STATEMENT OF

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HEARINGS ON

THE NORTH KOREAN HUMAN RIGHTS ACT OF 2004: ISSUES AND IMPLEMENTATION

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United States House of Representatives

The views expressed in this statement are those of the authors and do not necessarily reflect the views of individual members of the Institute for International Economics’ Board of Directors or Advisory Committee.
It is an honor to be invited to testify before this committee. We would like to begin our
testimony by restating a simple yet compelling point: The absence of human, civil, and
political rights in North Korea and the humanitarian disaster that afflicts its population
are inextricably linked.

North Korea’s tragedy could have occurred only in a system in which the political
leadership was insulated from events on the ground and shielded from political
competition and freedom of association and speech. The failure of the North Korean
government to guarantee adequate supplies of food to its population is directly related to
the government’s denial of a battery of other rights to its citizens: to confront public
officials with their shortcomings and replace them for policy failures; to publicize
information that allows government officials to know the extent of distress; and to
organize collectively in the face of injustice and deprivation. If these rights were present,
neither the great famine nor the ongoing shortages of food would have occurred, and we
would not be meeting here this afternoon.

Despite our strained political relations with North Korea, the United States has
been the largest donor of humanitarian assistance to the country since 1995, contributing
over $600 million in food aid, equivalent to over 2 million metric tons of grain An
important purpose of the North Korean Human Rights Act of 2004 (P.L. 108-333) is to
guarantee that all efforts are made to improve the transparency with which this aid is
delivered. These concerns stem from our interest in targeting aid to vulnerable and
deserving groups and assuring that aid is not diverted to the undeserving, either for
consumption or re-sale in the market.

The impediments that the North Korean government has placed in the way of
monitoring aid are well known and need not be rehearsed here. The USAID reports under
Section 201 of the Act provide a detailed overview of recent developments. These reports
present a mixed picture. On the one hand, the World Food Program’s (WFP) more
requests for monitoring have been denied in the last year, the total number of visits by
WFP monitors has been reduced by roughly 40 percent, and the North Korean authorities
have restricted the nature of questions WFP officials have posed in their focus groups. On
the other hand, the WFP also appears to have reached an agreement in principle with the
North Korean government to introduce a number of changes in the monitoring regime. If
implemented, these changes would improve the monitoring climate, perhaps even
substantially, although they would probably still leave it short of standard humanitarian
principles.

Our contribution to the Joint Meeting does not come in reviewing the evidence
already ably supplied by the WFP and USAID. Rather, we would like to draw upon
ongoing research conducted under the auspices of the US Committee for Human Rights
in North Korea to provide the committee with the context for understanding important
changes that are taking place in North Korea at the moment, changes that affect our
humanitarian interests and bear directly on the transparency of food delivery:
• North Korea has offset aid by cutting commercial food imports;
• Access to food is increasingly a function of economic status, and changes in the economy have contributed to the formation of a new class of food-insecure households among the urban nonelite;
• Diversion of aid from its intended recipients is almost certainly taking place, and the magnitudes are not small; and
• The availability of large volumes of essentially nonconditioned aid provided bilaterally by South Korea and China threatens to undermine the progress the WFP has made in its monitoring regime.

The Breakdown of the PDS and the Marketization of Food Distribution

North Korea is highly urbanized for its level of development, and those not working on a cooperative or state farm have historically depended on the public distribution system (PDS) for rations. During the great famine of the mid-1990s, this system proved unable to provide even the minimal amount of food needed for human survival. What is striking is that this system of distribution has never fully revived. Figure 1 shows the data we have on average rations distributed through the PDS; these averages hide important variations across provinces and over time. Even after the famine, and with the tremendous multilateral aid effort, the PDS distributes only 350 grams of food per person daily.

The flip side of this observation is that households out of necessity are securing a larger share of their food through the market, in which we include general markets in larger cities, farmers’ markets, and more informal markets or exchange networks (such as barter, transfers from relatives in the countryside, and corruption). A simple balance sheet approach that weighs total domestic production, imports, and aid against food distributed through the PDS suggests that over the past five years most of the domestic production has gone into the market. The PDS has increasingly become a mechanism for distributing aid. By our estimates, total aid receipts are equal to approximately 80 percent of the food that North Korean authorities claim is being distributed through the PDS.

