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**Master's Thesis of International Studies**

**North Korea and the Marketisation-  
Legitimacy Incongruity**

**북한의 시장화 – 정통성의 부조화**

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# **North Korea and the Marketisation- Legitimacy Incongruity**

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# **North Korea and the Marketisation- Legitimacy Incongruity**

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## **Abstract**

Since the 1990s famine in North Korea, the country has seen a rapid increase of market activities and an unprecedented flow of non-state-sanctioned information. These socioeconomic dynamics, which threatened the regime legitimacy, received a lacklustre response from the Kim Jong Il regime, remembered not for its impressive recovery of legitimacy but of its military-first focus and for its strained relations with both its people and other nations. Some analyses conclude, for similar reasons, that Kim Jong Un too lacks legitimacy, and his economic measures are but small alterations within a socialist system. To the contrary, I argue that Kim Jong Un is indeed interested in a broader transformation of the North Korean economy. This is due to Kim Jong Un's determination to resolve the longstanding legitimacy deficit that has in part been exacerbated since the famine. I further this argument by comparing the evolution of legitimacy in North Korea and China, the latter with regards to the Cultural Revolution and successive reforms. Indeed, this comparison demonstrates that despite the differing nature of legitimacy crises and initial

responses in North Korea and China appear, it has resulted in very similar dynamics vis-à-vis legitimacy crisis management and resolution. Such a comparison is particularly valuable as it helps illuminate North Korea's short- and long-term goals and assist explanations of North Korea's current diplomatic endeavours.

**Keyword :** North Korea, Regime Legitimacy, Legitimacy Crisis, Byungjin Line, Marketisation, Information Flow, China, Political Economy

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## **Chapter I – Introduction**

Academic discourse has been interested in North Korean political economy for longer, with particular surges during the 1990s famine and the 2011 power transition from Kim Jong Il to his son Kim Jong Un. Particularly the potentiality for reforms, and indeed the economic reconfigurations in 2002 and during Kim Jong Un's rule has received attention. It is undeniable that changes have occurred as a response to the changing economic circumstances in North Korea, particularly with regards to marketisation and consumerism, but the questions lie not with the grassroots manifestations of these aspects but in the North Korean state's proactiveness and inclinations with regards to these particular changes. Whereas more traditional and conservative discourse on North Korea ignores and dismisses the reforms and their significance, more progressive scholars tend to attribute more importance to these reforms. At the same time, 2018 has provided fresh interest in North Korea globally beyond professional and academic discourse. From being, at least rhetorically, at the verge of war with the United States a year earlier, it seems as if the political situation now has changed entirely – North Korea's leader Kim Jong Un has met both South Korean president Moon Jae-In at Panmunjom, crossing into South Korean territory, and USA's president Donald Trump in Singapore, and his sister Kim Yo-jong visited Seoul during the 2018 PyeongChang Winter Olympics – producing what some commentators have described as a 'historic' new development in North Korean relations that might lead, for the first time since the Korean War, to more permanent peace arrangements (see Lyons, Weaver & Haas, 2018; Williams, 2018). This has, of

course, spurred interest in why North Korea now is willing to negotiate with its enemies.

In this thesis, I propose that the socioeconomic nature of the grassroots changes following the 1990s famine has had huge impact on the North Korean political economy. The new socioeconomic dynamics threatened the traditional regime legitimacy of the North Korean state, which is linked meaningfully to the reforms under Kim Jong Un and the current attempts to improve the relations with the United States and South Korea. In furthering this argumentation, I will pursue a comparative analysis, comparing the experiences of China and North Korea, in order to illuminate the similarities between evolution of legitimacy and reform in these two countries. Comparisons between these two countries have previously been restricted to an analysis of economic reforms, though a comparison of the legitimacy evolution in China and North Korea demonstrates that the countries share meaningful similarities also in this aspect. More specifically, this particular comparison provides a deeper appreciation for contemporary domestic policy direction domestically in North Korea and their strategic approach to their sudden engagement with South Korea and United States of America, and also in what direction North Korea is likely to guide its socioeconomic development.

The following chapter sets up the theoretical framework and discusses the methodology used, and is divided into three main sections. It initiates a discussion concerning legitimacy as a concept, before it then examines how the discourse has

approached North Korean legitimacy thus far. It then discusses the framework and methodology employed in the analytical part of this thesis.

The third chapter discusses the North Korea circumstances. The chapter starts with a primer on the Chinese economic and political experiences during Mao Zedong and Deng Xiaoping's rules, before it moves on to discuss North Korea's economic and political history. This includes discussion of the catalysing event that consequently led to North Korea's legitimacy crisis – namely the aftermath of the 1990s famine. The chapter then continues by discussing the effects of these crises, first in terms of economic policy and then in terms of political legitimacy.

The fifth chapter compares the experiences of North Korea and China in more in detail. First, the evolution of legitimacy in North Korea and China are compared, with discussion of their similarities and differences. Second, the economic reforms are compared.

The sixth and concluding chapter synthesises all the information provided in this thesis and provides an exposition of how these different elements are linked. It also discusses the implications of this analysis for our understanding of North Korea and how we should approach the country. The chapter also includes some notes on limitations and further research.

## **Chapter II – Frameworks and Approaches**

To most appropriately approach the fundamental questions in this thesis, this chapter seeks to develop an acute understanding of the main elements in need of research. I first discuss detail some of the various conceptualisations of legitimacy, a term central to my argument but also a highly contested term with which much confusion and misconceptions might arise. This discussion is particularly needed as the definition I adopt is not conforming with broader socio-political applications of the term – instead I seek to appropriately modify the definition spurred out of a productive line of enquiry within the broad field of social sciences. Following this section, I develop the case that the literature on North Korean legitimacy has been deeply flawed, and do not answer some of the more significant academic questions. Such an exposition contextualises this thesis in the academic world and brings forth the academic gaps that I seek to fill with this work. The chapter is then completed by a more thorough explanation of the framework and methodology employed to develop the arguments posited throughout.

### **1. The Art of Legitimacy**

Due to its centrality in this thesis, it seems appropriate to first discuss briefly *legitimacy* as a term, as this concept is not without dispute nor with a unified and universal definition. If we examine the academic literature of legitimacy, different disciplines would initiate their conceptualisations by pointing to various classical authors. Consider for instance political philosophy, and their inclination towards classical authors such as Hobbes, Locke, Rosseau, *et cetera*. Hobbes considers, for

instance, a government as legitimate if ‘it can effectively protect those who have consented to obey it’ (Lloyd & Sreedhar, 2018). This was further developed by Locke, who asserted that the legitimacy is fundamentally based on the so-called *consent of the governed* (Ashcraft, 1991: 524). In historical sociology, one might be tempted to trace concepts of legitimacy back to antiquity, considering for instance the theological underpinnings of the Chinese emperor’s mandate of heaven or the Ancient Egypt’s blending of Pharaohs and the gods Horus and Osiris (see, for instance, Jiang, 2011; Allen, 2005).

In social sciences more broadly, however, one cannot avoid considering, at least introductory, the works of Max Weber. His underlying understanding of legitimacy was inherently subjective – an authority is legitimate for as long as the subjects believe that authority is legitimate (Weber, 1922: 36). This might resemble Locke’s focus on the consent of the governed, but Weber goes beyond simply defining the role of the legitimiser by also discussing the legitimisation strategies used by the authority in question. More specifically, in what has become known as the tripartite classification of authority, he divides the sources of legitimacy used by such authorities into a trichotomy:

1. Traditional – authority based and legitimised through tradition or religion,
2. Rational-Legal – authority based and legitimised through the pursuance of established rules,
3. Charismatic – authority based on an individual’s charismatic character, whether due to heroism, religious feats or other factors (Weber, 1922: 215).

Weber saw a linear trend between these three sources of legitimacy (see Blau, 1963: 309). From societies established through charismatic individuals, from which – at their death or removal from power – the societies then developed into leadership structures legitimised on traditional-religious grounds. The latest manifestation of this development has been the establishment of rules and regulations that govern leadership, through bureaucratisation and formalisation of the organisation(s) supporting said leadership. By using Weber’s typology, then, one could argue that People’s Republic of China, after its victory in the Chinese Civil War in 1949, has seen such an evolution – from the charismatic leadership of Mao Zedong to the mostly rational-legal authority of today’s version of the Chinese Communist Party. Important to note with Weber’s trichotomy, although it is theoretically presented as ‘three pure types of authority,’ this does not imply that they necessarily need to exist in their pure forms in their practical manifestations. Consider for instance, Weber’s (1922: 216) own comment that ‘none of these three ideal types ... is usually to be found in historical cases in “pure form”.’ As such, although the Chinese Communist Party today rules mostly by way of the rational-legal authority, this would not necessarily preclude its traditional linkages ideologically to Maoism and economically to Deng Xiaoping’s economic reforms.

The theory on legitimacy has progressed considerably since Weber’s theorisations, to the degree that some scholars have starkly rejected Weber’s thought on the topic. Dogan (1992) claims, for instance, that the Weberian typology is outdated due to the changing nature of modern states – a predominance of nations today relies on,

according to his analysis, rational-legal authority. This is not incorrect *per se*, as the increase of democracies and non-democratic states governed by the rule of law has shifted the balance vastly as compared with Weber's time. Yet, to define it obsolete for this reason alone seems unsubstantiated – countries such as Iran and North Korea still rely to great extents on traditional and charismatic authority, for as long as one accepts Weber's definition of legitimacy. This might be the major point of contention for Dogan – to him, legitimacy should not be tied to a simplified belief in that the institution is legitimate. He opines that authoritarian states at best can be quasi-legitimate, implicitly implying that only those states maintaining democratic processes and human rights can truly be legitimate.

This conforms to the broader trends within the study of legitimacy, which combines Weber's opinion-based approach with political neoliberalism. Consider for instance, Gilley's (2006: 48) quantitative research in which it is concluded that 'good governance, democratic rights and welfare gains provide the most reasonable and robust determinants of legitimacy.' Merkl (1988: 21), writing two decades earlier than Gilley, noted that legitimacy is characterised by a 'consensus on political values values...a solemnly and widely accepted legal and constitutional order of democratic character...and an elective government responsive to the expressed needs of the people.' Hudson (1978) believed that the instability of the Arab nations could be linked to their autocratic leadership structure. It is perhaps not surprising, with this discourse in mind, that neoliberal institutions such as the Centre for Public Impact (2018) frames authoritarian regimes as unquestionably illegitimate due to the lack of (Western-style) democratic institutions and processes.

It is, however, necessary to question these neoliberal tendencies. As many of these writers assert, public opinion is an important building block in the construction of legitimacy, yet they ignore the fact that there are numerous examples of citizens supporting non-democratic authorities. Consider, for instance, the case of Singapore, a non-democratic (by some accounts a ‘soft authoritarian nation’ – see Nasir & Turner, 2013) country which even so has performed consistently beyond expectations. Opposition exists, as in any other nation, but those criticising Singapore for being illegitimate invariably apply Western-centric concepts to a distinctly non-Western nation (see, for instance, Sim, 2006; Thompson, 2004). On the other side of the argument, scholars describe Singapore as a ‘neo-utopia’ (Plate, 2013: 219). Wong and Huang’s (2010) provides a more moderate and sober assessment that, despite issues that the Singaporean government needs to resolve, the Singaporean state is thus far legitimate. As will be discussed further later in this thesis, a more clear-cut case would be China. Despite lacking neoliberal democracy and the citizen-government feedback systems sought for by neoliberal theorists, the Chinese Communist Party enjoys great support among its people (Chen, 2004). Legitimacy can therefore, as a universal concept, not be directly tied to neoliberal notions of democracy, transparency and accountability.

Furthermore, democracy is in itself a very imprecise term. South Korea, for instance, has seen considerable support for its current president, Moon Jae-in, yet it is categorised as a flawed democracy by The Economist Intelligence Unit (2018). According to Weber’s basic definition of legitimacy, then, the Moon administration

enjoys full legitimacy, yet according to neoliberal conceptualisations, President Moon cannot enjoy legitimacy on par with that of the US and Western European countries unless he strengthens the democratic institutions. Nothing would indicate, though, that President Moon suffers from any legitimacy deficit.

It is important to note, though, that there should be a difference in understanding between what factors might legitimise an authority and what factors might delegitimise that same authority. I have dismissed the idea that democracy and neoliberal values are *intrinsic* parts of the legitimisation process, but this does not imply that they cannot form part of the legitimisation strategy of an authority, nor that they cannot contribute to the delegitimation of authorities that do not subscribe to democratic values (see Lee, 2012). Gross violations of human rights, for instance, particularly against citizens who has knowledge of human rights as a concept and its proclamations, could easily result in the decreased perceived legitimacy of the violence-exercising authority. To employ a historical case, it is for this reason that Tsar Nikolai II's use of violence in the Russian revolution of 1905 only further delegitimised his rule (Taylor, 2003: 69). Much the same can be said about the situation just prior and during the Arab Spring, as citizens – first in Tunisia, then elsewhere – became more acutely aware of the perceived wrongdoings of the state, to the degree that they found the regime to be completely illegitimate.

This points to an interesting conceptual question – I have till now discussed legitimacy as if it has a binary nature, but rather than a polar distinction, does legitimacy perhaps exist on a spectrum? In other words, can we speak of degrees of

legitimacy? Although public debate might at times insinuate a dichotomy, general consensus in the academic discourse would indeed imply that legitimacy is most appropriately found on a spectrum. This is particularly the case if we consider the public opinion of the governor by the governed as an important part of what constitutes legitimacy. As Linz (1988: 66) remarks, ‘no political regime is legitimate for 100 per cent of the population, nor in all its commands, nor forever, and probably very few are totally illegitimate based only on coercion.’ Although this is stated in the context of democracies and their particular legitimacy dynamics, similar tendencies can be found in non-democratic countries. To come back to the case of China, for instance, although the Chinese Communist Party does indeed enjoy great public support (which, at least to some conceptualisations, would lend the party legitimacy to rule), there are indeed individuals and groups within China that desire greater socio-political reforms, even democratic transformations. As such, the state legitimacy in China is not perfect – nor can it ever realistically be – but it is significant and without any great challenges will be perceived the rightful ruler of China for the time being.

Beetham (2013) agrees with Dogan that an unwavering reliance on the Weberian typology is a fallacious approach but differs both in terms of why such a firm dependence would be erroneous and what approaches are more appropriate. He criticises scholars who pursue Weber’s definition and focus one-sidedly on public opinion, as such an approach would discredit the delegitimisation processes initiated by deficiencies in policy or system output. Fundamentally, Beetham (2013: 11) makes a seemingly subtle distinction – ‘a given power relationship is not legitimate

because people believe in its legitimacy, but because it can be *justified in terms of* their beliefs' (emphasis original). The question to ask, then, is not whether people believe a certain authority is legitimate, but what kinds of strategies the authority is making use of in order to justify its rule, and to what extent these strategies conform or challenge the ideas, beliefs and customs of the people over which it seeks to exercise its authority. Another contributing factor to either entrenching an authority as legitimate or deeming it illegitimate is the question of legality:

[W]hat is important for legitimacy is evidence of consent expressed through *actions* which are understood as demonstrating consent within the conventions of the particular society, such as: concluding an agreement or entering into a contract with a superior party; swearing an oath of allegiance; joining in acclamation; voting in an election or plebiscite; and so on. (Beetham, 2013: 12)

Based on these ideas, he then constructs the following criteria he argues any social scientist should consider when examining legitimacy:

- i) It conforms to established rules
- ii) The rules can be justified by reference to beliefs shared by both dominant and subordinate, and
- iii) There is evidence of consent by the subordinate to the particular power relation. (Beetham, 2013: 16)

For an authority to be entirely legitimate, then, it will need to ensure to have the judicial rooting, justify its authority on the basis of shared beliefs, and there needs to be evidence that the subordinate consents to the use of domination by the authority. Also in Beetham's theorisation, legitimacy exists on a scale rather than as a binary, so in scenarios where one of these criteria are not satisfied the authority is not completely illegitimate, but might face increasing degrees of challenges to its monopoly of power.

