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U.S. Assistance to North Korea

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Summary

Since 1995, the U.S. has provided over $1 billion in foreign assistance to the Democratic People's Republic of North Korea (DPRK, also known as North Korea), about 60% of which has taken the form of food aid, and about 40% in the form of energy assistance channeled through the Korean Peninsula Energy Development Organization (KEDO). Additionally, the Bush Administration has proposed offering North Korea broad economic development assistance in exchange for Pyongyang verifiably dismantling its nuclear program and cooperating on other security-related issues. U.S. aid to North Korea has been controversial since its inception, and the controversy has been intimately linked to the larger debate over the most effective strategy for dealing with the DPRK. The North Korean Human Rights Act, (passed by the 108th Congress as H.R. 4011, P.L. 108-333) for instance, which includes hortatory language calling for "significant increases" above current levels of U.S. support for humanitarian assistance to be conditioned upon "substantial improvements" in transparency, monitoring, and access. Pyongyang has the Act as evidence of the United States' "hostile policy" toward North Korea, and has used it as justification to suspend its participation in the six party talks to resolve the nuclear crisis.

Food aid has been provided to help North Korea alleviate chronic, massive food shortages that began in the early 1990s and that led to severe famine in the mid-1990s that killed an estimated 1-2 million North Koreans. Food aid to North Korea has come under criticism because the DPRK government restricts the ability of donor agencies to operate in the country, particularly with regard to monitoring food shipments, making it difficult to assess how much of each donation actually reaches its intended recipients. There have been anecdotal reports that food aid is diverted to the North Korean elite, who reportedly either consume it themselves or resell it for profit on the black market. There are also reports that international food assistance has been diverted to the North Korean military.

Since 1995, the United States has provided over $400 million in energy assistance to North Korea under the terms of the 1994 Agreed Framework, in which the DPRK agreed to halt its existing nuclear program in exchange for energy aid from the United States and other countries. Aid to KEDO, the multilateral organization that administers the Agreed Framework, has been dramatically curtailed since October 2002, when North Korea reportedly admitted that it has a secret uranium enrichment nuclear program. The Bush Administration's position is that it would like to permanently end the KEDO program

This report describes and assesses U.S. aid programs to North Korea, including the controversies surrounding the programs, their relationship to the larger debate over strategy and objectives toward the DPRK, and policy options confronting the Bush Administration and Congress. The roles of China, South Korea, and Japan in providing assistance to North Korea is discussed, highlighting the likelihood that any dramatic decrease in U.S. aid to North Korea have only marginal effects without the cooperation of these countries, particularly China and South Korea. This report will be updated as circumstances warrant.

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Introduction: Issues for U.S. Policy

For four decades after the end of the Korean War in 1953, U.S. strategy toward the Democratic People's Republic of Korea (DPRK, commonly referred to as North Korea) was relatively simple: deter an attack on South Korea, an approach that included a freeze on virtually all forms of economic contact between the United States and North Korea. In the 1990s, two developments led the United States to rethink its relationship with North Korea: North Korea's progress in its nuclear weapons program and massive, chronic food shortages in North Korea. In response, the United States in 1995 began providing the DPRK with foreign assistance, which has totaled over $1.1 billion. This aid has consisted of energy assistance through the Korean Peninsula Energy Development Organization (KEDO), food aid, and a small amount of medical supplies, including three medical kits that were sent to the World Health Organization in April 2005 to help in dealing with the reported outbreak of avian influenza in North Korea. (See **Table 1**.)

Table 1. U.S. Assistance to North Korea, 1995-2004

Calendar or Fiscal Year	Food Aid (per FY)		KEDO Assistance (per calendar yr; $ million)	Medical Supplies (per FY; $ million)	Total ($ million)
	Metric Tons	Commodity Value ($ million)			
1995	0	$0.0	$9.5	$0.2	**$9.7**
1996	19,500	$8.3	$22.0	$0.0	**$30.3**
1997	177,000	$52.4	$25.0	$5.0	**$82.4**
1998	200,000	$72.9	$50.0	$0.0	**$122.9**
1999	695,194	$222.1	$65.1	$0.0	**$287.2**
2000	265,000	$74.3	$64.4	$0.0	**$138.7**
2001	350,000	$102.8	$74.9	$0.0	**$177.6**
2002	207,000	$82.4	$90.5	$0.0	**$172.9**
2003	40,200	$25.5	$3.7	$0.0	**$29.2**
2004	110,000	$55.1	$0.0	$0.2	**$55.3**
Total	**2,063,894**	**$695.8**	**$405.1**	**$5.4**	**$1,106.2**

Sources: Figures for food aid and medical supplies from USAID and US Department of Agriculture; KEDO (Korean Peninsula Energy Development Organization) figures from KEDO.

Energy Assistance. A series of diplomatic crises revolving around rapid advances in North Korea's nuclear weapons program led the United States in 1994 to negotiate a bilateral Agreed Framework with the DPRK. This agreement committed Pyongyang to halt its existing nuclear program in return for Washington

providing energy assistance.[1] Specifically, the United States agreed to arrange for the financing of two light-water nuclear power plants in North Korea and for annual shipments of 500,000 metric tons of heavy fuel oil (HFO) as an alternate source of energy until the new reactors came online. Since 1995, the United States has provided over $400 million to the Korean Peninsula Energy Development Organization (KEDO), the multilateral institution that administers the Agreed Framework. The rest is funded by South Korea, Japan, the European Union, and several other countries.

Aid to KEDO was dramatically curtailed after October 2002, when North Korea reportedly admitted to U.S. negotiators that it had a secret uranium enrichment program. In response, KEDO's Executive Board (the United States, South Korea, Japan, and the European Union) decided to suspend future heavy fuel oil shipments until North Korea takes "concrete and credible actions to dismantle completely" its uranium enrichment program. The nuclear crisis escalated thereafter. North Korea announced its withdrawal from the Nuclear Non-Proliferation Treaty, expelled monitors from the International Atomic Energy Agency (IAEA), restarted the nuclear reactor shut down under the Agreed Framework, demanded security guarantees from the United States, and claimed to have reprocessed and weaponized the 8,000 rods of weapons-grade plutonium that had been sealed and subject to IAEA monitoring. Deciding to address the issue multilaterally, the Bush Administration in 2003 organized an *ad hoc* series of "six-party" negotiations (involving North Korea, the United States, China, South Korea, Japan, and Russia) that so far have produced few tangible results and have not met since June 2004. In November 2003, KEDO's Executive Board suspended the KEDO project for one year, a decision that was repeated in November 2004. The Bush Administration's position is that it would like to permanently end the KEDO program, and the United States has not provided any funds to KEDO since 2003.[2]

Food Assistance. The emergence in the 1990s of massive, chronic food deficits in North Korea — shortages that killed between 5% and 10% of the country's population during a famine in the mid-1990s — prompted the United States to begin providing large amounts of food aid. Since 1997, the United States has sent over two million metric tons (MT) of assistance worth nearly $700 million, over 90% of which has been channeled through the United Nations World Food Program (WFP). To put these figures in context, aid to North Korea constituted approximately 6.5% of total U.S. food aid between July 1995 and June 2001. Over the same period, the United States donated over $4.5 billion to the World Food Program, roughly ten percent of which was designated for the WFP's relief efforts in North Korea.

The United States has been by far the largest contributor to the WFP's North Korea appeals, and has contributed roughly one-quarter of the over 8 million MT

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[1] For more on this topic, see CRS Issue Brief IB91141, *North Korea's Nuclear Weapons Program*, by Larry Niksch.

[2] State Department Daily Press Briefing by Adam Ereli, Deputy Spokesman, November 5, 2003.

food assistance North Korea officially has received since 1995.[3] China is widely believed to have provided even more food than the United States. China sends its food aid directly to North Korea, rather than through the WFP. Since 2002, South Korea has been a major provider of food assistance, perhaps surpassing China in importance in some years. Most of Seoul's food shipments are provided bilaterally to Pyongyang.

Although international assistance and a slightly improved domestic agricultural system ended the famine in the late 1990s, the DPRK continues to run a large food deficit. The WFP estimates that nearly half the population are unable to satisfy their daily calorie requirements. The situation appears to have become acute for certain groups of North Koreans, particularly industrial workers living in the northern and northeastern provinces that historically have been discriminated against by the communist government in Pyongyang. This situation appears to have been worsened by the steep rise in food prices — the WFP estimates the cost of cereals such as rice tripled in 2004 — that have followed economic reforms enacted in 2002.

The aid has been sent despite the North Korean government's restrictions on the ability of international relief agencies to operate in the country, particularly with regard to monitoring food shipments, making it difficult to assess how much donated food reaches its intended recipients and how much, if any, has been diverted to the political elite or the military. North Korea also has declined to institute fundamental reforms of its agricultural policies that could help reduce dependence on food aid. In the fall of 2004, the North Korean government began restricting the activities of many humanitarian and development aid groups, particularly those of resident non-governmental relief organizations such as the WFP. While the restrictions have loosened somewhat since the beginning of 2005, they still appear to be tighter than they were in the summer of 2004.

U.S. shipments of food aid have fallen significantly in the past two years, as have donations from most other contributors to the WFP's North Korea appeals. In February 2003, the Bush Administration announced that it would provide base levels of food assistance to North Korea, with more to come if the DPRK allowed greater access and monitoring. Since then, the Administration has announced two large-scale shipments of food aid, both times referring to marginal improvements in North Korea's cooperation with the WFP on access and monitoring.

Funds for POW/MIA Recovery Efforts. In addition to U.S. assistance, since 1993 the United States has provided the North Korean military with nearly $28 million for assistance in the search for and recovery of the suspected remains of the thousands of U.S. servicemen unaccounted for during the Korean War. Most of the funds have been used to pay for the costs paid for costs of over 32 joint field activities that have been conducted in North Korea since 1996, operations that have recovered over 220 probable U.S. remains. (For more details, see the "Funds from U.S. POW/MIA Recovery Efforts in the DPRK" section below.)

