

THE FUTURE OF NORTH KOREA

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Introduction

The Korean peninsula has entered a period of considerable change and uncertainty. This paper attempts to sketch out how internal and external forces may shape outcomes in North Korea over the next several years. The range of plausible outcomes is huge, and the paper identifies four possible end states: successful reform and engagement, “muddling through,” elite conflict that could affect the nature of the state, if not the regime, and finally, mass mobilization that could threaten the regime itself. This analysis proceeds under a number of assumptions.

First, the North Korean regime is concerned foremost with regime survival; it regards economic reform as potentially destabilizing. Admittedly, evidence on this point is mixed. Certain recent changes in rhetoric, diplomatic opening, and economic policy signal an amenability to change. Kim Jong-il’s 2001 visit to China and the visit’s coverage in the North Korean media, for example, are often cited as a signal of a new receptivity to reform. Yet one wonders if the North Korean leadership comprehends what reform entails. After seeing the skyscrapers of Pudong, Kim Jong-il reputedly told his subordinates that he wanted the same for North Korea -- though whether he meant a center of financial intermediation or simply “tall buildings” is unclear. Perhaps some insight can be gleaned from the request, made shortly after the visit, by the DPRK embassy in Canberra that the Australian government supply North Korea with architects specializing in large commercial structures! Whatever the motivation, these initiatives have thus far involved only a small share of the population directly and have required little change in existing internal social and political relations “on the ground.” It would be premature to characterize the North Korean regime as irreversibly committed to reform.¹

Second, the North Korean economy remains in dire straits; the Bank of Korea’s characterization of the North Korean economy as experiencing a sustainable industrial recovery is probably not credible.² If one takes the Bank of Korea estimates seriously,

¹ Indeed, recently publicized internal documents from 1999, if genuine, indicate that Kim Jong-il was squarely anti-reform, and pro-reform statements should be regarded as political theatre for foreign consumption. See Katsuhiro Kuroda, “Kim Jong-il’s Pretended Policy Shift and Economic Improvement,” *Sankei Shimbun*, 9 February 2001, and John Larkin, “Behind the Tyrant’s Mask,” *Far Eastern Economic Review*, 2 May 2002.

² The June 2000 Bank of Korea announcement, coming a few days before the historic North-South summit, that the North Korean economy had grown by more than 6 percent in 1999 was greeted with considerable skepticism by both economists working outside the South Korean government and foreign officials based

they imply North Korean GDP increased more than 11 percent and agriculture output increased more than 14 percent between 1999 and 2001. If this is the case, it begs the question why North Korea continues to rely on outside assistance and why in May 2002 World Food Program officials described the DPRK as being on the brink of a famine.

Lastly, the maintenance of political stability in North Korea is the shared objective of all states. Again, the evidence is mixed on this point with regard to the Bush Administration, as will be discussed in greater detail below. One can argue that under the Kim Jong-il regime this amounts to the stability of the grave, and I have a certain sympathy with this view. Nonetheless, my impression is that the dominant view (at least among foreign governments) values stability more highly than reform, however desirable.

Discussion of specifics will proceed, addressing internal developments, external developments, and wildcards in turn. Obviously, there are interrelationships among these three classes of drivers, and this division is undertaken purely to facilitate discussion. For analytic tractability, I have found it convenient to adopt a schema labeling prospective developments as “positive,” “negative” and “ambiguous.”

Internal Developments

The Kim Jong-il regime faces a fundamental dilemma. Its economy has collapsed in the sense that, given the expenditure preferences of the regime, the economy does not produce enough output to support its population biologically absent significant concessional aid inflows, as evidenced by the DPRK’s continued reliance on humanitarian assistance.³ Addressing this problem requires either an increase in the value of output or an alteration of expenditure patterns (fewer guns, more butter). Each possibility carries certain potential risks for political stability. Increasing output would require alterations in existing social and political relations. Political stability could be threatened through either a backlash by vested interests that are beneficiaries of the status quo and stand to lose under reform, or through an uncontrollable mass mobilization unleashed by changes in social and political relations. Reductions in military expenditures to satisfy non-military needs would obviously risk alienating the armed forces and turning the Korean Peoples’ Army (KPA) against the regime. In light of the regime’s statements (repeated references to “military-first” policies) and behavior (increasing military expenditures in the face of growing reliance on foreign assistance), most attention understandably has focused on the growth option.

