

HYBRID ECONOMY IN CUBA AND NORTH KOREA: KEY TO THE LONGEVITY OF TWO REGIMES AND DIFFERENCE

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RESEARCH QUESTION AND STRUCTURE

How have the dictatorships in Cuba and North Korea managed to have been so long lasting? This question is the starting point of this paper. Over the last twenty-five years, there have been various changes in their economies since “black markets” sprung up in Cuba and North Korea. However, despite their long-lasting economic crisis and market development, both hereditary regimes have kept up their dominance of the systems. Also, despite significant differences on nuclear and reform situations, Cuba and North Korea have been showing a comparable economic character, which is “hybrid economy.”

Both underdeveloped, “post-socialist” countries have built strong links between the formal economy (state sectors) and the informal economy (non-state sectors) since the 1990s. The regimes have confronted the challenges of economic crisis not by replacing the state economy apparatus with market forces but by encouraging the co-existence of planned and market economy. The economic policy of Raúl Castro and Kim Jong-un might be characterized as a public-private hybrid in which multiple forms of production and investment coexist with military-run state economy apparatus and continued one party rule. However, while Raúl Castro has been driving economic reform and political liberalization with some personal

freedoms, Kim Jong-un has been controlling reform and consolidating personal dictatorship.

The questions of this research are: First, how is the evolution process of the market systems of the two countries? Why aren't their civil societies developed? Second, what is the reason for the continuity of both regimes despite profound economic hardships over the last 25 years? Is there uniformity with respect to this issue? Third, why are their paths to change differentiated as of 2015? What are the differences between the two post-socialist states?

I will seek to answer such questions focusing on the relationship among the state, market, and society. This paper is based on two propositions: first, the prosperity or poverty of a country is determined by political factors because economic institutions steer the directions, but the economic institutions are finally determined by politics and political institutions.¹ Second, “the limited access orders” to (state) rents and power force economy and society actors to be loyal.² Therefore, in this paper, the above-mentioned questions will be addressed through a complex market system and its three agents—the general public, the business-politics collusive group, and the ruling coalition of the dictatorship in order to maintain power—for survival, interest and needs, their relations and interactions, and the historical evolution

1. Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*. New York: Crown Business, 2013.

2. Douglass C. North, John Joseph Wallis and Barry R. Weingast, *Violence and Social Orders* Cambridge: Cambridge University Press, 2009, p. 263.

and their characteristics in the political economic situation of the dictatorship over the last 25 years.

One of the hypothesis of this study is that the longevity of the two regimes is because the small ruling coalition of the dictatorship, as a market agent, has strengthened an exclusive exploitation in the historical evolution process of the market system. Their central aim is to stably secure ruling funds and to keep the vertical loyalty networks or the supporters in power, utilizing the interior system in the political influence of the regime. I suppose that exploitation is a key to the longevity of the two regimes as well, as a cause of the political stability amidst the economic instability that has existed until now.

And, the core means of the exploitation are rents, including state resources and labor force and monopolistic profits through the control over the market system and its activity as agents. I define this as a “rent seeking activity”, which indicates “all forms of inducement different from voting that aim at influencing bureaucrats and politicians on ways conducive to mere redistribution of wealth rather than wealth creation.”³ I demonstrate that both regimes have dictatorship institutions embedded in their economy and society and in the evolution process of the market economy over the last 25 years. Also I argue that the key political institution of the two gatekeeper states is the systematic corruption of “power-wealth symbiosis” based on rent seeking and clientelism.

This paper is divided into four parts. The first part deals with theories and frameworks focusing on the definition and the approach of this study. The second and third parts analyze the evolution process of market system in Cuba and North Korea, respective-

ly. The fourth part explains the uniformity of the two states, which also demonstrates the key to the longevity of both regimes through the evolutionary peculiarity of the two market systems. I will also examine some differences between the two countries. The research methodology used includes a qualitative study and content analysis. Data forming the foundation of this paper are drawn from official documents, recent key achievements of research in relation to political economy, field reports, and materials and oral texts on Cuba and North Korea.

THEORETICAL APPROACH AND FRAMEWORK: EVOLUTION OF COMPLEX MARKET SYSTEM

The main definitions of this paper are:

- A system is “an interconnected set of elements” that is organized in a way that achieves a goal.⁴
- A market system is a system that coordinates agents in society as a whole through interactions based on needs, and also various and unsettled “political phenomena.”⁵
- The evolution process results from feedbacks and adaptations among agents in a system.⁶
- The ruling coalition is the most important market agent in the political economy of the dictatorship in order to maintain power.⁷

The theoretical approaches connected with these definitions are hybrid capitalism, gatekeeper state, and complexity theory.

Hybrid Capitalism in the Post-Socialist World

“Hybrid capitalism” emerged in the midst of the economic crisis of socialist planning/re-distribution, as the private or variant sector was formulated from the

3. Flora Sapio, “Rent Seeking, Corruption, and Clientelism,” in *Rent Seeking in China*, edited by Tak-Wing Ngo and Yongping Wu, Routledge Contemporary China Series. London: Routledge, 2009, p. 23.

4. Donella H. Meadows, *Thinking in Systems*. London: Earthscan, 2009, p. 13.

5. Charles E. Lindblom, *The Market System: What it is, how it works, and what to make of it*. Connecticut: Yale Nota Bene, 2002, p. 106.

6. Hartmut Bossel, *System and Model: Complexity, Dynamics, Evolution, Sustainability*. Norderstedt, Germany: Books on Demand, 2007; John H. Miller and Scott E. Page, *Complex Adaptive Systems: an introduction to computational models of social life*. New Jersey: Princeton University Press., 2007; Meadows, *Thinking in Systems*, op. cit.

7. Bruce Bueno de Mesquita, Alastair Smith, Randolph M. Siverson, and James D. Morrow, *The Logic of Political Survival*. Cambridge: The MIT Press, 2003; Bruce Bueno de Mesquita and Alastair Smith, *The Dictator's Handbook*. New York: Public Affairs Press, 2011; Ronald Wintrobe, *The Political Economy of Dictatorship*. Cambridge: Cambridge University Press, 1998.

bottom. In particular, the phenomenon was visible in socialist dictatorial regimes with prevailing nationalism and high level of integration between the regime and power elites.⁸ Examples include China, Vietnam, Cuba, and North Korea. This hybrid system is evident in North Korea and Cuba, where the reformist and conservative policies have circulated and the economic reforms have been controlled according to survival strategies of hereditary dictatorial regime based on the monopoly of resources by the military and the party.

The system creates market economic order, but relies on enterprises of small and medium-sized sectors that have links with large state-owned enterprises. In this system, the regime depends on the market economy for its survival and the growth of capitalists is also closely related to state power. As the hybrid economy evolves, the state and the regime's political embeddedness of the market economy increases. Hence, the characteristics of state capitalists develop.

