

Marketization and Civil Society in North Korea

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Abstract: The growth of markets in North Korea has facilitated discussion about the prospects of social change in the country. Drawing on quantitative and qualitative data on North Korean market activities as well as theoretical and comparative approaches, we develop a systematic analytical framework for understanding those market activities, and how the strategies used by market participants might lead to the building blocks of civil society in North Korea. We argue that market participants use several strategies to survive in North Korea’s markets amid the ambiguous political and economic climate in the country; in turn, the strategic options available to individual market participants are shaped by North Korea’s existing social structure, including its gender norms. These various market survival strategies are meant to enforce contracts and resolve business disputes, decrease uncertainty, increase mutual trust, and increase access to information. As market participants pursue these strategies, they establish networks that transmit information, build trust, and facilitate movement outside the confines of the state – these networks, we argue, could ultimately be conducive to the emergence of civil society. However, the North Korean state has used its own measures to co-opt many market participants to increase income extraction from the markets, and (re)establish political control. Therefore we should be cautious in assessing the potential for social change in the foreseeable future.

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Introduction

This paper is part of a project that aims to assist practitioners in using the *jangmadang*, and market activities more generally, to encourage the development of civil society in North Korea. The microfoundations of economic change in North Korea are fairly well researched; less explored and understood are the social and political implications of marketization which at best remain speculative. However, the markets' significance on the everyday lives of North Koreans warrants giving greater attention to the changing relationship between state and society. The growth of markets in North Korea has facilitated deeper discussion about the prospects of social change in the country (Smith 2015; David-West 2013; Park et al. 2018). Based on earlier works linking markets to civil society, it is plausible that the networks, social capital, and new norms wrought by market growth may, over time, provide the building blocks of civil society and alter the nature of relationship between state and society. By most defector and expert accounts, some degree of social change is taking place in North Korea, from the rise of the *nouveau riche* to new networks and relationships generated by capitalism.

Of course, there is a danger in assuming that North Korea's marketization will inexorably lead toward greater political openness in the country. The North Korean regime benefits from and maintains control over market activity, and state-owned enterprises or economic networks have used their political influence to co-opt, coerce, or crowd out private market actors. The economic vibrancy enabled by markets may also provide the state with more resources with which to surveil the population or maintain elite loyalty through patronage. Furthermore, the assumption that market reforms and the rise of capitalism will ultimately lead to democracy has not yet borne out in countries like China and Vietnam.

Nevertheless, if markets represent circles of trust relationships among private and quasi-private actors, and a system of bribery and corruption creates new relationships between government officials and market participants, new sources of power and legitimacy may rest outside of the state. As Byung-Yeon Kim (2017, 192) argues, a strong sense of collusion may develop between bribe-takers and bribe-givers, and "they can make acquaintance and develop a mutual understanding between themselves." Even as the state vacillates between cracking down and regulating markets, the market itself has generated positive feedback loops which now make it nearly impossible for the state to completely shut down markets (DailyNK 2017). The impact of a near-comprehensive (if poorly enforced) sanctions regime on North Korea may also erode the state's capacity to reinstitute top-down control of the country's economy, and further shape individual incentives for market participation.

Additionally, the gendered nature of market participation in North Korea has important social implications. The majority of *jangmadang* vendors are women, reflecting regulations set by the North Korean government as well as the greater ability of North Korean women to avoid mandatory service in the military or state-owned enterprises. However, while market participation may have empowered women economically to a certain degree, it has not necessarily led to their political or social empowerment: women market participants often face economic and sexual predation by state actors, as well as the double burden of being both breadwinner and caretaker for their families (Haggard and Noland 2012; Human Rights Watch 2018). A full analysis of the relationship between market participation and the formation of civil society building blocks in North Korea will therefore have to consider attitudes and ideas about gender roles as an important mediating factor between the two.

The overall project will answer a number of questions. First, how do we get from North Korean market activities (which are now abundant in the country) to North Korean civil society (which is not)? Second, given the fragmentary data we have on markets and civil society in North Korea, how will we know when progress is being made? Third, what can NGOs do with this information? How can they use market activities in North Korea as an avenue for encouraging civil society development?

This paper has a more limited role, in that it lays out ways of thinking about markets and civil society in North Korea. In the first section, we look at the development of markets in North Korea, focusing on the structure of different markets and market participation, particularly by women, and the political and economic context in which markets operate in North Korea. Given the challenges that are presented to market participants, we look at the strategies they adopt to respond to these challenges and survive in an ambiguous environment. In the second section, we turn to civil society, providing a definition that is useful *in the North Korean context*, and discuss how markets have traditionally contributed to the development of civil society. We then bring markets and civil society together, and present initial ideas about how these market participation strategies might serve as the building blocks of future civil society development in North Korea.