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[3] Analysis of data provided by the World Food Program.

The Debate over North Korea Policy

Aid to North Korea has been controversial since its inception, and the controversy is intricately linked to the overall debate in the United States, South Korea, and other countries over the best strategy for dealing with the DPRK. North Korea is deemed a threat to U.S. interests because it possesses advanced nuclear and missile programs, has a history of proliferating missiles and reportedly has threatened to export parts of its self-declared nuclear arsenal, is suspected of possessing chemical and biological weapons programs, and since the late 1980s has been included on the U.S. list of states that sponsor terrorism. Pyongyang also is among the world's worst violators of human rights and religious freedom, a record that some Members of Congress and interest groups say should assume greater importance in the formation of U.S. priorities toward North Korea.

Supporters of aid contend that humanitarian assistance has saved and improved the lives of millions of North Koreans. Many also say humanitarian and development assistance is one way to induce North Korea to cooperate with the international community. Proponents of engagement argue that in the long run, aid could fundamentally change the character of the North Korean regime by increasing the DPRK's exposure to and dependence on the outside world. The Agreed Framework (which froze the DPRK's plutonium nuclear facilities for eight years), North Korea's establishment of relations with a number of European countries, Pyongyang's unveiling of small but significant economic reforms, and a spate of economic and humanitarian agreements with South Korea are often cited as examples of this cooperation.

In contrast, many critics argue that aiding North Korea has led to marginal changes in the DPRK's behavior at best, and also has helped keep the current North Korean regime in power and possibly allowed additional funds to be channeled into the DPRK military establishment. Moreover, they suggest aid has encouraged Pyongyang to engage in further acts of military blackmail to extract more assistance from the international community. In this view, the aid under the Agreed Framework did not keep North Korea from pursuing a secret uranium enrichment program, disclosed in October 2002. Some in this group argue that the best response to the North Korean threat is to try to trigger the current regime's collapse by suspending non-humanitarian assistance. In its extreme manifestations, this approach would also mean suspending all food aid, a position opposed by most observers and policymakers.

Other critics have pushed for a more tailored form of containment that would include diplomatically and economically isolating North Korea and calibrating economic sanctions and development aid to reward or punish the DPRK's actions. A major difficulty is that U.S. options are limited. In the current diplomatic and political climate, offering "carrots" such as allowing North Korea to join international financial institutions would likely require reciprocal actions that Pyongyang to date has resisted. Punitive economic measures, however, are likely to be at best marginally effective without at least the tacit cooperation of Beijing and Seoul. China and South Korea are by far North Korea's two largest economic partners and aid providers, and both countries place greater priority on preserving North Korea's stability than on resolving the nuclear issue. Chinese support would

be particularly important, as China is widely believed to be North Korea's single-largest provider of food and energy. To this end, China and South Korea have been reluctant to use pressure tactics to induce changes in the Kim Jong-il regime's behavior. Japan, the country closest to the United States in the six-party talks, has seen its economic importance to North Korea diminish markedly over the past four years. Meanwhile, military options generally are considered to be poor at best, given the uncertainties surrounding North Korea's nuclear program and the risk of unleashing retaliatory North Korean strikes on South Korea and/or Japan.

Administration officials, including President Bush, have issued vague pledges of United States assistance that might be forthcoming if North Korea began dismantling its nuclear programs. In January 2003, President Bush said that he would consider offering the DPRK a "bold initiative" including energy and agricultural development aid if the country first verifiably dismantles its nuclear program and satisfies other U.S. security concerns dealing with missiles and the deployment of conventional forces.[4] The Administration reportedly was preparing to offer a version of this plan to North Korea in the summer of 2002, but pulled it back after acquiring more details of Pyongyang's clandestine uranium nuclear weapons program.[5] In June 2004, during the third round of six-party talks to resolve the North Korean nuclear crisis, the United States tabled a proposal that envisioned a freeze of North Korea's weapons' program, followed by a series of measures to ensure complete dismantlement and, eventually, a permanent security guarantee, negotiations to resolve North Korea's energy problems, and discussions on normalizing U.S.-North Korean relations that would include lifting the remaining U.S. sanctions and removing North Korea from the list of terrorist-supporting countries. In the interim, Japan and South Korea would provide the North with heavy oil. North Korea rejected the proposal as a "sham," and it was not supported in public by any of the other participants in the talks.

Food aid to North Korea has generated its own particular debate. Some policymakers and commentators have called for it to be linked to broader foreign policy concerns, either by using the promise of food to encourage cooperation in security matters or by suspending food aid to trigger a collapse. Others, arguing that food should not be used as a weapon, have called for delinking humanitarian assistance from overall policy toward the DPRK, either by providing food unconditionally or by conditioning it upon North Korea allowing international relief groups greater freedom to distribute and monitor their aid.

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[4] The Administration reportedly was preparing to offer a version of this plan to North Korea in the summer of 2002, but pulled it back after acquiring more details of Pyongyang's clandestine uranium nuclear weapons program. Testimony of Richard Armitage, State Department Deputy Secretary, before the Senate Foreign Relations Committee, February 4, 2003.

[5] Testimony of Richard Armitage, State Department Deputy Secretary, before the Senate Foreign Relations Committee, February 4, 2003.

Congress's Role

The provision of aid to North Korea has given Congress a vehicle to influence U.S. policy toward North Korea. From 1998 until the United States halted funding for KEDO in 2003, Congress included in the annual Foreign Operations Appropriations bill requirements that the President certify progress in nuclear and missile negotiations with North Korea before allocating money to KEDO operations. In 1998, congressional pressure forced President Clinton to appoint a North Korea policy coordinator, a position that was terminated by the Bush Administration when it assumed office in 2001.

With regard to food aid, some Members have supported continued donations on humanitarian grounds of helping the North Korean people, regardless of the actions of the North Korean regime. Other Members have voiced their outright opposition to food aid to the DPRK, or have called for food assistance to be conditioned upon North Korean cooperation on monitoring and access.

The North Korea Human Rights Act. In 2004 the 108th Congress passed, and President Bush signed, the North Korea Human Rights Act (H.R. 4011; P.L. 108-333). With regard to U.S. assistance, the act:

- requires that U.S. non-humanitarian assistance to North Korea be contingent upon North Korea making "substantial progress" on a number of specific human rights issues.
- includes hortatory language calling for "significant increases" above current levels of U.S. support for humanitarian assistance to be conditioned upon "substantial improvements" in transparency, monitoring, and access;
- requires the United States Agency for International Development (USAID) to issue a report to Congress on humanitarian assistance activities to North Korea and North Koreans in China that receive U.S. funding, and any changes in the transparency, monitoring, and access of food aid and other humanitarian activities;
- authorizes but does not appropriate a total of $24 million annually for the next four years for programs that promote human rights and democracy, freedom of information, and assistance to North Koreans in China, including the dissemination of transistor radios inside North Korea;

Pyongyang has cited the act as evidence of the United States' "hostile policy" toward North Korea, and has used it as justification to suspend its participation in the six party talks.

With regard to development assistance programs, in the near term, the President has considerable flexibility to offer some forms of development assistance. The Foreign Assistance Act of 1961, for instance, allows the President annually to

provide up to $50 million per country for any purpose.[6] Longer-term initiatives, however, would likely require changes in U.S. law and thereby require congressional action. For instance, the Foreign Operations Appropriations law specifically bans many forms of direct aid to North Korea, along with several other countries.[7]

U.S. Food Assistance to North Korea

A mountainous country with relatively little arable land, North Korea long has relied upon imports of food. Beginning in the early 1990s, after the collapse of the Soviet Union and the system of economic advantages North Korea had received from the communist bloc, the DPRK began experiencing a food shortage of increasing severity. Disastrous floods in the summer of 1995 plunged the country into a severe famine that by some estimates was responsible for one to two million deaths, approximately 5% - 10% of North Korea's population. Although natural disasters were the immediate causes of the food crisis, the root causes of the famine were decades of economic and agricultural mismanagement.[8] In September 1995, North Korea appealed for international food assistance, contradicting its national ideology of *juche*, or self-reliance.

Current Food Situation. Though the famine apparently abated by 1997 and the DPRK has made incremental progress in agricultural production, the WFP estimates that nearly half of North Korea's 23.7 million people do not have enough to eat and that more than a third of the population is chronically malnourished.[9] A 2004 nutritional survey conducted by the North Korean government indicated that, although malnutrition rates have fallen significantly since the late 1990s, more than a one-third of the population is chronically malnourished and approximately one-third of North Korean mothers are malnourished and anemic.[10] The northern and northeastern provinces have been particularly hard hit by the famine, for reasons examined below.

The wage increases and partial liberation of prices and production quotas liberation initiated in the summer of 2002 have had a major impact on the lives of

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[6] Section 614 of the Foreign Assistance Act of 1961, P.L. 87-195.

[7] Section 507 of P.L. 108-447, the FY2005 Consolidated Appropriations Act, which also bans direct aid to Cuba, Iraq, Libya, Iran, Sudan, and Syria. Many humanitarian and health aid programs are exempt from this prohibition because they have "notwithstanding " clauses in their enacting legislation.

[8] See Andrew Natsios, *The Great North Korean Famine*, (U.S. Institute of Peace: Washington, DC, 2001), especially chapters 1 and 2. Among the policies that over time led to the famine were excessive use of chemical fertilizers and the excessive conversion of land into agricultural uses. The latter practice contributed to the massive deforestation and soil erosion that led to increasingly severe annual floods.

[9] WFP News Release, "6.5 Million Vulnerable North Koreans Still in Desperate Need of Food Aid," January 27, 2005.

[10] NAPSNET Special Report, "World Food Programme Press Conference on the DPRK by Tony Banbury, WFP Regional Director for Asia," March 31, 2005.

