Thank you very much. It is an honor to be invited

to address the Committee. I have submitted written testimony,

written together with Professor Stephan Haggard of the University

of California at San Diego, but obviously I am the only one sitting

here this afternoon, so anything I say in the question and answer

period should be interpreted as my remarks alone.

Before getting into details of food access and hunger issues, I

would like to begin by making a simple point that I think bears

repeating. And that is, namely, that the absence of human rights

in North Korea and its humanitarian disaster that affect that country

are intrinsically bound. Some try to place human rights and humanitarian

efforts in opposition to each other, but I think that

nothing could be further from the truth.

Had North Korea had a Government 15 years ago, or 10 years

ago, that respected right to assembly, and right to association, had

a modicum of press freedom, in other words, allowed its citizens to

express their grievances to the Government in the normal ways

that we do, the great famine of the 1990s would have never occurred,

and we would not be well into our second decade of the

North Korean food emergency; indeed, we would not be sitting here

today.

The humanitarian disaster, the denial of the panoply of human,

civil and political rights are inextricably linked and cannot be separated.

What about that humanitarian disaster? I would like to use my

remaining time to make a few remarks about hunger and food

issues in the context of the North Korean Human Rights Act.

The first point is that the character of the situation has changed.

What started off in the early 1990s as a kind of classic socialist

famine, as the North Korean economy marketizes it, has evolved

into a situation more similar to what we have observed in market

economies elsewhere. That is to say, access to food is largely a

function of economic status.

Today, most North Koreans get most of their food not through

the public distribution system, the PDS, the old mechanism of the

Socialist Government, but rather through the market, and as a

consequence we would urge USAID, in conjunction with the WFP,

to not only monitor developments in the PDS, where the aid goes,

but monitor developments in the market, because that is where

most North Koreans are actually getting their food, and price information

in the markets can convey a lot of information about the

actual situation in North Korea.

What about that aid? Professor Haggard and I estimate that a

substantial share of it is being diverted away from its intended end

users. We reached that conclusion on the basis of several forms of

evidence.

First of all, the South Korean NGO, Goodfriends, which has a

long history of doing very serious work in this area, recently released

a statement in which they estimated that 50 percent of the

aid was being diverted, though they did not provide details about

how they reached that conclusion.

In the course of our research, Professor Haggard and I have had

conversations with a number of people from official and NGO organizations

with intimate knowledge of their own organizations’ programs

within North Korea. And in those private background conversations,

the estimates that they have provided us range from 10

percent to 30 percent, which is well below the Goodfriends’ estimate,

but still it is a significant number.

To put it in some context, in recent years aid has been feeding

roughly 30 percent of the North Korean people. So if you divert

anywhere from 10 to 50 percent of that aid, that is just enough

food to feed 3, 5, 10, even 15 percent of the people is being diverted.

That is an awful lot of food.

Given the very high price of food in North Korea, whoever is able

to get control of that diverted food can reap astronomical rents, and

as a consequent they have two incentives: One is to maintain the

aid program; and two is to evade detection.

So what about monitoring? The problems of monitoring are well

known, and in my limited amount of time I will not go into them

in detail, but instead I would like to make two points that link to

North Korea’s external behavior.

The first of these is that the availability of aid has effectively

crowded out imports of food on commercial terms. If you look at my

written testimony, at the very end there is something called Figure

2, and what that does is graph the food that North Korea purchases

on commercial terms, the food that comes into North Korea

on concessional terms, and then the concessional share. What we

see is that between 1996 and the present the concessional share

has risen from roughly 0 to more than 90 percent.

North Korea has effectively stopped importing food. It is highly

dependent on aid. Where that aid comes from is important in terms

of the monitoring regime. As we all know, the WFP, the USAID,

and other donors have been in a protracted negotiation over the

years with North Korea to gain better transparency, but North

Korea receives substantial amounts of aid from two Governments

on a bilateral basis outside the WFP with very little conditioning

on transparency or monitoring issues, and that is from China and

South Korea.

