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## Conclusion

Our interests in North Korean refugees are twofold: The first is a humanitarian, and ultimately human rights, impulse. This book has documented the precarious existence of this community: the personal trauma of displacement, vulnerability, and the difficulties of integration in new settings. These problems are compounded in the North Korean case by the draconian controls exercised over exit, the severe punishments meted out for those involved in border crossing, and the particularly inhospitable environment in China, through which virtually all refugees have transited. How should the international community respond to the ongoing problems faced by North Korean refugees?

The refugees, however, represent only the tip of the much larger North Korean iceberg. As we and many others have documented, North Korean refugees have good reason to fear persecution because of the abysmal human rights record in the country. The refugee issue is ultimately inseparable from the broader question of how to formulate an effective human rights agenda for North Korea.

Our second set of interests arises from the fact that the refugees are witnesses to North Korea's ongoing political, economic, and social transformation. North Korea's changing internal political dynamics include a reversal of reform and a highly uncertain succession process, both of which carry risks of wider instability. Since at least 2005, we have seen a distinct trend toward tighter state control; the disastrous November 2009 currency reform is only the most recent manifestation of "reform in reverse." During the same period, North Korea's external behavior has been marked by continuing belligerence as well, including missile and nuclear tests (followed by sanctions), the sinking of the South Korean

naval vessel, the *Cheonan*, and most recently the shelling of Yeonpyeong Island.

In this concluding chapter, we first consider the insights that can be gleaned from the refugee experience to inform our expectations about the future direction of the North Korean political economy. We then turn to the specific needs of the refugees and human rights concerns more broadly. In each case, we outline the implications of our analysis for current developments and suggest policies that would facilitate positive changes in North Korea.

## Whither North Korea?

For the first four decades of its existence, the North Korean economy was organized as a classic, Soviet-style planned economy notable only for the rigor with which markets were suppressed. The economy was nearly autarkic; the North Koreans even timed their central plans to frustrate linkage with their allied socialist brethren. Yet claims of self-reliance notwithstanding, the economy depended crucially on the Soviet Union for aid in the form of food, fuel, and weaponry. In the late 1980s this model had already begun to experience significant problems. The subsequent collapse of the Soviet Union and dissolution of the Eastern Bloc was a blow from which the economy has still not fully recovered. Unlike Vietnam, which responded to similar external shocks by accelerating reforms, North Korea stood pat as first its industrial and then agricultural sectors imploded, resulting in a famine in the mid-1990s that killed as many as 3 to 5 percent of the precrisis population.

At the level of the individual, our surveys document the traumas of the famine that continue to reverberate through the refugee diaspora. At a societal level, the surveys detail the rapid collapse of the centrally planned economy during the first half of the 1990s and the emergence in its wake of nonsanctioned market activities. Small-scale social units—households, workplaces, local government and party offices, even military units—were forced to act entrepreneurially in order to access food and survive. This bottom-up marketization began with the food economy but spread to other products in the domestic market and even extended to barter and later monetized cross-border transactions with China.

Since the famine ended in 1998, government policy has grappled with these changes—with great ambivalence. Much market-oriented behavior was technically illegal. But with the state unable to uphold the traditional socialist social compact, it was uneasily tolerated. Continually struggling to make socialist theory and existing practices consistent, the government has sometimes acquiesced, even ratified, facts on the ground, only to retreat by attempting to limit and contain the scope of private and market activity. Yet we find a consistent tendency in the postreform period for

the government to reassert the state's lost control, demonstrated most obviously in the extraordinary criminalization of economic activity that our surveys reveal. For understandable reasons, the regime is highly insecure with respect to the potential domestic political implications of economic change.

Although there is evidence of a brief reformist opening (roughly 1998–2002), the growth of markets has been primarily a function of state failure rather than a proactive reform process. Even at its peak in 2002, policy evinced ambivalence: Measures were introduced, albeit clumsily, to increase both the flexibility and responsibility of enterprise managers in the context of the plan and to enhance limited material incentives in agriculture. But at the same time, monetary and financial policies were undertaken to undercut the class of traders—effectively black marketeers—that had sprung up as the state-run system failed. In this and several other important respects, even the much-touted reforms of 2002 foreshadowed the failed currency reform that would occur seven years later in the “great confiscation” of 2009. The implicit goals of policy were not to fundamentally change the state socialist system in favor of a more decentralized, market-oriented economy but rather to reconstitute and improve the centrally planned economy.

A closely related motivation was to address a profound fiscal crisis and loss of macroeconomic control. With the near collapse of the state-owned enterprise sector, the government's ability to raise revenues through traditional channels had been severely compromised. Yet the country's bloated military, and the tensions it generated, posed enormous resource requirements as did the ongoing commitment to inefficient state-owned enterprises.

For a variety of reasons, including external ones, the modest reform attempts of 2002 did not deliver as expected and in fact generated some altogether new problems such as high inflation. Since roughly 2005, the trend in economic policy has been unambiguously illiberal. There appear to have been a number of personnel changes around this time that brought conservatives to the fore, and the onset of the second nuclear crisis no doubt contributed to the ascendance of hardliners. Since 2008, the succession process further dampened the appetite for undertaking reforms that carry political risk.

Yet the state lacks the capacity to fully displace the market; its latest attempt, the November 2009 currency reform, was a political as well as economic fiasco, ending in an unprecedented apology, the scapegoating of senior officials, and tactical retreats, for example, in allowing markets to reopen and citizens to hold foreign exchange. Yet even these partial reforms are ambiguous and thus send only mixed signals; similar episodes have been followed by retrenchment in the recent past. Because the state's capacity for raising revenue has been so severely impaired, and because the state is able to at least partly tax participation in formal markets, the

government's acquiescence in the return of the markets could reflect fiscal exigencies rather than a more fundamental change in course.

The government's erratic and mixed policy course over the last decade and the ensuing poor economic performance have clearly increased cynicism. As the socialist social compact has broken down, households have been forced to supplement state-sector wages with income from market activities. Our surveys document the market's emergence as an alternative avenue to wealth and prestige and a semiautonomous zone of social communication that could, at least in theory, provide the locus of independent political power and even organization.

Corruption appears to be a pervasive feature of the new hybrid economy. Even accepting that the refugees may hold disproportionately negative views about the regime, the surveys paint a picture that is highly consistent with basic economic theory. Extensive, and in significant part arbitrary and even capricious, state intervention generates both opportunities and incentives for corruption at all levels. A survey we conducted of Chinese businesses operating in North Korea confirms the capacity of firms to make money but also the uncertainty of the policy environment and the corresponding requirement to pay off public officials in order to do business. We can certainly imagine growing disaffection among those victimized by this policy environment—most recently in the massive savings destruction associated with the currency reform.

The implications of these dynamics for political stability are ambiguous, however. The institutional capacity of the regime has been underestimated in the past. Although personalist in nature, the party, military, and security apparatus are extraordinarily large and to date have remained loyal, in part because of intricate structures for monitoring and in part because they enjoy at least some fruits from their elite status. Although reports of internal splits within the elite are to be expected during successions, there are also powerful incentives for the regime's elite supporters to rally around the existing system and the designated successor. Recent institutional changes, such as the strengthening and expansion of the National Defense Commission (NDC) and special sessions of the Supreme People's Assembly—the highest government body—and the party congress appear designed precisely to rally critical bases of support. Yet as the NDC has a privileged position, we can expect that the political forces that it represents—most notably the military, security apparatus, and military-industrial complex—will have privileged access to resources when compared with the traditional functions of the state, such as maintaining infrastructure and improving the health care and educational systems. These public goods are pivotal for any future reform process to succeed.

At lower levels, corruption may act as a kind of safety valve, providing additional payoffs for officials otherwise squeezed by the country's ongoing economic misfortune. But the growth of the informal economy and its associated corruption signals that the personal interests of state offi-

cialists may increasingly diverge from policy established by central decision makers. Survey respondents who worked in government offices attested to growing abuse of office among their former colleagues coupled with increasing amounts of time devoted to political indoctrination in an effort to harness work effort and maintain control. Yet exhortation is unlikely to override powerful incentives generated by the massive distortions that riddle the economy. The most significant political splits in the regime may exist not at the top of the system but in the fissiparous pressures generated by the continued weakness of the state sector and the lure of the market and other illicit sources of income.

What is the likelihood that these developments would generate a reaction from below? Although our surveys show considerable discontent, they also depict an atomized society characterized by very low levels of trust. While one can document widespread antiregime sentiments, considerable inhibitions against even the private expression of dissenting views continue. Civil society institutions capable of channeling mass discontent into any constructive action appear to be completely absent. The November 2009 currency reform, implemented after the conclusion of our surveys, provides a test of the surprising resilience of the political system. Households adjust to incremental deterioration in their well-being with coping strategies. But the impact of the currency reform was widespread across the population, sudden, and nakedly inconsistent with the regime's meta-narrative that foreign forces are largely to blame for the country's misfortunes. The surveys document the declining hold that this narrative had on the population even prior to the currency reform; the shock of the conversion no doubt further damaged the regime's credibility, perhaps irreparably so.

Yet this massive shock generated only sporadic civil disobedience with no evidence that it might cascade into a wider movement. Given the strength and ferocity of the repressive apparatus evident in our surveys, the reasons are not surprising.

Nonetheless, elites do not operate in a vacuum; no matter how repressive the political system, the regime must figure out ways to elicit adequate compliance and work effort to permit the system to function. The government's backtracking on the currency reform shows clearly that even highly repressive governments may be forced to accommodate disaffection from below, even if only on tactical grounds. Indeed, as observed at the conclusion of the preceding chapter, participation in the market is associated with a number of characteristics—greater likelihood of arrest, more consumption of foreign news, more negative assessments of the regime, a greater willingness to communicate those views to one's peers, and a greater propensity to cite political motives for emigration—that might be thought of as a "syndrome" to adopt a medical metaphor. What we have called "everyday forms of resistance" may not generate regime change as traditionally conceived, but marketization could increasingly constrain

the economic and political policy choices of the regime. From this perspective, the regime's antipathy toward the market is comprehensible.

