

Market Activities & the Building Blocks of Civil Society in North Korea

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Cover Image: Market on a street in Hamhung, North Korea, September 11, 2012. Photo by Eric Lafforgue / Art in All of Us via Getty Images

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EXECUTIVE SUMMARY

North Korea's economic transformation over the past three decades, from a faltering planned economy to a hybridized system incorporating market forces, has been well documented. Grassroots market participation provided a lifeline to North Koreans during the famine of the 1990s, leading to the corruption of state officialdom and the creation of new informal economic networks. The North Korean regime has alternated between attempting to co-opt and to crack down on the role of markets in the country's economy, but market actors have proven resilient and adaptable.

Marketization in North Korea has led to limited social change by empowering a new class of economic actors and undermining the state's capacity to control the movement of people and goods. Additionally, North Korean women, who have predominated at retail-level market trade, have become the breadwinners for many families, even as patriarchal gender norms and attitudes remain entrenched. Market participation has also provided a route to personal advancement outside of state-controlled mechanisms, thus weakening some aspects of the *songbun* family classification system. Illicit smuggling networks have provided North Koreans the opportunity to leave the country, while conversely allowing foreign media and other consumer goods to enter.

This report argues that the strategies adopted by individual market participants to succeed in a difficult economic environment may be slowly reshaping social relations, thus creating the beginnings of a public sphere. As market participants devise the means and methods to resolve disputes, establish lasting relationships with business partners, and expand access to information, they are inadvertently promoting the very elements essential to the development of civil society including social capital, generalized trust, shared norms, and overlapping horizontal social networks.

To be sure, marketization in North Korea has not led to the development of civil society in the form of an independent associational life. Nor should one assume that existing changes fostered by markets will result in a wholesale transformation of the regime. The North Korean regime has proven adaptable in co-opting market participants, and retains the tools to manipulate and constrain the public sphere even if has lost its monopoly on the spread of ideas and information.

Nevertheless, given existing shifts in state-society relations since the "Arduous March" of the 1990s, a study exploring the linkages between market activities and civil society development in North Korea is warranted. The linkages between market activities and the building blocks to civil society may help promote the rights and livelihoods of the North Korean people, and shift the ideological framework through which the state must operate. Green shoots in the development of civil society building blocks may be emerging as a result of markets.

OUTLINE

I. INTRODUCTION	1
II. MARKETS IN NORTH KOREA	4
DEVELOPMENT OF MARKETS IN NORTH KOREA	4
STYLIZED FACTS ABOUT THE NORTH KOREAN POLITICAL AND ECONOMIC ENVIRONMENT	8
STRUCTURE OF MARKETS AND MARKET ACTIVITIES	9
MARKET PARTICIPANTS' STRATEGIES	14
III. DEVELOPING CIVIL SOCIETY IN NORTH KOREA?	20
WHAT IS CIVIL SOCIETY?	20
ASSOCIATIONAL LIFE IN NORTH KOREA	23
SOCIAL ORGANIZATION BEYOND THE STATE	25
NORTH KOREA'S PUBLIC SPHERE	26
TRANSITION ECONOMIES AND CIVIL SOCIETY	27
IV. LINKING MARKETS AND CIVIL SOCIETY	34
BUILDING BLOCKS OF CIVIL SOCIETY	34
NORTH KOREA'S PANDEMIC RESPONSE: MARKETS AND SOCIETY UNDER STRAIN	38
HOW MIGHT FURTHER CHANGES COME ABOUT IN NORTH KOREA?	39
WORKS CITED	41

FIGURES

FIGURE 1. OVERVIEW OF FRAMEWORK	2
FIGURE 2. LEVELS OF MARKET PARTICIPATION	10
FIGURE 3. MARKET PARTICIPATION STRATEGIES	15

I. Introduction

This report looks at the potential links between market activities and the development of civil society in North Korea. The micro-foundations of economic change in North Korea are fairly well researched; less explored and understood are the social and political implications of marketization, which remain speculative at best. However, the significance of the markets on the everyday lives of North Koreans warrants giving greater attention to the changing relationship between state and society. The growth of markets in North Korea has prompted deeper discussion about the prospects of social change in the country (Smith 2015; David-West 2013; Park et al. 2018). Based on earlier works linking markets to civil society in other contexts, it is plausible that the networks, social capital, and new norms wrought by market growth may, over time, provide the building blocks to civil society in North Korea. By most defector and expert accounts, some degree of social change has taken place in North Korea. This includes the rise of the *nouveau riche* in Pyongyang and a few other urban areas; the emergence of new relationships formed between (and among) private individual and state actors; and the spread of horizontal social networks and informal channels for sharing information and foreign media.

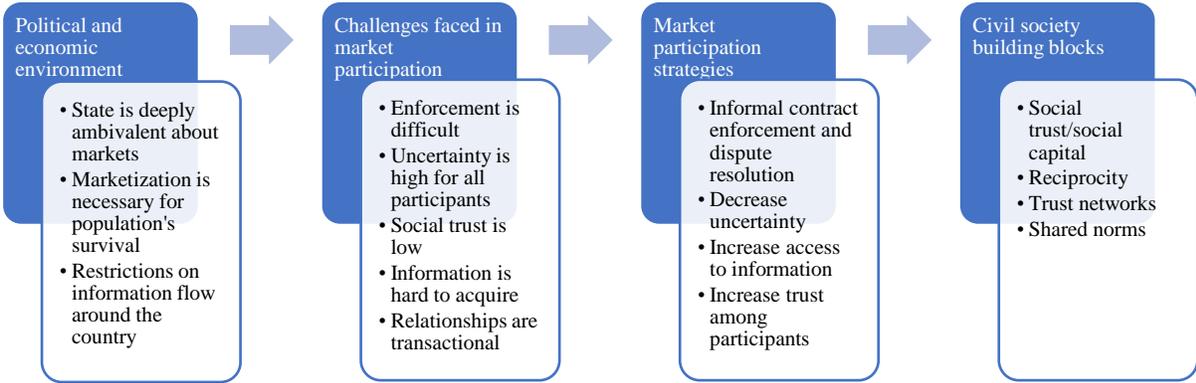
Of course, there is a danger in assuming that North Korea's marketization will inexorably lead to greater political openness in the country. The North Korean regime benefits from and maintains control over market activity. Party officials and state bureaucrats engaged in markets have used their political influence to co-opt, coerce, or crowd out private market actors. The economic activities enabled by markets also provide the state with more resources to surveil the population and maintain elite loyalty through patronage. Moreover, the assumption that market reforms and the rise of a middle class will ultimately lead to democratic reforms has not yet borne out in other Asian communist countries such as China and Vietnam, despite their experience with far greater levels of marketization and economic development.

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

Additionally, the gendered nature of market participation in North Korea has important social implications. The majority of market vendors are women, reflecting regulations set by the North Korean government as well as the greater ability of North Korean women to avoid mandatory service in the military or state-owned enterprises. However, while market participation may have empowered women economically to a certain degree, it has not necessarily led to their political or social empowerment: women market participants often face economic and sexual predation by state actors, as well as the double burden of being both a breadwinner and caretaker for their families (Haggard and Noland 2012; Human Rights Watch 2018).

This report develops a framework to outline how market participation strategies in North Korea generate the building blocks to civil society (Figure 1). It first reviews the development of markets in North Korea and the deeply ambivalent, highly uncertain, information-poor, but inexorably marketizing political and economic environment faced by market participants. The report then outlines the strategies market participants use to overcome a highly uncertain business environment. Such strategies aim to enforce contracts and resolve business disputes, decrease uncertainty, increase trust, and expand access to information. This in turn helps establish networks that transmit information and facilitate movement outside the confines of the state. Finally, the report discusses civil society and how markets have traditionally been linked (or not) with civil society’s development. It also assesses the extent to which the foundations for civil society might exist in North Korea, both in reference to domestic social developments and to the experiences of other transition economies. In pursuing their market strategies, market participants build social trust and social capital, establish reciprocity, develop trust networks, and create shared norms about appropriate social behaviour and relationships. These elements do not constitute civil society in and of themselves, but they do represent characteristics deemed foundational to the formation of civil society.

Figure 1. Overview of Framework



The primary takeaway about the future of civil society in North Korea is that, although the prospects of civil society in North Korea may appear distant given existing levels of repression, *the growth of markets has laid the groundwork for the development of a civil society that*

encompasses a semi-autonomous public sphere. More specifically, the market survival strategies adopted by individuals promote trust-building, reciprocity, and information-sharing networks, all of which form the basis for – and help generate – this public sphere.

Given the difficulty of acquiring information about North Korea, including data on economic markets and civil society, this report relies on a variety of primary and secondary sources to develop our analytical framework. First, because a goal of the report is to create a conceptual basis for understanding how markets in North Korea may or may not provide the building blocks for civil society development, the report draws heavily on the academic literature on North Korean markets, on transition economies, and on civil society in general. Second, policy reports published in English and Korean from think tanks, government agencies, and international organizations such as the Korean Institute for National Unification, the Institute for Peace and Unification Studies, the Korea Development Institute, and the Organization for Economic Cooperation and Development (OECD) are used to glean insights about market growth and their significance. Third, as with other reports on North Korea, this study relies on secondary news reports and analysis including, but not limited to *DailyNK*, *NKNews* and *NKPro*, and *38 North*.

Finally, while no interviews were conducted specifically for this report, the conclusions are also partially derived from 48 interviews for previous research projects on North Korean trade networks, conducted between 2013 and 2017 with Chinese academics and government officials, and Chinese businesspeople doing business with and/or in North Korea, across a number of Chinese cities (namely Shenyang, Dandong, Changchun, Dalian, Yanji, Baishan, Hunchun, and Changbai).¹ All of the businesspeople and most of the academics and government officials were male. While the businesspeople were engaged in a variety of legal industries² that involved formal and informal export to, import from, and investment in North Korea, there is no claim that they are representative of Chinese businesses involved with North Korea as a whole, or of the North Korean market. Instead, the interviews help to elucidate the businesspeople's views of North Korea as a political and economic environment and the market strategies they used to survive in that environment (see also Hastings and Wang 2018). They are treated as sources of information for a business case study rather than as a representative survey (Park and Walsh 2016). Given the difficulty of interviewing North Koreans directly involved in markets right now, it is useful to triangulate the strategies that North Korean entrepreneurs might use in markets by asking their Chinese counterparts what strategies *they* had used and corroborating the use of those strategies with other sources.

¹ Not all 48 interviews are cited in this report. Other interviews can be found in Hastings and Wang (2018), Hastings (2016), and Hastings and Wang (2017).

² These industries included automobile and electrical products (4 people), medical materials (2), seafood (3), cigarettes (1), minerals (3), general import-export (7) construction (1), clothing (2), investment (1), auto repair (2), machinery (2), restaurants (1), tourism (1), forestry (2), and food (10).

II. MARKETS IN NORTH KOREA

DEVELOPMENT OF MARKETS IN NORTH KOREA

The Cold War

Similar to other communist bloc countries during the Cold War, in the 1950s North Korea adopted a socialist command economy oriented towards long-term planning and heavy industry. Although the North Korean economy grew on par with South Korea's economy until the 1970s, stagnation eventually settled in due to inefficiencies in the system and constant shortages of goods, mirroring what occurred in other planned economies. During the latter years of the Cold War, North Korea engaged in limited top-down experiments with markets and market activities. From the 1970s, North Korean diplomats were directed to raise money for themselves and the state by engaging in business, including illegal activities like drug trafficking. North Korea also encouraged joint ventures with foreign investors, particularly ethnic Korean residents of Japan. However, the basic domestic economic system remained formally unchanged during this time, and did not undergo any fundamental changes until the 1990s (Hastings 2016).