South Korea is very important in this regard because they have

a large multi-year commitment to North Korea to provide not just

aid, but rice, which is the preferred form, unlike typical aid given

through the WFP. That aid is provided with no attempt to assess

conditions within North Korea, no attempt to target vulnerable

populations, and only a token monitoring effort.

Our concern is that the provision of large amounts of effectively

nonconditioned aid from China and South Korea is strongly eroding

the ability of donors like USAID through the WFP to maintain a

modicum of internal access, transparency, and monitoring. And I

am happy to go into details in question and answer about where

that situation is. It is a very fluid situation right now.

In the context of the North Korean Human Rights Act, which is

what this hearing is about, we would urge the U.S. Government to

encourage China and South Korea to donate their assistance

through the WFP, not through this less-regulated bilateral channel.

We are concerned about monitoring because ultimately we are

concerned about effectiveness, but monitoring is only one way to

get at that issue. Another way is to look at nutritional status, and

indeed a number of you mentioned these nutritional surveys in

your remarks.

From the most recent nutritional survey, which was done in

2004, and the price data that we can observe in North Korea confirm

that the ongoing hunger problems have a very pronounced regional

component. Specifically, there are areas on the east coast

and in the northern part of the country that have historically been

disadvantaged, and the nutritional surveys indicate that has continued

to be the case. The price data that we can observe indicates

that the price of food is much higher in those areas than elsewhere

in the country.

Given the apparently fragmented nature of these markets, that

is to say, very disparate prices exiting contemporaneously in different

parts of the country, our conclusion is that USAID’s policy

of preferentially targeting the northeast in terms of shipments that

are paid for by the U.S., is in fact an appropriate tactical response

to the imperfect environment under which this relief effort is being

conducted.

Just as the closed nature of the North Korean system impedes

the design, implementation and monitoring of the humanitarian relief

effort, the closed nature of the system impedes the evaluation

of its effectiveness as well, which brings me back to my original

point.

At base, the issue is the North Korean political system. The ultimate

resolution of the humanitarian disaster requires a North Korean

political system in which the governed can influence the Government

through the exercise of basic human, civil, and political

rights.

Thank you for the opportunity for presenting our views, and I

look forward to answering any questions.

I think what we need to do is distinguish between

food security—which is an understandable goal that most, if not

all, national governments follow—and food self-sufficiency.

North Korea has very limited arable land. It has a high northly

latitude, and relatively short growing seasons. From an economic

standpoint, it is utterly irrational for North Korea to try to achieve

food security through self-sufficiency.

South Korea does not, China does not, Japan does not. They all

export industrial goods. They earn foreign exchange, and they import

their food. And if I were to be providing advice to North Korea,

I would say that from an economic standpoint, the permanent resolution

of their food difficulties lies in a revitalization of their industrial

economy, not improvements in agricultural productivity.

If you can improve agricultural productivity through changes and

incentives, through provision of more fertilizer, other inputs, that

is great. Obviously nobody would be against it. But we should be

very clear that from a quantity standpoint, the solution of North

Korea’s food problem is not growing more food in North Korea, the

solution is importing it from Iowa and other places that are very

efficient in producing it.

One of the things that Professor Haggard and I found in our research

is that if you take the World Food Program’s estimate of the

minimum human needs for the North Korean population throughout

the period of the 1990s, and you look at the actual amount of

food that was available in that country, if the food had been equally

divided, there would not have been a famine. The quantity of

food exceeded the minimum human needs for survival, and indeed

in most years, except for I think 2, it exceeded normal human demand.

What is striking about North Korea is the fall-off of imported

food. We do a calculation in which if North Korea had simply continued

to import food at the level it imported it in 1993, there

would not be a famine. There would not be a food emergency. The

food emergency is intimately linked to the behavior of the Government,

the internal policies in maldistribution of what resources

they have, not the inability to produce a large enough volume of

food internally.

If we set aside arms and drug trafficking and counterfeiting

and those sort of illicit sources, and we think about normal

commerce, North Korea has comparative advantage in several

areas. It has significant mineral resources. It exports, for example,

gold, and it exports a number of other mineral resources as well.

