CHAPTER ONE

Introduction

Famine, Aid, and Markets in North Korea

Beginning sometime in the early 1990s and extending into 1998, North Korea experienced famine. We estimate that the great North Korean famine killed between six hundred thousand and one million people, between 3 and 5 percent of the entire population of the country. Such events are national traumas that live in the collective memory for generations. Famines produce countless personal tragedies: watching loved ones waste away from hunger and disease; making fateful choices about the distribution of scarce food; migrating to escape the famine's reach; and, all too often, facing the stark reality that these coping strategies are futile. A full understanding of such disasters can only be communicated through their human face: the individual experience of the suffering and humiliation that extreme deprivation brings to its victims. Through refugee accounts, this human face of the North Korean famine is slowly becoming available to us and speaks far more eloquently than we can here.

But famines also have causes as well as profound demographic, economic, and political consequences for the societies that experience them. Despite its rigidly authoritarian and closed nature, North Korea is no exception to this rule. The purpose of this book is to explore the political economy of this great famine through a number of different but ultimately complementary lenses. What does the North Korean case say about the causes of famines more generally? What lessons does it hold for the humanitarian community? What does it say about the transition from socialism? And how have recurrent food shortages played into the security equation and political dynamics on the Korean peninsula?

Sadly, our concerns are not simply historical ones, and we were first brought to these issues by contemporary concerns (Haggard and Noland 2005). As in far too many cases, famines are not necessarily followed by a return to abundance. Rather, the acute shortages of the mid-1990s turned into a chronic food emergency that persisted well into the first decade of the 21st century. Despite the efforts of the international humanitarian community, and despite—and even because of—a set of wide-ranging but ultimately flawed economic reforms, large portions of North Korea's highly urbanized society suffer from unreliable access to food. North Korean families continue to experience the ravages of malnutrition, most painfully evident in the admittedly partial and imperfect information we have on the nutritional status of children over time.

Famines bear a curious resemblance to genocides. As Samantha Powers (2002) has pointed out, outsiders' first response to genocides is denial. Given the horror of events, the natural reaction is that it can't be happening; it is not possible. During genocides, however, delay is fatal; where there is a will, masses of people can be killed quickly. Similarly, while we can procrastinate about many things, we cannot go for long without adequate sustenance (see Russell 2005). By the time the evidence of famine is clear, it is often too late to reverse its effects, and the worst damage has been done.

Yet the humanitarian effort in North Korea faced additional barriers. Until a series of great floods in the summer of 1995, the North Korean government was slow to respond to the warning signs that a famine was under way. The closed nature of the country made it even more difficult for outsiders to read the signals.

Once aid was fully mobilized in 1996, the North Korean government proved deeply suspicious of foreign intent and has to this day thrown roadblocks in the way of the relief effort. The delivery and monitoring of humanitarian assistance to North Korea is an ongoing negotiation and struggle, and for a good reason: there is ample evidence of things to hide. Large amounts of aid—we estimate as much as 30 percent or more—is diverted to the military and political elite, to other undeserving groups, and to the market.

Floods, subsequent natural disasters, and the hostile policy of outsiders constitute the official explanation for North Korea's food problems. Yet the chronic nature of North Korea's problems suggests that forces more systemic were at work. These included failed economic and agricultural policies but also a particular system of entitlements associated with the socialist economy and a political system that provided no channels for redress when these entitlements failed. Following the pioneering work of Amartya Sen (1981; 2000: chap. 6;

Dreze and Sen 1989), we suggest throughout this book that the ultimate and deepest roots of North Korea's food problems must be found in the very nature of the North Korean economic and political system. It follows almost as a matter of logic that those problems will not be definitively resolved until that regime is replaced by one that, if not fully democratic, is at least more responsive to the needs of its citizenry.

As we have suggested, however, the famine was not without its own consequences, and one of them was an increasing marketization of the economy and, beginning in 2002, the initiation of economic reforms. Marketization and reform remain the key unfolding story in the country, a work-in-progress that contains the small glimmers of hope we can hold out for an economically if not politically reformed North Korea. Yet through 2005 these signs of change remained largely hopes. The initiation of reform overlapped with renewed international political conflict over North Korea's nuclear ambitions—a crisis largely of North Korea's own making—which in turn had predictably mixed effects on the reform effort.