This declining reliance on the PDS is confirmed by a series of refugee surveys done by several different researchers. They paint a consistent story: The PDS ceased to deliver food to large segments of the population in the 1990s, and families were forced to adopt a variety of coping strategies to survive. A recent survey of nearly 1,000 refugees in China confirms the marginality of the PDS system for many people.

The Problem of Diversion

Much public discussion of diversion focuses on large-scale diversion of aid to senior military and government officials. This problem certainly exists. But since the military and political elite has access both to grain collected from the cooperative farms and to
imports from countries altogether outside the WFP—most notably China—its importance is probably exaggerated. A less appreciated phenomenon is diversion of aid by local military and political officials or by those involved in the transport of grain to either nontargeted groups or the market.

Since its early operations in the country, the WFP has sought to address this problem through two means: (1) devising lists of target groups and (2) selective monitoring of the institutions and programs—such as food-for-work programs—through which aid is delivered to recipients. Public distribution centers are the main channel for the delivery of food to the general, nontargeted population. These centers can be thought of as final “retail” outlets, where households purchase prescribed amounts of food using ration cards. The primary channel for delivering food to targeted groups is via more than 40,000 institutions such as schools, orphanages, and hospitals.

However, there is no separate channel in North Korea for distributing food to these institutions; food passes through the same county-level PDS warehouse before it is distributed to the final units. These county-level warehouses are controlled by People’s Committees made up of mid-level government and party officials; these groups confront multiple demands on the food they control, from central authorities wishing to reallocate the food regionally, to local military and work units, to outright corruption.

How large is this diversion, and what effect does it have? No one knows for sure, but it is likely to be substantial. The South Korean nongovernmental organization (NGO), Goodfriends, which has a long history of deep involvement in these issues, recently estimated that half the aid is diverted, though it did not provide any detail on how it reached this estimate. One of the most astonishing things to come out of one recent survey of nearly 1,000 refugees is the relative absence of self-reported receipt of aid. Only 63 percent of the respondents in this survey reported even knowing of the existence of aid. Ten years into the humanitarian effort, nearly 40 percent of the population remains unaware of it, despite the fact that it purports to target virtually all of the school-aged children in the country. Of those who knew of the program, only 7 percent reported having received aid (or less than 5 percent of the total sample including those who were unaware of aid deliveries). These numbers do not imply that only 7 percent of the population received aid, nor do they constitute proof of diversion. They do, however, testify to the extraordinary power of the government to control information. When asked who respondents thought were the primary recipients of aid, fully 98 percent responded “the military.” Again, these responses do not prove that the military has been the primary recipient of food aid, but they do attest to the centrality of the military in North Korean society.

To get a rough sense of the magnitude of the estimates of diversion, aid has been providing at least a minimum ration to approximately 30 percent of the North Korean populace in recent years. If the estimate cited above is correct, it implies that the diversion of aid is sufficient to feed a significant share of the North Korean people. In light of the high real price of food in North Korea, and the astronomical rents that could
be reaped through diversion, those who manage to get control of these supplies have a strong pecuniary incentive to both maintain the program and escape detection.

In the presence of markets, the welfare effects of diversion are ambiguous, however. Diversion directly moves food away from intended beneficiaries. But food is fungible to an important degree. To the extent that the recipients of diverted aid substitute it for food that they would have otherwise purchased, diversion tends to depress prices in the market where many of the beneficiaries or their families are, in reality, obtaining most of their food; again, we know this because both North Korean and WFP estimates of daily PDS rations are not sufficient to meet even the minimum caloric intake, even if we correct for the presence of other types of foods besides grains.

This analysis leads to an important policy conclusion. In addition to gaining better access to the PDS, which is now largely a mechanism for distributing aid, US or other monitors should be tracking developments in markets, where signs of food distress often appear first as wildly fluctuating grain prices.

The 2002 Economic Policy Changes

The process of marketization, which had been occurring for years, was re-enforced by an important set of reforms launched in July 2002. This is not the venue to go into a detailed analysis of these policy changes, but they have proved problematic in both design and implementation. We estimate that since August 2002, the annualized rate of inflation in North Korea has been over 100 percent. The WFP has begun to conduct household surveys and canvass local officials. Their studies conclude that many factories are running well under capacity, and as a consequence as much as 30 percent of the workforce outside of agriculture may be unemployed. Among those who remain employed in the industrial sector, there is considerable underemployment, and some workers who continue to receive salaries have seen their wages cut by 50 to 80 percent. Women appear to be particularly affected by these developments, with an unemployment rate double that of men.

