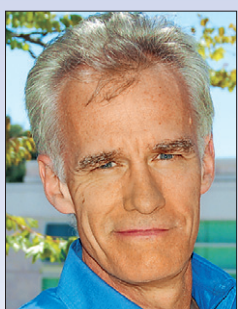




Famine in North Korea? The evidence

To avoid imminent food crisis, Pyongyang urged to be more receptive to international aid



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The following is the second installment in a series of articles dealing with the Seoul government's policy toward North Korea, the recent progress in North Korea's denuclearization and the future direction of inter-Korean cooperation. — Ed.

By Stephan Haggard, Marcus Noland, and Erik Weeks

Once again North Korea is headed toward widespread food shortages, hunger, and famine. Hunger-related deaths are now virtually certain. These developments require the international community — the United States, China, Japan, non-governmental organizations, and above all South Korea — to make difficult judgments about the extent of the distress and the appropriate response.

Before considering the options, it is important to review the evidence in a measured way. Exaggeration will only breed cynicism — as it already has — making it more difficult to respond when real crises erupt. But some unpleasant arithmetic and evidence we have from NGOs, the media, church groups, and the North Korean government's own pronouncements all point to the onset of serious distress.

Food balances

A central challenge of dealing with authoritarian regimes — now visible in Burma as well — is that even basic economic information is guarded like state secrets. To take the most obvious example, we do not know with any certainty the population of North Korea and by extension grain requirements for human consumption, the largest component of demand. Nor do we know with much precision local grain production, the largest component of supply. It appears that local harvests have been declining since 2005 as a result of fertilizer shortages, bad agricultural policy, and adverse weather. Current fertilizer shortages are setting the stage for a reduced harvest this year as well.

For years U.N. agencies have overstated grain needs in North Korea. These agencies are forced by diplomatic protocol to rely on North Korean official numbers. We now believe that they are understating supply. For example, the Food and Agricultural Organization recently cut their estimate of North Korean output downward by a whopping 25 percent, claiming a shortfall of over 1.6 million metric tons. If these numbers were correct, North Korea would already be experiencing widespread famine; South Korean think tanks have argued, rightly in our view, that the declines are more modest.

The result of these claims is that year after year the U.N. agencies calculate implausibly large shortages. In effect, these agencies have been crying wolf but now the wolf really is at the door.



We have adjusted the U.N.'s human consumption estimate, in part by considering the role of other types of food in the North Korean diet. We also calculate total supply on the basis of less politicized sources. This exercise, shown in Figure 1, demonstrates that food balances in North Korea are more precarious than at any time since the famine of the 1990s. The margin of error between grain requirements and available supply has virtually disappeared and may be as low as 100,000 metric tons.

The changed aid picture

Declining local harvests mean that North Korea is ever more dependent on foreign grain, either in the form of aid or commercial imports. At one level, this dependence makes sense. Given the scarcity of arable land and unfavorable weather, North Korea's pursuit of self-sufficiency has always been fundamentally misguided. The ultimate solution to the country's chronic food problems is to export industrial products and import bulk grains on a commercially sustainable basis — just as its neighbors, South Korea, Japan, and increasingly China, do.

But with the regime unwilling or unable to pursue such reforms, North Korea has become highly dependent on aid, receiving large donations of food year after year despite claims of self-reliance and juche.

However, the willingness of donors to support the regime has declined. Pyongyang's nuclear provocation and its refusal to guarantee the integrity of its aid programs, including diversion of aid to both the military and the market, have soured North Korea's relationships with key donors.

In late 2005, after several years of improved harvests and comfortable relations with Seoul and Beijing, the regime threatened to expel the World Food Program and a number of NGOs. It subsequently allowed the WFP to return. But the organization was forced to close its regional offices and reduce total staff to less than ten people in Pyongyang. These staff were only allowed on supervised field trips once every three months.

These organizations had become a highly important source of information about conditions outside Pyongyang. With them gone or highly constrained in their activities, the canary was removed from the mine shaft. The outside world had little information as the North Korean government began to undertake increasingly self-destructive actions described below.

