Introduction

NIALL

To grasp an understanding of the business world of North Korea, a swift look at the historical and background of the state is needed. This is because the state of North Korea has immersed itself into its business world, probably more so than any other country in the world. North Korea is one of the last remaining totalitarian dictatorships left in the world, and is arguably the most isolated and secretive state that there has ever been, or at least certainly since the end of the Cold War. This has a direct impact on any corporate responsibility or business ethics which are followed. The standard human rights, workers rights, and general ethics are not necessarily of utmost importance, unless it is a positive movement for the state of North Korea. Juche is the ideal that is followed, which is based on being a self sufficient state, which is needed due to their limited trade policies, although it is not exactly efficient, with famine crippling the country during the 1990's especially, where they have not necessarily recovered completely. The State's political policy is that of 'Songun', or 'military first'. Therefore, all aspects of society are geared towards building and maintaining a strong military, which naturally means that a large proportion of business is conducted with that in mind, due to the heavy influence of the state in all business matters within its borders (Park, 2007).. This policy of military strength is part of the culture of the state, which technically is still at war with South Korea, or the Republic of Korea. This culture of strength is embedded across the political landscape, with three generations of dictators ruling the North since the end of the Japanese occupation at the end of the Second World War. There is no questioning the authority of Kim Jong Un, the current leader of the country. This culture of strong leadership could play a role in the business world of North Korea, with a company operating in the same format of the state, leaving a small band of men, or one individual with the power to make unquestionable decisions, with little regard for ethics or what the western world would consider good corporate social responsibility (MSU, 2015).

Korea has had a troubled history, especially with its neighbour Japan, who by 1910 had annexed the Korean peninsula and been used as a platform by the Japanese during the Sino-Japanese Wars. Between the annexation and the end of World War II, the Japanese had clamped down heavily on Korean customs and traditions, which included the naming structure of families, and also using a plantation technique where Japanese citizens or Korean collaborators were given land which had been confiscated from locals. Occasional insurrections took place during the interwar years, before a moderately successful Guerrilla campaign was launched in conjunction with the Allies during the Second World War. This was largely along the Sino-Korean border and was known as the Dongnipgun Liberation Force, with a one Kim Il Sung as one of its leaders (Kim, 2014). For over half a century, the political dynamics of the Korean peninsula have been framed by a single hasty—and fateful—decision: an August 1945 agreement as the Second World War was coming to a close, between Washington and Moscow that Korea would be temporarily partitioned at the thirty-eighth parallel. That almost casual act proved to be the turning point for modern Korean history. Initially envisioned as a convenient arrangement to expedite the processing of an impending Japanese surrender, that "temporary" partition of Korea relentlessly hardened into a de facto and then a de jure division of the peninsula into two mutually hostile states (Eberstadt, 1999). Kim Il Sung was the favoured leader of the Russian General Shtykov, who was in charge of the Korean occupation. Unlike the U.S. occupied south, the Soviet influenced North was allowed and encouraged to immediately remove the planted Japanese or collaborator landowners, reintroduce old customs and family names. This led to a degree of mistrust, fuelled by the Soviets and the Americans, before eventually the Korean War was begun. A quick blitzkrieg invasion by the North was counteracted with a strong push by the South, before the Chinese entered the fray which resulted in a stalemate being found at roughly the exact same borders along the 38th parallel which was the case before the outbreak of the fighting. A DMZ was established along this border, while a Peace Treaty was never officially signed, resulting in both effectively still acting as a wartime state, hence the Songun policy (History.com, 2009). As history shows, war time states ensure that all productivity is geared towards the end goal of winning the war, which will consequently have a direct impact on any businesses.