According to WFP surveys, households dependent on the PDS—overwhelmingly in the cities and towns—spend roughly one-third of their income on PDS-supplied food alone. A typical family of four with one income would spend 40 percent of its budget on PDS-supplied food. Some households surveyed by the WFP report spending 50 to 60 percent of their household incomes on PDS food. However, recall that at best the PDS is supplying households with only about one half of an absolute minimum caloric need. However, if these households are spending one-third of their incomes on PDS food, and we estimate they are spending another third on nonfood essentials, this leaves only one-third of their budgets to cover the other half of their caloric needs through other sources. Market prices are conventionally thought to be three or more times higher than PDS prices. As a result, WFP surveys are finding that some households are spending up to 80 percent of their income on food, inclusive of non-PDS sources.
How do households cope? What is striking is the continuity in coping behaviors between the high famine period and the current setting, despite a massive increase in food aid. According to the WFP, 40 percent of interviewed households report receiving food from relatives in rural areas. Sixty to 80 percent of PDS-dependent (i.e., urban) households and 65 percent of cooperative farm households report gathering wild foods. Many households and workplaces maintain “kitchen gardens,” and, as in other cases of economic stress around the world, there are extensive anecdotal reports of households selling or bartering personal belongings for food and engaging in other socially disruptive coping behaviors, including crime, human trafficking, and prostitution.

According to the WFP, households with a single earner and dependents and PDS-dependent households without access to “kitchen gardens” are the most vulnerable. The targeting strategy of the WFP may also miss important segments of the vulnerable population. For example, households with children may benefit from the supplementary rations provided through institutions. But households without children that are not participating in food-for-work programs would not receive any benefit from aid, except indirectly through its effect on market prices.

Reality may be even worse, however. One interpretation of the price increases is that they were simply bringing PDS food prices in line with the market. Yet there is also anecdotal evidence that even the pretense of universalism has been breached. Over the last ten years, the PDS has only rarely been able to deliver food on a consistent basis. But recent reports suggest that the authorities have significantly reduced the number of households being issued PDS ration cards. The urban nonelite has clearly been affected by the fall in real wages and the increase in food prices; some have effectively been expelled from the PDS. These anecdotal reports are fully consistent with the most recent refugee surveys that document the continuing decline in the share of the population that depends on the PDS as its major source of food. Indeed, less than 4 percent of the refugees in China interviewed in one recent survey “agreed” or “strongly agreed” with the statement that there had been an improvement in food availability since the July 2002 changes were enacted, and 85 percent of these refugees, who admittedly may not be representative of the country as a whole, “agreed” or “strongly agreed” with the statement that North Koreans are voicing their opinions about the chronic food shortage.

In sum, although the period of high famine has passed, North Korea continues to experience chronic food shortages that are hitting hard at an underemployed and unemployed urban working class in particular. Targeting children is important but insufficient; many vulnerable households are not on the target list. Moreover, given the political stratification of North Korea and the inability of the WFP to achieve minimum standards of transparency and monitoring in its operations, deserving households—including politically disfavored households—are not getting the food intended for them or are being denied relief altogether.

Obtaining better information through baseline surveys and focus groups would be invaluable in gaining a better understanding of what is happening in North Korea, and we fully support the efforts of the WFP and USAID in this regard. But we must also admit
that better information alone will not significantly improve the effectiveness of the humanitarian effort in North Korea.

**Measuring Effectiveness**

Much emphasis is placed on the integrity of monitoring: If we can simply get the monitoring system to work properly, we would be assured of better outcomes. Yet a second way of gauging effectiveness is to look at surveys of health status. The UN has supported a series of nutritional surveys, the most recent of which was conducted in 2004. The North Koreans imposed severe constraints on implementation, the methodologies employed leave much to be desired, and deep questions remain about the accuracy of the reported results. Moreover, because of differences in the methodologies and populations studied in successive surveys, we have reservations about drawing strong conclusions about trends over time and therefore focus largely on the snapshot this most recent evidence provides.

At the national level, the rate of stunting (measured height-for-age), signaling chronic malnutrition, was found to be 37 percent among children under the age of six. The underweight share (measured weight-for-age) was 23 percent. Wasting, a measure of acute malnutrition (measured weight-for height), was 7 percent. These results would fall into the “high” range in the Food and Agriculture Organization’s classification. The survey revealed considerable regional variation. For example, the stunting rate in Pyongyang (26 percent) was well below that in the eastern provinces of South Hamgyong (47 percent) and Ryanggang (46 percent); similar results were found with respect to those found to be underweight, and even larger differences existed with respect to wasting. This evidence is consistent with the historical record, which indicates that privileged areas such as Pyongyang fare much better than more remote mountainous areas of the north and above all the cities and towns of the eastern provinces.