Markets in North Korea

Markets under Kim Jong-un

Kim Jong-un's rule has been characterized by three overarching trends relevant to markets. First, Kim Jong-un has generally moved toward *re-centralizing political power*. This has meant purging potential disloyal officials left over from his father's rule and installing his

own; limiting the ability of lower-level officials to build their own local power bases by increased frequency of personnel changes; and re-focusing influence in the Workers' Party of Korea rather than the Korean People's Army (INSS 2017).

Second, Kim Jong-un has, within the limits set by the general trend of re-centralizing political control, *allowed market activities to continue*. Indeed, with the *byungjin* line in 2013, economic development became one of the two main goals of the North Korean state, and in April 2018, having 'accomplished' the task of becoming a nuclear state, North Korea shifted its national goal primarily to economic development (KCNA 2018). Beginning in 2014, the government began to institute the "Socialist Corporate Responsible Management System," a series of measures that in theory gave state-owned enterprises greater autonomy in their own management, employment, and profit-making. Concurrent policy changes also relaxed rules for engaging in foreign trade and effectively allowed for private investment from North Korean citizens (Ward 2017).

Third, whether to placate the military for its lost influence, or because of general security concerns (or, most likely, both), Kim Jong-un plowed ahead in 2016 and 2017 with nuclear and missile tests. This has led to *increasing United Nations and unilateral sanctions* against North Korea. The range of items that it is legal for North Koreans to import and export has shrunk considerably, leading to shortages and an increase in smuggling, both by private actors and individuals or by groups connected to the North Korean state (Ha 2019).

In concrete terms, Kim Jong-un has recently pursued several policies in line with the above objectives. Taken together, these policies might be considered a new phase of economic policy retrenchment with the aim of establishing control over market participants rather than stopping them *per se*. While the entrepreneurial class (*donju*) have been allowed to continue to operate, the state has instituted measures that are designed to (1) extract income from them via fees, taxes, and other funding mechanisms, and (2) tighten political control over them. In 2020, enterprises were encouraged and/or required, under varying penalties, to buy public bonds, as a way for the central government to raise money (Jang 2020a). The government, at least at the local level, also began enforcing payment of taxes by women, in an apparent bid to capture more income from their market activities (Kim 2019). New categories were also added to the *songbun* classifications to better capture attitudes and assess loyalty of members of the *jangmadang* generation (Ha 2020a). North Korea has also cracked down on use of the "8.3 measures," which in practice allow workers to pay a fee to their state enterprises in exchange for the ability to go work for private businesses as employees, or to become entrepreneurs and make profits for themselves (Kang 2020a).

Since the closure of the border between China and North Korea in January 2020 due to Covid-19 concerns, the North Korean state has also made a concerted effort to crack down on smuggling into and out of North Korea that is not controlled by central state organizations or politically favoured joint ventures (Ha 2020b). This has led (at least intermittently) to shortages of imported goods in North Korean markets (Kang 2020b). The North Korean state has also made some effort to re-impose price controls on goods in the markets (Kang 2020c). These measures may not be sustainable; indeed, North Korean businesspeople were reportedly trading between China and North Korea by May 2020, despite official border closures (Jang 2020b). Nevertheless, in recent years, the North Korean state has attempted to increase its control of markets and monopolize trade income, even in ‘illicit’ areas.

Stylized facts about the North Korean political and economic environment

The North Korean political and economic environment under Kim Jong-un, as it pertains to markets and the potential for civil society to develop, can be characterized broadly in several respects. First, the North Korean state has a deeply ambivalent relationship with the markets which results in levels of political support or hostility that vary (1) over time, (2) relative to the identity of the businessperson, and (3) the nature and location of the business. This ambivalence comes from several sources: an economically independent population makes state political control more difficult. At the same time, the state needs the revenue generated by the markets to survive both economically (both in terms of providing for the population when it cannot, and in terms of generating revenue) and politically (as a means of paying off political supporters).

Second, marketization is necessary for the survival of much of the population. The state is not a reliable provider of economic livelihoods for most of the population, which means that many North Korean citizens need to become entrepreneurial to survive. This might entail directly participating in markets, taking a “side job” that generates cash, or self-dealing in their official duties. The fruits of this marketization have always been precarious. There is no private property, and private companies (or any organization independent from the state) do not legally exist in North Korea. As the scale of a market-based enterprise increases, so does the breadth of ways in which it must interface with state actors to facilitate business activities and keep its operations secure. Indeed, the state’s attempts to regulate markets have largely been (1) *ex post facto* official recognition of reality on the ground; (2) designed to increase the state income extraction from the markets; (3) designed to increase political control of market actors. The result is that state regulation is often unpredictable and capricious.