The Arduous March

At the end of the Cold War, the Soviet Union withdrew its technicians and aid (including fertilizer shipments), China proved unwilling to make up the difference, and both countries began demanding hard currency for goods. North Korea's formal economy soon collapsed, and the country suffered a famine (known as the "Arduous March" in North Korea) that resulted in a large number of deaths. Many of those who survived did so by engaging in markets. With the collapse of the state's public distribution system (PDS), North Koreans turned to foraging or grew their own food for private consumption to survive. Those who were able to acquire surplus food or consumer goods bartered or sold their wares in markets. The permit system that constrained the ability of North Koreans to travel around the country largely broke down outside of Pyongyang. Many citizens who had relatives in China – or even those who did not – escaped across the border or went into China to sell goods (including equipment pilfered from state-owned enterprises) in return for hard currency. Small-scale farmers' markets, to which the government turned a blind eye during this period, eventually developed into larger informal markets after the famine. State enterprises and private citizens alike adapted to this new environment by developing a web of informal networks. These networks enabled the transfer of food, materials, information, money, weapons, drugs, and people within the country and extending across Northeast Asia (Hastings 2016, 24). In effect, economic collapse and government failures resulted in a process of "marketization from below" (Haggard and Noland 2007).

At the same time, state-linked market participants also found ways to raise capital. North Korea has a long history of searching for hard capital to fund its economic activities. Some state-owned firms making money for the state, and state officials using their positions to make money for their superiors and themselves, may have been able to use illicit economic activities in order to raise

capital. Even before the collapse of the Soviet Union and the implosion of the North Korean formal economy, Pyongyang encouraged state-owned companies to go out and make money by both licit and illicit means (Hastings 2016), including currency counterfeiting (Nanto 2009; Nanto and Perl 2007; Perl 2007), weapons sales (Squassoni 2006), and other rackets. For a period of time in the 1990s and early 2000s, for example, the North Korean state not only produced narcotics – notably heroin and crystal methamphetamines – but also used state assets (such as state-owned cargo ships, military vessels and diplomatic outposts) to distribute the drugs to foreign markets (Hastings 2015, 2016; Chestnut 2007; Greitens 2014). After the state stopped actively shipping drugs outside of North Korea using state assets, companies within North Korea continued to produce drugs for domestic consumption and private export (Hastings 2015).

Post-Arduous March under Kim Jong-il

Although Kim Jong Il’s initial reaction to the Arduous March and the rise of unregulated markets was to clamp down on activities deemed destabilizing to the regime, Pyongyang eventually came to terms with the new economic order, formalizing market activities and decentralizing economic decision-making. The July 1st 2002 measures implemented by the regime officially recognized “general markets” and tacitly accepted market principles by granting firms and institutions greater autonomy in setting production targets and prices and in buying and selling goods. These measures were also seen as a means of asserting state control over the market (Haggard and Noland 2007, 166).

As the economy stabilized, however, the North Korean state under Kim Jong-il attempted to roll back market activities. For example, in 2005, the regime attempted to reinstitute the PDS, banning North Koreans from selling food grain in markets. In 2007, women under age 40 – a demographic that comprised a significant portion of the market vendors in North Korea – were prohibited from participating in markets. In 2008, the regime stated that markets would open for only three days a week (Hassig and Oh 2015, 47). In arguably the most significant policy decision aimed against the markets, the North Korean regime redenominated the value of the North Korean *won* in November 2009. With little warning, the redenomination wiped out most savings in *won* that local entrepreneurs had accrued. The move to constrain market activity led to protests and political backlash. To minimize instability, markets remained closed until February 2010. Looking for a scapegoat, the regime executed the North Korean official deemed responsible for the policy.

In a post-currency redenomination world, most entrepreneurs strive to use foreign currency in their transactions. By 2019, some markets were mostly doing business in Chinese *yuan*, even for basic food items, with only extremely small, informal vendors still using North Korean *won*. Even then, vendors kept North Korean *won* on hand in these cases mostly to appease the authorities during crackdowns rather than as useful means of exchange (Asiapress 2019, 2020). The sale of certain goods or services in sectors of the economy where the North Korean government has a high degree of control – such as electricity fees (Jang 2020b) and taxi rides (Chan 2018) – typically require

payment in hard currency rather than *won*. This suggests that foreign currency use may have become widespread within North Korea.

While the currency redenomination debacle remains the most disruptive move against markets to date, most regime attempts to “control” or curtail market activity have failed, as have efforts to re-establish the PDS or other elements of central planning.³ Markets in North Korea have always eventually returned in some form. As such, the number of markets has climbed upward during the Kim Jong-un era. A 2017 *Daily NK* study tallied 387 officially-sanctioned markets in North Korea, with their scale implying there to be over 600,000 general market stalls in the country – one for every forty people. According to the report, some of the largest markets such as the Toksan Farmers Market in South Pyongan Province include over 8,000 market stalls. The *Daily NK* report also estimated that 4 million of North Korea’s roughly 25 million people make their living through market activities (Daily NK 2017, 26). Researchers at the Beyond Parallel project at the Center for Strategic and International and Studies (CSIS) found at least 436 officially sanctioned markets in 2018 (Cha and Collins 2018). By 2019, estimates of the number of general markets in North Korea had reached 500 (Lee 2019).

The Institutionalization of Markets

Kim Jong-un’s rule has been characterized by three overarching trends relevant to markets. First, Kim Jong-un has generally moved toward *re-centralizing political power*. This has meant purging potentially disloyal officials held over from his father’s rule and installing his own trusted allies; limiting the ability of lower-level officials to build their own local power bases by increasing the frequency of personnel changes; and re-asserting the influence and political relevance of the Workers’ Party of Korea (WPK) rather than the Korean People’s Army (INSS 2017).

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

Third, whether to placate the military for its lost influence or because of looming external security concerns (or, most likely, both), Kim Jong-un conducted a slew of nuclear and missile tests in

³ Although most North Koreans no longer rely on the PDS for access to food or other necessities, the PDS continues to operate in the public sector to a limited extent. Rations also remain a common form of payment at some SOEs, although they may be distributed outside of the centrally-controlled PDS.

2016 and 2017. This has led to *increasing multilateral and unilateral sanctions* against North Korea, which in turn have affected market dynamics directly and indirectly. The range of items that is legal for North Koreans to import and export has shrunk considerably, leading to shortages and an increase in smuggling, both by private actors and by organizations connected to the North Korean state (Ha 2019).

The persistence of markets has also coincided with the rise of an elite entrepreneurial class: the *donju*. Roughly translated as “masters of money,” the *donju* are North Korean entrepreneurs who have amassed large amounts of capital through a variety of businesses and smuggling operations. They play an especially important role in lending money to both state-owned enterprises and private businesses. As Gray and Lee (2021, 143) argue, “The *donju* can be seen as both a product and driver of marketization.” They are often tied to the state, whether directly (i.e. as bureaucrats, state-owned enterprise managers, or party officials) or indirectly (i.e. as the wife or relative of a party official), which allows them to conduct cross-border trade and gives them easy access to foreign currency (Fifield 2019, 143; Koen and Beom 2020, 32). The rise of a wealthy and politically-connected class who owe their fortunes to private business activities (as well as state connections) has further entrenched the role of markets in the North Korean economy.

In concrete terms, Kim Jong-un has recently pursued several policies in line with the above objectives and conditions. Taken together, these policies might be considered a new phase of economic policy retrenchment with the aim of establishing control over market participants rather than stopping them *per se*. While the entrepreneurial class – particularly the *donju* – have been allowed to continue to operate, the state has instituted measures that are designed to (1) extract income from them via fees, taxes, and other funding mechanisms and (2) tighten political control over them. In 2020, enterprises were encouraged and/or required, under the threat of various penalties, to buy public bonds to help the central government raise cash revenue (Jang 2020a). Local government also began enforcing tax payment from women in an apparent bid to capture more income obtained from market activities (Kim 2019b). New categories were also added to the *songbun* classification system to better capture social attitudes and assess the loyalty of the “*jangmadang* generation” (Ha 2020a).⁴ North Korea has also cracked down on the use of the “8.3 measures.” These measures have allowed state employees to work for private businesses in return for a fee paid to their state-owned enterprise manager, or to become entrepreneurs and earn their own profit (Kang 2020b). There were some signs in 2020 that the North Korean state was attempting to increase its control over public-private partnership enterprises by bringing them wholly into their registered organizations and accounting for (and thus collecting) their revenues (Silberstein 2020).

Since the closure of the Sino-North Korea border in January 2020 due to COVID-19 concerns, the North Korean state has also made a concerted effort to crack down on smuggling into and out of

⁴ The term “*jangmadang* generation” refers to North Koreans who came of age or have only experienced life during the post-famine period in an era of marketization.

North Korea by individuals and groups outside of politically favored joint ventures (Ha 2020b). This has led to shortages of imported goods in North Korean markets (Kang 2020c). Additionally, the North Korean state has attempted to re-impose price controls on goods circulating in the markets (Kang 2020a). During the course of the pandemic, it appears that the state has increased its control of markets and attempted to monopolize trade income, even in “illicit” areas. These trends were confirmed at the Eighth Congress of the Workers’ Party of Korea, held in January 2021, where Kim Jong-un announced plans to strengthen state control of the economy (Silberstein 2021). Whether these plans will be successfully put into practice or not remains to be seen.

STYLIZED FACTS ABOUT THE NORTH KOREAN POLITICAL AND ECONOMIC ENVIRONMENT

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

Second, *marketization is necessary for the survival of much of the population*. The state is not a reliable provider of economic livelihoods for most of the population. Therefore, many North Korean citizens need to be entrepreneurial to survive (Hastings 2016; Haggard and Noland 2007). This might entail directly participating in markets, taking a “side job” that generates cash, or self-dealing in their official duties. The fruits of this marketization have always been precarious. As the scale of a market-based enterprise increases, so does the breadth of ways in which it must interface with state actors to facilitate business activities and keep its operations secure. Indeed, the state’s attempts to regulate markets have largely been (1) *ex post facto* official recognition of reality on the ground; (2) designed to increase the state income extraction from the markets; (3) designed to increase political control of market actors. The result is that state regulation is often unpredictable and capricious.

Relatedly, the fruits of marketization are precarious in part because private property – including private companies or any organization independent from the state – cannot legally exist in North Korea. While there are markets (and brokers) for semi-private real estate, and businesses (and trading licenses) can be unofficially bought and sold among citizens, these markets exist outside the scope of the law and are not regulated or protected by the state more generally.

Finally, in terms of the operations of markets across the country, *there are official restrictions on information flow* due to (1) state control of all media and censorship inside that media; (2) restrictions on movement across the country and into and out of Pyongyang; (3) the lack of access

(at least for the majority of the population) to the Internet or to mobile phones that allow for communication outside of North Korea; (4) a network of informants designed to inhibit the population's ability to organize outside of the confines of the state (Williams 2019); and (5) the strict monitoring of all forms of communication among North Koreans. Restrictions on information flow and communications create additional costs and barriers to market activity. However, market participants have been adept to some degree in circumventing information controls by finding loopholes, exploiting weaknesses with enforcement, using bribes, and relying on close personal networks to share information.

STRUCTURE OF MARKETS AND MARKET ACTIVITIES

Physical Locations of Market Activities

There are four types of physical locations where market activities generally take place. Market activities do not necessarily need to occur in physical locations, but market participants are most likely to develop personal relationships, build trust, and communicate information through in-person contact with others.