A culture of hierarchy is a prominent feature in North Korean politics, with the buck stopping at one man at the top of the pyramid from the Kim family, currently Kim Jong Un, son of Kim Jong Il and grandson of Kim Il Sung, the 'father of the state'. (Eberstadt, 1999) Politics and power is a ruthless game, with democracy completely overruled if it does not favour people further up the political ladder. While leadership is highly centralised, with Kim Jong Un at the top, as the head of all major institutions, there is a form of "democracy", with two parties albeit under the same umbrella. These fill up the Supreme Peoples Assembly, which consists of 687 members with the president representing the state on many matters. They have limited power however, as they cannot initiate legislation and it is not likely that they have ever vetoed anything that was put before them from higher powers. An Executive Committee is also formed, with the Premier, two Vice-Premier, 30 Ministers, the leader of the Central Bank and Defense Minister. These all answer to Kim Jong Un. The Judicial system is exclusively formed, organised and controlled by the political leaders, creating obvious question marks regarding fair and impartial trials. (MSU, 2015) A blame culture is also evident in North Korea, with the famines being blamed on external factors, a Museum of American War Atrocities can be found in the state, which has its own accusations of human rights violations, and criticisms of the South as being subject to imperialist control of the United States rather than a conscious embracement of democracy over the dictatorship of the undemocratic North. Such a culture of blame is not an ideal environment for ethical business to be at the forefront of life or corporate social responsibility to shine through.

Ethical Theory

Government influence:

1. Economy & Reform

2. Foreign Investment

3. Human rights

One of the most pressing ethical dilemmas in modern international business is that the same moral standards do not apply everywhere or to everyone. The contrast in international moral standards for business is clearly shown within North Korea where citizens have very limited human rights and the rights of workers are subject to the discretion of the government. The world of international business has long grown accustomed to less rigid employment laws and living standards for labourers and other workers, but the lack of protection shown to workers within North Korea is unparalleled. North Korean citizens have no rights to freedom of expression and opinion, independent media, trade unions, civil society organisations or religious freedom (http://www.amnesty.org.uk/north-korea#.VWWP9vlViko Accessed on 27/05/15).

North Korea and its government have a very relative view regarding human rights as they
choose to ignore the universal values that most countries follow such as the Universal Declaration of Human Rights, United Nations Global Impact, International Labour Organisation Core Conventions, Global Sullivan Principles, Amnesty International principles for companies or the Organisation for Economic Co-operation and Development's guidelines for multinational companies. This relativity is caused by the unique political and cultural conditions that are prevalent within North Korea. The purpose of each worker's life is to obey the government and Kim Jung Un who derives his own definition of human rights. This had led to North Korea being ranked as the worst country in the World Democracy Audit and shows how significant a barrier the lack of human rights in North Korea is to Corporate Social Responsibility (http://www.worldaudit.org/countries/north-korea.htm Accessed on 27/05/15).
A first-hand account of the disregard for human rights comes from the testimony of Shin Dong-Hyuk, the most well-known North Korean defector. In the book 'Escape from Camp 14' his escape from North Korea is told, as well as the terrible conditions that many North Korean workers are forced to work in. He gives us a first-hand testimony of life in a labour camp as he was born into labour camp and escaped as a 21 year old. His family remains in Labour camp
under control of regime. In fact, the North Korean government released some videos of his father refuting his story and saying that Shin is not his son. This shows the lengths to which the government will go in order to hide the lack of human rights for North Korean citizens and workers. Labour camps provide North Korea with large amount of free labour to work on farming and harvesting crops as North Korea is an agrarian society. Workers within these camps often are forced to work in unsafe conditions for no tangible salary or payment. (http://newfocusintl.com/interview-shin-dong-hyuk/ Accessed on 27/05/15) In the book, Shin Dong-Hyuk also gives details of torture methods used in camps as well as the degree of control that the regime has over North Korean workers. The regime invests in the military as
opposed to human rights. For the North Korean regime, human rights do not exist and any talk of human rights is quickly covered up. (http://edition.cnn.com/2014/10/27/opinion/north-korea-prisoner-human-rights/ Accessed on 27/05/15)

Barriers:

The lack of human rights in North Korea is a barrier to the implementation of CSR. Corporate Social Responsibility seeks to promote economic development while also improving the lives of the stakeholders affected by the economic decisions taken. In the case of prison camps, where economic development is the only priority of the government and the lives of the workforce are actively made worse, this definition for CSR is not being met. The North Korean government's
perspective on human rights and CSR cannot be reconciled with that of other nations. A country which actively seeks to create a working situation where the workers are subjected to torture methods and put in harm's way clearly does not see Corporate Social Responsibility or ethical business practices as a priority.