How might this occur? In this regard, our characterization of North Korean cynicism and corruption as "increasing" is potentially important in a crucial respect. Kim Byung-yeon (2010), working with a similar, if slightly smaller, survey of refugees concludes that while the level of corruption is quite high, it has been relatively constant over time, suggesting a kind of political equilibrium.

Corruption in some forms can be good, "greasing the wheels," introducing a degree of flexibility in systems that would otherwise be self-debilitating.<sup>1</sup> However, other forms of corruption—particularly "cascading" corruption, which drives up transaction costs all along the value chain—can impose large deadweight losses, impede the initiation of productivity-enhancing activities, and distort the allocation of resources. When such corruption takes the form of street-level extortion and sheer predation of almost unimaginable brutality documented in our surveys, it not only impairs the informal sector's contribution to growth but surely undermines the credibility of and allegiance to the political regime as well.

Moreover, the inability of the state sector to provide adequate income and even the most basic elements of the social contract, such as food, continues to create incentives for managers and households to exit the planned economy and enter the market. As this process continues and the state sector shrinks, it could at some point generate adequate constraints that some process of economic—if not political—reform of the state would be necessary for its very fiscal survival. Indeed, it could be that the revival of markets is tolerated because they have become necessary sources of revenue as some of the less privileged parts of the state grasp for "dedicated" revenue streams that they can control.

If our findings of tepid support for the regime together with perceptions of rising corruption correctly characterize attitudes held by large swaths of the North Korean public, the long-term implications for political stability are potentially explosive.

The North Korean regime confronts two major, ongoing, and related challenges. The first is ideological. The very *raison d'être* of the North Korean regime is the alternative it poses to democratic, capitalist South Korea. Yet it appears unable to both deliver on the promise of the socialist model and eradicate the market despite its apparent desire to do so. Second, the regime continues to grapple with a basic fiscal challenge

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1. For example, maintenance of slush funds by enterprise managers in centrally planned economies allows them to cope with input disruptions by sourcing outside the plan, in effect responding to underlying scarcities permitting them to fulfill their targets and generating adequate resources back to the state sector to keep it afloat. This might be considered a "good" form of corruption as opposed to the alternative, the consistent underestimation of productivity and the stockpiling of inputs, which would be even less efficient.

posed by its large expenditures, questionable ability to extract resources from the economy, and a scramble for resources that pits the rising power and prerogatives of the military-industrial complex against the traditional economic functions necessary for good governance and the social well-being of the population.

The international community has a strong interest in fostering the continued growth of internal markets, both as a badly needed tool to provide for an impoverished population and as a mechanism to encourage long-term internal political change in a more humane direction. External economic engagement additionally holds the prospect, though no guarantee, of moderation of the regime's belligerent foreign policy and nuclear ambitions.

If engagement with North Korea is appropriate, the policy community needs to think in a nuanced way about the modalities of engagement that will be appropriate for an economy as poor and distorted as that of North Korea. What kinds of reforms might work—and be politically palatable—were the regime or its successor to consider a new course? Can a strategy of selective political and economic engagement contribute to this process and, if so, how?

## Engaging North Korea

The rehabilitation of North Korea's failing economy poses two interrelated challenges. The first is to raise per capita incomes to address the country's widespread poverty and food insecurity. The second is to encourage a fundamental reorientation away from the state and toward effectively functioning market-oriented institutions. The latter has a political dimension as well: Apart from improving the functioning of the economy and better addressing the population's material needs, the development of more market-oriented institutions, even if not fully independent of state control, would lessen the pervasive control over people's lives, which is a constant theme in refugee testimony.

Arguments for economic engagement by external actors are also motivated by the premise that they might induce North Korea to engage politically, to pursue talks that would check its nuclear ambitions and moderate tensions on the peninsula. A closely related argument for engagement, however, is that increased economic integration will contribute to a deeper transformation of North Korea, which will, as a result, come to have a much greater stake in international cooperation and the development of robust foreign economic relations (see, for example, Asia Society 2009).

However, we cannot assume that any and all forms of economic engagement will have similarly transformative effects. In a country such as North Korea, even nominally private economic exchanges can be monopolized by the state and military sectors. And external actors also



may not be comfortable rocking the boat. Some strategic thinkers in South Korea have acknowledged openly that a central objective of an engagement strategy is precisely to avoid a messy collapse of the regime (e.g., Moon 2004). As a consequence, the transformative effects of economic integration will depend crucially on the nature of the economic ties that develop between North Korea and its partners and the extent to which such ties can be appropriated by politically connected groups such as the Kim family clique, the party, and/or the military.

In order to assess the prospects for different strategies of engagement, it is important to provide some sense of what a reformed North Korea might look like. Although there is more than one path out of the difficulties the North Korean economy now faces, the basic contours of the reform process are surprisingly clear. Given the economy's small size and location in the dynamic, high-growth Northeast Asian region, the country would benefit from a dramatic expansion in international trade and investment ties, particularly with its neighbors South Korea, China, and Japan. The share of international trade in national income could quintuple from where it is today (Noland 2000).

There would be corresponding changes in the composition of output. Given that the country does not have a comparative advantage in the production of food crops, the agricultural sector would shrink and production would shift away from bulk grains, which can be imported much more cheaply, toward higher value-added products aimed at urban consumers, both locally and abroad. Both mining and manufacturing would expand, generating foreign exchange through exports. Within manufacturing, production would shift from capital goods, where North Korea has no comparative advantage, toward the production of labor-intensive, mid-technology manufactures for the world market.

The services sector is normally underdeveloped in centrally planned economies, and North Korea appears to be no exception. A reformed economy would have an expanded services sector, fed by the entry of entrepreneurial North Koreans into a variety of services that require minimal investment but that would have tremendous welfare-improving effects: restaurants, barbers and beauty parlors, retail shops, and construction. There is even a role for services exports. North Korea already has a small animation industry, and strong education in certain technical niches could generate opportunities in other select sectors. Export of labor and increased earnings from remittances might also be a component of a more open North Korean economy.

In light of the weak institutional linkages between North Korea and the global economy, foreign firms are likely to play a key role in this process of transformation, providing the product specifications and global procurement and marketing networks North Korea currently lacks. This injunction by no means suggests a single model based on the Washington Consensus; if nothing else, the experience of Asia over the last half century



has demonstrated that there is more than one way to skin a cat. Some economies in Northeast Asia, notably South Korea, have implemented policy packages characterized by a heavy reliance on domestic entrepreneurship, indigenous technical skills, and government intervention, with foreign firms playing a role as buyers as well as producers. China developed by initially relying on export-oriented enclaves, which gradually expanded. Others, such as Singapore, implemented much more neutral policy regimes and relied much more on multinational corporations to drive manufacturing growth. But in all three cases, an orientation toward global markets and some role for foreign entities were key.

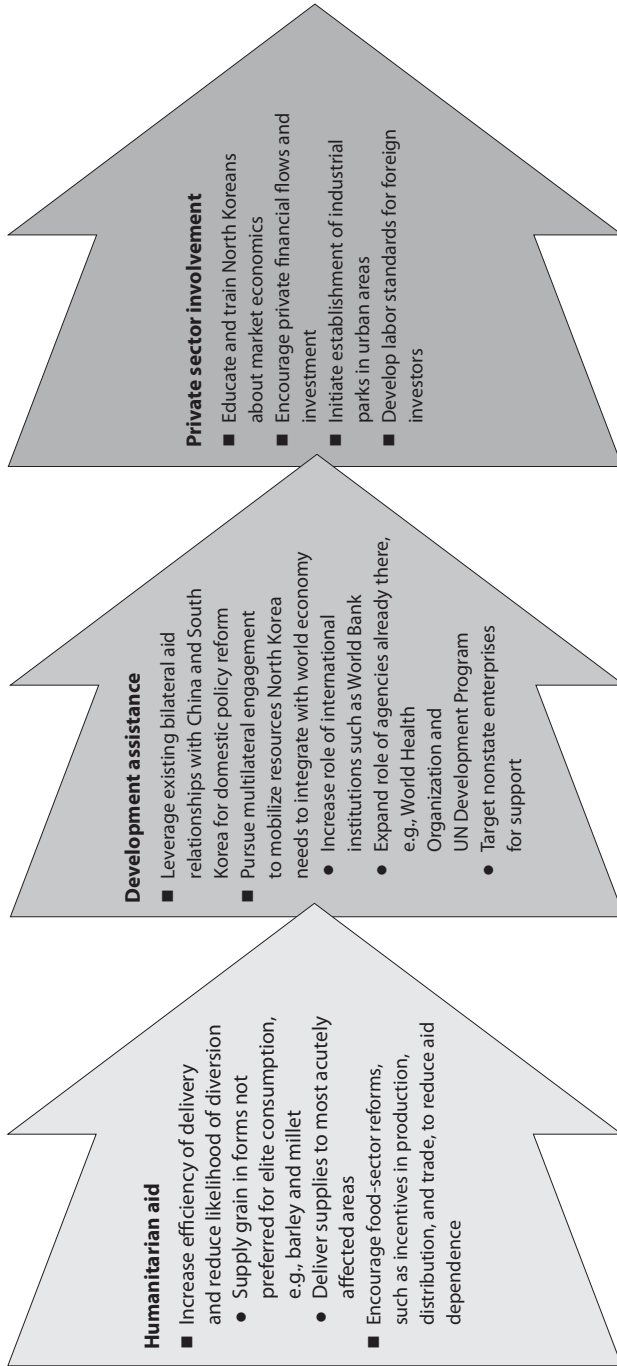
There are multiple paths from here to there, and detailed blueprints are less important than the general direction of policy and a willingness to experiment and learn. The sequencing of key reforms has varied considerably. It is probably sufficient to get a few important things right initially; not all reforms have to be implemented at once. What is certain, however, is that a dynamic North Korean economy will involve increased foreign trade and investment and quite fundamental shifts in output as a result. Institutional reforms will be required not only to support the market but also to marry the latent potential of the domestic economy to the demands of the world market. In thinking about engagement with North Korea it is critical to keep in mind that this is more than a technocratic exercise or one aimed at the alleviation of poverty in the short run. The goal is more fundamental: to encourage and assist North Korean authorities and officials to effect a fundamental institutional change (see figure 6.1). What types of engagement might be most effective in this regard?

