

THE BROOKINGS INSTITUTION
WEBINAR

STATE, SOCIETY, AND MARKETS IN NORTH KOREA

Washington, D.C.

Friday, November 5, 2021

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P R O C E E D I N G S

MS. SOLIS: Welcome everyone. I am Mireya Solís, Director of the Center for East Asia Policy Studies at the Brookings Institution. Thank you very much for joining us for today's virtual event for Andrew Yeo's book, *State, Society and Markets in North Korea*.

Andrew will be discussing his excellent new book which focuses on domestic and economic changes and shifts in state-society relations in North Korea. Several important developments have taken place under the rule of Kim Jong-un. Markets have grown, a new middle class has emerged, and the country has experienced modest levels of urban development.

Andrew's new book evaluates how much change is actually taking place and more importantly what are the likely indications for the evolution of relations between market, state, and society. He poses a really fundamental question: Can these emerging markets weaken state control and undermine the regime's legitimacy or will they be co-opted by the state furthering top-down control of the economy and society?

Andrew will be joined in conversation by Jean Lee, Global Fellow at the Wilson Center and veteran journalist in North Korea and Sheena Greitens, Nonresident Senior Fellow at Brookings and an Associate Professor at UT, Austin.

Sheena, over to you to join and moderate this discussion.

MS. GREITENS: Terrific. Thank you so much, Mireya. And thank you very much for organizing this discussion. It's really a pleasure to be here today to talk about Andrew's book on state, society, and market in North Korea, which tackles this really fundamental question of how North Korean's society relates to the state and vice versa in the context of the market developments that you described.

Andrew, I wanted to ask you two questions to start our discussion and I'll take them one at a time. The first question is just tell us a little bit about what drew you to this project and what made you decide that this was a development that you needed to write a book about?

ANDREW YEO: Thanks, Sheena. And, you know, before I answer that I just wanted to say how delighted I am to share this virtual space with two distinguished experts who can offer lucid

insights into North Korea and authoritarian politics. And I also wanted to thank Brookings' Center for East Asia Policy Studies and our staff especially Adrien Chorn for setting up this webinar around my new book.

So to answer your question, Sheena, about what drew me to the project. As a Korean American interested in Korea related affairs and I've been following North Korean politics since my time as an undergraduate that dates me too, but the late 1990s. And back then scenarios for North Korea's future boiled down, you know, either regime collapse, regime absorption, or muddling through.

Now, North Korea has clearly muddled through but other significant developments including the rise of markets, the expansion of nuclear weapons and new leadership have emerged in the past two and a half decades. So this book was a way to organize my own thinking about the prospects for domestic change in North Korea.

MS. GREITENS: That's great. That's really helpful. Obviously, there's been a lot going on the Korean peninsula and in North Korea in terms of the economy, but also in terms of security and the growth of the nuclear program which is what North Korea is often in the news for and sometimes can overshadow or at least distract attention from some of the big domestic transformation and evolution that's occurred inside the DPRK.

So tell us a little bit about the core arguments of the book. I want to give you a few minutes in particular just to introduce, you know, the content of the book, the main arguments you make and what it is that you, you know, you want all of us to know about the developments that you trace in the book.

ANDREW YEO: Sure. I'd be happy to do so. So, you know, I will spend a few minutes here. The book is a fairly short book. I think it's under 100 pages, but, you know, the short book I wrote is ultimately about how we understand domestic change in North Korea.

On one hand, there seems to be little change. The Kim family dynasty has outlived almost every current dictatorship in its 70 plus years of continuous rule. North Korea still remains one of the poorest countries in the world and it perennially ranks near the bottom of any index measuring human freedom. And even in conversations we have about North Korea sometimes seem static.

Will North Korea give up its nuclear weapons or is the regime capable of economic reforms? Is there a food crisis? Or, oh, my God. We haven't even seen Kim Jong-un for three weeks. Is he alive? So these are the sort of questions that, you know, make it seem like North Korea isn't really changing.

But on the other hand, for the past decade we have been entertained by accounts of rising markets, the emergence of a nouveau-riche and the existence of a post-famine generation or the *Jangmadang Generation* who crave for more information about the outside world.

So both narratives may actually be true. And the question of change may depend on what aspect of North Korea or which region of the country one is examining. So from a macrolevel perspective, it may appear that little has changed about North Korea. But I might say that at a micro level, there is widespread consensus among North Korea experts about the significant role markets play in North Korea's economy and their importance to state and private actors.

Formal and informal markets have become a permanent fixture now in what is supposed to be a socialist state. I think what's up for debate though is whether and to what degree markets and trade networks have altered state society relations in North Korea. So that's really the focus of the book. And I talk a lot about markets but how have markets change that relationship between state and society?

And central here is whether expanding markets weaken authoritarian rule? You know, key to my argument is the question of authoritarian legitimacy. So this concept of legitimacy becomes an important concept in the book. And I want to see how well Kim Jong-un manages to successfully coop markets into the regime ideology.