Intention does not equate to outcome, however. It may turn out to be the case that the Kim Jong-il regime decides that it is in its interest to pursue a policy of economic reform to boost output, reward key constituencies, and contribute to regime survival, but that it is unable to successfully implement such a policy, either in the narrow sense that the expected increase in output does not materialize, or that it materializes, but the process of generating it destabilizes the regime. Working from the assumption that recent

in Pyongyang. For further discussion see Oxford Analytica, 9 May 2000, Eberstadt (2000), and Noland (2001).

³ See, for example, World Food Programme, “Democratic People’s Republic of Korea’s ‘Already Severe Humanitarian Crisis’ Will Dramatically Worsen Without Immediate Aid, Say UN Heads,” 30 April 2002 http://www.wfp.org/newsroom/subsections/Press_Releases.asp?1d=528

developments indicate a certain tolerance for policy change in North Korea, what could we reasonably expect?

At this point there is a considerable corpus of evidence on the experiences of economies in transition from central planning to the market. Reviewing this literature, one is struck by the important role that idiosyncratic factors play in determining relative success.⁴ There appear to be three robust predictors of relative success in transition. The first is the richness of a pre-socialist commercial legal tradition. It may well be the case that North Korea can reach back to the commercial legal system of the Japanese colonial system to use it in the construction of a market-oriented commercial legal system. Participants in track-two discussions of legal reform report that North Korean participants reveal some familiarity with or understanding of concepts, practices, and institutions derived from the colonial legal system (and the contemporary South Korean commercial code, which itself grew out of the colonial code).

A second indicator of relative success in transition is the degree of macroeconomic stability at the time that reform is initiated. Reform is highly unlikely to be successful if it is undertaken in an unstable macroeconomic environment, regardless of the specific reform strategy. In this respect, the dollarization of the North Korean economy is an inauspicious sign, though perhaps not an insurmountable barrier, assuming that the authorities did not try to put the genie back into the bottle and extend the scope of central planning.

The third robust indicator of relative success is the existence of a large, labor-intensive agricultural sector. De-bureaucratization of agriculture under these conditions permits rapid increases in productivity and the release of labor into the nascent non-state-owned manufacturing sector. The key in this situation is that change is likely to produce few losers: farmers' incomes go up as marginal and average value product in the agricultural sector increase; the incomes of those leaving the farms rise as they receive higher wage jobs in the manufacturing sector; and urban workers in the state-owned heavy industry sector benefit as their real wages rise as a result of lower food prices. The efficiency gains in agriculture essentially finance an economy-wide Pareto-improvement. This was understood by Chinese policy makers who used the dual-price system and side payments to state-owned enterprises, their associated government ministries, and allied local politicians, to suppress political opposition to the reforms.

Today North Korea probably has only about half the share of its labor force engaged in the agricultural sector (33 percent), as did China (71 percent) and Vietnam (71 percent) at the times that they commenced reforms. In terms of its composition of output, North Korea more closely resembles parts of Eastern Europe or the former Soviet Union than it does China or Vietnam when they initiated reform (Table 1).

Note what is missing from this list of robust explanators of relative success: speed of reform. The notion that the relevant choice is between gradualism or shock therapy is misguided. Successful implementation of gradualism or dual-price strategies such as pursued in China are only possible in situations of considerable state capacity and macroeconomic stability. Successful implementation of gradual reform is impossible under conditions of macroeconomic instability, and in this case, a rapid reform strategy may be the only viable option (Chart 1).

⁴ See Noland (2000) for a more extensive discussion and literature citations.

In sum, in comparison to the cases of China and Vietnam, the more industrialized character of the North Korean economy and the apparent loss of control by the central planners suggests that reform, if it comes, is likelier to be a relatively more chaotic process as it was in Eastern Europe, and one more likely to create losers, and hence political controversy. The counter-argument is that the North Korean economy has sunk so far that incumbent enterprises, workers, and elites will accept any reform as potentially welfare-enhancing. This remains to be seen. In any event, it appears that the regime retains considerable coercive powers and capacity for suppressing dissent.

Some South Korean and American government intelligence analysts claim that the Korean Workers' Party (KWP) appears to be withering away. This would imply the party's ineffectiveness both as an institution through which the society can be governed, and, importantly, as an institution through which bottom-up information flows can be transmitted to policy makers. The implication is that if the Kim Jong-il regime pursues a policy of significant economic reform, it will be undertaking a difficult task, both technically and politically, under less than optimal institutional conditions.

