



Policy Forum 07-033: Famine in North Korea: Markets, Aid and Reform



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By Stephan Haggard and Marcus Noland

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I. Introduction

Stephan Haggard and Marcus Noland, authors of [Famine in North Korea: Markets, Aid, and Reform](#), write, "While we welcome the February 13 agreement, ongoing conflicts over implementation underline that it was a first step only. We are still far from either resolving the North Korea's chronic food emergency or successfully denuclearizing of the Korean peninsula."

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II. Article by Stephan Haggard and Marcus Noland

- "Famine in North Korea: Markets, Aid and Reform"

By Stephan Haggard and Marcus Noland

Up to one million people died in the North Korean famine. That would be equivalent to roughly 15 million people perishing if such an event were to occur in the United States. Mercifully, social trauma on this scale is rare, but when it does occur the effects are long-lasting. Under duress, North Korean households, enterprises, and local political and military institutions undertook a variety of coping strategies that contributed to a bottom-up marketization of the economy. Rather than the policy reforms of 2002 "leading" the transition, they were rather responses to a process that the government both sought to ratify, but also channel, and in some respects, reverse. This ambivalence provides substantial insight into the leadership's attitudes toward change, and is suggestive of how North Korea might-or might not-seize opportunities created by an improved diplomatic environment.

The official explanation for the famine is that North Korea experienced devastating floods in the mid-1990s. However, food supplies had begun dwindling and mortality rates rising before the floods. And, as Nobel laureate Amartya Sen, who contributed a foreword to the book, has observed, distribution matters. When push came to shove, the residents of the capitol, Pyongyang, received privileged access, while some provinces were cut off from grain supplies from the state-run public distribution system, and were later denied aid when it began to arrive. By generating export revenue or re-establishing its international credit in order to purchase grain in the world market, or appealing earlier and more vigorously for humanitarian assistance, the famine might have been avoided altogether. Through acts of both commission and omission, the regime was centrally culpable in the tragedy.

A theme of the book is the difficulty the humanitarian community has faced in dealing with such a "hard" state. In effect, the North Korean government holds its population hostage to the humanitarian values of the international community. The World Food Program and other relief groups had to negotiate for entry, even as people were dying, and more than a decade later, they remain tightly constrained in their access and activities. We take seriously the critique by some commentators that aid-channeled through the state-controlled public distribution system-simply props up the regime. Yet we conclude that withholding aid is not likely to change the behavior of such a regime substantially and would only have adverse humanitarian effects.

The state's failure to provide during the famine and its insistence on practices that degraded the effectiveness of the aid program forced families to pursue a variety of coping strategies, including foraging and eating inferior foods. Markets began to develop as families engaged in income-earning activities, sold assets, bartered and traded for food. Work units also engaged in similar activities, even stripping assets to barter for food in China. These activities began a process of informal marketization of the economy from below, with potentially profound implications for the society. Ironically, the very weakness of the aid monitoring system and the potentially astronomical rents that could be realized by the diversion and sale of aid acted as an additional "lubricant" to encourage the development of markets.

Looking forward, the critical issue is how the government reacts to these developments. Does it try to regularize the market economy and deepen it, or does it try to control or even reverse the process? Although it may seem counterintuitive, for a country like North Korea, with relatively little

arable land and inauspicious conditions for growing food, the long run solution to the food problem is to export minerals and manufactures, and import bulk grains-just like its neighbors China, South Korea, and Japan do.

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

In 2005, the regime sought to ban the private market in grain-through which most households actually get their food-expelled some NGOs and greatly restricted the activities of the WFP. Confiscatory seizures of grain during the 2005 harvest cycle set the stage for fall of output, or at least measured output, during the 2006 harvest cycle which we predicted, and sadly, has come to pass. As we suggested in our 2005 piece https://nautilus.org/fora/security/0604Haggard_Noland.html , and argue in the book, these actions were putting North Korea on a trajectory for a possible humanitarian crisis in the spring of 2007. The World Food Program now claims that North Korea is a million metric tons short of grain and millions will go hungry if the level of humanitarian aid is not increased.

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

Our book went to press before the most recent agreement with the North Koreans through the Six Party talks, but our findings suggest several insights into how these negotiations might play out. First, the North Korean government makes concessions when conditions are bad, but when conditions improve, it will try to claw them back. Second, it has demonstrated that it is prepared to act with startling ruthlessness in the pursuit of its core political goals. Finally, divergent political interests among donors, or in this case, diplomatic counterparts, can undermine effectiveness in dealing with North Korea. While we welcome the February 13 agreement, ongoing conflicts over implementation underline that it was a first step only. We are still far from either resolving the North Korea's chronic food emergency or successfully denuclearizing of the Korean peninsula.

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 . 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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