Finally, in terms of the operations of markets across the country, there are official restrictions on information flow due to (1) state control of all media, and censorship inside that media; (2) restrictions on movement across the country, and into and out of Pyongyang; (3) the monitoring of electronic communications, and the lack of access of the majority of the population to the Internet or to mobile phones that can call outside the country; (4) a network of informants designed to inhibit the population's ability to organize outside of the confines of the state (Williams 2019).

Market participants

North Korean market participants are differentiated by their degree of interaction with the state. At the lowest level of the pyramid are *local entrepreneurs conducting business in North Korean won*, presumably in the *jangmadang* or general markets. Their interaction with the state is limited to paying off security and other local officials for the space to operate, whether legally or 'illegally.'

One level up are the *local entrepreneurs who do business in hard currency* (US dollars, Euros, or Chinese yuan), which implies that either they, or their customers or suppliers, have access to hard currency. This suggests that they (or their organization), their customers, or suppliers, have (1) the ability to do business across the border with China; (2) have foreign trading licenses (*waku*); or (3) have sufficient connections with state officials.

At the next level are businesses engaged in what might be called *public-private partnerships*. Because private companies are banned in North Korea, entrepreneurs that seek formal status might enter into a relationship with a state organization such that (1) the company and its assets are registered in the name of the state organization; (2) the entrepreneur is given a title or position within the state organization, and 'hired' as manager of the company; (3) the state organization receives a fee and a portion of the reported profits. Alternatively, state organization managers may use their connections to go into business for themselves, with the same set of incentives to operate and pay off superiors.

Because of the imperative to bring in revenue (both for themselves and for the central state), *state organizations at all levels* go into business for themselves, either by setting up formal state-owned companies that participate in market activities, or by leasing out their trading rights or other resources to other market actors. State organizations might also enter into agreements with foreign companies in joint ventures. These are legal (and indeed, encouraged by the North Korean state), although outside of North Korea, they are now severely restricted due to sanctions.

Finally, *central state organizations* (at the top levels of the military, Party, and civilian government) enter into all manner of market activities as a way to raise money for themselves, and for Kim Jong-un himself. These organizations have the exclusive right to sell weapons, and are also the most likely to be specifically targeted by economic sanctions.

For our project, we focus on the entrepreneurs at the bottom – those doing business in *won* or hard currency – and the market participants engaged in public-private partnerships. It is at the bottom level where the building blocks of civil society have the greatest potential to develop.

The gendered and social structures of market participation

Strategies of market participation in North Korea are highly differentiated by gender as well as social status. Women generally enjoy a greater degree of personal mobility in North Korea than men do, as married women in North Korea are not tied to a workplace in the formal economy. This has allowed women to predominate among the ranks of North Korea's market vendors and small-scale entrepreneurs, and become the primary breadwinners for many families in the country. However, women appear to have significantly less representation in the upper echelons of North Korea's market economy than in its lower tiers.

As North Korea's planned economy stagnated and eventually imploded in the 1980s to early 90s, many state-owned enterprises rid themselves of female workers, while men remained obliged to report to their increasingly nonfunctional workplaces. The exit of women from the formal economy, combined with traditional attitudes about petty commerce being women's work, set the stage for their emergence as the market traders and household entrepreneurs who drove North Korea's spontaneous marketization during the "Arduous March" (Park 2013; Lankov and Kim 2014; Jung and Dalton 2006).

Women continued to constitute a sizeable majority of vendors in both the *jangmadang* and general markets as the North Korean government began to formally tolerate and institutionalize market activities in the years after the famine. Refugee surveys suggest that roughly three-quarters of North Korea's market traders are women, while the 2008 DPRK Census stated that women constituted 98% of the over 300,000 "market salespersons" in the country (Lankov and Kim 2014, Central Bureau of Statistics 2009). Women have also predominated among North Koreans living undocumented in China to earn a livelihood and, in some cases, send remittances back home (Robinson 2019, Kim 2020).

These gender dynamics of North Korea's grassroots marketization reflect what one scholar has called "the logic of the freedom of marginalisation" (Soh 2017). Economic collapse

meant that those at the bottom of the system – North Koreans from politically suspect groups, as well as women more generally – were the first to be left to fend for themselves, a process which created desperate need alongside the prospect for economic advancement through market participation. North Koreans with bad *songbun*, or family backgrounds, have been excluded from the ranks of officialdom or other socially prestigious jobs, but were among the first to turn to market activities when the old social contract began to dissipate. North Koreans with family members abroad have also faced social stigma and exclusion, yet can profit from doing business with relatives across the border or receiving remittances. North Korean women from these low-status groups have been doubly marginalized, excluded from meaningful participation in the formal economy on account of both social class and gender, and thus left with little choice but to survive through participation in the informal economy by whatever means possible.