North Koreans. In general, those with access to hard currency — such as the political elite — appear to be doing much better, as evidenced by the appearance of more cars and restaurants in Pyongyang. Aid workers report that more bicycles, repair shops, and private markets have appeared in the countryside. Farmers' incomes appear to have increased now that they are permitted to maintain private plots and/or sell above-quota produce on the open market. Indeed, there are reports that cash crops have appeared, as farmers can raise more money producing vegetables, fruits, and selling those in the market, than in producing staple grains such as maize or rice or potatoes.[11]

However, rampant inflation and production bottlenecks have caused workers to go unpaid and placed food prices out of the reach of many. Urban residents are particularly vulnerable, as they rely heavily on inflation-prone private markets. The WFP estimates the cost of cereals such as rice tripled in 2004.[12] In late 2002, the WFP estimated these individuals spent up to 85% of their income on food, compared to no more than 35% for state farmers and much less for collective farmers.[13] The reforms also have led to unemployment and underemployment, further reducing workers' ability to survive outside the government's public distribution system (PDS), which is subject to chronic shortages and occasional and selective shutdowns. Increasingly, the WFP has channeled its food supplies to these newly vulnerable groups, and their plight was leading some within the WFP to consider increasing the size of its appeal.[14]

Despite the continued, and perhaps growing need, the World Food Program has had difficulty filling its appeals for donations to North Korea since 2002, due largely to "donor fatigue" and from competing demands for food assistance elsewhere. Table 2 shows the decline in donations WFP donations. In February 2004, the WFP avoided an interruption in its food distribution activities only because it the DPRK government agreed to loan it 25,000 MT of cereals. WFP's 2005 emergency operation seeks 500,000 MT of food, valued at $200 million, to help feed the 6.5 million North Koreans deemed most at risk. The appeal is up from the 485,000 MT target in 2004, the first increase since 2002, when the WFP fell short of its target of 611,000 MT.

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[11] NAPSNET Special Report, "World Food Programme Press Conference on the DPRK by Tony Banbury, WFP Regional Director for Asia," March 31, 2005.

[12] Banbury Press Conference, March 31, 2005.

[13] World Food Program Press Release, "WFP Seeks Strong Backing for New Aid Initiative in North Korea," December 3, 2002.

[14] Banbury Press Conference, March 31, 2005.

Table 2. Food Aid Deliveries to North Korea

	Metric Tons		
	Grand Total	**WFP**	**Non-WFP**
1995	533,107	5,107	528,000
1996	290,738	52,781	237,957
1997	686,398	350,084	336,314
1998	644,843	373,005	271,838
1999	898,261	571,727	326,534
2000	1,207,451	443,538	763,913
2001	1,501,104	963,416	537,688
2002	1,094,071	371,750	722,321
2003	842,603	287,003	555,600
2004[a]	643,851	306,200	337,651
Total	**8,342,427**	**3,724,611**	**4,617,816**

Source: WFP INTERFAIS database.

a. 2004 totals do not include ROK pledges of 200,000 MT directly to North Korea and 100,000 through the WFP.

Diversion, Monitoring, and Triaging by North Korea

A number of sources have presented evidence that not all the food assistance going to North Korea is reaching its intended recipients. These include interviews with North Korean refugees in China who say they have never received international food aid.[15] The numerous reports of donated food being sold (at price levels far higher than the official, government-controlled prices) in farmers' markets are widely assumed to be signs that officials are stealing and selling some of the aid for their own profit. Additionally, a number of refugees, including former soldiers, have stated that food aid has been distributed regularly to the North Korean People's Army (KPA).[16] In February 2003, U.S. Ambassador to the U.N. food agencies, Tony Hall, cited "credible" reports of diversion in making the case for possibly reducing and conditioning future U.S. food aid.

WFP officials contend that they have seen no evidence that the military is systemically diverting U.N. food donations, and further, that the North Korean military has no need for WFP food, since it receives the first cut of North Korea's national harvest.[17] Even if the military is not directly siphoning off food aid,

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[15] Testimony of Sophie Delaunay, North Korean Project Representative, Medecins Sans Frontieres (MSF), before the House International Relations Subcommittee on East Asia and the Pacific, May 2, 2002, [http://wwwa.house.gov/international_relations/]. See also MSF's *North Korea: Testimonies of Famine, Refugee Interviews From the Sino-Korean Border*, [http://www.doctorswithoutborders.org/publications].

[16] MSF, *Testimonies of Famine*; Amnesty International, *Persecuting the Starving: The Plight of North Koreans Fleeing into China*, December 15, 2000, available in the "library"section of the organization's website, [http://www.amnesty.org].

[17] Testimony of John Powell, World Food Program Regional Director, before the House (continued...)

however, such assistance is fungible; funds that otherwise would have been spent on food can be spent on other items, such as the military.[18] Additionally, North Korea is believed to expend little of its foreign currency to import food.

The North Korean government has restricted relief groups' activities, hindering their ability to ensure that their assistance reaches the neediest. Though many NGOs have operated for years in the DPRK, a number of prominent groups — including Medicins Sans Fontieres (MSF, Doctors Without Borders), Action Against Hunger, and CARE — have halted their North Korean operations because they cannot adequately monitor the assistance they provide.[19] MSF has been particularly vocal in its criticism of the food aid program.[20] A 1999 General Accounting Office inquiry into U.S. food assistance to the DPRK found that "the North Korean government has not allowed the WFP to fully implement its procedures and, as a result, it cannot be sure that the food aid is being shipped, stored, or used as planned."[21]

Tightened Restrictions in 2004. Until the fall of 2004, WFP officials provided evidence of improvements over time. As detailed below, North Korean authorities were granting increased access and tolerating more and more frequent monitoring visits, the spontaneity of which was increasing. In August 2004, however, the North Korean government began restricting the activities of many humanitarian activities, particularly those of resident relief organizations, such as the WFP, and of American NGOs operating in North Korea.[22] North Korea authorities closed off several counties to UN humanitarian agencies, told the WFP it would have to reduce its expatriate monitoring presence by one-third (from fifteen to ten officials), and began to deny more monitoring visit requests. North Korea also announced it would no longer appeal for outside humanitarian assistance and therefore would no longer participate in the UN Consolidated Appeals Process (CAP) and no longer would have need for UN Office for the Coordination of Humanitarian Affairs (OCHA) in Pyongyang.

WFP and NGO officials say this led to much tougher operating conditions in late 2004 and early 2005. Beginning in February and March 2005, North Korea began to relax some of its restrictions. The WFP was allowed to re-enter most of the

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[17] (...continued)
International Relations Subcommittee on East Asia and the Pacific, May 2, 2002.

[18] Noland, "North Korea's External Economic Relations."

[19] See Hazel Smith, *Overcoming Humanitarian Dilemmas in the DPRK (North Korea)*, United States Institute of Peace Special Report 90, July 2002, p. 5, 10. Arguing that there is "no humanitarian space whatsoever" for work in North Korea, MSF withdrew its year-old operation in 1998.

[20] Testimony of Sophie Delaunay, North Korean Project Representative, Medecins Sans Frontieres, before the House International Relations Subcommittee on East Asia and the Pacific, May 2, 2002.

[21] General Accounting Office Report GAO/NSIAD-00-35, *North Korea Restricts Food Aid Monitoring*, October 1999, available at [http://www.gao.gov].

[22] North Korean authorities generally do not permit American NGOs to have permanent residential status in North Korea.

counties that had been closed off, North Korean authorities have decided not to close OCHA's office, the government granted WFP expatriates authority to use the local cellular phone service, and approvals of monitoring visit requests began to rise. However, although monitoring and access conditions appear to have improved since early 2005, they do not yet appear to have returned to the level they had reached in the summer of 2004. In particular, the number of monitoring visits the WFP has been permitted is down to three-year lows, and North Korea has not reversed its demand that the WFP draw down its expatriate staff, which is likely to reduce the number of monitoring visits. The WFP has attempted to compensate by reaching an agreement in principle with DPRK authorities on several ways to improve the quality of its monitoring, including the ability to observe actual distributions of food aid, the distribution of WFP ration cards, and the establishment of a comprehensive commodity tracking system. As of late April 2005, the agreement had yet to be implemented.[23]

Details of WFP's Access and Monitoring. Over the years, WFP officials have cited a number of areas of dissatisfaction with operating conditions in North Korea:[24]

- *Incomplete access*. The North Korean government does not permit the WFP to have access to many counties to assess needs, provide food, and monitor distribution. Over time, DPRK authorities had opened more counties to the WFP. By the summer of 2004, only 42 counties — representing about 15% of the population — were off limits, down from 61 in 1998. In keeping with the organization's "no access, no food" policy, the WFP does not provide food to these banned counties. North Korea's August 2004 restrictions included the closure of ten counties previously open to the WFP, reducing WFP's access to about 80% of the population. Seven of these were reopened in March 2005, bringing country-wide access to 158 of 203 counties and districts, representing approximately 83% of the population.[25]