Opportunities:

The testimony of defectors who have escaped from North Korea, such as Shin Dong-Hyuk, will help the other countries of the world to see human rights abuses in North Korea. This will in turn allow them to pressurise the North Korean government to put a stop to these labour practices and consider a more ethical manner to employ the country's workforce. It will also encourage more NGOs to become involved in North Korea, which may lead to the North Korean citizens receiving more information about the outside world and the expectation of better working conditions and human rights.

4. China Comparison

Doing What the Chinese Did

Up until the 1970's, China and North Korea had followed similar political and state structures. Post WW2, they had shared a communist ideology based on Marxism/Leninism, with one centralized, ruling power (in a form of dictatorship) with little toleration for internal challenges or questioning (Graham, 2015). China made some major changes in the early 1970's, with a Sino-Soviet rift leading to number of economic moves towards capitalism and the West. De-collectivisation was favoured foreign direct investment encouraged. The extent of the Chinese departure from its communist values during the 1970's can be seen with the Party's own newspaper, the People's Daily declaring that Marxism/Leninism was not always a viable economic or social solution to the states problems, and that China was becoming Communist by name only (Graham, 2015). The death of Kim Il Sung is perhaps the comparable to the situation before Chinese reform. Indeed North Korea, in recent times has been making, to an extent, similar moves to that of China or even the Soviet Union as they began to exit Communism and create market style reforms. The DPRK has recognised that its lack of foreign currency reserves have been a drain on the economy, and that its lack of a strong credit rating has consequences on

its borrowing and cash flows. It has made moves to greatly increase its bond markets both internally and also, in a limited way, to the international markets. It has contemplated printing money such as the Chinese or the Russian Federation did after the break-up of the Soviet Union (French, 2005). Perhaps more tellingly is the May 30th reforms, named after the date the initiative was launched by Kim Jong Un in 2014, where collectivisation seems to be taking a back seat. Farmers retention of their own yields have been doubled from 30% to 60%, while autonomy has also been granted to factory directors in what they can buy, produce and sell (Cain, 2015).

Food and productivity is still relatively low in the state, but there are signs of improvement, much the same as the Chinese reforms by Deng in the 1970's (Eberstadt, 2015). There are early signs of economic improvement and reform in North Korea, although still nascent, they may provide an incentive to continue in this manner. There are distinct similarities between China then and North Korea now, the DPRK are already following a similar path to the one that lead to Chinese reform. For example in 1979, the Chinese government approved the construction of Special Economic Zone (SEZ) in four cities: Shenzhen, Zhuhai, Shantou and Xiamen from Guangdong and Fujian provinces, which served to increase exports and communication with the rest of the world. The Rason Special Economic Zone already exists in North Korea. There is scope for intensifying trade and communication with the outside, and has the potential to do for North Korea what zones like the Shanghai Pudong Development Zone did for China. Examining some key areas that lead to Chinese reform and mapping out how North Korea's current changes mirror it may lead to the identification of opportunities for CSR. Also, in 1982, the government ratified the Household Responsibility System, meaning that farmers did not need to hand out all the harvest and could retain a certain proportion of their yield. Such a change is already underway, but there is room for expansion.

5. Migrant Workers

Black Market & Freedom of Information

In the past two decades, the nation has seen the growth of illegal trading and individualistic, capitalist style economic activities (Smith, 2015). A veritable economic pink elephant; "everybody does it, but few publicly admit to its existence" (Pearson & Tudor, 2015). Bribery is widespread, and officials turn a blind eye. It seems the rules is "there are no rules".