The South Korean story is well known: The Roh Moo-hyun government pursued a policy of nearly limitless engagement, providing large amounts of food

and fertilizer almost every year; this assistance became a mainstay of the North's food and agriculture strategy. As evidence of aid dependency mounted, however, the Roh government found it increasingly difficult to sustain this policy politically. North Korea's 2006 nuclear test was the final straw.

The incoming Lee Myung-bak government pledged a more measured, conditional policy. But the government ultimately reiterated its commitment to providing humanitarian aid — as distinct from development assistance — without strings attached. In a fit of pique, Pyongyang quickly refused this generosity, turning instead to China for support.

The extent of strain in the China-North Korea relationship is underappreciated. Our interviews with Chinese officials and academics and newly released documents suggest growing Chinese disaffection since the 2006 missile and nuclear tests. Moreover, China now faces its own concerns over food prices and has instituted export controls to dampen prices. It is unlikely to provide anything more than the bare minimum required for the regime to get by.

The United States, oddly, recently decided to extend a very large food aid package to North Korea of 500,000 metric tons. Although labeled strictly humanitarian, this package is clearly linked indirectly to the ongoing nuclear talks. But the constraints on this aid are not understood. American rules governing food aid require that it be American grain, shipped in American ships, and that there be improved monitoring of food delivery. Even if an agreement with the North Koreans is reached quickly, it would be months before this aid arrived in North Korea.

Prices

Just as the poorest members of society are most vulnerable during shortages, the poorest countries are most vulnerable when global markets are under stress. World cereal stocks have fallen to a 25-year low, and prices have risen at a pace not seen since the world food crisis of the mid-1970s.

In Figure 2, we plot North Korean rice prices against global prices. These data — fragmentary and imperfectly observed — paint a disturbing picture: North Korean prices have accelerated at a rate even faster than global prices in recent months, a common indicator of pre-famine or famine conditions.

These adverse price trends have three effects. First, they make it more difficult for North Korea to commercially import grain. Second, they reduce the ability of aid agencies to offer relief. But most importantly, rising prices directly hit North Korean households that have become more dependent on markets for food over time. Those dependent on the market are allocating a larger share of

their income to purchase food, with the poorest and most vulnerable being the most severely affected.

The Regime's policy response

The North Korean regime is clearly nervous about the political implications of economic reform and opening. Although there have been signs of positive change — the 2002 reforms, for example — the historical response to the country's recurrent urban food shortages has been to squeeze the countryside. The current episode appears to be no different.

In 2005, with a good harvest and abundant aid from South Korea and China, the North Korean government attempted to ban private trade in grain. In effect, the regime criminalized the primary institution through which North Korean households secured food. The government also seized grain in the rural areas and threatened to expel aid organizations, depriving the world of its early warning system about conditions beyond Pyongyang.

In the wake of last year's floods, the government cut rations to farmers and cracked down on cooperative farms. New restrictions were placed on private plots as well. Some of the early evidence of severe distress is now coming from the country's breadbasket.

However, the more the government intensified this squeeze, the more farmers responded by seeking to protect themselves. As early as the fall harvest, stories were surfacing of farmers seeking to hide and hoard grain, a critical development prior to the 1990s famine as well.

The breakdown of the public distribution system poses important challenges for the government in the urban areas as well. The first is the migration of labor out of the state sector and into market activities. Women have played a crucial role in this regard, forming the backbone of the general markets that emerged following the partial reform effort of 2002.

The second problem markets pose is the spread of information. The burgeoning cross-border consumer goods trade with China has been feeding the general markets or *jangmadang*. This trade reveals the higher quality of Chinese and South Korean products. Trade has also included a wide array of cultural products, which undermine the government's monopoly on information: from small televisions capable of receiving Chinese broadcasts in border areas to South Korean music videos, DVDs, and even mobile phones.

The government has responded to these challenges with an assault on market activity at home and on trading activities in China. One example was the imposition of age restrictions on market traders in the fall of 2007, banning women under 50 from trading in general markets. From mid-January 2008, the government also stepped up

inspections on the general markets to control the range of goods on offer.