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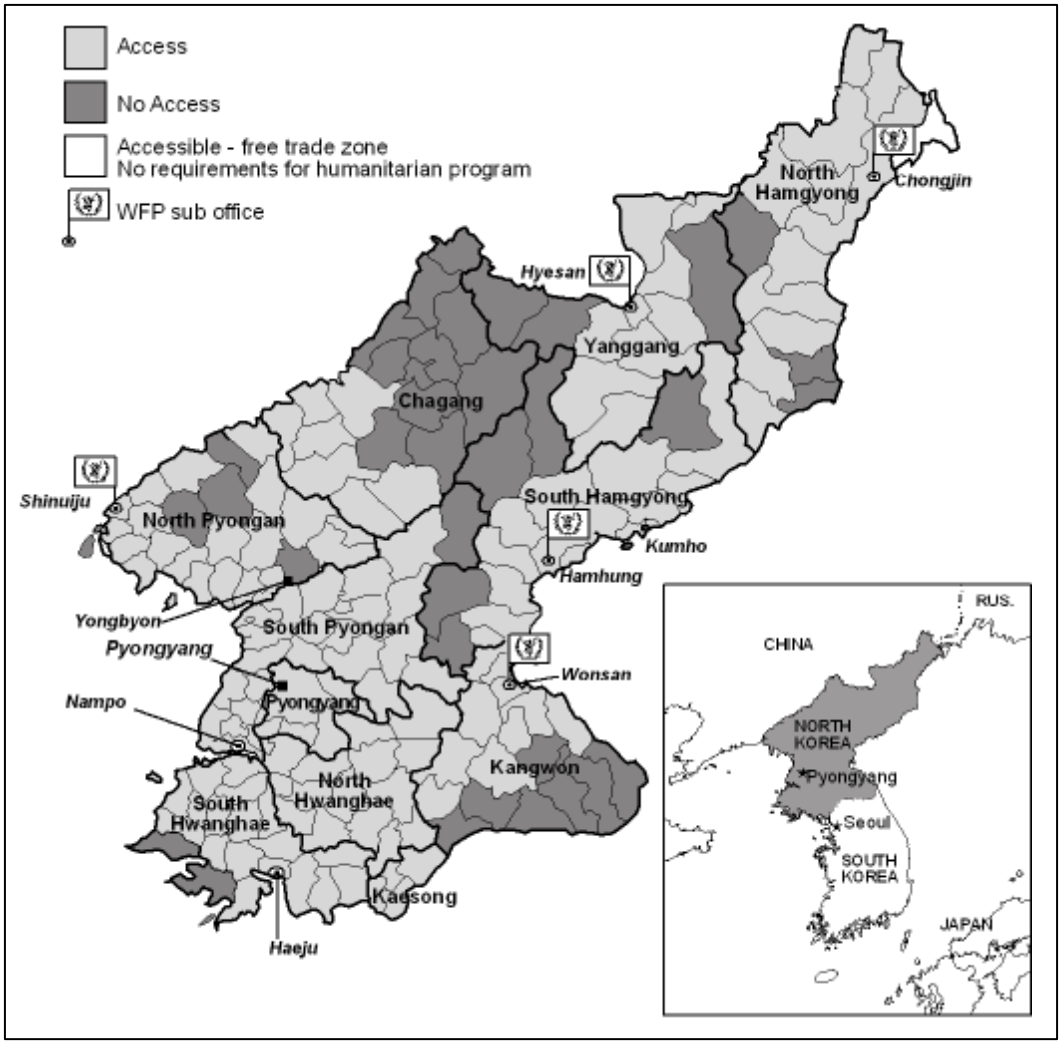
[23] Banbury press conference; USAID, *Report on U.S. Humanitarian Assistance to North Koreans*, April 25, 2005; March and April 2005 e-mail exchanges and phone conversations with WFP, USAID, and NGO representatives.

[24] See especially testimony of John Powell, World Food Program Regional Director, before the House International Relations Subcommittee on East Asia and the Pacific, May 2, 2002.

[25] USAID, *Report on U.S. Humanitarian Assistance to North Koreans*, April 25, 2005; March and April 2005 e-mail exchanges and phone conversations with WFP and USAID representatives.

Figure 1. Map of the World Food Program's North Korea Operations as of February 2004



Source: World Food Program, Map Resources. Adapted by CRS. (K. Yancey 3/18/04)

Aid workers involved in the North Korean relief effort offer a variety of reasons Pyongyang has prohibited access to certain areas, including the presence of sensitive security-related facilities; anger at the actions of a particular local official; and/or the "triaging" of the northern and eastern areas of the country so that more food can be provided to politically favored regions and constituencies, particularly the communist party elite in Pyongyang.[26] A 2002 nutrition survey found, for instance, that acute malnutrition among North Korean children was three times as high in one of the

[26] The triaging argument has been prominently argued by Andrew Natsios, currently director of the USAID, in his book, *The Great North Korean Famine*, p. 105-09. North Korea's traditional food allocation system is highly politicized, with lesser-favored groups receiving lower rations. Natsios highlights the considerable evidence that as food shortages worsened, the North Korean government curtailed and/or suspended the operation of the state-run food distribution system in the northeastern provinces of Chagang, Yanggang, North Hamgyong, and South Hamgyong. From 1995 until mid-1997, the government resisted the WFP's plans to allocate food to much of these regions.

eastern provinces than in Pyongyang.[27] Because the WFP uses the state-run public distribution system (PDS) to deliver its food, the WFP's North Korea program is susceptible to any use of the PDS for the regime's political ends. There have been calls for the WFP to abandon the PDS because it helps to sustain the regime and helps stunt the development of local markets that are outside the government's direct control.[28]

- *Inability to conduct random spot checks*. Not only is the WFP's access incomplete, but is also highly circumscribed by the government, which restrict the WFP's staff from conducting random checks. Pyongyang has yet to provide WFP with the full list of beneficiary institutions through which WFP food assistance is provided, despite a 2001 pledge to do so. In the absence of a list and free access, WFP monitoring teams in North Korea submit travel requests to the government five days in advance. Local North Korean authorities then decide which institutions will be visited, though WFP officers' on-the-spot requests for visits to specific sites occasionally are granted. Critics of the food aid programs have argued that the monitoring trips are staged by the North Korean government.[29] Until the restrictions implemented in the fall of 2004, UN officials said the level of cooperation with their North Korean counterparts had increased significantly over the years. In 2003, about 1% of the pre-arranged trips were cancelled, compared with 5% in 2002 and 8% in 2001.[30]

- Prior to the 2004 restrictions, WFP officials said their ability to monitor shipments had improved over time, despite the constraints imposed on them. The authorities had allowed the WFP and other relief groups more access to more institutions.[31] The number of monitoring visits more than doubled between 2001 and 2003, raising the average number of monthly visits to 513 in 2003, up from 265 in 2000. Following the fall 2004 restrictions, visits fell to levels not experienced since 2001, though they were still above previous years' levels.[32] Additionally, WFP staff reportedly have been allowed

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[27] U.N. World Food Programme, "Child Nutrition Survey Shows Improvements in DPRK," February 20, 2003.

[28] For variations of these arguments, see Scott Snyder, "The NGO Experience in North Korea," in Scott Snyder, et. al., *Paved with Good Intentions: The NGO Experience in North Korea*, (Praeger Publishers: Westport, CT, Forthcoming 2003), especially p.5.

[29] See, for instance, Sophie Delaunay, May 2, 2002 testimony.

[30] March 2004 e-mail correspondence with Massood Hyder, WFP Representative for the DPRK.

[31] Smith, *Overcoming Humanitarian Dilemmas*, p.13

[32] USAID, *Report on U.S. Humanitarian Assistance*.

greater freedom in the types of questions they can ask and expect to be answered.[33]

- *Inability to use its own interpreters.* The WFP is not permitted to recruit Korean speakers as their international staff, making WFP staff reliant upon government-provided interpreters. WFP staff have been allowed to study Korean after they arrive in North Korea.

Notwithstanding these obstacles, WFP officials say they have "reasonable" confidence that "the food provided through WFP gets to those who need it." "We have no doubt," a former WFP country director for North Korea has written, "that our aid has saved many, many lives." Masood Hyder, United Nations humanitarian coordinator in North Korea has added that "above all, we [the UN agencies] have established preventive capacity: Another famine cannot happen while we are here and properly supported."[34] WFP officials say they do not consider pulling out because thousands of lives would be lost, and because such a move would violate the agency's mission of combating hunger regardless of operating conditions on the ground.[35] WFP officials also point to the progress they have made since 1995, in particular gaining more access to more counties and institutions, and achieving a greater degree of autonomy.[36]

Note that according to WFP policy, it can withdraw assistance if a country has not met its obligations under the agreements signed between the government and the WFP. The WFP has curtailed food shipments to other countries, such as Zimbabwe, to pressure central governments to improve access or monitoring conditions. In 1997, the WFP used the threat of withdrawal to successfully pressure Pyongyang to open the northeastern provinces.[37] The WFP at times has halted specific programs in North Korea when it has not been able to determine satisfactorily that food donations were reaching their intended recipients.[38] Humanitarian aid workers, including WFP officials, have argued that member countries have not provided the WFP with sufficient backing to push North Korea to adhere to international standards of access and monitoring.[39] As discussed below, during the 1990s, the U.S. and Japanese food aid was made contingent upon Pyongyang's cooperation on geostrategic matters rather than compliance with U.N. principles in the provision of humanitarian relief. Some have criticized the Bush Administration's food aid policy

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[33] January 2003 e-mail correspondence with Rick Corsino.

[34] Masood Hyder, "In North Korea: First, Save Lives," *The Washington Post*, January 4, 2004.

[35] John Powell, May 2, 2002 testimony; Smith, *Overcoming Humanitarian Dilemmas*, p.14.

[36] Smith, *Overcoming Humanitarian Dilemmas*, especially p. 13-14.

[37] Natsios, *The Great North Korean Famine*, p. 175.

[38] John Powell, May 2, 2002 testimony.

[39] Natsios, *The Great North Korean Famine*, p. 188. John Powell, May 2, 2002 testimony, particularly the following statement: "I think the failure of the past 7 years has been to allow the WFP to negotiate on its own really and it has to be the full backing of the international community to push the North Koreans on this."

as being motivated by strategic considerations — specifically, a desire to influence the six-party process.