Non-capitalists integrated by the market—party-political officials and the medium sized capitalists deeply-linked to them—play an important role in this system, rather than modern capitalists. Their major forms of capital are hybrid capital and state capital. Features of patrimonial capitalism surface in the system since the resources are hereditarily succeeded at the state level. Thus, the patron-client relationships in all fields—such as management, labor, state, and enterprises—are rampant in the market economy. The mutual symbiosis and patron-client network has been deeply embedded in the economic system, replacing the economic activities of the market order, thus destroying the re-distribution system. Since both sides seek to maximize mutual benefits, they forgive each other's debts in each business sector and the material exchanges and transactions based on the established ties are institutionalized. Thus, the con-

centration of wealth and the inequality in each sector become widespread.⁹

The socialist economic system stems from the Soviet model, characterized by totalitarian state possession of the means of production along with “rational redistribution” of production, distribution, and consumption according to the plan.¹⁰ Reflecting the political and social structure, this is the system in which the communist party officials, who lead the planning within the system, monopolize the resources such as capital and labor. The functioning of this system brought about “the privileged intellectual class” and is characterized by a “shortage economy.” This privileged class comprises political officials, technocrats, and intellectuals who reproduce the ideology. They enjoy monopolized privileges compared to laborers and farmers in the process of state re-distribution.¹¹

The new market system in the post-socialist world and the reform socialist systems in East Asia which emerged after the end of the Cold War cannot be categorized by Kornai's socialist system, or by the capitalist system prior to the Cold War. Post-socialist countries have developed the capitalist economy and social structure while adopting the institutions for private wealth and market integration as well as expanding the capital and labor market. Also, the economic transformation process has been shifting social structure, including the elite structure.¹²

Henceforth, post-socialist economy evolves, revealing hybridity. David Stark (1992) was one of the scholars who first focused on this phenomenon. Regarding the post-socialist reality, he posited that capitalism is not established based on the collapse of socialism, but rather, “the collapse of socialism and the establishment of capitalism is a simultaneous phenomenon”. Thus, he pointed out the inaccuracy of the word “transition,” and articulated the combination

8. Lawrence P. King and Iván Szélenyi, “Post-communist economic systems” in *The Handbook of Economic Sociology*, edited by Neil J. Smelser and Richard Swedberg. New Jersey: Princeton University Press, 2005, p. 209.

9. Lawrence P. King and Iván Szélenyi, “Post-communist economic systems,” op. cit., p. 210.

10. János Kornai, *The Socialist Economic System*. New Jersey: Princeton University Press, 1992.

11. János Kornai, *The Economics of Shortage*. Amsterdam: North Holland, 1980.

12. Lawrence P. King and Iván Szélenyi, “Post-communist economic systems,” op. cit., pp. 205–207.

of socialist and capitalist economy elements according to each country's path dependence and privatization strategies.¹³ Even in the comparatively well-off among the previous socialist economies of East Central Europe, the system of private ownership has not laid roots. It is neither private ownership nor state ownership, as new networks such as patron-client relations—as opposed to market order—have been formed. These networks have begotten hybrid systems which create property in the post-socialist society.¹⁴ Hanley, King, and Toth also focused on the complexity of post-socialist planned-market economies, suggesting the need for a considerable amount of time to establish capitalism based on liberal democratic institutions.¹⁵

The features and characteristics of hybrid capitalism have been mostly revealed by the study of post-socialist China and Russia. For example, Andrew Walder approached hybridity by scrutinizing the issue of “wealth re-distribution” such as inequality and poverty in the process of China's marketization.¹⁶ And Victor Nee and Yang Cao centered on stratification in hybrid mixed economies when dealing with China's Path Dependent Societal Transformation.¹⁷ Moreover, they analyzed state capitalism in China using neo-institutionalism. Russian researchers showed the political dependency of Russia's developing market economy based on the study of patron-client system and the trade system.¹⁸

Eyal, Szelényi, and Townsley also claim that any regime type of post-socialist systems is dissimilar to

modern rational capitalism. With regards to the country in which politically, communist party's one-party rule continues, and economically, state-owned enterprises are privatized by the officials and collective ownership of industry structure endures, it is illogical for them to analyze such regimes from the existing capitalist types. There are points of concerns, and they diagnosed China at the level of socialist mixed economy, where capitalism has been established from the bottom-up.¹⁹

As such, viewing the various realities and logic, the market economy that developed in the post-socialist world cannot be classified by models of the pre-Cold War capitalist market economy. Instead, these economies converge as a new capitalist order showing trends of hybridity.

Gatekeeper State

The original concept of a gatekeeper state was coined by historian Frederick Cooper in his book *Africa Since 1940: The Past of the Present* published in 2002. He conceptualized the ruling type of African states immediately after gaining independence from the colonial powers. The essence of a gatekeeper state is counterbalancing the instability of domestic political control with external factors. According to Cooper, Africa was conquered but not so systematically ruled. Owing to this fact, Africa colonial states became gatekeeper states controlling “the interface of national and world economies”.²⁰

Colonial regimes extracted resources (e.g., natural resources, labor) from Africa. For the exploitation and

13. David Stark, “Path Dependence and Privatization Strategies in East Central Europe,” *East European Politics and Society* 6(1) (1992), pp. 127–141.

14. David Stark, “One Way or Multiple Paths? For a Comparative Sociology of East European Capitalism,” *American Journal of Sociology* 106 (2001), pp. 1129–1137.

15. Eric Hanley, Lawrence King, and Istvan Janos Toth, “The State, International Agencies, and Property Transformation in Post-Communist Hungary,” *American Journal of Sociology* 108 (2002).

16. Andrew G. Walder. “Career Mobility and the Communist Political Order,” *American Sociological Review* 60 (1995); Walder, “Markets and Income Inequality in Rural China: Political Advantage in an Expanding Economy,” *American Sociological Review* 67 (2002).

17. Victor Nee and Yang Cao, “Path Dependent Societal Transformation: Stratification in Hybrid Mixed Economies,” *Theory and Society* 28 (1999).

18. Victoria Bonnell and George Breslauer, *Russia in the New Century*. Boulder, Colorado: Westview Press, 2002.

19. Gil Eyal, Evan Szelényi, and Eleanor Townsley, *Making Capitalism Without Capitalists: Class Formation and Elite Struggles in Post-Communist Central Europe*. London: Verso, 2001.

control over territories, the colonial power depended on the superior military forces of the metropole, which could easily defeat organized resistance but could neither routinely claim authority nor gain legitimacy. Over the course of African history, colonial leaders were replaced with native African leaders, but this new leadership did little to gain support among peoples and political stability after liberation. Therefore, the survival of each colony still depended on external resources and support, not on internal factors as in established states. Due to weak internal factors, the external dependence produced an outward orientation focused on “guarding the gate.” Gatekeepers, mainly composed of bureaucrats and the privileged, monopolized the rents of the state. They collected most of their revenues from taxes on imports and exports, controlled entry and exit visas, distributed foreign aid, decided who could move currency in or out, and issued licenses that determined who could engage in business activities.²¹

The post-colonial states inherited the function and mantle of gatekeeper from their former colonial rulers. However, the negative consequences of gatekeeping exacerbated because whereas before it was taken for granted who would control the gate along with the power and wealth derived therefrom, in the post-colonial period there was no external military force to impose order. Furthermore, African rulers of the post-colonial states were anxious to impose their authority to affect a far-reaching transformation of the economy and society.²² Fierce competition occurred among various political forces for territory, power, and privileges. The winners gained control of resources for their rule. So the stakes of rule were higher. The fierce competition for control of the gate consequently resulted in the instability of the system, as evidenced by cycles of coups and counter coups.

Javier Corrales introduced the concept of gatekeeper state to Cuban economic reforms from 1989 to 2002. He believes that the Cuban economic reforms were carried out for the sake of regime survival. He addressed two reasons behind this. First, Cuban economic reforms gave the impression that the regime was gearing towards marketization. The Cuban government did not take the path of marketization, however. Instead, it inclined towards the hard-liners. Second, these economic reforms improved the authority’s capacity and the persistence of state power. Generally, market reforms drive authoritarian societies to split between winners and losers and urge the two sides to pressure the state. For the survival of their “societal pressures”, the state should establish new coalitions along with new actors to restore growth. And it should institutionalize less corrupt and more transparent state systems with “second-stage reforms”. However, these societal pressures have never strengthened, and thus, the state did not make preparations for “second-stage reforms”. Rather, reforms were carried out to raise the state’s leverage on society. Due to this, Cuba’s state power did not decline. Limited reforms in Cuba substantially contributed to the conversion of state power to “the gatekeeper of a new and highly valuable commodity.”²³

As a gatekeeper, “the state has increased the payoff of cooperating with it.” This allowed the state to maintain social loyalty. In turn, the possibility of regime change diminished. That is, the limited reforms contributed to “the resilience of (one-party) authoritarian regime”.²⁴

Complexity Theory and Market System

As behaviors and aspects of individual lives and various communities, including social groups as well as nation-states, in areas of politics, economy, society, and culture become more complex with the progress

20. Frederick Cooper, *Africa since 1940: The past of the present*. Cambridge: Cambridge University Press, 2002, p. 141.

21. Frederick Cooper, *Africa since 1940: The past of the present*, p. 157.

22. Frederick Cooper, *Africa since 1940: The past of the present*.

23. Javier Corrales, “The Gatekeeper State: Limited Economic Reforms and Regime Survival in Cuba, 1989–2002,” *Latin American Research Review*, Vol. 39 No. 2, June 2004, p. 36.