Moreover, the reforms themselves failed to return the country to sustainable growth and unleashed a stubborn inflation that contributed to the ongoing food problems in the country. By this time, North Korea was a society increasingly divided between those with access to foreign exchange and stable supplies of food and those vulnerable to an erratic public food distribution system and markets providing food and other goods at prices beyond the reach of the ordinary citizen.

We divide our account into three broad questions. In part I (chapters 2 and 3), we consider the contours of the famine of the mid-1990s: its underlying and proximate causes and its trajectory and more immediate consequences, including mortality. In these chapters, we are speaking both to a broader literature on famine and to important accounts of the North Korean case, on which we build.[1] The second section (chapters 4 and 5) is devoted to a discussion of the political economy of humanitarian assistance. These politics involve the humanitarian community and its norms, the political as well as economic interests of the North Korean government, and the sometimes congruent, sometimes conflicting interests of the donor governments. In the third section (chapter 6), we look at the famine through yet a third lens: what it says about North Korea as a socialist economy undergoing some sort of transition. The famine ultimately triggered a process of economic reform in the North. But as we now know from nearly twenty years of "transitology," the route to the market is not linear but strewn with partial reforms and a variety of intermediate models of which North Korea is certainly one.

In the remainder of this introduction, we outline these themes in somewhat more detail, returning in the conclusion to some of the broader policy issues posed by North Korea's famine and food shortages (the subject of chapters 7 and 8 in part 3). Before turning to those themes, however, we sketch a few features of the country's political history. Although this survey is admittedly cursory, we reference a number of works where these issues can be pursued in greater depth and focus primarily on those background conditions that are germane to our story.

The Setting

At the conclusion of the Second World War, the Japanese colony of Korea was partitioned into zones of U.S. and Soviet military occupation.[2] Unable to agree on a formula for a unified Korea, the Republic of Korea (ROK, or South Korea) declared independence under U.S. patronage in 1948, while the Democratic People's Republic of Korea (DPRK, or North Korea) was established under Soviet tutelage. In June 1950, North Korea invaded South Korea. The initial success of the invading forces was reversed with the support of a U.S.-dominated United Nations force, which in turn drove China to enter the war in October to prevent a North Korean defeat. Combat ended with an armistice in 1953. After tremendous physical destruction and loss of life, the war did little more than reestablish the original borders. No formal peace treaty was ever signed, and the combatants technically remain at war.

Kim Il-sŏng fully consolidated his power over rival factions in the DPRK after 1956 and began to articulate a distinctive national ideology called *chuch'e* (Armstrong 2002 and Lankov 2002). Typically translated as "self-reliance," North Korean ideology in fact combines a number of elements—extreme nationalism, Stalinism, even Confucian dynasticism—into a complex mix (Cumings 2003; Oh and Hassig 2000). The political order has exhibited a high degree of personalism. Kim Il-sŏng was deified as the "Great Leader." Similar efforts have been made to canonize his son, Kim Jŏng-il, who assumed the reins of political power when his father died in 1994.

Personalism was combined with an extreme, even castelike social regimentation. The government classified the population—and kept dossiers on them—according to perceived political loyalty and even the social standing of parents and grandparents. The share of the population deemed politically reliable is relatively small, on the order of one-quarter of the population, with a core

political and military elite of perhaps two hundred thousand, or roughly 1 percent of the population.[3] As we will show, this political-cum-social structure also has important implications for the distribution of food and other goods.

A further feature of the political and economic system is extreme militarization (Kang 2003). By standard statistical measures such as the share of the population under arms or the share of national income devoted to the military, North Korea is the world's most militarized society. The bulk of its million-strong army is forward-deployed along the demilitarized zone (DMZ) separating it from South Korea, a highly destabilizing military configuration. Viewed with the benefit of hindsight, the division of the peninsula has proven surprisingly stable; a recurrence of full-scale war has been avoided. Yet underneath this apparent stability is a history of sustained military competition and recurrent crises. Moreover, militarization has important domestic effects. During external crises, the government reverts to *sŏn'gun*, or "military-first" politics. As we will argue, the expenditure priorities of the regime are also an important aspect of the hunger story, and the question of diversion of humanitarian supplies to the military is an ongoing political issue among donors.