The informal economy primarily consists of the following elements (Michell, 1998) :

1) Individual patch farming, which is pervasive in the countryside
2) Direct manufacturing and sale, which encompasses any consumer purchase outside of the planned system
3) Direct barter between work units, which refers to the trading of goods between those who produce them
4) A private service sector, which includes services such as hairdressing and tailoring
5) A hard currency sector, which refers to the sale of imported or domestic goods in exchange for hard currency
6) Any joint ventures outside the parameters of the planned system

One testimony by Yeon-mi Park, a young North Korean defector who openly spoke out against the Kim regime, provides an insight into how the hermit nation's illicit economy is serving to improve the lives of its people (Oslo Freedom Forum, 2014). The "black market generation", as it is termed, roots itself in the post-famine era of the 1990s. With a socialist government who could not longer provide for its population, totalitarian control was weakened, and people began to figure out ways in which they could provide for themselves in order to survive (Noland, 2010).

Barriers

Naturally, this capitaltics style trade contradicts the underpinning of socialism, one would imagine the Kim regime would intervene in order to limit change. However, the government has come to rely the black economy, and attempting to eradicate it runs the risk of another famine (Michell, 1998). Still, the black market poses a great threat to the Kim dynasty, since it has allowed North Korea to trade, earn a profit, set up their own (very small) businesses, and strive to improve their lives (Pearson & Tudor, 2015). This presents one of the main barriers to the black market, as no matter how much it grows it stills goes against the laws and ideal of the country in which it exists. This part is not a barrier to CSR, but rather a barrier to the black market itself. It should either be put above in the "black-market" section ...or might be transferred as a barrier in the government section actually, as a state repression would erase all the black-market-related CSR opportunities !!

Free trade such as North Korea's black market is by definition, capitalistic and individualistic. Therefore, the ethics depends on those running these one-man or two-man small businesses. As the individual earns more money they have more power, and so the CSR is at the owner's discretion. Although the black market might have the potential to be very socially responsible, as with most capitalistic activities, ethical practises cannot be guaranteed.

From an economic perspective, the increase in wealth of a few might be at the cost of the many, with an overall impoverishment of communities. Under such conditions, the black market might bring social harm and become a clear barrier to CSR.

Opportunities

Despite the risk of social harm mentioned in the last paragraph, evidence of economic responsibility can be found. The black market has become extremely important in North Korea, as all these small traders and informal economic activities accumulates to as much as 50% of North Korea's total GDP (Lankov, 2015). It fills in the lack of supply from state-run factories (The Asahi Shimbun, 2015) and provides moreover jobs and money for many North Korean, with nearly the entire population leading a double economic life with extra work in their spare time (The Economist, 2015). Depending on the estimates, the black market is said to account for as much as 80% of families incomes (WashingtonPost.com, 2014). The black market may not be legally responsible, yet it is definitely economically responsible, and there is no sign of it being eradicated anytime soon, as the government has grown to rely on it (Michell, 1998).

In the case of North Korea's economy, what's legal within the realms of socialism may not always be ethical, and what's ethical and has the potential to improve the lives of the country's citizens, may not always be legal (Smith, 2015). The economic impact of the black market has been presented hereinabove, but it is not its only social impact. For the everyday citizen of North Korea, bending the rules and engaging in illicit activity could be the key to self-sufficiency. In addition to the generation of income for them and their families, it ultimately leads to greater independence from the regime (Michell, 1998). The black market allows citizens of the state to circumvent the planned system (which is restrictive and inefficient) and partake in individualistic trade (Smith, 2015). Despite it being illicit and illegal, it does present some opportunities for CSR. When compared with the planned system, it is indeed the more ethical of the two. It allows each person to try and better their lives, and have greater autonomy by breaking away from the planned system. (Furthermore, illicit trade between China and North Korea, which is already steadily growing (Lankov, 2009), presents even more opportunities for these small time merchants and traders.) is it necessary? I don't know how to include it properly.