With the putative decline of the KWP, the KPA would appear to be the most coherent institution in the society, and the only one capable of channeling elite discontent into effective political action. That said, the KPA represents a very particular set of interests. Institutions to channel mass discontent into effective political action appear to be absent.

External developments

External developments, involving both state and non-state actors, could reinforce or retard domestic developments (Chart 2). If it is taken as axiomatic that improved economic performance would contribute to political stability, then increased contact with foreign private firms and increased economic engagement on economically rational terms would be a positive development. In reality the connection between economic performance and political stability is not so clear-cut (Huntington, 1968). Indeed, significant political change often occurs after, rather than during, a period of economic decline. This appears to be particularly true with respect to famines. Moreover, much of the economic integration that has occurred, at least between North and South Korea, has occurred on non-commercially viable terms. (Hyundai's failed Mt. Geumgang tourism project is Exhibit A.) For economic engagement to be sustainable requires that transactions be mutually beneficial. The problem is that projects like Mt. Geumgang, now being subsidized by the Korea National Tourism Organization, may actually teach the North Koreans the wrong lessons and encourage unrealistic expectations and tendencies toward politicization and non-transparency. While some subsidized projects like Mt. Geumgang may have been necessary as the economic equivalent of military confidence-building measures given the decades of distrust and enmity between the two Koreas, for economic integration to be sustainable it ultimately has to be on market-conforming terms.

The impact of increased engagement with other non-state actors would appear to be more ambivalent: while it is not hard to imagine how contact with non-governmental organizations could have a positive impact on North Korean society, exposure to such

groups, especially to South Korean organizations, could also increase feelings of relative deprivation and political disaffection among their North Korean interlocutors.

Among the state actors, South Korea will most likely have the biggest impact on future developments in North Korea. The North is unlikely to ever encounter a South Korean president with the magnanimity and determination of Kim Dae-jung, and one could think of his remaining time in office as a closing window of opportunity.

One can interpret contemporary inter-Korean diplomacy as being a game between Kim Jong-il and Kim Dae-jung's successor, whomever he or she is. Given that Kim Jong-il "owes" the South Koreans a return visit, it is in his interest to make that return visit while Kim Dae-jung is still in office for two reasons. First, because of Kim Dae-jung's magnanimity (and any personal desire to reinforce his historical legacy), Kim Jong-il is likely to be able to extract more concessions from Kim Dae-jung than his successor. In the economics sphere, Kim Jong-il could hope to get aid and an agreement in principle for South Korea to supply electricity to the North that could undercut US and IAEA demands for intrusive nuclear inspections under the Agreed Framework.⁵ More importantly, by visiting South Korea, Kim Jong-il would put himself in the position to be the controlling host of the next, and more critical, meeting – the one with the Kim Dae-jung's successor.

All this is to say that engagement with the South could yield material benefits for the North. Obtaining such concessions could reduce the need for reform on the part of the North, or, alternatively, provide capital inflows to support a reform program were the North to choose to go in this direction. Conversely, a failure by Kim Jong-il to reciprocate Kim Dae-jung's visit to Pyongyang, or a summit that went badly would have negative implications for North-South engagement and, by extension, political stability in North Korea.

In the United States, the Bush Administration pulled back from the engagement policies of the Clinton Administration, engaging in a lengthy policy review. What came out of this was a period of policy stasis marked by North Korean demands that the Bush Administration adopt the policies of the Clinton Administration before it would agree to talk, and President Bush's demonization of North Korea as part of the "Axis of Evil" in his February 2002 State of the Union speech.⁶

All US administrations contain multiple and at times contradictory voices and one should be careful not to read too much into individual statements. Yet the "Axis of Evil" formulation, made by the President, repeated twice in the State of the Union speech and occasionally thereafter, does signal at base a dissatisfaction with mere peaceful co-

⁵ In the longer-run, improved North-South relations could lead to conventional arms reduction and a significant peace dividend. See Noland, Robinson, and Wang (2000) for an analysis of the potential peace dividend associated with demilitarization of the Korean peninsula.