In the early 1990s, North Korea experienced a rapid deterioration in its external security environment. The collapse of the Soviet Union and the ongoing reform efforts in China put North Korea at odds with its two most important patrons. The continued dynamism of the South Korean economy made it more and more difficult—and costly—to maintain the illusion of military parity. The acquisition of nuclear weapons no doubt seemed an inexpensive way to address these insecurities but resulted in a major crisis with the United States in 1992–94 (Sigal 1998; Wit, Poneman, and Galucci 2004). The nuclear crisis and the question of food aid became inextricably linked, but in unexpected ways, as the provision of assistance was used to induce North Korean participation in diplomatic negotiations. Similar issues arose after the 2002 nuclear standoff as the main aid donors—the United States, Japan, China, South Korea, and the European Union—diverged on how to deal with North Korea's nuclear ambitions; we return to these issues below.

Despite claims of self-reliance and the extremely closed nature of the economy, international assistance has long been crucial to North Korea's very survival. Before the 1990s, North Korea depended both militarily and economically on Soviet largesse. China subsequently has come to play a more important role. From a balance-of-payments standpoint, it appears that North Korea now derives roughly one-third of its revenues from aid, roughly one-third from conventional exports, and roughly one-third from unconventional sources (in estimated order of significance, missile sales, drug trafficking, remittances, counterfeiting, and

smuggling; see appendix 1). The remittances come mostly from a community of pro-Pyongyang ethnic Koreans in Japan and increasingly from refugees in China, who may number one hundred thousand or more (KINU 2004).

North Korea is characterized by a complete absence of standard political freedoms and civil liberties. The political system is completely dominated by a deified leader, with the military complex, the Korean Workers' Party, and the state apparatus playing supporting roles that have shifted in importance over time. Independent political or social organizations are not weak in North Korea; they are virtually nonexistent. Any sign of political deviance, from listening to foreign radio broadcasts to singing South Korean songs to inadvertently sitting on a newspaper containing the photograph of Kim Il-sŏng, can be subject to punishment. Until the famine forced their breakdown, the government maintained complex controls on internal migration and foreign travel and even criminalized the very coping behaviors through which families sought to secure food.

The regime maintains a network of political prison camps that hold two hundred thousand or more political prisoners (Hawk 2003; KINU 2004; Kang 2002, a memoir by one camp survivor). Death rates in these camps are high, torture is practiced, and there are numerous eyewitness accounts of public executions, including cases of schoolchildren being forced to witness these killings (see United States Department of State 2005, Amnesty International 2004, and KINU 2004). A second network of smaller extrajudicial detention centers developed as an ad hoc response to coping behavior at the height of the famine, which included unauthorized internal movement and crossing into China.

In sum, the North Korean case exhibits a number of features that make it a particularly difficult target for humanitarian efforts. In contrast to civil war settings, the government exercises complete control over its territory. It has a well-developed ideology that has until recently been highly impervious to reform or outside advice. The political leadership exhibits an extreme wariness toward outside influences of any sort, a posture justified by an increasingly adverse security setting. These characteristics not only make North Korea a hard target for humanitarian assistance, but they help explain some of the underlying and proximate causes of the famine as well.

The Great Korean Famine: Causes, Trajectory, Consequences

Famines and food shortages have been a perennial feature of the human condition and, as the North Korean case suggests, have by no means been eliminated. Table 1.1, adapted from Devereux (2000) with our estimates for the

TABLE 1.1. Estimated Mortality in Major Twentieth-century Famines

Years	*Location (epicenter)*	*Excess mortality*	*Causal triggers*
1903–6	Nigeria (Hausaland)	5,000	Drought
1906–7	Tanzania (south)	37,500	Conflict
1913–14	West Africa (Sahel)	125,000	Drought
1917–19	Tanzania (central)	30,000	Conflict and drought
1920–21	China (Gansu, Shaanxi)	500,000	Drought
1921–22	Soviet Union	9,000,000	Drought and conflict
1927	China (northwest)	3,000,000–6,000,000	Natural disasters
1929	China (Hunan)	2,000,000	Drought and conflict
1932–34	Soviet Union (Ukraine)	7,000,000–8,000,000	Government policy
1943	India (Bengal)	2,100,000—3,000,000	Conflict
1943–44	Rwanda	300,000	Conflict and drought
1944	Netherlands	10,000	Conflict
1946–47	Soviet Union	2,000,000	Drought and government policy
1957–58	Ethiopia (Tigray)	100,000–397,000	Drought and locusts
1958–62	China	30,000,000–33,000,000	Government policy
1966	Ethiopia (Wollo)	45,000–60,000	Drought
1968–70	Nigeria (Biafra)	1,000,000	Conflict
1969–74	West Africa (Sahel)	101,000	Drought
1972–73	India (Maharashtra)	130,000	Drought
1972–75	Ethiopia (Wollo and Tigray)	200,000—500,000	Drought
1974–75	Somalia	20,000	Drought and government policy
1974	Bangladesh	1,500,000	Flood and market failure
1979	Cambodia	1,500,000—2,000,000	Conflict
1980–81	Uganda (Karamoja)	30,000	Conflict and drought
1982–85	Mozambique	100,000	Conflict and drought
1983–85	Ethiopia	590,000–1,000,000	Conflict and drought
1984–85	Sudan (Darfur, Kordofan)	250,000	Drought
1991–93	Somalia	300,000—500,000	Conflict and drought
1995–99	North Korea	600,000—1,000,000	Flood and government policy
1998	Sudan (Bahr el Ghazal)	70,000	Conflict and drought