## Humanitarian Assistance

Before examining commercial involvement with North Korea, it is worth considering international humanitarian assistance to the country. Since the devastating famine in the 1990s, large segments of the North Korean populace have remained chronically food insecure (Haggard and Noland 2009a). In response to these pressing humanitarian needs, the UN's World Food Program has been in operation in the country since 1995, as have a number of nongovernmental organizations (NGOs). The humanitarian presence represents the most sustained engagement between the government of North Korea and the world community.

In his final report as UN special rapporteur for North Korean human rights, Vitit Muntarbhorn emphasized that ensuring access to food is a basic human right (United Nations Human Rights Council 2010), and we strongly concur. Given the recurrence of famine or near-famine conditions in North Korea during the "reform in reverse" period, it is particularly important to restate the principle that humanitarian assistance be divorced from high politics. The international community, as well as North Korea's neighbors, should stand ready to provide assistance on the basis of need.

**Figure 6.1 Engaging North Korea**



Nonetheless, even the provision of humanitarian aid requires thought. Donors should insist to the extent possible on a transparent and accountable aid program, a standard our surveys make clear has not always been met in the past. For both humanitarian reasons and the crucial political purpose of maintaining support for such aid, outside donors must remain committed to core humanitarian principles and programmatic reforms that increase the efficiency of aid delivery and reduce the likelihood of its diversion away from the intended recipients.

Such reforms would include supplying grain in forms not preferred for elite consumption, such as barley and millet, and delivering aid supplies to the most acutely affected areas, so that even if it was diverted from its intended use and sold in markets, it would likely remain in the areas where it will do the most good. While the United States, the main donor to the UN's World Food Program, has addressed the second issue, American policies still require US food aid to be sourced in the United States and transported on US vessels; as a natural consequence, US food aid largely takes the form of staples like corn, which the United States produces in abundance. Reforms in US practices could improve the effectiveness of the aid programs it supports in North Korea.

To the extent possible such assistance should also be guided by the longer-run objective of weaning the country from the need for humanitarian aid. The humanitarian program needs to be coupled with a dialogue over reforms of the food sector that will make it less dependent on food aid over time. These include reforming incentives in the production and distribution of food, as well as broader reforms, such as adequate incentives for exports, that will allow North Korea to import food on commercial terms.

Yet no matter how well designed, such assistance will inevitably have ambiguous effects on economic reform and regime transformation. Ironically, the existence of food aid and the incentive to monetize it through diversion into markets acted as an important stimulus for the development of markets in the 1990s. But given that most food aid is channeled through the public distribution system, it almost of necessity has the consequence of strengthening the power of the state; humanitarian engagement must always be alert to ways to mitigate this effect.

## Development Assistance

Long-term development assistance, as distinct from humanitarian aid, is typically extended with some policy conditionality and thus could play a key role in encouraging reform. A growing body of scholarly research on the political economy of aid suggests that it is most likely to be effective when coupled with domestic reform. In the absence of reform, aid may have little impact or may even encourage temporizing behavior by governments, large public sectors, clientelism, and corruption. Problems

of moral hazard abound in the North Korean case in particular. Proffering aid—which may help address real needs in North Korea and make the regime feel more secure—may also discourage precisely the long-run evolution in the North Korean system that the policy seeks.

We return to the question of how to design a multilateral aid strategy in more detail below. To be clear, the signals emanating from Pyongyang, at least at the moment, are not auspicious in terms of economic reform and the political prerequisites that would make interaction with multilateral development banks and other aid agencies productive. But a consideration of bilateral assistance from China and South Korea provides some important clues to the structuring of foreign aid and its reform-leveraging effect.

### *China*

At present, China is North Korea's main patron. Although it has tried to persuade North Korea of the benefits of economic reform it does not appear to have introduced any policy conditionality into its aid program, or if it has, it has been less than successful in enforcing it. Nor has it shown any interest in enforcing UN Security Council sanctions against North Korea in response to its missile and nuclear tests (Noland 2009b).

China's influence on the North is not entirely negative, however. To the extent that its engagement contributes to economic rehabilitation, Chinese trade and aid raise income and alleviate poverty. China also provides a proximate model of a ruling communist party that has managed to introduce reforms while maintaining political power, an important fact to emphasize in appealing to the self-interest of the North Korean leadership. Much of China's economic engagement with the North also appears to be occurring on market-conforming terms; indeed, China has been increasingly explicit that it would like the state to guide the economic relationship but markets to do the work. Through the process of marketizing the North Korean economy, Chinese engagement has the long-term indirect effect of constraining North Korean economic policy away from some of its more self-destructive impulses.

The initiation of a state development bank in early 2010 is rumored to have been initiated by the Chinese, frustrated by the degree of corruption in North Korea and fearful of the expropriation risk facing Chinese investors. The centralization of investment relations between China and North Korea through the formation of the state development bank could be interpreted as an attempt by China to focus accountability with the North Korean state and protect Chinese investors from cascading corruption and could thus provide an example of how to leverage aid for policy reform.

To the extent that economic integration proceeds between China and North Korea, it is unlikely to promote the sort of transparency and governance agenda promoted by the World Bank or Transparency International;

China is hardly an exemplar of the Washington Consensus. Nonetheless, if Chinese engagement continues to downplay the role of aid, or at least emphasizes its complementarity to private activity, China's deep engagement will probably have strong, if indirect, marketizing effects.

### **South Korea**

The country's second most important donor is South Korea, although under the Lee Myung-bak administration, and particularly since the sinking of the *Cheonan*, South Korean aid has dried to a trickle. Inter-Korean engagement was originally conceived by Kim Dae-jung as an instrument: The point of engagement was to encourage sufficient systemic evolution in North Korea to establish a meaningful basis for reconciliation and, ultimately, national unification. However, critics of this strategy noted that engagement gradually became an end in itself, with financial inducements offered simply to keep talks moving forward or as a hedge against collapse. Although most South Korean assistance has been in the form of humanitarian assistance, some has taken the form of "cooperation projects," such as the Kaesong Industrial Complex, that were designed to leverage a broader reform process.

We do not rule out the long-run effect of such experiments, and their positive social consequences for the workers involved are important, even though a substantial share of those benefits are captured as a result of wage payments passing through the state. But these semipublic, semiprivate ventures do not appear to have been successful to date in leveraging reform. This limited effect arises in part because of their confinement to enclaves, although this was true of export-processing zones earlier in Asia's history. But the effect of reform is also mitigated because various South Korean subsidies make them less than fully commercial undertakings. Looking forward, South Korea will want to consider the types of support that will encourage system transformation when North Korean authorities decide to move, while avoiding the temptation to provide assistance that simply transfers resources or is effectively captured by the state.

While China will pursue its own agenda, South Korea should commit to the principle that investment in such projects should be done on efficient, transparent terms. As long as the South Korean government maintains direct and indirect influence over specific capital allocation decisions by financial intermediaries, it will be tempted to use this influence to promote its policy toward the North.<sup>2</sup> Cooperation projects should minimize discretionary state involvement either directly or indirectly through public-sector financial institutions or other state-owned enterprises.

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2. The Hyundai Asan corruption trials in which five South Korean government officials were convicted of illegally channeling funds through the Korean Development Bank to Hyundai Asan for use in the North is exhibit A in this regard (Noland 2004).

To be clear, there is an economic case for intervention. Economic integration between the North and South may have positive externalities, and the social rate of return on South Korean investment in the North may exceed the private rate of return. Moreover, subsidization of engagement may promote evolutionary economic and political change in the North. As a consequence, there is a public policy justification for encouraging investment in the North.

Public-sector initiatives by the South, and even subsidies, could support private investment in a variety of ways. Examples include multilateral assistance for the development of export processing zones and engaging South Korean institutions, such as the Korea Trade Investment Promotion Agency and the Korea Ex-Im Bank, in North Korea. But many discussions of the rehabilitation of the North Korean economy have over-emphasized public investment and have failed to consider the crucial complementarities between public-sector investment, economic reform, and the engagement of the South Korean private sector. At least some of the massive costs of modernizing the North Korean economy can be borne by the private sector through foreign direct investment. This is even true with respect to infrastructure, where a number of developing countries have benefited from private investment in projects ranging from telecommunications to highways and even the provision of power and water. South Korea has a long history undertaking exactly this sort of investment in the developing world. Egyptian conglomerate Orascom is currently undertaking an expansion of North Korea's cellular phone network.

But the existence of a justification for support does not mean that all support works equally well; interventions should be clear, limited, and transparent and implemented as neutrally as possible with respect to specific projects and firms. The most efficient way of accomplishing these objectives would be for the South to introduce broad tax incentives for investment in the North, which would encourage firms to invest there rather than other offshore destinations such as China or Southeast Asia. A tax-based policy would separate the overarching societal goal of investment in the North from state influence on particular investment decisions and would thus preserve the microeconomic efficiency of private firms selecting among potential investment projects on the basis of expected rates of return. Market-compatible engagement would have the added benefit of encouraging learning on the part of the North Koreans, whose interaction with the outside world has been on largely nonmarket terms.

## **Mobilizing International Finance**

Bilateral assistance, while essential, is likely to prove inadequate to successfully revitalize the North Korean economy. Multilateral cooperation not only will reduce the chances that North Korea will play the interests of outside parties against one another but also will provide additional

resources for the tremendous scale of investment ultimately required for North Korea to successfully integrate into the global economy. International financial institutions such as the World Bank and Asian Development Bank have a role to play in this process as providers of nonpoliticized technical assistance and policy advice as well as capital. The International Finance Corporation—the World Bank’s private-sector arm—could have a particularly important role to play insofar as a core goal is to encourage the development of non-state-controlled entities, and the multilateral development banks work largely through existing state institutions. The Six Party Talks or some successor scheme could spawn regional economic initiatives and embed the process of inter-Korean reconciliation in a broader regional fabric (Haggard and Noland 2009b).