Beetham's definition and criteria seem sensible. Consider, for instance, the Clinton-Lewinsky Scandal, a case of sexual misconduct involving Bill Clinton, the United States President at the time, and Monica Lewinsky, an intern at the White House. Although Clinton came into office legally, through elections, and he through this election also had the expressed consent from the electorate to assume the role as the president of the country, the case brought forward a considerable discussion whether he was acting on the basis of shared beliefs of the American people. Whereas his supporters might have agreed that Clinton had crossed red lines, they did not agree with the opposition's assertions that Clinton's conduct had gone against American beliefs and must be punished accordingly (Holland, 1999). The situation ended up in an impeachment trial, which resulted in Clinton retaining his post as president. In essence, this case demonstrates Beetham's points. Although the scandal casted serious doubt whether Clinton had acted according to the beliefs of the people, the legal framing of his presidency prevented him from losing all legitimacy.

It seems, however, that Beetham leaves out a significant part of the legitimisation dynamic, namely the perceived performance of the authority. It is unlikely that a political leader who has legitimised him- or herself wholly on the basis of economic growth will be understood as legitimate should the leader consistently fail to produce such growth. This is not merely rooted in common beliefs nor rules, but rather the efficacy and success of the policies pursued. For this reason, although Beetham's account is convincing, I will instead adopt the following four criteria for evaluating legitimacy of an authority:

- i) It conforms to established rules
- ii) The rules can be justified by reference to beliefs shared by both dominant and subordinate
- iii) The performance of the authority in terms of how it legitimises itself, and
- iv) There is evidence of consent by the subordinate to the particular power relation.

## **2. Legitimacy and North Korea**

I have so far discussed the general theorisations of legitimacy and demonstrated that modern discussions tend to be generally pro-democratic in their manifestations, with authors such as Dogan (1992) rejecting wholly the idea that authoritarian regimes can maintain any sense of legitimacy. Others, particularly those relying on a modernised Weberian school of thought, would naturally argue otherwise.

It is not surprising then that the discourse has provided interesting, but inconsistent, analyses of state legitimacy in North Korea. The divide here, much like that of the more general postulations, tends to depend on the author's ideological inclinations. Consider for instance former US Special Envoy for North Korean Human Rights, Robert King, and his statements that North Korea lacks legitimacy due to its numerous human rights violations (King, 2018; Lee, 2015). This deduction is deeply rooted in a conceptualisation of state legitimacy where breaches of human rights – itself an abstract mechanism often utilised by Western neoliberal democracies to target and criticise non-democratic leaders and their domestic endeavours – necessarily constitute contradictions to a state's legitimation processes. Good governance, they would argue, is a key element of the construction of legitimacy (see Gilley, 2006), and no truly legitimate country could ever violate its own population's most fundamental rights. This standpoint is then corroborated by a number of defector stories of individuals who, through exposure to foreign media, have realised the vastly negative aspects of the North Korean society and have made the painful decision of leaving their home country in favour of the hyper-modern neighbour to the south – or even further away, such as to the United Kingdom or the United States (see Kang, 2017 for one such defector story). This, in turn, has engaged social movements, which are driven by ideologues who seek to break down the current regime and desire to instil democracy in its wake (see Hands, 2016; Fifield, 2018a).

Other scholars and experts who argue that North Korea lacks legitimacy have, particularly since news of a countrywide famine in the mid-1990s, claimed that a

regime collapse is imminent. John Deutch, CIA Director at the time, testified for the US Senate that he believed that the internal instabilities and the particularly challenging economic circumstances domestically would likely result in the end of the regime altogether (Atlas, 1996). Within the scholarly discourse, similar tendencies have taken root. Eberstadt (1999: 130), for instance, argued that the situation in North Korea would only deteriorate, and for that reason there was no other conclusion than imminent political collapse. Others joined Eberstadt in their analysis, arguing that the abysmal social, economic and political factors all insinuated an upcoming collapse (see Oh & Hassig, 1999: 296-302). Huh (1996: 80) asserted that those arguing that the Kim Jong Il dictatorship would last for longer than ten years ignored 'fundamental deficiencies in the political system,' and proposed instead that the regime would face a collapse within five years of Kim Jong Il's leadership.

Although North Korea weathered the economic hardships of the 1990s, arguments that North Korea would collapse have prevailed, and became again more popular during the last years of Kim Jong Il's rule and continuing in the subsequent period. According to cables released by WikiLeaks, it was a prevailing opinion of the South Korean Lee Myung-bak, and later the Park Geun-hye, administration that North Korea would collapse, with Vice Foreign Minister Chun Yung-woo in 2010 asserting to the US ambassador that 'The DPRK ... had already collapsed economically and would collapse politically two to three years after the death of Kim Jong-il' (US Embassy in Seoul, 2010). Following the death of Kim Jong Il in 2011, the former Director of National Intelligence in the US, Dennis Blair, asserted that the risk of

internal power struggles and instability within the next months was significant (Voice of America, 2011). Scobell (2008) likewise argues that the collapse of North Korea is not a question of whether it will occur, but rather a question of when and how. As he writes, ‘A crash landing is probably not imminent, but in the mid- to long-run it may be virtually inevitable’ due to political and economic shortcomings (Scobell, 2008: 28).

These collapse theorisations seem to at large fall into two main categories regarding North Korean legitimisation processes: Morality and economical/political performance. If one considers morality as a guiding element of legitimacy, then this approach is indeed sensible. Perhaps unfortunately, as has in part been discussed in the previous section, legitimacy is a question not of moral but of political and social philosophy, and laudable morality is in this context but one element from which an entity can source its legitimacy.

More persuasive are those who argue – whether implicitly or explicitly – that economic or political performance is related to the legitimacy (and hence survivability) of a regime. The concept of input and output legitimacy – that is, legitimisation processes based on the input of opinions from the governed and output of well-performing policies executed by the governors – is a prime example of such performance-driven conceptions of legitimacy, and is broadly accepted particularly in studies of democratic legitimacy generation (Scharpf, 1998). Although originally focusing on democratic countries, this typology – especially output-driven legitimacy and less so input-driven legitimacy – can be employed also when

discussing authoritarian regimes. The governor, whether authoritarian or democratic, is more likely to receive the support from the governed and fulfil its legal obligations when the policies and legislations it passes ultimately (and, for the governed, visibly) benefits a majority of the governed citizens. This has been, for instance, explored through the exploration of other authoritarian regimes (see Sedgwick, 2010 for an examination of Egypt's legitimacy). There should therefore be less of a dubious claim that these dynamics also impact regime legitimacy in North Korea. Yet, had this theorisation been completely applicable to the case of North Korea, then North Korea would surely have lost its legitimacy during the famine in 1990s, but there have been no known major challenges to the North Korean government.

This could indeed at least in part be influenced by fear for which repercussions a failed attempt to openly dispute the leadership would bring, yet if one examines the positions indicating that North Korea is indeed legitimate, if not morally admirable, other persuasive answers are worth noting. As Park (2002) notes, regime legitimacy in North Korea is (or, at least, was at the time), thanks in part to the particular manifestation of Juche ideology, tied not with economic performance but with a pseudo-religious following of the Kim family and its complementary political ideology. In other words, as opposed with most Western democratic nations, economic difficulties do not necessarily cast doubts about the North Korean government's ability to rule the country. Instead, their processes of legitimation have been wholly political, centred around the continuation and defence of the North Korean socialist revolution and the charismatic and godlike features of the Kim family providing them a particular mandate to remain in power. The political tenets

of this legitimation process has manifested itself through the creation of the Juche Ideology (주체사상), a political platform through which it is stipulated that the country will determine its own future, without undue interference from external forces (see Suh, 2013). As such, since North Korean legitimation processes do not include economic factors to a substantial degree, poor economic performance would never truly compromise North Korean regime legitimacy, and, as such, the longevity of the North Korean state. Should the economic circumstances be subpar, it *must* be caused by anti-socialist tendencies among farmers or factory workers, or by external forces that seek to threaten the rightful socialist revolution in North Korea. It is not surprising, therefore, that North Korea blamed factors it could not possibly control, such as natural disasters, rather than accepting that its political endeavours caused widespread mismanagement of the economy.

Those surmising that a North Korean regime collapse is inevitably caused by a lack of legitimacy domestically as well as internationally additionally fail to appreciate the dynamics of national collapse when discussed in the context of North Korea. As Galtung (2010) details, collapse is not a singular term. Instead, there are at least three different types of collapse, each with its own implications: (1) Governmental collapse; (2) systemic collapse; (3) collapse of the people. A governmental collapse implies simply an involuntary change of government – such as through a coup d'état. This, however, does not necessarily imply a change in the system. There is a plethora of examples of a governmental collapse, such as the coup d'état deposing King Gwanghae in 1623 and the 1990 Chad coup. A systemic collapse supposes a

fundamental change in how the country – either politically or economically, or both – is managed, but as was the case with Gorbachev’s economic changes in mid-1980s Soviet Union and with 1930s Germany under Adolf Hitler, this does not necessarily imply a paralleled governmental collapse. Lastly, there is the collapse of the people, which here entails a deprivation of basic necessities. Again, a people collapse does not necessarily imply a collapse of the government nor a collapse of the system. Most North Korean collapse theorists have tacitly assumed that one collapse type will necessarily lead to another – a fundamental economic collapse like the North Korean famine in the 1990s (i.e. collapse of the people within Galtung’s typology) does not necessitate a collapse of the North Korean leadership, nor does the collapse of the Kim dynasty’s rule necessarily precipitate liberalisation of the North Korean system. As Park (2002: 164) notes:

*Few countries in the history of mankind have collapsed simply because of the deprivation of people’s basic needs. The linkage is warranted only under two conditions: when economic problems bring about a legitimacy crisis for the regime and when the leadership is incapable of silencing the voice of dissent.*

There is little in the case of North Korea that would indicate that either condition would have been satisfied in the 1990s, nor in the prevailing discussions of legitimacy in the aftermath of the famine. Some scholars, for instance, have pointed towards the frequent changes in military staff under the first years of Kim Jong Un’s rule as signs of instability, and took as such these fluctuations as signs of impending

collapse or even direct challenges to the internal power structure, but as Wang (2015) notes, this is not so much a sign of political instability but rather a feature of the particular leadership structures of North Korea.<sup>1</sup> Without explaining the causal linkages further, collapse argumentations are thus inherently flawed.

This is, however, not to assert that the economic collapse did not have fundamental impact on the North Korean socio-political situation, nor that these changes can be discarded or otherwise ignored. The North Korean state, as an institution, has prevailed in a mirage of stability, yet a deeper exploration of the grassroots dynamics would indicate that some of the core processes ensuring regime security – particularly the monopoly of information – has been significantly challenged. North Koreans, initially crossing the Sino-DPRK border not due to the pursuance of socio-political freedoms, but rather to find food, inevitably brought back both information and resources that could be traded further through black markets (Haggard & Noland, 2007). Indeed, although North Koreans until the mid-1980s could trust the Public Distribution System (PDS), black markets became commonplace since the economic downturn, and during the famine a necessity for survival. Perhaps due to gross miscalculation, the North Korean regime implicitly tolerated (even though endorsement was never on the table) these black markets for the trade of goods – initially particularly foodstuffs necessary for survival, but the markets also quickly

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<sup>1</sup> To note, as is relevant to my discussion, Wang (2015) uses Weber's typology in analysing the state of North Korean legitimacy, and posits that North Korea shows signs of using traditional authority to legitimise itself. His argument is interesting, and provides another counterpoint to those who proposes that a North Korean collapse is imminent, but, as has been discussed, the Weberian idea of legitimacy is conceptually unsound.

became arenas for a new form of information flows previously unknown to the North Korean system (see, for instance, Demick, 2010, for first-person accounts from this period). North Korean citizens might have been convinced of the validity of North Korean propaganda and state philosophy prior to this, but the new information they now found themselves in possession of would counter a series of fundamental beliefs and thoughts. Furthermore, the economic processes proved instrumental in overcoming the famine and the economic difficulties, and markets have later – as we shall see in later sections – developed into rather sophisticated drivers of grassroots socioeconomic changes in the country.

Although the North Korean state appears to remain secure, without any significant changes to political life and their (allegedly) socialist approach to social and economic life, there have therefore been some considerable reconfigurations on the grassroots level. On the economic side, these changes are relatively well-documented (to the degree that documentation on North Korean life can be well-documented), with information derived from North Korean official information, leaked documentation and defector stories. Studies looking at all of this through triangulation to verify the accuracy of the overall trends come with the same conclusion – that significant changes have taken place in North Korea since the 1990s famine. Yet, such changes, and more so the increased information North Koreans possess about the world at large, would contradict the traditional forms of legitimation in North Korea; the political justifications of the North Korean rule are

no longer as compelling.<sup>2</sup> If North Korea's forms of legitimation are no longer compelling for the target audience, however, greater challenges to the Kim rule could be expected. Yet, beyond the purging of elites after Kim Jong Un's inauguration, which is to be expected in such a regime and cannot be directly linked to stability as such, there are few things that would indicate great contestations of power in North Korea, nor that the North Korean government is at any particular risk of collapsing. Has the North Korean regime changed their processes of legitimation, or is it facing a legitimacy crisis to which it needs to respond? Whereas academic discourse on North Korean legitimacy tend to focus on the orthodox understanding of legitimacy – that is, either North Korea does not have legitimacy or that it is sourced exclusively from political philosophy and propaganda – the analyses almost universally fail to question what impact the socioeconomic changes in North Korea has had on North Korean legitimacy creation, as well as how they might challenge or threaten the stability of regime stability. Following from this, there are no attempts to question whether Kim Jong Un and the economic reforms that has seemingly been enforced under his rule symbolises a broader attempt to regain legitimacy among its people. Answering such questions can have profound impact on our understanding of North Korea as a contemporary state as well as how we should approach North Korea to tackle big impending issues such as denuclearisation, human rights *et cetera*. This thesis is seeking to fill parts of this academic deficiency.

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<sup>2</sup> This can, for instance, be seen in the increased number of defections caused by political motivations and the desire to live with more freedoms. This was not a common feature of North Korean defections prior to the mid-/late-2000s. See NKDB, 2017.

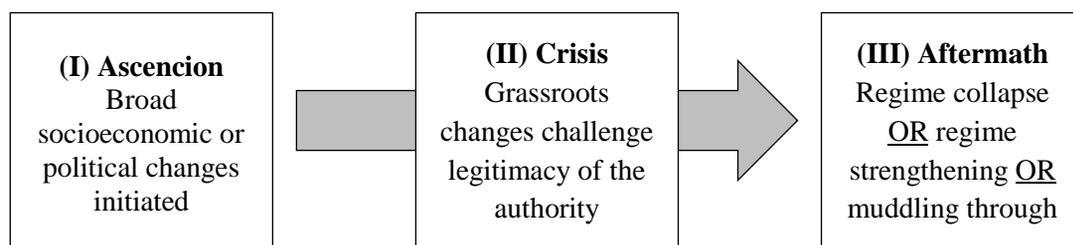
### **3. Framework and Methodology**

As briefly discussed, and as we will see in later parts of this thesis, there has been a marked change from Kim Jong Un's predecessors to his current rule in terms of economic management. Yet, academically there is a chronic lack of credible and deliberate analyses that seek to explain this alteration – even more alarming is the tendency of some scholars to dismiss these new dynamics altogether. To illuminate this significant part of North Korean developmental circumstances, I therefore seek to answer the question why North Korea has pursued a markedly different economic policy trajectory under Kim Jong Un than under its previous leaders.

Within this research question, there are many elements which require further consideration. Most fundamentally, perhaps, is the question of to what extent we see a meaningful reconfiguration of economic policies within North Korea under Kim Jong Un. I hypothesise that such a reconfiguration can indeed be identified, despite the data deficiencies that plagues studies on North Korea. These changes, I hypothesise, are most noticeable at the grassroots level, with the emergence of local market economies rooted in supply and demand, but closer examination of the North Korean bureaucracy – with its laws and rhetorical tools – will demonstrate a deliberate attempt to change under Kim Jong Un. These, I argue, are more daring than the reluctant economic reconfigurations initiated by the Kim Jong Il regime.

When the above has been fully developed, we can explore why Kim Jong Un has invested himself more in the economic development of the country than his

predecessors. Although there are many factors that could potentially play into this, I will examine this in terms of state legitimacy and stability. North Korea is known to have a very comprehensive system of internal surveillance and population control, yet even the most oppressive state is not immune from challenges to its legitimacy.



