



# Foreign Assistance to North Korea

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## Summary

Since 1995, the United States has provided North Korea with over \$1.2 billion in assistance, of which about 60% has paid for food aid and about 40% for energy assistance. As of early February 2011, the United States is not providing any aid to North Korea, except for a small medical assistance program. The Obama Administration, along with the South Korean government, have said that they would be willing to provide large-scale development aid if North Korea takes steps to irreversibly dismantle its nuclear program.

**Energy Assistance.** After a two-year hiatus, U.S. energy aid resumed in the fall of 2007 after progress was made in the Six-Party Talks—involving North Korea, the United States, China, Japan, and Russia—over North Korea’s nuclear program. The United States and other countries began providing heavy fuel oil (HFO) in return for Pyongyang freezing and disabling its plutonium-based nuclear facilities. However, no additional energy assistance has been provided through the Six-Party process since North Korea withdrew from the talks in 2009, following condemnation and sanctions by the U.N. Security Council for North Korea’s April 2009 launch of a suspected long-range missile and May 2009 test of a nuclear device.

In 2007 and 2008, the United States also provided technical assistance to help in North Korea’s nuclear disablement process. In 2008, Congress took steps to legally enable the President to give expanded assistance for this purpose. However, following North Korea’s actions in the spring of 2009, Congress rejected the Obama Administration’s requests for funds to supplement existing resources in the event of a breakthrough. Congress did approve monies for the State Department’s general emergency non-proliferation fund that the Administration could use in North Korea.

**Food Aid.** Since the mid-1990s, North Korea has suffered from chronic, massive food shortages. Food aid—largely from China, South Korea, and the United States—has been essential in filling the gap. In 2008 and 2009, the U.S. shipped about a third of a planned 500,000 metric ton food aid pledge before disagreements with the North Korean government led to the program’s cessation. In 2010 and 2011, in response to continued food shortages, Pyongyang reportedly asked the United States and South Korea to renew large-scale food aid, and the U.N. has issued an appeal for assistance.

Providing food to North Korea poses a number of dilemmas for the United States. Pyongyang has resisted reforms that would allow the equitable distribution of food and help pay for food imports. Additionally, the North Korean government restricts the ability of donors to operate in the country. Multiple sources have asserted that some of the food assistance going to North Korea is routinely diverted for resale in private markets or other uses. However, it is likely that food aid has helped feed millions of North Koreans, possibly staving off a repeat of the famine conditions that existed in North Korea in the mid-late 1990s, when 5%-10% of the population died due to food shortages.

In deciding how to respond to North Korea’s current request, the Obama Administration must make a number of decisions, including whether to resume food aid; if so, whether to condition food aid on progress in security and/or human rights matters; whether to link assistance to Pyongyang easing its restrictions on monitoring; and whether to pressure China to monitor its own food aid.

This report will be updated periodically to track changes in U.S. provision of aid to North Korea.

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## A Brief History of U.S. Aid Through 2009

### 1950-1990s

For four decades after the end of the Korean War in 1953, U.S. strategy toward the Democratic People's Republic of Korea (DPRK, commonly referred to as North Korea) was relatively simple: deter an attack on South Korea. This included a freeze on virtually all forms of economic contact between the United States and North Korea in an attempt to weaken and delegitimize the North Korean government. In the 1990s, two developments led the United States to rethink its relationship with the DPRK: North Korea's progress in its nuclear weapons and missile programs and the onset of massive, chronic food shortages there. In response, the United States in 1995 began providing the DPRK with foreign assistance, which has totaled over \$1.2 billion. This aid has consisted of energy assistance, food aid, and a small amount of medical supplies. (See **Table 1.**)<sup>1</sup> The Obama Administration has said that it and other countries would be willing to provide "significant" energy and economic assistance to North Korea if Pyongyang takes steps to irreversibly dismantle its nuclear program.<sup>2</sup>