The nature of women’s participation in North Korea’s markets has been defined by their general exclusion from formal structures of power, and by extension their ability to evade participation in unremunerative jobs. Market participation by North Korean men, in contrast, has been more closely shaped by individuals’ status within the formal economy and political system. On the lower rungs of the socio-economic ladder, men employed by state-owned enterprises have had opportunities to directly or indirectly participate in markets by pilfering goods from their workplaces, a phenomenon widely observed in North Korea since the famine years (Soh 2017; Lankov et al. 2017). Men also predominate among the ranks of North Korea’s state-owned enterprise managers and foreign trading company representatives, as well as among high-level government, Party, and military officials.¹ Such officials are generally well-positioned to personally profit from the misappropriation of state assets, or from entering into various sorts of patronage relationships.

There is not an absolute divide between North Korea’s feminized informal economy and its male-dominated formal sector. The lines between the various segments of the country’s economy are often blurred, and woman entrepreneurs have in many cases been able to amass the capital and network necessary to expand the scope of their enterprises to a limited extent,

¹ According to the 2008 Census, men represented 83% of the country’s 142,756 enterprise managers, 76% of its 35,467 “business professionals,” and 85% of its 42,194 “senior officials and managers.” The census’ occupational breakdowns did not indicate the number of North Koreans working in the country’s security apparatus, but it did claim that 99,140 people had had at least three years of post-secondary education in the field of “security services,” of whom 94% were men. Members of the Korean People’s Army appear to have been excluded from the census’ occupational tally, but it seems safe to assume that the vast majority of officers are men. Additionally, the NGO Choson Exchange, based on conversations with a knowledgeable North Korean interlocutor, estimated in 2012 that women only represented 5% of North Koreans sent abroad to do business. <https://choson-exchange.squarespace.com/our-blog/1533>

particularly in service sector industries such as restaurants (Weisensee and See, 2014). However, service to the state is typically a far more efficient method for accumulating initial capital and connections than working one's way up from a *jangmadang* stall; it has therefore been mostly well-connected men who have arrived at the commanding heights of North Korea's market economy.

Implications for market participation

North Korea's political and economic environment, and how it drives the incentives and strategies of market participants, presents several challenges for market participants. It means that, first, ***enforcement is difficult***. The state is not a reliable market enforcer. There is no institution within North Korea that can enforce contracts or arbitrate business disputes in a consistent, impartial way. Obviously this is the case for illegal transactions, but even for legal transactions, the state has no proper dispute resolution mechanisms (the state itself is formally the only market participant).

Second, ***uncertainty is very high for all participants***. Participants do not know if there will be sudden shifts in state policy on market goods or the markets themselves. There is also the possibility that they, their counterparties, and/or supporting officials could be purged or otherwise run afoul of other powerful officials. Finally, the borders might be closed without warning to cross-border trade, either through checkpoints or by an increase in border patrols to deter smuggling.

Third, ***social trust is low***. Participants do not know if their counterparties will abrogate agreements, deliver payment or goods, or turn them in (if the market activities are illicit). In addition, due to information being hard to acquire (see below), and enforcement being difficult, the reputational cost to cheating someone else is potentially low as well.

Fourth, ***information is hard to acquire***. Market participants need information about (1) where and how to acquire goods (where there is supply); (2) where and how to sell goods (where there is demand); (3) how to move the goods from seller to buyer; (4) rules about how the markets function.

Finally, ***relationships are transactional***. Operating under an environment of low trust and uncertainty, relationships between vendors and suppliers, and producers and consumers, are transactional in nature. Market actors are opportunistic and rent-seeking.

Market participants' strategies

To address the above realities of North Korean markets, market participants must develop several strategies in a bid to survive. Our analysis of market participant strategies is guided by four key questions: (1) How are contracts enforced and business disputes resolved? (2) How do market participants decrease uncertainty in their environment and (3) build trust with others? (4) How is access to information obtained in a highly controlled environment?