North Korea's Motivations for Controlling Relief Assistance. The presence of foreign aid workers inside North Korea directly threatens the myth of self-reliance, or *juche*, upon which DPRK ideology is based. Specifically, aid groups' demands for increased transparency challenge two of the main pillars for perpetuating the government's political control: the control of information and the control of individual movement. The Flood Damage Rehabilitation Committee (FDRC) — the North Korean agency created in the mid-1990s to manage interaction with most foreign relief groups — has been tasked with preserving the government's strict political controls by minimizing contact with ordinary people and institutions, while simultaneously drawing in as many resources as possible.[40] As a result, while contact between foreigners and North Koreans has increased dramatically compared with the pre-1995 situation, the rigid controls on humanitarian aid workers has led to little engagement relative to the amount of aid flowing into the DPRK. NGO representatives speculate that the tightening of restrictions on their activities in the fall of 2004 was the result of a greater wariness toward the outside world by North Korea's top leaders and/or the increased influence of those North Korean authorities who were uncomfortable with the growing access of foreign groups. The tightening coincided with growing tensions between North Korea and the U.S., South Korea, and Japan.[41]

China's Shipments of Food. Since the Soviet Union withdrew its patronage of North Korea in the early 1990s, China is widely believed to have emerged as the single largest provider of food to North Korea, though the precise amount is difficult to estimate due to lax controls on the North Korea-China border and the overall unreliability of official Chinese statistics. Additionally, food from China is known to enter the North on commercial, concessional, and barter terms, making it difficult to distinguish aid from trade.[42] During the North Korean nuclear crisis of the early 1990s, China cut its food shipments to the DPRK dramatically, only to restore them with the onset of famine, which threatened the possibility of a North Korean collapse.[43] What is known is that after declining in the early 1990s, Chinese food shipments to the DPRK increased with the onset of North Korea's famine, as China became concerned that the food situation could lead to the collapse

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[40] Scott Snyder, "Lessons of the NGO Experience in North Korea," in Scott Snyder, et. al., *Paved with Good Intentions: The NGO Experience in North Korea*, (Praeger Publishers: Westport, CT, Forthcoming 2003), p. 3, 113-19.

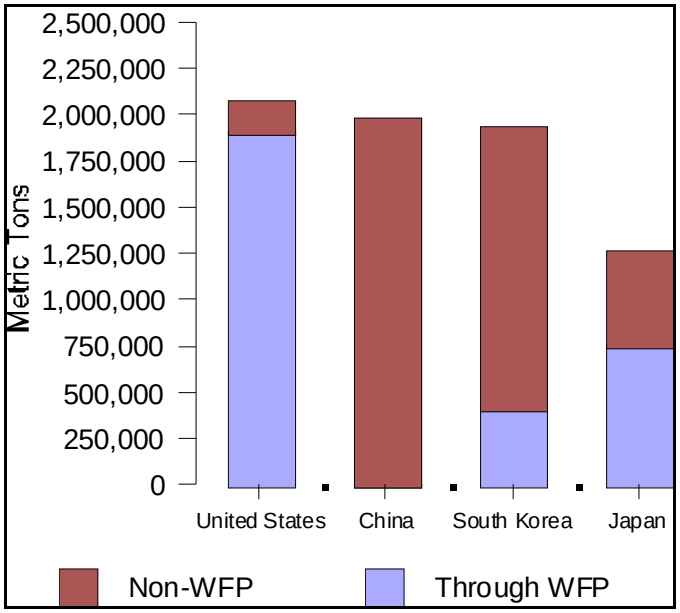
[41] March and April 2005 e-mail and phone exchanges with WFP and NGO representatives.

[42] Marcus Noland, *Avoiding the Apocalypse. The Future of the Two Koreas*, (Washington, DC: Institute for International Economics, 2000), 187-88.

[43] China officially justified this move as a response to budget pressures and state-owned enterprises' increased to continue subsidizing aid to North Korea. See Noland, *Avoiding the Apocalypse*, p. 187-88. Later, in 1997, China reportedly threatened to scale back its food aid after North Korea rejected Chinese advise to adopt market-oriented reforms in its agricultural sector. North Korea then began negotiating a large food aid deal with Taiwan, prompting Beijing to reverse its position and continue providing aid. See Natsios, *The Great North Korean Famine*, p. 139.

of the Pyongyang regime and/or to increased numbers of North Koreans crossing the border into northeastern China.

Figure 2. Various Countries' Reported Food Aid to North Korea, 1996-2002



Source: The International Food Aid Information System(INTERFAIS)

Data acquired by the International Food Aid Information System (INTERFAIS), the database was developed by WFP, provide one means of comparing food donations to North Korea. According to INTERFAIS, since 1996, the United States, China, and South Korea have provided North Korea with roughly 2 million MT of food assistance. However, INTERFAIS's data does not include Chinese food exports to North Korea, at least some of which is provided on terms beneficial to the DPRK. According to Beijing's official customs statistics, for instance, China exported nearly 2.6 million MT of cereals to the North between 1996 and 2000.[44] If these figures are accurate, China's total food shipments were nearly double the entire WFP shipments and nearly triple the U.S. level for the same period. Some reports indicate that China's food assistance may be considerably higher than officially reported, perhaps as high as 1 million tons annually during the late 1990s.[45]

Food Aid from South Korea. Figure 2 shows that South Korea provided North Korea with nearly 2 million MT of food aid since 1996, a figure that does not include an additional 300,000 MT Seoul pledged in 2004. Nearly all of Seoul's aid to Pyongyang has been sent since 2000, when relations between North and South Korea improved dramatically. Indeed, South Korea has filled much of the gap

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[44] Figures provided by Nicholas Eberstadt and Heather Dresser of the American Enterprise Institute.

[45] Noland, *Avoiding the Apocalypse*, 187-88.

created when other countries' donations to North Korea began to drop in 2002. About three-quarters of South Korea's food is sent bilaterally to North Korea, a method that has drawn criticism from some observers because Pyongyang permits South Korea to conduct only minimal monitoring of its food assistance.

From 1999 - 2004, South Korea also gave North Korea over 1.5 million MT of fertilizer.[46] South Korea has yet to announce whether it will continue its fertilizer assistance for 2005. Reportedly, Vice President Dick Cheney has asked South Korean officials not to do so unless North Korea becomes more cooperative on the nuclear issue.

Food Aid from Japan. Japan has given its food aid episodically, and has linked donations to the state of its relations with North Korea. The bulk (500,000 MT) of Japan's 766,000 MT in total contributions to North Korea came in one year, 2001. The subsequent downturn in Pyongyang-Tokyo relations led Japan to discontinue its food aid until 2004, when Japan pledged 250,000 MT following the May 2004 summit between Japanese Prime Minister Junichiro Koizumi and North Korean leader Kim Jong-il. However, only 80,000 of the pledge was actually delivered in 2004, after bilateral relations took a downturn later in the year, leading Japan to once again halt food assistance. Since 1997, all of Japan's donations have been channeled through the WFP. In 2004, Japanese teams traveled to North Korea to monitor the WFP's distribution of Japanese food aid.

Shifts in U.S. Policy

The Clinton Administration. Despite the Clinton Administration's claim that food assistance to North Korea was not linked to security matters, it has been well documented that during the 1990s the United States used food aid to secure North Korea's participation and increased cooperation in a variety of security-related negotiations.[47] Between 1997 and 1999, for instance, the Clinton Administration provided food to secure North Korea's participation in four-way security talks with the U.S., South Korea, and China. The largest single U.S. pledge, over 500,000 MT in 1999, was provided as a *quid pro quo* for North Korea allowing access to a suspected underground nuclear site at Kumchangri. Although the "food for talks" approach probably helped secure North Korea's participation in a number of talks (and was demanded by Pyongyang as a precondition for joining the talks), it did not appear to result in substantive changes in DPRK behavior. Since food aid essentially is controlled by the North Korean government, political linkages also may have directly helped to sustain the regime.[48] Linking food assistance to security issues was opposed on humanitarian grounds for leaving the WFP and relief groups with little

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[46] Fertilizer figures are from the Washington, DC South Korean Embassy.

[47] Andrew Natsios, *The Great North Korean Famine. Famine, Politics, and Foreign Policy*, (Washington, DC: United States Institute of Peace Press), Chapter 7; Marcus Noland, *Avoiding the Apocalypse. The Future of the Two Koreas*, (Washington, DC: Institute for International Economics), 182-91.

[48] Snyder, "The NGO Experience in North Korea," p.4-5.

leverage to negotiate better operating conditions inside North Korea.[49] It also has been criticized for sending the message to Pyongyang that North Korea could maintain its restrictions on food donors and avoid fundamental agricultural reform with little fear of jeopardizing future food shipments.[50]

The Bush Administration. Since June 2002, the Bush Administration officially has applied a different type of conditionality, linking U.S. food aid to "verifiable progress" in North Korea allowing the humanitarian community greater access to all areas of the country, a nationwide nutritional survey, and improvements in the food aid monitoring system.[51] For months, the Administration gave conflicting signals about whether it would continue donating food aid to North Korea, and if so, how much and whether such aid should be conditioned on North Korean actions in the humanitarian and/or security arenas. In December 2002, U.S. officials said that North Korea had not responded to the new U.S. conditions and that the Administration had made no decision on future food aid. In January 2003, President Bush said that he would consider offering the North a "bold initiative" including energy and food if the North dismantled its nuclear program. Also in January 2003, USAID Director Andrew Natsios was quoted as saying that food aid would not be continued if North Korea did not satisfy U.S. monitoring standards. State Department spokesman Richard Boucher somewhat clarified these remarks, stating that the United States "will be a significant donor to North Korean food aid programs," regardless of Pyongyang's behavior, though the amount of aid would likely be contingent upon the monitoring question. Boucher also implied that the President's mention of food referred to programs to support North Korea's agricultural sector.[52] Ultimately, in February 2003, the Bush Administration announced that it would provide 40,000 MT of food assistance to the North Korea, via the WFP, with an additional 60,000 MT contingent upon the DPRK allowing greater access and monitoring.