### Energy Aid Since 2000

U.S. aid fell significantly in the mid-2000s, bottoming out at zero in FY2006. The Bush Administration halted energy assistance in the fall of 2002, following North Korea's reported admission that it had secretly been developing a uranium-based nuclear program.<sup>3</sup> This energy assistance, which primarily took the form of heavy fuel oil, was channeled through the Korean Peninsula Energy Development Organization (KEDO), an organization established in 1994 as part of a U.S.-North Korean agreement that provided energy aid in exchange for North Korean denuclearization. After a decade of being one of the largest providers of food aid to North Korea, the United States gave no food aid in FY2006 or 2007, in large part due to new restrictions that the North Korean government imposed on humanitarian agencies.

The Bush Administration resumed energy assistance to North Korea in 2007. In July of that year, after progress in the Six-Party Talks over North Korea's nuclear programs, the United States and other countries began providing heavy fuel oil (HFO) in return for Pyongyang freezing and disabling its plutonium-based nuclear facilities in Yongbyon.<sup>4</sup> By December 2008, the United States had shipped its promised 200,000 tons of HFO. From July 2007 to April 2009, the United States provided technical assistance to North Korea to help in the nuclear disablement process. North Korea's May 2009 nuclear test effectively halted discussion of U.S. energy assistance to North Korea in the near term.

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<sup>1</sup> From 1995-2002, the energy assistance was provided through the Korean Peninsula Energy Development Organization (KEDO), the multinational group established to provide energy aid to North Korea in exchange for Pyongyang's shutdown of its existing plutonium-based nuclear program.

<sup>2</sup> State Department Press Release, "Remarks at the ASEAN Regional Forum by Hillary Rodham Clinton, Secretary of State," Laguna Phuket, Thailand, July 23, 2009.

<sup>3</sup> See also CRS Report RL34256, *North Korea's Nuclear Weapons: Technical Issues*, by Mary Beth Nikitin

<sup>4</sup> The Six-Party Talks involve North Korea, the United States, China, South Korea, Japan, and Russia. See also CRS Report RL33590, *North Korea's Nuclear Weapons Development and Diplomacy*, by Larry A. Niksch.

## Food and Other Humanitarian Aid Since 2000

As for food aid, in May 2008, the Bush Administration announced it would provide North Korea with 500,000 metric tons (MT) of food, 80% to be sent through the World Food Programme (WFP) and 20% to be channeled through a consortium of U.S. non-governmental organizations (NGOs). Later in December 2008, U.S. shipments to the WFP were suspended due to differences between the U.S. and North Korean governments over implementing the agreement. In March 2009, North Korea shut down the NGO portion of the U.S. program, despite warnings from humanitarian groups about ongoing food shortages. Under the program, the United States shipped a total of just under 170,000 MT of food aid, at an estimated cost of \$100 million.

**Table I. U.S. Assistance to North Korea, 1995-2010**

As of December 2010

Calendar or Fiscal Year (FY)	Food Aid (per FY)		KEDO Assistance (per calendar yr; \$ million)	6-Party Talks-Related Assistance (per FY; \$ million)		Medical Supplies & Other (per FY; \$ million)	Total (\$ million)
	Metric Tons	Commodity Value (\$ million)		Fuel Oil	Nuclear Disablement		
1995	0	\$0.00	\$9.50	—	—	\$0.20	\$9.70
1996	19,500	\$8.30	\$22.00	—	—	\$0.00	\$30.30
1997	177,000	\$52.40	\$25.00	—	—	\$5.00	\$82.40
1998	200,000	\$72.90	\$50.00	—	—	\$0.00	\$122.90
1999	695,194	\$222.10	\$65.10	—	—	\$0.00	\$287.20
2000	265,000	\$74.30	\$64.40	—	—	\$0.00	\$138.70
2001	350,000	\$58.07	\$74.90	—	—	\$0.00	\$132.97
2002	207,000	\$50.40	\$90.50	—	—	\$0.00	\$140.90
2003	40,200	\$25.48	\$2.30	—	—	\$0.00	\$27.78
2004	110,000	\$36.30	\$0.00	—	—	\$0.10	\$36.40
2005	25,000	\$5.70	—	—	—	—	\$5.70
2006	0	\$0.00	—	—	—	\$0.00	\$0.00
2007	0	\$0.00	—	\$25.00	\$20.00	\$0.10	\$45.10
2008	148,270	\$93.70	—	\$106.00	\$25.00	\$0.00	\$224.70
2009	21,000	\$5.60	—	\$15.00	—	\$4.00	\$24.60
2010	—	\$2.90 <sup>a</sup>	—	—	—	\$0.60	\$3.50
Total	2,258,164	\$ 708.15	\$ 403.70	\$ 146.00	\$ 45.00	\$10.00	\$1,312.85

