

# CRS Report for Congress

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## U.S. Assistance to North Korea: Fact Sheet

Mark E. Manyin  
Specialist in Asian Affairs  
Foreign Affairs, Defense, and Trade Division

### Summary

This report summarizes U.S. aid to the Democratic People's Republic of North Korea (DPRK, also known as North Korea). It will be updated periodically to track changes in U.S. provision of aid to North Korea. A more extended description and analysis of aid to North Korea, including assistance provided by other countries, is provided in CRS Report RL31785, *Foreign Assistance to North Korea*.

Since 1995, the United States has provided over \$1.1 billion, about 60% of which has paid for food aid. About 40% was energy assistance channeled through the Korean Peninsula Energy Development Organization (KEDO), the multilateral organization established in 1994 to provide energy aid in exchange for North Korea's pledge to halt its existing nuclear program. U.S. assistance to North Korea has fallen significantly over the past three years. The KEDO program was shut down in January 2006. Food aid has been scrutinized because the DPRK government restricts the ability of donor agencies to operate in the country. Compounding the problem is that South Korea and China, by far North Korea's two most important providers of food aid, have little to no monitoring systems in place.

This may help explain why, in the summer of 2005, the North Korean government announced it would no longer need humanitarian assistance from the United Nations, including from the World Food Program (WFP), the primary channel for U.S. food aid. Part of Pyongyang's motivation appears to be a desire to negotiate a less intrusive monitoring presence. In response, the WFP shut down its operations and the United States has suspended its food aid shipments. The WFP is negotiating a scaled-down "development" assistance program with the North Korean government. It plans to present its plan to its Executive Board members in February 2006. The WFP says that food conditions have worsened for some groups since North Korea introduced economic reforms in 2002. U.S. officials, including President Bush, have indicated that United States development assistance might be forthcoming if North Korea begins dismantling its nuclear programs.

## U.S. Assistance to North Korea, 1995-2005

Calendar or Fiscal Year (FY)	Food Aid (per FY)		KEDO Assistance (per calendar yr; \$ million)	Medical Supplies & Other (per FY; \$ million)	Total (\$ million)
	Metric Tons	Commodity Value (\$ million)			
1995	0	\$0.0	\$9.5	\$0.2	<b>\$9.7</b>
1996	19,500	\$8.3	\$22.0	\$0.0	<b>\$30.3</b>
1997	177,000	\$52.4	\$25.0	\$5.0	<b>\$82.4</b>
1998	200,000	\$72.9	\$50.0	\$0.0	<b>\$122.9</b>
1999	695,194	\$222.1	\$65.1	\$0.0	<b>\$287.2</b>
2000	265,000	\$74.3	\$64.4	\$0.0	<b>\$138.7</b>
2001	350,000	\$102.8	\$74.9	\$0.0	<b>\$177.6</b>
2002	207,000	\$82.4	\$90.5	\$0.0	<b>\$172.9</b>
2003	40,200	\$25.5	\$2.3	\$0.0	<b>\$27.8</b>
2004	110,000	\$52.8	\$0.0	\$0.1	<b>\$52.9</b>
2005	22,800	\$7.5	—	—	—
<b>Total</b>	<b>2,086,694</b>	<b>\$701.0</b>	<b>\$403.7</b>	<b>\$5.3</b>	<b>\$1,102.4</b>

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

### Food Aid<sup>1</sup>

Since 1996, the United States has sent just over 2 million metric tons (MT) of food assistance, worth about \$700 million, to help North Korea alleviate chronic, massive food shortages that began in the early 1990s. A severe famine in the mid-1990s killed an estimated 600,000-2 million North Koreans. Over 90% of U.S. food assistance to Pyongyang has been channeled through the U.N. World Food Program (WFP), which has sent over 3.7 million metric tons (MT) of food to the DPRK since 1996. The U.S. is by far the largest cumulative contributor to the WFP's North Korea appeals, though its share of the WFP's annual donations to North Korea has fallen markedly since 2002. U.S. shipments have fallen significantly since then, as have donations from most other contributors to the WFP's North Korea appeals. Assistance provided by the WFP has fallen dramatically since 2001, when over 900,000 MT were shipped, to less than 300,000 MT in 2005. "Donor fatigue" is often cited as the primary reason for the decline, as contributing nations have objected to the North Korean government's tight restrictions on the ability of donor agencies to monitor food shipments to ensure food is received by the neediest. Various sources assert that some — perhaps substantial amounts — of the food assistance going to North Korea is routinely diverted for resale in private markets or other

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<sup>1</sup> Larry Nowels, CRS Specialist in Foreign Affairs, provided invaluable assistance in preparing this report.

uses.<sup>2</sup> The emergence of other emergency food situations around the globe also has stretched the food aid resources of the United States and other donors.

The WFP has said that although North Korea's domestic food production has stabilized in recent years, the situation appears to have become acute for urban, non-elite 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 followed economic reforms enacted in 2002.