And the key argument here is that if the regime implements controlled economic measures, extracts rents and subsumes the market economy into its ideology, the state will likely retain strong authoritarian control. So markets will become beholden to the state giving the regime a much-needed revenue and thereby empowering rather than weakening of the state.

So in this hypothesis if Kim Jong-un is able to incorporate markets into its ideology then the state -- we're going to see the state -- we're going to see more continuity if the state is going to be

able to maintain control over its society. But in contrast if the regime is unable to incorporate markets into its legitimating messages as private actors build informal trust networks, share information, or collude with state bureaucrats, more fundamental changes in state-society relations will be in order.

As North Koreans become more dependent on markets for economic survival, the regime's authoritarian grip may weaken as gaps emerge between the regime's ideology -- so what Kim Jong-un has been telling the population -- and then the actual experience of North Koreans.

In that sense, you know, markets may continue to shift power in favor towards a private market participants. And at the same time, it may hollow out the legitimacy of the state. And if that's the case, we may begin to see signs of, you know, what I call a public sphere, an emerging public sphere. And many say that that's the precursor to a civil society.

Now, I'll just end here by stating that there is much greater optimism about markets empowering society in the mid-2010s when money was flowing and *Donjus*, the new capitalists, were thriving in a pre-pandemic, pre-heavily sanctioned North Korea. And this, of course, was when I had all these questions about whether change was taking place in the country.

Now, North Korea watchers, myself included have become less sanguine about societal, much less political, change today. And this stems from almost two years of heavy border lockdowns and of course the sanctions. But we have also seen the regime crackdown on the spread of capitalist and outside cultural influence. There also seems to be a tightening of ideological indoctrination.

Kim Jong-un has, you know, levied heavy fines, imprisoned corrupt officials and Donju and, you know, the regime has ordered new directives to centralize economic authority from earlier this year. So while the regime, you know, what the regime is doing right now, you know, I'd say it is regulating rather than co-opting market forces. You know, right now it seems like there's really not that much change at all, but after the pandemic ends or if sanctions are eased then money begins to flow again, you know, market forces may once again prevail.

And the regime, you know, we do see it periodically tighten and then loosening restrictions of markets. So, you know, I don't have a crystal ball that can predict what's going to happen but again I

think a lot of it has to do with how the state adopts or incorporates markets into its own regime ideology. And depending on how well it does that or how well it doesn't do that state-society relations is going to change in different directions. So I'll stop right there and, you know, maybe others may have comments.

MS. GREITENS: Great. Well, we've got a couple of different questions already from the audience that I can put to you as follow ups. But before we do that I wanted to turn to Jean Lee and ask her, you know, for her thoughts and reflections on the book that Andrew has offered to us and what he has just said.

You have a really unique, you know, previous on the ground perspective inside North Korea. So I wanted to ask you, you know, what from the book resonated? And what questions does this book bring up for you? Over to you.

MS. LEE: Thank you, Sheena. I already have so many questions for Andrew. But first of all, I want to thank you and Brookings for inviting me to take part in this discussion because it gave me this chance to get a sneak peek at Andrew's book.

And congratulations, Andrew, on producing. I think it was a very insightful piece of work especially at a time when we've had so little access to reliable information about North Korea in such a challenging time. So we'll certainly hope to hear from you about that challenge.

I think being cut off from North Korea the way that we have for the past few years and the relative quietness since that breakdown of diplomatic talk means that we've seen less investigation about North Korea in the news. But I don't think that means that we should take our eyes off the prize when it comes to this goal of trying to define what's happening inside North Korea.

So I really commend you for refusing to shy away from this topic at a time when it's been so difficult to get information. And I think, you know, the question that you pose in your abstract, and I'm just going to read it. "To what extent is North Korean politics and society changing?" Is such an interesting one. It's a perennial question that deserves examination at every moment with every development.

And I have to say as a journalist -- so, you know, I will explain that as a journalist, of

course, a former correspondent. You first arrive in Asia and the challenge is how do you cover -- how do you get anything on North Korea? At first, you cover it from that outside. And then from me, and that will mean covering the development that we get based on the provocations based on what we see in their state media.

And then when you get on the ground, and I was lucky enough to be able to work from North Korea over the course of about 10 years. You start to ask the very question that you're looking at is to what extent is there change? How is the economy evolving? What kind of social change is there?

As journalists, we try to capture the trend, economic development, the political and social change of any country. It's certainly not easy with North Korea. But when you get there, you see that things are a little bit different on the ground than the way it's portrayed in their state media. And immediately, you realize, okay. I've got to try to figure out how to get past the propaganda so I can understand what's really happening at the ground level.

It's not easy from the outside. It's certainly not easy either from the inside but that access has certainly shaped my understanding of North Korea.

You know, Andrew, one of the questions you asked me many -- this was actually years ago is there any civil society in North Korea? And I don't know if you remember this, but I was completely stumped by the question. And I think I said to you, ahh. I think I said, you know, I don't know how to answer that question and let me get back to you.

So this is our opportunity to ask that question and I think with the book, you go into -- you use that question as the basis of trying to understand change so effectively. For me as a journalist, it was so rewarding to have that -- the richness of the research that you present as you formulate this narrative structure, this question of, is there civil society?