**Source:** Compiled by CRS from USAID; US Department of Agriculture; State Department; KEDO (Korean Peninsula Energy Development Organization).

**Note:** For the purposes of this report, U.S. government democracy promotion and refugee support programs are not included as forms of assistance to North Korea.

a. \$2.9 million in FY2010 represents a budgetary adjustment for contributions provided in FY2008.

From time to time, the United States also has provided small amounts of medical assistance to North Korea. In 2008, for instance, the Bush Administration allocated \$4 million in assistance to U.S. NGOs to help several North Korean rural and provincial hospitals by improving their electrical supplies and by providing medical equipment and training. More recently, following localized floods in North Korea in the summer of 2010, the Obama Administration spent about \$600,000 on the provision of relief items, such as medicine, to North Korea.

### **2011: The Obama Administration Debates Restarting Food Aid**

In late 2010 and early 2011, North Korea reportedly asked the United States, South Korea, and numerous other countries for large-scale food assistance, amid outside organizations' ongoing alerts that food was becoming more difficult for ordinary North Koreans to obtain.<sup>5</sup> The Obama Administration's policy is that resuming food aid will require a needs assessment as well as confidence that the distributors of the food will be able to effectively manage the program and physically monitor their shipments to ensure food is reaching the intended recipients.<sup>6</sup> In May 2011, the Administration dispatched to North Korea a team, led by Special Envoy for North Korean Human Rights Robert King, which discussed with North Korea conditions over monitoring food assistance if the Obama Administration decides to provide aid. For a discussion of some of the policy options for providing food aid to North Korea, see the "Options and Considerations for Future Food Aid to North Korea" section below.

In the weeks prior to Ambassador King's trip, at the request of the North Korean government, a group of NGOs and a team from the United Nations performed separate food assessments in North Korea and reported that North Korea's food situation had worsened considerably, leaving millions of North Koreans in need of outside aid.<sup>7</sup> The WFP and the North Korean government subsequently negotiated a Letter of Understanding (LOU), which according to one detailed review seems to contain terms for more expansive monitoring than the WFP has obtained in the past.<sup>8</sup> The WFP then issued an appeal for donors to support a year-long program designed to provide over 310,000 MT of food to over 3.5 million vulnerable women and children.

Several motivations may lay behind appeal for food aid. First, despite a slight improvement in its 2010 harvest compared with the previous year, large-scale shortages persist and perhaps have worsened, particularly outside Pyongyang. A second possible motivation is that North Korean authorities are seeking to stockpile food in preparation for 2012, which the Kim regime says will be a seminal year in the country's history. 2012 marks North Korean founder Kim Il-sung's 100<sup>th</sup> birthday, is the year designated by Kim Jong-il for North Korea to become "militarily strong and economically prosperous," and may be an important time for Kim Jong-il to continue the process of transferring power to his son, Kim Jong-un. Third, the regime may be seeking aid in preparation for leaner times, for instance due to a future nuclear or missile test—which could

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<sup>5</sup> Jung-wook Kim, "Pyongyang Asks U.S. to Restore Food Aid: Source," *JoongAng Ilbo*, February 9, 2011.

<sup>6</sup> State Department Daily Press Briefing by Philip J. Crowley, Assistant Secretary, February 9, 2011.

