Monopoly on the  
use of force  
10

For more than 1,000 years, the Korean peninsula consisted of one politically unified territory. The separate state-building in North Korea began before the Korean War in 1950. Ideologically, it was based on anti-imperialist-cum-socialist ideology and an evangelical passion for unification of the two Koreas among Pyongyang's political leadership. Later, this ideology was combined with nationalistic chauvinism, an ethos for sacrifice and thrift, and the notions of Juche (self-reliance) and organic unity between the leader, the party and the people. Since the 1960s, these concepts have served the purpose of keeping internal unity around the leader, pushing forward the construction of a military-industrial complex, and maintaining high tension with South Korea, the United States and occasionally China. With the start of the "military-first policy" in 1995, the military and the "military-first ideology" have been advanced at the cost of the party and Juche. In the new party statute of 2010, nationalism and loyalty to the leader, rather than socialism, were articulated as party ideology with phrases such as the "strong and prosperous great state," and the description of Kim Il-Sung as the creator of the North Korean nation, the party and the military. "Communism" has disappeared, and "socialism" is less frequently used. As Kim Jong-un officially took power in April 2012, the revised party rule placed "Kim Il-sungism and Kim Jong-ilism" as the leading ideology of the Korean Worker's Party. State propaganda that binds of the personalities of the ruling family

State identity  
10

with the state even extends to the naming of the constitution, now called the “Kim Il-sung-Kim Jong-il Constitution.” Additionally, the state pushed forward propaganda in 2012 that included the concept of “Kim Jong-il patriotism” and great pride in living in a country with nuclear weapons and the capacity for a “satellite” launch.

The society has been secular and atheistic, though the cult of personality could appear as quasi-religious. The elements of secular modernity embodied in communist ideologies have been the building blocks of North Korea’s legal and political order. However, other ideological tendencies have intermingled with communist ideology, exerting very strong influence on the organization of the public sphere including political institutions. These include leader worship, the notion of organic unity of the nation and the chauvinistic emphasis on patriotism. These principles are hammered into the psyche of North Korean citizens through various means, from the frequent convention of mass rallies to the construction of historic monuments. Though weakened somewhat since the 1990s, the regime’s propaganda campaigns that put forth a distorted world-view, and its capacity for coercion to mobilize people for political rituals, remains quite strong. Following the power succession from Kim Jong-il to Kim Jong-un in April 2012, statues of Kim Jong-il were built either by the side of Kim Il-sung’s or independently. Other personal-cult monuments that commemorated Kim Il-sung alone had to be demolished and rebuilt to commemorate Kim Il-sung and Kim Jong-il simultaneously through voluntary (often, perhaps, forced) donations from the population.

North Korea, whose capital had once been known as the “Jerusalem of the East,” remains one of the most anti-religious countries in the world. Besides some official pro forma religious organizations for foreign guest reception and propaganda, any sign of autonomous religious activity has been very strongly discouraged. In 2013, North Korea was ranked once again by Christian NGO Open Doors as the country with the deadliest persecution of Christians, followed by Saudi Arabia, Afghanistan, Iraq, and Somalia.

From its inception as a separate Korean state in 1948 to the late 1980s, North Korea has maintained a differentiated state administrative structure throughout the country, which it inherited from the Japanese colonial period. Though their functions have seriously deteriorated since the 1990s, and were temporarily carried out by the military, the formal structures of party-state administration have always remained intact. The introduction of “military-first politics” in the mid-1990s was intended to strengthen security in the country and has contributed to the neglect of basic functioning of civil administration. The process of power succession to Kim Jong-un has been accompanied by the strengthening of the Ministries of Public Security and State Security and central party organizations. However, it has not brought about serious efforts to improve the functioning of the state with regard to communication, transport and basic infrastructure, which is seriously underdeveloped outside the capital. The regime has been discriminate in its provision of basic public goods

No interference of  
religious dogmas  
10

Basic  
administration  
6

between those segments of society essential for regime survival, including residents of the showcase capital Pyongyang, and the population at large. One exception is the widespread introduction of cell phones, which began in earnest in 2008 by Koryolink, a joint venture between the Egyptian company Orascom and the state-owned Korea Post and Telecommunications Corporation. It was able to be implemented because it brought in a significant amount of foreign-currency revenue from domestic users. By the end of 2012, Koryolink is reported to have 1.7 million subscribers within the country, roughly 7% of the population.

## 2 | Political Participation

There have been no free and fair elections in North Korean history, though they are nominally guaranteed by the constitution. General elections for the Supreme People's Assembly are held every five years, most recently in 2009. They are monitored and managed by the Korean Workers' Party. They are a means for political mobilization of the masses and are regarded as yet another political festival to demonstrate the people's unified support for the regime and its leader. To guarantee 100% participation, the local police typically ascertain the whereabouts of any absentees, who will be persecuted if they fail to turn out to vote. Voters gather together and march to the voting place. Voters who do not support the candidate must do extra work to mark their preference on the ballot, thereby publicly exposing their dissent. The regime usually announces virtually 100 percent participation and 100 percent support for the leadership as the result of the vote.

Free and fair  
elections

1

The power to govern does not originate from elections but from delegation from the top leader. All actors yielding considerable political power in the DPRK are effectively anti-democratic. There has been no democratic veto power to counter the top leader's personalistic rule. In addition to the impotent People's Supreme Assembly, even the deliberative bodies of the central party, such as the Politburo and the Central Committee, have hardly ever been convened. In fact, between 1994 and 2010, these entities have been neglected systematically in favor of the personal secretariat of Kim Jong-il. Since 2010, a number of meetings have been held, presumably to legitimize the rapid promotion Kim Jong-un, who now likewise holds the four most important offices of the party-state: First Secretary of the party's Central Committee, the First Chairman of the party's Central Military Commission, the Chairman of the National Defense Commission and the Supreme Commander of the Revolutionary Armed Forces. While, according to relevant rules, he is supposed to be elected for all these four positions, relevant organizations simply selected him to lead in order to demonstrate unanimous and absolute support for him.

Effective power to  
govern

1

As was the case in previous instances, Article 67 of the tenth revised constitution of 2010 guarantees freedom of association and assembly. However, the reality is that any organization exists as part of either the state or the party and that autonomous

Association /  
assembly rights

1

associations are nonexistent in North Korea. The regime fosters the atomization of the population by means of party organizations, police surveillance, informant networks and (threat of) deportation to prison camps. It is worth noting, though, that there were a few reports of mass gatherings in local cities in the second half of the 2000s to complain about measures of local authorities, such as too strong crack down of market activities.