On December 24, 2003, the State Department announced that the United States had decided to donate 60,000 MT to the WFP's 2003 North Korea appeal. On July 23, 2004, the State Department announced a 50,000 MT contribution to the WFP's 2004 North Korea appeal. In both cases, the stated reason for providing the additional amount was the continued poor humanitarian situation in North Korea, and Administration officials denied the decisions were motivated by a desire to influence the six-party talks. The official announcements also referred to marginal improvements in North Korea's cooperation with the WFP on access and monitoring.

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[49] Gordon Flake, "The Experience of U.S. NGOs in North Korea," in *Paved with Good Intentions: The NGO Experience in North Korea*, (Praeger Publishers: Westport, CT, Forthcoming 2003), p.16.

[50] Natsios, *The Great North Korean Famine*; Noland, *Avoiding the Apocalypse*, p. 188-91.

[51] USAID Press Release, June 7, 2000, [http://www.usaid.gov/press/releases/2002 /index.html].

[52] "President Bush Discusses North Korea," White House Transcript, January 14, 2003, [http://www.whitehouse.gov]; Irwin Arieff, "US Interrupts North Korea Food Aid,"*Reuters*, January 13, 2003; State Department Daily Press Briefings by Spokesman Richard Boucher, January 14 and 15, 2003, [http://www.state.gov].

Bush Administration officials have held a number of unsatisfactory meetings with their North Korean counterparts to discuss the ways in which North Korea could address monitoring and access issues in exchange for increased U.S. food assistance. The Administration also has asked the South Korean and Chinese governments to donate food through the WFP and to press North Korea to allow better access and monitoring of their bilateral food aid.[53]

Assistance to KEDO

The October 21, 1994 U.S.-North Korean Agreed Framework offered North Korea a package of benefits in return for a freeze of North Korea's nuclear program. Benefits to North Korea, which have been provided by the multinational Korean Peninsula Energy Development Organization (KEDO), include light water nuclear reactors totaling 2,000 electric megawatts and annual 500,000 ton shipments of heavy fuel oil to North Korea that were to continue until the first light water reactor is built. The annual heavy fuel oil shipments are roughly equivalent to the energy North Korea lost from shutting down its nuclear power plants. Between 1995 and 2003, the United States provided over $400 million to KEDO, of which nearly $380 million went towards heavy fuel oil shipments and the remainder for the organization's administrative expenses.

The United States is the third-largest contributor to KEDO, following South Korea, which has contributed over$1.3 billion, and Japan ($480 million) (See **Table 3**.) South Korea and Japan have provided the bulk of the funding for building the reactors, for KEDO's administrative costs, and for funding the plan to suspend the reactor construction. The United States funded over three-quarters of the total — to KEDO for the shipment of heavy fuel oil (HFO) to the DPRK. The European Union has provided $95.8 million, or nearly 20% of the HFO costs.[54] Although

Following KEDO's suspension of its heavy fuel oil deliveries to the DPRK in November 2002, U.S. funding for KEDO fell to $3.7 million in 2003 (for administrative expenses), and to zero thereafter. The Bush Administration's position is that it would like to permanently end the KEDO program.[55] In November 2003, KEDO's Executive Board decided to suspend the KEDO project for one year, a decision that was repeated in November 2004.

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[53] USAID, *Report on U.S. Humanitarian Assistance to North Koreans*.

[54] The EU has channeled its contributions through the European Atomic Energy Commission (EAEC). Note that most of the EU's annual contributions to KEDO have been unrestricted and, therefore, not dedicated to any specific activity. From 1996-2001, KEDO allocated virtually all of the EU's annual contribution (euro 15 million from 1996-2000 and euro 20 million from 2001 to the present) to pay for heavy fuel oil shipments. All of the EU's 2002 contribution of euro 20 million has been used to pay for construction of the light water reactor in North Korea.

[55] State Department Daily Press Briefing by Adam Ereli, Deputy Spokesman, November 5, 2003.

Table 3. KEDO Contributions, Various Countries

($ millions)

	ROK	Japan	US	EU
Total (1995-2004)	1,364.4	480.9	405.1	121.4
2003-2004	*470.0*	*147.5*	*3.7*	*2.4*

Source: KEDO

Since construction on the light-water reactors was suspended, KEDO's staff at headquarters in New York has been reduced to 38, from 50 at the end of 2001. Over one hundred caretaker workers remain at Kumho, where they perform security, maintenance, and preservation tasks, which are funded primarily by South Korea and Japan. Over 1,400 workers were at the site at the end of 2001. After the suspension was announced, North Korea refused to allow KEDO to remove certain types of equipment from the Kumho site, in violation of agreements signed between KEDO and the North Korean government.[56]

Other Forms of U.S.-North Korean Economic Interaction

Tensions over North Korea's nuclear program have increased interest in all forms of U.S. economic interaction with the DPRK, including trade flows and the U.S. Defense Department's program to recover the remains of servicemen missing from the Korean War.

U.S.-North Korean Trade and Investment

Following North Korea's invasion of the South in June 1950, the United States imposed a nearly complete economic embargo on the DPRK. In September 1999, President Clinton announced that the United States would ease economic sanctions against North Korea affecting most trade and travel. Today, trade and related transactions are generally allowed for other than dual-use goods (i.e., items that may have both civilian and military uses). U.S. citizens may travel to North Korea; there are no restrictions on the amount of money one may spend in transit or while there.[57]

Despite the easing of most trade restrictions, trade and investment between North Korea and the United States has remained virtually non-existent. As **Table 4** shows, trade flows have varied widely from year to year, with no seeming pattern. Bilateral trade consists almost exclusively of U.S. exports, which tend to be agricultural items. One reason for the absence of North Korean exports on the U.S. market could be continued restrictions, particularly the fact that the DPRK does not have most-favored-nation status (also called normal trade relations status), which

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[56] For instance, Article IV, paragraph 9 of the 1995 DPRK-KEDO Supply Agreement reads "The DPRK shall not interfere with the repatriation, in accordance with customs clearance procedures, by KEDO, its contractors and subcontractors of construction equipment and remaining materials from the LWR [light-water reactor] project."

[57] Rennack, *North Korea: Economic Sanctions*.

means that North Korean products face significantly higher tariff rates relative to those applied to products imported from other countries.

Table 4. U.S.-North Korea Trade, 1993-2003

($ thousands)

Year	U.S. Imports	U.S. Exports	Total	Year	U.S. Imports	U.S. Exports	Total
1993	0	1,979	1,979	**1999**	0	11,265	11,265
1994	0	180	180	**2000**	154	2737	2,891
1995	0	5,007	5,007	**2001**	20	650	670
1996	0	541	541	**2002**	15	25,012	25,027
1997	0	2,409	2,409	**2003**	59	7,977	8,036
1998	0	4,454	4,454	**2004**	77	23,750	23,827

Source: U.S. International Trade Commission

However, a more probable cause is North Korea's lack of export competitiveness and relative economic isolation from the rest of the world. North Korea has faced few or no barriers to exporting to Japan and the European Union, for instance. While its exports to those areas are far greater than to the United States, the absolute values are minuscule compared with countries of comparable size that are integrated into the global trading system. North Korea's failure to generate export revenue is a major reason the country is unable to import food on commercial terms to make up for its chronic food shortage. In turn, the overall uncompetitiveness of North Korean enterprises is a direct result of Pyongyang's unwillingness to engage in fundamental economic reforms, leading some commentators to point out that international assistance actually has allowed North Korea's leadership to avoid instituting more market-oriented policies.[58]

There is virtually no U.S. foreign direct investment in North Korea. The American Chamber of Commerce in South Korea has attempted to arrange exploratory trips to the North, but has not received the necessary visas from the DPRK government. Even if North Korea were to allow a delegation to visit, it is likely that most U.S. investors would be deterred by the country's chronic shortages, widespread corruption, lack of legal infrastructure, sudden economic policy reversals, and North Korean enterprises' past history of failing to pay foreign firms for services or goods rendered.

Funds from U.S. POW/MIA Recovery Efforts in the DPRK

Since 1993, the Department of Defense's Prisoner of War/Missing Personnel Office (DPMO) has provided North Korea with nearly $28 million for assistance in recovering the suspected remains of the several thousand U.S. servicemen unaccounted for during the Korean War.[59] Most of the funds have been used to pay

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[58] See, for instance, Noland, *Avoiding the Apocalypse*, p. 107-110.

[59] Estimates vary as to the number whose death might result in remains being found in North Korea; the range is roughly between 2,000 and 9,000. In an April 2005 e-mail exchange, DPMO put the total at "more than 8,000." For more on the POW/MIA issue, see CRS Issue

(continued...)

for the costs paid for costs of over 32 joint field activities that have been conducted in North Korea since 1996, operations that have recovered over 220 probable U.S. remains.[60] (See Table 5 below) These figures do not include costs of flying a North Korean delegation to Bangkok for annual negotiations about future joint field operations. DPMO estimates the cost of flying a seven-person North Korean team, which has been done since 2002, at $25,000, a figure the office says is cheaper than conducting the negotiations in other locations.

As with joint recovery operations in Vietnam, Laos, and other countries, the payments are calculated by negotiating the compensation provided for the workers, materials, facilities and equipment provided by the North Korean People's Army (KPA) and other North Korean government entities. Payment is provided in cash deliveries — via the United Nations Command in South Korea — to the KPA in installments during the course of the calendar year's operations. The size, scope, and location of the recovery operations are negotiated annually, and the size of the compensation package varies accordingly. Defense Department officials report that while operating conditions in North Korea are far from ideal, the scale of the operations increased gradually significantly from 1996 to 2001 and has varied in scale since.[61]

Table 5. U.S. Payments to North Korea for Joint POW/MIA Recovery Activities, 1996-2005

($US millions)

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Total
$0.1	$0.3	$0.7	$1.3	$2.1	$4.4	$3.1	$2.1	$5.0	$1.5[a]	$20.5

Source: Department of Defense's Prisoner of War/Missing Personnel Office

a. First payment of $5.5 million.

