

# Kim and Capitalism



## Looking for signs of hope in North Korea

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Most visitors to Pyongyang notice the large modern building with the arched blue roof. It's hard to miss it, really. It stands out from the depressing vista of housing flats and government buildings that are constructed in a colour that is best described as 'Soviet Grey'. With its cheery design and undulating curves, from the outside it appears to be a small piece of Western suburbia. Inside, though, there's a mini-revolution taking place.

There's a telling moment in *A State of Mind*, a recent slice-of-life documentary about a family in North Korea, where we hear from one of the builders of this blue-roofed curiosity. 'As far as I know, I'm building something called a market. There's no question that it's being built. But I don't yet know how it will be run. We people are all curious about such a market.'

And so it was that North Korea had itself a market. It may be small, heavily

regulated and forced upon the regime by outsiders as a trade-off for foreign aid, but the basic public space of market capitalism had reached its furthest ideological outpost. This was not the first time, though, that some elements of a free market had been seen in North Korea. There has reputedly been a black market operating for some time, selling various contraband (which includes nearly everything), as well as enterprising individuals selling a few basic essentials: mostly grain and cigarettes, which seem to be North Korean staples. According to Korea-watcher Andrei Lankov, unofficially there have been small private markets in parts of the country allowing the sale of small quantities of grain, although at times these face a crackdown from Pyongyang. These markets act to supplement the often dysfunctional state distribution programme. These small pockets of capitalism have emerged under the harshest and most dictatorial communist regime the world has known as a basic means of survival.

North Korea remains a stoic and isolated legacy of the Cold War, when most of the world, even the communist world, has moved on. A divided Korea was a legacy of Japan's loss in the Second

World War. As the brutal and deeply disliked colonial power, Japan's exit from the peninsula was much celebrated. In its place was an American-controlled South Korea, and a Soviet-controlled North. It took only five years for war between the two to break out, when the North—acting with the tacit support of Stalin and Mao—launched an attack on the South. The ensuing three years was long, bloody, and ultimately futile, at least in terms of territory gained and lost: the border at the time of the truce in 1953 had barely moved from its place before the war started in 1950.

Thus, the two Koreas were set on two very different historical and ideological trajectories. The south, with the backing of its American sponsors, became a militaristic autocracy: an ally of the West, but one which steadfastly refused to embrace its political freedoms. The north, however, took a very different path. Under the leadership of charismatic military General Kim Il Sung, North Korea closely aligned itself with the Communist world, building good relations with both China and Russia, while it demonized the United States and the hated 'imperialist' Japanese.

Up until the 1990s, North Korea

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A shopkeeper and her stall outside the Kimjongilia Flower Show in Pyongyang. Notice the Coca-Cola for sale.

was a communist state, but the horror of its particular brand of autocracy was lost in the global struggle against authoritarian regimes. Even as the former Soviet states of Eastern and Central Europe were starting to embrace democracy and capitalism, North Korea remained steadfastly communist.

Though there are small signs of a free market in operation, there are few reasons for optimism. If and when the two Koreas unite as one nation, the size of the gap in economic and political systems between the two will be laid bare. The label 'reunification' is deceptive—instead, what is needed is a takeover of North Korea by South Korea. There is little room for compromise or middle ground to be found between the two. South Korea has proven itself to be one of the great political and economic successes of the past two decades. According to the IMF, its national economy is the tenth biggest in the world, and since 1987 it has proven itself to be a robust and effective democracy.

Although there has been much discussion and speculation about how to topple Kim Jong Il and his obnoxious regime, there has been relatively little discussion of what comes afterwards. For regime change to be a success, it requires more than merely the ending of the status quo. It requires a re-

placement which allows the nation to achieve a social equilibrium, lest the newly liberated nation descend further into poverty and civil war. In the case of Korea, a smooth and successful transition will be a challenge.

A brief mental exercise reveals just how big the challenge will be. Imagine for a moment that the two Koreas were reunited as one. Setting aside, for now, the cost and possible bloodshed of achieving unification, the new Korea will face great difficulties. Many of those from the north will flee to the south, economic refugees in their own country, possibly overwhelming both economy and society in the south. Then there is the challenge of improving the infrastructure in the north. North Korean infrastructure is so appallingly constructed and maintained, where it exists at all, that it would need a complete overhaul. Perhaps most significant, though, is the challenge of educating North Koreans and inculcating the values of the free market and capitalism.

Take the simple task of balancing a household budget, for example. Although such an activity is second nature to those in the capitalist world, and indeed it is for South Koreans, it is alien to those from the North. Most North Koreans receive a pittance in monthly

salary from their jobs (there is, officially at least, zero unemployment in DPRK, though underemployment is chronic) which is supplemented by rations from the State. It's worth noting, incidentally, that the amount of food rationed by the government contains significantly less nutrition than that recommended as the minimum amount for human survival by the World Food Program (WFP). In 2005, rations were cut to 250 grams per person per day, about 40 per cent of the daily energy requirement, according to the WFP.