Source: Adapted from Devereux 2000, table 1

North Korean case, suggests that roughly seventy million people died of famine in the twentieth century.[4] Yet a simple Malthusian picture of famine as a natural inevitability has become harder to sustain, because of changes both in the nature of famine and in our understanding of it. The postwar period has seen a gradual elimination of famine from virtually all parts of the world with the exception of Africa (North Korea, along with China and Cambodia, constitute important exceptions to this rule). One reason for this hopeful development is that famines caused by crop failure associated with natural disasters such as floods and droughts can be mitigated by the increasing ability of both the international community and national governments to respond to food shortages. Increasingly, famines and food shortages must be seen not as natural events but as complex man-made disasters. Civil conflict figures prominently in a large number of the famines listed in table 1.1, and, tellingly, the socialist famines—in the Soviet Union, Cambodia, China, Ethiopia, and North Korea—rank among the most deadly.

In his early work on famine, Amartya Sen (1981) made the important observation that famine could occur even where aggregate supplies of food were adequate if there were failures in the distribution system, including through the market. Rather than focusing on the sheer quantity of food available, Sen's analysis delved into issues of distribution and entitlement and in doing so set in train many of the most important debates on the phenomenon of famine that continue to this day. To what extent can famines in general, and any given famine in particular, be attributed to food availability decline as opposed to questions of distribution and entitlement? If we do find evidence of a decline in food availability, is this in fact a result of natural disasters, or must we also look at other causes, such as incentives for production or failure to access external sources of supply? And if we do witness entitlement failures—the inability of individuals to command the resources to gain access to food that is in principle available—to what political economy factors do we owe this failure?

Chapter 2 takes up these questions. We show that for military, political, and ideological reasons that can be traced to the division of the peninsula, the North Korean regime has consistently pursued the goal of achieving agricultural self-sufficiency. Whatever its political rationale, the economic logic for doing so is dubious; arable land is scarce in North Korea, and the weather is far from hospitable for agriculture. Given these obstacles and the unwillingness to pursue a more market-oriented agricultural policy, the North Korean government pursued a "forced march" approach to agricultural production that included heavy reliance on industrial inputs. This agricultural strategy has proven problematic throughout the country's history, generating a recurrent

pattern of shortages—in 1945–46, 1954–55, and 1970–73—of which the great famine and ongoing crisis is only the most recent example.

Moreover, for political as well as economic reasons, the North Korean government suppressed private production and trade in grain and monopolized distribution through the so-called Public Distribution System (PDS). This system was at the core of the socialist system of entitlements to food and constituted a powerful tool of social control, particularly for urban populations that were completely dependent on it. No understanding of the famine is possible without understanding the PDS and its virtual collapse.

In turning to the more proximate causes of the famine of the mid-1990s and the chronic food problems the country has faced since, we first address the official explanation offered by the North Korean government. That explanation attributes the famine to natural disasters—floods and drought—and indirectly to the decline in preferential trade relations with Russia and China. As can be seen, this interpretation bears a close family resemblance to theories of famine that stress declines in food availability and exogenous shocks, in this case including not only weather but the disruption of imported inputs.

We show that this interpretation is misleading in important respects. The change in North Korea's external economic relations was clearly permanent, not merely a transitory shock, and the decline in food production was visible well before the floods of 1995. Yet the government was slow to recognize the extent of the problem and take the steps necessary to guarantee adequate food supplies, whether through increases in domestic production or greater access to external sources of supply. To attribute the famine primarily to external causes is to neglect the fundamental failure of the government to respond to its changed circumstances in a timely and appropriate way, particularly through efforts to increase or conserve foreign exchange earnings that would have allowed commercial imports.