24. Javier Corrales, “The Gatekeeper State,” pp. 36–37.

of globalization and localization, a number of attempts to explain these situations with complexity theory are emerging. Complexity theory, the overall methodology of this paper, starts from a fundamental question of how to understand the chaos, disorder, and growing uncertainty in the varied fields after the collapse of the Cold War system.

In fact, the complexity of our surroundings has reached a level that cannot be understood by the existing Newtonian paradigm, which is based on linear causality; a theoretical alternative is needed to explain the complexity and the interconnected world. Organizations, as well as human beings, can be seen as a system of dynamic adaptation and evolution. Even particles which compose a material do not exist independently, but exist in relation with others and can be observed in that manner.²⁵

The Santa Fe Institute (SFI), which systematically theorized complexity as a convergence study since 1984, and its representative researchers bifurcated the concept of complexity into “self-organization” and “evolution”. They conceptualized the features of self-organization as emergence, hierarchy, self-similarity, feedback, and attractor, and those of evolution as sensitivity, divergence, path dependence, criticality, and co-evolution.²⁶

The notion of self-organization is most widely used in information technology. Self-organization is the process where an information process system autonomously reconstructs/alters organizations in the system in order to enhance its process capability, on the basis of information input from the outside and memory based on past experiences. It is sometimes understood as learning; it is called self-organization when the main subject is an organization or a system, and learning when process capability is mainly considered. From the perspective of complexity theory,

self-organization can be defined, in brief, as a process where a new order emerges by itself.²⁷

In what circumstances should we pay attention to emerging self-organization? In complexity theory, self-organization emerges under two conditions: instability in a system should be increased and a positive feedback relationship should be formed among acts or activities of elements or agents. Flourishing new trials or deviations by themselves do not result in self-organization unless interactive relations which enhance these behaviors are formed. If what settles a new order is a selection process, what makes it unstable is an internal erosion process of the system. These processes give rise to increases and decreases of system integrity; when a system gets unstable, another self-organization process begins.²⁸

The notion of evolution was developed in biology. In the academic field, evolution is a process where a group of organism changes the features of the group as a whole, and as a result, new species are born through the accumulation of changes through many generations. Biology infers from the affinity discovered in organisms of many species that all of today’s species have been gradually diverged from common ancestors of the remote past, namely from a common genetic pool through evolution process. Due to this affinity between species, the notion of evolution is understood with co-evolution.

The main characteristic of co-evolution is mutual causality. Each actor in a complex system responds to dynamic environments, that is, other actors’ activities, by interacting, and they compete and cooperate with each other. Co-evolution is a notion which conceptualizes these interactive actions. A great number of factors that actors possess undergo a circulation process of change, extinction and creation. At this point, it is impossible to optimize individual stan-

25. Fritjof Capra, *The web of life*. New York: Anchor Books, 1997.

26. The Santa Fe Institute (SFI) is a non-profit research institute located in Santa Fe (New Mexico, United States) dedicated to the study of complex systems. It was founded in 1984. Available at <http://www.santafe.edu/> (accessed on Dec. 3, 2014). For the dictionary definition of each notion, see internet dictionaries such as Wikipedia, Encyclopedia Britannica, and so on.

27. Donella H. Meadows, *Thinking in Systems*, op. cit, pp. 79–81.

28. Young-Ja Park, “The Status Quo of Complexity on Economic System of North Korea,” *Han’gukch’ngch’i y’n’gu* (*Journal of Korean Politics*) vol. 19, no. 3, 2010, pp. 135–168.

dards, so each of the actor avoids degradation of their goodness of fit, and evolves along with others enhancing relative goodness of fit together.²⁹

Above all, co-evolution can be understood better at the system level rather than individual level, since co-evolution refers to a process where interdependent species evolve together as they influence each other. The theory of co-evolution breaks away from the logic of the survival of the fittest, which argues that modification of an object occurs through natural selection, and shows that the evolution in reality is a process of co-evolution, where an object evolves the whole, and vice versa. After all, evolution is another form of self-organization, and a cyclic feature that one factor in a system affects another factor and the effect feeds back to itself is mutual-causality and self-causality.³⁰

As the concept of evolution in biology was understood as an important characteristic which explains changes of a system, it settled in as a major concept of complexity theory. The notion of evolution in complexity theory can be briefly defined as a process where a system changes into a new order from an existing one through interactions between agents and environments. This concept has close relation with the concept of adaptation, a process in which a system turns itself into a new, more suitable structure to maintain itself. Their relations start from their origins, with evolution theory in biology having started to form a major trend, leading to a frame for recognition called adaptive system as an adaptive social system, which is composed of interactive, and thinking agents understood as a complex adaptive system (CAS).³¹

Owing to the SFI's vigorous research, complexity theory has been developed in many academic fields,

especially physics, meteorology, mathematics, biology, medicine, ecology and so on. The theory's consistency has been proved in engineering, and its achievements are penetrating into social science as system theories evolve combined with complexity theory. Additionally, it is developing as an interdisciplinary study in social science.³² However, it has not obtained firm position as a proven theory and methodology yet, as people raise critical questions such as: Can complexity theory explain the present and the future? Does it have consistency as a scientific analytic tool? Is it predictable?

Nevertheless, with the expansion of the recognition of complexity systems, complexity analysis is being used as a useful tool for analyzing the reality in various financial areas of economics and business administration as well as new organizational management of public administration. In the political science area, in international politics in particular, studies to prove the consistency of the theory are being conducted and published, and the theory is evolving as a methodology of interdisciplinary and convergence research.

Meanwhile, "market" and "market system" are not synonymous. In general, *market* is defined as all the places for trade where suppliers and buyers meet, while *market system* as a system that coordinates human activities in a society as a whole through interactions in the form of trade by need, not by centralized order. Markets come in many shapes: labor market, agricultural market, a market where industries provide goods and services to consumers, an intermediate goods market which deals goods and services for other manufacturers, and financial markets.³³

As of 2015, in the political economic system of Cuba and North Korea, plan or command from above, free

29. Donella H. Meadows, *Thinking in Systems*, op. cit, p. 79.

30. Donella H. Meadows, *Thinking in Systems*, op. cit, pp. 159–161.

31. John H. Miller and Scott E. Page, *Complex Adaptive Systems*. Princeton, New Jersey: Princeton University Press, 2009, p. 3.

32. Available at <http://www.santafe.edu/> (accessed on Dec. 11. 2014).

33. For example, a market that deals with intermediate goods, such as computer components, which are sold by computer assembling companies. Also, there are various forms of investment markets, are including loan markets, and stock markets. In general, major participants of intermediate markets and capital markets are entrepreneurs, businesses, and financial organs rather than individuals. Charles E Lindblom, *the Market System: What it is, how it works, and what to make of it*. (Connecticut: Yale Nota Bene, 2002)

or market order from below, and controls and regulations in the middle, have exerted direct and indirect influence on their economic activities; therefore, with the marketplace in the center, this study analyzes agents' patterns of behavior and interactions through the marketplace based on Agent-Based Models (ABM) of complexity theory, which incorporate agents and interactions. One of the most powerful tools for this complexity study, which puts emphasis on agents and interactions, is a set of computational techniques.³⁴

These are virtual experiments, which duplicate reality based on computer simulation. Dynamic simulation models to explain and predict complexity theory can be divided into two categories: (1) variable-based models; and (2) agent-based models.³⁵ In regard to simulations, extensive global simulations have been done in international politics in particular.