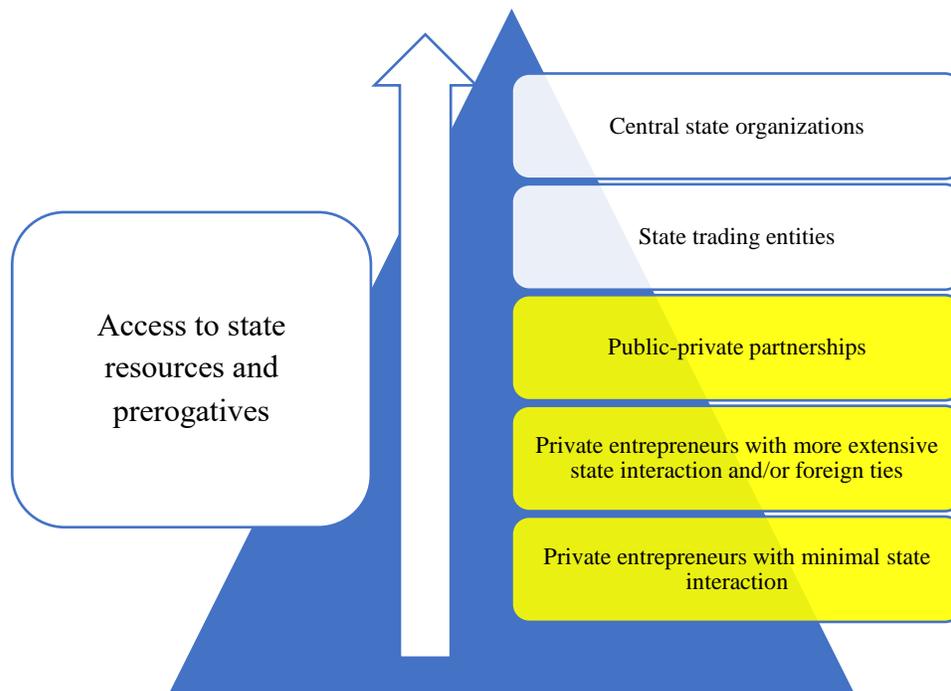
1. The *jangmadang*, the informal markets where low-level entrepreneurs sell food and consumer goods, with vendors paying bribes to security officials in exchange for the ability to operate.
2. The *general markets*, the officially recognized markets where vendors mostly sell food and consumer goods, paying a regular fee to the state operators of the market in exchange for the right to maintain a stall.
3. *Cross-border trading points*, generally close to the Chinese border inside North Korea, where North Korean businesspeople exchange goods and compensation (either hard currency, barter, or a combination thereof) with Chinese counterparties.
4. The actual *service, retail and production locations* in North Korea – retail stores, service stations, factories, and restaurants – which are formally state-owned, but often the result of what are effectively public-private partnerships.

The market activities themselves include retail (buying and selling food and consumer goods); service provision (such as automotive repair, inter-city transport and delivery, restaurants); brokerage (facilitating other market activities); and international trade (legally or illegally importing the foreign-sourced food and consumer goods sold in the physical locations, and legally or illegally exporting DPRK-produced goods).

Market Participants and Levels of Market Participation

North Korean market participants are differentiated by their degree of interaction with the state. The structure of the market economy looks something like a “food chain,” with private entrepreneurs in local markets at the bottom and Kim Jong-un (and the central state) at the top (see Figure 2). People at all levels extract money from those below them (Park 2011).

Figure 2. Levels of Market Participation



At the lowest level are *local entrepreneurs operating without significant interaction with the state*, presumably in the *jangmadang* or general markets. Their interaction with the state is limited to paying off security and other local officials for the space to operate, whether legally or “illegally.”

One level up are the *local entrepreneurs with more extensive links to the state and/or foreign networks*. They, or their customers or suppliers, (1) have the ability to do business across the border with China; (2) have (or lease) foreign trading licenses (*waku*); or (3) have sufficient connections with state officials to shield themselves from the same degree of scrutiny that independent actors might be subject to.

At the next level are businesses engaged in what might be called *public-private partnerships*. Because private companies are banned in North Korea, entrepreneurs that seek formal status might enter into a relationship with a state organization such that (1) the company and its assets are registered in the name of the state organization; (2) the entrepreneur is given a title or position within the state organization and “hired” as manager of the company; and (3) the state organization receives a fee and a portion of the reported profits. Alternatively, state enterprise managers may use their connections to go into business for themselves, with the same set of incentives to operate and pay off superiors (Hastings 2016; Lankov et al. 2017a).

Because of the imperative to bring in revenue (both for themselves and for the central state), *state organizations at all levels* go into business for themselves, either by setting up formal state-owned companies that participate in market activities or by leasing out their trading rights or other

resources to other market actors. State organizations might also enter into agreements with foreign companies in joint ventures. Such enterprises are allowed to incorporate and operate under North Korean law, and indeed are encouraged by the North Korean state, although UN sanctions adopted in 2017 require countries to prohibit their nationals from engaging in these joint ventures (Wertz 2020).

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

This report focuses on the entrepreneurs at the bottom of the food chain – those with limited or informal ties to the state – as well as market participants engaged in public-private partnerships. It is at the lower levels where the building blocks of civil society have the greatest potential to develop.

The Gendered Nature and Social Structures of Market Participation

Market participation in North Korea is highly differentiated by gender as well as social status. Women generally enjoy a greater degree of personal mobility in North Korea than men do, as married women in North Korea are not typically tied to a workplace in the formal economy. These dynamics reflect patriarchal norms asserting a masculinized public realm defined by the state and its institutions, and a feminized private realm defined by family, the household economy, and petty commerce. Gendered mobility has allowed women to predominate among the ranks of North Korea's market vendors and small-scale entrepreneurs, and become the primary breadwinners for many families in the country. However, women appear to have significantly less representation in the upper echelons of North Korea's market economy than in its lower or middle tiers.

As North Korea's planned economy stagnated and eventually imploded in the 1980s to early 1990s, many state-owned enterprises rid themselves of female workers. Meanwhile, men remained obliged to report to their increasingly nonfunctional workplaces even as their ration-based pay dwindled. The exit of women from the formal economy, combined with traditional attitudes about petty commerce being women's work, set the stage for female market traders and household entrepreneurs to drive North Korea's spontaneous marketization during the "Arduous March" (Park 2013; Lankov and Kim 2014; Jung and Dalton 2006). Women constituted a sizeable majority of vendors in both the *jangmadang* and general markets as the North Korean government began to tolerate and institutionalize market activities in the years after the famine. Refugee surveys suggest that roughly three-quarters of North Korea's market traders are women, while the 2008 DPRK Census stated that women constituted 98% of the over 300,000 "market salespersons" in the country (Lankov and Kim 2014, Central Bureau of Statistics 2009). Yet the relative economic empowerment of women in North Korea has not overturned traditional attitudes about the role of women as the primary family caretakers, nor has it made women less vulnerable to abuse at home

or predation by the state (Haggard and Noland 2012; Human Rights Watch 2018). Women have also predominated among North Koreans living undocumented in China to earn a livelihood, and in some cases to send remittances back home, despite the considerable risks such border-crossing entails (Robinson 2019, Kim 2020a).

While the nature of women's participation in North Korea's markets has been defined by their general exclusion from formal structures of power, market participation by North Korean men has been more closely shaped by individuals' status within the formal economy and political system. On the lower rungs of the socio-economic ladder, men employed by state-owned enterprises have had opportunities to directly or indirectly participate in markets by pilfering goods from their workplaces, a phenomenon widely observed in North Korea since the famine years (Soh 2017; Lankov et al. 2017b). Men also predominate among the ranks of North Korea's state-owned enterprise managers and foreign trading company representatives, as well as among high-level government, Party, and military officials.⁵ Such officials are generally well-positioned to personally profit from the misappropriation of state assets, or from entering into various sorts of patronage relationships.

There is not an absolute divide between North Korea's feminized informal economy and its male-dominated formal sector. The lines between the various segments of the country's economy are often blurred, and woman entrepreneurs have in many cases been able to amass the capital and network necessary to expand the scope of their enterprises to a limited extent, particularly in service sector industries such as restaurants (Weisensee and See, 2014). Some women also appear among the ranks of North Korea's *donju* (Kim 2020b). However, service to the state is typically a far more efficient method for accumulating initial capital and connections than working one's way up from the bottom of the economic pyramid; it has therefore been mostly well-connected men who have arrived at the commanding heights of North Korea's market economy.

The gendered dynamics of North Korea's grassroots marketization also reflect what Eun Jeong Soh (2017) has called "the logic of the freedom of marginalization." Economic collapse meant that those at the bottom of the system – North Koreans from politically suspect groups, as well as women more generally – were the first to be left to fend for themselves, a process that created desperate need alongside the prospect for economic advancement through market participation. North Koreans with bad *songbun*, or family backgrounds, have been excluded from the ranks of officialdom or other socially prestigious jobs, but were among the first to turn to market activities

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

when the regime's social contract began to dissipate. North Koreans with family members abroad have also faced social stigma and exclusion, yet can profit from doing business with relatives across the border or receiving remittances.

Individuals' success or failure as market actors has thus served to partially replace traditional *songbun*-based social inequality with new forms of market-driven income inequality. As North Korea's market economy has matured, relatively successful market participants are no longer motivated by mere survival, but have sought to advance their social status and display their success and modernity (Dalton, Jung, and Willis 2017). Less successful market participants, or those excluded from meaningful market opportunities or state support, have continued to suffer significant hardships.

Implications for Market Participation

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

Second, ***uncertainty is very high for all participants***. Participants do not know if there will be sudden shifts in state policy on market goods or the markets themselves, a problem that has apparently become accentuated under Kim Jong-un (Informal trader #3). North Korea suddenly banned the export of seafood in 2012, for instance, causing loss to a number of seafood exporters (Chinese businessman #14). There is also the possibility that market actors, their counterparties, and/or supporting officials could be purged or otherwise run afoul of other powerful officials, as occurred with large numbers of trade officials, border guards, and other government workers in the wake of Jang Song-thaek's purge (Chinese businessman #14). Finally, the borders might be closed without warning to cross-border trade, either through checkpoints or by an increase in border patrols to deter smuggling (Hastings and Wang 2017, 2018). The closure of the Sino-North Korean border due to the Ebola virus in 2014 (Chinese businessmen #21, #25), and to COVID-19 in 2020, are illustrative. This policy uncertainty perversely has led some Chinese businesspeople to conclude that informal trade is less risky than formal market activities. In the words of one seafood trader:

The DPRK to China customs policy is very unstable. Since Kim Jong-un came to power, North Korea's policies and regulations can be said to flip-flop, so if I go through the normal channels of the legal seafood business, I will not only have a lot of competition from Chinese and Russian businessmen, I will also have a lot of political risk [...], so the legal seafood business is not as stable as the smuggling business (Informal trader #3).

Another trader noted that the North Korean state's ambivalence about market activities has real consequences.

Legal business is very troublesome; the probability of success is not high. [The North Koreans] will let you make profits for two to three years, then wait until you've begun to be at ease about transferring equipment to North Korea, then they will force you to leave, and not give you a visa, so you don't have an opportunity to enter North Korea again. So you lose a lot of money, but what is most important is that you do not have a way to predict when they will suddenly repatriate you. The risk from normal business is far higher than the risk from smuggling (Informal trader #13).

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

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

Finally, *relationships are transactional*. Operating under an environment of low trust and uncertainty, relationships between vendors and suppliers, and producers and consumers, are transactional in nature. Market actors are mostly opportunistic and rent-seeking, looking to make short-term gains or to take a cut from the profits of others.