Policy Options

Congress and the Administration have a variety of options for future assistance to North Korea. Given the suspension of the KEDO project, the immediate decisions will revolve around food aid, particularly given increased demand for food assistance from other areas of the world. Additionally, if talks with North Korea over its nuclear program begin and score a breakthrough, there will likely be consideration of a broader economic assistance package.

As discussed earlier, any decision by the United States to apply sanctions, impose a de facto quarantine, or economically suspend or terminate its current aid is

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[59] (...continued)
Brief IB92101, *POWs and MIAs: Status and Accounting Issues*, by Robert Goldich.

[60] April 2005 e-mail correspondence with DPMO. Between 1990 and 1994, North Korea unilaterally returned over 200 remains, virtually all of which were unidentifiable.

[61] February 2003 briefing by and April 2005 e-mail correspondence with DPMO officials.

expected to have a limited economic effect on North Korea because in the short-to-medium term, China and/or South Korea — which place a high priority on maintaining North Korea's stability — could increase their own assistance to compensate. **Table 7**, shown in the appendix, shows the dramatic increase in the South Korean government's expenditures on engaging North Korea. The bulk of these funds, which are in the $500 million per year range, constitute direct or indirect assistance to the DPRK. Moreover, aside from aid, Beijing and Seoul are by far North Korea's largest trading partners. (See **Table 6**)

Food Aid Options

Options for food aid policy include:

- **Provide food aid unconditionally.** The core humanitarian argument for continuing aid regardless of the North Korean government's actions is that a major reduction in assistance could lead to another famine. Proponents of continued assistance take issue with criticism that international aid enables the North Korean government to divert resources to the country's military and elite. They argue that because humanitarian priorities are unlikely to dictate the North Korean regime's priorities, foreign assistance is the only hope for feeding the bulk of the population, at least in the immediate term.[62] A diplomatic benefit of providing food aid unconditionally is that it could weaken criticism in South Korea of the Bush Administration's policy toward the DPRK; U.S. food shipments lend support to President Bush's often-stated approach of supporting the North Korean people despite his concerns about the regime.[63] South Korea, which favors preserving short-term stability in North Korea, appears likely to continue providing food unconditionally.

[62] Hyder, "In North Korea: First, Save Lives."

[63] See, for instance, President Bush's February 20, 2002 remarks at the Demilitarized Zone, [http://www.whitehouse.gov/news/releases/2002].

Table 6. North Korea's Trade with Major Partners, 2001-03.

Thousands of Dollars

	2003			2002			2001		
	Total	**NK Export**	**NK Import**	**Total**	**NK Export**	**NK Import**	**Total**	**NK Export**	**NK Import**
All Countries	**3,115,592**	**1,066,244**	**2,049,347**	**2,902,118**	**1,006,567**	**1,895,551**	**2,663,345**	**911,162**	**1,752,183**
Share	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*	*100%*
China	1,022,927	395,344	627,583	738,172	270,863	467,309	737,457	166,797	570,660
	33%	*37%*	*31%*	*25%*	*27%*	*25%*	*28%*	*18%*	*33%*
South Korea	724,217	289,252	434,965	641,730	271,575	370,155	402,957	176,170	226,787
	23%	*27%*	*21%*	*22%*	*27%*	*20%*	*15%*	*19%*	*13%*
Japan	265,318	173,818	91,500	369,541	234,404	135,137	474,695	225,618	249,077
	9%	*16%*	*4%*	*13%*	*23%*	*7%*	*18%*	*25%*	*14%*
EU	n/a			347,690	65,031	282,659	313,523	81,062	232,461
				12%	*6%*	*15%*	*12%*	*9%*	*13%*
Thailand	254,317	50,706	203,611	216,582	44,616	171,966	130,062	24,098	105,964
	8%	*5%*	*10%*	*7%*	*4%*	*9%*	*5%*	*3%*	*6%*
United States	8,036	59	7,977	25,027	15	25,012	670	20	650
	0.3%	*0%*	*0%*	*0.9%*	*0.0%*	*1.3%*	*0.0%*	*0.0%*	*0.0%*
Other Countries	840,777	157,065	683,711	563,376	120,063	443,313	603,981	237,397	366,584
Other Countries	*27%*	*15%*	*33%*	*20%*	*12%*	*25%*	*23%*	*26%*	*21%*

Source: KOTRA (Korea Trade Investment Promotion Agency), Ministry of Unification, U.S. ITC

Notes: "All Countries" includes North Korea's Trade with South Korea. NK import figures include foreign aid.

- **Discontinue food aid.** This option has been proposed both on security and humanitarian grounds. Cutting off food assistance could be used as part of an isolation strategy or a plan to trigger the collapse of the North Korean regime. The effects of the United States suspending food assistance may be undercut, however, by increased shipments from China or South Korea. From a humanitarian perspective, sending food to North Korea arguably diverts limited supplies of food aid from other needy, and more accountable, countries. Furthermore, as discussed above, some argue that the volume and consistency of international aid has allowed the North Korean government to institutionalize emergency food assistance as part of its annual budget needed to feed its people and remain in power.[64]

Options between these extremes include:

- **Establish "external" linkages - condition future food aid on progress in political and security-related talks**, such as negotiations regarding the North's nuclear programs. Emphasizing geostrategic concerns could lead to greater immediate cooperation in certain negotiations from Pyongyang. China and Japan have had some short-term successes in link their food assistance to North Korean cooperation on other issues. In China's case, it appears to have helped secure North Korea's participation in various rounds of six party talks. For Japan, promises of food aid has helped temporary progress on resolving the issue of North Korea's abductions of Japanese citizens in the 1970s and 1980s.

However, in both the Japanese and Chinese cases, it is not clear that food aid would induce significant changes in North Korea's overall behavior on security issues. Likewise, the huge U.S. provision of food aid in 1999, may have helped obtain an inspection of the suspected nuclear site at Kumchangri, but it did not prevent North Korea from pursuing a uranium enrichment nuclear program. Additionally, this approach runs the risk of encouraging the North Korean government to believe it does not need to comply with humanitarian relief groups' demands. Any attempts to link food aid or sales to foreign policy or national security objectives might have to be reconciled with recent congressional and executive efforts to delink the two.[65]

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[64] Scott Snyder, "The NGO Experience in North Korea," in Scott Snyder and Gordon Flake, eds., *Paved with Good Intentions: The NGO Experience in North Korea*, (Praeger Publishers: Westport, CT, Forthcoming, 2003), p. 7.

[65] In 2000, Congress passed, and President Clinton signed into law, the Trade Sanctions Reform and Export Enhancement Act of 2000 (title IX of H.R. 5426, enacted by reference in P.L. 106-387) to remove food and medicine from U.S. sanctions policy, though some restrictions were maintained for terrorist states. For further information see CRS Report RL30384, *Economic Sanctions: Legislation in the 106th Congress*, by Dianne Rennack and CRS Issue Brief IB10051, *Exempting Food and Agriculture Products from U.S. Economic*

(continued...)

- **Establish "internal" linkages - condition future food aid on improvements in access and monitoring**, as the Bush Administration has done in its official food aid policy. In theory, the Administration essentially has adopted a hybrid approach of giving a base amount of aid unconditionally and linking food above this amount to progress in monitoring and other items related to the relief effort. One difficulty of this approach is that the North Korean government is unlikely to see any decision on food assistance as divorced from the overall security climate.

- **Channel aid through non-governmental organizations (NGOs).**[66] Most relief NGOs operating in North Korea have been forced to operate under the same, if not more rigid, controls as the WFP.[67] A few relief groups, however, report they have overcome many obstacles to monitoring assistance, particularly gaining access to aid recipients and using their own Korean-speaking staff. The more successful U.S. NGOs appear to be relatively small, affiliated with a U.S. religious group, and focused on ongoing niche areas such as rebuilding North Korea's health care system, rather than on emergency relief.[68] These organizations' relative degree of success compared to the WFP may be partly attributable to the smaller scale of their operations, which allows some to set up their own distribution system independent of the public distribution system and to deal principally with local North Korean officials who often are more eager to cooperate than officials in Pyongyang. Some of these advantages might be negated if the groups began to receive large amounts of funding from the U.S. government. Additionally, NGO representatives report that they were hard hit by the DPRK's tightening of restrictions in the fall 2004.

A past U.S. public-private initiative yielded mixed results similar to those reported by the WFP. From 1997 - 2000, the U.S. government provided over 155,000 MT of food aid to be distributed by the Private Voluntary Organization Consortium (PVOC), which included several private relief groups operating in North Korea. The PVOC estimated that the food for one program, to distribute 100,000 MT to laborers participating in food-for-work projects, reached nearly 2.7 million people in 110 North Korean counties. However, the Consortium reported the North Korean government's restrictions made it difficult to adequately monitor the

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[65] (...continued)
Sanctions, by Remy Jurenas.

[66] Among those who have argued for this approach is Timothy A. Peters, director of the relief groups Helping Hands Korea and the Ton-a-Month Club, two Seoul-based humanitarian organizations that attempt to provide assistance to North Koreans. See Peters' testimony before the House International Relations Subcommittee on East Asia and the Pacific, May 2, 2002, [http://wwwa.house.gov/international_relations/].

[67] Snyder, et. al., *The NGO Experience in North Korea*.

[68] Flaker, "The Experience of U.S. NGOs in North Korea," p.31-35.

distribution of the food. Citing these difficulties, one member, CARE, withdrew from the PVOC in June 2000.[69]

KEDO Options

With regard to KEDO, the U.S. has several options, including: resume heavy fuel oil payments; continue to make payments for KEDO's operational expenses but not for heavy fuel oil; suspend all payments to KEDO; or permanently terminate all payments. Suspending without terminating KEDO arguably has bought the United States more time and avoided further antagonizing North Korea by maintaining the ambiguous status of the Agreed Framework — from which neither the United States nor North Korea have officially withdrawn. Permanently halting payments, which South Korea and Japan have opposed, would almost certainly mean the end of KEDO. Not only was KEDO the creation of a U.S.-North Korean agreement (the Agreed Framework), but also the United States has provided the primary diplomatic and financial backing for the organization. Terminating the KEDO program would not necessarily preclude the formulation of another multilateral initiative to provide energy assistance to North Korea.