North Korea is in need of depoliticized technical assistance on a panoply of issues running from the mundane but critical, such as developing meaningful national statistical capabilities, through basic agricultural and health technologies to the social infrastructure of a modern economy. This infrastructure should incorporate policy mechanisms to manage macroeconomic policy, including through a reform of the central bank; specify property rights and resolve commercial disputes; regulate markets, including financial markets as they emerge; establish and implement international trade and investment policies; and so on.

The possibility of a Northeast Asian Development Bank has been floated as a vehicle for undertaking these tasks. However, it would be a mistake to construct a new institution that would duplicate the activities of existing global and regional institutions in which the five other countries are already well represented. Rather, both advice and multilateral lending will be facilitated by North Korea’s entry into the World Bank, International Monetary Fund, Asian Development Bank, and the World Trade Organization and an expansion of the activities of agencies that are currently engaged there, such as the United Nations Development Program, World Health Organization, and United Nations Children’s Fund (UNICEF). In our view, the sooner this happens, the better. There could well be a role for subregional initiatives, possibly growing out of the existing Six Party Talks or some future equivalent as we have discussed in detail elsewhere (Haggard and Noland 2009b).

One model of multilateral engagement of North Korea would be to allow the World Bank to play a coordinating role as the administrative arm of a consultative group. The Bank would engage in more detailed analysis of the North Korean economy and become the repository for a dedicated North Korea fund that would initially support technical assistance and the building of local institutional capacity. These early actions would eventually support direct lending and investment guarantee activity. Japanese postcolonial claims payments could be one source of financing for such a facility as the two countries normalize relations. Calibration on the basis of Vietnam’s experience in joining the World Bank suggests that the North



Koreans might expect an eventual lending program on the order of \$150 million to \$250 million annually; given South Korea's interest in revitalizing North Korea and the prospects of Japanese postcolonial payments, the actual lending from such a facility might be substantially larger.

But the Tumen River project provides a case study of how well-intentioned multilateral schemes can go nowhere in the absence of complementary domestic policies (Tsuji 2004). Similarly, the efforts by the Korean Peninsula Energy Development Organization to provide North Korea with lightwater reactors—whatever their political merits—proved a complete white elephant from an economic perspective. Infrastructure projects, such as pipelines and the energy grid, might provide the opening wedge for multilateral cooperation. But as we have argued above, undertaking such initiatives in the absence of a shift in North Korean policy is unlikely to garner either public or private support and could send misleading signals to North Korea given the vast resources such projects would demand.

## Commercial Engagement

In the end, however, the role of both humanitarian and developmental aid must be put in proper perspective. To the extent that North Koreans have any interactions with foreigners, it is often with government agencies or NGOs. Given the North Korean milieu, it is quite natural for North Koreans to think of such engagement as a form of political bargaining. But an important long-run task of engagement is a sort of political-economic socialization: to educate North Koreans about the functioning of market economics and to reorient their conception of engagement away from politically driven resource transfers or political tribute and toward mutually beneficial exchange. As the previous section suggested, the private sector will ultimately play the key role not only in the process of integration but also in this socializing function: through trade, foreign direct investment, private capital flows, and technology transfer through expertise. Participation of foreign firms means that projects would be subject to the market test of profitability and would encourage North Korean authorities to think of economic engagement in terms of joint gain rather than as political tribute.

In such a context, not all forms of public and private engagement are equally transformative. One can imagine a hierarchy of modalities of engagement that combine public involvement with private investment and trade, each with differential effects on the long-run objective of reform. From the standpoint of encouraging systemic transformation in North Korea, energy pipelines or even transportation links would have the least impact. Although North Korean infrastructure is in desperate need of repair, rehabilitation of the transportation sector will only promise enduring gains once there are clear signs of reform that would allow infrastructure investment to support wider marketization; at that point, such

investments would jump the queue and become more central. But we should not believe in a “field of dreams” approach in which the public sector builds and the private sector comes; we have ample experience, including in the North-South rail links, of infrastructure projects that have gone nowhere.

Next in this hierarchy would be projects such as Mt. Kumgang, which can literally and figuratively be fenced off from the rest of the North Korean economy and society and as a result have limited effects on institutional transformation. Given the historical enmity and distrust between the North and the South, the Mt. Kumgang tourism project may have been a necessary first step to build confidence and trust. But future projects should be evaluated with a more critical eye. Marginally preferable to the Mt. Kumgang project would be mining concessions or special economic zones in remote areas such as Rason (formerly Rajin-Sonbong). However, it is important to note that these are classic enclave projects, with limited spillover into the broader society, and should be seen only as tactical steps on the road to a broader opening.

Industrial parks, bonded warehouses, and other preferential investment zones in urban areas would be preferable, and investment by South Korean and third-country firms throughout North Korea would be the best of all. To be sure, industrial parks, bonded warehouses, and preferential investment zones have a mixed record around the world but in the North Korean milieu represent a substantial second-best improvement over the status quo. Industrial parks are justifiable insofar as the most natural South Korean investors in the North are small- and medium-sized industrial enterprises that are increasingly uncompetitive in South Korea but could remain viable given access to lower-wage North Korean labor. Extending the public provision of physical infrastructure and effective political guarantees to these small enterprises makes a certain sense, particularly if the alternative is for these firms to move their operations to China or Vietnam. Yet the North Korean decision in 2009 to close the border and interfere with the operation of the Kaesong Industrial Complex suggests that these risks pertain even—and perhaps particularly—to such high-visibility projects.

More decentralized investment throughout the country would not only permit location decisions to be driven by profit opportunities but also maximize the contact between North and South Koreans and third-country nationals (and thus provide the demonstration or educational effects with respect to the operation of a market economy). Such an approach would also create competition between local authorities to attract investment.

Whatever the specifics, these limited or more expansive openings would be the key modality through which emerging industrial and service activities would expand (through the creation of new capacity made possible by foreign investors) and be linked to the world economy through global supply, procurement, and marketing networks. Sadly, it is apparent

that Pyongyang understands the implications of these different modalities of engagement and prefers precisely the ones that generate hard currency earnings without requiring significant alteration of existing practices. It appears sufficiently comfortable with the existing enclaves to replicate them elsewhere, for example, in the form of a Mt. Paekdu tourism venture (on the Chinese border) and Kaesong-like industrial enclaves in Haeju and elsewhere, per the October 2007 North-South summit agreement.

To the extent possible, this approach should be eschewed in favor of more decentralized and free-ranging establishment of foreign-invested enterprises in the country. Yet even under the most propitious conditions, it is evident that the government will attempt to steer economic engagement through state-controlled entities rather than the emerging nonsanctioned market-based actors our surveys documented. One implication is the necessity of developing Sullivan-type principles of labor standards, similar to those implemented by US investors during the apartheid period in South Africa, to ensure that foreign investors do more than simply exploit virtual slave-labor conditions. For investors from South Korea, Japan, the United States, and other Organization for Economic Cooperation and Development (OECD) members, adherence to the OECD's Guidelines for Multinational Enterprises, including those ensuring that North Korean workers are aware of their rights and how to exercise them, would be another way of trying to ameliorate the impact that engagement with state-owned entities in North Korea could have in terms of reinforcing state control.

## Private Lending

The North Korean government will eventually seek to resolve the overhang from its past international defaults (probably with South Korean government assistance) and reenter international capital markets as a borrower; at the time of this writing, there is intriguing evidence of North Korean efforts to settle outstanding debts with a number of East European creditors (at pennies to the dollar and even barter terms). Such borrowing has been important in financing infrastructural development in Vietnam once reform makes such investments viable.

The tendency for commercial lenders to lend to the state will be intensified in the North Korean case: by the tenuous legal status of nonstate entities, their lack of credit histories, and absence of freely held collateral. Under such conditions, there may be a public policy justification to tilt the playing field away from state-connected borrowers.

For tactical reasons and because of the state-socialist nature of its economy, the North Korean government has historically blurred distinctions between private and public capital flows, particularly in its interactions with South Korea. Nominally private flows have been embedded in larger political bargains between the two countries and carried public

subsidies and guarantees. For example, much of South Korea's food aid to the country was technically in the form of loans, although this was well-known fiction. As a result, such flows have not been fully subject to market tests of viability and profitability. This blurring of public and private flows has created a host of moral hazard problems. Private actors are encouraged to undertake projects that are not sustainable, and the North Korean government is not held accountable for enabling a positive rate of return on foreign investment.

Moreover, North Korea has repeatedly undercut private investors, renegeing on financial commitments, interfering with the management of foreign-invested facilities, and elevating political over economic concerns to the detriment of foreign investors. The country remains in default on several billion dollars of commercial bank debt and has continually changed the rules governing foreign investment in ways that make it difficult if not impossible to realize a competitive risk-adjusted rate of return.

Private capital flows are an absolute necessity if the North Korean economy is to be revitalized. This principle is not ideological; rather, it stems from several quite pragmatic considerations. First, international aid flows are unlikely to have their desired effect in the context of government policy that remains hostile to private financial flows; aid will simply be wasted. Second, the international donor community is unlikely to support large aid flows in the context of a hostile policy toward foreign investors. Even if political relations were to improve, it would be extremely difficult for South Korea to mobilize large-scale multilateral support for its North Korea policy without some sign of a change of course from Pyongyang in this regard. The demand for foreign assistance has always exceeded its supply, and donors have become increasingly selective about where funds go. Third, international aid flows are unlikely, on their own, to provide the scale of financing needed to turn the North Korean economy around. Finally, foreign direct investment constitutes the institutional mechanism for both technology transfer and the links to marketing and distribution networks that North Korea currently lacks. Aid should seek to complement and encourage such private flows, not provide a substitute for them.

## **Constructive Engagement: A Reprise**

In short, the broad contours of what a reformed North Korean economy would likely look like are surprisingly well understood, even if those contours permit substantial variation in the precise sequencing and pace of policy change. Opening and reform will look at least something like the export-oriented strategies pursued by North Korea's neighbors, integrating the country into the dynamic region in which, ironically, it has the good fortune to dwell. Aid, both humanitarian and developmental, bilateral and multilateral, will play an important role given the magnitude of the challenges the North Korean economy faces.