MARKET PARTICIPANTS' STRATEGIES

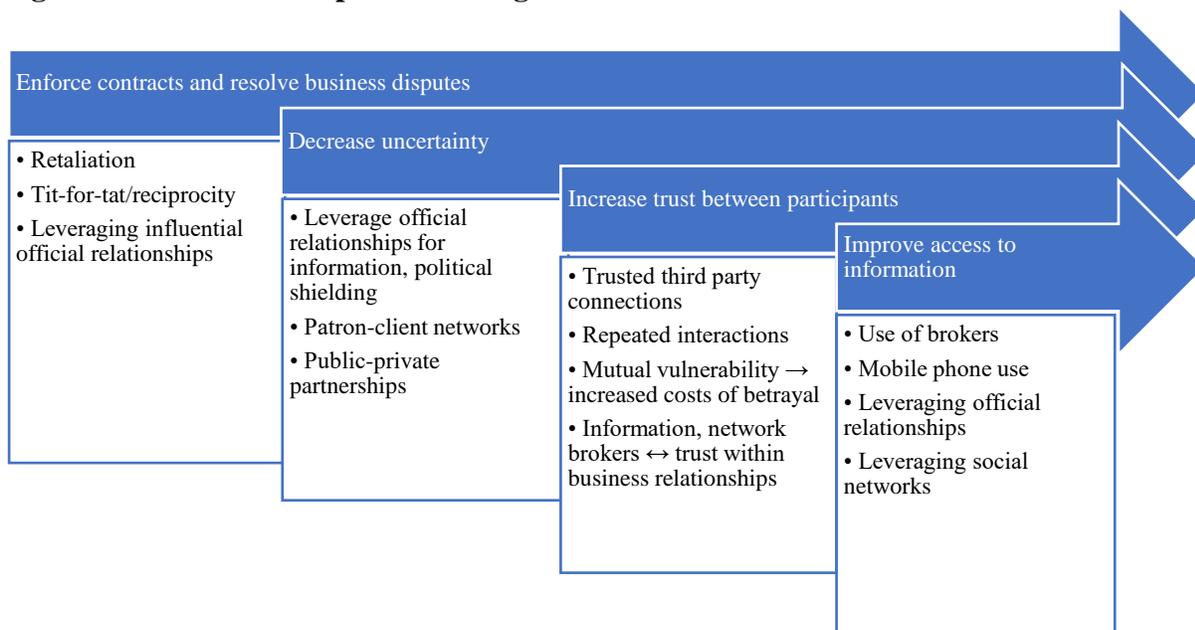
The strategies used by market participants in North Korea are attempts to address these challenges. In particular, the strategies are designed to:

1. **Enforce contracts and resolve business disputes.** Since the state will not adjudicate disputes, market participants seek to make sure that their business deals do not fall through, and that if they do, that they are able to recoup losses or satisfactorily conclude disputes outside of state channels.
2. **Decrease uncertainty.** Market participants need some assurance that their goods will not be expropriated; that they will not be arrested or otherwise harmed by market participation; that their ability to participate in the markets will continue; and that, more generally, state policies related to the markets will not change suddenly.
3. **Increase trust between participants.** Market participants need some assurance that the people they deal with will fulfil their obligations, and that these counterparties will not cheat them or (when illicit activities are involved) turn them in to state security officials.

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

These goals are interrelated and build off one another. Increased trust between participants can make it easier to enforce contracts and resolve business disputes. Increased access to information can decrease uncertainty to a certain extent. Decreased uncertainty can increase trust between participants and help to resolve disputes. The market strategies associated with reaching each of these goals can be dealt with in turn (Figure 3).

Figure 3. Market Participation Strategies



Enforcing Contracts and Resolving Business Disputes

In the absence of an impartial state arbiter, market participants might enforce contracts and resolve business disputes in several informal ways. They might simply engage in retaliation (individually and collectively) against cheaters, either non-violently through cessation of contact with cheaters (and encouragement of their other business associates not to do business with cheaters), or violently. One interviewee described letting a seafood delivery spoil rather than accepting it, thus causing his counterparty loss, as a means of retaliation for unacceptable dealings (Informal trader #5). North Korean market actors (particularly those with access to coercive means) can also record information of their counterparties (such as the counterparties' license plate numbers) so that they can refuse them passage in future transactions if a deal goes awry (Informal trader #4). Market actors can also share negative information about unreliable counterparties with other companies or businesspeople in their networks, thus encouraging network retaliation (Chinese trading company representative).

Regardless of the method, they may also leverage their relationships with influential state officials either to punish the cheaters or to resolve the dispute more amicably. Aside from cessation of contact with cheaters, all of these methods involve building connections with state officials and/or other market participants (Hastings and Wang 2017, 2018). One Chinese businessman operating an automobile repair business in Pyongyang built up a network of North Korean state officials who could provide him with political protection, introduce him to other officials and businesses, alert him to upcoming policy shifts, and provide information on other business opportunities by giving free repairs to certain officials (Businessman #11).

Building up long-term trust-based relationships with other market actors is not necessarily a method for resolving business disputes (except inasmuch as it raises the reputational costs of unreliability), but it can help in preventing business disputes from arising in the first place. A number of interviewees discussed how they were willing (over time) to do business with their counterparties with fewer precautions in place (such as deposits before delivery) as they built up trust with each other.

Decreasing Uncertainty

To decrease uncertainty – about the enforcement of laws and regulations, about the participants’ political status, or about upcoming policy changes – market participants might establish relationships with influential people who have access to information, or who (perhaps more importantly) can shield the market participants from policy changes or political fallout of their market activities. This could include establishing transactional relationships with security forces (particularly border guards, for smugglers) through facilitation payments (i.e. bribes). It may also involve building patronage relationships or types of informal partnerships with officials (Hastings 2016). This could include anything from a female entrepreneur marrying a Party official (or buying an official position for her husband); to donating to white elephant projects; to providing services (such as free car repairs, as mentioned above) or giving generous gifts to local officials. One Chinese businessman reported fronting the money for his North Korean contact to buy a position within the North Korean military, and then nurtured his contact’s career, such that his contact was willing and able to provide him with information, business opportunities, and political protection (Chinese businessman #13).

Finally, as discussed above, market participants may enter into public-private partnerships to give limited legal status to their enterprise. In exchange for a fee and/or a portion of the profits, state officials may register the business as a state entity, hire the entrepreneur as a manager, and provide the entrepreneur an actual official rank or position, thus insulating the entrepreneur from potential political setbacks to a limited degree. Forging public-private partnerships has become a common tactic as entrepreneurs have built up networks with state officials in order to decrease the odds of being punished for market activity, increase their access to information, and provide political protection against purges (Lankov et al. 2017a). Public-private partnerships are visible in a number

of enterprises, especially in service-related industries such as restaurants and transportation companies (Kim 2019a).

Increasing Trust between Participants

Market participants follow several steps to increase trust with each other. Initially, market participants might be introduced by a trusted third party known to (and trusted by) both parties. The third party can provide information about market opportunities or market participants, and vouch for the parties' trustworthiness.

Even in a low trust environment, repeated (positive) interactions and reciprocity between counterparties can gradually build trust. Chinese traders dealing with North Korean counterparties build up relationships over years by “taking care” of their counterparties' needs through the provision of food, gasoline, generators, and household appliances (Informal traders #4, 5, 7, 9; Hastings and Wang 2017). They also might routinely give non-monetary gifts to North Korean officials over a long period of time (Chinese businessman #11), as well as provide tours (in China) for North Korean officials and their families (Chinese businessman #9), thus making the officials dependent on them for at least some goods and services, even without money exchanging hands. The garage owner noted that:

Occasionally there are some North Korean customs officers who come to my auto-repair shop to fix their vehicles. After we got familiar with each other, they told me that I could have priority when transporting my goods through the customs, and I didn't need to worry about bribing other customs officers who have lower rank than them. Even though they told me this, I still bring some gifts to customs officers every time I need to go through customs – it is vital to maintain good relationships with customs officers (Chinese businessman #11).

Survey experiments with North Korean defectors corroborate the above insights from Chinese traders. Economists Kim and Kim (2019) found that defectors who had participated in markets in North Korea – and those with experience trading in goods, in particular – were more open to interacting with strangers and more likely to develop generalized trust.

Additionally, the development of long-term relationships can increase trust. Although mutual trust does not resolve conflicts *per se*, it does decrease the possibility of business disputes or cheating. Given the legally ambiguous nature of much of North Korea's market activities, market participants can also create mutual legal or political vulnerability through collusion in illicit activities, effectively rendering both parties incentivized against cheating due to fear of legal consequences if a defrauded party reports the other to the authorities.

Note that it is trust, not bribery *per se*, that is the primary tool for building resilient networks. Chinese traders routinely complained in interviews that their bribes to North Korean officials did not result in better, or more consistent, handling of their (legal) goods. Based on the experience of

Chinese traders, the level of bribes seemed to have little effect on how smoothly goods moved through North Korean customs and deeper inside North Korea (Chinese businessmen #6, #8, #1). In part, this is due to a lack of access to information, and a lack of initial social networks: the traders did not know which relevant officials to bribe, or even how to identify the relevant officials. North Korean traders' experiences are likely to be analogous: bribes are useful for lubricating the wheels of commerce in North Korean markets, but information and initial social networks are likely to be necessary for North Korean market participants seeking to enter new markets.

Finally, market participants' use of information and network brokers is both a result of, and potentially a source of, some degree of trust within business relationships. Real estate agents can provide information about property availability and can use connections to smooth the process of "buying" a property (Park 2015). Informal referral networks can help North Koreans find a doctor they can trust, a pharmaceutical retailer who will not sell them counterfeit goods, or reliable employees for their private business; conversely, these networks can impose a reputational cost upon untrustworthy individuals (Soh 2016, Lankov et al. 2017b). Communications brokers (for North Koreans who want to send messages or communicate with people outside of North Korea) and financial transfer brokers (who facilitate the transfer of money into North Korea from China and South Korea) all operate on the basis of serving as a trusted party for at least one market participant within a transaction (Harlan 2012).

Improving Access to Information

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

Mobile phone use also increases access to information (Kim 2019a; Aker 2010). Smartphones have become increasingly widespread in North Korea – by one estimate, a quarter of the entire North Korean population owned a smartphone in 2019 (Park 2019). As with market activities in general, the North Korean state is ambivalent about smartphones. While they are able to transmit information outside the confines of the North Korean state propaganda, thus creating some political risk for the state, the state itself also benefits from the sale of mobile phone plans.⁶ The widespread use of mobile phones in North Korea (despite users' inability to call outside of the country and the high likelihood that state surveillance agents are listening in) allows market participants to establish relationships with other actors potentially far from their physical location. Mobile phones also allow individuals to acquire information about market opportunities and conditions, availability of goods, and market prices, among other things (Kang 2019). As a result, it is not necessarily in the interest of the state to crack down on smartphones. As reported by the *DailyNK*:

⁶ We thank one of our expert reviewers for this point.

We can see the prices in markets all over the country, and we can send photographs and videos of products. The mobile phone is now a necessity for us... You make calls anywhere within the country with a mobile phone so it makes it easy to exchange news... We've entered an electronic age, and we've left the days of sending a letter and waiting a month for it to arrive (Kang 2019).

In border areas, market participants can use and rely on Chinese mobile phones and cell towers to call into China, although this is highly illegal and thus risky. Mobile phone brokers on the Sino-North Korea border can also facilitate calls between North Korea and other countries (North Korean Economy Research Centre 2018). Additionally, North Korean market participants who are able to go abroad to do business – an elite subset of the general population of North Koreans engaged in market activities – may use the Internet to collect information and contact their business partners while out of the country.

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

Over time, the relationships that market actors cultivate with state officials can provide them with information about upcoming policy shifts and protect them during crackdowns (Informal traders #7, #10). These officials take a consistent portion of the profits of the goods as bribes (for instance, one gold trader paid out 5-10% of his gold smuggling profits in bribes; another luxury car trader paid out bribes that amounted to a set percentage of the expected cost of the car). Routinized and predictable bribery indicates that traders have developed a certain level of trust with other market participants, including state actors. They are capable of maintaining consistent expectations about the prices (bribes) to charge for allowing goods across the border and the reliability of other market participants. (Informal traders #2, #12). Continuously available information also helps to cement this consistency. One trader notes that:

At present, many North Korean customs officials are familiar with China, they're very clear how much profit we make on a given trip, so when they ask for bribes, it will be based on their estimates of our profits (Informal trader #2).

Another trader states that the bribe levels tend to be based on North Korean officials' accurate assessment of the potential profits.

If [the bribes are] money [rather than bartered goods], because I am doing business related to cars, they [North Korean customs officials] will look at the car model, then to take care of me they want approximately 40% of the car's profit (Informal trader #4).

There are ways to reduce uncertainty and increase access to information, even if a market participant does not have (or does not want to have) direct access to North Korean markets. This can be seen from Chinese smugglers and the steps they take to minimize risk in North Korean markets. Chinese smugglers rely on the information networks of North Korean officials and traders who have access to information on movements of border guards (possibly as a result of building their own trust networks with these guards), as well as potential buyers and sellers within North Korea further down the supply chain. North Korean market participants can also inform their Chinese counterparts of a safe time and place for smuggling goods across the Yalu or Tumen rivers. The communication between Chinese and North Korean partners occur via mobile phone at the Sino-North Korea border (Informal traders #6, #7, #8, #10).