1. ***Enforce contracts and resolve business disputes.*** *Since the state will not adjudicate disputes, market participants seek to make sure that their business deals do not fall through, and that if they do, that they are able to obtain satisfaction outside of state channels.*

In the absence of an impartial state arbiter, market participants might enforce contracts and resolve business disputes in several informal ways. They might simply engage in retaliation (individually and collectively) against cheaters, either non-violently through cessation of contact with cheaters (and encouragement of their other business associates not to do business with cheaters), or violently. Regardless of the method, they may also leverage their relationships with influential state officials either to punish the cheaters, or to resolve the dispute more amicably. Aside from cessation of contact with cheaters, all of these methods involve building connections with state officials and/or other market participants (Hastings and Wang 2017, 2018).

2. ***Decrease uncertainty.*** *Market participants need some assurance that their goods will not be expropriated, that they will not be arrested or otherwise harmed by market participation, and that their ability to participate in the markets will continue.*

To decrease uncertainty – about the enforcement of laws and regulations, about the participants’ political status, or about upcoming policy changes – market participants might establish relationships with influential people who have access to information, or who (perhaps more importantly) can shield the market participants from policy changes or political fallout of their market activities. This could include establishing transactional relationships with security forces (particularly border forces, for smugglers) through facilitation payments. It may also involve building patronage relationships or types of informal partnerships with officials (Hastings 2016). This could include anything from a woman entrepreneur marrying a Party official (or buying an official position for her husband), to donating to white elephant projects, to providing services (such as free car repair) or giving generous gifts to local officials.

Finally, as discussed above, market participants may enter into public-private partnerships to give limited legal status to their enterprise. In exchange for a fee and/or a portion of the profits, state officials may register the business as a state entity, hire the entrepreneur as a manager, and give the entrepreneur an actual official rank or position, thus insulating the entrepreneur somewhat from political setbacks.

3. ***Increase trust between participants.*** *Market participants need some assurance that the people they deal with will not cheat them, that their goods will be delivered, and that their counterparties will not give them up if they resort to illicit activities.*

Market participants follow several steps to increase trust with each other. Initially, market participants might be introduced by a trusted third party known to (and trusted by) both parties. The third party can provide information about market opportunities or market participants, and vouch for the parties' trustworthiness. Even in a low trust environment, repeated (successful) interactions between counterparties can gradually build trust. Development of long-term relationships can increase trust and, while trust does not resolve conflicts per se, it does ideally decrease the possibility of business disputes or cheating in the first place. Given the legally ambiguous nature of much of North Korea's market activities, market participants can also create mutual legal or political vulnerability through collusion in illicit activities, effectively rendering either party unable to cheat due to fear of legal consequences.

Finally, market participants' use of information and network brokers is both a result of, and potentially cause of, at least some amount of trust within business relationships. 'Real estate' agents can provide information about property availability and can use connections to smooth the process of 'buying' a property (Park 2015). Communications brokers (for North Koreans who want to send messages or communicate with people outside of North Korea), and financial transfer brokers (who facilitate the transfer of money into North Korea from China and South Korea) all operate on the basis of serving as a trusted party for at least one market participant within a transaction (Harlan 2012).

4. ***Improve access to information.*** *Market participants need to find ways around the North Korean state's imposition of information controls, and obtain market price and supply information in order to participate successfully in the markets.*

Brokers in North Korea are able to operate because of their access of information, including information about property availability and prices, and where and how to send messages or transfer money. Market participants can therefore increase their access to information by interacting with brokers.

Mobile phone use also increases access to information (Aker 2010). The widespread use of mobile phones in North Korea (despite their inability to call outside of the country and the high likelihood that state surveillance agents are listening in) allows market participants to establish relationships with other actors potentially far from their physical location. Mobile phones also allow individuals to acquire information about market opportunities and conditions, availability of goods, and market prices, among other things. In border areas, market participants can also use and rely on Chinese mobile phones and cell towers to call into China. A mobile phone broker on the border can also facilitate calls between North Korea and other countries (North Korean Economy Research Centre 2018). While abroad, North Korean market participants may also use the Internet to collect information and contact their business partners, although the North Korean market participants who are able to go abroad are likely to be a selected subset of the general population of people engaged in market activities.

As with decreasing uncertainty, building relationships with state officials in strategic positions in North Korea (and in China, for cross-border market participants) is another way for market participants to increase their access to information. This applies just as much as to building relationships with other market participants. Establishing networks of people involved in similar market activities (or engaged in activities in the same location) makes it easier to transmit information, depending on the structure of the network.

Social implications of these strategies

As suggested above, market participant strategies are interrelated. Increased trust between participants can help enforce contracts and resolve business disputes to the extent that the other's words and actions are deemed credible. Increased access to information decreases uncertainty and can also improve trust.