But two simple rules of thumb should be observed to ensure that engagement is constructive. First, it needs to occur in the context of a strategic decision on the part of North Korea to adopt complementary reforms, even if partial. The problem is not so much uncertainty about the contours of advisable economic policy reform, but rather the apparent absence of the political leadership that would make the implementation of such a program feasible. Second, and closely related, aid must operate in the context of incentives for the private sector, both domestic and foreign, to play a larger role in North Korea's future. Without an adequate private-sector presence, aid will simply strengthen the state sector, encourage politicization of projects, and intensify rent seeking.

## **The Humanitarian and Human Rights Imperative**

The problems North Korea faces are not just material in nature, and it is misguided to think that economic solutions alone are adequate to move the country forward. What can be done to improve the plight of the North Korean people if the aim of the regime is to preserve the essential outlines of the existing political economy? How do we address the problems of existing refugees and the possibility that future economic or political crises might generate a new flood of them? How do we deal with the humanitarian and human rights issues in North Korea itself?

One can conceptualize a humanitarian and human rights policy for North Korea along two distinct dimensions. First it is important to distinguish policies to address the human rights and humanitarian problems in North Korea from the distinct issues surrounding the refugee population. Second, the international community can pursue policies that engage the government of North Korea and require its cooperation; we begin with a discussion of an agenda to engage North Korea on these issues, which we label "direct policies." But given that the current regime is likely to resist fundamental alterations in the status quo, the international community must entertain policies that operate "indirectly," regardless of the stance of the North Korean government. Policy options along these two dimensions are summarized in table 6.1. We first discuss "direct," then "indirect" policies toward the resident population of North Korea and move on to refugee-specific issues.

### **"Direct" Engagement Policies Regarding the Resident Population of North Korea**

North Korea engages in the systematic denial of human, civic, and political rights through brutal repression. Despite the fact that it routinely ignores its obligations under international covenants, North Korea is nonetheless party to four key human rights treaties including those on

civil and political rights; economic, social, and cultural rights; women's rights; and child rights.<sup>3</sup> In response to concerns about the implementation of North Korea's commitments, the United Nations appointed a special rapporteur for North Korean human rights. During his six years in this position, North Korean authorities did not once permit Thai law professor Vitit Muntarbhorn to visit the country. In his final report to the Human Rights Council of the UN General Assembly, he described the human rights situation in North Korea as "*sui generis* given the... many instances of human rights violations which are both harrowing and horrific," surprisingly direct language given the often anodyne and diluted style of UN treatment of human rights abuses (United Nations Human Rights Council 2010, 1).

Vitit's successor, Indonesian human rights lawyer Marzuki Darusman, submitted his first report to the UN General Assembly in September 2010, and North Korea's deputy UN ambassador, Pak Tok-hun, responded later in October that Darusman's report was "a political plot fabricated by hostile forces in an attempt to isolate and stifle our system." He went on to say that "the purpose is clear, the promotion of human rights is only words but in reality what they try to do is change the ideology and system of our country."<sup>4</sup>

It is not difficult to identify numerous actions that the North Korean government could take to begin to address the human rights situation in the country. The examples we cite here are illustrative and do not exhaust the possibilities; many track the recommendations of the Committee for Human Rights in North Korea (2010). But they should not be seen as reflecting a distinct national agenda; indeed, to the extent that they are identified with particular countries, the force of the argument weakens. It falls to the democracies and NGOs to continually raise these issues as matters of principle and policy. In this regard, Europe and the new developing-country democracies have a particularly important role to play in reminding North Korea that human rights are not simply an American preoccupation but a more widely shared concern. Indeed, these actions should be taken up by all countries seeking to engage North Korea.

First, it is important to simply open a dialogue. North Korea should allow access to the Office of the UN High Commissioner for Human Rights, the Special Rapporteur on Human Rights, the Special Rapporteur on Torture, and the UN Commission on Human Rights Working Group on Arbitrary Detention.

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3. North Korea is a party to the United Nations International Covenant on Civil and Political Rights, International Covenant on Economic, Social and Cultural Rights, Convention on the Elimination of Discrimination against Women, and Convention on the Rights of the Child (United Nations Human Rights, Office of the High Commissioner for Human Rights 2010).

4. Louis Charbonneau, "North Korea Says UN Rights Talk Is a Plot," Reuters AlertNet, October 22, 2010, [www.alertnet.org](http://www.alertnet.org) (accessed on November 10, 2010).

**Table 6.1 Human rights policy matrix**

Policies toward	“Direct” policies involving engagement with the North Korean government	“Indirect” policies not requiring engagement with the North Korean government
Resident population of North Korea	<ul style="list-style-type: none"> <li>■ Initiate official dialogue               <ul style="list-style-type: none"> <li>● Seek access to UN Special Rapporteur</li> <li>● Monitor compliance with existing obligations</li> </ul> </li> <li>■ Seek penal system reform               <ul style="list-style-type: none"> <li>● Close political penal-labor colonies</li> <li>● Release political prisoners and family members</li> <li>● Improve treatment of prisoners and World Food Program access</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Promote news and information dissemination</li> <li>■ Develop labor standards for foreign investors</li> </ul>
	<ul style="list-style-type: none"> <li>● Open dialogue with International Labor Organization on prison labor</li> </ul>	
	<ul style="list-style-type: none"> <li>■ Improve humanitarian relief</li> </ul>	<ul style="list-style-type: none"> <li>● Conduct aid operations according to international standards</li> </ul>
	<ul style="list-style-type: none"> <li>● Seek access to UN Special Rapporteur on Food and Hunger</li> </ul>	
	<ul style="list-style-type: none"> <li>● Condition development assistance on improvements in human rights, refugee, and humanitarian relief practices</li> </ul>	
	<ul style="list-style-type: none"> <li>● Design development assistance to encourage citizen participation</li> </ul>	
	<ul style="list-style-type: none"> <li>■ Seek full accounting of prisoners of war and abductees</li> </ul>	
	<ul style="list-style-type: none"> <li>■ Encourage nonofficial exchange and contact</li> </ul>	
	<ul style="list-style-type: none"> <li>■ Encourage family reunifications</li> </ul>	



## Refugees

- Seek decriminalization of exit
- Seek release of citizens incarcerated due to forced repatriation from China
- Assist and protect trafficked North Koreans in China who may wish to return to North Korea
- China
  - Cease forced repatriation
  - Permit UNHCR access to border area
- South Korea
  - Enhance assimilation of defectors
  - Continue funding for refugee egress
- United States
  - Improve implementation of the North Korea Human Rights Act
  - Publicize the availability of support for North Koreans who seek asylum in the United States
  - Establish a hotline with UNHCR and South Korea
  - Provide scholarships to refugees
- Create a "hole in the fence"
  - Actively promote refugee flows through temporary refugee resettlement facilities

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UNHCR = United Nations High Commissioner for Refugees

Second, as we have seen in chapter 5, a host of issues surround the regime's use of the legal and penal system to punish behaviors that are crucial not only for a more open polity but also for the functioning of a market economy. The change in the underlying laws may ultimately depend on a process of political liberalization, but the international community can begin by focusing on the prison system itself. North Korea should be called on to

- close the notorious *kwan-li-so* network of political penal-labor camps and allow the UN Working Group on Arbitrary Detention, the International Committee of the Red Cross (ICRC), Amnesty International, Human Rights Watch, or a similar group to certify that these prison camps have been closed;
- release family members, including children, of those convicted of political crimes;
- release political prisoners held in violation of their rights under the International Covenant on Civil and Political Rights to which North Korea is a state party or allow review of the cases of prisoners of conscience with the ICRC or a similar group with a view to their release;
- end brutal treatment of prisoners in the *kyo-hwa-so* (penitentiaries) including forced starvation; permit the World Food Program access to these facilities;
- initiate a dialogue between North Korea and the International Labor Organization (North Korea is not a member of this organization) on how practices in the *kyo-hwa-so*, *jip-kyul-so* ("collection centers"), and *ro-dong-dan-ryeon-dae* (labor training centers) can be brought up to international norms against forced and slave labor; and
- ratify the United Nations Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment and its Optional Protocol (United Nations General Assembly 2010).

As we noted in the previous section, the provision of aid has an important role to play in North Korea, but its provision should always be attentive to the possibility of expanding human rights and political participation. A third set of prescriptions would be to

- permit public and private humanitarian relief organizations to conduct their operations according to well-established international norms and protocols. The basic principles governing delivery of humanitarian aid are straightforward. Aid should go to those in greatest need based on objective and systematic assessment and access to aid should not discriminate on the basis of age, gender, social status, ethnicity, or political beliefs (Ziegler 2002). Aid delivery should be transparent, enabling agencies to confirm that it is distributed to the target group

and to assess its impact. These processes require that aid agencies have direct and ongoing contact with the affected populations and are able to collect (or monitor the collection of) data on the status of the populations.<sup>5</sup> In the process, the North Korean government will hopefully develop the capability to more accurately assess human needs in the country, a crucial first step to understanding the very scope of the humanitarian challenges it faces;

- permit the UN Special Rapporteur on Food and Hunger access to the country; condition development assistance on meaningful improvements in human rights, refugee, and humanitarian relief practices; and
- design development assistance to permit citizen participation—in line with well-established best practice—and encourage the presence of NGOs both foreign and, over time, domestic.

A fourth area is for the North Korean government to provide a full accounting of prisoners of war from the Korean War and abductees missing from South Korea, Japan, and other nations. Although the Japanese abductees have received the most attention, those missing or abducted are estimated to exceed 1,000 people and many are South Korean.