I think it's a hard question for me to have grappled with because it seems like a concept that is very much a part of our democratic societies, but completely difficult to apply to North Korea. But on the other hand, I kept thinking when you asked me that question years ago. And yet, I see so much activity and social organization on the ground in North Korea.

And since you asked me that question in the past and actually after having read your book, I would say that it's such a different construct. It's about survival in a sense. It's a very different type of civil society in the sense that it's not perhaps about the same definition of nongovernmental organization. Obviously, in North Korea I think that so much of the society is built around the political structure, the party. But there is so much social structure or social gathering that comes out of the need for survival.

And it's not necessarily something that we can see in their state media. It's not necessarily something that we can see from the outside, but you certainly feel it on the ground. You see how people gather out of the need for survival whether it's economic survival, political survival or just to make it through the day at their workplace, within the party.

And I wonder, I'd be curious to discuss with you whether that constitutes civil society? And perhaps, it doesn't mean direct opposition to the government. But it's more about how people get by in survive in a society that is so repressive, restrictive in a culture where conformism is a predominant emphasis. And where people just want to make sure that they fit into whatever the mainstream is in their community.

I think it's important to recognize too that we're reaching the tenure mark of Kim Jong-un's rule. And I have seen over the past 10 years such a change on the ground, and yet so little change. And I think this is a phrase that both you and Sheena have alluded to with the growth of the market absolutely. Are we seeing this as ownership that the people are taking of their livelihoods? Or are we seeing it as the state being unable to provide for their people? And people having to fend for themselves? I think it's both.

With the growth of the middle class is this ownership of their own livelihoods again? And a sense of power that they're embracing? And what kind of challenge does that pose for Kim Jong-un as he tries to continue to cultivate the loyalty of that middle class at a time when he's being cut off from all of those goods and luxury items that he had been using for many decades to keep that loyalty in place?

And I think we've seen -- I certainly have seen on the ground things shift and change. So

I think it's important to remember that there's no monolithic policy that these things are constantly fluctuating. You see a lot of foreign products in North Korea because I do think that Kim Jong-un did want to expose his people and turn them into a more sophisticated -- I would say the elites -- in more sophisticated population.

He sent them overseas because he did realize that he needed to bring in information from the outside, but then had to reign that in because there is that moment where that exposure to the outside world also means a loss of control. But trying to understand where the sweet spot is, is something that -- a challenge that he faces and I think he can use to face.

Andrew, one question I would have for you, I think is how do we build in understanding of the border closures? Not just as a result of the threat of the pandemic, but also as a way to regain control over some of the -- not only the exposure to outside goods and outside ideas that the marketplace offers with people crossing the border?

I think that's something that I -- you do discuss this in the book. And you do discuss the threat of the access to information and the role that marketplaces play in providing a space for exposure to the outside world. So I hope that you'll discuss that a bit more.

And I think that if there's anything that I can share about what it's like on the ground. It is that there is this fog of propaganda that the state tries to present. This picture of unity and solidarity.

But of course, on the ground, North Koreans while they seem so robotic to us in the pictures that are portrayed and the propaganda that's portrayed in the military parades, they are just as opinionated about their political system, about their leader, about their lives. Have just as many complicated feelings about their situation, about the outside world. They are just better at putting on a presentation, putting on a face for their survival.

And the challenge for us is to be able to get past that to really understand what they're thinking, how they're motivated and eventually how that can bring about change, which, Andrew, I think you discuss very well in your book.

And so, I will leave it at that. I also have a million questions, but I'm going to let Sheena

take over the discussion and perhaps introduce some of the questions that we've gotten from the audience.

MS. GREITENS: Well, Andrew, I'm going to give you a chance to respond briefly if you would like to any of Jean's comments and questions. And then, I have a few questions lined up that we've gotten from our audience.

ANDREW YEO: Sure. Thanks, Sheena. And thank you so much, Jean, for those comments and for your insights.

And I will get to the question about the border lockdown, but let me start by saying, I'm so glad you remember that conversation we had about civil society. It was at the Somerset in Seoul, that German restaurant that's at the lower level. And I do remember asking you because, you know, everyone said, oh, Jean Lee. She was the first, you know, the first correspondent for AP in Pyongyang.

And so, here's someone that would have firsthand accounts. And I remember your response then as well too because first of all civil society is not -- in North Korea is not going to look like civil society as we see it in the West or in the United States.

But you did talk about, you know, how people, you know, in order to survive they do talk with one another. They have friendships. They can associate. But there's always a sense of, you know, a little bit of distrust as well too. And that was really the question that motivated this book about whether there is a civil society or not in North Korea?

Now on one hand, you can say, no, there isn't. And I am a short book, but, you know, some people have said that's going to be a very, very short book. You can't write a book about the North Korean civil society. It doesn't even exist. But on the other hand, you know, there are these signs where North Koreans do gather. They get together. And because of markets, you know, you do have these gatherings that are better -- especially informal markets that are outside the state.

