

# Discussion of “Food Aid to North Korea or How to Ride a Trojan Horse to Death”



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## Discussion of "Food Aid to North Korea or How to Ride a Trojan Horse to Death"

By Ruediger Frank

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#### **I. Introduction**

The following are comments on the essay "Food Aid to North Korea or How to Ride a Trojan Horse to Death " by Ruediger Frank, a Distinguished Visiting Professor at Korea University, Seoul, which appeared as Policy Forum Online 05-75A: September 13th, 2005.

The views expressed in this article are those of the author and do not necessarily reflect the official policy or position of the Nautilus Institute. Readers should note that Nautilus seeks a diversity of views and opinions on contentious topics in order to identify common ground.

#### **II. Comments on Essay by Ruediger Frank**

##### 1. Comments by Stephan Haggard and Marcus Noland

Ruediger Frank's essay contains much with which we agree, including the critical importance of assuming rationality in Pyongyang. Yet it also contains interpretations of the food aid regime and statements about our joint work on the issue with which we disagree.

Frank begins by noting that NGOs risk being "trampled down under the heavy boots of Cold War warriors who neither seem to really respect the work of humanitarian aid organizations as such, nor have the necessary patience to wait until their own strategy produces results." First, it is important to recall that a number of NGOs-including many European ones-have left North Korea because they concluded that conditions there were impossible for the conduct of humanitarian work. These departures began with Médecins du Monde in July 1998, followed by Médecins Sans Frontières in September 1998, Oxfam in December 1999, and Action Contra la Faim in March 2000 and they have been joined by others.

In South Korea, the NGO Good Friends-which contributed to our understanding of the famine and its aftermath--has been relentless in its effort to expose the diversion and misuse of aid in North Korea. The critique of North Korea's attitude toward NGOs is hardly limited to the right; some of the most vociferous critics have been on the left and within the NGO community itself.

Second, if the NGOs in North Korea are ultimately trampled, it will not be by Cold Warriors but by the North Korean regime itself. North Korean authorities have always treated humanitarian aid strategically, and sought to limit its effects. We provide more detail on these limitations in our longer report (available at [www.hrnk.org](http://www.hrnk.org)) but they include, inter alia: restrictions on the use of Korean speakers by NGOs and multilateral agencies; restrictions on counties open to inspectors at all (accounting for roughly 15 percent of the population); denial of access to households and communities not already receiving aid; the failure to provide full information on the institutions benefiting from assistance; pre-notification for all visits; and limits on assessment of the effect of aid, for example through nutritional surveys.

Imagine if the government of Niger were to seek international assistance, and then refused to let the World Food Program (WFP) use Hausa or French speakers, or shut off whole counties or social classes from access, or turned down requests to survey children. The outrage would be immediate.

Frank appears to believe that if donors are quiet, and quiescent, North Korea will not notice their activities and will allow them to operate "under the radar." This model of the North Korean regime is highly questionable. As Frank himself notes, North Korean authorities have always calibrated their aid seeking to maximize aid while minimizing scrutiny of it. When shortages arise and non-conditional food is unavailable, the government is more forthcoming; this was most true following

the floods of 1995. When production improves and non-conditional aid is available, the regime starts to put the squeeze on the World Food Program and the NGOs and tightens access.

This view of the world is confirmed by recent events. With an improved harvest and large, loosely-monitored aid available from South Korea and China, North Korea is seeking a diminution of the WFP's role. We are uncertain whether the regime actually believes it can forego WFP contributions altogether, or whether this is just the first step in a North Korean effort to gain concession from the WFP on monitoring. Yet in either case, we should abide by Frank's dictum to assume rationality and strategic behavior, including in Pyongyang's efforts to limit monitoring.

More generally, Frank's use of the Trojan Horse metaphor is confusing, and he himself seems to be confused by it. To understand why, it is important to step back and take larger view of food aid to North Korea, and particularly the role of monitoring and the significance of humanitarian norms.

Frank notes that dozens of NGOs have worked tirelessly to advance the humanitarian cause in North Korea and have done extraordinary work in penetrating the country and building trust at the local level. We agree. But it is important to understand that NGOs provide only about 10 percent of total food aid to North Korea, and even that quantity probably overstates their contribution; South Korean and European contributions through NGOs are financed in part by governments. To understand food aid to North Korea, we have to understand the World Food Program and the major bilateral donors, China and South Korea.