To elaborate this point, we construct food balance sheets for the country from 1990 to the present. We approach this task with the caution—and warnings—that it deserves, but the underlying purpose is to assess the overall availability of food from all sources and the shortfall between different estimates of supply and demand. To what extent have North Korea's food problems been the result of a decline in overall food availability, and what is the ultimate source of that decline? To what extent can North Korea's problems be traced to the distribution of food?

The evidence with respect to food availability is mixed; the country certainly experienced a decline in production, and under some assumptions about demand North Korea's famine could be treated as a classic food availability

problem. But we also show that with some important adjustments—such as maintaining the ability to import food on commercial terms or aggressively seeking humanitarian assistance—the government could have avoided the worst of the great famine and the shortages that continue to this day. Indeed, we argue that in an increasingly integrated global market for basic foodstuffs, food availability must be seen in an open-economy context. If internal food availability declines but external sources of supply are available, then we have really identified a new sort of entitlement problem. Why do donors fail to respond to manifest need? Even more perplexing, why do governments not avail themselves of external sources of supply available through trade or aid?

A disturbing finding from this balance sheet exercise is that as humanitarian assistance responded to the crisis, commercial imports of food fell. Rather than using humanitarian assistance as an addition to supply, the government used it largely as balance-of-payments support, offsetting aid by cutting commercial food imports and allocating the savings to other priorities. Again, these findings cast particular doubt on arguments that food shortages after 1995 could be attributed to a decline in domestic food availability alone.

In chapter 3, we turn our attention to the system of socialist entitlements in more detail: the complex problem of who had—and who lost—access to food during the great famine. North Korea is a surprisingly urbanized country, a result of the regime's emphasis on heavy industrialization. Between 60 and 70 percent of the North Korean population depended on the PDS, and we show the importance of regional, urban-rural, and occupational differences in access to food. The regions directly affected by the floods of 1995 certainly suffered shortages, but so did remote mountain areas of the north and the industrial cities of the east coast. In contrast to famines elsewhere in the world, North Korea's was an urban as well as rural phenomenon. Pyongyang—the seat of government and of the ruling elite—was at least relatively protected.

These regional differences—and information suggesting that certain parts of the country were cut off from both aid and domestic distribution—suggest strongly that political decisions about distribution played an important role in the famine. We review a number of possible reasons why the government responded to the pattern of shortfalls as it did. While we find no evidence that particular segments of the population were deliberately starved—as was the case in the Ukraine under Stalin (Conquest 1986) and Cambodia under Pol Pot (Short 2004)—there is evidence that informational failures and the lack of accountability characteristic of authoritarian regimes played a crucial role.

As is always the case, food shortages took a particular heavy toll on vulnerable groups such as children and the elderly, and deaths were the result not only

of starvation but of increased susceptibility to disease and the more general collapse of the public health-care system. We review the various efforts to estimate the death toll, which range from a low of 220,000 excess deaths (by the North Korean government) to as many as 3.5 million at the upper end. We argue that the most plausible estimates fall in the range of 600,000 to 1 million deaths as a result of the famine, or roughly 3 to 5 percent of the population.

The Humanitarian Response: The Political Economy of Aid

The 1948 Universal Declaration of Human Rights enshrined the right to adequate food. The 1966 International Covenant on Economic, Social and Cultural Rights elaborated this commitment as "the fundamental right of everyone to be free from hunger." At the 1996 World Food Summit, official delegations from 185 countries, including representatives from the governments of the United States and the DPRK, reaffirmed "the right of everyone to have access to safe and nutritious food, consistent with the right to adequate food and the fundamental right of everyone to be free of hunger" (FAO 1996).

When these rights were first advanced, the international community did not have the means to honor them; they were little more than pious wishes. In today's world, however, many of the economic, administrative, and logistic barriers to realizing these objectives have fallen away. Global food supplies are adequate: there is plenty of food to go around. Global markets for basic grains are well developed and highly integrated. Satellite technology and improved forecasting mean that information on weather patterns and crop conditions is now readily available, providing an effective early warning system of potential shortfalls and crises. An effective set of international institutions is now capable of soliciting food contributions and delivering emergency assistance to populations facing distress from natural disasters and economic dislocation. Logistics capabilities have improved dramatically. This system is by no means perfect; chronic food shortages still plague a number of countries (FAO 2003). But at least one reason for the decline in the incidence of outright famine is the development of highly effective humanitarian aid institutions.