III. DEVELOPING CIVIL SOCIETY IN NORTH KOREA?

The preceding sections described the challenges and opportunities facing market participants in North Korea and the different strategies devised by entrepreneurs to survive a hostile market environment. Before discussing how such strategies might generate the building blocks to civil society, we first address how to conceptualize civil society in a highly authoritarian context such as North Korea.

WHAT IS CIVIL SOCIETY?

Civil society is frustratingly difficult to pinpoint. It can refer to voluntary associations, non-governmental organizations (NGOs), civic groups, and social movements. Sometimes, civil society complements the state by providing public services, contributing to good governance, and acting as an independent “watchdog” against state authority. In other instances, civil society is in opposition to the state, as witnessed by frequent protests and social movements against governments.⁷ Civil society can bring together different elements of the population in support of the common good, or – in the absence of effective and legitimate political institutions – it can serve to fragment and divide the public (Berman 1997).

Although no universal definition exists, we adopt political scientist Larry Diamond’s (1994, 5) definition of civil society as “*the realm of organized social life that is voluntary, self-generating, (largely) self-supporting, [and] autonomous from the state... It is distinct from ‘society’ in general in that it involves citizens acting collectively in a public sphere to express their interests, passions, and ideas, exchange information, achieve mutual goals, make demands on the state, and hold state officials accountable.*”⁸ We therefore conceptualize civil society as foremost a *space* in relation to other spheres (i.e. state and markets), and only secondarily as an actor in relation to other actors

⁷ Foley and Edwards (1996, 39) even distinguish these two conceptions of civil society as “civil society I” in which habits of association and horizontal networks foster patterns of civility; and “civil society II” which emphasizes a “sphere of action that is independent of the state” capable of organizing resistance to tyranny.

⁸ We removed the phrase “and bound by a legal order or set of shared rules” from Diamond’s definition as we find civil society can often operate outside of a legal jurisdiction, particularly in non-democratic environments.

(i.e. government and business actors). Civil society may take the form of voluntary associations and independent civic groups, but it could also more broadly constitute a public sphere – an *arena for contestation* where participants exchange and debate ideas and discourse (Edwards 2009, 8).

The concept of civil society has evolved over time and taken different shapes and forms across geographic regions. In Aristotle's *polis*, the state and civil society were indistinguishable as civility emerged from elite citizens who were part of the state. In contrast, Enlightenment thinkers saw civil society as a buffer against state encroachment on individual rights and freedoms (Edwards 2009). Whereas some political theorists such as Alexis de Tocqueville viewed civil society as an independent actor that balanced against government power, Karl Marx viewed it as ultimately advancing the interests of the ruling capitalist class (Edwards 2009). Antonio Gramsci, expanding upon Marx, characterized civil society both as a site of contestation among the elite and as a potential forum for the masses to challenge the ruling order (Buttigieg 1995). Some scholars see civil society as a product of the nation-state and capitalism, "arising spontaneously to mediate conflicts between social life and the market economy" as industrialization upended traditional ties to family and community. Others understand it as a "universal expression" that reflects the collective life of individuals, but that is expressed differently in specific cultural and historical contexts (Edwards 2009, 3).

Early studies of civil society have demonstrated the close relationship between markets and civil society, particularly as understood as a public sphere. For example, the German philosopher G.W.F. Hegel envisioned civil society as a sphere of market relations, "regulated by civil law, intervening between the family and the state" (Alagappa 2004, 27).⁹ Jürgen Habermas' study of the public sphere also begins with markets. Increasing trade and commerce produced a demand for information about goods and prices in different towns. The rise of local taverns, salons, and coffee houses along commercial trade routes provided a space for social exchange that helped foster the development of a bourgeois public (Habermas 1991, 30). As Muthiah Alagappa (2004, 27) explains, "With the development of the commercial state in eighteenth-century Europe, civil society, conceived essentially as a market-organized sphere of production and competition, came to be viewed as a distinct, legally protected public realm, separate from family and state."

Shifting from the 18th to the 20th century, the third wave of democratization and the reawakening of civil society in former communist countries sparked a wider conversation about "the proper relationship between the individual, society, state, and market" (Alagappa 2004, 28). Contemporary studies have examined civil society in relationship to social capital, looking at the features of social organization such as trust, norms, and networks that can improve the efficiency of society by facilitating coordinated action. As one influential study puts it, "social trust in complex modern settings can arise from norms of reciprocity and networks of civic engagement ... [and] effective norm(s) of generalized reciprocity [are] likely to be associated with dense networks

⁹ However, Hegel believed that markets and private interests at times might lead to civil society instability, requiring the state on occasion to guide and give order to civil society (Alagappa 2004, 27).

of social exchange... Conversely, repeated exchange over a period of time tends to encourage the development of a norm of generalized reciprocity” (Putnam et al. 1993, 171-172). Other scholarship emphasizes the importance of trust and social capital extending beyond in-group solidarity, which can facilitate the informal norms and behaviors that reduce market transaction costs and promote associational life (Fukuyama 2001).

These accounts emphasize the mutually reinforcing nature of civil society and its attendant “building blocks” – social trust, overlapping horizontal networks, and norms of shared behaviors and reciprocity – but acknowledge the difficulties in enabling this virtuous cycle in a society where these building blocks are not present. The production of social capital is at least a partially path dependent process, the product of cultural norms and shared experiences. However, social capital may also arise to a certain degree from repeated interactions over time within a community or in the market (Fukuyama 2001). When a market economy is stable and prospering, norms for handling transactions emerge and market participants – seeking to maximize long-term gains – have incentives to develop a reputation for honesty and fair dealing.

The concept of civil society remains a contested domain: as critics point out, traditional frameworks for understanding civil society have generally taken a Western frame of reference, and have rarely conceptualized civil society through the lens of gender. As Jude Howell (2004) notes, however, gendered dynamics both within the family and in a state’s broader structure of public power tend to shape the nature of participation of civil society, leading to women’s exclusion from some public institutions but also enabling certain forms of women’s activism at the community level. Cross-culturally, civil society also sometimes manifests in ways that do not necessarily reflect a sharp state-society dichotomy. In several East and Southeast Asian countries, for example, local neighborhood organizations function as state-sponsored mechanisms that intermediate between state actors and citizens, facilitating compliance with government policies while creating space for community input (Read 2012).

More generally in authoritarian states, civil society organizations tend to operate in a narrow space where cooperation with the government, rather than resistance to it, is the norm (Ziegler 2010). Teets (2013) has referred to this symbiotic relationship between civil society and the authoritarian state as consultative authoritarianism. Civil society organizations, sufficiently constrained and co-opted, can complement authoritarian governance by providing social services and other functions beyond the remit of the state, while avoiding any direct challenges to state authority.

There is a tendency for some advocates of political change in North Korea to treat civil society actors in opposition to the state in their resistance against tyranny. Studies exploring the role of civil society in democratic transitions often take this bottom-up approach to political reform (Linz and Stepan 1996; Kim 2000, Ekiert 1999). This represents an unnecessarily narrow understanding of civil society, and one that may yield only limited insights when applied to the North Korean context, where organized, continuous, and overt forms of collective opposition to the state are

highly unlikely to be viable. Instead, the emergence of civil society in North Korea should be interpreted in terms of two questions. First, to what extent is there an autonomous public sphere outside the purview of the state that allows for the exchange of ideas and creation of new social norms? Second, to what extent are there sufficient foundations in North Korean society to facilitate the emergence of independent and voluntary associations if changed political conditions were to allow for them?

ASSOCIATIONAL LIFE IN NORTH KOREA

The relationship between the North Korean state and society has never been as completely monolithic as the regime's propaganda might suggest (Schmid 2018). However, the DPRK's historical efforts to shape the social structures and everyday life of its population were remarkable even by the standards of other regimes rooted in Stalinist political structures. During the Kim Il-sung era, the centrally planned economy and public distribution system enabled an environment of pervasive indoctrination and surveillance over daily life. While reorganizing society along Party-controlled lines, the North Korean state also used its apparatus of repression to undermine or stamp out traditional forms of social organization such as religious associations and to inhibit the development of new social institutions or associations outside of its control. The economic collapse and entropy of Party institutions in the 1990s loosened the state's grip on society to a certain extent, but while a second economy emerged outside of the country's existing institutional framework, a "second society" did not.¹⁰

Two major forms of social organization in North Korea – which concurrently function as institutions of state control over everyday life – are the "mass organization" and the *inminban*, or neighborhood watch group. Every working-age adult in North Korea who is not a Korean Workers' Party member must belong to one of the country's mass organizations. The primary organizations are the Youth League (for those under 30), the General Federation of Trade Unions (for workers), the Agricultural Workers' Union (for farmers), and the Women's Union (for housewives). These organizations serve as "transmission belts" delivering the Party's will to the masses, with local cells assigned responsibility for organizing regular ideological education and mutual criticism sessions. Smaller professional, cultural, and political associations, such as the Korean Journalists Union, the Korean Christian Federation, and the Korean National Peace Committee also operate under the guidance and control of the Workers' Party (Lankov et al. 2012, Gause 2013).

The *inminban*, which function as the lowest administrative unit in the North Korean state, are typically comprised of twenty to forty neighboring households. Like neighborhood organizations in South Korea, China, Taiwan, and parts of Southeast Asia, the *inminban* has roots in institutions developed during the Japanese colonial era (Read 2012); however, in North Korea the institution evolved into a form far more pervasive than those found in neighboring states. The *inminban* head – usually a middle-aged woman of politically reliable social status – is responsible for monitoring

¹⁰ The term is borrowed from Hankiss 1988.

the activities of the people in her neighborhood and liaising with local security officials. The *inminban* head also mobilizes the group's members for collective tasks and "patriotic duties" such as garbage collection, street cleaning, and collecting night soil.

Collectively, these institutions not only serve as tools for surveillance and indoctrination, but also crowd out the emergence of organic civil society networks – the neighborhood committee, the labor union, the professional association – which form to place demands upon the state, or to address the needs of their members independently of the state. Additionally, North Korea's state-controlled associations serve to inhibit the formation of independent social networks by placing a considerable burden on members' time, whether for ideological study sessions or for mobilization campaigns. Furthermore, the system of mutual surveillance and criticism associated with these institutions serves to undermine social trust.

In mirroring the networks of civil society associations, it is not implausible that North Korea's mass organizations and *inminban* could also foster friendships and "weak ties" among the individuals they bring together, indirectly facilitating the spread of information and the creation of social capital. Similarly, by connecting state and society, these institutions may sometimes serve as sites of contestation and renegotiation of the state's role in everyday life. Accounts of participation in North Korea's mass organizations and *inminban*, especially after the economic collapse of the 1990s, demonstrate how they have institutionalized various forms of everyday resistance to state authority. Colleagues may privately work out a pro forma script prior to a mutual criticism session, or an *inminban* leader might turn a blind eye to minor indiscretions for fear of incurring the wrath of her neighbors (Gause 2013). To a limited extent, the *inminban* and mass organizations may have had to adjust their institutional practices to reflect the shifting relationship between state and society; there are anecdotal reports, for example, of local residents successfully pushing for a say in the selection of a new *inminban* leader (Kang 2018).

Nonetheless, the fundamental nature of the *inminban* and mass organizations as state-controlled organizations means that, so long as centralized mechanisms for political control exist, these institutions will continue to inhibit the formation of civil society and its attendant building blocks far more than they enable them. However, different forms of passive resistance to or physical exit from these institutions are possible to varying degrees in contemporary North Korea. One might only go through the motions of participation, make payments to excuse oneself, or simply not bother showing up to meetings.¹¹ Voicing direct opposition to top-down directives within the context of these organizations, on the other hand, remains a highly risky undertaking.

¹¹ Defector surveys conducted annually between 2016-2019 suggest that attendance at organizational meetings is rarely 100%, with the majority of those surveyed indicating the range falling somewhere between 50-90% at any given time (IPUS 2020, 125).