However, attempts to predict the future using the massive simulation barely succeeded because the researchers failed to recognize that complexity results not from a countless number of variables but from unsuccessful realization of interaction rules. That is, even though countless variables that operate a system may be considered, the shape of the future could remain uncertain owing to the butterfly effect. This empirical finding lets us know that if we are to build models to find certain orders of patterns, we should lay stress on the rule of relations among variables rather than on the number of variables.

Since the late 1990s, attempts have emerged around politics and public administration communities to carry out studies which value "disclosure of behavioral patterns of agents" and "relation between agents," and believe case analysis and historical approach alone are enough to adopt complexity theory without employing complex computer simulation. Particularly in the case of markets in Cuba and North Korea,

due to the lack of data, low levels of institutionalization, informal activities, and vitalization of interactions, basic information has been so insufficient to try computer simulation that an individual needed too much time for him/her to launch individual research.³⁶

The current research, which puts its primary attention on studying markets in Cuba and North Korea carries out a thought experiment concentrating on agents and interactions among them instead of conducting computer simulation. It infers its conclusion by recognizing the very fundamental agents, and their circumstances, and considering thought experiments and diagrams following a historic context. As mentioned above, most researchers of complexity theory point to self-organization through emergence, and evolution related to adaptation as the most substantial concept in regard to complexity.

Self-organization means self-structuring and formation of a new order in a system without intentional interference from the outside; emergence indicates a situation where a new phenomenon and a new order which did not exist at each component level turn up at a system level through interactions of all the factors that compose the system. Self-organization is also the most important feature of complexity, which regulates itself without artificial design or management. From the view of self-organization, order takes place spontaneously rather than exogenously/endogenously. Order is generated by mutual adjustment, and self-regulation, not by centralized instructions, and in a bottom-up fashion, not in a top-down fashion. This means that a system is not just a sum of parts, and it comes to have features which its elements do not possess.³⁷

Since the behaviors of autonomous agents combine in a decentralized way, the phenomenon is described as dispersive/decentralized; this is the point where

34. John H. Miller and Scott E. Page, *Complex Adaptive Systems*, op. cit.

35. Hartmut Bossel, *System and Model: Complexity, Dynamics, Evolution, Sustainability*. Norderstedt, Germany: Books on Demand, 2007.

36. Young-Ja Park, "The Status quo of Complexity on Economic System of North Korea," op. cit, p. 142.

37. Donella H. Meadows, *Thinking in Systems*, op. cit.

self-organization articulates with emergence. The notion of emergence implies that self-organization cannot be forced from outside the system, and it functions immanently within the system. Therefore, self-organization has close relations with emergence in a sense that a new order is created within the system by itself, and evolution is closely related to adaptation in the sense that it constantly changes into a new order.³⁸

Evolution, meanwhile, means a process where a system changes into a new order from an existing one through interactions with surroundings. And adaptation means a system's self-maintenance by transforming itself into a more suitable structure for its circumstances. If we regard the concept of adaptation as the consistency of a system, and consider that evolution means the transition from a certain order to a new one, they can be understood in a broad sense which covers the physical world and human society. Evolution and adaptation signify that a system is unceasingly changing and it can secure continuance when it does so.³⁹

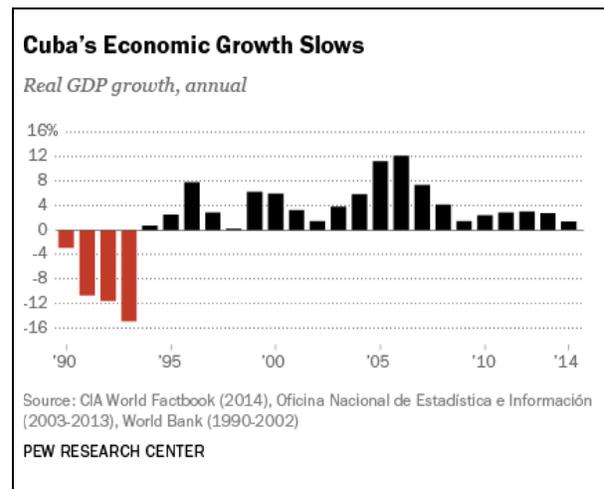
The market systems in Cuba and North Korea, which began to operate in earnest with the spread of farmers markets and black markets since the 1990s, is showing dynamic aspects associated with the spread of the market, development of market players, instability of food rationing, market regulation or control by the government, and direct or indirect and official or unofficial resistance by market players.

This research, based on these market circumstances in Cuba and North Korea, sets as a major factor the subject of market vitalization or market players from below which pursue their benefit through market activities, and the subject of market regulation or planning bodies from above which regulate and control market activities.

EVOLUTION PROCESS OF MARKET SYSTEM IN CUBA

Figure 1 shows Cuba's economic growth from 1990 to 2014. After overcoming the crisis of regime survival in 1994, the Cuban growth trend takes a spiral form of evolving pattern, showing instability for the last 25 years. And in this process, hybridity emerged as the market order and command economy intertwined in the Cuban economy.

Figure 1. Cuba's GDP Growth: 1990–2014



Compounding various data such as this trend, economic patterns, and previous studies, the evolution process of Cuba's market system can be divided into three phases as follows: the first evolution phase, 1990 to 1997; the second evolution phase, 1998 to 2005; and the third evolution phase, 2006 to 2015.

First Phase of Evolution, 1990 to 1997: The formation of survival market system created by the general public

This first phase can be divided into two periods. Each period's main situation and actions are shown in Table 1.

38. If self-organization indicates a process in which order is made, emergence points to a result from it. These two closely related concepts, with self-organization being cause and emergence being effect, imply that the structure and order of a system is made by itself via interactions among its components.

39. John H. Miller and Scott E. Page, *Complex Adaptive Systems*, op. cit. Historically evolution theory was introduced to complexity theory in the 1980s. As it was known that a system not only creates an order, but also changes the order by itself, the notion of complex adaptation system began to be used instead of complexity theory.

Table 1. Characteristics of the first evolution phase: 1990–1997

Feature By Period	Main Situation & Action
<ul style="list-style-type: none"> • 1990–1993: • Diffusion of black market and occurrence of market economy 	<ul style="list-style-type: none"> • Economic shock (such as ‘Arduous March’ in North Korea) • Spread of black markets • Unstable food rationing • Formation of non-interference, chaotic, survival-oriented, predatory market order • Formation of market players from below • Economic reform measures for “The special period in time of peace” by Fidel Castro in 1991 • In 1992, authorization of cooperative enterprises and joint ventures by constitutional amendment • Entitled the authority for reforms and economic openings to the military • In 1993, legalized the use of US dollars and adopted dual currency system: convertible peso, CUC, used when purchasing manufactured goods and convertible to US dollars, Euros, etc., and Cuban peso, CUP, limited to use in farmers’ markets and bodegas and inconvertible
<ul style="list-style-type: none"> • 1994–1997: • Emergence of market system and overhaul by the government 	<ul style="list-style-type: none"> • Emergence of market system • Partial recognition of products and price principle at the consumer level • Searching for co-existence between the planned economy (the party-military economy) and the market economy • Starting of interaction and feedback among agents in the market system • State control on market expansion and measures allowing limited ownership: mainly opened up tourism, telecommunications, and natural resources sectors, welcomed foreign investment and influx of foreign currency (largely from the U.S.), but limited basic property rights of Cuban nationals • Benefits of reforms and openings to the military and party members. • In 1996, U.S. Congress passes Helms-Burton legislation: embargo on foreign firms doing business with Cuba • Military taking the lead in the dollar economy: the military were allowed to possess and maintain most of the tourism facilities, form joint ventures with foreign investors, and control the external sector • Cuban government needed to guarantee political loyalty as well as amass US dollars: judging that the recognition of property rights for ordinary citizens would be risky, given this right only to the military and communist party members. • Such measures enabled regime survival, however it also created monopolist capitalists led by the military • Ordinary people’s way of earning money: participating in the informal market economy, receiving tips from travelers, patron-client network with the military or government officials, remittances from relatives from outside (mostly US)

In this phase, there was the emergence of a market system and its three agents: the general public, the business-politics collusion’s group, and the ruling coalition. They started interactions and feedback on Cuba’s market system. This market system was initiated by the general public for survival. People were the main motivating forces in Cuba’s market system.

