

NORTH KOREAN MARKET ACTIVITY IN THE 1990s

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Since the 1990s, North Korea has journeyed down a path fraught with crises: the collapse of the socialist bloc, death of the DPRK leader Kim Il Sung, and a series of natural disasters. This journey is a result of the failure of the North's planned economy and collapse of the nationwide ration system or "public distribution system" (PSD), which led to the so-called "arduous march,"¹ a period marked by widespread starvation and international defections.

One of the central factors that allowed the North Korean system to survive during the hardship experienced throughout the 1990s was the emergence of activity in the farmers' markets. This is because these markets offered the people a way to survive despite the failure of the PDS. If anything is to be learned from the histories of other socialist countries, it is that change in the North Korean system cannot be unrelated to the trading that takes place in unofficial markets by those trying to survive.

During the 1990s, unofficial activity in the North began as the planned economy inherently failed. The dominance of the suppressive nature of the North Korean political system over the economy virtually eliminated any chance that the system could officially change to facilitate growth. Overall, the deepening of the economic crisis the North faced and the corresponding rise in unofficial market activity during the 1990s was related to the restrictive mechanisms and stagnation of the planned economy.

¹ That is, North Korea's official euphemism for the mid-1990s famine.

Growth in Traditional Market Activity

Up until the end of the 1980s in North Korea, farmers' markets were not prominent at all in the average North Korean's everyday life. However, this drastically changed in the 1990s. As North Koreans began the "arduous march," unofficial food distribution came into full force. As the number of deaths due to starvation rose, farmers' markets began to spread rapidly. As the state ration system for basic necessities, including food, collapsed, most people looked toward these markets, as there was no where else to turn.

The Driving Force Behind the Markets: Late 1990s

A look at three North Korean cities (Sinuiju, Hyesan, and Chongjin) in 2002 reveals a number of similarities as well as differences. First, in North Korea, a city's main market is generally located in the central downtown district. Particularly, the Chaeha Market in Sinuiju was the historical center of commerce since the time of Japanese occupation, right up until the end of the 1950s when socialist controls were effected. The centralization of the market towards the end of the 1990s, a return to its previous position, indicates the powerlessness of the attempts by the administration since the late 1950s to push farmers' markets to the outskirts of the city. There are uniform differences in many cities between the central market and those on the outskirts of town: a difference that can be defined as "wholesale vs. retail," "industrial goods vs. agricultural goods," and "new wares vs. second-hand wares." This change toward an organized network between the markets is more developed than the unstructured relationship between markets in the pre-socialist period.

Second, while the collapse of the national food rationing system in 1995 was a direct factor in the increased activity in the farmers' markets, the official announcement of the end of the "arduous march," while shaking market stability, clearly did not mean the end of these markets.

This is because by that time the residents of these cities equated activity within the farmers' markets with survival. Despite efforts by authorities to suppress the markets, establishing new regulations to do so was extremely difficult, as these markets were now prominent in the daily lives of the people. Because of the importance of farmers' markets from the latter part of 1995 until 1998, and their tacit approval by officials, even the sale of industrial goods meant that the farmers' markets and "black markets" practically overlapped one another.

Third, while markets played a central role in the daily lives of urban residents of these three cities, the impact of geographic location also was important, particularly when taking into consideration the differences in the industries of each city and their impact on the markets. Increasing numbers of locals participating in farmers' market activities and a growing number of goods available supported market growth, but the central driving force was the mass import of food and consumer goods from China that allowed residents in border areas to survive.

Fourth, in the late 1990s when the farmers' markets experienced significant growth, cities with growing markets saw almost the same growth in the formation of an economic class. This is tied in with the previously mentioned geographic benefits of trade with China. The level at which each person was involved with trade was tied directly to their market activity and thus affected the income of each individual family differently.

The "upper class" was made up of those trading in foreign currency and those involved in large-scale trade in other regions of North Korea. The "middle class" was made up of those traders dealing in wholesale food and industrial goods, and a small number of professionals and families that managed to stay constantly employed. The majority of the "lower class" was made up of professionals, market traders, some traveling traders and food peddlers, and other laborers. Unlike in the 1980s, when farmers' markets were marginalized and served simply to support the state production and distribution network, in the 1990s, markets played a central role in allowing citizens' to survive, claiming a "semi-official" position.

Results of the Changing Influence of Market Activity

As farmers' markets became more prevalent, citizens' perceptions of socialism and mass participation transformed, and this in turn brought about a move toward "bottom-up" systemic change within the society and the basic socialist politics of the government. The participation in markets by the majority of family members in Sinuiju, Hyesan, and Chongjin -- and corresponding marketization of their societies -- brought about systemic changes, including three central problems: 1) the development of social classes; 2) the development of a market mentality; and 3) the development of "foreign" political ideas.

The 1990s brought about economic class division based on the level of association with and participation in import and consumption activities by individual families. This can be seen in individual family production of shoes, clothes, etc., where through a division of labor among a group of families, goods are produced and shipped to the markets by the traders of these "production groups." However, the family incomes of these "production groups" were severely limited. In many cases, their incomes did not allow for more than sustenance at the lowest level, and the amount of goods available in markets produced by these groups was extremely small. The more fundamental constraint was the heavy suppression resulting from North Korea's unique strategic restrictions.

Therefore, "capitalists" that were more active in the market and had more potential for gains, such as foreign currency traders and large scale traveling traders, drove social class divisions. In spite of this, there were still several reservations as to the possibility of this type of divide. First, there was no legal or systematic support for these traders' personal "capital stockpiles." This is easy to see in the constant and repetitive inspections and restrictions regarding these foreign currency professionals. In addition, this type of state control led to conscious efforts to self-police "excess" or "personal wealth" within certain boundaries. "In North Korean society, education can be passed on, but fortunes cannot," and, "amassing more money than is allowed

would lead to trouble,” according to one witness’s account. It follows that it is not yet a sure bet that expansion of markets and economic classes will lead to a philosophy supporting social classes.