⁶ There are a number of parallels between the Bush Administration and the Reagan Administration. President Reagan referred to the Soviet Union as the "Evil Empire" to clarify the moral dimension of the Cold War. He initiated an arms race with the USSR that the Soviets could not hope to win. He appealed to the deep-seated yearning for invulnerability in American political culture by proposing the Strategic Defense Initiative or Star Wars. Then famously, in Berlin, he told his Soviet counterpart to "tear down this wall!" President Bush included North Korea in the "Axis of Evil." His proposed increase in the US defense budget is multiples of the entire annual output of the DPRK. He has proposed National Missile Defense. When visiting the DMZ in February 2002 he did not demand that Kim Jong-il "dig up those land mines!" but it has been pointed out that Reagan's Berlin speech was not until in 1987 – that is, during his second term.

existence and the maintenance of the status quo, and in this sense, really does indicate a difference with the Clinton Administration, which as evidenced by the Perry Report, accepted the need to accept the DPRK “as is” as a basic policy tenet.

In contrast, at least parts of the Bush Administration regard engagement not as an open-ended process, desirable in and of itself, but rather in Victor Cha’s apt phrase, as “hawk engagement” -- a mechanism to maximize the “spiritual pollution” of North Korea, and ultimately undermine the ideological foundations of the regime (Cha 2002). One tactic would be the establishment of relatively short-term benchmarks that would permit the US to put the diplomatic onus for lack of progress squarely on the DPRK and create the political climate for more robust action later.

So, for example, the Bush Administration’s decision not to certify that North Korea has lived up to its obligations under the Agreed Framework yet continue with the delivery of heavy fuel oil, sets up a possible confrontation with the DPRK in 2003, when the Bush Administration clearly hopes a conservative government will be in power in Seoul. Presumably the trigger for the confrontation would involve lack of North Korean cooperation with the IAEA in establishing its nuclear history as called for under the Agreed Framework. The Bush Administration would then suspend deliveries of heavy fuel oil.

At the same time, the Bush Administration has agreed to talk to North Korea, but its formulation of the negotiating agenda (comprehensive agreement in four areas: weapons of mass destruction, missiles, conventional arms, and political reform and human rights, with progress in all four areas necessary for progress on any front), and the apparent absence of any credible carrots to induce the North Koreans to accept these terms would appear to be a recipe for stalemate -- which could be blamed on Pyongyang.

This would appear to be a risky course of action. The external preconditions might not be met – the South Korean conservatives might not win the next election, and the Russians and Chinese may not prove to be so amenable to US aims. Internally, the Kim Jong-il regime has a history of confounding those predicting its collapse, and could prove more durable than the Bush Administration appears to believe.

Thus the US may be driven back to dealing with the North Koreans in a more serious way than has been in evidence since January 2001. The upside is that having demonstrated its hawkish bona fides the Bush Administration may be in a better position to actually close a deal with the North than was the Clinton Administration. Funding the US commitment to supply North Korea with heavy fuel oil is an uphill struggle in the House of Representatives, and it is fair to say that the Bush Administration is unenthusiastic about the prospect of building two nuclear reactors in North Korea. Still, unilateral abrogation of the deal by the US is highly unlikely. However, North Korea’s recent appeal to the South for electricity could be interpreted as a sign that the North is more interested in electricity now than two nuclear reactors in a decade. The North’s immediate needs, together with a Republican-controlled House that could be expected to cut President Bush more slack than his predecessor, opens up the possibility of extending the Agreed Framework in ways that would both be more valuable to North Korea and more politically sustainable in the United States. Similarly, of the Bush Administration’s areas of concern, the one that seemed closest to closure at the end of the Clinton Administration was the missile issue. An agreement between the United States and North

Korea on missiles would presumably yield both improved diplomatic relations between the two states, as well as compensation for the North.

In this regard, North Korea's failure to act more decisively on the terrorism issue prior to 11 September 2001 represented another case of the North Koreans "never missing an opportunity to miss an opportunity" per the current cliché. Under US law, the US government cannot support nations on its list of countries supporting state-sponsored terrorism membership in international financial institutions (IFIs) such as the International Monetary Fund, the World Bank, and the Asian Development Bank. The law, however, provides for a fair amount of flexibility in its application, and in February 2000, the Clinton Administration reportedly presented North Korea with four hurdles to achieve its removal from the terrorism list: (1) issue a written guarantee that it no longer is engaged in terrorism; (2) provide evidence that it has not engaged in any terrorist act in the last six months; (3) join international anti-terrorism agreements; and (4) address issues of past support for terrorism. These criteria were reiterated during Clinton Administration Secretary of State Madeleine Albright's October 2000 visit to Pyongyang.

