Thank you. It’s an honor to appear before this committee

this morning.

I have provided a written statement to be entered into the formal

hearing record.

I would like to make four basic points.

The growing centrality of markets in the North Korean economy

over the past two decades is primarily due to state failure, not

proactive reform.

The market is emerging as a semiautonomous zone of social communication

and potentially political organizing. And, on its own

terms, the state is right to fear the market. It’s this fear of the

market that prevents the North Korean authorities from embracing

the sorts of economic reforms that would allow them to address

their chronic food problems, which appear to be worsening.

One aspect of the economy’s unplanned marketization has been

the substantial growth in cross-border exchange, particularly with

China, which now accounts for a rising share of North Korean

trade. China, however, appears utterly uninterested in implementing

sanctions in response to North Korean provocations.

The tragedy of North Korea is, the government is almost wholly

unaccountable for its manifest failures, and has an almost unlimited

capacity for inflicting misery on its people. Under such circumstances,

conditional on agreement on procedural protocols, resump-

tion in humanitarian aid is warranted. It is reasonable, however,

to require greater policy conditionality on broader forms of engagement.

While attention is understandably focused on the high diplomacy

of the nuclear issue, it’s worthwhile to examine what is going on

beneath the surface, as well. Research derived from large-scale surveys

of refugees, as well as surveys of Chinese businesses doing

business in North Korea, document a society characterized by

growing inequality, criminality, and corruption. A significant share

of the North Korean population has effectively delinked from the

state and now exists in a kind of Hobbesian market economy.

And, paradoxically, while the state provides increasingly meager

benefits to its population, contact with the state apparatus has

grown ever more intimate. The government has undertaken legal

code changes, which have effectively criminalized much of daily

economic life, and facilitated the use of the penal system for extortion.

In addition to its traditional role as an instrument of political

repression, the penal system now serves as a mechanism for economic

predation on the population, as well.

North Koreans have increasing access to foreign media sources.

And, importantly, inhibitions against consuming foreign media

have disappeared. As a consequence of obviously self-inflicted catastrophe,

such as the failed currency reform, as well as increasing

exposure to foreign media, the regime’s meta-narrative, which

ascribes all the country’s problems to hostile foreign forces, is

increasingly disbelieved. But, the society remains atomized and

characterized by low levels of trust. While discontent is almost

surely widespread, there appears to be an almost complete absence

of civil society institutions capable of channeling that dissent into

effective political action. And while overt demands for political

change go unarticulated, the state retains a massive apparatus to

compel compliance.

North Korea experienced a famine in the 1990s that killed perhaps

3 to 5 percent of the population, and has experienced chronic

food shortages since. At present the food situation appears to be deteriorating

as a result of an expected decline in domestic harvests,

together with North Korean provocations and rising world food

prices, which have contributed to a reduction in both aid and commercial

imports. Prices are rising rapidly, internally, and a consortium

of U.S. NGOs has now produced a firsthand assessment,

which documents acute malnutrition among children and low-birthweight

newborns.

The North Korean Government has never exhibited any real buyin

to the norms of humanitarian assistance, as practiced elsewhere

around the world, and establishing acceptable terms for a humanitarian

aid program remains an ongoing challenge.

Historically, North Korea’s international trade was small and

politically determined. But, a byproduct of the famine and the

unplanned marketization of the economy has been an expansion of

decentralized trade, particularly with China, which in 2009 accounted

for approximately 35 percent of North Korean trade, a figure

that is likely to rise in 2010, once the data are available.

As in the case of the domestic market economy, the North

Korean regime does not appear entirely comfortable with this phe-

nomenon of decentralized border exchange. And the government

appears to be attempting to execute a highly controlled opening, in

which North Korean state organs would engage in cross-border

commerce with China, but activities not controlled by the state

would be quashed. And, as I indicated earlier, the Chinese have

shown no interest in enforcing U.N. sanctions on North Korea.

North Korea’s chronic food insecurity once again appears to be

worsening. Externally, the country is increasingly relying on

China, which is reluctant to sanction North Korea in response to

its provocations. The regime faces a looming succession, driven by

Kim Jong-il’s age and health. Surveys document widespread discontent

among the North Korean people, but also a dearth of civilsociety

institutions capable of channeling that mass discontent into

constructive political action.

Access to information plays an essential political role. Connecting

individuals to the outside world serves a crucial function of undermining

state propaganda, thereby encouraging the government to

respond to a more informed public. In this context, the market represents

a zone of personal autonomy and freedom. We should be

promoting its expansion through a process of engagement, but engagement

with our eyes open. The goal would be not only to address

North Korea’s chronic material needs, but to also encourage

economic and political evolution in constructive directions.

Information and markets alone will not immediately transform

the North Korean regime. But, they are a start. The expansion of

the market internally, exposure of more North Koreans to new

sources of information, new ways of doing business and organizing

their lives, even exposure to foreign countries, will foster conditions

amenable to the North Korean people exerting greater constraints

on the behavior of what is now an effectively unaccountable regime.

Thank you.

