38 NORTH
Informed analysis of events in and around the DPRK.

SPECIAL REPORT: CHAOS IN NORTH KOREA COVERAGE

The headline above all news stories purporting to report what is going on in North Korea’s economy and polity should be: buyer beware.

In the New York Times, Washington Post and Wall Street Journal, North Korea is portrayed as bizarre and unpredictable, politically fragile, with a declining economy, a restive population, and an assertive military. For many North Korea specialists, most of these “facts” are open to question and their meaning is a matter of some dispute.

There are four basic points to keep in mind when assessing media coverage of North Korea. First, North Korea is a very difficult place to cover—a “hard target” in intel-speak—which only adds to the uncertainty intrinsic to all news. Second, reporters are seldom in a position to observe events directly but instead rely on sources for information. News is what these sources say it is. Third, reporting usually takes the form of citing sources from various sides of an issue. Although this gives articles a certain “he said-she said” quality, it also offers readers alternative hypotheses, which one-handed accounts do not. Fourth, while reporters pride themselves on competitiveness—scooping their rivals—news-gathering is very much a group endeavor. Reporters attend the same press conferences, talk to each other and swap information. Editors read what other news outlets report and sometimes query their own reporters about their rivals’ articles. As a result, news is framed similarly from one media outlet to another, which reduces uncertainty about what is reported. It also means that the initial framing of “the story” tends to persist. These points are especially pertinent to reporting on North

* This report was prepared by a team of journalists and media experts exclusively for 38 North. For more articles regarding media coverage of North Korea related events, visit www.38north.org.
Who are the sources for news about North Korea? The North has its own news service, the Korean Central News Agency (KCNA), which operates an English language website. Pyongyang also has a Japanese mouthpiece, Chosun Sinbo, which often offers insights into the regime’s behavior. North Korean officials occasionally make themselves available for interviews as well. Yet the sources for most news from North Korea are not North Koreans, but U.S., South Korean and Japanese officials. Even when North Korean sources are quoted, their statements are usually subject to interpretation in U.S. news outlets by U.S. officials and, to a lesser extent, South Korean or Japanese officials. In the past, when the Seoul’s and Tokyo’s views diverged sharply from Washington’s, it made for more diversified reporting on North Korea; but this is no longer the case.

A case in point is an authoritative statement by the DPRK Foreign Ministry spokesman on January 11, 2010, hinting at Pyongyang’s willingness to resume Six Party Talks. The crux of the statement reads as follows:

The course of the Six Party Talks which witnessed repeated frustrations and failures proves that the issue can never be settled without confidence among the parties concerned. Still today the talks remain blocked by the barrier of distrust called sanctions against the DPRK. It is our conclusion that it is necessary to pay primary attention to building confidence between the DPRK and the United States, the parties chiefly responsible for the nuclear issue, in order to bring back the process for the denuclearization of the Korean peninsula on track. If confidence is to be built between the DPRK and the U.S., it is essential to conclude a peace treaty for terminating the state of war, a root cause of the hostile relations, to begin with.

It concludes:

Upon authorization, the DPRK Foreign Ministry courteously proposes to the parties to the Armistice Agreement an early start of the talks for replacing the AA by the peace treaty this year which marks the lapse of 60 years since the outbreak of the Korean War. The above-said talks may be held either at a separate forum as laid down in the September 19 Joint Statement or in the framework of the Six Party Talks for the denuclearization of the Korean peninsula like the DPRK-U.S. talks now under way in view of their nature and significance. The removal of the barrier of such discrimination and distrust as sanctions may soon lead to the opening of the six-party talks.1

All three U.S. newspapers reported that peace talks or the lifting of sanctions were preconditions for restarting Six Party Talks. The lead paragraph in the Wall Street Journal, for instance, read, “North Korea made public a new condition for returning to denuclearization talks with the U.S. and four other coun-
tries, saying it first wanted the removal of the sanctions the United Nations Security Council imposed after its second test of a nuclear weapon last year.” A paragraph later, it reported, “But diplomats worry that giving Pyongyang a carrot to return to the table would repeat North Korea’s earlier pattern, in which it appeared cooperative to receive aid and concessions, only to pull away again.” Who were those diplomats? The Journal did not say, but South Korean Foreign Ministry officials had briefed reporters on a not-for-attribution basis and the press in Seoul followed their lead. Those officials may have had an undisclosed interest: the South Korean government has been ambivalent about resuming Six Party Talks.