**Figure 1.** *An abstract visualisation of the general process that results in a forced change in state legitimacy.*

Figure 1 demonstrates the three hypothesised stages of the type of legitimacy crisis I am examining. First, broader changes start manifesting themselves in the society in question. Important to note about these particular changes, in this context, is that they of nature are alterations that do not conform with the contemporary regime legitimization processes; instead, they have the power to confront and challenge an authority's right to rule. If these processes are allowed to continue growing, whether due to negligence on the part of the authority or because the authority does not have the sufficient power to co-opt or confront these changes without causing great harm to itself, this would cause a legitimacy crisis. This forces the authority to respond and rethink its means of self-justification, i.e. sources of legitimacy. The authority then could respond in a wide variety of ways. It could, for instance, decide to repress

these changes, which could cause animosity between it and the people. Yet, this is not in all cases an illogical response on the part of the authority, particularly if the legitimization processes are particularly difficult to change without it too causing great challenges to state stability. Another response would be to alter the legitimization processes of the authority – which would please the proponents of change, yet it would also involve a series of risks. For instance, if the legitimization processes are weak, or if the authority does not perform well with the new processes of legitimacy, those subjected to its rule might question the right of the authority to remain in power. The authority could also decide to not respond, which would in itself involve a considerable threat to stability, but would also avoid the particular risks associated with other paths.

I then question whether North Korea's more economic alterations and legitimacy issues are unique or if we can acquire valuable insights by comparing North Korea with other cases. Here, with regards to legitimacy, I hypothesise that both countries – for North Korea in the early 2000s and for China immediately after Mao's passing – experienced a significant crisis of legitimacy. Although these legitimacy crises appear rather different – one is purely economic and one is political, I argue that the countries seem to have adopted similar strategies in their attempts to overcome their respective challenges. These strategies rely chiefly on economic growth, which explains both Deng and Kim Jong Un's emphasis on reforms and the search for prestige through economic growth. Whereas this has been largely successful in China, however, the North Korea case is still ongoing, and current events – with summits between North Korea and its traditional adversaries – might have a big

impact on the actual success of North Korea's attempt to tackle this crisis of legitimacy. The alleviation of sanctions, for instance, should this become a reality, would greatly facilitate the integration of North Korea into the international economic community, which undoubtedly would have a positive effect on its economy. In terms of economy, I shall make the argument that North Korea's economic measures are comparable to the Chinese experiences under Deng Xiaoping, but that many factors contribute to diverging progressions. More important than the exact economic development experiences, though, are the overarching structural similarities, as it is from these structural similarities we can understand North Korean motivations and design more impactful policies towards the countries – not just in terms of sanctions and punishment, but also – and perhaps more significantly – in terms of assisting the North Korean people in their search for increased material well-being.

At a fundamental level, as such, this thesis will attempt to define the relationship between North Korean economic reforms (in effect, marketisation) and state legitimacy. This is particularly significant for three reasons. First, it brings together various strains of the theoretical discourse together in ways that provide an increased insight into the incongruity between increased marketisation in North Korea and state legitimacy. Second, we can, through this relationship, understand better North Koreans motivations vis-à-vis domestic and international economic and foreign policies. This includes a deeper appreciation for North Korean engagement in the 2018 Summits. Third, being aware of the underlying motivations for North Korean

policies and (re-)engagement with the world, policies aimed at North Korea might need alterations.

### **3.1. Methodology**

In order to examine these hypotheses, as has been already insinuated, I will conduct a two-level comparison between North Korea and China. At one level, I will examine the changes in economic policy and grassroots engagement under Kim Jong Un (2011-present) and Deng Xiaoping. Kim Jong Un is primarily chosen as although the famine has resulted in great grassroots market engagement since the 1990s, it is not until Kim Jong Un's rule that we have seen more consistent policy directions from the North Korean government. I will particularly focus on the economic measures of 2012 and 2014 to discuss policy direction, but 'silent reforms' – that is policy changes expressed implicitly through actions rather than explicitly through policy statements – will also be discussed. There have been reports of great construction projects – from tourist skiing resorts to entire city districts – which I will examine to some extent, as the construction boom in North Korea under Kim Jong Un might indicate a more systematic, albeit silent, change in North Korean economic management. More important, though, is the acceptance and even implicit endorsement of activities and transactions that are not yet legalised. Kim Jong Il initiated some economic reconfigurations in late 1990s and early 2000s, but these were all quickly abandoned in favour of anti-imperialist and anti-capitalist movements in mid- and late 2000s. For China, I will rely on Naughton's (2006) two-stage framework – the first phase being from 1978 to 1989, and the second from

1993 to present. It is particularly the first phase that I will consider, as this, I argue, is the phase most comparable to the North Korean case.

The economic changes in China can, in simplified terms, be categorised into agricultural and industrial changes, in addition to the development of special economic zones. This, unlike the case of USSR, was conducted in a gradual fashion with room for trial-and-error-based learning and improvement (Lin, 2013). It was this cautious approach, together with great access to resources, that allowed the Chinese growth to succeed. My economic comparison will therefore intrinsically need to evaluate to what extent North Korea is approaching convergences with regards to these particular variables that characterised the Chinese experience. I am, however, not too concerned about exact data, but rather broader trends and policy manifestations. Due to contextual differences, to hope for resembling data output in these two cases would be misguided, yet a broader analysis of trends allows us to extrapolate important similarities that could otherwise be concealed in the examination of particular data.

At the second level, we will compare the evolution of state legitimacy in conjunction with economic changes in both countries. Originally, the source of legitimacy in both countries were centred on ideological consensus and self-defence, ignoring the parts of national security and legitimisation processes commonly associated with economic performance (see Park, 2013). Whereas China experienced economic crisis under Mao through his misguided economic and political policies and the so-called Cultural Revolution which caused national socio-political unrest, North Korea

experienced a severe economic crisis in the 1990s. In China, particularly the Cultural Revolution caused a deep legitimacy crisis, resulting in the transformation of regime legitimacy sources from the ideological following of Maoism to ‘eudaemonic’ legitimacy based on economic performance (Chen, 1997). Through the comparison with China, I will examine the nature of legitimacy crises and the following changes in state security dynamics. As I will argue in this thesis, North Korea too seeks to change its sources of legitimacy from ideology to economy, though the success of these processes cannot at this time be accurately ascertained.

Both comparisons will be rooted in the examination and reinterpretation of relevant literature rather than developing own methodological research designs. This, on one hand, is due to the wealth of knowledge that already is written on these topics, and on the other a recognition that the literature has thus far failed to examine the apparent linkages between economy and state legitimacy in North Korea which, to me, are obvious within scholarship already published. This has, however, become a common theoretical exploration and assumption in the case of China. As a number of scholars seeking to explore the similarities and differences of economic management between North Korea and China, it seems a valid pursuit to expand this exercise to also include the underlying motivations for such similarities and deviations that may exist.

Through this comparison, with the caveat just noted, my analysis will test the aforementioned hypotheses. It is expected that the results will demonstrate that economic reforms and processes of opening up are likely only when the state adopts

a form of state legitimacy that is centred on economic performance, and such a change in legitimation processes are unlikely in authoritarian regimes unless socioeconomic or political changes significantly challenges the regime's contemporary justifications for its rule. In the case of North Korea, this process has been complicated by the inertia of the Juche ideology, but the crisis of trust in North Korea would explain why Kim Jong Un has shown greater interest in economic development than his predecessors. We will also see that comparing North Korea with China is a valuable exercise, indicating that although North Korea does not seek to become a carbon copy of its reluctant ally, it looks towards the Chinese experience for guidance in its own developmental approach. Speculatively, the current motivations of North Korea to engage with South Korea and the United States could also be understood in these terms, particularly when considering the explicit desire for foreign investment and trade and the prohibitive sanctions regime. This, I will argue, necessitates a considerable rethinking of how we approach North Korea and how we can engage North Korea in bigger issues.

Although information on the Chinese case is readily available, some concerns ought to be raised with the case of North Korea. This is inherently linked with the lack of verifiable information concerning the processes and discourses within North Korea itself. There are also reasons to, in many cases, doubt the reliability of data from sources outside of North Korea. For that reason, one must be more careful in the selection of literature and evidence, so as to not misrepresent or misconstrue the situation and as such perpetuate biases or misconceptions about the country. I have therefore put a particular effort into cross-checking information and proceeding with

a data triangulation process where possible, and worked on the basis of perceived reliability wherever this has been made difficult. Although my main argument will indicate a plausible correlation between legitimacy and reforms, therefore, I am not seeking here to fully prove such a relationship. This must be addressed in further future research.

## Chapter III. Relapse or Evolution?

### 1. A Primer on the Chinese Evolution

To better understand the case of North Korea, it might be helpful to first examine a case of economic and, more importantly, legitimacy evolution in another socialist system – and here, we turn to China, particularly the nature of the Chinese state from the ascension of Mao to Deng’s reforms in the 1980s.

The Communist China’s near-absolute defeat of the nationalist *Kuomintang* in 1949 through decades of national decline and civil war, portrayed through Communist propaganda as the result of heroic guerrilla warfare led by their leader Mao Zedong, necessarily resulted in his ascension to the very top of the Chinese administration. The country Mao was set to lead was in 1949 a significantly underdeveloped country, ravaged by decades of civil war and foreign interventions,<sup>3</sup> and his rule would lead to even more turbulent years to come. Initially, the policies enforced, such as land reforms and collectivisation and industrialisation of agriculture and industry seemed successful, increasing the overall investment rates and heavy industry output (see Joseph, 2014; Naughton, 2006). With the belief that China could increase substantially this growth and become a global economic power, Mao sought to mobilise the population *en masse* in what was known as the Great Leap Forward. This leap would focus particularly on grain and steel, but the implementation of this decentralised plan – symbolised quite aptly by backyard steel furnaces – proved to

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<sup>3</sup> Consider for instance the once-important handicraft industry, which had seen a decline of 47% in the 1937-1949 period. See (Greeley, 2017: 13).

be fateful (see Chan, 2001; Naughton, 2006: 69-72). Due to a chronic lack of skills and knowledge, the overall output increased but the utility of the products plummeted, and with the massive national mobilisation agricultural output was completely neglected, leading to severe food shortages. As such, China spiralled into a nation-wide famine, killing up to 30 million people – if also taking into account the depressed birth rates of that period, one might approach an overall lost population of 50 million people (Naughton, 2006; Huang, 2016).<sup>4</sup>

As a consequence of this failed project, Mao's legitimacy was weakened considerably, and, in the end, he was forced to resign from his *de jure* position as State Chairman of the People's Republic of China in 1959, replaced by Liu Shaoqi.<sup>5</sup> As such, he kept a relative low profile for a number of years. Yet, growing increasingly wary of Liu and his more moderate politics, and receiving increased criticisms from cultural leaders, Mao staged his political return through the formulation of the May 16 Directive of 1966, officially called 'Circular of the Central Committee of the Communist Party of China on the Great Proletarian Cultural Revolution' (Joseph, 2014: 96-97). Rhetorically, the goal was to eradicate the bourgeoisie who had infiltrated political leadership and sought to develop a state which benefited the elite. The 'Four Olds' – that being old ideas, old values, old customs and old traditions – were to be eliminated, which included the party

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<sup>4</sup> The exact numbers are uncertain. Official data from the Chinese government would indicate around 30 million deaths, though most academic estimates tend to vary between 30 and 50 million people who passed away as a direct consequence of the famine. A smaller portion of these deaths, up to 2 million, are the result of torture and summary executions due to failure to meet quotas or voiced opposition against the policies. See Grangereau, 2011.

<sup>5</sup> He would, however, retain his position as the Chairman of the Communist Party of China.

leadership as well as the production of scholarly work (see Zuo, 1991). This official goal was facilitated greatly by the Red Guards, who ensured complete national (urban) turmoil. More chaos and confusion were ensured as the Red Guards started to fight each other due to diverging goals and motives – which, in the end, also caused in part the end of the Red Guard activities already in 1968 (Teiwes, 2010: 143-149). Simultaneously, Mao was to be glorified and recognised as the only true leader of China, elevated to a god-like figure (Zuo, 1991). As the radical phase of the Cultural Revolution waned in the end of 1960s, the results of the movement became clearer. Industrial performance decreased even further, sociocultural life was controlled to a greater extent than prior to the movement and the so-called Gang of Four controlled the official discourse through propaganda (Stanzel, 2016). The last elements of the Cultural Revolution would be removed with the apprehension of the Gang of Four a month after Mao's death in 1976.

The passing of Mao and the end of the Cultural Revolution naturally entailed a change of leadership – in fact, a two-year power struggle and the ultimate return of Deng Xiaoping, who had been removed a couple of times through the Cultural Revolution, ensued. Deng would formally assume power in 1978 at the Third Plenum, and immediately committed his administration to a new line of economic management, with particular focus on reconfiguring the agricultural sector – at least in part due to the long-term ramifications of the Great Leap Forward (Brandt & Rawski, 2008; Naughton, 2006: 88-90). Diverging significantly from the economic policies of the Maoist era, the Deng reforms included a push towards

decollectivisation and the fundamental alteration of agricultural management and state procurement.<sup>6</sup>

The Chinese reform trajectory depended to a large extent on local policy disobedience and a pragmatic analytical approach from the central government, and as such the entire process was inherently more decentralised than what a number of analyses account for (see Chung, 2000).

Even at the very inception of Chinese reforms, the process was to a large degree dictated by a grassroots-level policy defiance rather than a state-controlled reform prescription, lessons from which would later be distributed to the nation at large. The Household Responsibility System (HRS), for instance, the crux of early Chinese reforms, was originally a local expression of discontent and desperation initiated in the Anhui Province, land reforms that were despised by the government, explicitly banned by a communiqué at the Third Plenum and deemed unconstitutional (see Xu, 2011: 1112). However, as the local government supported the move, it was difficult for the central government to diametrically oppose the change, and the value of this agrarian reconfiguration was verified by considerably increased agricultural output (see Chung, 2000, H. Huang, 2012: 299-300). The government therefore allowed for the wider adoption of this land reform on a national scale.<sup>7</sup>

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<sup>6</sup> The collectives were broken down to smaller, individual plots that were managed directly by separate households, and the system of sub-unit work teams that had formed the core engine of the collectives were abolished in favour of a Household Responsibility System (HRS). By 1983, 98% of all units had adopted the HRS (Ash, 1988).

<sup>7</sup> Similar dynamics can be seen with regards to the special economic zones. The concrete proposal of establishing a special economic zone to attract foreign investment came from Guangdong Province in 1979 amidst great legal and institutional opposition centrally. Not only was it, similarly to the case of HRS, unconstitutional at the time, politically it was portrayed as 'selling the nation.' Despite the significant opposition centrally, a trial project with four remote cities in Guangdong was permitted in

Supported by great progress in agriculture and initial successes with the SEZs, China expanded the reform drive further to the industrial sector in the 1980s. This involved the relaxation of control over state-owned enterprises (SOEs), allowing them to engage directly with the market and the usage market prices as the standard for transactions outside of the plan was regularised in 1985 (Naughton, 2006). The state also permitted semi-privatised businesses like the Township and Village Enterprises (TVE) to establish themselves as direct competitors to SOEs. The TVEs are mostly understood as agrarian enterprises that deals with non-agricultural economic realms, whether that be services or the manufacturing of goods (see Taube, 2002: footnote 1). As Weitzman and Xu (1994) note, it is difficult to characterise the TVEs as entirely private enterprises as the ownership of the businesses were very ambiguous due to the weak property rights instituted in China at the time. Although they were entirely run by private citizens, the local government was on paper the proprietor. Regardless of exact ownership structures, though, the TVEs proved to be a principal factor in Chinese economic growth (Qian, 2002). By 1993, there were 1.5 million TVEs in China, employing 52 million workers (Qian, 2002: 20). Based on the successes of the TVEs, local counties started independently to privatise SOEs in 1992, which the central government silently endorsed later in the decade as it enforced the privatisation of smaller SOEs (Cao, Qian & Weingast, 1999).

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1979 together with broader autonomy for the regional government to manage this sector of the economy. Based on the ability of these zones to attract foreign direct investments, the project was later expanded, and, despite some fluctuating results, became one of the most important driving engines of the massive economic transformation that China was to witness. From originally four SEZs in 1979, by 1985 there were 77 and, by 1995, 341 SEZs had been established nation-wide. See Xu, 2011: 1114-1115.