Assuming that market participant strategies foster some degree of social relations among market participants, and particularly among women, we consider how their interactions might sustain trust and build social capital, what we deem are the building blocks to civil society. *Social capital* is described here as features of social organization such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated action (Putnam 1993, 167). As Robert Putnam (1993, 171-172) argues, "social trust in complex

modern settings can arise from norms of reciprocity and networks of civic engagement... effective norm(s) of generalized reciprocity is likely to be associated with dense networks of social exchange... Conversely, repeated exchange over a period of time tends to encourage the development of a norm of generalized reciprocity.” Civic engagement and associational life – at least the kind not coerced or managed by the state – may not yet exist in North Korea. However, if North Korean markets help expand social relations, networks of trust, and social capital, then the essential building blocks for civil society formation may already be in place, albeit in the private rather than public realm. In the next section we provide some context to our understanding of civil society in North Korea before drawing more formal connections between market participant strategies and the building blocks of civil society.

Developing Civil Society in North Korea

What is civil society?

Civil society is frustratingly difficult to pinpoint. It can refer to voluntary associations, non-governmental organizations (NGOs), civic groups, and social movements. Sometimes, civil society complements the state by providing public services, contributing to good governance, and acting as an independent “watchdog” against state authority. In other instances, civil society is in opposition to the state, as witnessed by frequent protests and social movements against governments.²

Although no universal definition of civil society exists, we adopt Larry’s Diamond’s definition of civil society as “*the realm of organized social life that is voluntary, self-generating (largely), self-supporting, autonomous from the state. It is distinct from ‘society’ in general in that it involves citizens acting collectively in a public sphere to express their interests, passions, and ideas, exchange information, achieve mutual goals, make demands on the state, and hold state officials accountable*” (Diamond 1994, 5).³ We therefore conceptualize civil society as a *space* in relations to other spheres (i.e. state and markets) rather than an actor in relation to other actors (i.e. government and business actors).

The concept of civil society has evolved over time and taken different shapes and form across geographic regions. In Aristotle’s *polis*, the state and civil society were indistinguishable as civility emerged from elite citizens who were part of the state. In contrast, during the

² Foley and Edwards (1996, 39) even distinguish these two conceptions of civil society as “civil society I” in which habits of association and horizontal networks foster patterns of civility; and civil society II which emphasizes a “sphere of action that is independent of the state” capable of organizing resistance to tyranny.

³ We have removed the phrase “*and bound by a legal order or set of rules*” from Diamond’s definition as we find civil society can often operate outside of a legal jurisdiction, particularly in non-democratic environments.

Enlightenment, civil society acted as a buffer against state encroachment on individual rights and freedoms (Edwards 2009). Whereas some political theorists such as Alexis de Tocqueville viewed civil society as a key, positive aspect of governance, Karl Marx viewed civil society as ultimately advancing the interests of the capital class, and thus negatively (Edwards 2009). Some see civil society as a product of the nation-state and capitalism, “arising spontaneously to mediate conflicts between social life and the market economy” (Edwards 2009, 3). As industrialization upended traditional ties to family and community, civil society stepped in to protect individuals from an overbearing state and unregulated market forces. Others understand civil society as a “universal expression” reflecting the collective life of individuals, but reflected differently in specific cultural and historical contexts.

How to Understand Civil Society in North Korea

Given its historically and culturally contingent nature, civil society will look different in the global South than the global North. Likewise, civil society in the West, or in a liberal, democratic context, will look different from civil society in Asia, or in an authoritarian context. All these differences influence our understanding of civil society and how it might emerge and operate in North Korea – an impoverished, illiberal, non-Western country. Especially challenging is how civil society can be studied, much less cultivated in a country like North Korea given the repressive nature of the regime and the absence of any “organized life” independent of the state (Lankov et. al. 2012). Social groups such as women’s leagues, trade unions, and youth organizations do exist. However, all collective organizations in North Korea are an extension of either the Party and/or State.

Stepping outside traditional (i.e. Western) notions of civil society and looking at other non-Western examples can provide some insight into civil society in highly authoritarian contexts. In China, the communist party has permitted civil society to grow by encouraging “good” elements of civil society to exist (i.e. local NGOs that provide social services and improve public policies) while limiting “bad” elements (i.e. local groups inciting anti-government protests) which potentially destabilize state control (Teets 2014). Whether China offers a good model to follow for a future North Korean civil society is a normative question that goes beyond the scope of this report. However, the existence of civil society in China does encourage researchers to think creatively and outside of the Western box when considering the prospects of a North Korean civil society.

