

## Famine in North Korea: markets, aid and reform

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During the 1990s, perhaps one million people, or roughly 5% of the North Korean populace, died in a famine. Social trauma of this magnitude is mercifully rare, but its effects are profound. Under duress North Korean households, enterprises, and local political and military institutions undertook a variety of coping strategies that contributed to an unplanned, bottom-up marketisation of the economy. Instead of the policy reforms of 2002 "leading" the transition, these were responses to a process that the government sought to ratify, but also to channel, and in some respects, even to reverse [1] after the fact. This ambivalence provides substantial insight into how North Korea might - or might not - seize opportunities created by an improved diplomatic environment, and signal the regime's attitudes toward international cooperation in other spheres as well.

The official explanation for the famine is that North Korea experienced devastating floods in the mid-1990s [2]. The problem with this line is that food supplies had begun dwindling and mortality rates rising before the floods. These developments had less to do with bad weather than paralysis in response to the collapse of the Soviet Union and the end of the cold war. Protestations of self-reliance notwithstanding, North Korea's "industrialised" agricultural strategy made it both highly dependent on subsidised Soviet oil - used both as a feedstock for chemical fertiliser as well as for fuel - and highly vulnerable to input supply disruptions.

In the face of epochal change the regime remained inert, with catastrophic consequences, failing even to exploit the improved international environment following the conclusion of its October 1994 nuclear agreement [3] with the United States. By generating exports or re-establishing its international credit in order to purchase grain in the world market, or making more timely appeals for humanitarian assistance, the famine might have been avoided altogether. Instead, the government inaugurated a "let's eat two meals a day" campaign. Through acts of both commission and omission, the regime was centrally culpable in this tragedy.

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Marcus Noland is senior fellow [8] at the Institute for International Economics. Among his books are *Avoiding the Apocalypse: The Future of the Two Koreas* (IIE, 2000 [9]) and (with Stephen Haggard) *Famine in North Korea: Markets, Aid, and Reform* (Amartya Sen [10], who contributed a foreword to our book, *Famine in North Korea: Markets, Aid, and Reform* [11], has observed, famines rest not only on aggregate shortages - distribution matters. As conditions deteriorated, food was distributed unequally across the country, with officialdom and Pyongyang in particular

maintaining privileged access. Some provinces were cut off from grain supplies from the state-run public distribution system altogether.

Once the government appealed for help in 1995, the humanitarian community - more experienced with dealing with cooperative governments or even failed states - confronted breathtaking obstacles thrown up by the "hard" North Korean state. In essence, the regime holds its population hostage to the humanitarian values of the international community. The World Food Programme ([WFP](#) [12]) and other relief groups had to negotiate astonishing terms for entry, even as people were dying, and more than a decade later, they remain tightly constrained in their access and activities. Some commentators that argue that this aid, channeled through the state-controlled public-distribution system, simply props up the regime - that itself constitutes the root of the problem. Yet withholding aid by some donors is unlikely to change the behaviour of such a regime and in any event could be offset by other parties, which has, in fact, occurred.

The North Korean state's failure to provide and its insistence on practices that degraded the effectiveness of the aid programme forced households and other small-scale social units to pursue a variety of [coping](#) [13] strategies. Markets began to develop as families engaged in income-earning activities, sold assets, bartered and traded for food. Work units also engaged in similar activities, even stripping assets to barter for food in China. Just as with the expansion of domestic markets, foreign trade across the Chinese border initially reflected a process of crisis-driven adjustment. These activities began a process of informal marketisation of the economy from below, with potentially profound implications for the society. Ironically, the very laxity of the aid-monitoring system and the potentially astronomical rents that could be realised by the diversion and sale of aid acted as an additional "lubricant" to encourage the development of markets.

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The critical issue is how the government has reacted to these developments. Does it try to regularise the market economy and deepen it, or does it try to control or even reverse the process? The government's stance has been ambivalent. Although it may seem counterintuitive, for a country like North Korea, with relatively little arable land and inauspicious conditions for growing food, the long-run solution to the food problem is to export minerals and manufactures, and import bulk grains - just like its neighbours [22] China, South Korea, and Japan do. The expansion of trade and the growth of foreign investment with China are signs that this process is beginning.