**U.S. Food Aid Policy.** U.S. official policy in recent times has de-linked food and humanitarian aid from strategic interests. The Bush Administration has provided North Korea with food assistance despite continued tensions over Pyongyang's nuclear programs. Since June 2002, the Bush Administration officially has linked the level of U.S. food aid to three factors: the need in North Korea, competing needs on U.S. food assistance, and “verifiable progress” in North Korea allowing the humanitarian community improved access and monitoring.<sup>3</sup> In practice, however, some observers argue that the timing for U.S. pledges sometimes appears to be motivated also by a desire to influence the six party talks over North Korea's nuclear program, and that the linkage between increases in U.S. donations and improvements in North Korea's cooperation with the WFP occasionally has been tenuous.

**Tightened Restrictions in North Korea in 2006.** In August 2005, Pyongyang informed the United Nations that beginning in 2006, it will no longer accept U.N. “humanitarian assistance,” but instead would accept “development cooperation.”<sup>4</sup> After attempting to preserve at least some aspects of its program — in part by arguing that much of its activities are “development” assistance — the WFP shut down its operations in December 2005. North Korea also asked all resident foreigners from the dozen or so aid NGOs operating in Pyongyang to leave the country. In November 2005, Pyongyang decided to reject aid from the European Union (EU) after the EU proposed a U.N. resolution on human rights in North Korea. The North Korean government reportedly has attributed its decisions to an improved harvest, the decline in WFP food shipments, a desire to end dependence on food assistance, and its unhappiness with the United States and EU's raising the human rights issue.<sup>5</sup>

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<sup>2</sup> See, for instance, Stephan Haggard and Marcus Noland, *Hunger and Human Rights: The Politics of Famine in North Korea* (Washington, DC: U.S. Committee for Human Rights in North Korea, 2005), in which the authors argue that up to half of the WFP's aid deliveries did not reach their intended recipients.

<sup>3</sup> USAID Press Release, June 7, 2002.

<sup>4</sup> “Gist of DPRK Vice Foreign Minister's News Conference,” *Kyodo Clue II*, September 23, 2005, translated by FBIS, JPP20050926004001.

<sup>5</sup> “DPRK Blames US Linking of ‘Humanitarian Assistance’ With ‘Human Rights’ in Rejecting Food Aid” *Chosun Ilbo*, September 26, 2005; Gordon Fairclough, “North Korea Wants an End to Food Aid,” *The Asian Wall Street Journal*, September 16, 2005. In early September 2005, newly appointed U.S. Envoy for Human Rights in North Korea reportedly suggested that DPRK's human rights record be made a condition of receiving food aid. Two days later, Secretary of

(continued...)

Pyongyang's motivation appears to be at least partly designed to increase its leverage in negotiating tighter restrictions on the monitoring and access by the U.N. and other Western aid groups. Apparently, North Korea will continue to accept direct food shipments from South Korea and China, and many have accused these countries with undermining the WFP's negotiating leverage with Pyongyang.<sup>6</sup> China, which provides all of its assistance directly to North Korea, is widely believed to have provided even more food than the United States. Since 2001, South Korea has emerged as a major provider of food assistance, perhaps surpassing China in importance in some years. Almost 90% of Seoul's food shipments from 2001-2005 have been provided bilaterally to Pyongyang. Notably, China apparently does not monitor its food assistance, and South Korea has a small monitoring system; South Korean officials conducted 20 monitoring trips to food distribution centers in 2005, up from 1 in 2000. In contrast, the WFP had a much more intrusive presence in North Korea, with over 40 expatriate staff and six offices around the country conducting thousands of monitoring trips every year.

**The WFP's Response.** In response to the new policies, the WFP has tried to renegotiate its program with North Korea and its major donor countries. Pyongyang reportedly has insisted on tight restrictions. The WFP apparently will be allowed only a limited expatriate presence, based in Pyongyang. WFP officials have said their new, scaled-down program would feed fewer than half of the 6.4 million people the WFP previously had targeted. WFP officials, who reportedly have debated among themselves whether to shut down the North Korea program, intend to present their proposal to their Executive Board in February.<sup>7</sup> WFP country director Richard Ragan has argued that the WFP already was in the business of development assistance because as much as two-thirds of its activities contained some "capacity-building elements" — particularly food-for-work programs — that the WFP was "dressing up" as humanitarian aid to make it more palatable to donor countries.<sup>8</sup>

**Humanitarian vs. Development Assistance.** The distinction between humanitarian and development assistance labels could be important. By law and practice, assistance deemed to be "humanitarian" generally is exempted from sanctions. As for "development" ("non-emergency") food aid, U.S. law contains some conditions that could be used by the executive branch or Congress as a justification for reducing or cutting off donations. Since FY2002, over 90% of food aid to North Korea has been provided under Title II of the Agricultural Trade Development and Assistance Act of 1954, as amended (P.L. 83-480, also known as P.L.480), which is administered by USAID. Congress directly appropriates P.L.480, and therefore could, although it rarely does, direct how the

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<sup>5</sup> (...continued)

State Condoleezza Rice re-stated U.S. policy of not using food as a weapon. State Department, "Press Briefing in Advance of Trip to the UN General Assembly," September 9, 2005.