Article 67 of the constitution also guarantees freedom of speech and of the press. The reality is that the mass media are party- or state-run, and are completely controlled by the political authorities. There is no need for censorship of dissenting media, because there is no independent media to censor. The opportunities of the population to receive independent information and horizontal communication have somewhat increased since mid-1990s with the expansion of market activities and cell phone usage, foreign contact via smuggled DVDs, CDs and USBs, and access to foreign radio programs. In addition, while the risk of political persecution is still high, it has become possible for citizens to criticize some aspects of the regime in private circles. Moreover, for the first time, in the face of an unusually high level of discontent, the regime openly apologized in early 2010 for money denomination measures implemented in November 2009. Yet since the beginning 2011, Kim Jong-un has played a central role in boosting the capacities of the Ministries of Public Security and State Security and, with active cooperation of the Chinese authorities, tightening border control.

Freedom of  
expression

1

### 3 | Rule of Law

There has been a relatively clear separation of roles and institutions, but no separation of powers in North Korea. All power is concentrated and centralized in top leader Kim Jong-un, who inherited the neopatrimonial system from his father Kim Jong-il in 2012. The leader stands above the law and delegates privileges and powers to members of the political elite to carry out political and administrative duties. The unity of power around the top leader does not exclude a relatively clear separation of roles and institutional differentiation among the party, the military, the cabinet, the security organizations and so on. There are, however, no checks and balances among them. On the one hand, the top leader distributes privileges and powers among the elite to help ensure his survival as absolute leader. On the other hand, each organization competes for increased allotment of power and rent opportunities through showing off loyalty and achievement to the top leader in a mode of zero-sum game. With the advancement of Kim Jong-un in 2009, the party-civilians and internal security organizations increased their share of privileges and power at the cost of the military and “Military-First” politics. This tendency also continued in 2011 and 2012.

Separation of  
powers

1



The judiciary is not independent and is rather a tool for both the state security complex and the management of state planning. Jang Sung-taek, the chairman for the party's Central Administrative Department, is in charge of the judiciary, and the country's main law enforcement agency, the Ministry of Public Security.

Independent  
judiciary  
1

He has been in the office since 2005 and is regarded the most powerful person apart from Kim Jong-un. Until the end of the 1980s, the North Korean regime retained control largely through the political surveillance function of party organizations in all areas of life. Since the late 1990s, the regime has noticeably strengthened its internal security institutions and has sought to differentiate and strengthen penal law and its implementation mechanisms. With the expansion of the market in the 2000s, North Korea created new economic regulatory laws and updated old ones, though has still not made laws for property protection and contract enforcement between private commercial dealings. In a nutshell, North Korea has been transitioning from rule by the party's political function to rule by law, enforced by the security agencies and the judiciary. In addition, the judges and prosecutors have benefited most from frequent market crackdowns since the second half of 2000s, which became important opportunities for receiving bribes. They are usually regarded as "the richest" by their neighbors, according to North Korean refugees interviewed in South Korea.

Office abuse is systemic up and down the bureaucratic ladder. Burdened by fiscal collapse in the mid-1990s, the regime had to encourage its central and local agencies to engage in financial self-support. Party-state officials too were forced to explore mechanisms of self-support in order to survive. At both the organizational and individual level, the primary response has been to take advantage of public positions for organizational and/or private gain. Since the late 1990s, the regime has frequently sent special inspection groups to lower-ranking units to fight "anti-socialist phenomena" including excessive corruption. However, these groups have been more interested in taking bribes themselves than in stamping out corruption. Though high-level corruption has been intermittently prosecuted, this has generally been done for the purpose of political purges rather than for law-enforcement aims. More than 30 top officials, who were purged during the power succession in the period of 2009 – 2012, were accused of corruption and for stealing a huge sum of foreign currency.

Prosecution of  
office abuse  
1

Chapter 5 of the constitution guarantees basic civil rights. The reality is that the regime ignores civil rights and carries out repression when presented with even the most insignificant political resistance from the population. Traditionally, law enforcement has been applied discriminately depending on the individual's political attribution, such as his or her membership to the party or strength of personal patronage network, and, more recently, his or her ability to provide bribes. Public executions and sudden deportations without due process persist. Also, mistreatment and torture at labor and prison camps are still widespread. Between 150,000 and 200,000 people are estimated to be detained in such camps. Moreover, freedom of movement is heavily restricted and requires official permission. In addition, the

Civil rights  
1

control of the border with China has significantly tightened, and those caught attempting to flee the country are usually sent to prison camps. Finally, with the drastic increase of corruption since the 1990s, law enforcement has become a kind of private business both for officials and organizations regarding public and state security, and prosecution and judicature, which has also inhibited civil rights.

#### 4 | Stability of Democratic Institutions

There are no democratic institutions as such in North Korea. The regime's record of performance is one of chronic policy failure and permanent crisis with regard to welfare of the population. The most conspicuous failures included the great famine and the virtual collapse of state administration in the mid-1990s.

Performance of democratic institutions  
1

There are no meaningful trends within the regime in favor of reform or opening, much less of democratization. In fact, North Korea has strengthened its conservative hardline policy since 2005. Contrary to the expectations of some outside observers, the new leader Kim Jong-un has not altered his father's domestic or foreign policy.

Commitment to democratic institutions  
1

#### 5 | Political and Social Integration

North Korea's political system is based on the principle of one-party dictatorship. In practice, the Korean Workers' Party lost all residue of political function for interest articulation and aggregation by the 1960s with the final consolidation of absolute personal dictatorship. The party transformed into an instrument of personal rule and top-down domination maintained by rent distribution and totalitarian control. Since the mid-1990s, the party's organizational discipline has been weakened, however. Its sub-organizations and individual members have increased their engagement in corruption and rent-seeking, as the government has often ceased to pay salaries for party officials and civil servants such as teachers or petty bureaucrats. The party has also lost its political primacy to the military since mid-1990s. The advancement of the second hereditary succession to Kim Jong-un since 2009 has been accompanied by attempts to re-strengthen central and local party structures. The rehabilitation of the central party organizations was basically completed by April 2012. The rehabilitation of the local part organizations and other mass organizations started in 2013.