The last hurdle involves the interests of third parties against whom North Korea has committed past acts of terrorism, most prominently South Korea and Japan. In private conversations during Kim Dae-jung's March 2001 visit to Washington, South Korean officials urged the US to remove North Korea from the terrorist list and did not raise any third party issues. Japan is a different story, however.

On the terrorism issue, Japan maintains two principal demands. First, that the North extradite for trial the aging Japanese Red Army airline hijackers that it shelters. Second, that it account for Japanese citizens allegedly abducted by North Korean agents. If anything, Japan appears to be increasing the weight that it places on the second demand. Moreover, the Bush Administration has made improving US-Japan diplomatic cooperation a foreign policy priority, and the families of the alleged abductees were well-received during a 2001 visit to Washington. Thus the issue of removing North Korea from the terrorist list and getting them into the IFIs appears increasingly linked to progress in Japan-North Korea relations.⁷ Relations between Japan and North Korea deteriorated further following the Japanese Maritime Self-Defense Forces December 2001 sinking of a "mystery ship" reputed to be a North Korean drug trafficking vessel. A May 2002 episode at the Japanese consulate in Shenyang, in which a family of North Korean refugees was removed from the consulate by Chinese police, has had the effect of putting the spotlight on the North Korean refugee situation in China to Pyongyang's detriment.

Normalization of relations with Japan could provide North Korea with yet another avenue for increased capital inflows. It is widely expected that normalization of relations between Japan and North Korea would be accompanied by a multi-billion dollar financial settlement similar to the agreement reached between Seoul and Tokyo in 1965.⁸

Of course it is possible that rather than reinforcing in a positive direction, external developments could be largely negative. North Korea could resume missile testing out of impatience or frustration with the KEDO process, as a way of attracting attention, or as a way of developing its missile program for its own strategic use or for exports. Resumption of missile testing by North Korea would have an enormously negative

⁷ See Niksch (2002) for a highly informative discussion of these issues.

⁸ See Noland (2000) and Manyin (2000) for further discussion and alternative estimates.

impact on relations with the United States and Japan, and even a politician as committed to engagement as Kim Dae-jung would find it difficult to move forward in that atmosphere.

Worsening relations with the United States and Japan would make continued progress under the Agreed Framework difficult. Indeed, were South Korea to supply electricity to North Korea in a manner delinked from the Agreed Framework, the North would have less incentive to meet its obligation to submit to International Atomic Energy Agency (IAEA) inspection as required by the deal. (This assumes that North Korea would find increased, open-ended, reliance on South Korea for electricity to be acceptable, surely a debatable proposition.) The Agreed Framework could collapse as a result of a worsening diplomatic climate and reduced North Korean interest in compliance. This simply underscores the importance of close trilateral coordination between the United States, Japan, and South Korea.

Recently the EU has raised its profile on the Korean peninsula, with most EU members normalizing relations with North Korea, and a number of EU-based private firms expressing interest in doing business in the North. A more assertive stance by the EU might put pressure on the United States to be more forthcoming in its negotiations with North Korea.

A final, potentially ambiguous external factor in North Korea's development over the next five years will be the behavior of China, and to a lesser extent, Russia. From a Chinese perspective, at 20 million people, North Korea is equivalent to a small Chinese province. For a relatively small expenditure China can keep North Korea on economic life-support, though whether this would be sufficient to maintain political stability in the North is unknowable. The character of US-China relations could affect the way that China chooses to behave with respect to North Korea – whether it continues to act in a more or less cooperative fashion with the United States, South Korea, and Japan, or whether it chooses to play a spoiler role.

Likewise, Russia is reinserting itself into diplomacy on the Korean peninsula. Although it is unlikely that Russia would provide the kind of material support to North Korea that China does, Russia's behavior with respect to the peninsula could be affected by the character of US-Russian relations.

Wild cards

Wild cards could affect these developments. Kim Jong-il is not reputed to be in the best of health. His death in the near term would raise fundamental issues about the governance, indeed, even the viability, of the DPRK. Kim Jong-il served as his father's designated successor for decades prior to his father's death. In contrast, his eldest son putative dynastic successor and Disneyland aficionado Kim Jong-nam does not appear ready for primetime. The regime could experience a succession crisis if Kim Jong-il were incapacitated in the near future. Any successor coming to power within the few years would presumably command nowhere near the same power or influence of Kim Jong-il, and there would be a significant likelihood of another period of policy stasis like that following the death of Kim Il-sung.