<sup>6</sup> Stephan Haggard and Marcus Noland, "Hungry For Human Rights," *Washington Post*, September 28, 2005.

<sup>7</sup> Naoko Aoki, "WFP Ends Initial Talks with N. Korea," *Kyodo News*, January 13, 2006.

<sup>8</sup> Richard Ragan, "Feeding North Korea," *Washington Post*, October 14, 2005; James Brooke, "North Korea Says Bumper Crop Justifies Limits On Aid," *New York Times*, October 6, 2005.

food should or should not be disbursed.<sup>9</sup> Additionally, competing demands from other emergency situations have stretched U.S. food aid funds and commodities, which could make it harder to justify sending food to North Korea if its humanitarian situation is categorized as a non-emergency.

***Related Internal Moves by Pyongyang.*** The tighter restrictions on Western aid groups in North Korea coincides with signs that Pyongyang is reasserting itself in other ways. The government has banned the sale of rice and other staples in private markets, which had been legalized since 2002, leading to rampant inflation. In place of private sales of food staples, the government says it has re-established the state-run public distribution system, which essentially broke down in many parts of the country in the mid-1990s. There are reports that the government seized farmers' harvests in the fall of 2005, leading some to worry that a food crisis may become acute again in 2006 if farmers hide their crops and their harvests from authorities, as they did during the famine years. Some argue that Pyongyang's moves are motivated by a desire to tighten the government's societal controls — including price controls and travel restrictions — many of which had been loosened since the mid-1990s. For instance, by reinstating the public distribution system's monopoly on the supply of basic foods, the government has reduced incentives for North Koreans to travel to markets outside of their home towns and districts. The government also reportedly has introduced a new pricing system setting much lower food prices for those who report to their official jobs. Over the past decade, many North Koreans have stopped reporting to their jobs in order to start trading businesses.<sup>10</sup>

## **Energy and Other Forms of Assistance**

**KEDO.** 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 plutonium-based nuclear program in exchange for energy aid from the United States and other countries. The assistance consisted of the construction of two light-water nuclear reactors (LWRs) and the provision of 500,000 tons of heavy fuel oil while the reactors were being built. KEDO halted fuel oil shipments after October 2002, when North Korea reportedly admitted that it had a secret uranium enrichment program. In response, North Korea demanded new negotiations with the United States and restarted a number of nuclear facilities that were mothballed under the Agreed Framework, creating a major foreign policy problem for the United States and the DPRK's neighbors. In November 2003, KEDO's Executive Board (the United States, South Korea, Japan, and the European Union) decided to suspend construction on the LWRs 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,

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<sup>9</sup> For instance, section 536b of Foreign Operations Appropriations Act (109-102) waives P.L. 480 non-emergency food assistance from restrictions imposed under U.S. law. However, section 536b — which has been included each foreign operations appropriations act since FY2002 — also contains two exceptions: statutes that prohibit aid to “countries” on the U.S. list of state sponsors of terrorism and statutes that prohibit aid to a “government” that “violates internationally recognized norms of human rights.” Such prohibitions are contained in sections 620A and 116, respectively, of the Foreign Assistance Act of 1961. Both apply to North Korea.

<sup>10</sup> JoongAng Ilbo, “DPRK Adopts New Food Rationing System,” October 5, 2005.

and funding levels for KEDO essentially have fallen to zero since 2002.<sup>11</sup> In the fall of 2005, the KEDO program was terminated. In January 2006, the last foreign KEDO workers left the LWR construction site.

**Proposals Linked to North Korea's Nuclear Program and the Six Party Talks.** Administration officials, including President Bush, have indicated that U.S. development assistance 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.<sup>12</sup> 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. The United States has strongly backed a South Korean offer, first made in July 2005, to provide 2,000 megawatts of electricity annually to North Korea if Pyongyang dismantles its nuclear programs.

In the fourth round of the six party talks convened in July 2005, North Korean negotiators demanded that they receive LWRs in return for dismantlement and asserted that dismantlement would begin after the reactors were received. The joint "statement of principles" agreed to by the six parties at the end of the fourth round of talks includes clauses noting that "the DPRK stated that it has the right to peaceful uses of nuclear energy," and that the other five parties "agreed to discuss at an appropriate time" the LWR issue.

## **The North Korean Human Rights Act**

In the fall of 2004, the 108<sup>th</sup> Congress passed and President Bush signed H.R. 4011 (P.L. 108-333), the North Korea Human Rights Act. The Act includes provisions dealing with U.S. assistance to North Korea, including a requirement 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, and hortatory language stating that "significant increases" above current levels of U.S. support for humanitarian assistance should be conditioned upon "substantial improvements" in transparency, monitoring, and access. The Act also requires the United States Agency for International Development (USAID) to report to Congress on humanitarian assistance activities to North Korea and North Koreans in China. Pyongyang has cited P.L.108-333 as evidence of the United States' "hostile policy" toward North Korea.

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<sup>11</sup> State Department Daily Press Briefing by Adam Ereli, Deputy Spokesman, Nov. 5, 2003.

<sup>12</sup> 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, Feb. 4, 2003.