Civil society as a public sphere

Although civil society can be treated as both a public sphere rather than an actor, in studying North Korean civil society (or its building blocks), at this stage, it may be more productive to explore civil society as a public sphere given the absence of voluntary associations or independent civic groups – organizations more often linked to democratic societies. However, we recognize some conceptual overlap in treating civil society as a public sphere and as an actor engaged in voluntary networks and associational life.

Under the public sphere concept, civil society can expand or contract depending on the ability of North Koreans to build private networks outside of state control. As Habermas (1991, 27) argues, the public sphere “may be conceived above all as the sphere of private people come together as a public.” The ability of such networks to thrive depends on the state’s tolerance for informal market networks as well as its capacity for repression. The strength and vitality of civil society is not measured by the number of civic groups or the size and efficacy of mass mobilization, but as an *arena for contestation* where ideas and discourse are exchanged and debated (Edwards 2009, 8).

Although the North Korean regime closely monitors individuals in an effort to stamp out ideas deemed anti-revolutionary, the regime appears unable to fully regulate the thoughts and conscience of North Koreans (Baek 2017). To the extent that the *jangmadang* is only partially regulated (or completely unregulated in the case of black markets), markets create some space for individual interaction, whether in-person or via mobile phone. Beyond market-related information (e.g. price of goods, supply and logistics etc...), discussion ranging from the ordinary such as the weather, current events, and local gossip, to more subversive discourse and ideas such as criticizing corrupt local officials or speculating why economic conditions have not improved, may also emerge.

Subversive ideas and discourse cannot be expressed publicly. However, North Koreans use jokes, humour, and double-speak when addressing shortcomings with the regime (Joo 2014; Park 2018). Nonverbal signals can also be interpreted as an indirect challenge to government authority. For instance, some see the shift in women’s fashion, influenced by foreign fashion sensibilities, as a public statement against the social mores promoted by the regime (Saucedo 2020; Giacomo 2017). The change in fashion to more color and shorter hemlines was not initially encouraged by the State, but prompted by women who observed, adopted, and transmitted fashion trends from abroad to North Korea, testing the boundaries of the regime’s strict dress code.

Historical pathways from markets to civil society

Early studies of civil society have demonstrated the close relationship between markets and civil society, particularly as understood as a public sphere. For example, the German philosopher Hegel envisioned civil society as a sphere of market relations, “regulated by civil law, intervening between the family and the state” (Alagappa 2004, 27).⁴ Habermas’s study of the public sphere also began with markets. Increasing trade and commerce produced a demand for information about goods and prices in different towns. The rise of local taverns, salons, and coffee houses along commercial trade routes provided a space for social exchange which helped foster the development of a bourgeois public (Habermas 1991, 30). As Alagappa (2004, 27) explains, “With the development of the commercial state in eighteenth-century Europe, civil society, conceived essentially as a market-organized sphere of production and competition, came to be viewed as a distinct, legally protected public realm, separate from family and state.”

Shifting from the 18th to the 20th century, the third wave of democratization and the reawakening of civil society in former communist countries also sparked a wider conversation about “the proper relationship between the individual, society, state, and market” (Alagappa 2004, 28). Historical comparators with contemporary North Korean market activities include the Chinese economy in the early 1980s to mid-1990s, and the second economies in the Soviet Union and Eastern European countries in the 1980s (Kim 2017; Howard 2003). While China has developed its economy substantially, it has not developed a strong civil society; some Eastern European countries have been notably more successful, and during periods of conflict, markets were sometimes the only parts of society still operating (Andreas 2008). Although beyond the scope of this paper, such comparisons can be useful in charting out potential North Korean civil society outcomes of market activities based on the similarities and differences with previous 'second economy' cases, and how they actually developed during and after political transitions.

Initial ideas about market participation strategies and civil society

Drawing on past examples linking markets to civil society begs the question whether the expansion of markets (and more specifically the market coping mechanisms devised to enforce contracts, resolve disputes, decrease uncertainty, improve trust, and gain access to information) in North Korea will eventually enable the rise of a civil society sector. Granted, political repression and economic sanctions have created a near impossible environment for

⁴ However, Hegel believed the markets and private interests at time might lead to instability of civil society, requiring the state on occasion to guide and give order to civil society. See Alagappa 2004, 27.

civil society to develop. However, evidence from defector surveys and interviews suggests that market participant strategies have (unwittingly) generated key building blocks of civil society. To be clear, this is different from arguing that civil society exists or that it is on the rise. Most networks derived from markets remain private and limited on a relatively small scale, and market networks based on personal trust are possibly inherently self-limiting in size (Haggard, Lee, and Noland 2012). Nevertheless, market forces have shaped social relations in a direction more conducive to civil society development, despite the regime repression. Below we outline some of the building blocks to civil society which have emerged from market participation.