<sup>7</sup> World Food Programme, Food and Agriculture Organization, and the United Nations Children's Fund (UNICEF), "Rapid Food Security Assessment Mission to the Democratic People's Republic of Korea," March 24, 2011. A number of observers, including some who support the provision of food aid to North Korea, criticized portions of the U.N. report's methodology and findings as flawed. See, for instance, Marcus Noland and Stephan Haggard, "Parsing the WFP/FAO Report," *Witness to Transformation* blog, posted on April 5, 2011, at <http://www.piiie.com/blogs/nk/?p=826>.

<sup>8</sup> Stephan Haggard and Marcus Noland, "Monitoring Aid," *Witness to Transformation* blog, posted on May 17<sup>th</sup>, 2011, at <http://www.piiie.com/blogs/nk/?p=1329>.

bring about a harsher international environment – and/or an intensified crackdown against private markets, which for years have been the most important source of food for average North Koreans. Finally, North Korea may see food aid as a useful means for altering the diplomatic dynamic in its favor.

These motivations are not mutually exclusive. Indeed, it is possible that the regime has already begun to hoard food stores for the future, as reported by some sources, thereby worsening a food system that was already showing renewed signs of strain.<sup>9</sup> Regardless of the causal factors, the costs of continuing or worsened shortages would be borne by ordinary (i.e., non-elite) North Koreans who neither farm nor have ready access to foreign exchange.

## **Congress's Role in U.S. Assistance to North Korea**

### **Congress and Energy Assistance**

The provision of aid to North Korea has given Congress a vehicle to influence U.S. policy toward the DPRK. From 1998 until the United States halted funding for KEDO in FY2003, Congress included in each Foreign Operations Appropriation requirements that the President certify progress in nuclear and missile negotiations with North Korea before allocating money to KEDO operations. To support the Six-Party Talks, Congress provided funds for energy assistance in the FY2008 Supplemental Appropriations Act (P.L. 110-252). Also in this act, Congress gave authority to the executive branch to waive Arms Export Control Act sanctions on Pyongyang. However, this waiver was not used, and is no longer in effect following the May 2009 North Korean nuclear test. Congress has supported funding for the denuclearization of North Korea, for example in the FY2008 Defense Authorization Act (see “U.S. Denuclearization Assistance” section below).

### **The 111<sup>th</sup> and 112<sup>th</sup> Congresses and Energy Assistance for North Korea**

In its FY2009 Supplemental Appropriations budget request, the Obama Administration asked for over \$150 million for North Korea-related energy and denuclearization assistance.<sup>10</sup> This money would have supplemented existing resources in the event of a breakthrough with North Korea. In separate committee actions, House and Senate appropriators denied these requests, in large part due to North Korea's withdrawal from the Six-Party process and subsequent missile and nuclear tests in the spring of 2009.<sup>11</sup> However, Congress has approved monies for the State Department's general emergency non-proliferation fund that the Administration could use in North Korea. In the 2010 Consolidated Appropriations Act (P.L. 111-117), Congress said specifically that “none of the funds made available by this Act under the heading ‘Economic Support Fund’ may be made

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<sup>9</sup> *Daily NK*, December 16, 2010.

<sup>10</sup> The funds included \$95 million under the Economic Support Funds (ESF) to potentially pay for heavy fuel oil (HFO) and \$81.5 million to be available to potentially pay for the dismantlement of nuclear facilities and other denuclearization work in North Korea (for details, see “Heavy Fuel Oil Shipments” and “U.S. Denuclearization Assistance” below).

<sup>11</sup> As in the past, funds from the State Department's Nonproliferation and Disarmament Fund may be used in North Korea.



available for energy-related assistance for North Korea.” No energy-related assistance for North Korea was proposed in the Administration’s FY2011 or FY2012 budget requests.