It can make money off of some niche, natural resource sectors

such as sea urchins, ginseng, things of that sort.

In the end, most of their foreign exchange earnings have to come

from manufacturing and service sectors. North Korea does export

certain manufacturing items, tends to be sort of low-tech manufacturing,

and it has some service sector areas that it can do as well.

So if North Korea concentrated on legitimate commerce, it could

actually relieve this balance of payments constraint and put itself

in a position in which it actually did import food on a commercial

basis as it did in earlier periods, and not rely on handouts from the

international community.

That question is seldom phrased in such a subtle

manner, but that is a very, very important question.

The army is more than a million men, which in the context of

a population of roughly 22 million makes it the most militarized

country in the world. But in addition to that army, there are essentially

local reserve-type units, and the army both defined narrowly

as that million men plus these auxiliary reserve units not only engage

in military activities, but they engage in all sorts of activities

that would normally be performed in the civilian sector in many

countries. They grow their own food. They have their own mines.

They run factories.

And so one of the problems is, when we talk about the military

in North Korea, we’re talking actually about a very broad swath of

North Korean society, and we have to be careful when we talk

about, for example, diversion of food to the military, because the

military is such a large part of the society to start with, and it is

the part of the society that today has access to trucks, it has access

to fuels, and, of course, it has access to guns.

So the whole organization and the militarization of that society

is intimately related to the issues that we are talking about today.

People do not have enough food and they do not get

it through the normal channels, so the social compact in which the

State delivers food is broken down. And so what one observes is the

rise not only of entrepreneurial behavior in ways that we would

normally consider legitimate, but the sorts of things that we have

been talking about this afternoon, human trafficking, prostitution,

things of that sort.

I am sorry. I did not——

Could you tell me which page? I am not sure what

context that is in.

Sure. What has essentially happened is the old industrial

economy to a large extent has collapsed, and either explicitly

or implicitly much of the urban working class has simply been

cut loose, and our estimates are that the rate of inflation in North

Korea since 2002 has been running in excess of 100 percent a year.

So these are people who really are the ones who are the core disadvantaged

class in these developments. They are not getting the

food from the State. They are dependent on what they have on

won-denominated salaries that are eroding in value very, very rapidly.

At the same time there are people within the system who arguably

have benefitted. These are largely groups that have access to

foreign exchange because the foreign exchange acts as an insurance

mechanism against inflation, and as part of the system fraying that

has gone on over the last 10 years in North Korea for people who

do have foreign exchange there are a wider array of goods in the

market available.

There are basically two economies. There is an economy that effectively

runs on foreign exchange in which you can get imported

goods of all kinds. You can get video recorders, you can get really

nice fruit and vegetables and things of that sort. I have been told

there are very fancy restaurants, that are as fancy as anything we

have here in Washington, DC. This applies to a certain segment of

the population that for various reasons have access to foreign exchange.

Then there is this other group, basically the urban working class,

which is falling into worse and worse straits.

The ultimate political implications of these developments for internal

political stability, I think, are very complex, and I am not

sure if you want to listen to me speculate on those or not.

There are very clear differences generationally in

a whole range of political perceptions in South Korea, and I think

it is fair to say that for many fear and loathing of North Korea has

been transformed into something more like pity and forbearance.

And for many of the young people the United States is seen as an

impediment to improved relations with North Korea and the eventual

goal of Korean unification.

I think that beyond the sort of perceptual issues, the United

States and South Korea have some real differences about how to

move forward in the issues we have been talking about today. It

has been alluded to that South Korea abstains when it comes to

the vote in the U.N. on North Korea human rights, and as I have

tried to argue in my remarks, the South Korean Government proffering

of large volumes of rice without any real attempt to monitor

its use, simply providing it to the North Korean central Government,

arguably undercuts what the United States and other donors

are trying to achieve through the WFP.

So I think there are both real differences and very clearly perceptual

differences in generational attitudes within South Korea both

toward North Korea and toward the United States.