1. ***Social trust (or social capital)***: One of the most basic components of civil society is *social trust*: trust that is relational, requiring interaction between at least two individuals. Trust based on exchange and reciprocity is initially motivated by instrumental rationality rather than altruism and emerges out of mutual interdependence (Cook et al. 2005, 5). Trust is further informed by information and knowledge accumulated through past experiences and interactions.

Social capital is “a capability that arises from the prevalence of trust in a society or certain parts of it” (Fukuyama 1995, 664). If transactional relationships with security forces or reliance on brokers generates social capital, market strategies may eventually foster informal associations which address the interests of market participants (i.e. a merchant association or local farmers union).

2. ***Reciprocity***: Market transactions often rest on *reciprocal relations*.⁵ Buyers assume that sellers offer a product at a reasonable price. Conversely, sellers assume buyers have sufficient funds to purchase the good. If a buyer does not have enough money and makes a purchase through credit, the seller trusts that the buyer will eventually pay her back. If the transaction is completed and both parties are satisfied, then buyers and sellers will continue this relationship where the buyer trusts the seller and vice-versa. Trust is built over time through repeated interaction, past experience, and by reputation. As Coleman (1990,109) argues, “the reputation for trustworthiness is of central importance...because that reputation is quickly communicated among all those on

⁵ Economists have understood how repeated social interaction can help reduce free rider problems (Greif 1993). Cooperation becomes easier when market participants anticipate repeated interactions in the future (Axelrod 1984; Abreu 1988). Social ties can also substitute for missing institutional and legal structure needed to facilitate market activity (Glaeser et al. 2002; Arrow 1972).

whom the trustee depends for future business, that is, for future placement of trust.” During moments of crisis or when confronted in life-and-death situations (e.g. such as a famine), individuals become more likely to place their trust in strangers (Yeo and Green 2016, 7-8).

3. **Trust networks:** Similarly, the rise of markets in North Korea, and the strategies participants have developed to cope with uncertainty, a lack of information, and credibility issues have resulted in the rise of *informal trust networks* (or horizontal networks) between and among buyers and sellers. Buyers and sellers may be opportunistic and motivated purely by self-interest and profit. However, repeated interactions help reduce uncertainty and develop social trust. Over time, multilateral transactions with buyers and sellers in a local market produces knowledge about prices, transportation routes, the reputation of sellers and buyers and their products, and other pieces of information relevant to sustaining markets. This knowledge exists in the public sphere to the extent that it is shared among participants who have developed a sufficient degree of social trust through market exchanges.

Strategies for gaining access to information may also determine the breadth of horizontal networks. Border calls may facilitate and expand horizontal and vertical trust networks with market actors in China and with state officials, respectively. Whether and how information flows within and between individuals is important for civil society. Market participants may therefore be better conditioned to promote social interactions that mimic civil society, even their interactions are primarily driven by profit and self-interest over collective interests.

The trust networks emerging from market activity cannot be equated as civil society organizations. However, like civil society organizations, market-oriented trust networks also generate social capital, (Greif 1993) as “networks, norms, and trust” enable participants to “act together more effectively to pursue shared interests” (Jackman and Miller 1998, 49).

4. **Shared norms:** Within this shared space, market participation strategies can turn into *shared norms*. For instance, market participants may retaliate against cheaters, either individually or collectively, by damaging their reputation and cease buying (or selling) from an individual. This can signal to other participants what behavior is (un)acceptable in the markets. Market strategies may also develop into market rules that protect the

interests of the wider market community. For instance, when offering bribes to state officials, an unspoken ceiling (or a market rate) may exist on how much to bribe a border guard so as not disadvantage other participants, although this is subject to further research.

When translating market participation strategies into civil society building blocks, an important question to raise is whether the exchange of market information (i.e. prices, quality of goods etc...) and business transactions can extend to relationships which go beyond the marketplace. In other words, are market participant strategies limited to the realm of markets, or can they be transported to the realm of civil society? If interactions are strictly limited to business transactions, then market strategies may be circumscribed within the sphere of markets. However, if information about goods and prices perpetuates other non-market related discussion such as current events, political trends, or even just the latest gossip, market activity may indirectly shape and inform the early trappings of a limited civil society.

In short, markets in North Korea cannot be equated with civil society, but their existence can help generate building blocks seen as essential to a public sphere and/or associational life. Whether social capital, reciprocal relations, trust networks, and shared norms arising out of markets can translate into civil society will of course be contingent on a number of other external factors (e.g. the degree of political openness, the ability to develop more generalized trust, the level of state intervention).

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