As for sanctions, the story goes on, “North Korean foreign ministry officials told visiting U.S. diplomats in Pyongyang last month that they wanted the UN sanctions lifted, said a person familiar with the discussions.” That person may also have been a South Korean diplomat. To say that the North wants sanctions lifted is not the same as saying it is a condition for talks. As a long-time North Korea watcher observed, “Contrary to the popular misconception, the statements made no explicit public linkage between lifting sanctions and restarting Six Party Talks. The connection appears to be implied (i.e. sanctions lifting before Six Party Talks) but it is by no means clearly spelled out.”

Reporting about internal developments in North Korea is even murkier—and dependent on even iffier sources. For instance, North Korea revalued its currency on November 30, 2009, initially announcing that up to 100,000 old won could be exchanged at a rate of 100 to 1 for new won and an additional 300,000 could be exchanged if deposited in bank accounts. Evan Ramstad of the Wall Street Journal reported on December 11, 2009, “The action triggered chaos, according to news outlets in South Korea that specialize in obtaining information from the North, as people rushed to banks and offices of the ruling Workers Party to get information, make exchanges or trade existing North Korean won for euros and U.S. dollars.” Who were those news outlets? As evidence of “chaos,” he cited “an account by NKNet, a Seoul-based Web service focused on North Korea,” and wrote that “people in Pyongyang on Monday night pressed party officials to allow more money to be exchanged. In response, according to the report, the officials lifted the exchangeable amount to 150,000 won in cash and 300,000 won in savings accounts.” While NKNet does have sources in the North, whose reports have sometimes proven correct, it is run by defectors from North Korea, and should not be treated as a disinterested news organization.

Ramstad framed the action as an attempt to restore control over private economic activity: “It is the latest and most sweeping step by the North Korean regime to rein in economic activity that is perceived to threaten the grip that dictator Kim Jong-il, the government and the Workers Party have on the country
and its people.” Somewhat at odds with that contention, he also reported that China-North Korea trade was proceeding unimpeded: “Merchants in the Chinese city of Dandong, the most active border crossing with North Korea, said Tuesday that North Korean trading partners had told them about the revaluation, but they said they didn’t know the details. Trade on the China-North Korean border is mainly conducted in U.S. dollars and euros, so the Chinese traders said they weren’t expecting much impact on their business.” Only these merchants were first-hand sources.

What Ramstad’s report omitted was that workers in state ministries and factories were paid in new won, which amounted to a hundredfold increase in their salaries. Suddenly flush with this largesse, they went to the market to buy things, but vendors, whose capital was depleted by new limits on how much currency they could exchange, could not afford to replenish their supply of goods and withheld them from the market as prices soared.

Blaine Harden’s account in the January 7, 2010, Washington Post began even more ominously:

> Strong-armed currency reform in North Korea, which has confiscated the savings of small businesses and forbidden the use of foreign money, is now causing runaway inflation and contributing to food shortages, according to several reports from inside the closed state.

> Currency reform is part of an aggressive crackdown on free markets by North Korean leader Kim Jong-il.

> His government has ordered the closure by the end of March of a large wholesale market in the northeastern port city of Chongjin, according to Good Friends, a Seoul-based aid group with a network of informants inside the country. Another major wholesale market near the capital, Pyongyang, was shut down in June.

> After a decade of explosive growth, markets have substantially supplanted the central government as a means of employing and distributing food to North Korea’s 23.5 million people. The kudzu-like spread of grass-roots capitalism—and the government’s inability to control it—has angered Kim and his top lieutenants.