It is a sad irony that the south's success in recent years has massively increased the price of reunification. The more that living standards and the quality of infrastructure improve in the south, the more it will cost to bring the north up to the same standard. The comparison is often made between the two Koreas and East and West Germany: such a comparison is fair, although it would be fortunate if North Korea had a quality of life anything like the former East Germany (German Democratic Republic). Instead, it is decades behind. The German example does, though, provide a useful template when considering Korean reunification.

In the German example, after unification, it was necessary to spend significant amounts of money improving infrastructure in the east (one estimate puts the total amount spent on German reunification since 1989 at \$US1.9 trillion). There was nothing particularly selfless or charitable about this act: it was a pragmatic decision to stem the tide of refugees who would otherwise have fled west. On a social level, a reunited Germany faced the challenge of inculcating western democratic values within a population who had lived with the oppressive yoke of communism for decades. A free press, the right to vote and the right to economic independence were all foreign ideas to a newly liberated population, and their introduction was something of a shock to the former East Germans. The task for those East Germans is mild compared to that faced by North Koreans upon reunification.

Another lesson which can be learnt from German reunification is the challenge of dealing with history. While the West Germans (Federal Republic of Germany) had come to grips with the horrors of Nazism and its role in the Second World War, the East Germans lived in a state of denial (and a State of denial, as well). The East German propaganda machine insisted that the Nazis were all from the West, and gave East Germans a false pride in their lack of complicity with the Nazis. It is unsurprising that much of the neo-Nazism which exists today in Germany is amongst former East Germans, a population which is both economically marginalized and also poorly versed in the truths of its own history.

Applied to Korea, the lesson is stark. Like East Germany, North Korea fails to give its citizens a truthful account of its nation's war. A visit to the Victorious Fatherland Liberation War Museum in Pyongyang gives an interesting insight into the version of history taught in DPRK. The museum carries a collection of newspaper articles and diplomatic cables from the time leading up to the Korean War and creates the impression that the South Koreans started the war and that, for the North, it was merely a defensive effort. Such an account is scandalously false and denies both the expansionist desires of the north, and the military and diplomatic backing received by the North from both China and Russia. Yet such a fanciful view of history is nonetheless presented, and whenever the government seeks to whip up hatred toward the Americans (and, though less vocally, the South Koreans), it is these embers of history which are stoked. Reunification will require the northerners to understand the cold facts of their own history, and for many it will be a startling awakening.

The other rude awakening awaiting the north is the fact of its own poverty, both relative and absolute. One of the many myths perpetuated by the North Korean regime on its own people is that

North Korean living standards compare favourably with those in the South. The regime often presents images of South Koreans living under oppressive American colonialism and compares its own circumstances in a positive light. Indeed, the state media are fond of dwelling on any negative stories about life



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in the south, especially any hostility between American troops stationed in the South and the local population. North Koreans consider themselves lucky to be North Koreans—they have equal distribution of material goods, free health care and education and the prospect of up to two decent meals a day. In isolation, which is how North Koreans live, these things are all very desirable and compare favourably with the South. The reality is, however, that on a GDP per capita basis, North Korea has just one-fourteenth the wealth of South Korea, according to a Yale Economic Review study. Reunification will quickly shatter these myths in a way that is likely to create animosity, both toward those who have done the deceiving, and those who have been living in such affluence.

With all this in mind, it is possible to see just what needs to be achieved for reunification to be successful. A massive amount of money, aid or perhaps loans on favourable terms, will need to be given to bring the north up the standards of the south. This aid shouldn't be thought of as mere development aid, much of which has been wasteful and counterproductive elsewhere. Instead, it is more like the Marshall Plan which sought to improve

life in Western Europe after the Second World War, with the obvious trade-off of improving the peaceful ambitions of those nations benefiting from the program. It is likely that hundreds of billions of dollars—\$670 billion according to one bullish study by the Rand Corporation—will be required, but such is the price of bringing freedom to an oppressed people, and in the long run, it will bring economic benefits to the Korean peninsula. Independent of aid, there will be the necessity of introducing North Koreans to the rigours of the free market—pay based on merit, the balancing of household budgets, and pricing based on supply and demand.

Finally, North Koreans need to come to grips with their own history, understanding the culpability of the north in the Korean War, as well as their horrible deception at the hands of Kim Il Sung and Kim Jong Il. Along with a serious discussion about how to rid the world of Kim Jong Il, there needs to be a discussion of how to deal with what comes afterwards. At present, such a discussion is only in its infancy.