Party system  
1

North Korea has long been extremely segmented along bureaucratic lines, regional domains, and other stratifications of power. Kim Jong-il took advantage of this segmentation to strengthen his personal power by promoting competition for his favor between bureaucratic and regional groups. Each segment can be understood as a latent interest group seeking to increase its allotment of resources from the center, but not as a mediating power between society and the political system. With the

Interest groups  
1

passage of time, there seemed to have emerged three powerful and latent interest groups in North Korea: the party, the field military and the military-industrial complex. The party is a members-only club of the privileged class in North Korea. The field military is responsible for defense but also, with its over one million soldiers, is in charge of the most efficient part of North Korea's work force. The military-industrial complex is responsible for developing weapons of mass destruction and has proved itself as the most essential part of maintaining North Korea's negotiating position with neighboring countries. Though autonomous interest-seeking and interest realization is strictly checked by the necessity to promote the absolute power of the leader above all other goals, beneath a façade of absolute one man dictatorship, the three groups compete strongly for favor, power and resources.

Though no survey data on support for democracy is available, an educated guess can be provided. With the increased contact with South Korean DVDs, CDs and commodities, smuggled through China and sold at local markets in North Korea, North Koreans in general have more knowledge about various aspects of life in the South. Though popularity and even admiration for cultural and commercial goods from the South can be observed in the North, support for the South's political and economic system is still meek and limited to a very narrow group of people.

Approval of  
democracy  
n/a

The regime has long promoted the fragmentation of the population. The individual has been dependent on and controlled by the party-state in almost every regard. However, such dependency has been weakened, at least economically, since the early 1990s with the collapse of the plan and ration system and with the expansion of commercial activities. This shift has also been accompanied by a weakening of traditional party and plan disciplinary mechanisms, and through the rapid spread of corruption. As a way to overcome the ubiquitous uncertainty in daily life – due to the capricious behavior of public authorities and non-existence of any social safety nets – private networks and patron-client relations have become indispensable for individual survival. Essentially, only those with proximity to the powerful can become rich by gaining privileged access to opportunities and by exploiting weak institutions. In addition, the still very strong mechanisms of surveillance and control by the regime have made it very difficult to engage in horizontal communication and cooperation. North Koreans in general still remain divided and distrustful of each other.

Social capital  
1

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Poverty and inequality are extensive and structurally ingrained because the distribution of scarce resources is highly unequal and exclusive. A 2013 World Food Program survey found that eight out of 10 families are suffering from malnutrition with little access to protein-rich foods. Famine and malnutrition have been ongoing phenomena since the early 1990s in varying intensities, which can largely be attributed to shortage of fertilizer, lack of modern agricultural equipment, overuse of soil, and little economic incentives for production. Kim Jong-un in his “June 28” (2012) policy raised the incentive for increased grain production by announcing that farmers can keep 30% of their harvest, ceding only 70% to the authorities. It remains to be seen whether this policy change is being implemented and whether it has yielded any positive results in terms of combating malnutrition and reducing the dependence on foreign food aid. North Korea has been a status society, where individual’s place in the society is determined by his or her political ascription. An individual’s education, ability to acquire party membership, means of transportation, residence and quality of ration is typically dependent on the status of that person’s father or grandfather. Kim family members, the descendants of anti-Japanese guerillas, and “heroes of socialist construction” have constituted the most privileged groups. People whom the regime considers to be politically reliable and core supporters of the regime are allowed to live in Pyongyang, while the most unreliable ones have to work as farmers in rural areas. The expansion of the market since the 1990s has not changed the scene significantly. The regime has been able to control the entry and distribution of rent opportunities and “corruption licenses” in the expanding market in favor of regime-friendly social groups. For example, the trading companies run by the military, the party and other regime organizations have monopolized the import and export sectors,. While the regime has not seriously tried to resuscitate domestic manufacturing and increase employment since the mid-1990s, it has received the bulk of the country’s revenues, including foreign aid and profits from the export of primary goods, especially minerals. The regime then distributes resources discriminately, favoring loyal groups and organizations.

Question  
Score

Socioeconomic  
barriers  
2

### 7 | Organization of the Market and Competition

Due to a lack of resources since the early 1990s, North Korea’s command economy has been operating so poorly, it has lacked a coherent “national plan”. Alongside the official, but partly defunct, command economy, commercial activities controlled by

Market-based  
competition  
1

regime agencies have proliferated since the mid-1990s to provide sources of alternative revenue. Meanwhile, the regime has officially stuck to the principles of a command economy, mainly to maintain its monopoly of major economic sectors. With the collapse of central budgeting since the early 1990s, foreign currency earning activities have since been monopolized by trading companies under the direct control of Kim Jong-il. Major regime organizations function as economic monopolies, which guarantee rent opportunities in exchange for loyalties. They compete for resources and business licenses from Kim Jong-un by displaying loyalty and political indispensability. With the distribution of monopoly rights among regime organizations, the national economy has been divided into virtually independent domains run by the party, the military, the cabinet, and other state entities. Though the cabinet has been in charge of maintaining the basic infrastructure of the economy, attempts for economic recovery have frequently been sidelined by the needs of the regime leadership to accommodate the needs of the military and the production of weapons of mass destruction. Private entrepreneurs are afforded business opportunities only as hired agents for public organizations' commercial activities. The regime only condones independent private sector activities that operate at the subsistence level. These take place under an increasingly competitive environment and they have to muddle through red tape and pay bribes to officials on all levels.

Kim Jong-il sponsored and bequeathed to Kim Jong-un a large variety of monopolies as a means of both raising revenue and maintaining loyalties through distributing rent opportunities. The most important of such opportunities is export and import licenses. The supreme leader monopolizes the rights to assign these, and distributes them to major agencies of the party, the military and the internal security services. Trading companies affiliated with major party agencies, the military and internal security services have taken advantage of the huge gaps between domestic and international prices, occupying positions that determine the market. Their main export goods have mainly consisted of natural resources and extractive products such as transition metals, minerals, timber, seafood, mushrooms and various herbs. In addition, the party-state bureaucracy intervenes extensively in the economy to restrict competitive entry and to authorize monopolies. With the so-called "market crackdown", the regime did not intend to eliminate domestic commercial transactions, but rather to reorganize the economic spectrum to favor regime-friendly groups and individuals, including policemen, prosecutors and judges. At the same time, the regime has selectively and periodically purged non-regime-friendly merchants from the market.