This mixed assessment of progress does not mean that delivered aid is ineffective; it only demonstrates the uphill battle the humanitarian community must fight in a context where other features of the system make it difficult to be effective. And just as the closed nature of the North Korean system inhibits effective program design, implementation, and monitoring, it prevents effective evaluation as well. Considerable food price dispersion across regions indicates that while the process of marketization is well under way, the markets remain fragmented. In this context, the USAID policy of preferentially targeting the northeast is an appropriate tactical response to the imperfect conditions under which this relief effort is being carried out.

**Coordination Problems: Aid in International Context**

The United States is not the only donor to North Korea: European countries—both individually and through the European Commission—Japan, China, and South Korea all
provide aid as well. A disturbing finding of our research is that as aid began to flow into North Korea, the country simultaneously moved to reduce its commercial imports of food. Figure 2 makes this point clearly. If we look at the function of food aid from a macroeconomic perspective, it is clear that North Korea has been using food aid to conserve on scarce foreign exchange, which can then be used for other purposes.

We believe that this very simple point has been missed in most if not all analyses of the ongoing crisis in the country. Indeed, our calculations suggest that if North Korea had managed to maintain commercial imports at the levels of the early 1990s through the rest of the decade, food shortages might have existed but the worst of the famine could well have been avoided and the current shortfalls would certainly have been less severe.

A second point is that since the monitoring of food aid is in effect a bargaining game between the international community and North Korea, handing more unconditional aid out can have adverse effects on the country’s willingness to comply with basic humanitarian principles. Section 202a3 of the Human Rights Act explicitly acknowledges this point, noting “the United States should encourage other countries that provide food and other humanitarian assistance to North Korea to do so through monitored, transparent channels, rather than through direct, bilateral transfers to the Government of North Korea.”

Two countries, China and South Korea, provide concessional sales or grants of food to North Korea outside of the WFP. We have no direct evidence of China’s contracts with North Korea but have seen no public evidence that they have conditioned aid either on overall policy reform or more particular principles of programmatic design, implementation, or monitoring. In the case of South Korea, aid has been provided on a concessional basis and, by the admission of the government, with only the most minimal effort to monitor.

There are numerous disadvantages in this arrangement. If China and South Korea become the suppliers of last resort, it provides the North Korean government the opportunity to further erode the modest and ineffective monitoring regime that is in place. As we have seen, North Korea has been able to avoid a more stringent monitoring regime—and has recently challenged the WFP’s most basic mandate—as a result of alternative sources of less conditional supply.

In this respect, the policy choices of the South Korean government have been most disappointing. We are concerned that large, relatively open-ended aid commitments—totaling as much as 90 percent of total WFP needs—could be having the unintended consequence of undercutting the WFP’s attempts to uphold the norms embodied in international agreements to which South Korea is a party. We recognize the special circumstances that bind the South and North Korean people together, the desire to contribute directly, and the effectiveness of the many projects in which South Korean NGOs are increasingly involved. However, the open-ended and large-scale delivery of food aid does not advance the cause of North Korea becoming more self-reliant in the long run and undermines the modest progress in providing more transparent and effective
humanitarian relief in the short run. We would therefore urge the US government to encourage China and South Korea to channel future concessional food assistance through the WFP.

**Conclusion**

The failure of the North Korean government to guarantee adequate supplies of food to its population is related to the government’s denial of a battery of other rights to its citizens. If these rights were present, neither the great famine nor the ongoing shortages of food would have occurred. The WFP, USAID, and the dedicated NGOs working in North Korea would not be toiling in an unsupportive environment or struggling with the consequences of a chronic food emergency. Their scarce human and financial resources could have been deployed to other areas of need where the local governments would be more supportive of their mission. Therein lies the link between access to food and human rights more generally.

We thank the committee for this opportunity to present our views.
Note: In most cases averages are taken directly from the source. Otherwise, they are calculated as the simple average of the estimates for different cohorts throughout the marketing year.
Figure 2  North Korean food imports and aid, 1990-2003

Source:  Imports: WFP Special Reports, various publications; Aid: INTERFAIS (2004)