Second Phase of Evolution, 1998 to 2005:

Business-politics collusion for private advantage

During this phase, Cuba’s market system has been expanded in a malformed and spontaneous way. The evolution of the market system proceeded in earnest within Cuba’s political economy. In other words, economic reform measures from above combined with the spread of self-organized market order from below and led to an evolution which produced the

outline of a market system in Cuba as a whole. At the system level, the collusive business-politics group played an important role.

This phase can be divided into two periods. The spreading period of the market order from 1998 to 2002, and the adjustment period by the regime from 2003 to 2005. Table 2 shows the characteristics from 1998 to 2005.

In this second phase, especially, there were a lot of interactions and feedbacks among the market agents, some of them brought about by the institutionalization of corruption and clientelism.⁴⁰ The active power in the market system was the collusive business-politics group, who sought their own profit-seeking interest. Also, as the regime has enhanced interven-

40. “Clientelism provided the parties with a common ground on which to build up their future interactions. This could involve only the allocation of artificial rents, or the exchange between money and power.” Flora Sapio, “Rent Seeking, corruption, and clientelism,” op. cit, p. 22

Table 2. Characteristics of the second evolution phase: 1998–2005

Feature By Period	Main Situation & Action
<ul style="list-style-type: none"> • 1998–2002: • Spread of market order 	<ul style="list-style-type: none"> • The consumption sector became vibrant when the use of dollar was legalized in 1993. Around 2000, many people and organizations saved dollars for themselves and resorted to private market for goods rather than stateowned enterprises due to the standstill in the consumption sector and political instability. • After the Helms-Burton legislation was passed in 1996, foreign currency became more difficult to obtain • From the 2000s, the economy found some breathing space owing to the tourism industry, nickel export boom, and the reforms in the agrarian and service sector. In the process, the sugar industry significantly declined, and the tourism industry became the main source of dollar income • Deepening social inequality and expanding of the market system • A market system where the planned and the market parts coexist • Spread of interactions and feedbacks among market agents • Institutionalization of corruption and clientelism through the market system • Proliferation of nonsocialist phenomena
<ul style="list-style-type: none"> • 2003–2005: • Adjustment period • by the regime 	<ul style="list-style-type: none"> • In 2003, Cuban financial crisis: the Cuban government faced economic crisis with no budget to spend due to military budget and economic maladies (price distortions, stagnation of nontraditional export prices, reduction in foreign investment, collapse of the sugar industry, inefficiency of stateowned enterprises) • In response, government promulgated Resolution 80 in 2004, prohibiting use of dollars in retail transactions, to secure dollars by inducing the people to exchange dollars to pesos (added 10% extra charge for government use) • Cuba blames this situation on the \$100 million dollar fine that the U.S. imposed on banks operating in Cuba • Through Resolution 80, Cubans found themselves with their economic activities restricted and the number of Cuban emigrants increased • Maintained enough economic growth for regime survival by the support of Venezuelan government and tourism revenues • Widespread corruption and clientelism throughout the whole society • Regime escalating a sense of crisis about rampant nonsocialism • Vigorous coordination against market system and agents by the regime • Market restraint and control by the regime • However, generalization of market activities into factories and enterprises of the independent profit system or a selfsupporting accounting system

tion and management on market order, the regime's role developed in the market system.

Third Phase of Evolution, 2006 to 2015: Leading by the dictatorship's ruling coalition

With the generalization of corruption over society, economy, and politics in Cuba, the regime's sense of crisis about rampant non-socialism has escalated. In the process, Castro handed power over to his brother Raúl in 2006. Since then, Cuba's regime has attacked the business-politics collusion's group with anti-corruption measures. In this phase, Cuba's market system has been reformed and its main characteristic changed.

In aspects of the national economy, the "anti-corruption measures" of the regime have failed. However, in the side of the dictatorship's economy, the measures were somewhat positive. As a result of the regime's direct control and reconstruction of the market system from 2009 to the present, the motivating force in the market system has become the ruling coalition of the dictatorship, including the higher bu-

reaucrats, the traders of the central state organs, and the large scale producers patronized by the dictatorship, including producers of weapons and of military supplies. They have been adapting and adjusting to the market system in order to maintain their power. The ruling coalition of the dictatorship has been the most active power in the central part of the Cuba's market system.

This third phase can be divided into two periods. Each period's main characteristics are summarized in Table 3.

In this phase, the evolutionary character of the Cuba's market system has been shown by the adaptation and the rearrangement of the dictator and his ruling coalition, also the adjustment and the reform of its system by them. Now, their central aim has been reforming economic environments at home and abroad to create a peculiar market system which will allow them to maintain their power in accord with Cuba's long lasting dictatorship.

Table 3. Characteristics of the third evolution phase: 2006–2015

Feature By Period	Main Situation & Action
<ul style="list-style-type: none"> • 2006–2008: • Attacking the Dictatorship 	<ul style="list-style-type: none"> • Society was overloaded with corruption, as wages were too low to meet consumers' desires, people engaged in black market activities to supplement the poor wage: according to a study in 2005 conducted under Fidel's orders, half of 2,000 gas stations misappropriated gasoline, and 80% of total supply was sold in the black market. This level of corruption is impossible without intervention of high-level officials • In 2006, Fidel temporarily handed power over to his brother Raúl before he had emergency surgery • With Raúl Castro's ascension, many ministerial level officials were sacked. However, the number of corrupt acts, accounting frauds, and embezzlement occurring across various sectors did not decrease • Under the banner of eliminating corruption, attacks directed at the business-politics collusion group and the general public in the market system • Attempts to convert "free market order" into "control order" for the dictatorship • In 2008, Raúl Castro officially elected as President of the Cuban Council of State
<ul style="list-style-type: none"> • 2009- 2015: • The Renewing of the Dictatorship 	<ul style="list-style-type: none"> • In late 2008, three hurricanes devastated the economy • Raúl Castro's regime faced a crisis due to its inability to cope with natural disasters and the growth of the market system: After 2009, Raúl has adopted economic reforms • Raúl established a commission for reforms lending an impetus to discussions in diverse sectors, established an anti-corruption general agency, and restricted the main industries such as energy, mining, and sugar • Led institutional changes through legislation on consumer goods market (lifted restrictions regarding real estate, used cars, restaurants), finance, credit, immigration reform, and cooperatives • Raúl Castro reorganized the Council of Ministers, replaced the local military commanders, and made generational shift in party and governmental middle level officials. Through these measures, he finalized the takeover of power from Fidel • 2010: mass layoff of civil servants and initiation of economic reforms such as allowing own-account business • 2011: Communist Party approved about 300 economic policy guidelines including encouragement of foreign investment • January 2013: dropped travel restrictions on Cuban nationals • In the process of these reforms, purges were carried out and power and privileges reallocated: Raúl's aides were appointed in key positions such as ministers and heads of state-run enterprises • Liberalized the licensing process and increased the production scale of businesses. The number of people in small businesses vastly increased from 160,000 to 390,000 in three years, from 2010 to 2013 • The contract between the governmental sector and the non-governmental sector was liberalized, paving the way for increased productivity and administrative synergy between the two sectors • The cooperatives law was approved in 2012 lifting restrictions on cooperatives regarding agricultural production, service, logistics, and small businesses. The law authorized legislative mechanisms that enable the establishment of stable relations among numerous cooperative farms and of second degree or cluster cooperative farms • The cooperatives law conveys the agreement between boosting production and the political framework known as the cooperative system. The property rights of cooperatives are less defined than small retail sector. (Neither state-run enterprise nor private business) • Instead of maximizing government revenue by selling/leasing assets (taxis, restaurants, and cafeterias), the regime provided usage rights on government assets to existing laborers. • Renewing of economic institutions by the regime: introducing partial free management policies regarding farms, factories and businesses. Developing of incentives, facilitating the inflow of foreign currency • Conundrums of the reality in the reform process: with the lack of legal/administrative experiences in preparing and executing effective contracts, it is difficult for Cuba to achieve such reforms in the short run