The top leader strictly monitors and controls foreign trade, as it is the source of foreign currency and thus indispensable for the survival of the regime. The agencies and individuals engaged in foreign trade have been intensively monitored and controlled by the Ministry of State Security with regard to foreign contacts and foreign currency embezzlements. The regime periodically loosens and strengthens its control over foreign trade. During the 2000-2004 period, for example, the regime

Anti-monopoly  
policy

1

Liberalization of  
foreign trade

1

took a rather permissive attitude to market expansion and foreign trade. As a result, many unauthorized trading companies, often affiliated with various units of the military, took part in foreign trade. Since 2005, the regime has sought to restrict market expansion and recentralize foreign trade. With the completion of power succession to Kim Jong-un in April 2012, the party-civilians have advanced as the most powerful group, while the military has lost ground. This shift in power was reflected in the reduction of the military's trade licenses and the downsizing of trading companies affiliated with the military in 2012. Smuggling has been vibrant along the border with China and since 2010, Kim Jong-un has been successful in strengthening border control with cooperation from China, the country's most important and indispensable trading partner. North Korea's trading activities have been strongly constrained by sanctions from the U.N. Security Council, European Union and individual countries for its development of weapons of mass destruction, human rights abuses and illicit activities. The sanctions stretch out over a wide array of goods, products and services for export and import, from the procurement of arms and related materials, to the export of luxury goods, to the international flow of funds and economic resources.

Banking is a state monopoly, which has enabled the regime to monitor the economic activities of state firms and agencies. In addition, there are trade banks affiliated with the party, the military and other state institutions that serve their independent foreign-currency earning activities. Kim Jong-il has in reality regarded the trade banks of the regime organizations as his personal fund management system. For example, Kim Jong-il loaned foreign currency from his "revolutionary fund" to certain state companies, while endowing them with special privileges, such as import bans on certain products, so that the money will be surely repaid.

Outside the bookkeeping roles for the state companies and agencies, the state banking system has been virtually useless. State banks receive personal deposits. However, they typically do not return such deposits. Therefore, people do not bring their money to the bank. Consequently, money issued by the central bank does not flow back into the state banking system. This problem became especially serious with the expansion of market-based activity in the 1990s. Money increasingly flows and is held outside the state financial system, while the state is starved of cash. Therefore, the state has periodically resorted to radical measures such as monetary reform to coerce the population into giving up its money. The last such activity were the "money exchange measures" of November 2009. As a substitute for the state banking system, informal and illegal private banking facilities have gradually developed in parallel with the market expansion since the mid-1990s.

Banking system

1

## 8 | Currency and Price Stability

North Korea has no independent central bank. The top leader ultimately carries out strict centralized management of foreign currency. Though illegal and politically risky, the state and private individuals have preferred foreign currencies including the Chinese yuan, euro, U.S. dollar and Japanese yen to the domestic currency, the North Korean won, for many years. Therefore, there has long been a wide gap between the official and black market foreign exchange rates. Starting in the mid-1990s, even some transactions between state firms have been conducted in foreign currency, if not on the basis of barter. The problem of inflation has become pronounced, especially since the early 2000s, with expansion of the market. Since 2010, the inflation rate accelerated to particularly high levels in the aftermath of the money exchange measures of November 2009. It is suspected that the super rapid inflation has been exploited as a tax mechanism by the regime, which has had no functional tax system since the mid-1990s. Since 2010, accelerated inflation has also brought about an even stronger preference for foreign currency over domestic currency. Foreign currencies, especially the Chinese yuan along the border areas to China and the U.S. dollar in inland areas, have become major instruments not only of value holding, which has existed for many years, stored in clandestine places to avoid confiscation, but also of every day small exchanges in the market place since 2010.

Anti-inflation /  
forex policy

1

North Korean economic policy has been characterized by continuous policy failure, the inability to generate stable economic growth and a high rate of inflation. The reasons for this include the following: a prioritization of regime survival over economic efficiency; the primacy of a “defense-industry first policy”; the chaotic coexistence of a command economy and market transactions; the lack of a functioning financial system; rampant corruption and rent-seeking; a woefully underdeveloped domestic manufacturing and consumer industry; and trade monopolies. With the official inception of power succession to Kim Jong-un in 2009, the regime announced it would “open the gate of a strong and prosperous great country in 2012.” This project included constructing several monumental buildings and other showcase facilities in Pyongyang and also building capacities for nuclear weapons and intercontinental missiles as an ultimate deterrent against a “hostile” outside world. These regime projects demanded a drastic increase of investment and national mobilization during the period of 2009 – 2012. However, they have not contributed to the economic rehabilitation of the country.

Macrostability

1

## 9 | Private Property

Nearly all property, including imports, exports and domestically produced goods, belongs to the state. The regime’s disregard for the property rights of its people was demonstrated through the money exchange measures in November 2009. The

Property rights

1

disregard for both the property rights of foreign investors and contract enforcement has been the core reason behind most of the failures of Chinese and South Korean investments in North Korea. An exception was South Korean business investments in the Kaesung industrial complex until early 2013, despite political tensions between the two Korean states. Officially, the large majority of productive properties still fall into the category of “property owned by the whole people.” However, fiscal constraints have weakened the state’s ability to control its own property, leading to a substantial increase in administrative agents’ control over the portion of state property falling into their individual domains. The expansion of the market has been accompanied by the emergence of de facto private ownership over productive means, though illegal and taking place on a small scale. In some cases, parts of state firms’ facilities have been leased to private businesses.

The rate of commercial activity has risen dramatically since the mid-1990s, although private business remains illegal. The main participants fall into one of two categories: first, the local subsidiaries of trading companies run by either major party agencies, the military or the security services; and second, subsistence-level merchants or household businesses. The first category combines public and private actors. The major public agencies have hired private entrepreneurs as their commercial agents, giving them the status of public officials. While members of the second category can be classified as private businesses, they are illegal and must maintain good relations with agents of the party-state in order to protect their business from discretionary intervention. There have been attempts by North Korea to induce private investments from South Korea and China for joint venture. However, the North Korean partners, usually affiliated with trading companies of the party or the military, have been notorious for unreliability. North Korea also hosted South Korean private firms in the Kaesung industrial complex and Keumgang tourist zone, both in North Korean territory, through monopoly contracts between Kim Jong-il and South Korean chaebols. The two projects have suffered from the whims of varying political needs of the North Korean leaders. The Keumgang tourist zone was closed in 2008 and the Kaesung complex in 2013.