Perhaps one of the most important social impacts this trading has had however, has been the flow of information into this fortress country. Propoganda has lost it's monopoly on the people (Ward, Asia Times, 2012). The sale of DVDs and other digital information devices, sold with the sole purpose of entertaining, is serving to educate North Koreans about the outside world (Lankov, 2009). NGOs have managed to infiltrate barriers and communicate also (WashingtonPost.com, 2014), and slowly North Koreas are learning of the prosperity in mixed-economy countries, such as its Southern neighbour (Lankov, 2009). This new information generation say they are not afraid to criticize the regime amongst friends (The Economist, 2015). Such changes and improvements are the result of the engagement of informal businesses into ethical -- it is right, moral, just and fair for people to gain access to free information and knowledge – and discretionary responsibility – increasing education is a philanthropic contribution from the black market.

Information could be considered one of the greatest threat to the Kim regime (Pearson and Tudor, 2015). (One of the positive side impacts that the growth of this informal economy has had is highlighted by defector Yeon-mi Park, "Once you start trading for yourself, you start thinking for yourself" (Oslo Freedom Forum, 2014). It's not really about information, but rather about the economic impact isn't it? North Koreans are learning of their Southern neighbours prosperity, and the rest of the world, thanks to smuggled consumer goods such as DVDs and tunable radios. They are sold in the free market for as a source of entertainment, but are educating the people of DPRK about life without the Kim dynasty. The information is seeping in from the parameters, and as people learn about the outside world, they begin to question the legitimacy of their ruler and the system that surrounds it (Lankov, 2009). This presents a huge opportunity for CSR, as in order for a country to grow economically and socially, it is essential that there be an adequate flow of information (Schramn, 1964).

- Other sources (Phil) -

Public-Private collaboration

Public-private relationships are created de facto, the North Korean state – enduring serious financial issues – relying on private individuals for the financial input required for a sustainable economic growth, while the latter expand their business assets. The *waehwapori* organizations are former state-run export companies – from small regional companies to large ones that export goods, mineral resources or seafood – that have been gradually privatized in favor of private investors and officials who gained the complete control over the organization and its profits (Ward, 2012).

On a less gradual way, formerly state-run businesses went undertaken and subsequently privatized by donju entrepreneurs, as the state ran out of funds to run these operations (Ward, 2012). The donju (literally "money masters") is a new wealthy class engaging in wholesale and retail business, real estate market, public transportation, state construction projects, restaurants or mines (Ah (3), 2015). The donju recently invested in a large-scale national project of building apartments in Sinuiju, with the conditions of gaining leasing rights, an effective ownership that would able them to charge rents. Another project undertaken by the wealthy middle-class is the construction of swimming pools and bathhouses utilizing the waste heat recovery from the south Pyongan Sunchon Thermal Power Plant. In the transportation sector, the donju imports second-hand buses from China, revolutionizing bus transportation nationwide in North Korea by opening a growing number of new possibilities for transportation (Min, 2015).

On a Corporate Social Responsibility perspective, the first observation is the highly illegal nature of this privatization. The corporate legal responsibility is therefore completely omitted. These privileges are guaranteed and allowed de facto by the state in exchange for kickbacks paid by investors and entrepreneurs, in addition to the initial financial investment. In this way, the financial profits gained from the swimming pools and bathhouses complex is shared between the donju investors and the state-run power plant. Mining rights (equivalent to ownership, sold for around $3,000) and mineral rights (for digging up the coal and selling it, of equal importance) are paid to Party officials for the rights to run former state-owned mines (Ah (4), 2015). Fees to the central authorities –

typically a share of the profits – are required to operate a public transportation business. Despite the total lack of the legal stage, this particular situation brings both barriers and opportunities for the development of corporate social responsibility.