SOCIAL ORGANIZATION BEYOND THE STATE

There are no hybridized public-private civil society organizations in North Korea in the same way that there are public-private business partnerships; the decentralization of economic decision-making has not been matched by the decentralization of decision-making about social services or public goods, wherein local community input might influence the provision of these goods. To be sure, local enterprises are expected to fill the void left by the public distribution system by providing rations to employees, and institutions such as schools and hospitals generally have to find their own means of funding. However, policies and priorities for institutions that provide social services have generally remained subject to centralized decision-making. A limited number of international aid projects in North Korea demonstrate how community input and localized decision-making in the implementation of public policy might function: a successful sloping land management project, for example, empowered small land user groups to implement agroforestry projects on degraded hillsides in a manner that met both economic and environmental needs (He and Xu 2017). Such a devolution of decision-making would not necessarily be out of line with North Korea's ideological emphasis on localized self-reliance, but it has been a rarity in practice.

Alternative forms of social organization in North Korea outside of close family and/or economic networks are very limited. Independent labor organizing and workplace strikes appear to be nonexistent. Christianity, which thrived in Pyongyang before the division of the Peninsula, has long been the target of severe state repression. The Christians who remained in the country after the Korean War faced persecution and discrimination, ultimately facing the choice of either hiding their faith, abandoning it, or reconciling themselves with the regime's deeply truncated version of their religion (Kim 2018). The development of cross-border networks linking China and North Korea in the 1990s and 2000s facilitated the re-emergence of an underground church, but one that has been suppressed on both sides of the border. Traditional folk religious practices, such as fortune telling or ancestral grave sweeping, have managed to survive despite regime opposition (USCIRF 2008), yet these practices do not necessarily enable broad horizontal social networks.

The transnational networks that facilitate the transfer of people, remittances, and subversive materials into and out of North Korea certainly represent a form of social organization that operates without the imprimatur of the state. Motivations for participation in these networks vary substantially: on one side of the spectrum are idealistic NGOs and missionaries, on the other side are exploitative human traffickers (Song 2015). On the North Korean side of the border, however, these networks could generally be described as businesses operating in high-risk, high-margin sectors rather than civil society organizations working out of altruism.

Institutionalized and overt opposition to the state in North Korea remains beyond the realm of possibility under current political circumstance. Nevertheless, spontaneous organization and protest in response to economic grievances, while a rarity, is not completely unheard of. In 2008, for example, market vendors in Chongjin reportedly protested (successfully) against age limits for women operating market stalls (Good Friends 2008). The next year, the government's botched

currency reform scheme also incited unrest, prompting the scapegoating and execution of a top economic official as mentioned earlier (Szalontai and Choi 2014). These events appeared to represent the high-water mark for the regime's attempts to reverse marketization in the country, as well as for public displays of discontent with the North Korean government's policies.¹²

NORTH KOREA'S PUBLIC SPHERE

Although the North Korean regime closely monitors individuals in an effort to stamp out ideas deemed anti-revolutionary, the regime is unable to fully regulate the thoughts and consciences of North Koreans, or to fully control social life or the flow of information within the country (Baek 2016). Alongside the "authoritarian public sphere" shaped by the regime through censorship and propaganda, marketization in the country has also enabled a semi-autonomous public sphere where citizens might share independent discourse and ideas (Dukalskis 2017).

To the extent that North Korea's markets are only partially regulated, they create some space for individual interaction, whether in-person or via mobile phone. Beyond market-related information about the price of goods or business opportunities, topics of discussion may range from the ordinary – the weather, current events, and local gossip – to the relatively subversive. While only the especially bold or foolhardy might share explicitly political ideas in these forums, individuals might indirectly critique the status quo by criticizing corrupt local officials, speculating on why economic conditions have not improved, or sharing ideas about how to work around the latest edicts handed down by the Party. North Koreans may also use jokes, humor, and double-speak to comment on social realities or address shortcomings with the regime (Park 2018; Joo 2014).

Nonverbal signals can also be interpreted as indirect challenges to government authority. For instance, some see the shift in women's fashion, influenced by foreign fashion sensibilities, as a public statement against the social mores promoted by the regime (Saucedo 2020; Giacomo 2017). The change in fashion to more color and shorter hemlines was not initially encouraged by the state, but prompted by women who observed, adopted, and transmitted fashion trends from abroad to North Korea, testing the boundaries of the regime's strict dress code (Dalton, Jung, and Willis 2017). Cosmetic surgeries for women in Pyongyang and elsewhere in the country are also reported to be common despite official opposition (Tudor and Pearson 2015).

Foreign movies, TV shows, and music – most notably cultural products from South Korea – have also seeped into North Korean society, passed on via USB sticks, DVDs, or other means (Kretchun, Lee, and Tuohy 2016; Kretchun and Kim 2012). North Koreans generally consume foreign media products because of their entertainment value, rather than because of any political messages they may contain, but these foreign media products nonetheless offer a window into the world and a

¹² See video footage from *Asia Press Rimjingang* of state authorities cracking down on markets and street vendors resisting and arguing with government officials. Available at <https://www.youtube.com/watch?v=VBmkokn0laY>, and at <https://www.youtube.com/watch?v=Y9A4EUDhDHs>

trove of alternative cultural influences (Baek 2016). South Korean slang is reportedly common among certain circles of North Korean youth, serving as a plausibly deniable marker of those “in the know” (Tudor and Pearson 2015).

Aided by the growth of markets, limited space has emerged for interaction and discourse beyond the private sphere, but not necessarily under the strict control of the state. However, the regime has also demonstrated the ability to constrain and shape this semi-autonomous public sphere through adaptive repression and selective co-optation, as well as by more traditional forms of propaganda and information control. Modernized cultural products like the Moranbong Band, the cartoon show *Boy General*, or state-published comic books offer a domestic alternative to both foreign media and the stale entertainment offerings of years past, while still maintaining an appropriate dose of ideological content (Tudor and Pearson 2015). Kim Jong-un’s wife, Ri Sol Ju, has provided a model of the stylish “new Korean woman,” while luxury goods stores in Pyongyang offer high-end clothes, cosmetics, and other items – allowing the state to incorporate and profit from a burgeoning new consumer culture among the well-off (Draudt 2020). Using the voices of “re-defectors” who crossed to the South and back, the regime has reframed its narrative about life in the “immoral society” south of the DMZ, relying on half-truths to manipulate a partially informed public audience rather than continuing to offer implausible fictions (Green, Denney, and Gleason 2015). North Korea’s security services have also implemented sophisticated new controls on smartphones and IT devices, while cracking down on foreign media products (Kretchun et al. 2016, Williams 2019).

The mere existence of a semi-autonomous North Korean public sphere – particularly one that is subject to repression and manipulation by the regime – is not necessarily conducive to the spread of subversive ideas, or the development of a sophisticated alternative political discourse. Yet the expansion of this sphere also shows that North Koreans are not merely passive recipients of state-approved ideas. Instead, they may reconcile lived experience and state narratives through practicing “everyday nationalism,” engaging in a bottom-up discourse of what participation in national life means (Dukalskis and Lee 2020). Certain elements of regime-led discourse – such as duty and loyalty to the state – may remain deeply internalized (Hur 2020), while others fail to resonate. As the scope of a semi-autonomous public sphere in North Korea expands, however, it puts an impetus on the state to adjust its messaging to account for new social realities.

TRANSITION ECONOMIES AND CIVIL SOCIETY

The prospect for civil society’s emergence and development is often limited in authoritarian spaces. However, some lessons can be drawn from previous examples of market activity in closed states that were nominally command economies. The purpose of such comparisons is to consider how market activities and the “second economy” developed in what were ostensibly command economies, as well as how they developed after political transitions in the case of Eastern Europe (although there is no evidence that North Korea is currently in a political transition). Systematic comparative analysis sheds light on historically proven pathways for development (and their limits)

and the conditions and processes which might enable North Korea's informal economy to support a nascent civil society. China, the Soviet Union, and the former Communist-led countries in Eastern Europe provide some basis for comparison.

China

China's "reform and opening up" period from 1979 saw the gradual development of a mixed market economy with a substantial portion of market activity (and certainly the majority of economic growth and innovation) driven by private firms and individuals. The regime tolerated, and even encouraged civil society growth, albeit in a controlled fashion. However, civil society, particularly as it pertains to market growth, has not blossomed as the Chinese Communist Party (CCP) "co-opts newly emerging economic and social elites" into its Party and other political institutions (Dickson 2016, 2). Nevertheless, the CCP has initiated several reforms that have altered state-society relations since China's embrace of market reforms, which may be instructive in understanding North Korea's response to marketization.

Many groups that could theoretically be considered as civil society actors function (as in North Korea) as conveyor belts for information and control between the state and private citizens, rather than as non-state actors who advocate for specific interests or causes. However, mass organizations in China after the beginning of its reform period – in contrast to those in North Korea – functioned more as two-way conveyor belts in an institutional framework that could perhaps be considered as corporatist rather than monolithic. Institutions such as the All-China Women's Federation, the All-China Federation of Trade Unions, and various consolidated professional or cultural groups are theoretically intended to represent the interests of their members to the party-state, which in turn balances among competing interests and uses these channels to transmit its own guidance and messaging. In practice, these organizations often function to co-opt more autonomous civil society actors, while other elements of the state serve to repress those actors when deemed necessary (Unger and Chan 1995, Howell 2003, Fu 2017).

Private organizations that advocate for specific social movement causes exist inasmuch as Chinese law explicitly allows citizens to petition the government for a redress of their grievances (O'Brien and Li 2006). However, civil society organizations are limited in what they can do or say by Chinese law, which is enforced through a combination of mass surveillance (which is itself carried out via the three largest private Internet companies in China), harassment, imprisonment, or exile of civil society actors deemed highly antagonistic to the state. Thus, even though the number of non-profit groups and social organizations registered with the Ministry of Civil Affairs grew from about 400 in 1986 to 400,000 by 2006 (Teets 2013, 21), the degree of independence exercised by such groups remains limited. Although organizations may hire their own staff, run programs, and raise their own funds, thereby suggesting administrative independence, their activities actually perpetuate social stability on behalf of the state. Hence, the evolution of state-society relations in China has developed into what Jessica Teets (2013) refers to as "consultative authoritarianism" where civil society organizations partner with local governments to improve governance and the

provision of public goods. As communist leaders decentralized fiscal policy in the 1980s, transferring the primary responsibility of public goods provisions such as education, health care, and unemployment insurance to local governments, local officials turned to emerging civil society organizations as potential partners in helping them address social welfare problems (Teets 2013, 23).

Entrepreneurship is actively encouraged in China, although state-owned enterprises retain significant political favor, and have seen Party control strengthened in the past ten years. Market activities have generally not led to robust civil society building blocks or to politically active market actors. Perhaps the most important moves that the Chinese state made to capture market actors was to welcome private entrepreneurs into the Chinese Communist Party from the early 2000s and to use private companies as drivers for economic growth and investment. As with North Korea, connections to the Party are important for market success for entrepreneurs with growing businesses. Close personal and professional ties between Chinese capitalists and Party officials and a mutual interest in sustaining economic growth have incentivized entrepreneurs to support the existing political system that has enabled them to prosper (Dickson 2007, 827). Thus, Chinese entrepreneurs are less interested in democratic governance and have not pushed for further political reforms, including greater space for civil society. Kelly Tsai (2005, 1145) argues, “Only a fraction of the current generation of private entrepreneurs has both the ability and desire to confront the state in defense of their interests,” with most having resorted to non-democratic means to advance their interests.

Since the rise of Xi Jinping in 2012, and in an effort to weed out corruption, the Party has increasingly sought to place Party cells inside of private companies and to put Party secretaries onto the boards of private companies. These arrangements enable the Party to have a say in operations, investments, personnel, and strategy, while also ensuring that the Party benefits financially from private companies' successes (McGregor 2019).