Over the last twenty years, the World Food Program has developed quite clear norms for providing food aid. These include the principle of targeting food aid to the most vulnerable groups; transparency and non-discrimination; monitoring of assistance and post-delivery assessment. These norms are not just ideals; they also serve important political functions. First, they solve coordination problems that arise from having multiple donors, allowing the humanitarian community to speak with a single voice. Second, these norms are crucial for guaranteeing that aid has its intended effect, and thus maintaining the political support for aid that is necessary in the democratic donors.

That food aid in North Korea is diverted to non-deserving groups and the market is no longer seriously questioned. Given high food prices and weak monitoring, the incentives to such diversion are enormous. The only question is its size and effects. In our longer report, we review the evidence, which includes interviews with the humanitarian community, documentary evidence in the form of film footage, both individual and systematic refugee interviews and our estimates of the overall marketization of the economy. We come to the conclusion that 25 to 30 percent of food aid is probably diverted. Although this estimate may well be challenged, the point is that the quantities are large.

The norms designed to limit such diversion are anathema to North Korea, and they seek to avoid them whenever possible. If that is what Frank means by the Trojan Horse metaphor, then we agree. But why should we be sympathetic with these concerns? The objective of aid is not to mollify the concerns of the regime, but to relieve the suffering of ordinary North Koreans.

Frank dislikes our suggestion that more South Korean aid be channeled through the WFP. In addition to improving the WFP's position in the country, channeling more South Korean contributions through the WFP would provide the basis for requesting South Korean monitors. Such Korean language-proficient monitors might facilitate pairing WFP staff with locals with technical skills, rather than the generalist "minders" who graduate from the foreign language training university.

Again, Frank's opposition seems to center on the argument that if we don't talk about things, no one

will notice them. "Such a move would strongly increase the humiliating public awareness of the North Korean aid receivership." As if no one knew that North Korea was dependent on international largesse!

Frank continues: "Most importantly, it would lead to the country's dependency - the word alone is like a red rag to Koreans - on one exclusive source of aid which could then be turned it into a weapon in, for example, the Six Party Talks."

This is a red herring. No one-not even the United States-has argued that WFP food aid should be used as a stick in the Six Party talks. In the last two weeks, Condoleezza Rice publicly chastised the new US ambassador for human rights in North Korea for even appearing to pursue that line of thinking. The issue, as we have already noted, is not one of engagement per se; the issue is that less conditional aid weakens the ability of the WFP to monitor and NGOs to operate.

Frank is also wrong to equate our concerns about monitoring with a rejection of engagement; we fully support a strategy of engagement with North Korea and say so clearly in our report. But such a strategy is not advanced by pretending that things are not as they are. North Korea behaves strategically with respect to aid, and we need to as well.

Giving large quantities of unmonitored assistance to North Korea has mixed effects. On the one hand it does have some positive effect on market prices as Frank has noted in his other contributions on the topic. The public distribution system broke down during the famine, and we know that an increasing number of North Koreans rely on the market for food. It may also have short-run political benefits by bringing the North Koreans to the bargaining table.

But large-scale humanitarian assistance, particularly if weakly monitored, also has debilitating effects. First, it confirms the belief in North Korea that its interactions with the international economy should take the form of unrequited assistance, or even worse, unrequited assistance that is used to buy compliance with its international obligations. Second, it weakens the ability to guarantee food is going to the deserving, and limits our access to information about developments within North Korea of legitimate humanitarian concern.

More broadly, Frank's essay reflects a strange ethical turn in the debate over North Korea. Because of the strategic failures of the Bush administration to actively engage North Korea, it is increasingly thought that North Korea's problems are largely due to outside actors, and most notably the United States. But North Korea's problems are of the leadership's own making. The food situation will ultimately only improve when the leadership in Pyongyang makes the strategic decision to abide by its international commitments, restructure its economy in order to import needed food on commercial terms, and relieve the political repression of its people so they can hold the government accountable for its manifest policy failures.

## 2. Response by Ruediger Frank

The response by Haggard and Noland to my essay is very much appreciated, since it gives me the chance to clarify a number of points.