Private enterprise

1

## 10 | Welfare Regime

Beneath the surface of a command economy, an insufficient and asymmetrical self-help system has emerged in which citizens lacking the social status or ability to obtain profits from illegal private economic activity are without any social safeguards. Government-funded social safety nets are virtually nonexistent, and international humanitarian assistance can only compensate for a portion of systematic state failure. Until the end of the 1980s, the state guaranteed comprehensive social security. Since the early 1990s, the state has lacked the capacity and perhaps even the will to provide the population with basic human needs, while family and village structures crumbled

Social safety nets

1



under the burden of extended famine. The consequences of the “Arduous March,” as the famine was officially coined, can be reconstructed on the basis of changing patterns of mortality. Life expectancy, which had been higher than in South Korea for most of the Cold War years, peaked in 1989 (70.5 years), dramatically declined until 1998 (64.4) and has only partly recovered as of 2011 (68.7), according to World Bank statistics. International humanitarian assistance began in 1995, but aid fatigue and the regime’s lack of cooperation with international partners led to a gradual decline in assistance levels in the second half of the 2000s.

There are many limitations to equal opportunity in North Korea. First of all, the rigid Songbun (lit. “constituent”) system of status classification based on an individual’s assumed level of loyalty to the regime only grants privileges to some. Likewise, the principle of guilt by association also puts many at a disadvantage. Thirdly, a strict restriction on movement from rural districts to the city prevents many from seeking a better life. Also, the still strong patriarchal tradition puts women at a disadvantage, though opportunities for basic education and economic activities have been roughly equal for both men and women. Still, as measures for downsizing the state sector in early 2000s, women were massively dismissed and allowed to participate in commercial activities. Thereafter, women’s enhanced economic status in the family caused increased level of feuds between husband and wife. Another characteristic of North Korean society that limits equal opportunity is the strict prohibition of any autonomous religious activity. Additionally, the spread of corruption favors the politically powerful and those with the right political connections. Finally, access to education is highly unequal with opportunities assigned according to political ascription and urban and rural location. Moreover, the school system, though still nominally free, has only been maintained by various contributions from students and parents since mid-1990s, resulting in a new type of discrimination against the poor.

It should also be noted, however, that the expansion of the private market has opened a marginal space for the commercially talented, regardless of the individual’s social status.

## 11 | Economic Performance

The Bank of (South) Korea estimates that the North Korean economy contracted by 34.9% between 1990 and 1998, and grew by 20.5 % between 1999 and 2011. Despite the recent growth, the economic situation still remains disastrous. The same bank estimated North Korea’s 2011 growth rate to be 0.8%. Due to continuous mismanagement of the economy, since 2000 North Korea has periodically suffered from high rates of inflation. Inflation accelerated after the failed currency reform of November 2009. Due to severe energy shortages and outdated machinery, since the second half of the 1990s industry has been operating at 20% to 30% of its former capacity, according to estimates. North Korea has not achieved a condition of trade

Equal opportunity  
2

Output strength  
1

surplus since the early 1990s, and its trade deficit topped \$1 billion in 2005. The total trade volume amounted to about \$8 billion in 2011, of which trade with China constituted 70% and with South Korea 21.3%. Total exports amounted to \$3.7 billion, of which 56.3% could be regarded as primary goods. The country suffered from a chronic food deficit of between 1 million and 1.2 million tons throughout the second half of the 2000s. The deficit has narrowed somewhat since 2010; 739,000 tons for 2012 and 507,000 tons for 2013. The official announcements of state budget figures are extremely unreliable. Reliable tax collection seems to be nonexistent. Both the population and individual party-state agencies are constantly called upon to donate whatever is available, including money, labor, waste and compost.

## 12 | Sustainability

North Korea has pursued resource-intensive industrial growth, failing to take environmental concerns into account. Due to shortages of arable land, hillsides have been cultivated. Shortages of firewood have led scrub and small trees to be cut down. The situation has been significantly aggravated since the mid-1990s. Confronted with starvation, the population cultivated all seemingly arable land, with private plots reaching the tops of mountains. The environmental consequences have been disastrous, as the rain has washed out the fertile soil from the depleted mountains and polluted the rivers. Natural resources including timber and seafood have been excessively exploited to meet short-term goals of increasing exports. Even industrial waste has been imported in exchange for foreign currency. At the same time, the very low level of industrial activity, about 20% to 30% of capacity, may have mitigated environmental problems somewhat. Neither the small number of environmentally ambitious projects launched by foreign NGOs and aid agencies, nor the few solar-powered street lamps along one prominent street in Pyongyang change the overall dismal picture in any significant way. The environmental devastation, especially since the early 1990s, has contributed to North Korea being named as the 7th most affected country in the world by extreme weather events in the period of 1992-2011, according to the Long-Term Climate Risk Index published by German Watch in 2013.

With the onset of economic hardship in the early 1990s, North Korea's education system virtually collapsed with the exception of a few Potemkin schools in Pyongyang. Facing the threat of starvation, teachers and students left to scavenge for food or to participate in commercial activities. Conditions improved somewhat in the 2000s. However, schools must still support themselves; though nominally free of charge, they levy donations and mobilize students to provide free labor under a variety of pretexts. Due to lack of state support, teachers have been virtually paid privately by parents in exchange for various kinds of favoritism. The regime has also announced it would extend the period of compulsory education from 11 to 12 years

Environmental  
policy  
1

Education policy /  
R&D  
3

in 2012, though without offering any reforms or increased investment in the education sector.

North Korean authorities usually emphasize the importance of scientific R&D investments. Since 2010, North Korea has vowed to develop a “knowledge-based economy” and to achieve “breakthroughs in high technologies.” The results can only be guessed from their ability to produce weapons of mass destruction. The regime experimented with its second nuclear device in 2009, displayed its capacity for industrial-level production of enriched uranium in 2010, and successfully brought a satellite into orbit in 2012. Some steps forward have also been made in the field of information technology.

# Transformation Management

## I. Level of Difficulty

The on-going humanitarian and economic crisis in North Korea has been caused not by natural or historical constraints of the country, but by the regime's recurrent deliberate policy choices. Apart from maintaining a few essential institutions for regime security and survival, with regard to the general quality of governance, North Korea resembles a failing state. The regime has been able to sustain itself and its privileges, not in spite of, but because of the collapse of the country's infrastructure, weak institutions, endemic poverty and natural disasters.