The DPRK could be subject to two other sorts of shocks over which it really has no control. Although the DPRK's exposure to international trade is small, it is highly

reliant on imports or aid for food and critical industrial intermediates such as oil. Like many other developing countries, North Korea is subject to terms of trade shocks originating in world markets. According to IFI analyses, world export prices for some of North Korea's exports such as fisheries, gold, metals, and light manufactures are expected to rebound slightly, though to nowhere near their levels of 1997. However, prices for agricultural products are also expected to rise, putting the DPRK in a less advantageous position. Similarly, a continuation of high oil prices is likely to aggravate problems in the energy sector, as would any spiking of oil prices in response to political developments in the Middle East.

A final wildcard could be the weather. Although bad weather is often blamed for the famine that the country experienced during the 1990s, in point of fact, the famine predated the floods of July 1995, and had its origin in thoroughly misguided economic policies, not acts of God. However, domestic production continues to account for most of domestic food consumption, and were the country to experience unusually bad (or good) weather for the next five years, this could have an effect on the political stability of the country by reinforcing or offsetting the impact of policy changes. For example, were reforms undertaken in the agricultural sector, good weather could magnify the impact of reforms or bad weather could offset the expected gains. Similarly, good weather could at least partly offset the impact of poor policies, while the combination of bad policies and bad weather could severely squeeze food availability again.

Outcomes

The future of North Korea over the medium-run will be determined by a variety of forces and it would be tedious to attempt to trace through the multitudinous paths that the country might follow. It might be worthwhile to briefly sketch out a few end states that the country might reach in the next few years. These are not intended to be comprehensive or even mutually exclusive non-contemporaneously (as made clear by the causal chains depicted in the Charts 1 and 2).

One can think of at least four end states, two of which would involve the maintenance of political stability in North Korea, one of which would involve a government change, and one of which would involve regime change.

The most successful outcome, at least as measured as contributing to long-term regime stability, would be the successful implementation of economic reform. The examples of China and Vietnam have demonstrated the possibility of introducing reforms into centrally planned economies while maintaining regime stability for extended periods of time. The process of internal change could be reinforced by positive external developments that would support this process politically and financially. Of course, as previously argued, in economic terms North Korea is dissimilar from China and Vietnam in important respects and, politically, it must deal with the divided-country issue, which could pose a difficult ideological challenge to would-be reformers in the North (i.e. given the existence of an economically prosperous democratic South Korea, increased integration may undercut the basic ideological justifications of the Kim Jong-il regime).

In light of both the economic and political difficulties of implementing reforms in the North, a more cautious "muddling through" outcome is a distinct possibility. In this scenario, the North would engage in less internal change than in the previous example,

and as a consequence, would presumably encounter a less supportive international environment. In essence this amounts to a continuation of the status quo.

A third possibility could be generated by the unsuccessful implementation of economic reforms. In this case, deteriorating economic and political conditions could spur an intra-elite coup (as occurred in Romania) in which new leadership takes control in an attempt to save the regime. (This would not necessarily require the execution of key elites as happened in Romania, however.) Kim Jong-il's dramatically increased profile in the past two years would appear to reduce the likelihood of this outcome, by making it more difficult to establish a *modus vivendi* in which he would reign but not rule.⁹

A final possibility is regime collapse. Mass mobilization, presumably in response to deteriorating economic conditions, would be a prerequisite for this to occur. The problem, of course, is that North Korea appears to lack the societal institutions to mobilize and channel mass discontent into effective political action.¹⁰ Again, this could occur in response to failed implementation of economic reform, or it might occur more or less spontaneously, if after a period of improvement in economic conditions (particularly the availability of food), North Korea were to experience another downturn, and system-fraying began to occur as a coping mechanism. Given North Korea's increasing aid dependency, particularly for food consumption, the behavior of foreign actors could be quite critical in this scenario.

⁹ Harrison (2001) argues that Kim has moved effectively to insulate himself from the possibility of a coup.

¹⁰ See Henderson (1968) for an analysis of mobilization and institutions in earlier periods of Korean history.