Development Assistance Options

As mentioned earlier, President Bush has said that the United States would consider offering North Korea a broad development aid package if the DPRK cooperates on security issues. Options include:

- **provide energy assistance.** President Bush has referred to such programs in mentioning a broad assistance package that the U.S. would discuss if North Korea verifiably dismantles its nuclear program. As mentioned earlier, while the President has considerable flexibility in funding short-term initiatives, longer-term programs would likely require Congressional action to waive or rewrite U.S. laws that prohibit certain types of aid to countries on the terrorism list and that specifically prohibit aid for North Korea. Some have argued that any energy assistance provided should be non-nuclear in nature, because nuclear reactors are ill-suited to meeting North Korea's energy needs because they will take a long time to complete and because the DPRK's electrical grid is not capable of absorbing the added power. Pyongyang periodically has asked the United States and South Korea for electrical power and for help modernizing its grid. Seoul has been receptive to the idea, and has begun providing electricity for the North-South industrial park in Kaesong, North Korea.

In June 2004, during the third round of six-party talks the United States gave its blessing to a proposal by Japan and South Korea under which those countries would provide the North with heavy oil in return for a freeze of North Korea's nuclear

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[69] United States General Accounting Office (GAO), *U.S. Bilateral Food Assistance to North Korea Had Mixed Results*, GAO/NSIAD-00-175, June 2000, [http://www.gao.gov/].

weapons program, followed by a series of measures to ensure complete dismantlement and, eventually, a permanent security guarantee, negotiations to resolve North Korea's energy problems, and discussions on normalizing U.S.-North Korean relations that would include lifting the remaining U.S. sanctions and removing North Korea from the list of terrorist-supporting countries. North Korea rejected the proposal as a "sham."

- **provide agricultural support assistance**, thereby attempting to reduce North Korea's chronic dependence on outside aid by boosting its domestic agricultural output.[70] Many European NGOs operating in North Korea have moved from providing relief to rehabilitating the country's agricultural system. According to one study, the prospects for success of these efforts are not likely to make substantial progress unless the North Korean government allows development workers greater access to the North Korean population and abandons its priority of attaining self-sufficiency in food.[71]

- **provide other types of humanitarian assistance**. North Korea's health care system, for instance, has been devastated by the collapse of the country's economy. At the same time, a decade of food shortages has led to the prevalence of opportunistic diseases, including tuberculosis, which had been eradicated from the DPRK in the 1970s. As mentioned above, some relief NGOs have had more success in obtaining North Korean cooperation in the areas of health care and disease prevention than they have in providing food.

The Timing of a U.S. Offer of Development Assistance. Thus far, the Administration has indicated that it would insist that the North first begin verifiably dismantling its nuclear program before the United States would begin providing any large-scale aid. This stance on the timing of aid negotiations could be modified.

A Multilateral Development Assistance Program. There is considerable scope for putting together a prospective multilateral assistance program to North Korea. Key U.S. concerns in assembling such a program are likely to revolve around fungibility, diversion, and transparency.

Providing a future large-scale aid package was a major component of former South Korean President Kim Dae Jung's "sunshine policy" of engaging North Korea. President Kim placed particular emphasis on rebuilding the DPRK's economic infrastructure. Although the details have yet to be publicized, South Korea's new president, Roh Moo-hyun, has indicated that North Korea can expect significant assistance under his "peace and prosperity" engagement policy.

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[70] See the GAO's report, *U.S. Bilateral Food Assistance to North Korea Had Mixed Results*, for a discussion of a U.S. government-supported private project to increase North Korean production in 1999 and 2000.

[71] Michael Schloms, "The European NGO Experience in North Korea," in Scott Snyder, et. al., *Paved with Good Intentions: The NGO Experience in North Korea*, (Praeger Publishers: Westport, CT, Forthcoming 2003), especially p. 64-66.

In bilateral normalization talks, Japan has offered to give North Korea a large-scale economic aid package to compensate the DPRK for Japan's colonization of the Korean Peninsula from 1910 to 1945. Reportedly, Japanese officials are discussing a package on the order of $5-$10 billion. Large-scale aid from Tokyo, however, is contingent on North Korea cooperating on other issues, especially the matter of Japanese citizens kidnapped by North Korean agents in the 1970s and 1980s. Disagreements over this issue, combined with developments in the DPRK's nuclear weapons program, brought Japan-North Korea normalization talks to a halt in the fall of 2002.[72]

Russia, which in recent years has expanded its economic ties to North Korea, may also be interested in participating in a multilateral aid program. Moscow appears particularly keen to link the Trans-Siberian Railway to South Korea via the DPRK. Russian railway authorities completed a joint on-site survey of the 920 km trans-Korean railway in 2002, and plan to begin rebuilding North Korea's dilapidated rail system in 2003.

Additionally, funding could be sought from international financial institutions such as the World Bank, Asian Development Bank, and the International Monetary Fund. The United States and Japan currently oppose North Korea's membership in these organizations.

Additional CRS Products on North Korea

CRS Report RS21834, *U.S. Assistance to North Korea: Fact Sheet*.

CRS Issue Brief IB98045, *Korea: U.S.-Korean Relations — Issues for Congress.*

CRS Issue Brief IB91141, *North Korea's Nuclear Weapons Program.*

CRS Report RL32743, *North Korea: A Chronology of Events, October 2002-December 2004*.

CRS Report RL31696, *North Korea: Economic Sanctions.*

CRS Report RL32493, *The North Korean Economy: Background and Policy Analysis.*

CRS Report RL30613, *North Korea: Terrorism List Removal?*

CRS Report RL32167, *Drug Trafficking and North Korea: Issues for U.S. Policy*.

CRS Report RS21391, *North Korea's Nuclear Weapons: How Soon an Arsenal?*

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[72] For more on DPRK-Japan relations, see CRS Report RS20526, *North Korea-Japan Relations: The Normalization Talks and the Compensation/Reparations Issue*, by Mark Manyin.

CRS Report RS21473, *North Korean Ballistic Missile Threat to the United States.*

CRS Report RS21582, *North Korean Crisis: Possible Military Options*.

CRS Report RL32428, *Japanese Prime Minister Koizumi's May 2004 Trip to North Korea: Implications for U.S. Objectives*.

Table 7. South Korean Governmental Expenditures on Engaging North Korea, 1995-2004

Year	**Total Value ($ mil)**	KEDO (1)	Food Aid (2)		Fertilizer (2)		Road & Rail Links (3)	Payment to DPRK for 2000 Summit (4)	Mt. Kumgang Tours (3)	Aid to ROK Business	Kaesung Industrial Complex (3)	Family Reunions	Other (5)	Exch. Rate (won/ $)
		($ mil.)	Value ($ mil.)	Metric Tons	Value ($ mil.)	Metric Tons	($ mil)	($ mil)	($ mil)	($ mil)	($ mil)	($ mil)	($ mil.)	
1995	**$241.8**	$1.8	$240.0	150,000	–	–	–	–	–	–	–	–	–	771
1996	**$11.9**	$8.9	$2.9	3,612	–	–	–	–	–	–	–	–	$0.0	805
1997	**$31.4**	$3.0	$23.1	69,322	–	–	–	–	–	–	–	–	$5.3	954
1998	**$21.1**	$6.5	$11.0	40,000	–	–	–	–	–	–	–	$0.0	$3.6	1,395
1999	**$35.3**	$6.4	–	–	$28.5	150,000	–	–	–	–	–	$0.4	$0.0	1,189
2000	**$706.5**	$308.9	$93.4	500,000	$83.4	300,000	$12.9	$200.0	–	$0.4	–	$2.4	$5.0	1,131
2001	**$453.2**	$271.1	$17.3	100,000	$49.5	200,000	$69.6	–	$34.8	$0.8	–	$1.0	$9.1	1,291
2002	**$584.9**	$288.7	$120.4	500,000	$66.6	300,000	$53.5	–	$43.9	$2.2	–	$1.6	$7.9	1,251
2003	**$650.4**	$333.0	$122.2	500,000	$70.1	300,000	$94.1	–	$5.1	$10.7	–	$2.5	$12.8	1,192
2004	**$545.4**	$137.1	$164.6	500,000	$89.8	300,000	$55.8	–	$6.8	$11.9	$21.8	$2.8	$54.8	1,145
Total	**$3,281.8**	**$1,365.2**	**$794.9**	**2,362,934**	**$387.9**	**1,550,000**	**$285.9**	**$200.0**	**$90.6**	**$26.1**	**$21.8**	**$10.7**	**$98.7**	

(1) Figures from KEDO Annual Reports
(2) ROK Ministry of Unification
(3) ROK Export-Import Bank's "DPRK Support Fund"
(4) South Korea Independent Counsel. In discussions held in March and April 2000 to arrange the first-ever North-South Korean summit, North and South Kore government officials agreed that the Hyundai Group would pay North Korea $350 million in cash and that the South Korean government would pay $100 million cash. The South Korean government then arranged for the state-run Korean Development Bank to loan a Hyundai affiliate $200 million, which days before the summit was transferred to North Korean bank accounts in Macao.
(5) Includes Cultural Exchanges and Aid to NGOs
Exchange Rates from Bank of Korea Economic Statistics System (Longer Frequency, Avg Closing Rate).
Dollar values calculated as current year dollar conversions from Korean won. The exceptions are KEDO and the payment for the 2000 inter-Korean summit.