> To hobble traders who acquire goods from neighboring China, the government has imposed controls on travel and lodging in border areas, ordered the public not to use the large suitcases that are popular with traders and increased punishment for illegal border crossing.4

Market closures were old news. So were the border regulations. What did they have to do with “strong-armed” currency reform? North Korea is a police state. If Kim was angered and wanted to shut down the markets, why not call out the cops? Why issue new won instead? “At the end of 2009,” wrote Harden, “North Korea moved suddenly to wipe out the wealth of all those who profited from market trading. It
revalued the local currency, the won, while sharply restricting the amount of old won that could be traded for new.” If this was really the motivation, then why just as suddenly increase the amount that could be exchanged? And why allow much more to be deposited in state banks?

Harden’s answer comes in the next paragraph: “The revaluation triggered widespread anger and rare public protests. The government, as a result, eased exchange limits and increased cash payments to farmers and some workers, according to several accounts from inside the country.”

Although evidence is scarce for how “widespread” the anger was, his account sounds plausible. Yet it begs the question of what else the planners might have had in mind. Harden’s answer: “Besides penalizing traders, an apparent goal of the currency revaluation was to slow inflation, which has plagued North Korea for years.” But, then why give state workers a hundredfold increase in spending power?

What evidence does Harden’s article provide that the planners intended to rein in the markets? “North Korea is ‘not moving toward a free-market economy, but will further strengthen the principle and order of social economic management,’ an official of the North Korean central bank recently told the Choson Sinbo, a Tokyo-based newspaper that is a mouthpiece for Kim’s government.”

Another interpretation of the bank official’s statement goes unmentioned: not that the markets were to be put out of business, but that capital was to be reallocated from private to state enterprises. By limiting the amount of new won that marketers could exchange, but allowing them to deposit much more in state banks, the regime was trying to make capital available for state enterprises to invest.

This possibility fits policy changes that Pyongyang has announced repeatedly since the end of last year. These changes include the establishment of a state development bank to attract foreign capital that can be invested by the state, new special economic zones, the opening of older zones to South Korean or Chinese investment, even encouragement of tourism year-round by Americans. If the regime means to attract capital from abroad, it is a potentially significant development because new investment will not flow from South Korea, Japan or elsewhere without progress in nuclear negotiations.

Harden’s lead on a story in the February 5, 2010, Washington Post is even starker: “Amid accounts of starvation, food shortages in the army, and runaway inflation, senior economic officials have been fired in recent days, according to reports in South Korean media.” It goes on, “The dismissals were reported in a week in which North Korean leader Kim Jong-il made a rare acknowledgement of his state’s failure to provide its citizens with an acceptable standard of living. ‘I am most heartbroken by the fact that our
people are living on corn,’ Kim said in a report monitored by South Korea’s Yonhap news agency. ‘What I must do now is feed them white rice, bread and noodles generously.’” Yonhap is a semi-official news agency, not the same as Associated Press, which would seem to lend governmental authority to Harden’s report. What about starvation? “Two people a day have been dying of hunger in South Hamgyong province, according to a report by Good Friends, a Seoul-based aid and human rights group with informants inside the North. It also said that North Korean army commanders met with government officials January 20 to discuss how to obtain more food for troops.” Good Friends does have informants in the North but it is not wholly disinterested: it has long advocated increased food aid to the North.

As for the dismissals, Harden reports, “The apparent scapegoat for the disastrous currency revaluation is Pak Nam-gi head of planning and economy for the Workers’ Party. He has been fired, according to Chosun Ilbo, a newspaper in Seoul, which cited sources in China.” Chosun Ilbo, the largest circulation daily in South Korea, has also long been rather hard-line in its editorial stance toward the North, and at times its reporting reflects that view. Harden adds, “South Korea’s National Intelligence Service said Thursday that North Korea has now recognized the social upheaval; caused by the currency revaluation and is easing curbs on black-market trading, Reuters reported. ‘To quell public discontent, controls and the crackdown on marketplaces has been eased,’ an intelligence official told the news agency. ‘Discontent is high.’”5 He might have pointed out that South Korean intelligence has a long history of putting out disinformation about instability in North Korea. Otherwise the sourcing of the story is second- or third-hand, what lawyers call hearsay. Sometimes with North Korea, that is the best a reporter can do, but stories like this should be read with a large dose of skepticism.