How do I get the——

What we should be doing is encouraging North

Korean Government to get involved in institutions, such as the

World Bank. When those institutions are formulating their economic

policies, there should be an attempt to put an emphasis on

engagement with these sort of—I don’t want to call them ‘‘nonstate

institutions,’’ because that would be an exaggeration, but these economic

actors that are effectively operating outside central government

control.

They don’t want to do that, that’s for sure. And the

question is——

It begins in their current deteriorating conditions.

They are faced with a situation——

I think——

The way——

What I was going to say is, if they had the capacity,

if they had the resources, yes, they would shut everything down.

Everything would be centrally controlled. And they would be back

in the world of the 1970s. That’s what they would like to do. They

don’t have that capacity.

When the economy begins to deteriorate, they are forced, out of

necessity, to allow a certain loosening up of the system. That’s one

dynamic. The other is, they’re growing increasingly reliant on

China, which can’t make them comfortable.

So, while their preference clearly would be to exist in a world in

which they could exert unlimited control both internally and in the

organization of their external relations, there are internal pressures

for them to have a certain degree of flexibility in how they

organize both their internal economy as well as their external relations.

I would say that of course we have to talk to them

bilaterally, if only to do the sorts of testing that you were raising

with the previous panel.

But, I would just align myself with Mr. Flakes’ statement. The

real key to the six-party talks is not the talks themselves, which

appear to be somewhat awkward, but it’s that September 2005

statement. That’s the one thing we have that puts the North Koreans

on the hook for denuclearization. And that would seem to be

a big thing to throw away.

The North Korean approach to these issues is characteristic

of highly authoritarian regimes. On the one hand, there

is a desire to show that they’re a technologically advanced society.

On the other hand, there’s an extreme concern about the implications

of these kinds of ways of communicating.

So, what the North Koreans have effectively done is, they’ve created

their own internal Internet. So, you have an Internet that lots

of people, at least in urban areas, can get on to, but it’s only within

North Korea. Literally the number of cables going out of the country

that allow one to make international calls or data transmissions

is very limited. So, the number of people who have access

to the Internet, as we would understand it, is a very small group

of the elite, the people that Mr. Carlin normally interacts with.

There is some ability, in the northern border areas, to use cell telephones

that work off the Chinese system. And presumably, a greater

degree of information can pass through that channel than

through the cellular system within the country.

On the one hand, there’s a desire to show they’re an advanced

country and that they have lots of technology. But, on the other

hand, there is also a very profound desire to control the potential

political implications of that technology.

Well, right now we have Radio Free Asia, which

broadcasts into North Korea——

A Korean-language broadcast, but

they’re on a shortwave and they’re broadcast from transmitters

that are quite far away.

There are three things we could do to improve the effectiveness.

No. 1, increase the number of hours of programming. No. 2, move

to a.m. And No. 3, try to convince some of our allies to allow the

stationing of transmitters in their countries, which would allow

much more effective transmission.

As Mr. Flake said, there are problems with integration

and assimilation, and one shouldn’t underestimate the traumas

that these people have experienced. In our refugee interviews,

I would say that probably half the people we interviewed, in a clinical

setting, would be diagnosed with post-traumatic stress disorder;

the famine, incarceration in the penal system, have profound

psychological impact. So, it’s a traumatized population. And there

is increasing understanding of this in South Korea. The South

Korean Government has passed new legislation, which is, I think,

really improving the quality of services that it’s providing to these

people. And, I think that there is hope that this population will be

better served, moving forward, than it perhaps has been in the past.

If I could——

I think it’s very difficult, or if not impossible, to predict

what some successor leadership might want to do. I think what

we probably can say is that there won’t be major changes while

Kim Jong-il is still alive. The problem, of course, is that this is a

political culture that creates enormous incentives for people to falsify

their true preferences. And when the situation changes, it may

be possible for individuals or factions to develop that actually take

the country in a somewhat different direction. I mean, it’s not impossible

to imagine that some successor leadership would look

around at the wreckage and kind of decide there must be some better

way of doing things.

That said, even if such a faction were to come to power and want

to pursue some sorts of reforms, either internally or in their external

relations, doing so would not necessarily be easy. The divided

nature of the Peninsula creates a fundamental legitimacy challenge

for the North Korean regime. And once they start moving closer to

South Korea and looking more like South Korea, then the whole

justification for the maintenance of North Korea as an independent

state could be called into question. So, I don’t think that we can

rule out the possibility of a more enlightened leadership in the future,

but I don’t think we can count on it, and I don’t think we can

underestimate the difficulty that such a leadership might face in

trying to take the country in a different direction.

I think that we can assume that there is a rivalry

between China and South Korea for economic influence in North

Korea, and that that would play into the behavior of both of those

governments. However, at least from a kind of mathematical standpoint,

if you look at the North Korean economy today, and you look

at the size of those investments, in any kind of macroeconomic

sense or broader sense, in terms of either the Chinese or the South

Korean Governments, these investments are trivial. This is a country

in which the investments that will be needed to rehabilitate

that economy are vast, relative to the foreign investments that exist there today.