A fifth area that is of particular importance is to develop multiple channels of exchange and contact (Lankov 2009). Although it may appear odd to include this injunction in the context of humanitarian and human rights concerns, it is in fact a crucial step given the closed nature of North Korean society and the dearth of information about the outside world. Access to information plays an essential political role. All societies, even democracies, are vulnerable to government propaganda and misinformation. But in closed societies, authoritarian governments have particular leeway to develop elaborate propaganda machines that fundamentally distort information about the outside world. Connecting individuals to the outside world serves the crucial function of undermining these distortions by providing information, forcing the government to respond to a

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5. These basic norms are embodied in the World Food Program's handbook, which lays out a standard operating procedure embodying reciprocal obligations on the part of donors and recipients. The NGO community is much more diverse than the public humanitarian aid machinery. Confrontation with difficult ethical dilemmas in Bosnia and Central Africa in the 1990s pushed the NGO community to codify voluntary norms that overlapped at a number of points with those governing the multilateral aid effort. The most prominent of these exercises is the Inter-Agency Code of Conduct arising out of the Sphere Project (2004) and later, in recognition of the absence of a formal accountability mechanism, the establishment of the Humanitarian Accountability Project International (Young et al. 2004). Among the norms embodied in the Sphere codes are understanding of basic conditions; evaluation of effectiveness; participation in the design, management, and monitoring of programs; distribution of aid through a transparent system that can be monitored and adequately audited; and impartiality, or the distribution of aid in a fair and equitable manner.

more informed public. Our surveys suggest that the North Korean public is receptive to alternative, non-state-controlled sources of information. In addition to these political functions, outside exchanges also constitute a crucial channel for technology transfer, broadly conceived: the flow of information not only expands freedom of thought but increases capabilities as well.

A strategy for such engagement might begin with less political exchanges, such as visits of orchestras and sports teams and academic exchanges; the last are particularly important in fields such as agronomy, medicine, and management that might contribute to wider reforms. Yet the most powerful way to influence future political developments is by encouraging educational opportunities abroad, bringing the youth of North Korea into contact with the world.

A final cluster of policies is to accelerate and expand family reunifications. South and North Korea have held 18 rounds of family reunions for those divided as a result of the war. Approximately 127,600 South Koreans have applied to take part in the meetings; 86,400 are still living, yet only about 17,000 have met their families. Given the advanced age of those surviving the Korean War, and their shorter life span in North Korea, this is an issue of great urgency.

The problem, of course, is that all of these actions require at least the North Korean government's acquiescence, if not its active cooperation. And while there is much to be said for holding the North Korean government to international obligations into which it has voluntarily entered, one should not be overly optimistic about cooperation from the present regime. The Committee for Human Rights in North Korea (2010) suggests that if the proposals of the UN Human Rights Council remain unimplemented despite the Universal Periodic Review and access to North Korea continues to be denied to the special rapporteurs and other UN human rights bodies, a more robust strategy should be pursued. These could include adoption of a resolution on North Korean human rights by the UN Security Council (UNSC) referring the matter of crimes against humanity in North Korea to the International Criminal Court for investigation and prosecution. A similar tack could be adopted via the "responsibility to protect" doctrine, since the prison system and other practices could be shown to constitute crimes against humanity.

But this approach has a practical problem: China sits on the UNSC and is unlikely to accede to any such UNSC resolutions, particularly ones that could set a precedent in terms of its own internal practices. This approach is also unlikely to have concrete effect. Rather, the measures noted here should be approached in a dispassionate way, as a wide-ranging and long-run reform agenda on which the democracies seek to engage North Korea if and when it seeks to reenter the international community. As with the economic reform process, the human rights agenda should be seen as a component of a broader process of political change, which, even if falling

well short of regime change or democratization, would nonetheless limit the most egregious abuses.

### **“Indirect” Policies Toward North Korean Residents**

Although it would be preferable to have sustained cooperation with North Korea on humanitarian and human rights issues, the current regime’s unwillingness to engage on these issues leaves the international community little choice but to consider policies that do not require its assent. These measures naturally place the international community in a more confrontational stance vis-à-vis the regime, but given the lack of success in engaging North Korea and the seriousness of the issues in question, the risks are warranted.

As documented in the preceding chapter, the information North Korean people receive about their own country and the world outside is highly restricted, but they are also increasingly willing to listen to outside information sources. At present, more than a dozen public and private groups in South Korea, Japan, and the United States broadcast radio into North Korea (Beck 2010). These efforts should be expanded along with other efforts to provide information directly to the North Korean people. In the United States, the administration should seek additional funding under the North Korean Human Rights Act (NKHRA) to bolster the existing activities of Radio Free Asia and Voice of America. In addition to the current short-wave broadcasting, the United States should redouble its efforts to persuade North Korea’s neighbors to host transmission facilities for more easily accessed medium-wave (AM) broadcasting. We have no illusions that such information will lead to fundamental political change, but it has the marginal effect of undercutting the North Korean propaganda machine and thus increasing pressure on the North Korean government for greater accountability.

Likewise, as economic engagement proceeds, it is important to ensure to the extent possible that it is a mechanism of transformation, not simply an instrument to reinforce the status quo. One possibility noted above would be to encourage the development of codes of conduct similar to the Sullivan Principles, which were used in South Africa during that country’s apartheid period, for foreign companies investing in North Korea. For OECD members such as South Korea, Japan, the United States, the European Union, and Russia, this could also involve ensuring that their multinational corporations implement the OECD’s Guidelines for Multinational Enterprises when investing in North Korea, including in the Kaesong Industrial Complex. The labor laws in the complex could be amended to incorporate the core labor standards of the International Labor Organization, including the right to freedom of association and collective bargaining, the right to strike, prohibition against sexual discrimination and harassment, and a ban on child labor. Admittedly, the firms’ scope

for implementing such norms would be constrained by the North Korean government, but as the case of apartheid-era South Africa demonstrates, it is possible for businesses to make marginal improvements in working conditions, even in the context of a highly repressive legal environment if sufficient pressure is brought to bear.

## Policies Regarding Refugees

Most of the refugees we interviewed left North Korea because they believed conditions in China were better than those in North Korea. Even with modest improvements in the North Korean economy through the mid-2000s, North Korean refugees continued to leave. The turn away from reform after 2005, and particularly the disastrous 2009 currency conversion, provides additional motives for leaving even in the face of escalating efforts by both China and North Korea to raise the costs of doing so. With the gap between living standards in North Korea and China continuing to widen and with little prospect for significant improvement in political conditions in North Korea, the incentives to migrate will remain high over the foreseeable future.

Despite the importance of economic motivations, and the government of China's desire to portray the North Koreans as "economic migrants," it is important to underline that North Koreans crossing the border in search of permanent resettlement elsewhere are in fact refugees. Under the 1951 Convention Relating to the Status of Refugees (Article 1), the basis of refugee status is a legitimate fear of persecution on return to one's country of origin. Whatever their stated motives for exit, the fear of persecution can hardly be in doubt given the fact that exit is criminalized (also in contravention of international law) and the accumulating evidence on the internment of those seeking to leave or returning to the country when caught doing so.<sup>6</sup>

Nor as we saw in chapter 4 can there be any doubt about the abuses committed against prisoners, from forced starvation to torture and arbitrary execution. As a consequence, many North Koreans have a prima facie case for being considered *refugees sur place*; whether or not they

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6. Article 12(2) of the International Covenant on Civil and Political Rights, to which North Korea is a state party, states unambiguously that "everyone shall be free to leave any country, including his own." The Refugee Convention holds that refugees must fear persecution based on race, religion, nationality, membership of a particular social group, or political opinion. To claim that the refugees are not protected under the Convention, one would have to hold the view that they did not fall under one of the five protected categories. But clearly, any North Korean leaving the country in search of resettlement or asylum would hold the "political opinion" that the criminalization of exit was unwarranted, quite apart from those who face persecution for their political views or simply fall into suspect categories (the "hostile classes"). For more on the legal grounds for protecting North Korean refugees, see Cohen (2010).

would have qualified for refugee status when they left North Korea, the North Korean government's policies upon their repatriation confer on them refugee status. The United Nations concurs and explicitly asks for "neighboring countries and the international community...to provide protection to those fleeing the Democratic People's Republic of Korea in order to seek asylum" (United Nations General Assembly 2010). Under the Refugee Convention, those seeking refugee status—and those appropriately entitled to it—should be given access to accepted processes through which their refugee status can be determined.<sup>7</sup>

The UN High Commissioner for Refugees (UNHCR) has been subjected to substantial criticism for not pushing the case of North Korean refugees more aggressively, in part because of several technicalities.<sup>8</sup> It is clear, however, that the agency faces a difficult balancing act. The proposal to take the Chinese government to arbitration over this issue is unlikely to succeed and could well be counterproductive. The UNHCR needs to continue its constructive activities in Beijing on behalf of the North Korean refugees, while at the same time urging the Chinese government to grant it access to the border region for establishing refugee determination procedures and providing protection for refugees as appropriate. North Korea should be encouraged to decriminalize movement within North Korea and across the border and to end the persecution of those who return voluntarily or are forced back into North Korea. A "direct" agenda concerning refugees would include demands that North Korea:

- adhere to its obligations under the Refugee Convention and end the criminalization of exit;
- release citizens currently incarcerated due to forced repatriation from China; and
- assist trafficked North Koreans in China who may wish to return to North Korea, ensuring that they are not persecuted and are protected in the process of repatriation.

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7. It is important to acknowledge, however, that some North Koreans crossing the border may not seek or even want refugee status but rather a normalization of their status, for example, as traders or in the case of marriage to Chinese nationals.

8. The first issue was whether North Koreans were economic migrants lacking in legitimate fear of persecution. By 2003 the UNHCR had clearly stated that any assessment of protection needs must take into account the human rights situation in North Korea; the existence of groups that are particularly prone to persecution, in particular on account of their family or political background; the practice of penalizing unauthorized departures; and the abusive conditions in "reeducation" facilities (United Nations General Assembly 2007, 10). A second issue concerns citizenship. Article 1A (2) of the 1951 Convention also excludes from refugee status those with dual nationality, who have the ability to seek protection from the other nationality. According to South Korea's Constitution, North Koreans are also citizens of the Republic of Korea, but they clearly do not enjoy access to this benefit.