Reasons for why the Chinese reforms were so successful has been a topic of debate. Ge (1999) suggests that the primacy of the SEZ and the inflow of foreign capital, coupled with a careful, gradual and pragmatic policy approach, has been instrumental. Lin (2013) would agree with Ge (1999) on the point of gradualness, but asserts that the advantage of backwardness and the focus on value-added industries have proven to be more significant. Y. Huang (2012) proposes instead that agricultural reforms, and particularly the manifestation of the TVEs were the most significant elements of the Chinese success. In reality, all of these arguments are valid to varying degrees. Indeed, the agrarian reforms started the entire reform drive in China, and as they succeeded then provided the foundational elements for further reform. Yet, Huang's criticism of SEZs and as such foreign investments seem displaced, as domestic liberalisation in fact succeeded early successes in the SEZs (see Ge, 1999; Fujita & Hu, 2001). Furthermore, as Fujita and Hu (2001) shows, there have been regional discrepancies in economic growth in China – the coastal regions of China have become much more affluent than the interior regions exactly due to increased trade and investments. Ge's argument that SEZs have had an important impact on the growth of Chinese economy is therefore not challenged. The increased trade volumes thus became a driver for further industrial performance, allowing China to pursue its policy of developing higher value-added industries.

The above discussion opens the question for how this entire process has impacted the evolution of regime legitimacy, to which I will now turn our attention to.

Following the Cultural Revolution and a precursor of the central government's support for economic reform, severely weakened regime legitimacy forced Chinese leaders to consider which path they were to follow. The Great Leap Forward and the strenuous – and only partially successful – attempt to revive the economy afterwards had cast serious doubts about the performance of centrally mandated policies, and the Cultural Revolution, which did little than cause national chaos and disruption, had perhaps caused fear but ruined also in the process the revolutionary charisma and ideological legitimacy Mao relied on during his rule, spurring a fundamental legitimacy crisis.<sup>8</sup> In 1981, the central government criticised the Cultural Revolution decade as having been 'responsible for the most severe setback and the heaviest losses suffered by the Party, the state and the people since the founding of the People's Republic,' rightly pointing out Mao Zedong as the originator of the movement yet also noting that it was nothing more than 'a serious mistake' (Sixth Plenum of the 11<sup>th</sup> Central Committee of the Communist Party of China, 1981). This criticism of Mao coming from such an authority entailed that Mao's legitimacy was finally shattered, causing yet also questions how the new leadership under Deng Xiaoping would differentiate itself from Mao's regime and his now inoperable sources of legitimacy.

Responding to such a legitimacy crisis turned out to be a balancing act for the Chinese leadership. One essential question was how to respond to Mao's legacy –

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<sup>8</sup> This was true both within political circles and, at least in part, among the general populace. For oral interviews with Chinese citizens about the Cultural Revolution, see East Asian Library, University Library System (ULS), University of Pittsburgh, 2018.

would there be a Khrushchev-style condemnation and vilification of Mao, or was a more moderate approach more appropriate? Deng, being a keen pragmatist, recognised that a full-scale condemnation of previous policies would alienate many important politicians, and would also likely cause more conflict among the citizens. Indeed, as Zuo (1991) posits, the Cultural Revolution in particular had elevated Mao to a divine position in public mind as his cult of personality developed into a political quasi-cultural phenomenon. Causing more conflict, division and suffering in a country that had been in political uproar for over a decade seemed like a poor strategy. Instead, therefore, he acknowledged the immense positive contributions of Mao in establishing the People's Republic of China and his revolutionary leadership, and in the context of a great man criticise elements that were unpalatable – the Cultural Revolution were reduced to a serious mistake made by an aging man and more so by flawed institutions, and the Great Leap Forward defined in his noble intention to improve the common Chinese citizen's quality of life (Robinson, 1988; Sixth Plenum of the 11<sup>th</sup> Central Committee of the Communist Party of China, 1981). Mao was still to be revered, and one should not attach too much importance to the flawed decision-making that at times manifested themselves on a national scale. There was also a separation of Mao Zedong as an individual and Mao Zedong Thought, the socialist philosophy that is better known outside of China as Maoism; the assertions indicated that Mao had developed the principles that were known as Mao Zedong Thought, but violated those same principles when initiating the Cultural Revolution (Robinson, 1988: 365). In other words, the school of thought associated with Maoism was indeed correct. This notion was early on codified into the Four Cardinal Principles by Deng himself, stating that one could not criticise 'Maxist-Leninism-

Mao Zedong Thought, the socialist road, the people's democratic dictatorship, and the supremacy of the [Communist Party of China]' (Shambaugh, 2000: 184). Chinese politics therefore witnessed a distancing from Mao as an individual, but a rejection of only some of his ideological productions.

The other fundamental question that required answer was how Deng's administration would differentiate itself from Mao's rule, and through what means it would justify itself. Mao's charismatic leadership and charismatic source of legitimacy had not manifested itself for Deng Xiaoping; Deng had not been depicted as a revolutionary leader nor did he have a cult of personality exalting his achievements.<sup>9</sup> Also, unlike North Korea, the institutional processes of succession did not automate such personalised leadership characteristics. For that reason, pursuing Mao's path as a personalised leader was not only undesirable, but made impossible. Deng sensibly dismantled the cult of personality surrounding Mao, and indeed also the institutional design that allowed for a charismatic leadership structure (see Vogel, 2011). Moving away from Mao's style of leadership did not necessarily imply the ultimate rejection of Maoism as the state ideology. Indeed, as seen in the criticisms of early reform drives by local governments, at least parts of the central government were still deeply influenced by Maoist thinking (see Xu, 2011; H. Huang, 2012).<sup>10</sup> Through a long decade with ideological struggle, it was recognised that the persuasive power and

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<sup>9</sup> This is not to say that he had not been praised at various points through his political career. He had, for instance, at various times been applauded by Mao for his abilities. These appraisals did not, however, transform into the type of aura that normally surrounds charismatic leaders. See Shambaugh, 1993.

<sup>10</sup> This is notably not entirely true for the top leadership, which – whilst rhetorically acknowledging the importance of Maoism in developing the country up to that stage – attempted to disentangle its previously paramount influence on policy direction and political thinking. See Robinson, 1988.

influence of Maoism among the general population had been reduced significantly and was now deeply associated with revolt and social unrest (Chen, 1995: 18). As such, basing the regime legitimacy on ideology seemed perilous.

Moving away from ideologically based legitimacy, therefore (though not abandoning its rhetoric and association to political life), Deng looked towards a part of the Chinese society that regardless needed urgent focus – the economy. Having never truly recovered from the Great Leap Forward and experiencing further disruptions during the Cultural Revolution (not just in terms of decreased output but also in the loss of human and social capital), China had faced a point in history where reforms and progress were long overdue. Reshaping national focus towards economy naturally also meant that the processes of legitimation would become associated with economic dynamics. Deng himself referred to the insufficiencies in the economy and stated clearly that his regime sought to respond to these national maladies, reshaping the citizens' notions of the government's purpose and establishing a new process through which the regime legitimated itself (Chen, 1997). In particular, Deng focused on the productive ability of the economic agents, setting the scene for what is referred to as *eudaemonic legitimacy* – that is, legitimacy as produced by 'successful economic performance and effective provision of economic benefits to individuals in society' (Chen, 1997: 423, 429). This persuaded the populace that the regime was now working in favour of the people (as opposed to the elite) and justified the regime sufficiently – at least until broader calls for democratisation rattled the country in the end of the 1980s. It also provided powerful incentives to the central government to perform well. Deng had already entered his position with

the goal of reforming the country, but this mobilised a broader spectre of politicians to work towards this goal. This can be aptly illustrated through the initial reluctance towards a number of local reforms which later was endorsed when the performance of those local reforms proved to be substantial.

The reforms that pushed the Chinese economy to a gradual adoption of capitalism did not extend to broader reforms in the political realm despite proposing fundamental contradictions to the socialist principles it held dear. While particularly Western readers might posit that efficient service provision, as is an important part of eudaemonic legitimacy, is most efficient through representative democracy, through which citizens can voice their opinions and concerns, the Chinese leadership considered the primacy of the Communist Party of China to be essential to economic development. Not only did this base itself on the communist underpinnings of the Chinese state, but also on the experiences of the Asian Tigers, whose developmental trajectories were far from deterred – but perhaps even accelerated – through a strong authoritarian regime. This did not necessarily convince the entire populace, though, as the post-Cultural Revolution period also saw greater dissatisfaction with authoritarian rule and calls for the ‘humanisation’ of the Marxist-Leninist ideology (Goldman, 1994: 1-2). The evolution of ideas within a so-called democratic elite resulted with the significant rift between this group and the central government and subsequently the democratic movement at Tiananmen Square in spring 1989 – a movement that was in the end violently suppressed by the Deng regime (Goldman, 1994: 302-303).

## **2. North Korean History**

Now moving to the question of economic and legitimacy evolution in North Korea, I will initially provide an exploration of North Korean history, before moving on to the challenges and opportunities that the North Korean state has faced.

Any serious discussion of modern North Korean economic history cannot avoid a brief exposition of the Japanese colonisation project on the Korean Peninsula. When Japan started its economic activities in Korea, as with elsewhere, it was not merely with the belief that they were superior, but that establishing a Greater East Asia Co-Prosperity Sphere under Japanese leadership would eradicate Western influence as well as to ensure economic prosperity – a prosperity that would primarily benefit the Japanese. For the Japanese colonisation of Korea, there were two primary concerns: Support the population at home with continuous supply of food, and to further its industrial base so as to facilitate greater military achievements. As the southern lands, particularly the Jeolla-do province but also elsewhere, were particularly fertile and the northern lands too mountainous and weather-wise too hostile to support large-scale agricultural projects, naturally the first of the two objectives materialised in the south whereas the industry moved northwards (McNamara, 1990).

As the Japanese lost the Second World War, a question arisen in the Korean territory was who should rule the now ruler-less land. Moving in from the north, the Soviet Union had its ideas of Korean governance, but as they lacked interest in the Korean Peninsula as such, on agreement with the United States they divided the peninsula

in two, along the 38<sup>th</sup> parallel, with the aspirations (at least rhetorically) to hold democratic elections across the peninsula. Due to opposition from the interim leaders on both sides, these elections never materialised, paving the way for a divided Korea for the first time since the Later Three Kingdoms period (892-936).

Since Kim Il Sung was assigned the interim leader of North Korea in 1945, and definitely since the country's formal establishment in 1948, North Korea has pursued an increasingly socialist form of economics, modelling their social, economic and political structures on the Soviet model. Markets, free trade as well as inter-personal transactions not explicitly granted by the government were banned. As is the case with any of the so-called 'Communist' countries, the populace had to rely fully on the Public Distribution System (PDS) for rations to provide for their life sustenance as well as other goods needed throughout life. The industrial sector on its part was subject to complete nationalisation and party control, and had to fulfil production quotas set by the central government. The Korean War, erupting in 1950 and ending with a ceasefire in 1953, would destroy much of the established infrastructure in North Korea, including the industrial base that was constructed by the Japanese prior to their defeat. Yet, as North Korea had to initiate its reconstruction from the bottom, this might have become more of an asset in the socialisation of North Korean economy than the destructive effect it initially seemed to have. By 1958, virtually all parts of the economy had completed the 'socialist transition' (Cho & Zang, 2001) – implying that agriculture was collectivised into communes and the industry was well-situated in public, not private, domain. By the 1960s, North Korean leaders finalised a longstanding project of transforming the autonomy of factories over to

the Korean Workers Party by introducing the Daean Work System (대안의 사업체계). In similar fashion to agricultural management, this work system in essence dictated that the party committee, not the factory manager, assumed the highest authority within the factory management, whilst the factory manager was relegated to a position that concerned more specifically the implementation of production plans and the successful fulfilment of government-regulated quotas (Chung, 1994). The party committee through its secretary oversaw that all actions within the factory is in accordance with central ideological guidelines and organised political events at the factory itself, whereas the factory manager managed production and planning according to the People's Economic Plan. This party-industry relationship became a favourite part of Kim Il Sung's industrial policy talking points, and prevailed until the 2010s.

Until the end of the 1960s, North Korea had been able to legitimise itself through the charismatic nature of Kim Il Sung and the political essentiality of furthering the revolution. In the 1960s, however, North Korean ideologues found it necessary to construct a new direction as both the Soviet Union and China had initiated processes which could threaten Kim Il Sung's leadership (Suh, 2013: 10). They developed what is now known as the Juche ideology (주체사상), which consists of three components: Political autonomy (자주, 自主), economic independence (자립, 自立) and self-defence (자위, 自衛) (Lee, 2003). Often misinterpreted as 'self-reliance', it is instead a policy of self-determination – North Korea is to dictate its own path without foreign interference (Suh, 2013). Nor should it be viewed simply as a pursuit

of economic autarky – not only are politics and national security two of its three pillars, it also purposely continued its dependency on Soviet and Chinese assistance (Ree, 1989). In the 1970s and 80s, North Korea pursued closer trade relations with a broader array of socialist and non-socialist countries, to the degree that at one point almost half of its trade was with Western countries (Cho & Zang, 2001). Had the Juche Ideology been about autarky, as some commentators seem to assume, one would have to disregard these simple historical facts.

Due to changing political considerations in the 70s and 80s, the leadership decided for an increasingly securitised approach in its economy, increasing the budget of the military whilst divesting in economic development projects (Martin, 2004: 123-124). Whereas primary stakeholders in the North Korean security paradigm as a result was wielding more influence in the political realm – it would under Kim Jong Il's rule flip the balance entirely and assume a lot of the roles earlier restricted to the civilian branch of the government – civil technocrats primarily concerned about economic growth and socioeconomic development lost their relative power. This caused an economic downturn that would decrease, though not the halt of, sustenance provisions through the PDS.

North Korea had, as mentioned – and counter to modern popular belief, never been a completely isolated country economically, and this became glaringly obvious in the 1990s. Whereas the Soviet Union collapsed entirely in 1991, and its priorities naturally shifted away from external and towards internal affairs, China on its side started to look elsewhere. Although it became the primary source of North Korean

food and fuel trade with the collapse of the USSR, its deepening relations to South Korea from 1992 onwards and changing economic and political realities as instituted by sanctions associated with the North Korean nuclear project resulted in a sharp decrease of trade (Haggard & Nolan, 2007). From 1993 to 1994, North Korea's grain imports from China decreased with 58.8% from 740 000 metric tonnes to 305 000 metric tonnes, and further 49.8% to reach a meagre 153 000 tonnes in 1995 (Cho & Zang, 1999: 19-20). This barely preceded an increase of support from Western actors as the Agreed Framework was settled (which would offset, at least temporarily, the decreased Chinese assistance), yet had a damaging effect in a particularly volatile and fragile economy. As North Korea had a burgeoning foreign debt and due to sanctions, its regime was not able to counteract this by procuring food through the world market.

Its manufacturing output and also – possibly more significantly – input had also decreased continuously since 1990, as the country could not sell its products to socialist countries in Eastern Europe that no longer existed, nor could it procure necessary resources from them (Cho & Zang, 1999, 21-22). This had profound effects on the industry as a whole, but also the energy production, which relied chiefly on coal. Its power infrastructure had been primarily constructed in the 50s and 60s, with great needs for upgrades and expansion. Yet, as the manufacturing input did not translate into valuable output revenues, and technology-sharing schemes with allied states were not operationalised, North Korea had to depend on cheaper coal and a production that gradually became less and less efficient.

Adding to the North Korean woes drought and flooding, and it became impossible for North Korea to uphold the socialist distribution system it had relied on for many decades. As the PDS collapsed, so did the economic system altogether. Such a disintegration, with the economic maladies that characterised the North Korean economy and exceptionally poor policy directions, the North Korean population lacked the ability to ensure their life sustenance, causing a nation-wide famine which would eventually kill between 240 000 and 3 000 000 people (Spoorenberg & Schwekendiek, 2012; Becker, 2005: 211).<sup>11</sup> For the surviving population too the hunger had disastrous effects, with the percentage of children suffering from wasting, underweight and stunting significantly heightened – in 1998 these were 16.6%, 60.6% and 62.3% of all children under seven years respectively (EU, UNICEF & WFP, 1998; UNICEF, 1998). Due to the lack of fuel and search for food, vast hillsides, particularly around the cities, were completely deforested.<sup>12</sup> These hillsides were then converted to small privatised plots of farmland, which at the time were an illegal but necessary step to survive. With great fundamental needs, and as work in factories had ceased due to a chronic lack of supplies and electricity, this became the beginning of the informal markets, as citizens could no longer rely on the state to provide their sustenance (see Demick, 2010).

