A U-turn on Reforms Could Starve North Korea: 1.12.06

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I. INTRODUCTION

Stephan Haggard, a professor of international relations at the University of California, San Diego, where he directs the Korea-Pacific Program, and Marcus Noland, senior fellow at the Institute for International Economics, Washington, write“a revival of the failed socialist model would not only mark a U-turn in North Korea's reforms, but would also set the stage for a recurrence of humanitarian problems in the future.”

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II. POLICY FORUM by stephan haggard and marcus noland

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Food and the future

While the world focuses on North Korea's nuclear program and the stalled six-party talks, a second set of negotiations with profound implications for the Korean Peninsula are occurring beyond public view.

The primary participants are the governments of North and South Korea, the United States and the World Food Program, the United Nations food aid agency. At stake is whether the North Korean regime will turn back the clock on economic reforms, strengthen political control over the population and torpedo an ongoing humanitarian aid effort.

North Korea's economy collapsed in the early 1990s with the disappearance of the Soviet bloc, a string of natural disasters and, most important, self-inflicted policy errors. The resulting famine killed 3 percent to 5 percent of the population. Despite improved harvests this year, North Korea's food production remains below 1990 levels and many households have no reliable source of food.

Once North Korea finally appealed for international support in 1995, the world responded with considerable generosity. In recent years foreign aid has fed between one-quarter and one-third of the population. In the intervening decade, however, North Korea has played cat-and-mouse with the donor community, accepting aid but limiting monitoring that would guarantee its delivery to vulnerable populations.

This tug-of-war intensified with North Korea's announcement that it would expel international relief agencies by the end of this year. The World Food Program's executive director, James Morris, is currently visiting Pyongyang, but the final outcome of the program's negotiations remains uncertain. The North Korean government is demanding an extraordinary reduction in the program's normal monitoring. The United States has responded by canceling a scheduled grain shipment, citing concerns about diversion with the expected departure of WFP monitors.

As aid began to flow in the mid-1990s, the North Korean economy began to marketize from the bottom-up. The state was increasingly incapable of providing food through public channels, and the market gradually became the principle means of distribution. This shift, together with inexpertly enacted economic reforms has given rise to a problem of chronic food insecurity, which afflicts perhaps 30 percent of the population, concentrated among the industrial proletariat.

Now there are disturbing signs of a return to the command economy, with the revival of food rationing and a ban on trade in grain. There is evidence that the revived public distribution system is again being used as a tool of control, with favored state employees provided with enhanced access to food in preference to the vulnerable populations targeted by the WFP.

The government is reneging on supply-side reforms as well. Reports of grain seizures harken back to previous episodes of severe food distress in North Korea. Far from solving the food problem, these seizures have exacerbated shortages as farmers seek to protect themselves from a predatory state through pre-harvesting, hoarding, tending secret plots and diverting output to illicit markets.

With an improved harvest and aid from the WFP, China and, especially, South Korea, the public distribution system may function in the short-run. But the longer-run effects of the command-an-

-control approach to food are clear: insecure supply during the next harvest cycle as farmers protect themselves, highly uneven distribution through politically controlled channels, spiraling market prices and hunger.

The long-term solution to North Korea's food problems lies in its integration into the world economy and the sustainable importation of food on a commercial basis. A deal on the country's nuclear program would certainly help achieve this long-term goal. But in the short-term it is essential to maintain the integrity of the multilateral food aid effort while encouraging the North Korean government to grant farmers and traders greater leeway - and security - in the production and marketing of grain.

All interested governments should stand behind the integrity of the WFP process; in South Korea's case, this would imply channeling a greater share of food assistance through multilateral channels.

A revival of the failed socialist model would not only mark a U-turn in North Korea's reforms, but would also set the stage for a recurrence of humanitarian problems in the future.

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