Just as the sources of food shortage and famine and the effectiveness of relief efforts must be traced to human rather than natural causes, so must the effectiveness of relief efforts. In a number of countries in Africa—the Great Lakes region, Sudan, Somalia—both the source of shortages and the inability of outsiders to provide timely relief can be traced to civil war or weak states that do not control their territory. Humanitarian efforts face difficulties in these

cases largely because of the absence of centralized authority, a clear interlocutor for outside agencies.

A second, more rare set of cases includes those in which authoritarian governments exercise full control over their populations but fail to respond in a timely fashion to signs of food distress and limit external access for other political reasons. The socialist famines in the Ukraine, China, Cambodia, and North Korea all fall into this category. Such settings raise fundamental ethical questions for donors. It is impossible in such circumstances to guarantee that all aid is being used appropriately. Should the international community provide assistance even if it means prolonging the life of a despotic regime? Does aid prolong the very policies that led to the famine in the first place, creating a problem of moral hazard? Should donors provide assistance even if some portion of that assistance is diverted to undeserving groups, including the military and party cadre? If the decision is made to provide assistance, how can donors guarantee that food aid reaches vulnerable groups and achieves other objectives, such as inducing economic reforms or empowering new social groups?

These questions are partly ethical in nature, and in the conclusion of the book we consider some ways of thinking about them. But these questions also require attention to empirical issues of political economy, bargaining, and strategy. We can make a more informed judgment of the core ethical questions—how and even whether to aid North Korea—by shedding light on how the aid relationship actually works in practice.

The aid effort that began in 1995 consisted of three distinct components: aid channeled through multilateral institutions, the World Food Programme (WFP) in particular; bilateral aid outside the WFP; and assistance from the NGO sector. The NGO sector has made important contributions to easing the crisis; several excellent studies have reviewed this experience in some detail (Smith 2002; Flake and Snyder 2003; Reed 2004), and we provide an overview in chapter 4. But the bulk of food assistance has passed through multilateral and bilateral channels, and we focus most of our attention on them.

We consider this humanitarian response through two distinct lenses, the first having to do with the relationship between the donors and the North Korean government (chapters 4 and 5); the second looking in more detail at the donors themselves (chapter 6). A growing literature on the political economy of aid has underscored the mixed-motive nature of any aid relationship.[5] Donors give aid for a variety of political, economic, and humanitarian reasons and naturally want to assure that their objectives are being achieved. They do so through the imposition of conditions of various sorts (*ex ante* controls) and monitoring and review procedures (*ex post* controls). In the case of humanitarian assistance,

these conditions involve efforts to target vulnerable populations and guarantee that they are being reached.

Aid recipients have their own reasons for taking aid, and while some conditions attached to aid may be perfectly acceptable—and incentives of donors and recipients therefore aligned—other conditions attached to aid entail costs of various sorts. These range from adopting politically difficult policies, as is the case with International Monetary Fund programs, to accepting external monitoring of aid, as is the case with humanitarian assistance.

An increasingly skeptical literature has argued that the incentives embodied in the aid relationship are almost by necessity perverse. Burnside and Dollar (1997) were among the first to challenge the notion that aid could induce policy change, arguing that aid should therefore only be extended where policy conditions were ripe. Yet the efficacy of aid even in countries with good policies is now in doubt as well (Easterly, Levine, and Roodman 2003). Aid may also have perverse political effects. It is a pure rent to the incumbent government, which (in the absence of adequate monitoring at least) can dole it out with the sole object of maintaining its incumbency. This issue of supporting the regime has been a recurrent one in discussions of North Korea, where most aid passes through the Public Distribution System. At least some humanitarian groups regarded the PDS, embodying a high degree of nominal centralization and direct state control, as a useful instrument for delivering aid. Recent research also suggests the aid may actually undermine the quality of governance by encouraging rent seeking and diversion (Knack 2000; Svensson 2000). Moreover, aid is only likely to be effective under a limited set of political conditions. For example, Svensson (1999) finds that the growth-promoting effects of aid are conditional on political rights, which needless to say are altogether absent in North Korea.