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<sup>11</sup> The higher causality numbers derive from early analyses and interviews conducted on the Chinese side of the Sino-North Korean border. It is commonly believed that these analyses captured the circumstances in the northeast regions very well but failed to properly assess the national circumstances. More recent and independent research would indicate that the death toll is considerably lower than 3 million people, more likely in the range of 400 000 to 1 million.

<sup>12</sup> Although North Korea currently seeks to reforest many of these hillsides, the massive deforestation in the 1990s still poses a great challenge in North Korea as lack of trees makes the prevention of natural disasters such as flooding and landslides, of which there are a considerable amount in North Korea, considerably more difficult.

### **3. Kim Jong Il – In the Face of Reluctance**

The famine caused a surge of informal and illegal market activities as a fundamental response to the increasingly unsatisfied yet fundamental needs. These markets, in essence assuming the form of farmers' markets in their earliest iterations, procured their produce in nearby agricultural areas which were then transported to the relatively harder hit urban centres. Those with access to agricultural land or mountain plots would also start cultivating crops for private consumption and market transactions rather than for the public distribution system, a step which very much would be considered anti-socialist. The North Korean regime, despite having exercised a complete ban of any tendencies towards capitalism since the completion of the socialist transformation in the 1950s, had initially no option but to tolerate these activities so as to stabilise the situation. Markets had, at least temporarily, completely replaced the public distribution system as source of life sustenance for North Korean citizens, yet even the markets could not satiate the needs. In the areas bordering to China, some North Koreans, in search of food, crossed the border and ventured into China, bringing back enough food to survive at least temporarily, sometimes also enough to sell at the markets for profit. A significant number of North Koreans decided to stay abroad as they recognised that the food security would be higher there, even if they were not considered as legal aliens in China and risked forced repatriation.

Especially across the Chinese border, smuggling of more luxurious goods such as rice cookers and cosmetics as well as CDs and TV sets (later also DVDs, mobile phones and flash drives) from China, but also of seafood and other goods to China

for profit, has become commonplace, exposing North Koreans of goods and information that was previously inconceivable but have now become common ownership in the country (Lankov, 2016). This also heightened the demands for foreign currency both in the smuggling networks and in the markets, as the North Korean won was practically useless as a means of cross-country financial exchange and goods procurement.

Perhaps struck with a temporary inability to act, the North Korean government would not initiate any substantial changes in national economic management before 2002. In July that year it announced some economic reforms that in essence sought to regularise the marketisation processes and ensure that the regime would be able to control, and, when necessary, eliminate unwanted trends. The reforms allowed for the establishment of state-sanctioned general markets, of which the first opened in 2002 (Everard, 2011), providing broader security for vendors who had previously been forced to act illegally. The state would collect a small fee from the vendors for their usage of the official markets, which would mark the *de facto* re-introduction of a tax system in North Korea since it was formally abolished in 1974.

Abroad, in North Koreanology discourse, these announcements inspired a broader debate on North Korea's future and trajectory. Some scholars were sceptical that North Korea was genuinely desiring sustained change of policy direction. Consider for instance Koh's (2004) analysis which advocated for a system-maintaining understanding of North Korea. In this analysis, North Korea had not abandoned the notion that they could continue maintaining their traditional socioeconomic and

political traditions, any reforms not understood to be highly threatening the stability of the regime were not to be found. Hale (2005) argued that although the 2002 reforms were initiated as the leadership recognised the flaws of socialist economic planning, they never aimed at providing any market freedoms. Instead, 'the measures were likely intended to increase Pyongyang's organizational control over a failing economy' (Hale, 2005: 841). Seliger (2005) claims that the 2002 reforms very much resemble those of USSR's Liberman reforms in the 1960s, which sought to recalibrate economic planning and change which economic indicators were used in evaluating progress. As with the Soviet case, the North Korean reforms, he argues, have had little positive effect, and that they seemingly have reached 'a point where the initial reforms need either to be amended or abandoned' (Seliger, 2005: 34). Others were more positive towards the economic changes in North Korea. Cargill and Parker (2005) considered the reforms a positive, but cautious, step from the North Korean leadership, and argued that continued economic reforms would indeed be possible without reforming also the North Korean political institutions. Lee (2004) examined how the international community could employ the 2002 reforms as a tool for instigating a more progressive economic approach within North Korea, though this would be contingent on the agreement of such a strategy by key stakeholders such as the United States, which might not have been the most realisable at the time. Hong (2002) noted that although it was difficult to ascertain the ultimate goals of the reforms, he argued that they would provide an ample platform for the North Korean leadership to improve the economy and the livelihood of its citizens. More would be needed, but he saw this as a starting point for more to come.

In the end, those sceptical to the intentions of reform seem to have been at least partially correct in their assessment that these reforms were not an expression of sincere intentions nor an attempt at durable change towards officially recognised marketisation. In a period starting in 2005, the North Korean government engaged in an anti-market campaign explicitly targeting black markets, a campaign that would eventually culminate in the 2009 currency reform. The currency reform, in effect rendering high-value bank notes worthless and illegalising the possession of foreign currency, aimed at a reversal of the market dynamics that had hitherto been prevalent in North Korea and limiting Sino-North Korean trade initiated by private entrepreneurs (see NK Econ Watch, 2009; Kwon & Jung, 2012; Lankov, 2016). Although the currency reform and the anti-market campaigns left their marks on the socioeconomic life, Kim Jong Il was however never successful in eliminating the capital tendencies at the grassroots level. He was to pass away two years later, succeeded by his third son.

#### **4. Kim Jong Un and the Supposed Transformation**

As Kim Jong Un assumed power, the markets had evolved considerably since the initial years. As demonstrated by their resilience under Kim Jong Il's regime, markets had become a significant part of North Korean grassroots activities. Although the public distribution system quickly was partially re-established, it has thus far never been able to provide North Koreans with sufficient levels of rations, far less than the government-set targets. As such, the population has remained at least partly dependent on the market to provide enough food. Beyond foodstuff,

though, the markets had expanded to also be a place for the purchase and sale of both licit and illicit goods for consumption as soon as the immediate crisis had been alleviated. As the distribution system would provide North Koreans with not only food but also clothing, equipment and other necessities, these products were quick to enter the markets as well. Although the exact timing is unknown, products that would by the regime be considered contraband goods and services also entered the market. Lankov (2016) mentions that it did not take long before private businesses, dealing with everything from currency exchange, accommodation for tradespeople and restaurants to private tutoring and investment into the (non-state) manufacturing of goods, became apparent in the so-called *jangmadang* – the informal market grounds. Citizens, thanks to these new forms of transactions, started to earn money with which they could then spend on investing or accumulating greater wealth and more assets. This growing middle class, known as *donju*, has become a prevailing feature in North Korea with a significant degree of influence. As Seol (2015) noted, the *donju* has taken a principle role in national construction projects such as dam and thermal power construction, and they are the only providers of reliable mass transit between cities and provinces (Seol, 2014). The *donju* investments and businesses step in whenever the state struggles with financing, seemingly in cooperation rather than as completely separate entities, and as such could be understood in practice as a North Korean manifestation of public-private partnership. Indeed, as these *donju*-owned enterprises have grown, they have expanded their operations and now – at least to some degree, resemble the conglomerates of South Korea in their nascent years (see The Economist, 2018).

Following his inauguration, Kim Jong Un has pursued a markedly different high-level policy direction than his father. Whereas Kim Jong Il's rule was characterised by a significant focus on the military at the cost of other sectors, the youngest Kim instead conceptualised the *Byungjin* line, which stipulated that military prowess and economic development would go hand-in-hand. The first economic reform initiated by the North Korean government during his rule came on 28 June 2012, called by North Koreans as the 6.28 Measures. These measures focused primarily on the agricultural sector, dictating for instance that farmers would retain 30% of their production according to the economic plan, plus any output that exceeds the government-set quotas (Daily NK, 2012). This allows for increased trade in domestically produced agricultural products, which at least in theory would imply that the farmers would accumulate more wealth for as long as their production rates are high, providing additional incentives for higher productivity. In addition, the work units at the collectives would be reduced considerably, to units that would resemble to a greater extent enlarged household-sized production teams, allowing these teams to retain revenues and government supplies that would otherwise have been shared across the entire collective (Gray & Lee, 2015). According to Ward (2017a), these reforms were not implemented before the subsequent year, but regardless seems to have had a positive impact on agricultural output, resulting in the highest recorded grain and rice productions in 2013, with high output continuing in the following years despite of severe drought and flooding.

The 30 May 2014 measures were if anything more ambitious than the June 2012 measures. In terms of agriculture, the work teams were abandoned altogether and

replaced by a Kitchen Garden Responsibility System (포전담당제), in which actual households formed the most basic economic unit. Each farming household were additionally to receive a 1000 pyeong (approximately 3300 square metres) piece of land for their own private usage (Kim, 2016). This would imply that the government sought to incentivise high production output even further, and as the collective crops could all be used for the government quotas and commercial interests, higher revenues for the farmers could be expected. The 2014 directive also made important changes to the industrial sector. The state was to loosen control over state-owned enterprises and give factory directors much more freedom in managing supplies, personnel and output (Lankov, 2014). Factories were now explicitly allowed to procure and sell goods and supplies on the market at market prices, not through the state-sanctioned distribution system. A number of these changes were codified into the Enterprise Act in November the same year. The amendments to the act practically ended the long-standing Dae-an Work System, as factory managers again assumed the highest authority position within the factory, whilst references to the Dae-an Work System has not been mentioned in the act at all since 2010 (Ward, 2017b; Yoo, 2012). As such, the party committee is seemingly no longer an intrinsic part of the factory management, reducing the potential for state influence and interference in production significantly. According to articles 29 and 30 of the Enterprise Act, the factory manager has full authority over production supplies and output as well as the management of personnel (Yonhap News, 2017). For the latter, this would include both the hiring and firing of employees, as well as setting their wages. Previously centralised in the Ministry of Finance, article 37 now stipulated that state-owned

enterprises now have the power to engage in foreign trade and joint ventures without explicit authorisation from the ministry. More significant and unprecedented is the implicit legal permission of state-owned enterprises to receive money from domestic investors. As article 38 states, the enterprises can receive unused capital from citizens in form of loans or grants as long as this is transferred through an accepted bank. Although not making direct references to investments, private capital or the *donju* class per se, this seems to legalise private investments without necessarily using such terms (Ward, 2017b).

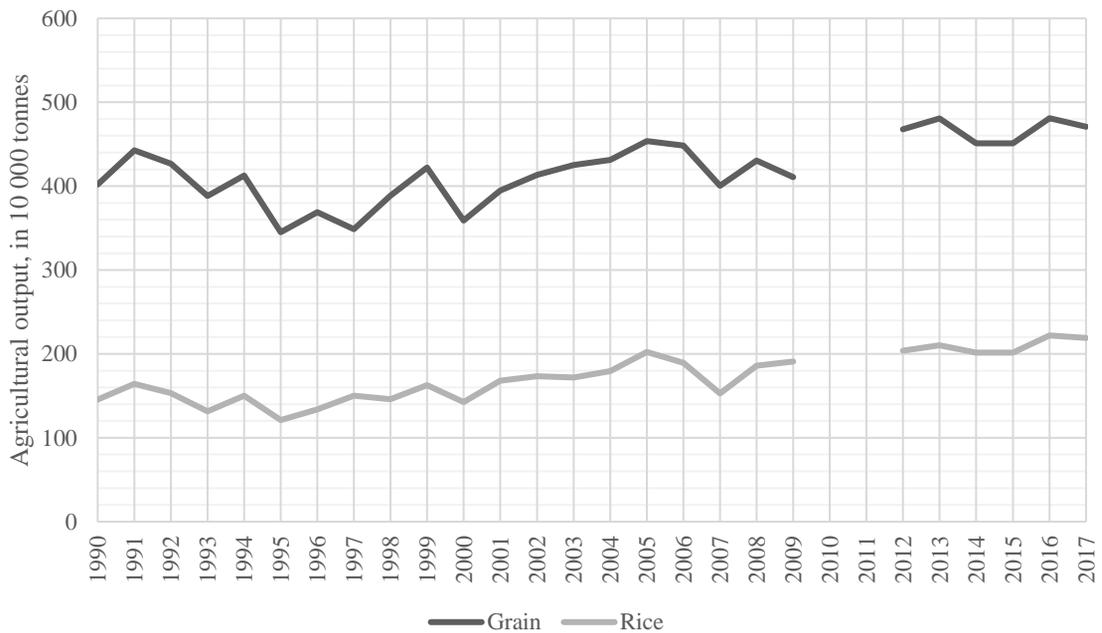
These recent changes under Kim Jong Un have resulted in a very similar discourse to that following the 2002 reforms under Kim Jong Il. Ha (2016) has argued that North Korea is not engaging in comprehensive reforms due to internal security. Likewise, Y.-H. Kim (2016) claims that most of the economic changes we see under the current regime merely reinforce established socialist economic practices and are as such to be understood as ‘anti-reforms.’ P. Kim (2018) proposes that the segmented nature of North Korean marketisation severely reduces any wider socio-political implications, and that reforms are used to mobilise citizens rather than to incite structural changes.

Although P. Kim’s argumentation in particular would warrant careful consideration, the overall conclusions proposed by these authors would, however, betray the real changes these reconfigurations have had on North Korean society. Gray and Lee (2015) assert that the reforms signal significant changes in North Korean policy-making, most fundamentally in their goals and implications. They argue that the

changes in economic management is indicative of a genuine desire to reshape the frame of North Korean economics, and resemble to a great degree – much more so than the reverted attempts in 2002 – the early Chinese reforms. As such, although one might expect the reforms to be implemented in a more cyclical fashion, they will continuously be amended and improved over time, with the ultimate goal of lifting the economy from its perceived fragility. The authors note, though, that there are a series of geopolitical and economic challenges that the regime will have to face before the approach can be successfully implemented to its fullest – much greater challenges than those experienced in Deng Xiaoping’s China. Ward (2017a, 2017b) has observed a number of fundamental changes in the legal and practical operationalisation of change on the organisational and national level. The agricultural system has been vastly decentralised, which has spurred greater innovation and production. In 2013, North Korea saw record harvests, which were repeated in 2014, and despite a drought in 2015 North Korea’s food import requirements did not exceed 10%. Data from Bank of Korea (2018) would indicate that the harvests in 2016 increased incrementally from 2013, setting a new high since before the famine.<sup>13</sup> As Figure 2 visually demonstrates, whereas output has been fluctuating around 4 000 000 tonnes of grain output, for the period between 2012 and 2017 appears to have been at a higher equilibrium, at around 4 700 000 tonnes, suggesting that improvements have been made that allows for an overall higher output.

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<sup>13</sup> To note, Bank of Korea’s data set also shows a slight decline in agricultural grain output for 2017. This has primarily been evident in non-rice grains, and is not as dramatic a decrease as in 2014 and 2015. The numbers are still a substantial increase if compared with the numbers from 1990.



**Figure 2.** Agricultural output of North Korea, 1990-2017. Data based on statistics provided by the Bank of Korea, 2018.

Due to the limited dataset, one cannot unquestionably conclude as such, though, but this data seems to corroborate Ward’s analysis.

To reformulate previous points - beyond increased agricultural output, fundamental changes have also occurred in the industrial sector, with the 2014 amendments to the Enterprise Act being the central legal change representing these changes. We have seen a widespread *de facto* (but not yet *de jure*) privatisation and disentanglement of state control in business affairs, with the *donju* class having greater opportunities to develop their businesses (Ward, 2017b; Lankov et al., 2017). Private entrepreneurs now hire their own workers, providing wages – both in money and in food and other goods no longer accounted by through the public distribution system – to their

employees. These businesses and factories are not technically legal, but through legal loopholes they develop particular bonds to state-owned enterprises who become the technical owners on paper (though not in reality), yet play no managerial or influential role (Lankov, 2017; Na, 2018). A monthly fee for this relationship, amounting to 10-15% of that month's earning, is to be provided to the state-owned enterprise in question. The private enterprise is able to lease space from state-owned enterprises for use in manufacturing goods or the provision of services. According to Na (2018), it seems like the existence of these private businesses pushes the working definition of private property further in North Korea, building on loopholes in the Civil Code. Any move from the government's side to repress these new private property dynamics may prove to be very challenging, as private enterprise has grown to encompass a significant part of the North Korean economy. Any earnings beyond the up to 15% given to the state-owned enterprise is predominantly retained by the private actors, and as such becomes *de facto* private property. Another interesting development in North Korea is the ability to legally attain private ownership of land, which previously was technically only owned by the state (Shim, 2016). Whereas purchase and sale of land and real estate has existed for longer, the legalisation of this practice is another sign that the dynamics in North Korea today have expanded beyond the mere system-maintenance notion that has been presented by its critics.