*"First, it is important to recall that a number of NGOs-including many European ones-have left North Korea because they concluded that conditions there were impossible for the conduct of humanitarian work.... Second, if the NGOs in North Korea are ultimately trampled, it will not be by Cold Warriors but by the North Korean regime itself."*

For any observer of North Korea, it is clear that, for a number of reasons, NGOs are not welcome but

rather tolerated. I felt, and still do feel, that it is redundant to comment on how we think about that. Furthermore, shouldn't we be past the stage when any remark on North Korea had to start with a lengthy declaration of distaste for the regime? This kind of disclaimer should be taken for granted, so we can move on to more substantial issues. If I mention Western forces who, according to my interpretation, make the work of NGOs in North Korea harder, then of course I know that these are the lesser problems of the NGOs. But let's not forget what my argument was: The demand to channel all food aid exclusively through the WFP is a bad idea. It is not unjustified, on the contrary; however, it is highly unrealistic and, most of all, counterproductive.

*"Imagine if the government of Niger were to seek international assistance, and then refused to let the World Food Program (WFP) use Hausa or French speakers, or shut off whole counties or social classes from access, or turned down requests to survey children. The outrage would be immediate."*

Now I am confused. Haggard and Noland seem to treat North Korea as just another receiver of humanitarian aid. This is clearly not the case. North Korea is not a country with huge (passive) oil reserves. It was characterized as (an active) part of the axis of evil, as one of the few priority targets of American foreign policy, and as a country that needs to be changed. How much we might dislike the North Korean attitude towards international aid organizations, it is still quite understandable. North Korea is not another country at the periphery, it is right in the heart of a strategically important region, and the nuclear issue superposes anything else. Giving any kind of assistance cannot be separated from these concerns, which is why food aid to North Korea is a textbook case for the interrelation of economics and politics.

*"Frank appears to believe that if donors are quiet, and quiescent, North Korea will not notice their activities and will allow them to operate "under the radar."*

This implication of naivety is the kind of response I had expected, although not from this direction. Having visited North Korea several times, and based on my personal experience of life in socialist countries, I am of course perfectly aware of the fact that a foreigner cannot do anything "below the radar" in North Korea. My point was not that now, all of a sudden, the WFP's activities will be realized by the authorities; I have argued that by overdoing it, these activities will become even less acceptable than they have been before. Any action, as institutional economics teach us, involves transaction costs. Once the WFP is inside the country, it can't be kicked out without political and other losses. But by raising its status, we lower the net costs of sending the WFP home, making a part of the leadership in North Korea quite happy.

*"These norms [for providing food aid by the WFP] are not just ideals; they also serve important political functions. First, they solve coordination problems that arise from having multiple donors, allowing the humanitarian community to speak with a single voice."*

That is exactly the point. Besides the fact that I, having witnessed the Six Party Talks and mindful of the stakes in North Korea, wonder whether the humanitarian community would in fact be able to speak with one voice, this attempt to concentrate food aid in one monopolistic organization must trigger a counteraction by the North Korean authorities. They do not trust us and will regard such an organization as a serious potential threat.

*"Second, these norms are crucial for guaranteeing that aid has its intended effect, and thus maintaining the political support for aid that is necessary in the democratic donors."*

The first part of the sentence is how the North Koreans will see it, and they will have their own idea of the "intended effects of aid". The second part is indeed important and needs to be explored further. However, I believe that it should be possible to find a way to explain to the public in the

democratic donor countries the importance and feasibility of stabilizing measures.

*"That food aid in North Korea is diverted to non-deserving groups and the market is no longer seriously questioned. Given high food prices and weak monitoring, the incentives to such diversion are enormous."*

It would be hard to disagree, although I strongly dislike the term "non-deserving groups". It is questionable to classify as such every able-bodied young man from 18 to 28. Serving in the military doesn't automatically make a person evil. In fact, as in many other countries, it is the elite who manage to save their sons this unpleasant experience of guarding a muddy hill in the middle of nowhere for 10 years.

My main point as an economist, however, and I repeat it here, was that diversion as such is less of a problem than we think. I have no doubts that it takes place; I do think, however, that this diversion and everything that comes with it changes the North Korean society more profoundly than any of the West's targeted and well-planned efforts. I find it ridiculous that we, otherwise staunch believers in the automatism of market forces, refuse to let the Invisible Hand do its job and rather insist on detailed planning when it comes to North Korea.