The Administration included a request for energy assistance funds to North Korea in its FY2010 funding request for the State Department. However, the Senate report on the State Foreign Operations Appropriations Act<sup>12</sup> said that the committee “Does not recommend \$98,000,000 requested for energy-related assistance for North Korea.” It went on to say that the committee recognizes that “political leadership transition in closed societies are often disruptive, more so as Pyongyang aspires to be a nuclear power,” and urged Russia and China to play a constructive role in North Korean denuclearization efforts. Later in the report, the committee clarified that “no funds are provided in this act for energy-related assistance for North Korea.”

The House Appropriations Committee report on the other hand, required “a determination and report that North Korea is fulfilling commitments of the ‘Six Party Talks’ prior to fiscal year 2009 funds being made available for energy-related assistance.”<sup>13</sup> The FY2009 Omnibus Appropriations Act contained a similar reporting requirement.

## **Congress and Food Assistance**

With regard to food aid, over the years some Members have supported continued donations, on humanitarian grounds, to help the North Korean people, regardless of the actions of the North Korean regime. Other Members have voiced their opposition to food aid to the DPRK. In the 2000s, many Members called for food assistance to be conditioned upon North Korean cooperation on monitoring and access. For instance, reacting to the North Korean government’s termination of the NGO consortium program, the 111<sup>th</sup> Congress included in the FY2010 omnibus appropriations act (P.L. 111-117) language that called for the State Department to determine how much Pyongyang “owes” the United States for the approximately 21,000 MT that were distributed after the NGO monitors left North Korea.<sup>14</sup> The act also required the State Department to reduce any aid to North Korea by this amount unless it was found that the North Korean government provided the food to the intended recipients (generally, vulnerable women and children in the northwestern parts of the country).<sup>15</sup>

In general, congressional input on food aid to North Korea has come through its oversight role and ability to impose reporting requirements on the executive branch. In the past, Congress has attempted to place conditions on U.S. food aid to North Korea, usually via non-binding language in authorizing legislation or appropriations bills.<sup>16</sup> Additionally, Congress authorizes food aid

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<sup>12</sup> U.S. Congress, Senate Appropriations Committee, 111<sup>th</sup> Cong., July 9, 2009, S.Rept. 111-44.

<sup>13</sup> U.S. Congress, House Appropriations Committee, 111<sup>th</sup> Cong., June 23, 2009, H.Rept. 111-187.

<sup>14</sup> See Sec. 7071(f)(6) of P.S. 111-117, The FY2010 Consolidated Appropriations Act.

<sup>15</sup> For other examples of Congressional attention on the monitoring issue: The North Korean Human Rights Act (P.L. 108-333) included non-binding language calling for “significant increases” above current levels of U.S. support for humanitarian assistance to be conditioned upon “substantial improvements” in transparency, monitoring, and access. The re-authorized act (P.L. 110-346) does not include this language, and drops the extensive discussion of humanitarian assistance that was included in P.L. 108-333. Both the original and the re-authorized act require annual reports to Congress on U.S. humanitarian assistance to North Korea. See CRS Report RS22973, *Congress and U.S. Policy on North Korean Human Rights and Refugees: Recent Legislation and Implementation*, by Emma Chanlett-Avery.

<sup>16</sup> For examples of congressional efforts to put conditions on U.S. food assistance, see CRS Report R40095, *Foreign Assistance to North Korea*, by Mark E. Manyin and Mary Beth Nikitin.

programs in multi-annual farm bills—the most recent of which expires at the end of FY2012—and authorizes funding in annual appropriations measures. In recent years, Congress has enacted supplemental appropriations to meet emergency food needs. Occasionally, Congress has specified that food aid should be provided to particular countries in authorizing legislation or in annual or supplemental appropriations.