## **5. Legitimacy in Post-Famine North Korea**

The economic changes since the famine discussed in previous section might be positive for the North Korean populace, but there are elements to this growth which

might not be as desired by the North Korean government. I have mentioned that Kim Jong Il had a very ambivalent relation to the processes of domestic marketisation, resulting the cycle of cautiously observing and tolerating the trends in early 2000s and then repressing those same trends and seeking to reduce the influence of the *donju* class in the latter half of that decade. This is understandable if examined in terms of regime legitimization processes – its entire rule had been justified in terms of socialist economics and the revolutionary spirit, as graciously provided to the North Korean people by the divine Kim Il Sung, then furthered by Kim Jong Il. Even if not defined as such in any domestic literature, market activities clearly countered the belief that the government, not the hidden hand of capitalism, would provide the necessities to its people through its public distribution system. As the economic structure collapsed and people were more able to survive on their own, through means that were not officially accepted, and the government was for years not able to perform well enough to rectify the situation, this inevitably caused an issue of legitimacy. In fact, at least judging from defector stories (for no such information would be officially published in North Korea), already in the late 1990s and early 2000s people started questioning the regime and its ability to provide for its citizens. This was particularly true for those who would venture into China to search for subsistence, discovering that even ‘dogs in China ate better than doctors in North Korea’ (Demick, 2010: 220). Yet, as Park (2012) briefly discusses, North Korea’s state legitimacy at the time was not based on economic prosperity, satisfactory provision of life sustenance nor human rights. Clearly, if the population suffers unduly it will nonetheless be cause for concern, but North Korean legitimization was instead based on *Juche*, which philosophically rejects accumulation of material

goods as a symbol of success. Also, due to the informationally closed nature of North Korea at the time, as long as the regime blamed other, external, factors rather than acknowledging its own mishandling of the economy – which it certainly did, blaming particularly flooding and drought but also the mortal enemy of the state, the United States, and its hypothesised desire to eliminate North Korea altogether – there would be no grounds for the local population to reject this alluring story; North Korea is, after all, the best country in the world and all other places in the world are worse off, at least according to the propaganda. The North Korean regime started referring the famine to the Arduous March, the same term as had been used to refer to a story from Kim Il Sung’s guerrilla activities against the Japanese Empire (Demick, 2010: 69; Gabroussenko, 2014), banning any direct references to famine or hunger. Without the legitimisation processes being fundamentally challenged, a regime collapse would never be fully realistic.

As such, the regime sought to redress the issue as caused by external causes, resulting in no challenges to its legitimacy on a fundamental level nor posing a threat to its *Juche* philosophy – if anything, it supported the notion that North Korea needs to build its own roads into the future. Even more dangerous would be to betray the foundational ideas that had underpinned its legitimisation processes for decades by acknowledged internal factors, a step that would erode common North Korean beliefs about the country and the world, which has functioned as one of the core unifying elements of North Korean society.

With marketisation and smuggling activities becoming commonplace in North Korean socioeconomic behaviour, however, the situation is considerably more complicated for the regime. As has been reported by both defectors and independent researchers, North Korea has seen a considerable increase of the access to and consumption of prohibited information, distributed to the market spaces through smuggling networks and travelling merchants (see Demick, 2010; Kretchun & Kim, 2012; Bertelsmann Stiftung, 2018). Much of this information serves as significant and direct counterarguments to the state-sanctioned propaganda narrative, which has had monopoly in national knowledge creation and discourse, and as such suggests that the North Korean government has not been truthful in a number of cases, most significantly with regards to the state of affairs abroad – particularly through foreign media such as TV programmes and films (Bertelsmann Stiftung, 2018). As Choi (2017: 792) points out, due to the influx of information, the regime found it increasingly difficult to blame external actors and the persuasiveness of state propaganda dropped significantly as citizens realised the root of socioeconomic hardship was indeed the regime itself.

Therefore, the North Korean repression of smuggling and marketisation would have been a natural step to penalise the access to prohibited information in the country. Indeed, as NKDB (2016) has detailed, several incarcerated North Koreans have since the famine been imprisoned due to the possession of illegal information, or the tools through which such information can be obtained. Yet, due to the stabilising effect of the markets and later the influence of the *donju*, a complete eradication of the markets would have caused even more harm to the fragile economy and societal

order. It is in this context that the 2002 reforms were located, seeking to win back the lost loyalty among the new entrepreneurs and to ensure continued loyalty among those who had started to engage with the market – most by necessity – but remained at least in part faithful to the regime. Yet, it is also in this context that Kim Jong Il decided to withdraw this tacit support for marketisation, as market crackdowns and information flow restrictions were imposed from approximately 2005 onwards (see Choi, 2017). The ultimate goal was to restore the hegemonic power of the party over the citizens' lives and national economy, much of which had been transferred reluctantly to the *donju* in order to regain stability. Much would indicate that this anti-marketisation campaign came too late, however, and that North Korean citizens were already sharing very different ideas from the government in terms of economic management. Beyond Parallel (2016a, 2016b) reports<sup>14</sup> demonstrate that the discontent with the North Korean regime has been increasing, particularly in times when the regime seeks to repress entrepreneurial activity and market dynamics – as was the case with the anti-marketisation campaign and particularly the 2009 currency reform.

This ambivalence towards market dynamics possessed by Kim Jong Il has not seemingly been transferred to his successor and son, Kim Jong Un. At least on the surface it seems like Kim the younger has accepted the permanence of the markets

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<sup>14</sup> These reports are compiled through surveys conducted independently within North Korea without the involvement of the North Korean state, and purports to present a more reflected image of North Korean citizens' opinions on a number of matters. Due to the nature of these surveys and the limited information provided on the practical operations, one might to a certain degree question their reliability. However, these results are corroborated by a number of other sources, such as those provided by individual and circumstantial reports from Daily NK and other agencies.

and seeks instead to develop a sense of control of, rather than to counteract, the entrepreneurs so as to generate economic growth. This is evident through the 2012 and 2014 measures and the 2014 amendments to the Enterprise Act, as well as the increased importance of the *donju* class in developing the private economy as well as important state infrastructure. Indeed, the Kim Jong Un government has seemingly supported consumerism by the state-sponsored construction of department shops, leisure parks and other facilities to the benefit not only of the established political elite but also the citizens at large (O'Carroll, 2015; O'Carroll, 2018a; Associated Press, 2018; Aspden, 2018).<sup>15</sup>

In addition, whilst relying more fundamentally at the *donju* class for the completion of construction projects, his rule has also supported a broader acceptance and adoption of information technology. This, among other functions, facilitates considerably the logistical coordination of goods movements and other essential economic transactions (Kretchun, Lee & Tuohy, 2018; Kim, 2014). One manifestation of this is the revolution seen associated with the so-called *servi-cha*<sup>16</sup> service, which makes use of buses, trucks and other vehicles that allow for the transportation of goods and people across North Korea (Cha, 2018). Whereas previously one needed to find the service providers physically, now their wide-

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<sup>15</sup> Particularly the state-sponsored department shops pose interesting questions about Kim Jong Un's approach to the market. One explanation of this would be that the construction of such facilities is a concerted attempt to increase the trade of consumer goods through *donju*-run shops in order to further improve the pseudo-private sector, which it now receives taxes from (despite being officially a tax-less society). See Silberstein, 2018 for a brief discussion about the role of taxation in the North Korean state budget and projections.

<sup>16</sup> Alternatively, *seobi-cha*. A portmanteau of 'service' and 'cha,' the Korean word for car. This service came to existence as train services were increasingly unreliable in the 2000s.

ranging services can be ordered by a simple phone call, not unlike delivery services in much of the developed world. Increasingly, services can also be found on the North Korean intra-net, such as the online shops *Abnal* and *Manmulsang* (both of which allows payments through one of the bank cards launched in the last few years, and both which offer nation-wide deliveries – the former reportedly within 24 hours), are making their mark on North Korean consumer patterns and on the utilisation of information technology (Ji, 2018; Ahn, 2016; Curtis, 2018). As would be expected when keeping legitimacy in mind, however, the regime has also initiated a more advanced form of surveillance and censorship of the information consumption in the country, which is also facilitated by the increased use of technology (Kretchun, Lee & Tuohy, 2018). As Kretchun (2017) reports, the rapid adoption of new technology has not only been on the part of the citizens – the government has also worked efficiently in incorporating monitoring and censorship tools into these devices. For instance, the regime has developed a so-called ‘signature system’ that are implemented in homegrown devices and legally imported devices. This system automatically deletes programmes, files and documents that have not been electronically signed by the government, even if those files are located on external storage devices, effectively developing a device-based censorship framework. The awareness of this as well as the common belief that messages and phone calls are closely monitored by national security officers has led the citizens to also engage in significant self-censorship in order to avoid any potential trouble (Kretchun, Lee & Tuohy, 2018). Recently, also video surveillance of public places has become commonplace, indicating that the regime desires greater awareness and control of the citizens’ daily activities (see O’Carroll, 2018b).

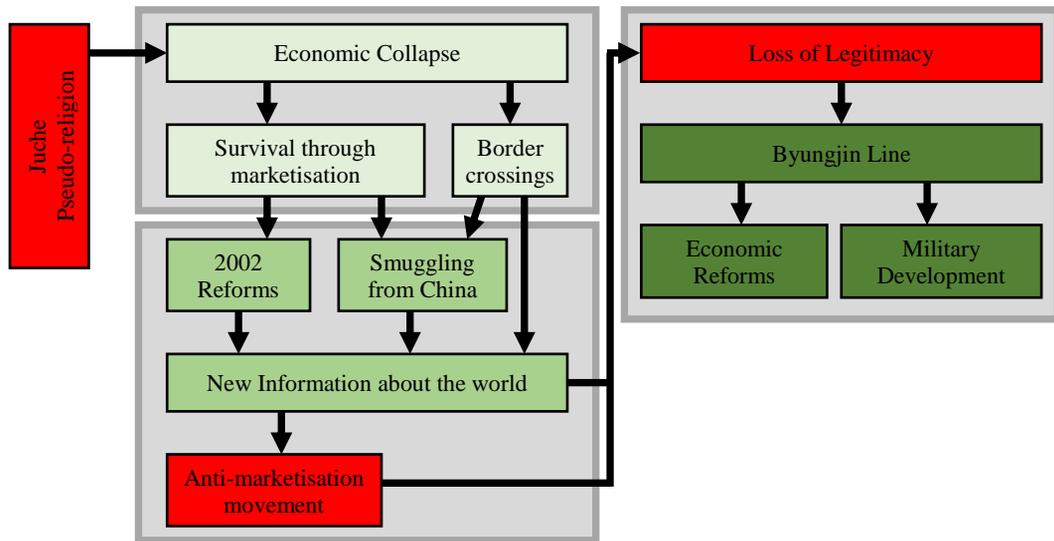
Although Kim Jong Un's North Korea therefore seeks to control information through more sophisticated means, his strategy to socioeconomic dynamics and particularly his relationship with the markets and the *donju* has changed considerably if compared with his predecessors' approaches. As should be apparent from the discussion thus far, I posit that these changes are distinctly related to the state of regime legitimacy in the country. As has been observed, the state of North Korean regime legitimacy was considerably weakened during Kim Jong Il's rule, to the degree that open opposition was voiced in the immediate aftermath of the 2009 economic reforms. Even if some attempts were made in 2010 to appease the population (see Kwon & Jung, 2012), this opposition did not cede entirely, and has been the cause of animosity also towards Kim Jong Un (see, for instance, Daily NK, 2017). In order to ensure the longevity of the regime, therefore, the younger Kim was in need of reinventing the North Korean state in public mind, and source its legitimacy from elsewhere than the traditional focus on furthering the political revolution and the divine rights of the Kim family to rule – the convictions of which have been eradicated in the view of the citizens since the nascence of outside information. It is in this context that the *Byungjin Line* policy, Kim Jong Un's publicised strategy of advancing both military and economy simultaneously<sup>17</sup>, was formulated, with the 2012 and 2014 measures following suit. With marketisation becoming such an intrinsic part of people's livelihood, the state needed to justify their existence and their conformance with the national principles. The solution

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<sup>17</sup> As opposed to Kim Jong Il's *Songun* policy, the formulations of which allowed for a substantially expanded role of the military in all facets of the North Korean society.

seems rather obvious at this point – North Korea had to relocate its source of legitimacy to the economic sphere, focusing on economic growth and the improvement of citizens’ economic life, as is the core of the dispute. As people’s interests shifted away from the political-military nexus to the economic realm, so must also the state – lest the internal incongruity may lead to the fall of nations.

An interesting facet of this process is the relationship between legitimacy crisis and reform. Figure 3 summarises the linkages between different elements as discussed in this section, and visually demonstrates quite aptly that it seems to be the loss of legitimacy through market activities that spurred the need for wider economic reforms in North Korea. Had it not been for the processes underpinning the legitimacy loss experienced by the North Korean leadership, any substantive reforms would not have been needed. Indeed, had the North Korean citizenry been kept entirely isolated from outside information throughout and after the famine, there would not have been the need nor urge for the leadership to reform the economy so drastically as it has. Reform was certainly required in any case to overcome the lost access to subsidised trade with China and the Soviet Union, but those reforms would without the present dynamics most likely have been contained within the socialist structure rather than the rejection of those socialist ideals that current reforms in effect symbolises. Indeed, although some elements of the North Korean populace would have supported the push for marketisation, without these incentives to reform, it is unlikely that the reforms would have gained sufficient support among the otherwise conservative political leadership. In other words, without the specific legitimacy crisis that North Korea experienced, it is unlikely that the economic



**Figure 3.** A schematic overview of policy and legitimacy evolution in North Korea. The three grey boxes in the background represent three different phases in the North Korean process. The first phase represents the collapse and immediate survival, the second phase represents socioeconomic changes on the grassroots-level that ultimately posed a serious challenge to regime legitimacy, the third phase represents the concerted attempt to regain legitimacy.

reforms would have been conceptualised. Is this process of change that is only valid in the North Korean context, or could this be an indication that, generally, more substantial changes in socialist countries are, at least in part, dependent on such challenges to their regime legitimacy?

## **Chapter IV. Comparative Analysis with China**

In responding to the research questions, I will now turn to the comparison between North Korea and China. My hypotheses would indicate that the evolution of legitimacy – with a legitimacy crisis assuming the central role – is an important factor in understanding subsequent substantial reforms in socialist countries. As such, I will first compare the evolution of legitimacy in the two countries before I then examine the similarities of the reforms pursued in North Korea and China.

### **1. Legitimacy Evolution**

Legitimacy in North Korea and China share rather similar foundations. In North Korea, political-ideological legitimization with basis in the socialist movement and the continuation of the historical revolution plays an important role, with the deification of Kim Il Sung, and later the entire Kim family, adding to the cult of personality and the charismatic leadership of Kim. Although the exact contents of the socialist ideology in China was of a slightly different nature, a similar form of legitimization can be found – ideology was fundamental, and Mao is exalted to a divine position during the Cultural Revolution. The exact timing of these events is different – whereas the Kim family had enjoyed their ‘divinity’ for many decades, this state of deification only lasted for about a decade for Mao. Yet, as Mao was legitimised through such processes for a period, regardless of how long the period was, it still plays an importance in our understanding of the particular dynamics that underpinned contemporary regime legitimization.

I am here, in the Chinese case, more interested in the ramifications of the Cultural Revolution than of the Great Leap Forward. Whereas the Great Leap Forward arguably is a much more similar comparison with the North Korean *Arduous March* in terms of the nature of crisis (both being, in essence, nation-wide famines at least in part caused by poor policy decisions), it did not cause the nation-wide societal collapse and a reinvention of the nation as was the case with the Cultural Revolution. This is not to say that the legitimacy issues of the Great Leap Forward were not serious, but they – as has been mentioned – were mostly contained within the elite class rather than presenting themselves among the people. In other words, whereas the Great Leap Forward in essence was the issue of legitimacy of a leader among the elite, the Cultural Revolution brought forth fundamental questions about the legitimacy of a broader system among the common people. It is the latter which is of interest in this analysis.