But in the end, the actions of China, South Korea, and the United States are likely to be more consequential than direct engagement with North Korea on these questions, and we therefore focus on these “indirect” policies next.<sup>9</sup>

## China’s Obligations Regarding Refugees

Because China is the first port of entry for the overwhelming share of all North Korean refugees, China’s position with respect to them is critical. In policy discussions in the United States, the phenomenon of North Korean refugees in China is sometimes likened to that of Mexican immigrants in the United States as a way of acknowledging Chinese concerns. There is some validity in this comparison. In both cases, the gap in income creates strong incentives for migration offset only by the stringency of controls. In both cases, immigrants provide labor but also confront a variety of social problems and difficulties in being integrated. But the government of Mexico celebrates its emigrants and the remittances they send home; it does not criminalize exit, imprison returnees, or stage public executions of those who help migrants cross the border. Although some sympathy with Chinese concerns is warranted, we cannot allow these concerns to trump the basic rights of the refugees.

China has fallen far short of its international obligations in this regard (Kurlantzik and Mason 2006, Freeman and Thompson 2009). China acceded in 1982 to both the 1951 Convention Relating to the Status of Refugees and the 1967 Protocol Relating to the Status of Refugees. Moreover, Chinese policy contravenes a 1995 UN-Chinese agreement stating explicitly that “UNHCR personnel may at all times have unimpeded access to refugees and to the sites of UNHCR projects in order to monitor all phases of their implementation.”<sup>10</sup>

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9. The North Korean regime has vehemently rejected the actions of the UN Council on Human Rights, a political body subsidiary to the UN General Assembly, which since 2003 has passed annual resolutions on North Korea’s human rights record. North Korea has also refused to meet with special rapporteurs or the High Commissioner for Human Rights. North Korea takes a different stance toward the UN Human Rights Committee, however, a “treaty body” or technical committee that reviews implementation reports on the International Covenant on Civil and Political Rights through its Working Group on the Universal Periodic Review. North Korea submits such implementation reports and sends representatives to the review sessions of this body, most recently in 2009. In 2009, North Korea secured at least some diplomatic support from other developing and authoritarian regimes during this review. The government also simply rejected 50 of the recommendations forwarded to it under the review process, a number having to do with the treatment of refugees. In 2010, its response was even more unequivocal, in effect rejecting every single proposal advanced by the committee.

10. Article III(5), United Nations (United Nations High Commissioner for Refugees) and China, Agreement on the Upgrading of the UNHCR Mission in the People’s Republic of China to UNHCR Office in the People’s Republic of China, UNTS Volume 1898/1899, I-3237, December 11, 1995, 61–71.

The very presence of large numbers of North Korean refugees in China reflects in part the difficulty of patrolling a long land border but also some combination of corruption and acquiescence on the part of local Chinese border authorities. A distinct issue is the status of a growing number of children born to North Korean women in China, who are without documentation and effectively stateless, regardless of specific provisions of either the Chinese or North Korean legal codes.

But as a matter of policy, China does not treat fleeing North Koreans as refugees, and over the last five years it has steadily tightened controls and undertaken more detailed contingency planning (Freeman and Thompson 2009). Any North Korean escapee in China is subject to punishment as an “illegal transgressor.” China has also signed several agreements with North Korea on the border. China cooperates with North Korean persecution of its refugees: through forcible repatriations, permitting North Korean security forces into China to track down refugees, fining Chinese citizens who assist refugees, and detaining and deporting foreigners who assist this population and publicize their plight. Refugees detained by Chinese authorities are also subject to abuse and even torture prior to repatriation (Amnesty International 2000, 2001, 2004; K. Lee 2006).

Repatriation is particularly troubling as it is explicitly prohibited under the Refugee Convention; the treaty does not permit the return (*refoulement*) of refugees to their country of origin.<sup>11</sup> China’s obstinacy has blocked an appropriate international response through the UNHCR despite the country’s membership in the Executive Committee of the High Commissioner’s Program and its nominal commitment to refugee rights as a signatory to core protocols.

However morally justified, it is unlikely that appeals to China on the basis of shared values are likely to succeed. Rather, China must be reminded that current North Korean practices are a threat to basic security interests. North Korea’s failed economic policies and human rights abuses are not just humanitarian problems. They have the potential to create a variety of negative transborder externalities, including drug smuggling, human trafficking, and even public health problems, as the outbreak of swine flu in the North Korean border region in late 2009 demonstrated clearly. Since refugees are unable to work and difficult to integrate, they are vulnerable not only to abuse but also to the lure of crime and other antisocial behaviors.

Regrettable as China’s behavior is, it does reflect legitimate concerns about the presence of undocumented North Koreans within the country’s borders, and these apprehensions should be taken seriously and

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11. Article 33 of the Convention states, “No contracting party shall expel or return (*refouler*) a refugee in any manner whatsoever to the frontiers of territories where his life or freedom would be threatened on account of his race, religion, nationality, membership of a particular social group, or political opinion.”

addressed. Moreover, there is no reason for China to bear the burden of resettling all North Korean refugees.

Ideally, these concerns could be addressed through the establishment of temporary refugee resettlement camps in China itself together with third-country commitments to accept the refugees for permanent resettlement. However, given Beijing's resistance to allow direct UNHCR access, a more likely modality would be for the United States to work with South Korea and other interested parties in the Asia Pacific and Europe to establish multilateral first asylum arrangements, as was done for the Vietnamese boat people in the late 1970s. These arrangements would be negotiated with countries in the region willing to provide temporary asylum, such as Mongolia or Southeast Asian countries, with the assurance that the refugees will be permanently resettled elsewhere. Interested countries including South Korea, the United States, and Japan would commit to both financing such an effort and accepting refugees for resettlement, discussed further below. The goal of third-party action should be to make it as costless as possible for China to accept the North Koreans as refugees and, failing that, to provide a multilateral safety net and convince China to let them transit and exit. In the meantime, the United States and other third parties should seek to persuade China to establish some process of regularization that would permit the refugees to remain in China on a temporary protected basis as an interim solution.

### **A Hole in the Fence?**

The foregoing recommendations attempt to address North Korean human rights and the refugee question frontally, through direct engagement or negotiation with the North Korean government and through appeal to Chinese obligations and interests. In the absence of any real improvement in the North Korean human rights situation, an alternative would be to actively promote refugee flows: If we cannot influence the rights of the population under the existing regime, we should get them out of the country. One possibility would be for the United States, South Korea, the United Nations, and other concerned parties to urge China to establish temporary refugee resettlement camps, either under UN administration or through some coalition of the willing, with the intention that the refugees would be allowed to on-migrate to third countries. This solution would compound the refugee problem in the short run but have two more salutary effects: It would institutionalize a concerted effort to increase those able to escape and also induce the North Korean regime to think hard about its domestic policy and political choices.

China claims that its most basic concern is the potential for instability that a flood of refugees might generate both in China and in North Korea itself if such solutions were pursued (Freeman and Thompson 2009). It is

not obvious that these expressed concerns are genuine. The three Chinese provinces that constitute the border region have a combined population roughly four times that of North Korea. Average per capita income in them is in excess of \$4,000, multiples of North Korea's. An existing ethnic Korean population accounts for well under 2 percent of the populace; even in the Yanbian autonomous region ethnic Koreans now account for less than one-third of the populace. North Korea's northern provinces are generally sparsely populated (the population belt is in the south, along the demilitarized zone), so the idea that a flood of refugees from this relatively sparsely populated zone could upend the political order of these much larger and richer Chinese provinces is far-fetched. Rather, the "refugee flood" argument distracts attention from China's strategic uses of North Korea in its rivalries with the United States and India and its propensity to protect North Korea, including in the context of the Six Party Talks.<sup>12</sup>

Given China's strategic commitment to the Kim regime, however, its concerns are not unwarranted in light of the catalytic role that Hungary's opening of its border with Austria played in the collapse of the East German regime. Some observers have explicitly argued that opening the door to North Korean refugees could be a route to regime change in North Korea (Eberstadt and Griffin 2007, Kirkpatrick 2006), a proposal that quite naturally arouses Chinese suspicions. However, Chinese cooperation with respect to refugees does not commit it to a weakening of its border security or to any particular strategy toward North Korea. There is no reason why China could not uphold its international obligations with respect to North Korean refugees, maintain whatever level of border security it deems appropriate, and continue its preferred strategy of political and economic engagement with North Korea.

At a minimum, however, China should meet its obligations under the Refugee Convention, permit the UNHCR to assess the asylum claims of North Koreans in China, and make clear that North Korea's and China's commitments under the Refugee Convention trump any bilateral agreement that they may have struck. Our China-based survey indicated that under current policy, relatively few North Korean refugees wanted to settle in China permanently. But if China provided some pathway to legalization, the numbers willing to live peacefully in China might increase substantially. This might be the most practical and humane outcome for this community, at least until developments in North Korea provide a more welcoming environment for refugees to return.

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12. There is increasing evidence of debates in Chinese policy circles on the merits of continuing to support North Korea. See in particular International Crisis Group (2010) and Snyder (2009).

## South Korea's Role with Respect to Refugees

If China's stance has been unconstructive, under the Sunshine Policy pursued by the Kim Dae-jung and Roh Moo-hyun governments, South Korea's could be described as ambivalent. Despite its constitutional claim over the whole of the Korean peninsula and its designation of North Korean refugees as citizens of the Republic of Korea, Seoul became increasingly unwelcoming toward them over the first half of the 2000s. The government maintains a debriefing and educational program for arriving refugees as well as cash support for them, and NGOs have stepped into the breach as well. But open support for refugees complicated a delicate North-South diplomacy, which was in any case continually veering off track. South Korea has also been concerned about problems of assimilation. As Andrei Lankov (2006) notes, the total number of North Koreans currently living in South Korea is less than the number West Germany managed to absorb in a typical year during the Cold War. Nonetheless, the problems of assimilating even this small number have proven large, particularly as the demographic profile of the refugees has shifted away from elite defectors to those who are older and lacking in skills and education.