A central theme of our study is the incredible difficulty the humanitarian community has had in dealing with the North Korean government. In part for reasons of political accountability, in part because of concerns over effectiveness, the humanitarian effort has sought to target its assistance to North Korea to vulnerable groups, mainly children, pregnant and nursing women, and the elderly, as well as to monitor those priorities closely (chapter 4). At virtually every point, the government placed roadblocks in the way of the donor community's achieving this objective, which it met to the extent that it did only through extraordinary perspicacity and flexibility. We detail the restrictions placed on external monitoring and show that, as diligent as outside monitors are, it is virtually impossible for them to track food donations within the country from the port to the final consumer. This is not a secret; it is a well-known

fact, and no one knows it better than the dedicated cadre of aid workers and NGOs themselves.

The question of monitoring is closely related to the third rail of humanitarian assistance: the perennial problem of diversion of aid to unintended purposes and undeserving recipients (chapter 5). We argue that the term "diversion" is used casually and in fact encompasses several quite different phenomena. The most common image is of the military seizing grain to feed the army and party cadre. But the political and military elite has a variety of channels for accessing food, including first draw on the domestic harvest, access to unmonitored imports from China and South Korea, and access to grain via the market. This type of large-scale centralized diversion no doubt occurs but is almost certainly exaggerated.

Much less attention has been given to the effect of the huge differences between controlled and market prices on the incentive to divert food for economic reasons: to sell it in the market. These incentives operate with respect to farmers, who can earn more by selling grain to the market than by surrendering it to the state. They operate with respect to those with access to imports, and they almost certainly operate with respect to aid as well. This aspect of diversion is almost certainly underestimated in standard accounts, and its effects are not straightforward. There is no question that such diversion reduces the amount of food going to intended beneficiaries. But ironically it also has the unintended, and presumably positive, long-term consequence of promoting the marketization of the economy and even lowering prices; in our discussion of reform, we consider who the winners and losers were from this process of diversion and marketization.

Before turning to those issues, however, we step back and consider the aid process from a macropolitical perspective. Although the World Food Programme is the immediate supplier of food, the WFP does not have its own stocks and ultimately depends on appeals issued to governments. Moreover, a number of governments deliver aid bilaterally, outside of the WFP channel. In addition to their humanitarian motives, what, if anything, were the donor governments trying to do by supplying aid to North Korea? This question is the subject of chapter 6.

Despite the continuing refrain that humanitarian objectives should be held separate from politics, particularly in the United States, this separation has proven impossible to maintain in practice; aid is closely tied up with shifting political objectives on the part of donor governments and the publics to which they are ultimately accountable. We begin with brief sketches of the aid behavior of the major donors: the United States, Japan, South Korea, the European

Union, and China. In a handful of instances, political factors have pushed governments to withhold aid; Japan provides some of the starkest examples of this political linkage. For the most part, however, political calculations have had the opposite effect, leading governments to maintain or increase food aid to entice North Korea into negotiations. This has even been the case since the onset of the current nuclear standoff in October 2002.

A consideration of donor interests cannot consider individual country programs in isolation, however; foreign assistance involves important issues of coordination. When donor objectives are not aligned, it becomes more difficult to maintain a united front vis-à-vis a recalcitrant recipient, and problems of moral hazard can quickly arise. In the early 2000s, patience with North Korea began to wane in the United States and Japan. Overall stresses on the emergency relief system made it harder to meet targets, and multilateral aid declined. Yet North Korea has been able to compensate partly if not fully for these losses by increasing EU involvement, continuing reliance on quasi-commercial imports of food and other inputs from China, and, above all, by the growing generosity of South Korea. Although we focus primarily on food, we show how South Korea's humanitarian assistance is but one aspect of the much broader shift in that country's foreign policy that began under President Kim Dae-jung (1998–2003) and has accelerated under President No Mu-hyŏn (2003–present): namely, to seek an improvement of political and military relations on the peninsula through a process—and a highly costly and unreciprocated one—of economic engagement.

Marketization and Reform: From Socialist Famine to the New Shortages

In chapter 7, we return to the domestic front by looking at the DPRK's response to the immediate aftermath of the famine. On the one hand, the government sought to reassert control over a country that had come apart during the great famine. On the other hand, the coping strategies that households pursued during the famine produced fundamental changes in the political economy of North Korea, including extensive marketization.