China’s marketization experience highlights the challenges to civil society growth in North Korea, even with the significant expansion of markets during the Kim Jong-un period. At the upper end of marketization (see Figure 2), *donjus* and state actors vested in markets – while perhaps craving more autonomy to the extent that it translates to increasing profit margins – are unlikely to carve out a public sphere that cuts out the state. At the bottom, ordinary North Koreans operating in the general and/or unregulated markets must still operate under the watchful eye of the state and remain vulnerable to policy reversals and restrictions. Perhaps one positive lesson from China’s experience, however, is that market reforms promoting decentralization will eventually create a demand for consultative authoritarianism that allows for the growth of more independent social and service groups to address local governance needs (Teets 2013). Such a shift in state-society relations might grant more voice to citizens at the local level while reducing the state’s role in directing “associational life” and its ability to maintain ideological conformity. As Mary Gallagher (2004, 423) argues: “The de-politicization of daily life, the decline of ideology, the expansion of

the private and non-state sectors in the economy, the opening to foreign trade investment, and influence, the withdrawal of the state from key functions such as labor allocation and certain aspects of social welfare – all have radically changed the way Chinese people live, work, and interact with one another and with state and party authorities.” Rather than focusing on civil society autonomy – a near impossibility under current repressive conditions – researchers may find it more fruitful to examine the changing interaction between state and society (Gallagher 2004, 422).

The Former Soviet Union and Eastern Europe

During the Cold War, the Soviet Union and other Eastern European nations developed “second economies,” black and gray markets for labor and for goods that served several purposes. First, they allowed regular people to acquire what they needed in terms of food and consumer goods through commerce, and without depending on distribution from the formal state economy. Second, the second economies served as a “safety valve” for the formal economies, allowing the country to bring in and circulate hard currency, and for citizens to cut through the formal bureaucracy when necessary (Hastings 2016). In doing so, the second economies were able to mitigate the effect that the dysfunction of the formal economy had on the country (Remnick 1990; Grossman 1977; Gabor 1989; Sampson 1987).

Hungary, for instance, developed a strong second economy with private actors, and public actors involved in private business under a mix of formal regulations and informal understandings (Dallago 1995). While Hungary's communist bureaucracy legalized aspects of the second economy as a remedial measure for the failures of the formal economy, state firms found it easiest to subcontract business to their own workers and organizations, in effect creating hybrid networks and siphoning off time and workers from the formal economy (Rona-Tas 1995). The second economy, therefore, still depended on the formal economy. New enterprises relied on existing distribution networks and the facilities or assets of SOEs to launch their business. Nevertheless, the economic reforms introduced by the Hungarian Communist Party also established “a new stratum of quasi entrepreneurs among factory workers” and helped educate workers on the pressures of the market system and the “norms of pluralist interaction” (Stokes 1993, 86). Although “not exactly constituting civil society,” sociologist Elemér Hankiss has referred to the second economy as part of the rise of a broader “second public sphere” (quoted in Stokes 1993, 83).

Regarding marketization and its impact on state-society relations in Eastern Europe, the ability of certain Eastern European countries to build something approaching associational life apart from the state – as well as the existence of remnants of civil society from pre-Communist days – played a factor in building up civil society during the post-communist period. For instance, the primary civil society organization that made demands on the Polish government in the 1980s, Solidarity, was (and is) a market actor, inasmuch as it was the first legal independent trade union in Poland. It was both started by, and continued with, strikes by workers in state-owned factories. The Catholic Church in Poland also served as a center of associational life that was separate from the state. Individual priests and churches offered meeting rooms and tacit support for anti-regime

activities that provided some basis for the development of Solidarity. The ruling Polish United Workers' Party tolerated these groups – albeit to a lesser extent after 1981 – as a means to release societal pressure, but they also existed as “visible reminders that the party-state's hegemonic claim to representation of social interests was tenuous at best” (Weigle and Butterfield 1992, 6).

In Czechoslovakia, considered one of the more repressive Soviet satellite countries in the latter half of the Cold War, a group of public intellectuals formed Charter 77 as a dissident movement to support human rights as outlined in the 1975 Helsinki Final Act. The “seeds of civil society” in Czechoslovakia were found in small groups and movements that identified themselves as “non-political,” organizing around issues such as human rights, nuclear weapons, women's rights, and religious freedom. However, such groups represented a close approximation to, or “a surrogate for political life” (Skilling 1991, 8-9).

Russia also developed a second economy in the latter days of the Soviet Union. The collapse of the Soviet Union in 1991 was followed by a “big bang” approach to economic liberalization, which led to state-owned companies and assets being sold off to private businesspeople (often to former state managers), creating the oligarchic economy that exists in Russia today. In the 1990s, the weak Russian state was unable and/or unwilling to enforce contracts or resolve business disputes, and the Russia mafia, which had arisen during the days of the second economy, informally stepped in to resolve disputes and enforce contracts (Volkov 2002). The connection between marketization and civil society is thus double-edged. Many prominent civil society leaders or public opponents of President Vladimir Putin have been oligarchs or former oligarchs, reflecting the fact that they have the resources to build civil society organizations and attract attention for their criticisms of the Russian government. At the same time, the mafiazation of much of the economy in Russia means that corruption and violence are high, while social trust is low (Pehlivanova 2009; Volkov 2002).

Violence and instability in a transition economy may also have an enduring impact on how markets and civil society develop. In Bosnia, during the Siege of Sarajevo from 1992 and 1996, smugglers emerged to cross siege lines between Bosnian government forces and Bosnian Serb forces. These smugglers provided much-needed goods within Sarajevo during the siege, with the collusion of not only the Bosnian government but also the United Nations and the Bosnian Serb forces themselves. The market economy within Sarajevo was thus sustained by criminal elements, who were – not inaccurately – able to present them as the saviors of the population and who developed extensive relationships with local politicians, partly as a means of ensuring their continued ability to operate. After the war ended, these same criminal elements retained their political connections or went into politics directly, while also continuing to command more capital than other market entrants. This resulted in a post-war economy that had high levels of corruption, and weak political institutions (Andreas 2008).

Applicability to the North Korean Context

There are clear differences between the economic and social environment of contemporary North Korea and the conditions existing in the former Soviet bloc in the years before and after the Soviet Union's collapse. Nevertheless, some lessons may still be drawn when considering the rise of a public sphere and the distinction between ritualized political performances in the official public sphere, and the "informal behavior of people in everyday life" (Howard 2003, 26). In Eastern Europe, citizens belonged to different formal organizations such as youth groups, trade unions, women's groups, or the Communist Party. Membership was based on "obligation, obedience, and external conformity" (Howard 2003, 27). As a result of the coerced nature of associational life in the public sphere, relationships in the private sphere became "extremely meaningful and genuine" (Howard 2003, 27). Generally two types of networks developed: the first developed among a few trusted individuals such as friends and family (i.e. friendship networks). The second involved a broader network of "distant acquaintances" and connections for the more instrumental purpose of receiving (or buying and trading) goods. Ironically, reliance on personal networks built in the private sphere, and a lack of trust in public institutions in the post-communist period in Eastern Europe, created obstacles to the development of civil society (Howard 2003).

This does not bode well for civil society development in North Korea if the close personal networks and secondary "opportunistic" networks in the country begin to impede social trust rather than enable it. However, from the perspective of understanding the relationship between private and public spheres, the example of the Soviet Union and its satellites points to the potential legitimacy crisis the North Korean regime would face if it began – willingly or not – to scale back repression and systems of control without implementing commensurate institutional reforms. In the case of the Soviet Union, rapid economic and political liberalization in the 1980s led citizens to express their discontent more openly. Paul Hollander (2009, 4) writes, "*Glasnost*...made it possible for ordinary people to learn what was wrong with the system and to compare their own personal dissatisfaction with that of others making everyone realize that their grievances were far from isolated." In the Soviet Union, "declining ideological convictions among the ruling elite and its diminished sense of legitimacy" eventually led to the regime's downfall (Hollander 2009, 1).

North Korea's ruling elite is unlikely to adopt political reforms anytime soon. However, given decades of economic hardship, it is reasonable to believe (and some anecdotal evidence suggests) that differences exist between public expressions of support for the regime and private thoughts held about the failures of the socialist system. Several studies drawing on insights from defectors reveal the use of humor, jokes, and coded language, or the appropriation of the regime's own slogans and symbols to criticize the regime (Dukalskis and Joo 2020; Park 2018; Fahy 2015; Joo 2014). For instance, a defector spotted graffiti outside a factory gate in Nampo where the words of Kim Il-sung, "Flowers of the revolution should continue to blossom" were rewritten to state, "Flowers of the revolution are withering from hunger." According to Hyung-min Joo (2010, 133), local markets have become sites of "*malbandong*" (revolution by mouth) where "official rhetoric is increasingly questioned, challenged, and ridiculed by subversive re-interpretation from below."

Through hidden transcripts, Joo (2010, 134) finds official regime rhetoric constantly “delegitimized, denaturalized, and de-hegemonized” in North Korean society. Defector surveys conducted by the Institute for Peace and Unification Studies (2020) also indicate that criticism against the regime rose steadily under Kim Jong-il until his death.

Timur Kuran argues that communist regimes in Eastern Europe would have faced much more significant public opposition earlier were it not for preference falsification – the act of individuals misrepresenting their opinions due to perceived social pressures – and its “profound impact on both private and public sentiment” (Kuran 1991, 33). In that sense, preference falsification, which enabled Eastern Europeans to live with a significant degree of cognitive dissonance between the regime’s communist rhetoric and daily reality, functioned as a “wellspring of the communist system’s stability” (Kuran 1991, 33). We do not imply that North Korea is on the verge of revolution as was the case in Eastern Europe once private thoughts surfaced to the public sphere. However, the notion of preference falsification does highlight the difficult choices the regime faces as it decides how to respond to market actors and marketization while maintaining regime stability.

The experiences of markets and civil society development in Eastern Europe and the Former Soviet Union on one hand, and China on the other hand, provide some contrasting lessons for North Korea. First, many of the strategies used by market actors in Communist Bloc second economies were designed to bypass the state or mitigate the damage the state could inflict on their black or gray market activities. Therefore, market participation might be seen as being supported by corrupt market actors with little interest in building civil society. To promote civil society growth, then, it may be useful to focus on market participation strategies that actually facilitate the building blocks of civil society even in the face of corruption and state predation; these building blocks include increasing trust, scaling-up and expanding information sharing networks, relying on and increasing social capital and the like.

Second, in the aftermath of the collapse of communism, Eastern European states – unlike in China – were not successful in capturing or co-opting market and civil society actors. However, market actors often *were* successful in capturing or co-opting the state, as in Russia and Bosnia. To the extent that market actors used this undue influence over the state to advance their own parochial interests, their actions were injurious to the development of civil society. In a future North Korea where there is greater political openness or a formal transition toward a market economy, the market actors who are most successful today (whether integrated into the state or not) are likely to continue to hold some political sway.

Third, communist parties in several Eastern European countries faced a crisis of legitimacy before their fall in the 1980s. However, this crisis was not immediately apparent, as individual preferences remained hidden due to the fear of repression. Although citizens harbored negative attitudes towards the regime, they feigned public support by following the daily routine and rituals required by the regime, falsifying their preferences until a tipping point arrived. This contrasts with China

where institutional adaptation and rapid economic growth enabled the CCP to maintain a strong degree of legitimacy following market reforms.

A 2019 survey of recent North Korea defectors, conducted by the Institute for Peace and Unification Studies, does not suggest any apparent crisis of legitimacy in North Korea: the majority of respondents (61.2%) indicated that they expressed pride in *juche*. Over 70% of respondents also held the perception that the majority of North Korea's population supports Kim Jong-un's leadership (IPUS 2020, 107-109).¹³ Nevertheless, anything less than total loyalty among the North Korean population might be a cause for concern for the country's leaders. State media outlets such as *Rodong Sinmun* periodically denounce the scourge of capitalism and the anti-revolutionary behavior it encourages, thus suggesting an awareness of existing gaps between rhetoric and behavior. The scope and degree of discontent towards the regime remains uncertain. If preference falsification among North Koreans is significant, the country's leaders may – as their counterparts in Eastern Europe once did – face the threat of social instability following missteps in domestic policy. However, if the regime commits to institutional and ideological adaptation, thereby co-opting markets (and market actors), the future of civil society development may look more like the consultative authoritarianism characterized by China's corporatist model of state-society relations (Yeo forthcoming; Teets 2013; Gallagher 2004).