And so, things like, you know, informal trust. Trust networks that grow. You know, social capital. You know, these are all the precursors to -- or, you know, what I call this in my other talk is, you know, building blocks to civil society. So while there isn't a civil society proper as we know it kind of from

the West. It doesn't mean that, you know, the trappings of civil society aren't in the making in North Korea.

So that's what I wanted to discuss in the book. Some of the editors -- and they may be listening now -- they actually encouraged me to move away from the direction of civil society thinking that it was almost speculative. And to instead focus more on this academic question of state-society relations. And so, that's what we have.

But, you know, at the heart of it, I had the same question as you, Jean. And it goes back to my initial questions to you. You know whether there is or whether there can be a civil society emerging in North Korea. And to answer very briefly, you know, part of it depends on, you know, what your definition of civil society is?

In the book, in the first chapter, it goes through a brief discussion of different concepts. And, you know, if your idea of civil society is, you know, voluntary associations or association of life that exists independent of the state than no. That doesn't exist in North Korea. But, you know, I latch onto this idea of civil society based on a public sphere. And I used that word earlier in my remarks.

And it's this idea that, you know, people are able to, you know, have discussions or talk or to debate outside the confines of the state. Now, that doesn't exist. You know, that may not exist as well either in North Korea because of the surveillance state because of, you know, North Korea being monitored at all times. But it doesn't mean that there are moments where North Koreans do have, you know, different thoughts or they're thinking. It's double speak. Whereas, you know, officially you may be saying one thing about the regime or you may be officially praising the regime. But you know, in private you may have different thoughts.

And that's something that markets may generate. You participate in markets especially informal markets because you can't rely on the state anymore. So these are all actions or behaviors that might suggest that there is some assemblance of civil society that's there.

Now, to the question about the border pandemic. You know, I agree with you, Jean. I do think that Kim Jong-un has used this as a rationale to really reign in markets or to try to bring markets

back under the state control. And I'm with you as well too. You know, in 2016 seemed to be the peak of, you know, market activity and, you know, this was again before heavy sanctions. But I got the sense that Kim Jong-un really wanted to transform North Korea.

You know, they talked about the *Byungjin line*, the parallel track between developing the economy but also the nuclear program. But there was a considerable emphasis or a shift towards growing the economy following Kim Jong-un. And we did see that, and it required North Koreans to go abroad. But at some point, he must have felt insecure or things may have gotten out of control. And you can't reign any -- there would be these attempts to try to reign it in, but they wouldn't really work. You would have to open things back up again.

But now because of the pandemic, you have the perfect excuse to lock everything down. And so, I'm with you there, Jean. In that I do think that that's been used as a rationale to really take that control of what the Donjus, the capitalists, the nouveau riche, the middle class have been able to build.

And so, it will be interesting to see what happens once, you know, the lockdowns begin to ease. But yes, that's a very excellent insight there.

MS. GREITENS: Well, in that sort of use or finding political utility in the pandemic, North Korea is not alone.

Some colleagues of mine in political science have a forthcoming piece of international security that talks about opportunistic repression as one of the consequences of the pandemic in that it gave authorities or aspiring leaders with autocratic tendencies or repressive tendencies a pretext or an opportunity with a sort of public interest justification to engage in repression that had a regime strengthening sort of effect and a really repressive effect on society.

So North Korea maybe one end of that spectrum and it probably is, but it's part of a broader global trend, which I think is a really interesting point.

So, Andrew, you've already touched on one of the questions that I was going to ask you which has to do with the effect of the pandemic both on border security but also on internal control of movement, which we know is pretty essential even at the local level to sustaining market activity so I think

we've kind of covered that question.

But I wanted to ask you a question that is about the pandemic but also simply about how you go about researching and writing a book like this when North Korea is especially closed, right? North Korea is always a difficult country to try to get access to. Jean's remarks I thought, you know, really illustrated that challenge.

And so, for our audience who is listening today, I think just give us a little bit of insight into the mechanics and the sources that you draw on and, you know, how you want about trying to write a book like this and get answers to these questions when North Korea is unusually closed for an extremely closed country, right? You've got a closed country that then is at an even more restricted or internally direct time than usual.

So how did that affect the book writing? And how do you try to circumvent that challenge?

ANDREW YEO: Sure. Well, there's obviously the question of whether one could really know what's happening inside North Korea due to the isolated nature of the country. And, you know, as you mentioned even more so the pandemic.

And, you know, researchers such as myself are obviously unable to do any field work. I mean Jean is one of the few lucky people in the world who was able to spend some time in North Korea for more than just a short trip.

But despite these difficulties, there's actually a lot more information than one would think on North Korea. There's certainly -- you know, so in writing the book, you know, there's always outlets that you turn to. There's sources like NK News, NK Daily, Thirty-Eight North. You know, there's a lot of websites or news sites that are rich with information about North Korean politics, markets and current events.

So researchers have that to go on, but of course, you know, a lot of researchers rely on the next best thing to being able to interview or do, you know, research inside North Korea and that's talk to a North Korean defector.