One manifestation of the new caution with respect to refugees was a reduction in direct support payments under the Roh Moo-hyun government (though admittedly other educational or training incentives were introduced or expanded). This decision has probably had complex ramifications. Many North Korean refugees entering South Korea now do so via distant countries in Southeast Asia or Mongolia. These long journeys are expensive and must be financed in some way. In the past, the cash award given to North Korean refugees upon arrival in South Korea constituted an important bond, establishing the refugee's capacity to repay debts incurred in passage. The reduction of the cash grant has, in effect, made the commitment to repay less credible. This change in policy will have two probable effects. First, it will make it harder for refugees to finance their journey. Second, criminal gangs will become more prominent in the migration process. Unable to avail themselves of the cash bond, refugees are increasingly likely to enter into arrangements resembling indentured servitude to finance their passage. This regrettable situation could be particularly pertinent with respect to women, who have already experienced the depredations of trafficking in their efforts to reach China.

The election of Lee Myung-bak marked a substantial turn in South Korean policy toward the North, including a greater willingness to raise human rights concerns. In 2010, a revised Bill for the Protection of North Korean Defectors and Settlement was passed. The bill

- accelerated the screening process;
- widened the definition of "defector" or "refugee" to include North Koreans who had spent up to 10 years in third countries;

- expanded the incentives for companies to hire refugees and expanded the eligibility of North Korean refugees to work in the South Korean public sector;
- strengthened housing guarantees for refugees leaving government processing centers;
- provided special schooling for refugees in light of the educational disruptions that they may have experienced; and
- increased adjustment support including job search and mental health counseling.

A North Korean Human Rights Act, which had stalled in the National Assembly due to objections by the opposition party, was revived following the sinking of the *Cheonan* as well. The legislation would either establish a North Korea Fund to deal with refugees or allow funds appropriated to the Inter-Korean Exchange Fund to be used for refugee-related purposes. Other ideas under consideration include establishing microfinance projects (some of the refugees are nothing if not entrepreneurial) and addressing the problem of how to pay brokers who may have assisted the refugees in transit. Solutions could involve using state funds to compensate the brokers or providing legal representation in potential extortion cases or instances in which brokers attempt to alter contractual terms *ex post*.

## US Policy on North Korean Refugees

The United States also has policy obligations with respect to North Korean refugees, but it is fair to say that neither Democratic nor Republican administrations took a particularly strong interest in the issue until the mid-2000s. Until 2004, the State Department had generally taken the position that US obligations to North Korean refugees were attenuated because they were in fact South Korean citizens. North Korean human rights abuses were occasionally the subject of analysis by nongovernmental human rights organizations, but it was not until 2001, with the establishment of the US Committee for Human Rights in North Korea (subsequently renamed the Committee for Human Rights in North Korea) that there was an American organization dedicated to addressing North Korean human rights.<sup>13</sup> In its wake, other NGOs such as LiNK and the North Korean Freedom Coalition sprang up, each with somewhat differing emphases, approaches, and constituencies. The National Endowment for Democracy, unable to pursue its usual approach of working with local human, civil, and political rights groups in the case of North Korea, instead works with North

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13. In the interest of full disclosure, one of the authors of this book was a founding member of this organization and remains on its board, and both have coauthored research reports under its imprint (Haggard and Noland 2005, 2006).



Korean refugee and other groups attempting to promote North Korean human rights from outside the country.

In response to agitation by these and other human rights groups, the US Congress passed the North Korean Freedom Act of 2003 and the following year the NKHRA, which was reauthorized in 2008 through 2012 (North Korean Human Rights Reauthorization Act, 110th Congress, HR 5834; see M. Kim 2008 for a summary). The intent of the initial legislation and its reauthorization is to promote human rights by improving the efficiency of humanitarian aid; providing financial support to NGOs promoting human rights, democracy, rule of law, and the development of a market economy; increasing the amount of information available within North Korea through operations such as Radio Free Asia; and providing humanitarian and legal assistance to North Koreans who have fled the country. The law also established an envoy position within the State Department for the promotion of North Korean human rights, which was elevated to a full ambassadorship in the reauthorization.

As we have already noted in our discussion of China, international cooperation is important. Even if convincing China to act more forcefully is not likely to bear fruit, the United States should clearly state its position that it views the North Koreans in China as refugees deserving international support and work to provide the international safety net that would facilitate their resettlement. The NKHRA clarified the eligibility of North Koreans for refugee or asylum status in the United States, instructed the State Department to facilitate the submission of applications by North Koreans seeking protection as refugees, and authorized up to \$24 million per year for humanitarian assistance for North Koreans outside North Korea.

Yet in the immediate aftermath of its passage, resettlement activities were limited by the difficulty of screening North Korean candidates for resettlement, and money that had been appropriated under the act was not in fact spent. The 2008 reauthorization adjusted the original 2004 provisions for the US resettlement of North Korean refugees while criticizing the slow implementation of the original bill. A report by the United States Government Accountability Office found that between October 2004 and March 2010, the United States resettled only 94 North Korean refugees—fewer than resettled in the United Kingdom or Germany (GAO 2010). One explanation offered for the slow rate of processing North Korean applications and the small number of successful asylum seekers was the policies of third-country governments, which did not permit easy access to asylum claimants. The “blame the foreigners” excuse begs the question of how the British and Germans managed to elicit better cooperation from the same group of countries, particularly given our findings that the United States is the favored country for resettlement after South Korea.

Implementation of the NKHRA could be strengthened in a variety of ways. The government could establish or designate an office with the



specific responsibility for implementing the NKHRA refugee resettlement mandate (Committee for Human Rights in North Korea 2010). Steps to strengthen implementation would include but not be limited to

- improving the implementation of the policy by US embassies, particularly in Asia. There is a need to better educate embassy personnel in countries where North Koreans have fled to understand their rights under the NKHRA and to increase staffing of Korean speakers in the relevant diplomatic facilities where North Koreans have made asylum claims;
- publicizing the availability of support within the Korean-American community for North Korean family members or others who might seek asylum in the United States;
- establishing a hotline together with the UNHCR and South Korea, as recommended by the Committee for Human Rights in North Korea, so that North Korean refugees in danger have some way to contact those who can offer them immediate protection; and
- providing scholarships to refugees. Apart from a justifiable humanitarian gesture, such an action could contribute to the formation of a post-Kim regime elite. As governments begin extending scholarships to North Koreans selected by their government, refugees should not be left behind. In the case of the United States, such scholarships could be modeled after those provided to South Africans during the apartheid period. With respect to other countries, an informal division of labor could be worked out—for example, while Sweden provides scholarships to North Koreans selected by their government, Norway might provide them to refugees.

## Final Thoughts

The testimonies that emerge from the surveys reported in this book depict a society under stress, undergoing changes that we ignore at our own peril. It is impossible to sidestep the question of how one should address these economic reform and humanitarian issues in the context of the broader negotiations that will inevitably arise between the United States and North Korea. Yet the trends revealed in the experiences of the more than 1,600 refugees interviewed in these surveys may inform our expectations about how those diplomatic activities may play out.

The Six Party Talks remained in suspended animation as this book went to press. The United States has continued to resist the opening of a stand-alone bilateral track but has consistently stated that bilateral discussions can take place in the context of the revived multilateral talks. Indeed, if adequate progress on denuclearization is made through the Six Party Talks or some successor initiative, the normalization of diplomatic rela-

tions between the United States and North Korea would require quite extensive negotiations.

Discussions over both economic reform and human rights are likely to be a dialogue of the deaf at the outset, and on some issues North Korea will certainly invoke a sovereignty defense. Nonetheless, interest in human rights has been an enduring feature of US foreign policy, and the political process will no doubt continue to cast a light on human rights abuses in North Korea. Any concessions that the United States is called on to make to North Korea will come only as North Korea addresses issues of interest to the United States, and these are by no means limited to the nuclear question and security agenda. The linkage is most clear in the case of economic assistance and the need for reform. It will be extremely difficult to justify anything more than humanitarian assistance to North Korea if the regime remains committed to policies that undermine the effectiveness of aid.

Particularly as the United States moves to normalize diplomatic relations with North Korea, humanitarian issues, refugees, and human rights will necessarily enter the picture. Such items are a component of the very complicated bilateral agenda that the United States has with China and other authoritarian regimes, and even if the track record of success is limited, the effort to exercise influence at the margin will continue. It may not be appropriate to push humanitarian and human rights to the top of the Six Party Talks agenda—if only for the practical reason that support for such a change in the agenda would be lacking—but there is no reason why the United States should shy away from these issues in the bilateral negotiations that will inevitably ensue.

Much will ultimately depend on what happens within North Korea itself, and on this score the findings of this book are, unfortunately, not reassuring. In the end, the North Korean leadership can pursue only two broad paths. Under one, the regime will rally core bases of support in the military, security apparatus, and state sector to revive the state socialist system—politically, economically, and ideologically—or at least muddle through its ongoing economic difficulties. This path entails the continued imposition on the populace of the crushing burdens that our surveys have documented. This attempt would exploit external support from China, other developing countries, and problematic regimes such as Iran, Syria, and Venezuela. The regime would stonewall the Six Party Talks to hold on to its nuclear weapons and remain isolated from the advanced industrial states as a result. Unfortunately, much of the evidence that we report here suggests just such a strategy, albeit with the ongoing changes that are arising as a result of the marketization process and a high vulnerability to crisis, including recurrent food shortages.

Under a more hopeful scenario, the North Korean leadership would take the strategic decision to return to the reform process, through either an ambitious reform plan or a more gradual, learning-by-doing approach.

Progress in the Six Party Talks would unlock external benefits, more or less rapidly depending on core decisions with respect to nuclear weapons. This more hopeful path may come in an effort for Kim Jong-il to salvage his unfortunate legacy of secular economic and social decay. Alternatively, it might emerge as some successor leadership consolidates power and confronts its dubious inheritance.

Admittedly, the instruments available to the outside world to influence this choice, beyond promising to support the higher path, are limited. Nevertheless, we have sketched out a program to address the needs of both the North Korean refugees and those they have left behind, an agenda that goes beyond simply waiting for a change for the better.