Structural  
constraints

7

Structural constraints for the initiation of development are seemingly infinite. First of all, with regard to state and administration, constraints include: state capture by an autocratic leader and his loyalists, overgrowth of political and security institutions, rampant corruption and weak institutions, and long-lasting underinvestment in capacity for provision of public goods by the state. With regard to the economy, some constraints are: the overgrowth of the defense and military-industrial sectors, the collapse of infrastructure for manufacturing and employment, lack of protection for property rights, no third-party contract enforcement, depreciation in human resource capacity and depredation of institutions needed for nurturing human capital. In social terms, constraints include: a wide gap between rich and poor and between the privileged and the powerless, prolonged neglect of basic human needs, a lopsided structure of opportunity and human capital in favor of regime loyalists, generalized social distrust and lack of faith in meritocracy, and widespread patron-client networks for individual favoritism.

North Korea's historical trajectory has shown no trace of civil society development. North Korea's population has successively experienced periods of feudal domination, Japanese colonial rule and highly personalized Communist totalitarianism. While there have been some changes since the early 1990s, none of these have provided fertile ground for interest groups. First, with the regime's fiscal deterioration, Stalinist mechanisms of societal penetration and control have weakened. Second, horizontal economic connections have emerged as a consequence of market expansion. Third, North Koreans' contacts with the outside world increased as international humanitarian assistance began in 1995, and again with the expansion of inter-Korean exchanges in the 2000s. Fourth, in the latter half of the 2000s,

Civil society  
traditions

10

international and South Korean human rights NGOs stepped up efforts to influence the North Korean population's attitude toward the regime. However, as more information from the outside world has slipped in, the regime has strengthened extensive networks and complex mechanisms able to foster mutual mistrust and feelings of physical insecurity among individuals. In 2011-2012, the regime tightened control of border with China through cooperation with Chinese authorities, which built wire entanglements on its side of the border. Therefore, due not only to the potential crackdown by authorities, but to deeply engrained cultural mistrust, North Korea appears worlds away from establishing any civil society traditions.

North Korean politics has long been characterized by very low levels of internal conflict both among elites and between the regime and society. Regime policies have periodically resulted in significant failure without provoking resistance from the population. In fact, the serious famine of the second half of the 1990s did not even spark protest. However, several factors have gradually, if not as rapidly as expected, triggered private expressions of discontent: market expansion, the increased information supply from the outside (especially from South Korea), and increased levels of refugee and commercial travels to and from China. In addition, the regime's interventions in the matters of everyday life such as setting an age limit of 40 years for merchants in market places, and bans on women bicycle riding and trouser wearing, provoked verbal and physical contentions between ordinary individuals and lower level officials. In particular, the money exchange measures in November 2009 aggravated relations between the regime and society. In February 2010, for the first time in the history of North Korea, the prime minister apologized for disruptions to the economy. And in March, the two high-ranking officials nominally responsible for the money exchange measures were publicly executed. The seemingly high tension between the regime and society in 2010, due to the aftermath of the money exchange measures in November 2009, has gradually passed. Reports have increased that ordinary people are complaining about political and policy matters and that some elementary resistance is afoot, such as an increase in critical scribbling and leaflets. However, on overt conflict between regime and society appears far off. Still, the young leader Kim Jong-un is regarded as lacking the same level of authority as his father among competing regime organizations and the population. Though the emergence of the new leader has also raised some expectations of reform both internally and internationally, the year 2012 passed without any noticeable change.

Conflict intensity

3

## II. Management Performance

### 14 | Steering Capability

Question  
Score

The North Korean regime has shown a remarkable capacity to maintain its core strategic priorities over extended periods of time. However, these policies are not designed with the intention to initiate transformation toward democracy and market economy.

Prioritization  
1

The regime has been willing to accept permanent economic doldrums for the general population, the risk of further economic and diplomatic sanctions, and the aggravation of internal conditions, in exchange for maintaining its strategic priorities. It is believed that, since 2005, the North Korean regime has put forward five strategic objectives, which proved to have been gradually radicalized with the passage of time. They are as follows: first, to proceed with the acquisition of nuclear and missile capabilities as a nonnegotiable deterrent at all costs and be acknowledged as a nuclear power by the international community; second, as a nuclear power, to normalize relations and conclude a peace treaty with the United States on its own terms; third, to establish vertical relations with South Korea in which the South will provide political and economic support for the regime; fourth, to secure the necessary funds to maintain the regime by actively developing diverse foreign currency earning projects (e.g., mineral exports, influx of foreign aid), while striving to contain any reform measures that could increase productivity of the domestic economy; fifth, to maintain internal political stability through preferential treatment of groups loyal to the regime and by strengthening the security forces. Particularly since late 2008, the regime has intensified offensives aimed at coercing South Korea and the United States to accept the five objectives, provoking stronger counter-measures from the latter countries. North Korea followed through with the experimental launch of a satellite or missile on 12 December 2012, and a third nuclear device test in early 2013. In addition, the regime has also not significantly changed its hardened domestic policy since 2008.

Because North Korea's economic situation is so dire, and the domestic and foreign policy is so irrational, the international community has expressed very strong wishes that North Korea change its course. For many years, observers have speculated that North Korea is either about to change its policy or is on the brink of collapse. Once again, the seemingly hasty organized power succession in the period of 2009 – 2012 spurred expectations that the regime might collapse during the power transition due to conflicts among elites. Observers also speculated that Kim Jong-un, who is Swiss-educated and a young leader in his late twenties, would be an enlightened absolute

ruler and initiate a new course of reform and opening. Yet Kim Jong-un betrayed outside wishes and speculations about a change of course, at least as of early 2013. Once again, it is said that he has not yet had enough time to realize his dream of national revival.

In implementing the regime's top priority of safeguarding its own existence, North Korea's government has been quite successful. It has stuck tenaciously to its strategic objectives even when confronted with internal difficulties and outside opposition. Most remarkable have been its achievements in developing nuclear weapons and missile capacity. The regime has recently been less successful in blackmailing South Korea and the United States, as the intensified provocations against these two states since 2009 have not had the desired results of recognition as a nuclear power, direct peace talks with the United States, or unconditional aid. Meanwhile, in the period between 2009 and 2012, the domestic economy has stagnated, while exploitation of domestic resources to fund the above mentioned projects has significantly intensified. Recent policies have even resulted in famine in the Hwanghae province, the rice basket of North Korea, due to excessive confiscation of food to feed the military and the people allowed to live in Pyongyang.

Though there has been speculation since the early 1990s that the regime would be willing to implement reforms, there have been no serious efforts to do so through official policy apart from the short period of 2000 – 2004. This period ended when party conservatives and the military-industrial complex rejected cabinet members' plan for bold reform. Since 2008, the regime has intensified its repression of market activities and strengthened its internal security apparatus. It is likely that there was some discussion and preparation for reform measures to follow the power succession to Kim Jong-un in the second half of 2012, but that they fizzled out.