I know there's a whole debate about with that methodology and whether defectors provide reliable information. There's a new piece that was out by Jay Sung about, you know, looking at methods in North Korea. But, you know, I do think though that there's -- you know, is it now 35,000 defectors in Seoul. And, you know, most of them come from the border provinces and the majority are women. So they are not a representative sample, but that doesn't mean that they don't offer insights into North Korea based on their experience.

So I did rely on surveys that I didn't conduct, but there was one in particular that was very good by the Institute for Peace and Unification Studies at Seoul National University that did an annual -- conduct annual survey on defectors. And they always -- since, I want to say, 2011, they have been interviewing recent defectors so they have come to South Korea within the last 12 months. And so, it is one of the few sources that offer longitudinal data on insights from North Koreans.

And so, there were some questions in there about -- that approximated questions about legitimacy. There were questions about attitudes towards Kim Jong-un or, you know, what they felt about *Juche* ideology and about their participation in markets. So I drew on that survey data. I interview a few defectors, but they weren't really systematic so I can't really say that that was a main source for my own book.

But one thing I did that I felt like hasn't been really done is relying on what I refer to as field worker accounts. So now, there's -- I think there's zero humanitarian workers or at least zero Western humanitarian workers in North Korea right now. But there are these experts. I mean, I would refer to them as experts, because they've either also lived in North Korea for some time or they frequently go in and out. You know, multiple trips per year to have some insights about their interactions with North Koreans. Their observations about how markets work.

And, you know, these field workers, you know, are in the humanitarian sector. Some of them have businesses. Some of them are, you know, worked for international organizations like the UNDP. And so, I did interview a good number of, you know, these field workers to get their insights. And by triangulating these different sources, I think I had enough information to at least make certain claims,

at least hypotheses about, you know, to what extent -- this question about what extent change is happening within North Korea.

So it is possible. You have to draw in different sources. I know you yourself, Sheena, also -- I mean I don't know if we have time to talk about the tricks of the trade in your case, but there are ways to go about studying North Korea even though we can't go inside the country.

MS. GREITENS: Well, maybe we can circle back to that in a few minutes. We've got quite a list of questions here, so I want to try and get through at least a few of those. And then, yes, I'd love to circle back to that.

So I wanted to ask a question that has occurred in a couple of different forms from different audience members. And one is about what the North Korean authorities are doing in the face of marketization? And so, the question is about do North Korean authorities think that it's possible to sustain market activity and their political regime at the same time by essentially imitating the Chinese model?

Or a model maybe that other authoritarian regimes have used that maintains political control but keeps markets open either domestically, right, for internal trading and market practices within the country? Or with some controlled level of international exchange?

Andrew, you know that I have a sort of hypothesis about North Korea sort of trying for market Leninism or the kind of party state capitalism, the fusion that we're seeing even that Xi Jinping has tried to pursue where there's this simultaneous need to keep capitalism alive but really marry it with this very strong Leninist system of party-state political control.

But I'm curious about your take on this. You know, where do you think the North Korean regime is comfortable coming down? Where is its limit in terms of market activity?

ANDREW YEO: Yeah, that's really -- I mean and that goes back to Jean's question as well. I mean where is the sweet spot for North Korea?

And a lot of -- you know, when that question is posed, a lot of people try to look at other models. You know, does China provide a proper model for North Korea? Can North Koreans, you know,

do what the Chinese have done? Or is Vietnam a good model? Or what about -- you know, the Eastern European countries, may not be a good model because they have all collapsed, the communist regimes there.

And I just want to mention one anecdote, and this gets back to Jean. There's a year at the Wilson -- when Jean was at the Wilson Center when Kevin Gray and -- who else was there that year? But I remember having this conversation about, you know, whether North -- you know, how is North Korea going to respond to these changes? And is there the Eastern European model versus the Chinese model.

And I -- you know, I was going more the route of the Eastern European model, but over time, you know, so I feel like there is a path for North Korea, for Kim Jong-un in that, you know, the country can't just persist. You know, it's barely hanging on right now especially because of the pandemic.

But in order for it to grow economically, it's going to have to rely on markets. But in order to grow the markets, you're going to have to eventually open the country to foreign trade investments, which inevitably brings more outside information into the country. And, you know, right now you know what I think is that Kim Jong-un thought that it has become too destabilizing for the regime.

But that's why I was saying that for the regime, I think if it's able to open up the country and, you know, expand markets, but somehow take claims or take the credit for that by bringing markets or mentioning markets as part of the regime's overall ideology, I think it may be able to make that transition.

You know, China and North Korea are in a very different spot. You know, China was much more internationalized than North Korea by the time Deng Xiaoping adopted reforms in 1978. And I think that's why North Koreans are more reluctant. And I feel like I'm giving advice as a consultant to the North Korean regime of how to open your markets without, you know, having your regime crumble or collapse.

But I do think that somehow they have to take market support. You know, the Chinese what they did was they made entrepreneurs of the business, the capitalists, they were another pillar to the

regime. But they were seen as -- at first, they were shunned but then they were seen as elevated, being instrumental to, you know, the growth of the CCP. And if there's a way for Kim Jong-un to be able to do that, to try to capture that capitalist, the Donjus, he may be able to -- that maybe the path for him in being able to sustain his regime and also bringing on these economic reforms.