*"The objective of aid is not to mollify the concerns of the regime, but to relieve the suffering of ordinary North Koreans."*

I have already pointed out that I do not believe in the theory that a country as North Korea receives food aid only to relieve the suffering of "ordinary" North Koreans. There are thousands of people dying elsewhere, with less spotlights directed at them, and no one seems to care. Humanitarian concerns are one motivation, but certainly not the only one. And, as another commentator on my paper has emphasized, the long-term provision of food aid can be devastating for the domestic agriculture industry. I will deal with this issue in more detail in a forthcoming comment on Nautilus.

*"Such a move would strongly increase the humiliating public awareness of the North Korean aid receivership." As if no one knew that North Korea was dependent on international largesse!*

This is an oversimplification of a more complex reality. Receiving a (sometimes huge) bit from many donors is NOT the same as receiving the total amount from only one organization. The main argument of Haggard and Noland is that the transparency of food aid to North Korea needs to be increased; I argue that this increased transparency will raise the political costs for Pyongyang of accepting food aid and everything that comes with it, thereby increasing the incentives to reduce these deliveries and the presence of the donors. To be cynical, I can't see how this will benefit "ordinary" North Koreans. Furthermore, let's not be so self-centered. The international community might be aware of the North Korean dependency on "largesse" (itself a strange term for an economist who by his training should be suspicious of the assumption of large-scale altruistic behavior); but the ones who are crucial for the regime's domestic stability might not yet see the full extent.

*"Frank continues: "Most importantly, it would lead to the country's dependency - the word alone is like a red rag to Koreans - on one exclusive source of aid which could then be turned it into a weapon in, for example, the Six Party Talks."*

This is a red herring. No one-not even the United States-has argued that WFP food aid should be used as a stick in the Six Party talks. In the last two weeks, Condoleezza Rice publicly chastised the new US ambassador for human rights in North Korea for even appearing to pursue that line of thinking."

With all due respect for my two prominent colleagues and friends, I am quite dumbfounded that I have to comment on this at all. Since when do politicians mean what they say, and do not mean what they do not say? The fact that no American politician has so far been dull enough to publicly state that food aid would be used as a carrot to reward good and to punish bad behavior does by no means imply that this will not be done at all. In fact, it is being done already, or why else would China, with its well-known image of being the world's home of democracy and humanitarian concern, send so much food?

*"Frank is also wrong to equate our concerns about monitoring with a rejection of engagement; we fully support a strategy of engagement with North Korea and say so clearly in our report. But such a strategy is not advanced by pretending that things are not as they are. North Korea behaves strategically with respect to aid, and we need to as well."*

This is what Victor Cha has called "hawk engagement" in a highly recommendable debate with David Kang (Nuclear North Korea: A Debate on Engagement Strategies, New York: Columbia University Press. 2003). And I am grateful for the admission that "we" need to "behave strategically with respect to aid". Exactly. This is what the North Koreans think, this is why they watch us closely, and this is why I have criticized the attempt to turn the WFP into an instrument of "our" strategic behavior. This is why I have complained of the lack of respect for the humanitarian organization's work. Obviously, I wasn't too far off the mark.

*"More broadly, Frank's essay reflects a strange ethical turn in the debate over North Korea. Because of the strategic failures of the Bush administration to actively engage North Korea, it is increasingly thought that North Korea's problems are largely due to outside actors, and most notably the United States."*

This is a recurring argument from the United States; at a conference in Stockholm earlier this year, Balbina Hwang of the Heritage Foundation made this point very eloquently, and right she was. However, as necessary as it might indeed be to remind us who actually is "evil", this is like slamming into open doors. I have debated the redundancy of such disclaimers above. Few would disagree with the point that the North Korean problems are mostly home made, and that it is unfair and not correct to put all the blame on the policy of the current U.S. administration. Obviously, we have a communication deficit here that we must take care of. Doing so might in turn trigger an offended response by another side, but that is the point of having a discussion - which I am glad has started and hopefully will develop further.

### **III. Nautilus Invites Your Responses**

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: [napsnet-reply@nautilus.org](mailto:napsnet-reply@nautilus.org) . Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

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Nautilus Institute

608 San Miguel Ave., Berkeley, CA 94707-1535 | Phone: (510) 423-0372 | Email:

[nautilus@nautilus.org](mailto:nautilus@nautilus.org)