There is also the issue of a propensity toward market philosophy. With the relaxation of controls over the labor force in factories and enterprises being directly tied to citizens’ participation in markets, there is also the possibility that the anti-market mentality carried by the “socialist creature” would lead to a “self-controlled” shift toward markets. This possibility can be seen in the personal market-economic experiences of many North Korean residents. In addition, it can be seen in an average trader’s expectations based on a given family’s available “capital,” or the implications of agreement on “public prices.” It also can be seen in the shift in the socialist universal recognition of the value of labor. Related to this is the bourgeois idea that “time is money,” which is quickly spreading among the people.

By participating in the markets, lower-class residents could at least survive, but had to suffer through physical hardship and mental anguish. Examples of growing individual consumer needs were not hard to find, yet the basic dependence on the state could not be cast off. The “bottom up” market ideas and values that rose during the “arduous march” are still weak.

The third issue concerns political ideas outside the control of the State. North Korean authorities had no choice but to allow markets in the cities during the most difficult times of the food ration system failure (1996-97). However, there were exceptions then, and even since 2000 there have been regulations on the farmers’ markets.

Here the State’s crackdown on farmers’ markets and the citizens’ need to resist in order to survive led to a rise of tensions between the two. Despite the unregulated nature of the markets in the latter 1990s, tensions between citizens and government authorities moved to foster division in the political realm. While inspection teams or security personnel would crack down

on the trading of specific items, traders countered by creating a mutual signaling system in order to avoid them. While this was only for a short time and was not uniform, it amounted to resistance against State authority. Despite the fact that it was a small group in a limited area, citizens' conscious efforts to resist the State and raise tensions would have been difficult to consider in earlier times.

The modern "practical learning" experienced by traders in the markets is tempered by the collective mentality North Koreans have about competitiveness. There is a visible disappointment in the rise of the mentality that "only the wolf and the fox can survive." So while people go to the markets and participate in this nascent form of capitalism, they do not want to be considered "capitalists." Therefore, just as with the previous two issues, the same reasons can be found as to why the long-term possibility of this type of political structural change is fairly dormant at this time.

Conclusion

As they entered the 1990s, families in the three cities of Sinuiju, Hyesan, and Chongjin faced difficulties that threatened their survival, in which the less-privileged families increasingly turned toward market activity. In the mid 1990s, the national food ration system (for the most part) collapsed, and activity within the farmers' markets began to increase dramatically. From then until early in the 21st century, the central points of the markets in these cities were that they 1) became the central instrument for supporting families, 2) authorities granted temporary permission for the sale of industrial and other previously banned goods, leading to the overlap of farmers' and black markets, and 3) the majority of the goods circulating through the markets were Chinese industrial products.

As the growth of markets progressed, the circulation of goods as well and the number of people

involved continued to grow, and market-type commercial relations spread. The “central” market was generally located in the heart of downtown, and after the late 1990s, despite efforts by authorities to control “anti-socialist behavior,” markets had become such a daily factor in the lives of the residents that the introduction of new regulations to control markets faced opposition, so much so that markets became “unofficially regulated.”

Here, when one considers the possibility of the rise in market activity effecting change on the North Korean system, localized, bottom-up systemic change and related market growth have a three-prong mutual relationship: 1) The new social class system’s ability to cause a fracture in the existing political management system, and the expansion of the related social realm; 2) the possible results of a market pricing mechanism and economic rationality coming out along with a move toward marketization, and the expansion of the related economic realm; and 3) city residents’ “struggle for the right to live” and the expansion of related political ideas that can emerge in the political realm.

However, realistically, this type of transformation is not yet likely. In the first case, for example, family workers such as those in “production groups,” foreign currency traders, wholesalers, and other potential “capitalists” can be taken into consideration. However, the majority of these workers were engrossed in receiving equal returns and maintaining personal stockpiles, and the so-called “capitalists” were under self-imposed restrictions limiting stockpiles. In the case of pricing mechanisms and economic rationality, there is the possibility of bourgeois ideals and market economics setting in; yet within the economic class system, the majority of the families in the lower-class -- restricted by paltry salaries yet driven by individualist consumption desires -- could not shed their collective mentality, hampering the possibility of this type of marketization. The possibility for a change in political ideology as a result of the citizens’ fight to survive can be seen in the tensions between the government and those participating in market activities. However sales competition also leads to individualism, offsetting the possibility of united action.

With these changes, since the mid- to late-1990s, rising activity in farmers' markets in North Korea has led to a different quality of change in comparison to other socialist countries, resulting in markets developing "unofficial regulation." However, the level of group activity has been effectively restricted to a level not threatening to the North Korean system. The transformation of markets has led to an increase in residents' mobility and relaxation of controls over the society, but there does not appear a level of group activity that would seriously threaten the central authority's control. This is because citizens of the North do not yet comprehend the concept of individual freedom of activity.

This is not to say that the authorities do not see the entrance of markets as threatening. Relying on markets has led some to learn how to survive on their own, and they no longer passively react to regulations or answer to the "call" of the state. In addition, citizens' reliance on the markets means that the state has lost the "physical incentive" needed for mass mobilization. So far, the strategy of turning citizens out of the markets remains ineffectual, and also appears to be unable to prevent group action, as can be seen through the experiences in the 1990s. In sum, market activity shows movement, which places the authorities in a dilemma in which the realm of possibilities for policy responses is broad.

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