While there was evidence of economic mismanagement, did it create a crisis that put the state on the brink of collapse? Undoubtedly, many North Koreans were unhappy with the government’s new economic policy. But the evidence of unrest was scant and reports exaggerated. Nonetheless, the quick turnaround by the North Korean government was taken as proof that the regime’s hold on power was in jeopardy. Would a U.S. administration feel secure enough to reverse a major economic initiative so quickly?

Some of the omissions in the other accounts were corrected by a New York Times story by Choe Sang-hun on February 4, 2010. His lead followed the line in Harden’s account and cited the same sources:

North Korea’s sweeping attempts to revive socialist central economic planning and crackdown on private markets appear to have set off runaway inflation and perhaps caused the country’s reclusive leaders to reconsider some of their own measures, according to South
Korean news reports and intelligence officials. As one indicator of a possible shift in the leadership’s approach, North Korea’s leader, Kim Jong-il, is reported to have dismissed the official who oversaw a sweeping monetary conversion late last year that led to severe price increases and social unrest, which is unusual in North Korea, a tightly policed nation.

Where did Chosun Ilbo get its story? Choe filled in the blank: “The Chosun Ilbo article, which was published Wednesday, cited unidentified diplomatic sources in China. The South Korean government could not confirm the report.” Were the unidentified diplomatic sources themselves South Korean?

Choe also provided a more sophisticated version of the disruption in North Korean markets:

Prices of basic goods have sharply risen since the government replaced the old bank notes in late November, exchanging them for new bills at a rate of 100 to 1, according to officials here and reports on Seoul-based Web sites that glean information from sources inside the North. North Korea placed a cap on how much old money a citizen could exchange for the new currency, effectively confiscating private stores of wealth. Reports said it also outlawed foreign currency holdings and punished private traders who smuggled goods from China.

But in an effort to reward people who depend on state salaries, like factory workers and members of the military, the government paid the same nominal wages in new currency, theoretically increasing their purchasing power a hundredfold. The underlying idea was to suppress the country’s black markets and reassert the economic model of central planning.

“The problem with the currency reform was that it hurt imports through unofficial channels while state-run stores failed to stock their shelves with goods,” said Dong Yong-sueng, an expert on the North Korean economy at the Samsung Economic Research Institute in Seoul. “The factory workers, with their boosted purchasing power, turned to the unofficial markets, driving up the prices.

“Whether this is a temporary problem or the regime will eventually take control of the situation—we won’t find out until one or two months from now.”

The South Korean unification minister, Hyun In-taek, also said it was too early to measure the impact of the currency changes in the North.

Choe’s evidence of social unrest and inflation was the same as Harden’s, however, and just as spotty:

A group of veterans from the 1950-53 Korean War staged a protest last month, sitting in front of a party office in Danchon, a town on North Korea’s eastern coast, according to Good Friends, a relief group based in Seoul. The unusual show of public discontent in North Korea took place after some people in Danchon died of hunger, the group said. The government quickly released emergency food in late January to quell the unrest, it added.
“As the food situation worsened in the North,” Good Friends said, “there is talk there that if the government did not come out with drastic measures to improve the situation by the end of February, it could trigger an uprising.” Good Friends runs one of several Web sites that provide news on North Korea, using sources inside the North. Its reports often describe small sectors of North Korean society.

At least Choe’s account of “runaway inflation” was more carefully crafted and noted how spotty the evidence was:

In some parts of North Korea, food prices have more than tripled in the past three weeks, according to Daily NK, another Web site that specializes in North Korean news. The value of dollars on the black market, it said, was soaring as well.

The inflationary surge appears to have two related causes. One is that private sales of goods have become far riskier, pushing up the price of any goods available outside the state distribution system.

The other is that the currency move at least temporarily rewarded the elite and the loyal class of state workers, who received sharp salary increases they could spend at state stores. But the North’s centrally planned economy has long lacked the ability to produce enough food and consumer goods at state-set prices, meaning demand outstripped supply even more than it usually does.