IV. LINKING MARKETS AND CIVIL SOCIETY

Assuming that market participant strategies foster some degree of social relations among market participants, and particularly among women, we consider how their interactions might sustain trust, build social capital, and facilitate the creation of new norms and networks – *what we deem are the building blocks to civil society*. Civic engagement and associational life – at least the kind not coerced or managed by the state – may not yet exist in North Korea to any meaningful extent. However, if participation in North Korean markets helps expand social relations, networks of trust, and social capital, then the essential building blocks for civil society formation may already be in place. In this final section, we draw out the connections between market participant strategies and the building blocks of civil society, and examine how both localized behavior and broader changes in North Korea's political and economic environment might advance – or alternately, hinder – the development of these building blocks.

BUILDING BLOCKS OF CIVIL SOCIETY

Linking markets to civil society begs the question of whether the expansion of markets (and more specifically the market coping mechanisms devised to enforce contracts, resolve disputes, decrease uncertainty, improve trust, and gain access to information) in North Korea will eventually enable the rise of a civil society sector. Evidence from existing studies and reports, including research

¹³ Survey respondents in 2019 defected from North Korea within 12 months of the time of the survey. See IPUS 2020, Chapter 1 for a discussion of survey methodology.

relying on defector surveys and interviews, suggests that market participant strategies have, perhaps unwittingly, generated key building blocks of civil society encompassing a public sphere. Social capital and other civil society building blocks are thus positive externalities of North Korean market participation and the strategies employed therein.

To be clear, this is different from arguing that civil society exists in North Korea. Most networks derived from markets remain private and small scale, and market networks based on personal trust are inherently self-limiting in size (Haggard, Lee, and Noland 2012). Nevertheless, market forces have shaped social relations in a direction more conducive to civil society development, despite the repressiveness of the regime. Below, we discuss in detail some of the inter-related building blocks to civil society that have emerged from market participation.

1. ***Social trust (or social capital)***: One of the most basic components of civil society is *social trust*: trust that is relational or requiring interaction between at least two individuals. Trust based on exchange and reciprocity is initially motivated by instrumental rationality rather than altruism and emerges out of mutual interdependence (Cook et al. 2005, 5). Trust is further informed by information and knowledge accumulated through experiences and interactions. Social capital is “a capability that arises from the prevalence of trust in a society or certain parts of it” (Fukuyama 1995, 664). If North Korean market actors interact regularly with one another as part of their course of business, or if market actors engage in repeated interactions with state officials in order to secure their business prospects, then ongoing and mutually beneficial interactions may generate social capital. This expansion of social capital, in turn, may facilitate cooperative behaviors that address shared interests.
2. ***Reciprocity***: Market transactions often rest on *reciprocal relations*.¹⁴ Buyers assume that sellers offer a product of reasonable quality at a reasonable price. Conversely, sellers assume buyers have sufficient funds to purchase the good. If a buyer does not have enough money and makes a purchase through credit, the seller trusts that the buyer will eventually pay her back. If the transaction is completed and both parties are satisfied, then buyers and sellers will continue this relationship where the buyer trusts the seller and vice-versa. Trust is built over time through repeated interaction, past experience, and by reputation. As Coleman (1990, 109) argues, “the reputation for trustworthiness is of central importance... because that reputation is quickly communicated among all those on whom the trustee depends for future business, that is, for future placement of trust.” During the initial years of marketization in North Korea, a culture of up-front payment prevailed; extending credit or lending money was considered foolish, reflecting weak norms of reciprocity. The development of market networks and spread of cell phones, however, have increased the reputational costs of cheating on an obligation and thus allowed more market transactions to proceed at a distance or via credit (Kim 2019a).

¹⁴ Economists have understood how repeated social interaction can help reduce free rider problems (Greif 1993). Cooperation becomes easier when market participants anticipate repeated interactions in the future. Social ties can also substitute for missing institutional and legal structure needed to facilitate market activity.

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

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

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

4. **Shared norms:** Within this shared space, market participation strategies can turn into *shared norms*. For instance, market participants may retaliate against cheaters, either individually or collectively, by damaging their reputation and refraining from doing future business with them. This can signal to other participants what behavior is (un)acceptable in the markets. Market strategies may also develop into market rules that protect the interests of the wider market community. For instance, when offering bribes to state officials, an unspoken ceiling (or a market rate) may exist on how much to bribe a border guard so as not disadvantage other participants, although this is subject to further research.

To varying degrees, personal networks that arise outside of market relations – extended families, friendship circles, or perhaps even networks formed through individuals’ participation in local cells of an *inminban* or mass organization – may also entail mutual trust and expectations of reciprocity. These networks are necessarily limited in scale, but they may nonetheless provide a nucleus for cooperative market behavior and the private exchange of ideas and information. To the extent that cooperative behavior remains within closed personal or family networks, it does not necessarily generate new civil society building blocks. However, when these personal networks interact with the networks generated by market participation, it may catalyze the development of these building blocks through association and mutual connectivity.

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

In short, markets may not directly produce civil society in authoritarian spaces, but their existence can help generate the building blocks essential to its formation. Markets in North Korea create new relationships among individuals, including relationships between private entrepreneurs and government officials. These relationships may be seen as opportunistic and transactional in nature, but repeated interactions can over time lead to reciprocity and trust as the interests of buyers, sellers, and brokers become intertwined. Information shared among market participants within horizontal (and vertical) networks may gradually shift market discourse (if not other forms of discussion) taking place within small private networks into a more public realm that may form the basis of a public sphere.

Market participation, of course, is not the only organizational pathway that can lead to the development of civil society in authoritarian states. Religious participation, unionism, and other forms of association can also facilitate the development of social capital, reciprocal relations, trust networks, and shared norms. But in North Korea, there is a degree of separation between markets and the state that does not exist in other spheres of public life. North Korea's mass organizations and *inminban* mirror the network form of civil society organizations, but serve principally as sites of surveillance, indoctrination, and state-led mobilization, rather than as vehicles for cooperation and collective action. Greater openness within North Korea (or the further erosion of the state's tools of control) could open up these pathways to civil society development; conversely, increased repression in North Korea can impede the building blocks of civil society that arise out of markets from scaling up.

What might the presence of these civil society building blocks, and a nascent public sphere, mean for the prospects of social and political change in North Korea? As the experience of other authoritarian countries demonstrates, the presence of a semi-autonomous public sphere and the existence of certain voluntary associations need not threaten one-party rule. At both the local and more centralized levels, the North Korean state has co-opted and profited from market activities. Yet marketization, and the social changes that have resulted from it, may constrain the range of actions that the North Korean government can take to regulate markets without undermining its legitimacy and its ability to stay in power. Increases in the extent of social capital, shared norms, and trust networks may also help promote the rights and livelihoods of ordinary North Koreans,

allowing them to enjoy improvements in their material conditions during times of relative stability and to be more resilient during times of hardship.

NORTH KOREA'S PANDEMIC RESPONSE: MARKETS AND SOCIETY UNDER STRAIN

For many North Koreans, the past year has likely been an extremely challenging period. The North Korean government's response to COVID-19 has been extraordinary, involving the prolonged closure of its borders to travel and most trade, as well as restrictions on domestic travel and market activities. These actions came in the wake of an economic shock caused by an enhanced international sanctions regime and have coincided with a year marked by multiple natural disasters. North Korea's response to the pandemic has also come in tandem with a campaign by the government to re-centralize economic policy and decision-making through more direct interventions in the market and high-profile attacks on corrupt officials.

It remains too early to assess the long-term impact of these policies on North Korea's markets and society. First, reliable information about developments in North Korea is scarcer than it has been in decades. The crackdown on the border has not only blocked the movement of people into and out of North Korea, but has also made it more difficult for brokers to arrange international cell phone calls from the border region (Lee 2020). Much of Pyongyang's small expatriate community of aid workers and diplomats has departed the country, as well.

Second, it remains to be seen how long these policies will remain in place. It is not clear when North Korea's leaders may judge the threat of COVID-19 to have receded enough to return to something approaching the *status quo ante*. It is also not apparent whether current efforts to rein in markets are just the latest phase in a long cycle of alternating repression and toleration of market activities or if they will mark a more long-lasting policy shift towards a new direction. Nonetheless, it would be difficult to avoid the conclusion that North Korea is in the midst of a significant economic crisis, the effects of which will be felt even after the pandemic ends.

In the short term, the market strategies and foundations of civil society that we describe in this report may provide sources of resilience to North Koreans as they face hardships. Even in the absence of institutionalized voluntary organizations, *ad hoc* networks of extended family, friends, neighbors, and acquaintances may help North Koreans adapt to trying circumstances. Across cultural settings, such social networks may provide financial resources and nonfinancial support to individuals hit hardest by a crisis (Aldrich and Meyer 2015). During moments of acute crisis or when confronted in life-and-death situations, individuals also become more likely to place their trust in strangers (Yeo and Green 2016, 7-8).

A period of prolonged hardship in North Korea, however, may undermine the mechanisms that create the building blocks of civil society. As expectations of future economic opportunities diminish and uncertainties mount, market actors may have an incentive to abandon long-term strategies of reciprocity and reputation-building in favor of opportunistic short-term strategies of

cheating, price gouging, or theft. Prolonged economic hardships may also strain the informal social safety nets provided by extended family, neighbors, and friends (Knowles et al. 1999). Furthermore, as the pool of economic resources shrink, state-affiliated actors at the top of the market hierarchy may feel the need to pressure those beneath them for more bribes or kickbacks, undermining the shared norms and informal understandings that keep the market system stable. Concurrently, a prolonged crisis may lead to pressure felt at the top of the regime pushing down through the system, as everyday rituals such as ideological study sessions turn into more intense tests of loyalty (Abrahamian 2020, 200). As the incentives for exposing another person's "anti-socialist" behavior increase, the prospects for generalized social trust decline.

HOW MIGHT FURTHER CHANGES COME ABOUT IN NORTH KOREA?

Despite the grave challenges posed by sanctions and the COVID-19 pandemic, it is entirely possible that everyday life in North Korea will return to a more "normal" state of affairs within the next few years. Prior to the border shutdown, Beijing appeared increasingly willing to tolerate brazen violations of international sanctions on North Korea. The larger question is whether and when North Korea decides to relax its border control measures.

The weak institutional framework for market participation in North Korea encourages market actors to pursue strategies that allow them to build trust networks, establish shared norms, and gain independent access to information. Networks, norms, and the spread of information, in turn, may play a role in establishing the foundations of civil society. This process follows its own logic, a by-product of individuals pursuing their own self-interest.

There are obvious constraints to what is possible in promoting inclusive market participation or otherwise strengthening the building blocks of civil society in North Korea. The foremost is the question of whether the North Korean government will promote, tolerate, or try to suppress any given type of activity. Additionally, international sanctions significantly constrain legitimate interaction with North Korean market participants, and efforts to strengthen markets in North Korea may have the adverse consequence of strengthening certain malevolent actors that benefit from them. Finally, promoting the building blocks of civil society in North Korea may be subject to restraints on resources and capacity in navigating this difficult terrain.

Despite these challenges, this report has argued that establishing a stronger foundation for civil society in North Korea will entail (1) building social capital; (2) improving reciprocity; (3) developing trust networks; and (4) generating shared norms. To achieve this end, entrepreneurs and other market participants might be encouraged to pursue strategies that (1) enforce agreements and resolve disputes; (2) decrease uncertainty about the political and business environments; (3) increase trust with one other; and (4) improve access to information or the information space itself.

As suggested earlier, market participant strategies are interrelated. Increased trust between participants can help enforce contracts and resolve business disputes to the extent that parties deem

each other's words and actions credible. Increased trust can also minimize the chance of disputes arising in the first place. Increased access to information decreases uncertainty and can improve trust. Building the social networks necessary to share information, find business opportunities, and decrease uncertainty necessarily involves building trust and creating shared norms. Although an independent civil society has yet to emerge in North Korea, green shoots in the form of civil society building blocks have sprouted in part because of markets, and they have the potential to grow should marketization expand.

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