The regime has stuck to its basic policy orientation even when faced with recurrent policy failures, as well as with expanded exposure to the outside world.

Observers assumed that North Koreans' increased contact with the outside world over the last 20 years would lead to policy changes. Such contact has come about through a number of learning delegations, North Korean diplomats and trade agents, students in foreign universities, and workers in China, Russia and other countries. In addition to North Korean delegations being sent abroad to learn firsthand about how market economies function, there have been crash courses in market economics held in the country as well. Intermittently, the regime has even organized official learning delegations to China and Vietnam to prepare for some reform measures. Moreover, North Koreans are increasingly influenced by South Korean culture infiltration, namely from North Korean refugees residing in South Korea. However, all this influence has not been powerful enough to introduce any significant change to North Korea's domestic policy. The problem may have been that the influence from abroad has too starkly contradicted the established interests of the regime and the privileged

Implementation

1

Policy learning

2

class. Economic strategies of command and public mobilization have been noticeably revived, particularly in the period from 2009 to 2012. Kim Jong-un maintained the status quo through 2012 and reinforced it in his 2013 New Year's Editorial.

## 15 | Resource Efficiency

The regime measures resource efficiency in terms of regime survival, including maintaining the military-industrial complex, funding the security apparatus, protecting privileges, such as career opportunities and rent appropriation, for the members of regime loyalists, and developing weapons of mass destruction. Though all these have been quite detrimental in the sense of efficient asset use with regard to poverty reduction and economic growth, the regime has been quite successful in achieving its own objectives. The experiences hitherto suggest that the regime will be in no mood to change the existing mode of resource use in the foreseeable future. There is no reliable data on the budget deficit of the North Korean economy, but the hyperinflation evident in the 350-fold rise of the price of rice between the 2009 currency reform and early 2013 shows that the regime must have deliberately and continuously run a huge deficit, even though the account deficit is believed to have been much lower in 2011 and 2012 than before. The extremely segmented socialist bureaucracy of dictatorship that existed till the late 1980s has only deteriorated. It has been gradually saturated with rampant corruption, has lost the function for provision of public goods, and has resorted to predatory methods to ensure its survival.

While the top-down coordination of a core set of objectives vital to regime survival has worked well, the regime has been unable to harmonize a wider array of conflicting objectives toward a coherent policy. The North Korean regime has been characterized by bureaucratic segmentation with a very low level of horizontal communication. Kim Jong-il, and now Kim Jong-un, has served as the top ranking and indeed the sole coordinator between the military-industrial complex, the party and its economic subsidiaries, and the civilian economy under the control of the cabinet. Behind the facade of this “macro” segmentation, “micro” segmentations have long existed within each bureaucratic unit. Decision-making power was concentrated with Kim Jong-il and remains so with Kim Jong-un. Major bureaucratic units typically make policy proposals directly to Kim, and receive approval from him independently. In many cases, approved policies contradict one another. His capricious decisions made during so-called “on the spot guidance” sessions frequently cause abrupt disruptions in resource distribution and economic operations. In reality, there has been no effective national economic policy, but rather an aggregate of independent economic undertakings by competing bureaucratic agencies aimed at self-support. Even though the regime frequently and strongly emphasizes the necessity for “enhancing the role of the cabinet in the economic management” and the importance of “improving people’s living,” there have been no

Efficient use of  
assets

1

Policy  
coordination

4



noticeable achievements in those regards due to resistances from more politically powerful interests. These general circumstances have not changed with the inauguration of Kim Jong-un as the supreme leader, who also wants powerful regime organizations to compete for his favors. It appears competition for influence has increased between the newly advanced group of civilian party elites and the formerly more powerful military elites since Kim Jong-un was inaugurated in April 2012.

Corruption is rampant in North Korea. Corruption within the bureaucracy has been used by the regime as a systemic device to extract rents from the populace while simultaneously securing loyalty and revenues for the regime. State officials are paid below subsistence-level wages, leading them to corruption in order to make ends meet. Anti-corruption campaigns have been carried out not in order to reduce corruption, but for the purposes of enhancing political discipline and regaining control. The top leader and higher-level officials capture a greater part of illicit revenue through threats to either redistribute the rent-seeking opportunities or through threats to dismiss disloyal lower officials on the pretext of corruption. In addition, authorities maintain an extensive surveillance capacity and constantly send special teams on inspection tours, allegedly to punish “anti-socialist phenomena.” Rampant corruption does not mean that the authority of the top leader and the regime has broken down.

Anti-corruption  
policy  
2

## 16 | Consensus-Building

There is no strategic consensus on democracy and the market economy in North Korea. It can only be assumed that many North Koreans, including some members of the elite, use the technique of “doublethink.” That is, they have to maintain and express absolute loyalty to the regime to survive politically and physically, while constantly transgressing official policies and privately wishing for more efficient and humane arrangements. In reality, in North Korea there is no voluntary civic consensus on goals whatsoever, though on the surface absolute unanimity is the rule of the country. Enthusiastic support for both the leader and national goals remain the façade of the system and are demonstrated and choreographed in enthusiastic public remarks, as well as in diverse cultural forms. One representative of the latter included the totalitarian Arirang mass games annually held between August and October in the period of 2002–2012, mobilizing about 100,000 students as actors in the game, which is held in the Rungrado May Stadium in Pyongyang. What is absolutely absent in this façade of absolute unity is the voluntary consensus, which could only be formed through civic participation and the democratic process of deliberation. Behind the façade of unity, regime agencies promoting narrow organizational interests. Likewise, individuals search for ways for private improvement in the sea of rampant corruption, nullifying any remnants of the public spirit. Based on refugee

Consensus on goals  
1

testimonies, it can be guessed that, in fact, much of the population has private opinions that differ from the ideology of the regime.

There are no political actors advocating for democratization that are able to counter or co-opt anti-democratic powers. The completion of the second hereditary succession from Kim Jong-il to Kim Jong-un in April 2012 once again confirmed the elite's tacit consensus for the continuation of the status quo. The process of hasty succession in the period of 2009-2012 was accompanied by the radicalization of the regime's domestic and foreign policy. Kim Jong-un, the designated successor, played the second most important role in this process after his father, Kim Jong-il. The composition of the new leadership under Kim Jong-un has not significantly changed, though there were some selective purges.