The emergence of markets is often associated with leadership decisions and top-down reforms, such as those launched in China in the late 1970s that finally came to North Korea twenty-five years later, in 2002. But the marketization fueled by the famine, we argue, can be traced in part to the coping strategies of local party, government, and military units together with individual enterprises

and households. As the Public Distribution System collapsed and the market came to supply a greater and greater share of total consumption, a new divide appeared in North Korean society, between those who could augment their wages with foreign exchange and other sources of income and those who could not. A new poor emerged as a result, with the cities once again being among the most severely affected.

Marketization struck fear into the hearts of political authorities, who saw it as the opening wedge for the emergence of an economy and private sphere beyond the clutches of the state. We interpret the reforms of 2002 not simply as a progressive effort to move the North Korean economy in a new direction but also as a defensive move designed to reassert control. Whatever the intent of the reforms, however, they resulted in very high levels of inflation. Food prices rose far faster than nominal wages, resulting in a sharp decline in the welfare of those forced to purchase food in the market. Farmers probably benefited from this change in relative prices, but the result was to exacerbate the stark division we have noted between haves and have-nots.

What effect did marketization and the reforms have on welfare in North Korea? The same patterns of secrecy and obstruction that have hampered the implementation of relief activities militate against the evaluation of their effectiveness as well. We can, however, evaluate the four UN-sponsored nutrition surveys that have been done to date, as well as a variety of other sorts of evidence that has not been fully exploited in this context, including refugee interviews and data on prices. We conclude chapter 7 by using this information—sketchy as it is—as a guide to where North Korea stood ten years after the famine of the mid-1990s and roughly five years into the reforms. We find that, as of 2005, there had been some marginal improvement in nutritional status since the peak of the famine. There is also considerable cross-regional variation in nutritional status, however, as well as ample evidence that this major humanitarian disaster was by no means over.

Looking Forward

As we sent this manuscript to press in mid-2006, the Six-Party Talks remained stalled. Most analysts, however, could see the contours of the "grand bargain" that would resolve the standoff. In return for abandoning its nuclear weapons programs, returning to the Treaty on the Non-Proliferation of Nuclear Weapons, and accepting international safeguards inspections, the other parties to the talks—most importantly, the United States—would offer North Korea

a security guarantee, a promise of recognition, and eventual entry into the international financial institutions. The deal would also include a package of additional humanitarian assistance as well as energy from South Korea in the form of electricity.

We would like to believe that the relaxation of North Korea's security concerns will provide an opportunity for a serious reform effort that will move North Korea, however gradually, toward a more market-oriented economy and a more liberal if not fully democratic polity. Unfortunately, we are skeptical on both counts. The reform process through mid-2006 appeared inauspicious, and there are no signs of political relaxation; to the contrary. Moreover, we anticipate that North Korea will rely heavily on international largesse for some time.

In the conclusion, we take up the ethical issues of dealing with a country like North Korea. The core of the ethical dilemma surrounding engagement with North Korea is the political leadership of the country's apparent lack of concern for the welfare of the people. As we document, the regime has acted with systematic recklessness and callousness. In this context, we take seriously the argument that the country should not be assisted at all and note, for example, that some of the most courageous survivors of North Korea's prison system have advocated a strategy of cutting North Korea off and seeking to hasten its decline (see, e.g., C. Kang 2005).

Few would rue the disappearance of the Kim Jŏng-il regime, but wishful thinking is not a substitute for policy. Given that North Korea has already survived a famine that ranks among the most destructive of the twentieth century, there is precious little evidence that denying it access to food—even if such an effort could be orchestrated—would produce regime change. In the interim, the innocent—who have no effective control over the policies and behavior of their government—would continue to suffer. We see no substitute for a policy of seeking to aid the North Korean people while engaging the government and encouraging its political as well as economic evolution.

Yet if the world is going to continue to provide aid, we should be clear-eyed about the terms on which it is provided. Two issues continue to loom for the humanitarian effort: coordination among the donors and the design of the relief effort itself. We make a practical as well as principled case for multilateralism. The supply of effectively unconditional aid by South Korea and China has undercut the effectiveness of the multilateral humanitarian effort through the World Food Programme. Bilateral development assistance runs the same risks of supporting ineffectual policies. Second, the WFP and the donors have the obligation to continue to bring to the world's attention not only the

humanitarian conditions in North Korea—the ongoing shortages of food—but the conditions under which outside donors operate. It is an obligation of those who seek to engage with North Korea—as we believe we must—also to speak the truth about the conditions in which North Koreans live. This book is designed in some small way to further that objective.