MS. LEE: If I could just jump in and make a point.

MS. GREITENS: Great.

MS. LEE: Yeah, I do think that, you know, the North Koreans do pay close attention to how other countries around them, communist countries as well, have made this shift. And they don't look at China. They think China has lost control. They're just too permissive in many ways.

So I don't think they see a good model or a good example out there. I think when Kim Jong-un went to Singapore, it was very intriguing. What would he take from the Singaporean example that might serve as a good model? So I think they're sort of looking to see how other communist countries or I should say how some communist countries and other sort of more open countries with more open economic markets are handling this but they don't see good models.

I think one thing that might be interesting and intriguing to look at -- and, Andrew, I believe you touch on this as well -- is how do special economic models fit into how they create a space to explore new ideas, new economic ideas without having it influence or taint the general population?

So in a controlled environment. And that's in some ways what the Kaesong zone was, was this place where they could experiment and take advantage of the exposure to South Korean industry without having it affect a broader population. So I think that that's an intriguing perhaps area to look at to see if they will try to create -- again, try to create these special economic zones where they can control the influence.

I mean this idea during the Trump years that they were going to allow Americans to come in and just open up McDonalds. I mean I think those of us who know North Korea know that they want the money, but not the influence, not that foreign influence. And so, it didn't seem at all like a realistic vision for how they were going to get money into North Korea. But I think special economic zones may

be an intriguing way for them to control that influence while getting some of the economic experience that they need.

ANDREW YEO: Yeah. And just to interject on that point. We do remember that Kim Jong-un in addition to the Kaesong tried to open, I think 13 other special economic zones.

So this was reported from our friend, Andray Abrahamian about the ABCs of SEZs and I don't know where that went, but that was one approach that Kim Jong-un was trying to do.

And on the China model, I mean I think you're right. I mean I had suggested that there may be a way to follow China's path, but Kim Jong-un has been resistant. I think the Chinese for years have been trying to show or demonstrate that this may be one way of moving forward. But yes, Kim Jong-un has not really followed that approach.

MS. GREITENS: That's such an interesting question because this seems to be something that single party authoritarian regimes have struggled with throughout history, right?

So North Korean state rhetoric has explicitly said, we're trying to avoid the fate of Eastern European that model they've clearly deemed a failure. They don't like to sort of rely on or follow China. It's been striking in the past year how willing North Korea was internally to completely crater what is often described as an economic lifeline which is trade with China in order to secure the border.

And we've seen that Xi Jinping, right, has rolled back some of the freedom, economic freedom, that capitalism has had and large firms have had in particular sectors in China, right? The original market Leninism actually failed in part because of the concern about this sort of Soviet corollary to the Donju and the political power that they accumulated in the '20s when Lenin decided that they were going to try market Leninism.

So this is just a perennial problem that North Korea is grappling with. And I don't think we should be surprised that they haven't figure out a stable equilibrium as a solution yet. But it's really, you know, that's why this is such an interesting question and we all, you know, spend a lot of time thinking and debating it.

Andrew, I wanted to ask you a question that has come up from the audience about -- and

actually, we haven't said a whole lot about yet. And that is the ROK. So what are these changes mean to South Korea, to inter-Korean relations and to the prospects of unification?

ANDREW YEO: Yeah. I mean when you talk about changes, I mean because of the past two years, because of the pandemic, we haven't seen much change. That's brought -- it's been difficult for South Korea to do anything. They've tried to make light of trying to offer humanitarian assistance.

You know, they've offered -- the Moon government has offered lots of things, but North Koreans have really not taken them up on any of these. But if we were to assume that change would be taking place whether into the pre-pandemic era. Let's think about a post-pandemic scenario. If, you know, markets began to flourish again and if, you know, we see the balance between -- we see a shift towards, you know, the role of society and state-society relations in North Korea.

I mean, it could -- there could be different responses from South Korea government as well as South Korean civil societies engagement with Korea. In the current government, as I mentioned, wasn't keen on building things like inter-Korea railway or restarting the Kaesong industrial complex. And so that's something that they may try to do. They may try to engage North Koreans on that front thinking that, you know, North Korea wants to get back into, you know, pursuing market activity.

But on the other hand, there are also NGOs I think that might try to promote or advance, you know, the programs that try to bring in more information into North Korea. These are mainly human rights organizations. You know, they may see that. Oh, well, we see that change is happening on North Korea so we should capitalize on that.

And in this case, they might see that, oh, well, this is now the opportunity to try to challenge the government by letting North Koreans know what the government has been telling them all along are lies. And, you know, are there ways where we can get North Koreans to resist the regime? Because if markets are growing then there's going to be demand for more information from the outside world that's going to have to enter North Korea.

And on questions of, you know, things like unification, it's really -- I mean we might take

marketization and shift some stateside relations as a positive direction for unification efforts that, you know, maybe if the North Korean economy improves that you might begin having conversations about unification because right now Koreans are very reluctant.