EVOLUTION PROCESS OF MARKET SYSTEM IN NORTH KOREA

The red solid line in Figure 2 shows the economic growth of North Korea between 1990 and 2014, while the blue dotted line does the same for South Korea.

As Figure 2 suggests, North Korea's GDP growth is similar to Cuba's in terms of indicating spiral evolutionary trend. Following this spiral pattern, North Korea's economic system operated unstably for the

last 25 years. And during this process, close to the evolution features of Cuba's market system, North Korea's economy has combined market order and control order, signaling hybridity.

Taking into account various data, economic patterns, and previous studies, the evolution process of North Korea's market system historically divides into three phases as follows: the first evolution phase, 1990 to 1999; the second evolution phase, 2000 to 2006; and the third evolution phase, 2007 to present.

Figure 2. Comparison between South Korea and North Korea GDP Trends

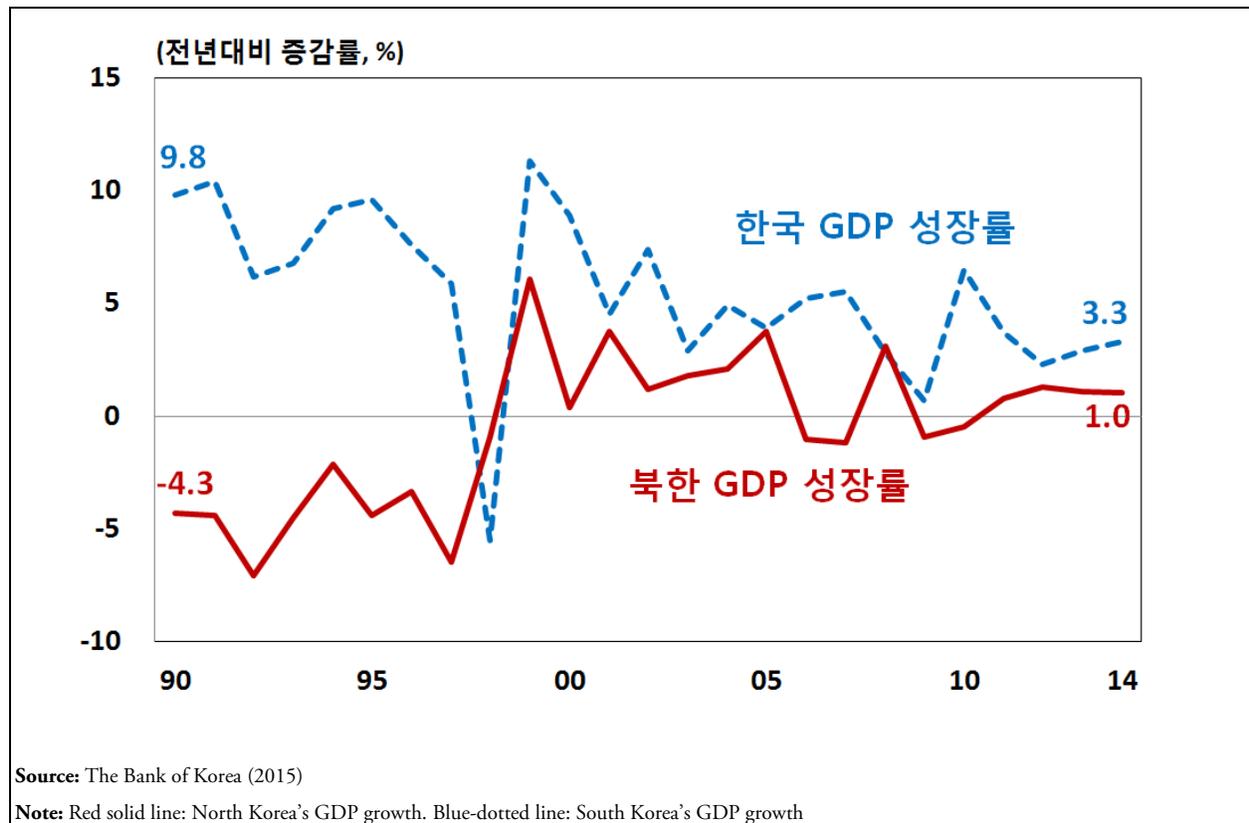


Table 4. Characteristics of the first evolution phase: 1990–1999

Feature By Period	Main Situation & Action
<ul style="list-style-type: none"> • 1990–1994: • Diffusion of black market 	<ul style="list-style-type: none"> • Spread of farmers markets and black markets • Unstable food rationing
<ul style="list-style-type: none"> • 1995–1997: Spontaneous occurrence of free market economy 	<ul style="list-style-type: none"> • Economic shock, so-called Arduous March • Collapse of food rationing system • Starvation & black markets in full scale • Formation of non-interference markets; chaotic, survival-oriented, predatory market order • Formation of market players from below
<ul style="list-style-type: none"> • 1998–1999: Overhaul by the government 	<ul style="list-style-type: none"> • Emergence of market system and three agents • Partial recognition of products and price principles at the consumer level • Change of 'black market' into general 'market' • Searching for co-existence between the planned economy (the party-military economy) and the market economy • Starting of interaction and feedback among agents in the market system

First Phase of Evolution, 1990 to 1999: The formative period of market system initiated by the general public

This first phase can be divided into three periods. Each period's main situation and actions are as follows (see Table 4)

In the last period of this phase, three agents started an interaction and a feedback in the North's market system. So, a hierarchy grew up, in which the general public was the active power in the center, the business-politics collusion's group was the modulating power in the middle, and the ruling coalition was the passive power on the margins.

Table 5. Characteristics of the second evolution phase: 2000–2006

Feature By Period	Main Situation & Action
<ul style="list-style-type: none"> • 2000–2004: • Spreading of the market order 	<ul style="list-style-type: none"> • Partial reforms: recognition of product and price principles in the economic system • Economic Management Improvement Measures on July 1, 2002 • General Market Institution in 2003 • Policy of socialist commodity economy • Attempts of self-reliance by means of markets of factories and enterprises • A market system where the planned and the market parts coexist • Spread of interactions and feedbacks among market agents • Institutionalization of corruption and clientelism through the market system • Proliferation of non-socialist phenomena through the market
<ul style="list-style-type: none"> • 2005–2006: • Adjustment period • by the regime 	<ul style="list-style-type: none"> • Regime escalating a sense of crisis about rampant non-socialism • Vigorous coordination against market system and agents by the regime • Adjustment of approval measures of commodity economy • Market restraint and control by the regime • Generalization of market activities into factories and enterprises of the independent profit system or a self-supporting accounting system

In this phase, the main motivating forces in the North's market system were the small and medium-sized merchants, including various retailers, small-sized producers who privately cultivated the land, domestic working units, and small unofficial local factories. The market economy provided the roots of survival for the general public. Therefore, the formation of the North Korean market system was initiated by the general public, which was the active power nestled in the central part of the system.