These efforts at control are unlikely to be fully successful. But the restrictions have unsettled alternative sources of livelihood for households just as food prices are forcing them to seek other sources of income and barter.

A final set of policy dilemmas relates to the land border with China. The dramatic increase in trade with China has created dense business networks. These include both major Chinese and North Korean enterprises, smaller Chinese-Korean businesses, and North Koreans with relatives in China who are permitted to travel, albeit only with the greatest of difficulty. The major land ports on the North Korean side of the border, particularly Sinuiju, have become trading centers and major distribution hubs for the rest of the country.

The border poses a risk to both North Korea and China. As circumstances deteriorate, North Koreans are finding it more attractive to move into China — either permanently or in search of business opportunities and food. Illicit border trade in drugs, particularly methamphetamines, has also been widely reported as has smuggling of scrap metal and other products.

The 2005 rollback of reform was accompanied by a crackdown on border movements, which has intensified with the onset of the current crisis. Reports since November 2007 indicate heightened efforts to control internal movements in North Hamkyung province and to confiscate "contraband."

The regime's most dramatic signal was the public execution of 15 people, 13 of them women, in Onsong on Feb. 20, 2008, on charges of trafficking. Sentences for border crossing have increased, and the police have gained new powers of arrest and detention.

The economic implications of these new restrictions are impossible to estimate.

However, the border has represented a partial escape valve through both movement and trade. There is some evidence that the crackdown is not just hitting at individuals seeking to cross; it is affecting larger-scale border trade as well.

Conclusion: The case for action

The North Korean food crisis, now well into its second decade, presents a difficult set of ethical choices. The very ruthlessness of the regime and the numbing repetitiveness of the country's food problems make it difficult to mobilize humanitarian assistance. The key actions required at this juncture are primarily on the North Korean side. It is crucial that the regime in Pyongyang complete the second-stage actions under the October 2007 six-party agreement. It should also acknowledge the difficulties it is facing and accept international assistance on terms that will generate political support.

The promise of large-scale American assistance will help. But in the absence of vigorous action by South Korea, China, and Japan, the three countries capable of delivering timely assistance, hunger is likely to once again claim innocent victims.

In the short run, the single most important action would be for China to remove its export taxes and quotas on food shipped to North Korea, so that the market could begin functioning again. Lifting these controls should extend to the operation of NGOs, including South Korean ones, which have served as a channel, however small, for assistance to the country.

Japan sits on 1.5 million metric tons of rice that could be used for relief; the United States only needs to indicate that it will not enforce a bilateral treaty restricting its use.

In South Korea, the Lee government's concerns about reciprocity are fully warranted. Providing longer-run development aid in the absence of either security cooperation or economic reform is unlikely to have beneficial effects.

Nonetheless, despite the current state of political relations with the North, South Korea could expand its use of the U.N. system as a conduit for renewed assistance. The government should also use the network of NGOs, which has evolved over the last decade, as a face-saving channel for official relief. Despite recent concerns about malfeasance, the majority of these NGOs have operated with great dedication and integrity.

But these actions only amount to a bandage: Without fertilizer the next harvest is likely to shrink further, carrying the crisis into 2009.

The current crisis is unlikely to be of the magnitude of the great famine of the mid-1990s. The North Korean economy, even in its hamstrung state, is more flexible and better able to respond than it was then. The international community is clearly more sensitive to North Korea's vulnerability than it was 15 years ago and one would hope the regime is more sensitive to the plight of its citizens as well.

We predict the North Korean regime will weather this challenge politically by ratcheting up repression, scrambling for foreign assistance, and guaranteeing supplies to core supporters in the army, security apparatus, and party. A resolution of the nuclear standoff could also pave the way for increased aid and possibly economic reform.

But the possibility of widespread social distress and even political instability cannot be ruled out. The five major parties with an interest in North Korea — South Korea, Japan, China, Russia, and the United States — need to think seriously not only about the nuclear issue and the ongoing humanitarian challenge but also about how to respond to the possibility of a political crisis in North Korea.