When comparing the Cultural Revolution and the Arduous March as national crises causing fundamental change in the respective countries, then, there are some clear surface-level differences. Whereas the Arduous March became predominantly a matter of basic economic survival due to economic disintegration, the Cultural Revolution was a matter of social and political survival due to an initially internal power struggle that spilled out onto the general public. Whereas in China this caused massive social unrest and the breakdown of socio-political order, the North Korean case did not cause any known comparable social unrest as such.<sup>18</sup> The legitimacy

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<sup>18</sup> There have been some rumours of attempted coup d'états in North Korea during and immediately following the North Korean famine in the 1990s. One such rumour surrounds the Sixth (and possibly

dynamics in China would indicate that the social unrest and violence that engulfed the Chinese urban life of the 60s and 70s caused fear and fundamental questions about whether the government was able to appropriately rule the country to the benefit of its citizenry as opposed to against it, and as such producing a legitimacy crisis that required political response. In North Korea, it was ultimately the new grassroots movements of marketisation coupled with the increased access to information not filtered through governmental censorship that caused the legitimacy crisis in North Korea. Yet, these differences are secondary to the overarching fact that they are both cases of systemic collapse that fundamentally challenged the legitimacy of the leadership, and that these events forced the leaders to re-evaluate their position and resource their legitimacy from other elements. As such, although there appears to be meaningful differences at the surface, a more holistic view will demonstrate that the framework surrounding these events are relatively similar.

The Chinese central government reacted relatively quickly to the expanding legitimacy crisis. In 1977, the end of the Cultural Revolution was declared and although not going as far as apologising to the people – such a move could indeed cause further discontent and legitimacy decline in an authoritarian political system, they distanced themselves from the political-ideological aspects that allowed the

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the Seventh) Army Corps based in Chongjin, which was forcefully disbanded in 1995. The reasons for the disbandment are unclear, but some, such as Cha and Anderson (2013: 110) believe this was done to avoid a premeditated attempt to topple the Kim Jong Il government. Others, such as Barbara Demick who has interviewed many defectors who resided in and around Chongjin at the time, have voiced their doubts that this is the matter of an attempted coup d'état (see Rosen, 2014). There were undoubtedly some movements opposing the Kim regime at the time, but, based on available information, these were all initiated by influential people and not by the ordinary North Korean citizen, nor did any of these movements affect their daily life considerably.

Cultural Revolution to become reality. In their response to the Cultural Revolution, they were inevitably forced to consider ways through which they could regain legitimacy. This not least because of the phenomenon called the Beijing Spring and the Democracy Walls, a temporary political liberalisation at the end of the 70s as a result of people's opposition to the inhumane rule of the 60s and 70s Communist Party (see Fu, 1993: 329-332). For China, this meant to refocus on economy and providing economic relief in the form of increasing economic freedoms. North Korea found itself in a similar situation and has ended up with similar results, but the response was much more delayed and did not result in genuine reforms before after Kim Jong Un assumed power in 2011, some 15 years after the famine. In comparison, the responses from the Chinese government came at most five years after the Cultural Revolution had ended, with many of the primary and formative reactions coming within two years. The Kim Jong Il government's initial response was to increase the power to the military, seeking to repress the changes and potential usurpations by force, as was evident through the formulation of the *Songun* policy early in his rule. Even when Kim Jong Il sought to more directly respond to the increasingly market-driven economy, it was lacklustre and through hesitant reforms that appeared positive but was retracted when it was possible, replaced with the anti-market movement in the latter half of the 2000s.

Given the overarching similarities between the two cases, it appears as somewhat puzzling that the North Koreans would spend three times longer at responding to the growing legitimacy crisis. One might be inclined to assume that at all responding within the span of 15-20 years might be acceptable and within the 'normal' range,

but considering the steep socio-political contradictions that the crisis highlighted and the state of citizens' opinions and belief systems, 15 years is a particularly long time interval without responding adequately to the issue.<sup>19</sup> The delayed response can be explained through two elements. First, leadership is often instrumental in bringing valuable and sustainable changes – and this is no exception. Whereas China had a change of leadership immediately after the Cultural Revolution to a pragmatic and transformational leader, North Korea had just experienced a leadership change and would not see another one until 2011. Kim Jong Il was markedly rigid in many cases, showing little sign of the pragmatism and openness that would have been required (see Martin, 2004). This, in least in part, can be explained through the solidification of his rule throughout the 1980s and 1990s, during which his actions were anchored in the anti-capitalist Juche ideology. As such, suddenly rejecting the same political inclinations would have been perceived as the acceptance of ideological weakness. Furthermore, he was continuously hesitant about economic reforms, allegedly even rejecting one of his sons, Kim Jong Nam, as a potential heir apparent due to his more reformist inclinations. This is evident also through the removal of Pak Pong-ju in 2005, who had orchestrated the 2002 economic measures.<sup>20</sup> Second, the geopolitical circumstances were significantly different for China in the end of the 1970s and for North Korea during and after the famine. For China, whereas the relationship with the Soviet Union was strained, China was not under a similar international sanction regime as North Korea, nor was it cut off from the world market – it had merely not

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<sup>19</sup> One example of this would be the nature of the (in many cases attempted) revolutions in Middle East and Northern Africa in the period 2010-2012, commonly referred to as the Arab Spring.

<sup>20</sup> Pak Pong-ju would make a political return at the end of Kim Jong Il's rule, and has assumed a central position in Kim Jong Un's reform-driven administration. See Gray & Lee, 2015.

participated significantly until that point. For North Korea, the sanctions following the nuclear and missile tests have been increasing since the early 1990s, and as such its options for financial transactions and trade has been severely impaired. The sanctions have also resulted in the political alienation of North Korea, where very few nations would wish to openly engage with North Korea – particularly as this would result in more challenging relations with both South Korea and the United States.<sup>21</sup> For North Korea, in such a challenging international political economy, engaging in broader socioeconomic reforms, as would be necessary to more appropriately deal with the legitimacy deficit, is a significant challenge. Instead, Kim Jong Il, partly due to the leadership qualities and partly due to the geopolitical situation and the question of regime stability, instead sought to reduce and if possible revert the grassroots changes that had sprung up during and after the 1990s famine (see Kim, 2014).

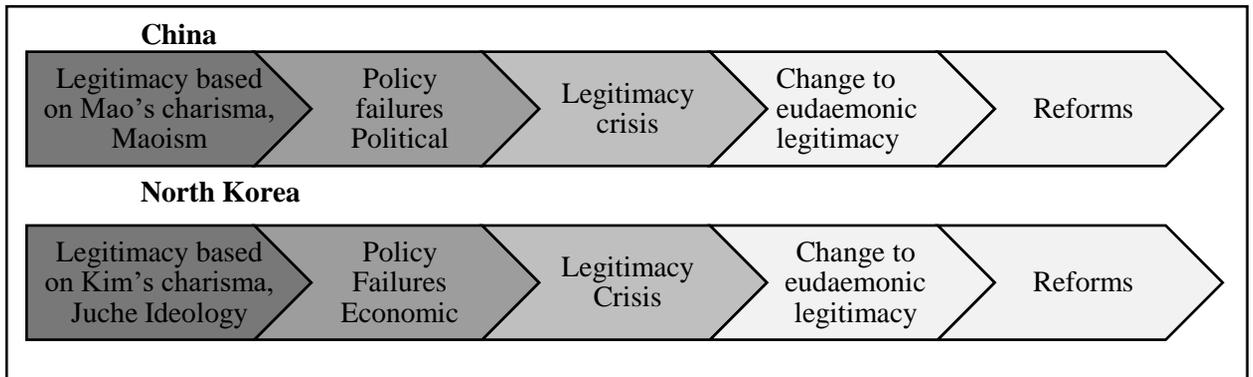
This comparison demonstrates that there are, broadly speaking, three phases in terms of the legitimacy evolution of the two countries: Systemic collapse, legitimacy crisis, and wide-ranging reforms. Although the presented evidence cannot confirm causal linkages, it suggests a relationship between the systemic collapse and legitimacy crisis, but also between legitimacy crisis and reforms. Socialist countries tend to rely on ideology and charismatic leadership through cults of personalities to justify their rule, yet when these sources of legitimacy no longer persuade the general population,

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<sup>21</sup> The emphasis on *openly engaging with North Korea* is meaningful. Consider the case of North Korean military cooperation. Uganda has openly declared that they have stopped any and all forms of military cooperation with North Korea, but evidence would indicate that this cooperation has continued in the shadows. See Parkinson, 2018.

new sources of legitimacy need to be found – which cannot be rooted in the same ideological principles and personal rule. Another option would be to use the security forces to oppress the people, though this too is not sustainable for prolonged periods without a sufficient justification of these actions. The real alternatives here would therefore be to completely change the political rooting and redefine entirely the political sphere through new ideological developments or institutions – which would be very costly, time-consuming and less attractive, or to (at least rhetorically) focus on improving the quality of life for the citizens through economic means – which requires considerable effort but is less costly overall and is more likely to sustain the authoritarian leadership for longer, if done carefully. Both North Korea and China chose the second option – whilst maintaining the rhetoric of ideology, they have both engaged in national reforms as a result of their respective legitimacy crises.

Figure 4 visualises a simplified logic of this process in China and North Korea at a macro level. The fact that the process has been so similar, and the implications of such a similar process has not previously been discussed in academia. I posit that the similarities in the evolution of legitimacy, albeit some local variations, is useful in also understanding the governments' responses to their respective crises and also, as we shall explore more in detail in the next section, relatively similar policy directions in terms of reforms – though that the timing of these responses, and also the likelihood of reform success, have been divergent.



**Figure 4.** Visualisation of the legitimacy evolution in China and North Korea. Each stage of the process is visualised in different shades of grey.

## 2. Economic Reforms

As can therefore be seen, the evolutionary trajectory of regime legitimacy has been convergent in the two countries on the macro-level, despite some micro-level discrepancies. It seems therefore natural to propose that also the output of such an evolution – in this case economic reforms – would also follow similar trajectories. Indeed, the two countries’ reforms seem to resemble – at least in terms of their framework. This is particularly clear when examining the agricultural reforms. The North Korean Kitchen Garden Responsibility System is – with few amendments – an emulation of the Chinese HRS. In both countries, farming households were provided more land, though in China this was administered through the collectives and in North Korea the process was predominantly state-led. Agricultural procurement also saw changes in both countries, though we know too little about exact procurement prices in North Korea to make a perfect comparison. Regardless, we are aware that the procurement quotas have been reduced, and North Koreans have adopted a 70:30 procurement ratio where farmers retain 30% of their

production within the plan in addition to all overproduction (Gray & Lee, 2015). The state procurement rate was to be further reduced in 2015, though whether this has actually been implemented remains doubtful – particularly due to the agricultural output deficits the country has faced due to recurring droughts and flooding.

There are few discrepancies also in terms of industrial policy. Based on the successes of the agricultural sector, China sought to change the procurement rates and management of the urban industry as well – providing the SOE managers broader freedom in personnel management and permitting the SOEs to trade their goods on the domestic markets. Despite successes in agriculture, however, the SOE policies proved not to be successful, as approximately half of these enterprises saw an absolute deficit post-reform, and factory capacity utilisation was overall sub-par (World Bank, 1997). This can in part be explained by the rural industrial boost through the TVEs, which were – albeit with diffuse ownership structures – comparable to private enterprises in terms of management style and performance (Weitzman & Xu, 1994). The government’s endorsement of TVEs proved to be much more successful; by 1983 the TVEs employed approximately 52 million people (Qian, 2002) and were significant drivers in increasing economic output and exports until their *de jure* privatisation in the early 1990s (Brandt & Rawski, 2008). North Korea too has sought to change SOE management, and seems therefore to have pursued similar SOE reforms as China. The Daean Work System has been abolished, and the factory directors have received significant freedoms in industrial management. This led to, for instance, a noteworthy increase of wages in certain sectors, such as at Musan Ore Mine and Kim Chaek Ironworks (Gray & Lee, 2015).

Beyond liberty in terms of human resources, factories are now allowed to purchase and sell on the domestic market, and specific sectors are permitted to directly engage in foreign trade. More significantly is the tacit legalisation of domestic investments, which underlines the growing importance of the *donju* in North Korean political economy. Much like the TVEs, the North Korean state allows pseudo-private enterprises to operate disguised through local government ownership. Entrepreneurs are free to establish their own businesses, but if they grow beyond their original size or require access to the legal and technical infrastructure, they borrow the names of local SOEs (Lankov et al., 2017). These SOEs receive a monthly fee from the business manager, usually amounting to 10-15% of the monthly income, but play no role in the management of these pseudo-private businesses. Reports indicate that SOEs sometimes also rent buildings to these enterprises (Daily NK, 2015). A point of divergence with the Chinese reforms would be the legalised entrance of non-state actors in the industrial sector, which was formalised in 1979 in China but is still missing in North Korean legal context – though the *de facto* situation would indicate that this has indeed been actualised in all parts but the law.

Special Economic Zones have, as mentioned in previous sections, been a key factor in the development of the modern Chinese economy. For North Korea, such claims would be hyperbolic. North Korea did indeed establish a SEZ in Rajin-Sonbong (now Rason) already in 1991 (Cho & Zang, 2001), and under Kim Jong Un a number of new SEZs have been created, but these have yet to provide any tangible results (Abrahamian & Melvin, 2015). In fact, although forming a significant part of the economic policy, North Korea has failed to attract any significant foreign

investments, largely due to the international geopolitical environment. This is in stark contrast with the Chinese case, where the geopolitical environment favoured investments and as such contributed to the overall success of the Chinese SEZs.

Another key element of the Chinese reforms was the constant push towards decentralisation (although this would later be reverted). As Naughton (2006) notes, the reforms were coherently, at every step, decentralizing, where resources and power gradually were transferred to regional and local governments. In North Korea, such a clear push towards decentralisation have not been evident thus far, though circumstantial evidence for decentralisation does exist. The SOE reforms, for instance, implies that the economic management power has – at least in these cases – been decentralised, transferring power from the party and central government to individual factories. The SEZs also provide evidence of decentralisation in the North Korean context, as political and socioeconomic power of these areas lies not with the central government but with the local authorities, so that they can provide contextually relevant policies that strengthen its region's competitive edge. Additionally, Kim Jong Un has in his New Year's speeches favourably referred to decentralising factors (see Moon, 2015; Frank, 2018). He and Xu (2017), studying a decentralisation push through the Sloping Land Management Programme, argues that there have been tangible successes with decentralisation, though these have been limited due to institutional and political limitations. To note, though, is that the study ended in 2014, and for that reason does not include a substantial part of the Kim Jong Un era of apparent reforms.

There seems, perhaps to some discontent among certain economists,<sup>22</sup> to be a parallel in the two countries with regards to property rights. In China, private property rights have been contentious, with the Chinese government launching campaigns against private property at numerous occasions throughout the 1980s (Che & Qian, 1998). In fact, property rights seemed most stable in the TVEs, whose ownership structures were at best nebulous. It was not before a constitutional amendment in 2004 that property rights were officially recognised. North Korea is in this regard very similar to China. Throughout Kim Jong Il's regime, the North Korean state tried to control and monitor the property of individuals who engaged with the markets. The 2009 Currency Reform serves as an example, as its primary goal was to confiscate wealth accumulated by the North Korean nouveau riche and return to a more socialist mode of economic management (Ishiyama, 2013). These attempts, as was the case in similar Chinese movements, failed at producing the intended results. North Korea's pseudo-private enterprises share the hazy ownership structures with the TVEs in China, and according to Lankov (2017) these businesses are actually efficient at securing the property of the entrepreneurs. The benefiting SOE, mostly underperforming enterprises, becomes dependent on the entrepreneur for income and revenue generation, and as such the entrepreneurs insulate themselves from complicating invasions of property and management. Na (2018) notes that although the North Korean Civil Code does include a very restrictive private property rights clause, most of private activities are *de facto* recognised by the society if not the state,

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<sup>22</sup> See Besley & Ghatak (2010) for an argument that property rights are necessary for economic growth.

and the government's attempts to interfere with such activities proved to be counterproductive.

Another factor that seems to share at least a superficial similarity is the often grassroots-based initiation of these reforms. Whereas many reforms in China were initiated within localities prior to national adoption – an element which allowed for a great deal of trial and error – North Korea's reforms are intrinsically the result of grassroots reorganisation of socioeconomic life. In North Korea, perhaps even more so than in China, the regime has been cautious, carefully implementing the reforms for fear of going too far too quick. It seems like North Korea has learnt from the experiences of the Soviet Union and China that gradual change is more sustainable, and has apparently, as through the Sloping Land Management Programme, utilised the local trial-and-error model of the Chinese development model.