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Table 1. Percentage distribution of labor force at time of reform				
Country	Year	Sector		
		Agriculture	Industry	Service
Czech Republic	1989	11	39	50
Slovakia	1989	15	34	51
Poland	1989	7	37	56
Hungary	1990	15	36	49
Soviet Union	1990	19	38	43
Ukraine	1990	20	40	40
Belarus	1990	20	42	38
Romania	1990	28	38	34
Bulgaria	1989	19	47	34
North Korea	1993	33	37	30
China	1979	71	15	14
Vietnam	1989	71	12	17

Source: Noland (2000), table 3.7.

Chart 1. Possible internal policy initiatives of North Korea and their likely outcomes

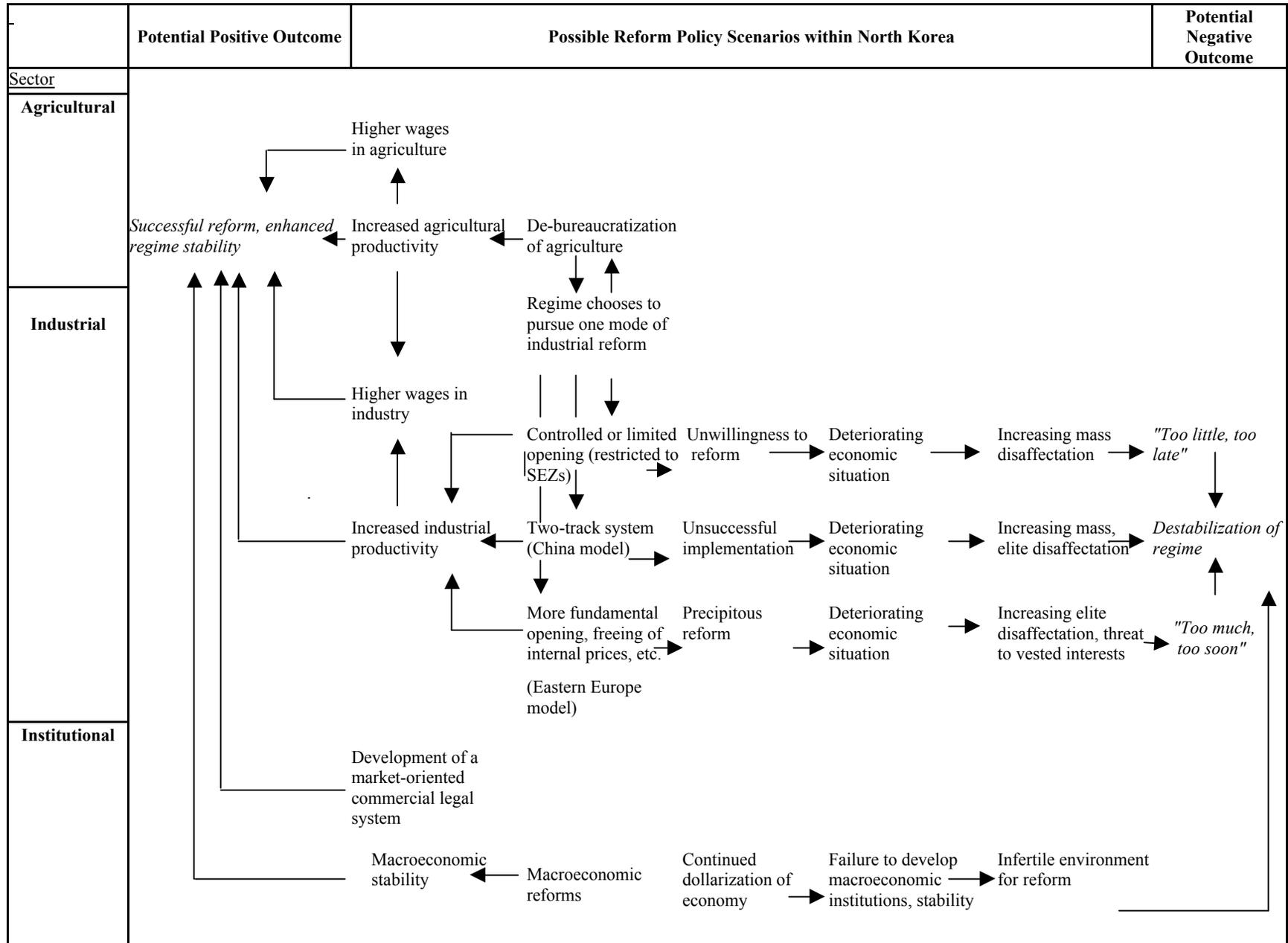


Chart 2. Possible external developments and their implications for North Korean reform