BARRIERS

Social damage can be observed currently already from such public-private collaborations. As an example, complaints have been rising about the increasing fares in the public transport sector. Prices rose from 8,000 KPW to 50,000 KPW in just 2 years for a bus ticket between Chongjin and Musan, and fares are now 10 times higher, up to 80,000 KPW between Chongjin and Kim Chaek (Min, 2015). These prices are freely set by the donju and one may suppose they depend on the bribes that need to be paid to the state, among other factors.

The main barrier comes from the nature of the CSR principles underlying this kind of businesses : mostly individual. There is no brand reputation to defend through socially responsible behavior, neither there is an ethical environment pushing for such practice. Private-public collaborations are run by private individuals that are most likely driven by mere financial motives. Such motives may lead to unethical and immoral practices towards workers, communities or environment in order to achieve high profits. The financial burden coming from the state-related bribes does not help.

OPPORTUNITIES

Peter Ward writes in Asia Times : « They (the donju) are a force for social progress and change » (Ward, 2012). Actually, these private-public collaborations show already some evidence of social responsibility. A reason why those practices are tolerated is that the state has no choice but recognizing the huge economic benefits provided to the country. Economic responsibility is filled by the creation of jobs and new services (new public transportation lines or new leisure possibilities such as the bathhouses), the production of mineral resources or the important financial contribution to the state. Signs of discretionary responsibility can be found as well currently, with the improvement of the community's welfare -- through the construction of swimming pools and bathhouses for instance -- even though the motives behind it are purely financial.

Despite this donju's desire for profit, the results of their involvement into the North Korean economy is enjoyed by others too (Lankov, New York Times, 2015). Unlike managers of state-run businesses who are prevented from any initiative from the state repression, the donju is a key player in the North Korean economic and social growth. They are those who can bring indeed the vital ingredients : capital, innovation, creativity and technology, with all the beneficial economic and social impacts that can be expected.

NGOs

Non-governmental organisations have been involved in North Korea since the start of the 1990's. These organisations have attempted to provide aid to those who most need it, while at the same time trying to keep these resources out of the hands of the government or others who would seek to use them for themselves. NGOs have had success in North Korea providing food and healthcare, as well as encouraging informal diplomacy between North Korea and the outside world. They have managed this in spite of attempts by the North Korean government to limit their impact by refusing to sanction Korean translators or denying them the ability to travel within the country. The government has also stopped any NGOs from conducting random site inspections.
http://hrnk.org/uploads/pdfs/NGO%20Activities%20in%20NK%20%28Mar%202011%29.pdf
The government wants to restrict the impact that NGOs can have in North Korea, as it fears that the NGOs will bring with them ideas from the outside world. Some NGO workers have recently been deported from North Korea for documenting evidence of the need for NGOs to be present in the country in the first place. Sandra Suh, of Wheat Mission Ministries, was deported for taking photos and videos that did not show North Korea in a good light. However, no criminal charges were brought against her. This is significant according a leading authority on North Korea, Toshimitsu Shigemura, who believes that this an indication that North Korea does not want to damage their relationship with the United States.
http://www.dw.de/expulsions-hinder-foreign-ngo-activities-in-north-korea/a-18377935

Barriers

North Korea's history of reluctance to work with NGOs or other charitable organisations is a barrier to Corporate Social Responsibility. The objective of the NGOs work in North Korea is to care for North Korean citizens who are suffering in poverty, famine or other extreme social conditions. Due to the North Korean government's distrust of outside nations they are reluctant to let these organisations help their citizens. This goes against the ethical values of CSR as corporate bodies should seek to do no harm to other stakeholders with their decisions. Yet the government's decision to restrict the scope and impact of NGOs is actively exposing North Korean citizens to harm.

Opportunities

In the past North Korea has been quick to imprison or deport NGO workers who wish to document life inside North Korea. However, recently the government has not punished NGO workers as severely as in the past which could point to a softening in the government's stance on NGOs operating in Korea. The suggestion that North Korea does not want to damage its relationship with the United States also indicates that the government may be open to diplomatic relations in the future which could lead to an increased openness to the culture of CSR in other countries.

Conclusion