Again Choe did elaborate on an explanation for the inflation, although he was remiss in not noting the possibility that it was not necessarily “runaway” and that prices could have come down once state stores made more stockpiled goods available for sale and the flow of imports was restored.

The turnaround was remarkably abrupt. The very next day, the Times ran another story by Choe headlined, “North Korea Appears to Ease Crackdown on Markets.” The lead read:

Facing food shortages, severe price increases and social unrest, North Korea appears to have relaxed, at least temporarily, its broad crackdown on private markets, news reports and officials in Seoul said Thursday.

If confirmed, the move to allow the buying and selling of goods outside the country’s tightly controlled state distribution system could signal a political setback for the government of Kim Jong-il. North Korea had recently introduced a new currency and closed private markets in an effort to restore a purer form of central economic planning.

The situation was still cast as “a political setback for the government of Kim Jong-il,” but a conclusion like that would very much depend on the purpose of the revaluation. If, as Choe claimed, the purpose was to “close” private markets, then clearly it failed, but an economy can be state-directed and still allow markets. Ask the Chinese. And what if the regime’s purpose was to make capital available to state enter-
prises or reward state workers? Then the picture is not as clear. What if the aim was to punish the newly rich who engaged in bribe-taking and black-marketeering and who may be resented by North Koreans as much as Wall Street is on Main Street?

Again Choe’s sources were the same as those cited in previous stories:

By Thursday, North Korea had begun allowing trading in markets again, said the South Korean news agency Yonhap, citing unnamed sources familiar with the North Korean situation. Daily NK, a Seoul-based Web site that collects news from sources in the North, carried a similar report.

“In the past few days, we have learned that market activities are coming back in the North,” said a senior South Korean government official whose departmental regulations barred him from speaking on the record about the North. “But we are not sure yet whether this is a policy reversal effective throughout the North or is some temporary adjustment.”

Choe did cast doubt on how long-lasting the “setback for the government” may be or how pervasive the “unrest” was among North Koreans:

Some analysts said the seemingly mistaken economic policies could have a lasting impact. North Korea’s blunder with its currency “carried the risk of making North Koreans frustrated and fundamentally skeptical about their system and authorities,” said Cho Han-beom, an analyst at the Korea Institute for National Unification, a government research organization in Seoul.

He said a possible summit meeting being discussed between the Koreas might be a signal of the North’s need for outside aid to help defuse economic instability. The North’s economic plight deepened under United Nations sanctions imposed after its nuclear test last year. International food aid has also decreased.

Yet others said they doubted that unrest was threatening to the government. “People can protest, but large-scale protests are impossible in the North,” said Lee Dong-bok, a former senior intelligence official in Seoul.

Mr. Lee said North Korean villages were divided into tiny cells that allowed the party and military loyal to Mr. Kim to monitor each household and to block the spread of information.

Yet, like his colleagues, Choe still framed the story as one of latent “instability” in the country. And he ascribed the motive for the North’s desire to resume negotiations as economic desperation. Data issued by reputable South Korean think-tanks, however, showed sustained growth in North Korea’s GDP and foreign trade for the past decade. An alternative explanation is that the regime needed foreign capital to sustain that growth—and perhaps even to introduce other economic changes.
Choe’s news sources in his next two stories about internal developments in North Korea were even more problematic. His February 12 lead read:

The North Korean government has made a rare apology for a policy blunder and lifted a ban on using foreign currency, South Korean news organizations said Thursday.

The story continued:

In recent weeks, Web sites based in Seoul that collect news from sources inside North Korea have reported instances of starvation in some towns in the North, a protest rally by elderly military veterans and arguments between women and the soldiers trying to shut down markets.

The reported apology, from the North Korean prime minister, Kim Yong-il, came just days after South Korean news outlets reported that the North Korean leader, Kim Jong-il, fired the senior official who had spearheaded the currency changes.