Anti-democratic  
actors

1

North Korea has always been a segmented society. Kim Jong-il and his regime have consciously expanded this segmentation, making use of it in order to maintain the dictatorship. Complemented by various mechanisms of internal security, the principle of "divide and rule" has been taken advantage of for political stabilization. The population has been classified into several groups based on political ascription. The regime itself is segmented along vertical bureaucratic lines, with horizontal communication difficult. Wide gaps in opportunity and welfare have been artificially maintained between Pyongyang and the rest of the country, and more broadly between urban and rural areas. Recently, wide gaps between rich and poor have emerged, with the state making no effort to stop them from widening further.

Cleavage /  
conflict  
management

2

Although the leadership claims to act on behalf of the people, there is no civic participation in the process of governing or decision-making. The big parades and mass mobilization campaigns are planned in detail by the party, and should not be confused with genuine public support.

Civil society  
participation

1

Much past injustice awaits reconciliation. The regime has put about 27% of the population into the category of "hostile classes," regarding and treating them as potential enemies of the state. The regime has also maintained political concentration camps since 1947, with about 200,000 known detainees since the 1980s. The number of public executions registered by the North Korean Human Rights Database Center, a South Korean NGO, fluctuated between 100 and 200 per year during the 1995-1998 period. Executions and arbitrary legal decisions continue today. There have also been numerous cases of purges, illegal arrests, torture, confinements and deportations. History is constantly rewritten in order to justify the Kim family's status, which entails blaming others for injustices and adversities and mobilizing the masses against internal – and especially external – political enemies.

Reconciliation

1

## 17 | International Cooperation

International assistance has never been a part of a development strategy, but rather accepted selectively and sporadically to strengthen the regime, which has always tried to negotiate with donors in its favor. The regime has allowed an inflow of international assistance in the form of knowledge transfers, capacity building and other cooperative undertakings only insofar as these have not endangered maintenance of the regime. The terms of delivering food and other goods for humanitarian purposes have also always been strongly and politically contentious issues between North Korea and international donors. Therefore, even though there is a fairly long history of engagement with international assistance organizations stretching back to 1995, North Korea's level of cooperation has remained at the most elementary level, focused on intermittent emergency humanitarian assistance. Due to difficulty in maintaining this partnership, as well as North Korea's security provocations, the level of foreign aid declined significantly during the second half of the 2000s. Looking ahead, North Korea's missile test on 12 December 2012 and the threat of a third nuclear test in January 2013, it is unlikely North Korea's cooperation with international organizations will improve in the foreseeable future.

Effective use of support

1

Relations between the North Korean regime and the international community have always been characterized by mistrust. The regime fears that increased contact with the outside world on other nations' terms would undermine its own internal security. It has persistently tried to limit and manipulate engagement with the international community to its own benefit. However, other countries have largely refused to accept North Korea's demands, which have contradicted international norms and principles of engagement. During times of relative amity, the regime and the international community have been able to forge some compromises. However, these brief moments of tepid relations typically deteriorate due to security-related disputes. The mistrust between North Korea and neighboring countries increased in the period of 2009 – 2012, passing through the breakdown of the six-party talks in early 2009 and North Korea's military provocations afterwards. Especially, the "Leap Day Deal" with the United State on February 29, 2012 was broken in less than two months by North Korea's missile launch experiment on April 13, 2012. North Korea agreed to suspend its development of weapons of mass destruction in exchange for the provision of nutritional assistance. Yet the long record of broken promises significantly hampers the prospect of any new agreements with North Korea.

Credibility

1

North Korea's relations with neighboring countries have been strained. Poor relations are mainly due to three factors, namely North Korea's development of weapons of mass destruction, its persistent rejection of internal reform and opening, and its paranoia over its own internal security. Whenever there were signs of changes with regard to these three factors, there were periods of thaw and increased cooperation

Regional cooperation

1

with outside actors. Such periods occurred in the early 1990s and in the first half of 2000s and in 2007. Regrettably, the last thaw did not last long and a new phase of retrenchment has begun. As a result, North Korea has been an isolated island amid centers of economic growth, and has served to obstruct economic integration between South Korea, China and Japan.

While North Korea's relations with South Korea and Japan have remained stagnant or regressive, those with China have been boosted. China's rapidly growing demand for raw materials and North Korea's dire demand for foreign currency needed to import goods have stimulated trade between the two countries.

North Korea's continuous provocations and threats, even after the inauguration of Kim Jong-un in 2012, forebode continued tension with South Korea, the United States, and Japan in the years to come. Though China expresses its opposition in evident cases of North Korea's provocation, in the end, it tends to praise the "stability" of the regime and shies away from calling for punishment for any wrongdoing.

## Strategic Outlook

The hereditary power succession from Kim Jong-il to Kim Jong-un was completed in April 2012. While many international observers expected the Swiss educated young leader to favor reform toward democracy and a market economy, this expectation has proved to be wrong, at least as of early 2013. Though there were some talks about introducing reform measures in the second half of 2012, they seemed to have fizzled out, considering the meager measures put in place thus far. In fact, in spite of strong international opposition, North Korea performed a missile launch experiment on 12 December 2012 and conducted a nuclear weapons test in February 2013. With the test, U.S.-North Korean relations experienced a new crisis in spring 2013. The spiral of tension with the outside world darkened the outlook for any reform or openness in the future. Given this circumstance, North Korea would only have to concentrate on ways and methods for earning foreign currency without increasing domestic productivity. This would include increasing the export of minerals, attracting tourists, sending workers abroad, leasing out railways and ports to China and Russia, and last not the least, growing its sector of illegal trade (which is partly regime supported). If the leadership is unable to raise enough revenue for regime survival, it is possible that North Korea would introduce some reform-like measures to increase domestic productivity. The intention of such measures would not be for “enhancing the living of the people,” and shouldn’t be mistaken as such, but for the purpose of contributing to regime survival. The problem is, even with the introduction of internal reform-like measures, economic progress is unlikely without foreign direct investment and new technology.

Outwardly, even with a third nuclear test, the security of North Korea’s regime is guaranteed because of continuous and increased tension with neighboring countries. North Korea will thus likely continuously try to expand nuclear and missile capabilities as the absolute insurance for regime survival. In addition, it will try to coerce the South and the United States to recognize it as a nuclear power. As such, it will be interested in dictating the terms of future relations with the United States and the South. Washington should thus normalize diplomatic relations and conclude a peace treaty with the nuclear North; Seoul should accept a junior status in inter-Korean relations, while providing political and economic support to Pyongyang.

In a nutshell, in the years to come, the old playbook will be replayed with regard to North Korea’s domestic and foreign policy.