Second Phase of Evolution, 2000 to 2006: Business-politics collusion for private gain

During this phase, as North Korea's markets evolved from below, expanding in a malformed and spontaneous way, and as they interacted with the government's measures of partial market institutionalization from above, and the evolution of a market system proceeded in earnest in the North Korean political economy. In other words, partial reform measures from above combined with the spread of self-organized market order from below and led to an evolution which produced the outline of a market system in the North Korean regime as a whole. At the system level, the business-politics group played the important role.

This phase can be divided into two periods. The spreading period of the market order, the period of full-fledged market, from 2000 to 2004; and the adjustment period by the regime from 2005 to 2006. Table 5 shows the characteristics from 2000 to 2006,

indicating the inner dynamics of the North's political economy until today.

In this second phase, especially, there were a lot of interactions and feedbacks among the market agents, including those brought about by the institutionalization of corruption and clientelism as well as the proliferation of non-socialist phenomena. The active power was the business-politics group, who sought their own profit-seeking interest.

Third Phase of Evolution, 2007 to 2015: Leading by the dictatorship's ruling coalition

The regime's sense of crisis about rampant non-socialism has escalated more and more since 2005. Since early 2007, the regime has implemented extensive anti-market measures. The measures included an attempt to change the 'general market' based on the market economy into 'farmer market' based on the planning economy, the reconstruction of planning bodies, and momentum from 100-day or 150-day movements/control of mass mobilizations. Then, in late 2009, the regime enforced currency redenomination (currency reform), a prohibition on using foreign currency, and closure of general markets. From January 2010 onwards, the lower class all over the country who had scraped by on the market system, faced a major crisis to their livelihoods as measures such as the currency redenomination and the prohibition to use foreign currency failed: the market system therefore entered into a period of recovery.

Table 6. Characteristics of the third evolution phase: 2007–2015

Feature By Period	Main Situation & Action
<ul style="list-style-type: none"> • 2007–2009: • Attacking of • the Dictatorship 	<ul style="list-style-type: none"> • Direct attacks on the business-politics group and the general public in the market • Attempts to convert “free market order” into “control order” for the dictatorship • Control and closure of general markets as “a hotbed for non-socialism” • Abolishment of approval measures for aspects of product/currency/price markets • Announcement of full resumption of food rationing • Deciding on <i>the leadership succession to Kim Jong-un</i>
<ul style="list-style-type: none"> • 2010- 2015: • Adapting/ • Renewing by the Dictatorship 	<ul style="list-style-type: none"> • At the end of January 2010, the livelihood crisis of lower class was visualized • Increased death rate and hardship of people who depend on their daily earnings from the market • Failure of currency redenomination and foreign currency measures (the prohibition to use foreign currency), failure of resumed food rationing • Approval of operation of general markets and market systems-Appearance of the effect of goods accumulation by households and market players; <i>widening rich-poor gap and social polarization</i> • Renewing of economic institutions • At the end of 2011, death of Kim Jong-Il • Reform of the market system and the rearrangement of its functions through adaptation and adjustment among the agents leading the ruling coalition of the dictatorship • In 2012, “The New Economic Management System” by Kim Jong-un (a statement of measures implemented on June 28 which were disclosed in July 2012): Setting aside planned economy system and state consumer rationing, inaugurating management policies regarding factories and businesses. But state still maintains the bureaucracy of the state’s administrative machinery, the free education and health system, and some aspects of food rationing • In 2014, upgrade of “The New Economic Management System” by Kim Jong-un (a statement of measures implemented on May 30 which were disclosed in May 2014): developing of incentive institutions, more free management on factories and businesses, facilitating the inflow of foreign currency

In this phase, North Korea’s market system has been reformed and its main characteristic has changed. In aspects of the national economy, the regime’s ‘anti-market measures’ failed. However, for the dictatorship’s economy, the measures were not too bad. As a result of the regime’s direct control and reconstruction on the market system from 2007 to 2015, the motivating force in the market system has become the ruling coalition of the dictatorship, including the higher bureaucrats and traders of the central state organs, the large scale producers patronized by the dictatorship, the manufacturers of weaponry and military supplies, and the like. They have been adapting and adjusting to the market system in order to maintain their power. The ruling coalition of the dictatorship has been the active power in the central part of the North’s market system.

This third phase can be divided into two periods. Each period’s main characteristics can be summarized as shown in Table 6.

In the third phase, as shown in Table 6, the dictatorship, as a whole, attacked and reformed the existing market system and other agents. The regime implemented the currency reform and the prohibition to

use foreign currency in order to absorb money—including foreign currency—from the market and its agents, and reformed the market system to maintain their monopoly on power. Those key reasons were because the market system motivating the business-politics group threatened to undermine the dictator’s (state) distribution network and the justness of the dictator’s dominance over planning, as its influence gradually penetrated into the dictator’s economy.

Thus, the ruling coalition of the dictatorship has become a motivating force of the market system. Specifically, the ruling coalition—the dictator’s small group of supporters—whose earnings were built by the North’s market system has benefited. Moreover, it has resulted in the widening gap between rich and poor and social polarization.

On April 6, 2012, at a meeting with the staff members of the Central Committee of the Workers’ Party, Kim Jong-un, the North’s new young dictator, reportedly emphasized the need to “solve economic problems under the unified guidance of the cabinet.”⁴¹ Moreover, science and technology development policies were given new emphasis under the

slogan of “a strong and prosperous nation” on April 15, 2012, Kim Il-sung’s birthday, according to the *Rodong Sinmun*, the official newspaper of the Workers’ Party.⁴² Also, the power transition to Kim Jong-un has been very speedily proceeding, compared with that of his predecessor.⁴³ The North’s new regime substantially ditched its planned economy system and state rationing of consumer goods, inaugurating freer management policies about factories and businesses, through “The New Economic Management System,” a statement of measures effective since June 28 by Kim Jong-un’s regime disclosed in July 2012.⁴⁴

On the one hand, this new economic policy arises because the market system has been evolving through feedbacks, interaction and adaptations of the agents over the last twenty years. On the other hand, it can be possible because the ruling coalition of the dictatorship has become the active power in the North’s market system for the third phase of its evolution, 2007 to 2015. The measures and policies are devised for the benefit of the new ruling coalition of Kim Jong-un. They are intended to sustain the institutions for a lasting dictatorship, such as rations for the bureaucracy of the state’s administrative machinery, free education and health system for their ideological justification, and food rationing allotments for supporters of the regime who maintain the dictatorship in power.

Finally, in this phase, the evolutionary character of the North’s market system has been the adaptation and the rearrangement of the dictator and his ruling

coalition, as well as the adjustment and reform of the system by them. Their central aim has been reforming economic *environments at home and abroad* to create a peculiar market system which will allow them to maintain their power in accordance with the North’s long lasting dictatorship.

UNIFORMITY AND DIFFERENCES BETWEEN CUBA’S AND NORTH KOREA’S PATHS TO CHANGE

Viewing the evolution process of the market system in Cuba and North Korea for the previous 25 years, the following homogeneous traits can be drawn.

First, in the process of overcoming the economic crisis in the 1990s, both countries integrated the market economy within the regime so that it benefits the longevity of the dictatorial regime coordinating the market forces formed from the bottom. As a result, they both share the characteristics of hybrid economy as a mutant economic system beyond the coexistence of the planned economy and market economy.