If you look at an opinion polls, they're surprisingly South Koreans don't want unification right away. And part of it has to do with the cost, but if markets are flourishing and the economy is doing better, there might be conversations about unification again. But, you know, of course shifting state society relations is no panacea for unification. And there's going to be many other steps and variables that have to also come into play to make that happen.

MS. GREITENS: Thanks. Jean, did you want to add anything? Or --

MS. LEE: Yeah. I was just going to say that, you know, the longer the two Koreas are divided and the more that gap between their economies -- it's not just -- I mean the economic gap is immense.

But also, the longer that period grows it's also a social cultural -- I mean young North Koreans. And I say this from my experience there. Young North Koreans and young South Koreans are so vastly different. I can't tell you how different this is by generation. So people of my grandparents generation, they knew Korea when it was one country. And they are very similar in how they speak, how they think. Their morals.

But with successive generation, they are just so different. I can barely understand -- when I met with Kim Yong-nam, for example, he sounded just like my grandparents the way he spoke. I could understand him perfectly. He was at the time the president of the presidium of the, you know, their Supreme People's Assembly.

But when I met with my staff, some of whom were 20. You know, 22, 23-year-olds? It was very hard to understand what they were saying because their Korean was just completely different. The way that they relate to the world and to Koreans was different. And I would say that's true of South Korean. There's a huge difference between how young 20-year-olds South Koreans speak and their grandparents.

And so, it's harder for me to imagine. The only unification I can imagine is this kind of economic unification, and you're alluding to this in some ways. I think it would take many, many years of South Korea investing in North Korea's economy to really get to a point where they could have an economic unification. But it's very hard for me to really envision any kind of unification beyond that.

And I think the younger generation in South Korea doesn't want it. So the longer it goes, the less likely it seems to me to be something that the South Koreans will want. And of course, it's a completely different question if it's something that happens because of regime collapse or some other societal collapse.

MS. GREITENS: It's really interesting. Okay. I'm just looking through our audience questions here to make sure that we try to cover a few more in the time that we have.

A question here that I know both of you have got a bit about which is about the influx of illicit funds into North Korea. And so, one of the questions says, how do you see the influx of illicit funds through state sponsored hacking programs supplementing North Korea's capacity for regime control? Do you think these funds play any significant role in their economy?

And maybe if I can broaden that. How do these fit in North Korea's, you know, sort of overall attempts to earn revenue through external economic activities illicit or otherwise. So, Andrew, over to you and then Jean. I know you've thought a bit about this as well.

ANDREW YEO: Yes. So awesome illicit funds. My favorite conversation topic. And I know --

MS. GREITENS: You know, I had to ask you, Andrew. You know I had to ask.

ANDREW YEO: Jean, and I know you also can weigh in on this. I'll be fairly brief, but yes. Illicit funds are important for North Korea whether they are obtained through hacking or the illicit sales of -- or trade of narcotics, arms, other sanctioned materials.

You know, these funds are allegedly used to pay state coffers and keep cash circulating among Kim Jong-un's inner circle ensuring that those closest to the regime are kept satisfied and the political science term is the *selectorate*. And so, this is an important way for the regime to raise revenue

and right now maybe one of the only ways because of the strict border lockdowns.

So yeah, I'll stop there but I would love to hear Jean's take on it since a lot of her podcasts on *The Lazarus Heist* touches on issues of hacking and a lot of other illicit activities.

MS. LEE: Yeah. You know, Sheena, you are the expert on the history of how the North Koreans have used these. So all of you, I recommend that you look at her work on this because it was seminal I think in helping us. Although, you know, I have to say it made it very difficult for me at the time because your report came out when I was in North Korea.

No, this kind of thing is so important for those of us who were there to understand. North Koreans themselves don't quite understand how this works. But those of us who were inside North Korea see things and would try to connect the dots.

And what I'll say is that what I saw on the ground in North Korea was this incredible investment by Kim Jong-un in not only building -- so investment in building the loyalty of his generation, the next generation. So the millennials of North Korea. And I thought it was a brilliant strategy for him.

You know, I hate to give him credit, but to use science and technology as a way to build loyalty because he knows just like -- because he's a millennial himself. He knows just like Mark Zuckerberg knows that the challenge is to try and find a way to engage that younger generation and that science and technology is one way to do that.

Now, I was seeing all of this unfold on the ground and I thought this is on one hand, brilliant because good computers if they connect to the internet open up their avenues to information for North Koreans. Or is there another side of this that a nefarious side to all this development that we need to pay attention to.

And that's what I explore in *The Lazarus Heist* is trying to connect the dots between how Kim Jong-un uses science and technology both to advance the economy but also to build loyalty among that next generation. But perhaps also create this cyber army of hackers who are then sent overseas to bring in money that get around the sanctions. And the concern of course that I have is that it is so hard for us to grasp.

It's so hard for us to see how cyber works. It's hard to chase it. It's hard to trace it. Where is that money going? Does it mean that it threatens the effectiveness of the diplomacy and sanctions? And I think these are all things that we need to look at. And so, you know, I hope that you have a chance to listen to the podcasts, but also give me some feedback on where we should be going with this investigation because it does also look at -- we also look at the overseas network and how that is a part of how over the decades they had brought an illicit funding.