The apology came at a meeting in the North’s capital, Pyongyang, last Friday, according to the Chosun Ilbo, a newspaper in Seoul. Its report, published Thursday, quoted Prime Minister Kim as saying, “I offer a sincere apology about the currency reform, as we pushed ahead with it without sufficient preparation and it caused a great pain to the people.” The paper’s account, published Thursday, quoted an unidentified source inside the North. “We will do our best to stabilize people’s lives,” the prime minister said, according to the newspaper.

The South Korean national news agency Yonhap carried the same report on Thursday. And Good Friends, a relief agency based in Seoul that has informants inside the North, carried a similar report on its Web site earlier this week.

Government officials in Seoul were unable to confirm the new reports, although they privately acknowledged that the North’s currency changes had spawned unrest in some parts of the country.

Choe’s reporting was based on third-hand accounts at best—“an unidentified source inside the North.” Did that source also talk to Chosun Ilbo or to Good Friends? Sourcing does not make a story false, and it may be the best that reporters can do, but it does raise questions. How many sources were passing this story around and were they North Koreans?

The sourcing was even more questionable in a March 18 story by Choe, which began:

North Korea has arrested and possibly executed its top financial official as it struggles to contain chaos set off by its botched attempt to halt inflation through a radical currency revaluation, according to news reports Thursday in South Korea.

The fate of the official, Pak Nam-gi, the ruling Workers’ Party’s finance and planning department chief, who is said to have spearheaded the currency reform, became a focal
point of speculation when he did not appear at any official functions reported in the North Korean news media for the past two months.

But the reclusive nature of the North Korean government has made it nearly impossible to verify reports about high-ranking officials.

If the reports about the arrest and execution are true, though, they suggest that the ailing North Korean leader, Kim Jong-il, considers the public discontent in the aftermath of the currency reform a serious challenge to his grip on power.

Mr. Pak “was executed at a firing range in Pyongyang on the trumped-up charges of being an antirevolutionary element as public sentiments worsened over the failure of the currency reform,” reported the South Korean news agency Yonhap, quoting unnamed sources in North Korea.⁵

To his credit, Choe did raise questions about the authenticity of the report:

South Korea said it could not confirm the reports about Mr. Pak’s execution. Mr. Kim often keeps personnel reshuffles secret, and party officials who have disappeared from official functions and been reported to be dead in the South Korean news media have often resurfaced years later in new jobs.

“It’s unusual that Mr. Pak has not been seen in public for two months, and there is speculation about his fate,” said Lee Jong-joo, a spokeswoman at the Unification Ministry in Seoul. “But we don’t have any information about whether he was sacked, arrested or executed by firing squad.”…

Reports that Mr. Pak was executed or arrested were also carried by Daily NK and Free North Korea Radio, both Web sites based in Seoul that rely on informants from North Korea.

But others cast doubt.

Park Sang-hak, a North Korean defector and head of a Seoul-based advocacy group, Fighters for Free North Korea, said that his informants in North Korea had heard “rumors” that Mr. Pak was either executed or sent to a prison camp. “But so far, our sources haven’t found anyone who says he actually saw this execution,” Mr. Park said.

Ha Tae-keung, head of Open Radio for North Korea, which also gathers news from North Korea, agreed.

“If they executed him to quell public anger, he must have been executed in public and thousands must have been mobilized to watch it,” Mr. Ha said.

North Korea publicly executed Seo Gwan-hee, a party secretary in charge of agriculture, on spying charges in 1997 when a famine decimated the population, according to defectors. But Mr. Kim also banishes confidants embroiled in corruption or policy blunders to remote areas as warnings, only to reinstate them years later, Mr. Park said.

The caveats are well-taken: the story is based on little more than hearsay.
The news media abhor a vacuum: they will fill it with little more than speculation. The take-away from the news coverage on North Korea is that it is in economic and political disarray, if not chaos. But the reporting gives little grounds for believing that. Relying heavily on South Korean government sources and defectors, who are hardly disinterested and have spread disinformation in the past, leads to one-sided conclusions about what is clearly a multi-faceted story. Again, news on North Korea should be swallowed with a healthy dose of skepticism about sourcing.


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