### **Behind the Pyongyang screen**

Yet the government appears to fear greater openness, and its actions have been tentative and contradictory. During the past two years, the government has undertaken reforms to facilitate foreign investment, yet at the same time it has acted recklessly with respect to the food economy.

In 2005, the regime banned the private market in grain - through which most households actually get their food - expelled some NGOs and greatly restricted the activities of the WFP. Confiscatory seizures of grain during the 2005 harvest cycle set the stage for fall of output, or at least measured output, during the 2006 harvest cycle as the farmers adopted their own coping strategies in response to state predation. As we predicted at the time, these actions put North Korea on a trajectory for a possible humanitarian crisis [23] in the spring of 2007. Now the World Food Programme claims that North Korea is one million metric tons short of grain and that millions will go hungry [24] if the level of humanitarian aid is not increased.

Some observers argue that the situation is not as bad as portrayed by the WFP. Fragmentary and imperfectly observed grain-price data suggest that the prices in the revived markets are fairly stable, not skyrocketing as one might expect in an emergency. But this divergence of views simply underlines a fundamental and ongoing problem, namely that the North Korean government systematically denies access and impedes the rational assessment of the situation and the design of an appropriate response.

If this is how North Korea treats aid workers, how might it treat nuclear-weapons inspectors [25]? The North Korean government has demonstrated that it is prepared to act with startling ruthlessness in the pursuit of its core political goals. It makes concessions when conditions are bad, but tries to claw them back when circumstances change. The 13 February 2007 nuclear agreement [26] arguably reflects a number of constraints on the regime: a suspension of South Korean food and fertiliser aid, some interruption in trade with China, and international financial constraints generated by the Banco Delta Asia affair [27]. Yet divergent strategic interests among diplomatic counterparts can undermine effectiveness in dealing with North Korea. While the 13 February agreement is to be welcomed, ongoing conflicts over implementation [28] underline that it was a first step only. We are still far from either resolving North Korea's chronic food emergency or denuclearising the Korean peninsula.

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[1] [http://www.nautilus.org/fora/security/0604Haggard\\_Noland.html](http://www.nautilus.org/fora/security/0604Haggard_Noland.html)

[2] [http://www.alertnet.org/printable.htm?URL=/db/crisisprofiles/KP\\_FAM.htm](http://www.alertnet.org/printable.htm?URL=/db/crisisprofiles/KP_FAM.htm)

[3] <http://www.armscontrol.org/factsheets/agreedframework.asp>

[4] [http://www.iie.com/publications/author\\_bio.cfm?author\\_id=94 target=\\_blank](http://www.iie.com/publications/author_bio.cfm?author_id=94 target=_blank)

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- [11] <http://www.columbia.edu/cu/cup/catalog/data/978023114/9780231140003.HTM>
- [12] [http://www.wfp.org/country\\_brief/indexcountry.asp?country=408](http://www.wfp.org/country_brief/indexcountry.asp?country=408)
- [13] <http://www.ft.com/cms/s/14c10276-c6f9-11db-8078-000b5df10621.html>
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- [23] [http://www.coxwashington.com/hp/content/reporters/stories/2007/03/18/BC\\_NKOREA\\_FAMINE18\\_COX.html](http://www.coxwashington.com/hp/content/reporters/stories/2007/03/18/BC_NKOREA_FAMINE18_COX.html)
- [24] <http://www.wfp.org/english/?ModuleID=137&Key=2421>
- [25] <http://www.iaea.org/NewsCenter/Focus/laeaDprk/>
- [26] <http://www.iht.com/articles/ap/2007/02/13/asia/AS-GEN-Koreas-Nuclear-Text.php>
- [27] <http://www.iht.com/articles/ap/2007/04/29/asia/AS-GEN-Koreas-Nuclear.php>
- [28] <http://www.voanews.com/english/2007-05-01-voa57.cfm>



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