The question then becomes why these reforms are so similar, and for this we will have to briefly consult the post-Communist transition literature. There are two routes for a Communist country's transition, a Soviet-style Big Bang or Chinese-inspired gradualism. The Big Bang approach was adopted in the post-USSR bloc, with support from a number of scholars (see, for instance, World Bank, 1991; Roland and Verdier, 1994; Krueger, 1993). Yet, as Naughton (2006) notes, the economic performance of the post-USSR countries has been subpar, particularly if compared with Chinese economic growth rates, indeed even leading to the collapse of the Soviet Union in 1991. The gradual strategy adopted by China, however, has resulted in an unparalleled development experience without political collapse, and has as

such also received wide support (see Lin, 2013; Nielsen, 1993; Naughton, 2006). It is therefore not much of a puzzle as for why North Korea, a country particularly concerned about its political stability and sustainability of its leadership, would be attracted to the gradual approach of China rather than pursuing the more volatile Soviet example.

However, there is also the question of timing of North Korean reforms, and on this issue the discourse has been reluctant to provide clear answers. It is beyond the scope of this essay to provide concrete evidence or causal links so as to verify the exact reasoning behind these economic changes, but allow me to briefly evaluate the current discourse. There have been two main assumptions underpinning this debate. First, some scholars argue that Kim Jong Un's leadership, influenced in part by his stay in Switzerland, would explain the changes we currently observe (see Mansurov, 2013; Pak, 2018). Although one should not entirely discredit potential influences from Switzerland, this approach ignores the very structural limitations that Kim would have faced in his first few years of tenure. Despite being a dictator, his policies rely on the support and loyalty of the North Korean elite. This issue of loyalty is the main reason Kim has attempted to change the membership of the top decision-making committees to favour technocrats (Madden, 2017). The other attempt at explaining the economic changes have been to look at the prevailing issues stemming from the 1990s famine (see Lankov, 2018). This approach too fails to explain what has changed since Kim Jong Un assumed power, as Kim Jong Il remained reluctant about reforms, as is evident through the subsequent withdrawals of the 2002 reform

attempts and dismissal of Pak Pong-ju, the premier spearheading these reforms<sup>23</sup>. A more compelling approach to the timing would be to examine the increasing pressures on state legitimacy as a result of increased market activities and economic empowerment of the common people. Park (2013) notes that an overreliance on ideology and military capabilities as sources of legitimacy is not sustainable overall. Instead, as reinforced by the 2009 currency reform, North Korea was at the time of Kim's accession to power in the need of boosting legitimacy in order to maintain socio-political stability and to ensure loyalty of its citizens – perhaps especially the increasingly powerful entrepreneurial class and particularly after the 2009 currency reform. This bears, as discussed in the previous section, parallels to the Chinese experience. The answer there, as seems to be the case currently in North Korea, was to pursue eudaemonic legitimation processes – that is, legitimacy derived from improved economic performance (Chen, 1997).

There are serious doubts of whether North Korea will be able to transform the economic reforms into sustainable economic growth. Compared with the substantial increase of agricultural output in China, the North Korean production rates have been disappointing. Numbers from the Bank of Korea (2018) also shows that the economic growth in GDP has been anything but astonishing – despite a growth rate of 3.9% in 2016, Bank of Korea estimates that 2017 saw a negative rate of 3.5% in 2017. The reasons for the lack of results are two-fold. As discussed earlier, the geopolitical situation has made it difficult for North Korea to attract foreign

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<sup>23</sup> Pak has since made a political revival and has been reinstated as premier under Kim Jong Un's rule.

investment needed to capitalise on the special economic zones and engage in broader infrastructure projects needed to facilitate further economic growth and improved service provision. Secondly, North Korea is particularly prone to natural disasters such as drought and flooding – especially due to the deforestation in the latter half of the 1990s (UN Resident Coordinator for DPR Korea, 2018). This makes continuous progress towards economic growth difficult.

## **Chapter V. Conclusions**

### **1. The Linkages**

This two-pronged comparison demonstrates that despite immediately visible differences at the surface level, the overall framework and evolution of the legitimacy crises in China and North Korea do indeed resemble. In both cases, the legitimacy crises resulted in a transition towards legitimization processes rooted in economic performance and wealth distribution – so-called eudaemonic legitimacy. For China, this is not a new discovery, but it is indeed significant for North Korean studies as this contextualises the underlying push-and-pull dynamics that underpin the current transformation attempts in North Korea. It is not just a matter of an altruistic desire to improve the country's situation – as the continuous cycle of purging and dismissing top officials (not least the infamous execution of his own uncle Jang Song-thaek) demonstrates, he is indeed a brutal dictator whose main goal is to remain in power, and is as such not unique in that sense – but a necessity spurred by a substantial threat to completely delegitimise the rule and an increasing risk of social unrest. Yet, even if the focus on economy is a forced rather than a desired move by the North Korean leadership, this does not mean that the reforms themselves are not genuine. Indeed, the incentives of maintaining legitimacy and as such a justified rule makes it likely that Kim Jong Un and his state apparatus experiences a greater impetus to succeed with these reforms and to ensure that the population's needs and desires are sufficiently met.

It is not surprising, then, that North Korea has looked towards the successful transition of China.<sup>24</sup> Through the second phase of the comparison, it was discovered that there are some clear resemblances between the two reforms, as with the Household Responsibility System in China and the Kitchen Garden Responsibility System, though some differences also exist. In particular, the agent of change seems to be slightly different between the two cases. Both were initiated at the grassroots-level, but whereas fundamentally the operationalisation of economic change was contained within the specific localities in China and endorsed by local governments before adopted nationally by the central government, the case of North Korea shows that the manifestation of socioeconomic reconfigurations had already been implemented nationally before being retroactively legalised by the North Korean government. Since the changes were contained within very specific regions, the Chinese leadership had more flexibility in the national adoption of reforms (or even in case of non-adoption), and as such had some agency in the particular policy formulations. The North Korean government had no such flexibility – either they retroactively institutionalised the *de facto* changes through legal implementation or they suppressed the changes, the latter of which would cause social discontent and

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<sup>24</sup> Some scholars might be tempted to also argue that Vietnam has been a model of comparison (consider Takahashi, 2018). Although there might be merit to such assertions, the differences in the political economy of socialism in China and Vietnam would indicate that China would objectively be a better comparison overall (see Kerkvliet, Chan & Unger, 1998). Consider for instance the lacking penetration of socialist economics in the Southern parts of Vietnam, which until 1975 was controlled by an anti-socialist government, and the long-standing national adoption of socialist economics in both China and North Korea. Whether this is how North Korean policymakers view the circumstances is currently unknown, though a series of visits to China has been understood as an interest on the part of North Korea to learn from the Chinese experiment – and was explicitly stated as so by a North Korean delegation sent to Beijing in May 2018. See Lee, 2018. Do note, though, that a recent visit by North Korea's foreign minister to Vietnam has caused some debate whether North Korea might be looking to Vietnam. It is possible that North Korea seeks to examine both experiences and draw from them the lessons that would be applicable in the North Korean context. See Pearson & Choi, 2018.

further strain on the already weakened legitimacy. The agency of national policy change was as such situated to a much greater degree among the citizens than it did in China.

Another difference here would be the immediate economic performance of the two economies after reform. China saw substantial increases of output almost immediately after the reforms were adopted on a national scale, but North Korea has faced greater performance volatility in this sense. There have been increases in grain and rice output, but these have not been as substantial, and seen fluctuations due to an unresolved vulnerability towards natural disasters – particularly drought and flooding which North Korea experiences regularly. Another primary element that prevents the same economic transformation as experienced in China or even Vietnam is the lack of foreign direct investment. Even as North Korea has created special economic zones and engaged in legal changes that sought to entice foreign actors to invest further in North Korean industry, such as the 2013 Economic Development District Law (see Kim 2016), such initiatives have been mostly underwhelming. Yet, the North Korean state is in need of foreign investments and capital to engage in expensive infrastructure projects that would be difficult or impossible to fund entirely on domestic capital (see Rowley, 2018). The complicating factor here is the international geopolitical situation with stringent UN and bilateral sanctions placed on trade and other financial interactions with North Korea. The comprehensive sanctions regime makes investing in North Korea a hazardous endeavour, with considerable risks and the possibility of being frozen out of the American financial system – on which most of international trade relies. There is little chance of

sanctions alleviation currently either, as the principal sanction-imposers are of the position that a Complete, Verifiable, Irreversible Dismantlement (CVID) of the nuclear programme needs to be fulfilled prior to any form of sanction relaxation. However, CVID is a long-term goal, and as there are multiple hurdles prior to the actual operationalisation of a CVID in the North Korean context (not least has the definitional questions and the order of action been contentious), it might take years before both parties are sufficiently satisfied with the progress so that sanctions relaxation can be initiated (see Fifield, 2018b; Specia, 2018; Welna, 2018). If there are no concessions made in the meanwhile, a North Korean economic breakthrough might be difficult to achieve, which would also have negative effects on North Korean regime legitimacy, as the regime legitimacy now has been linked with economic progress domestically.

This thesis would support the view that North Korea engages with South Korea and the United States in hopes of improving its possibilities within international trade and investment. Without opening up to some degree, the North Korean economy will not be able to bring about the transformation that Kim Jong Un has urged for in key speeches throughout his rule (see Frank, 2018). The fundamental goal of the North Korean regime seems to achieve sanction alleviation, which would increase the attraction of North Korea for investors and potentially improve the performance of the numerous special economic zones that have been established in the country – both under Kim Jong Un and his predecessors. It would by proxy, within the context of international relations, also provide propositions as for why Kim Jong Un initially focused national attention on the development of the missile and nuclear

programmes. Recognising that without proving to have concrete abilities to threaten the United States, North Korea would have no leverage in negotiations concerning the alleviation of international sanctions. Being able to pose a concrete threat towards the United States would force Washington DC to respond, whether by launching a pre-emptive attack (a step that would be highly risky, with broad international opposition and great repercussions) or by initiating talks with North Korea so as to find ways to resolve the situation diplomatically. It is notably after the declaration that the nuclear programme has been completed in November 2017 that North Korea expressed a desire to engage South Korea – and later the US – in dialogue, for which the 2018 PyeongChang Olympics provided the backdrop.

Being aware of the more fundamental motivations behind North Korea's apparently sudden interest in negotiating with the United States and South Korea can prove to be a significant asset as it can provide more accurate and appropriate analyses and decision-making vis-à-vis North Korea and its interests. While the CVID issue will undoubtedly be a long-standing issue, it is not inconceivable that the parties might engage in other cooperative programmes, that is if the relations do not deteriorate considerably again. Indeed, the South Korean government has taken keen interest in initiating a series of development programmes with North Korea (see Padden, 2018). If one accepts, at least in part, Keohane and Nye's (2001) proposition that economic interdependence increases considerably the costs of war and decreases substantially the probability of armed conflict between two interdependent partners, it seems natural that economic projects with North Korea decreases rather than increases the chances for serious provocations and sudden deterioration of the situation. For that

reason, although the CVID might be problematic and difficult to operationalise, progress in other sectors – particularly economy for which North Korea is heavily interested – will regardless provide tangible results in terms of peace on the Korean Peninsula. Inherently linking the dismantlement of the sanctions regime solely on the question of a finalised CVID of the nuclear programme might for that reason be misguided – instead, a gradual relaxation of the sanctions, of course based on the right conditions and reciprocal actions from North Korea, might be one step in the right direction to ensure peace on the Korean Peninsula.

These changes have all been actualised due to the marketisation and freer flow of non-state-sanctioned information within North Korean society. Regardless of how well North Korea will perform in terms of its economic transition, it is unlikely that it will cease to violate political and civil human rights such as the freedom of speech and expression. Indeed, it is conceivable that the violations of these rights will at least periodically worsen as the regime seeks to comprehensively control information and thought. Although North Korean citizens has increased access to devices and tools that is associated with greater flow of information, this also allows the regime to more accurately notice deviations from the accepted train of thought (see Kang, 2018). Seeing that the search for a fundamental reconfiguration of the political system would likely result in the end of the Kim dynasty, it is therefore, as was the case with China, unlikely that the regime will initiate any considerable political reforms any time soon, nor is it likely that citizens will develop a sufficient understanding of other political systems to actively push towards such reforms. It is instead conceivable that North Korea attempts to translate its reform drive and

innovative control of information to increased support for the regime, particularly among the powerful *donju* class, just as the Chinese middle class and business owners continue to support for the Communist Party of China and the political system it stands for (see Chen & Dickson, 2008).

## **2. Limitations**

Although this thesis discusses the logics underpinning North Korea's evolution under Kim Jong Un, its primary goal is not to evaluate to what degree Kim Jong Un has been successful in this transition. Although some rudimentary discussions have been included, an evaluation of the reforms and shift of legitimacy has been of a secondary priority. This is in part due to the lack of reliable and accessible data concerning the situation in North Korea. Indeed, producing accurate surveys within North Korea that represent the opinions of different social groups is notoriously difficult, and for that reason one must be careful in one's assessment of such information. The primary sources of this thesis have been works of other academics and of online articles published by agencies and organisations that have particular focus on North Korea. Defector stories feature strongly in many of these works, and, in the case of the latter source type, anonymised informants are common. As these groups may have particular motives for providing the information they distribute, careful reading and – where possible – verifying the sources through triangulation has been necessary. Due to this particular limitation, the conclusions of this thesis must be viewed as suggestive and not absolute – I do posit that there is a linkage between the particular legitimacy crises and reforms, but these are probable linkages

and not proven through the evidence provided in this thesis. Verification of data concerning North Korea will likely only occur when scholars have access to North Korean archives.

Second, it should be also noted that this thesis relies heavily on publications produced in English. Within North Koreanology in particular, there is a significant gap between international (English-language) literature and Korean literature, and for that reason it is not completely inconceivable that important information related to this topic has been overlooked. Although this thesis has sought to mitigate such oversights, further research would be needed to fully explore the published information that is available in the Korean language.

### **3. Further Research**

I have only compared China and North Korea and proposed that fundamental legitimacy crises in these two countries have led also to fundamental reforms. Further research would be needed to examine whether this is the case among authoritarian or socialist countries more broadly. With the case of the Soviet Union, no legitimacy crisis like that of China or that of North Korea precede the introduction of reforms under Gorbachev, but given the failures and economic challenges following the 1979 Soviet-Afghan War, could this be understood as an attempt to pre-emptively recalibrate socioeconomic life before any legitimacy crisis could manifest itself?

Despite significant contextual differences, comparisons with Vietnam concerning economic reforms and with Cambodia regarding the production of external legitimacy production are likely to produce interesting results.

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## Abstract in Korean

1990년대 대기근 이래 북한에서는 시장 활동이 급격하게 증가하고 국가로부터 승인되지 않은 정보의 전례 없는 흐름을 겪었다. 체제의 정통성을 위협한 이 사회경제적 현상은 김정일 정권으로부터 무미건조한 반응만을 이끌어내어, 합법성의 강한 회복이 아닌 선군정치와 북한 주민과 타 국가와의 관계 악화라는 결과만을 낳았다. 몇몇 연구는 비슷한 이유로 김정은 또한 정통성이 결여 되어있고 경제적 정책 또한 사회주의 체제 내에서의 미미한 변화라고 결론지었다. 반면 이 연구는 김정은이 실제로 북한경제의 보다 더 광범위한 변화에 관심이 있다고 주장하는데, 이는 부분적으로는 대기근 이후 악화된 오랜 정통성의 결여를 해소하기 위한 김정은의 결의 때문이다. 연구자는 북한과 중국의 정통성의 변화를 문화혁명과 지속적인 개혁과 비교하여 논한다. 이 비교는 정통성 위기의 본질과 북한과 중국의 초기 대응이 다름에도 불구하고 정통성 위기를 관리하고 해결함에 있어 매우 유사한 역동성을 나타낸다는 것을 보여준다. 이러한 비교는 특히 북한의 단기, 장기적 목표를 밝히고 현재 외교적 노력에 대한 설명을 보충하는 데 있어 중요하다.

**주요 용어:** 북한, 정권 정통성, 정통성 위기, 병진노선, (자유주의)

시장경제화, 정보의 흐름, 중국, 정치 경제

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