Second, the two countries initiated economic reform when economic crisis critically deteriorated the livelihood of their respective people, threatening the regime’s survival. Once the economic crisis was over, the regime again implemented conservative policies. The spiral pattern of economic growth was the result. That is, the two regimes shared the form of gatekeeper state intensifying the control economy in order to solve the problems of “regime relaxation arising from the result of success.”

41. *Rodong Sinmun*, Pyongyang, April 7, 2012.

42. *Rodong Sinmun*, Pyongyang, April 15, 2012.

43. He holds the titles of first secretary of the Workers’ Party and first chairman of the National Defense Commission, the two newly-created top posts in the country. “He has made a spate of inspection trips to military units in an apparent attempt to bolster his support from the military, which served as a key backbone of his father’s rule. North Korea’s military and other top officials have repeatedly pledged loyalty to their new leader as the country’s state propaganda media have lauded him as “the outstanding leader” and “another great sun.” In an apparent move to evoke images of his grandfather whom some old North Koreans still respect, he often linked his arms with his people and showed affection toward them during his inspection trips. However, some experts still raised questions on whether the young untested leader can exercise real power, citing his lack of the charisma both his father and grandfather possessed.” Kim Kwang-tae, “Questions linger on N. Korean leader Kim Jong-un’s power,” *Yonhap News*, Seoul, June 29, 2012.

44. In August 2012, a news report from Washington-based Radio Free Asia (RFA) said that: “Lecture meetings have been held since Aug. 6 for each labor group, political cell and factory in regard of the introduction of a new economy management system,” RFA quoted from a source based in Ryanggang Province in North Korea. “During the lectures, details of the new economic management system were released.” The source also said the regime dispatched lecturers to each workers’ organization across the country to brief them on the newly-introduced policies. http://www.rfa.org/korean/in_focus/economy-08082012101853.html.

Third, in the evolution process of the market system for the last 25 years, the party-military ruling coalition in Cuba and North Korea has transformed into a market force, incorporating the business-politics collusive group with state rent such as natural resources, labor force, various permits, and trading rights as a medium. The two regimes were able to maintain political stability despite the economic hardships.

Fourth, both countries encountered adverse influences from foreign currency transactions. To block the domestic influence of U.S. dollars, Cuba has operated a dual currency system since 1993, and the influence of the dollar solidified in the process of market system evolution. Likewise, after the failed currency reforms in November 2009, dollarization rapidly took place in North Korea and the U.S. dollar or Chinese yuan circulates as the key currency. Accordingly, the influence of state currency has weakened.

Fifth, the two societies suffer from the following symptoms: intensifying inequality and widening of gaps between strata, divergence between the domestic currency economy and foreign currency economy, institutionalization of corruption, and control by monopolistic capitalists of the military. The party and military officials lie at the center of such socio-economic problems. They absorbed the market forces with state rent institutionalizing “power-wealth symbiosis” relations. Because of this, the market system has developed in a manner in which it is difficult to establish civil society with resources and capability. Simply put, the market forces looming from the evolution process of the market economy have been loyal to the ruling coalition, which has power and vested rights rather than forming solidarity with forces of social change such as workers and progressive intellectuals. Thus, civil society as an opposition to dictatorship has not been established.

Meanwhile, the following traits account for the different paths taken between Raúl Castro and Kim Jong-un based on the rate of reform and opening and “the changing relations with the U.S.”

First is the power structure. The two regimes yielded monopolistic privileges in the evolution process of the market system. However, they differ in terms of

power structure. In the case of Cuba, the regime installed the system in which the military monopolistically reaps the fruits of economic reforms and openings directly. In North Korea’s case, the military is not the direct benefactor of reforms and openings. Rather, the cabinet organs responsible for trade-related tasks and party organs caring for the dictator’s ruling funds are direct beneficiaries. In particular, the core of North Korean power structure is the monolithic party defending the absolute authority (Kim Jong-un) and the regime. Consequently, it is more difficult for the power structure to accept measures of reforms and openings that might shake the Kim Jong-un regime than in Cuba. In North Korea, a military dependent on dictatorial party and dictator takes conservative stances on reforms and openings for survival and benefits.

Second is the difference in leadership. Even under similar hereditary successive dictatorial regimes, Raúl Castro has had his leadership checked by his extensive political activities for a long period of time. However, Kim Jong-un is a new power with his leadership unknown. Generally, new dictatorial regimes experiment with power and engage in provocative behavior to establish an independent decision-making system and leadership distinct from the predecessor. Besides, it displays atypical and experimental policy volatility in both domestic and foreign affairs. From the third nuclear test in February 2013, Kim Jong-un has implemented politico-military provocations, typical of new nuclear-possessing states. Also, the regime opted for dual strategy of “*byungjin* line (two fronts line) of simultaneous economy and nuclear development”. In this strategy, Kim Jong-un boasts sudden politico-military provocative behavior to surmount economic crisis internally and externally while being “recognized as a nuclear-weapons state.” His “need for approval”—being acknowledged as the absolute authority and the leader of a nuclear weapons state—reinforces North Korea’s conservative steps. Yet, “the international community unable to understand and recognize” Kim Jong-un’s dictatorial course of action and North Korea’s nuclear weapons cannot head towards the “era of peace” with Kim Jong-un.

Third is the dissimilarity of neighboring countries' political and economic system. The U.S. is the country that exerts decisive influence on Cuba's politics and economy, while it is China in North Korea's case. For that reason, the U.S. and Chinese system heavily affects each society, respectively. Cuba is more relatively influenced by the liberal democratic market economy system of the U.S. Conversely, North Korea is under direct influence of China, which is the forerunner in establishing hybrid economic system among the post-socialist states. And for China, which wishes to continue with economic growth in the midst of U.S-China hegemonic competition, North Korea is still a meaningful ally and neighbor that it has to embrace. Also, China desires North Korea to establish a stable hybrid economic system, and its reform and opening model supports this.

Fourth is the disparity in ethnic issues. Cuba consists of a mixture of various ethnic groups, such as whites, Mestizo, blacks. Thus, the population is demographically well aware of diversity and there is a conflict structure among various groups. In contrast, North Korea consists of a homogeneous ethnic group along with the pure lineage. Moreover, North Korea militarily confronts South Korea, both an enemy and a peoples of the same ethnic group. Both Koreas do not recognize each other as a state in legal terms, and reproduce the identity as one ethnic group according to each other's socio-political needs. Accordingly, the two Koreas are in both closest and farthest rivalry. Such inter-Korean relations influence both the do-

mestic and foreign policy of North Korea. That's why the ethnic issue is sharply divided. Also, North Korea falls under the confrontational structure of national division where the conservatives are absolutely at an advantage and the reformists are always subject to purges.

Fifth are religious and cultural differences. Cuba is an overwhelmingly Christian state, where about 80 percent of Cubans are Catholics and 10 percent Cubans are Protestants. In the Catholic culture, the world of afterlife prevails over the conflict and confrontations of the current world. Meanwhile, in North Korea, the *suryong* (leader), an absolute authority, is a god-like figure and the monolithic party assumes similar role as church organizations. And the monolithic ideological system with the *suryong* at the apex operates like Christian doctrine. The "living god (*suryong*)" exercises absolute power at the apex of power of party-military-cabinet, and instigates conflict and confrontation to demand absolute obedience and allegiance. So, the ideology of adversity and hatred of the U.S. and South Korea because they threaten "North Korean regime=Kim Jong-un" functions as a religious-cultural factor.

To summarize, despite that fact that both Cuba and North Korea proceeded via the evolution process of market economy, equipping themselves with the same hybrid system, North Korea has not demonstrated "flexibility in the real world" as has been done by Raúl's Cuba due to the aforementioned five differences.