And again, I think, Sheena, you were the expert on this topic. And so, I encourage everyone to read the work that you have done. And, Andrew, I think that you touch on these things as well in your book as how do we need to take that into account when we look at the role that all of these outside influences play on the relationship between society and state.

MS. GREITENS: It's a fascinating question. And, Jean, a lot of the activity that I looked at was not in the cyber realm. In fact, at one point in 2012, I remember thinking that that was the likely direction where North Korea would go. And indeed, we have seen especially as the country has been physically isolated and its people have been isolated with sanctions and now the pandemic that cyber activity is a way of externally engaging without physically leaving the country and that's really important for maintaining the form of isolation that North Korea has pursued.

But we also know that when a regime can get money at the top and then distribute it downward in authoritarian patronage that that can actually be conducive to regime stability. So it will be really interesting to see how North Korea's types of, you know, engagement in this activity unfold because I do think it's likely to have real consequences for this state society balance that Andrew's work really interrogates.

Okay. We are coming up on the end. So as a final question, I wanted to ask both of you to engage in a little bit of informed prediction. So one of the -- you know, this is based on an audience question again, but also just to sort of tell us. Where do you think North Korea is likely to go?

So if the, you know, Donju class that Andrew has written about these market activities are, you know, powerful and influential on grassroots and on the ground level. Do you know to what

extent is Kim Jong-un likely to feel threatened enough that we will actually see further crackdowns? Or do you anticipate that there will be some, you know, further entrenchment of market activity and even possible, you know, limits on state control?

So in a nutshell, you know, where do you each see this headed in the next maybe five or so years?

ANDREW YEO: Thanks, Sheena. You know, political scientists are not the greatest when it comes to predictions, but if we look at past attempts at trying to reign in markets. You know, at the end markets always have seemed to prevail.

I think we're just in this unique situation because of the pandemic. But, you know, outside of this pandemic, you know, this very strict border lockdown that's going on now to like close to two years. You know, I do think that's going to be difficult to sustain this kind of clamp down on markets. I think that there is going to be some pushback or the regime is going to have to relent.

So if you're looking at this purely from an economic or market's perspective it's like a two-step forward, one step back type process because even if you look -- you know, if you look from, you know, 2000 to 2010 and then 2010 to, let's say, 2016, there has been growth in the market trends. But I think they were coming up to a point where at some point you need to have, you know, foreign investment and more trading competitors for the markets to actually grow.

And I think that's the point that North Korea was at but then Kim Jong-un, as we mentioned earlier, didn't feel, you know, things were looking more unsettling to him. And so, you know, because of sanctions and because of the border -- you know, the pandemic, we don't know how this would have played out.

But because I think the markets will, you know, in the long run ultimately prevail, I do think we are going to see more changes taking place. Now, that doesn't mean we're going to democratization or if we're going to see a revolution or regime collapse. I think the safer route, you may see something like, you know, a Vietnam or a China. Even if that's not where Kim Jong-un wants to go. But I do think that that's the direction that we may be heading, you know, five years, 10 years out from

now.

MS. GREITENS: Jean, any predictions?

MS. LEE: So what I'll say is that if I were in North Korea now, I think what I can extrapolate and I imagine what's happening right now is that everything is geared towards the lionization of Kim Jong-un as he approaches his 10-year anniversary.

And this is a series of events that's going to extend into next year. And I do think that part of the border closures and the kind of trying to arrest control over market activity is partly to be able to control and shape the messaging and the methodology around Kim Jong-un.

And perhaps after they feel secure -- that he feels secure that he's established his legitimacy as part of the 10-year anniversary that they might start to open up again.

And so, it just depends on when the timing is right given the celebrations, the anniversaries that they have lined up as part of their propaganda. This is important for his legacy, for his historical legacy, for his leadership. And so, it's a very simple thing, but -- so for me when I'm on the ground, I always look at what's in the North Korean calendar? What does he have to protect? And I think that's a big part of it.

And perhaps, hopefully, fingers crossed that once he feels comfortable with that process that they'll start to open up the borders and open up the markets again and let the economy start to flourish and let those people who, you know, the traders, the people in those markets do the kind of resilient and resourceful work that they do to get goods into the country.

MS. GREITENS: Well, I hope that optimistic scenario or that optimistic possibility is something that we see some version of coming through. I'll confess to a little bit of cynicism as a long time North Korea watcher about optimistic outcomes on the Korean peninsula.

With that I think it falls to me just to thank the audience for a terrific set of questions and for being so engaged throughout this webinar. Thank you, Jean, for your comments. Thank you to the Brookings Institution, the Center for East Asia Policy. To Adrien for organizing the logistics of this. And finally, thank you to Andrew for having written a terrific and insightful book that you gave us so much to

talk about today.

We clearly could have kept going with the questions and discussion for a while. And I think that's just a testament to the quality and the relevance of the work that you've produced and brought to all of us today.

So thank you everybody and look forward to seeing you again some time soon. Take care.

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Expires: November 30, 2024

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