If the Obama Administration decides to resume food aid to North Korea, two options would be to use FY2011 food aid that has not been committed or to tap the Bill Emerson Humanitarian Trust. The latter, which was used for the original 2008 program, is a financial reserve that may be used when the United States Agency for International Development (USAID) Administrator makes a determination that other statutory sources of aid are unavailable. While the Administrator is not required by law to notify Congress of such a determination, he very likely would consult with House and Senate agriculture and foreign affairs committees as this decision is made.<sup>17</sup>

## **U.S. Energy Assistance**

### **Korean Peninsula Energy Development Organization (KEDO)**

From 1995 to 2002, the United States provided over \$400 million in energy assistance to North Korea under the terms of the U.S.-North Korean 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.<sup>18</sup> After Washington and Pyongyang reached their agreement, the United States, Japan, and the Republic of Korea formed an international consortium, the Korean Peninsula Energy Development Organization (KEDO), to manage the assistance.<sup>19</sup> The planned aid consisted of the construction of two light-water nuclear reactors (LWRs) and the provision of 500,000 metric tons of heavy fuel oil annually while the reactors were being built. The two turn-key light-water reactors were to replace the DPRK's graphite-moderated reactors that were shut down under the agreement. The LWR plants would have had a generating capacity of approximately 1,000 MW(e) each and were to be constructed by 2003.<sup>20</sup> U.S. contributions covered only heavy fuel oil shipments and KEDO administrative costs.

In October 2002, KEDO board members decided to halt fuel oil shipments following a dispute over North Korea's alleged clandestine uranium enrichment program. In December, North Korea expelled inspectors from its Yongbyon nuclear site, withdrew from the Nuclear Non-proliferation

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<sup>17</sup> For more, see CRS Report R41072, *International Food Aid Programs: Background and Issues*, by Melissa D. Ho and Charles E. Hanrahan. Historically, P.L. 480 has been the main vehicle for providing U.S. agricultural commodities as food aid overseas, and from FY2003-FY2005 was the program that funded nearly all of the U.S. food commitments to North Korea. When commodities or cash are released from the Emerson Trust, they are provided under the authority of P.L. 480 Title II. The Emerson Trust statute essentially authorizes the use of commodities or cash in the Trust to be used as a backup to Title II when there are unanticipated humanitarian needs. Congress directly appropriates P.L. 480 aid, and therefore could, although it rarely does, direct how the food should or should not be disbursed.

<sup>18</sup> See "Total Financial Support by Country: March 1995 to December 2005," Table B, Appendix 1, KEDO 2005 Annual Report. [http://www.kedo.org/pdfs/KEDO\\_AR\\_2005.pdf](http://www.kedo.org/pdfs/KEDO_AR_2005.pdf).

<sup>19</sup> Membership in KEDO expanded to include additional states and international organizations that contributed funds, goods or services: Argentina, Australia, Canada, Chile, the Czech Republic, the European Union (as an executive board member), Indonesia, New Zealand, Poland, and Uzbekistan. KEDO also received material and financial support from nineteen other non-member states. Details at [http://www.kedo.org/au\\_history.asp](http://www.kedo.org/au_history.asp).

<sup>20</sup> Full text of the KEDO-DPRK supply agreement at <http://www.kedo.org/pdfs/SupplyAgreement.pdf>.

Treaty (NPT), and resumed operations at Yongbyon. The Bush Administration thereafter sought to permanently end the KEDO program.<sup>21</sup> In 2003 and 2004, KEDO's Executive Board (the United States, South Korea, Japan, and the European Union) decided to suspend construction on the LWRs for one-year periods. In the fall of 2005, the KEDO program was formally terminated. In January 2006, the last foreign KEDO workers left the LWR construction site at Kumho, North Korea.

## **Assistance Related to the Six-Party Talks**

As with KEDO, the Bush Administration and other members of the Six-Party Talks—South Korea, Japan, China, and Russia—promised energy assistance to North Korea as an inducement to end its nuclear program. 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 dismantled its nuclear program and satisfied other U.S. security concerns.<sup>22</sup> The Six-Party process began with talks in August 2003. In June 2004, the United States offered 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 September 2005, the six parties issued a joint statement agreeing to “promote economic cooperation in the fields of energy, trade and investment, bilaterally and/or multilaterally.” The United States, China, South Korea, Japan, and Russia also stated their “willingness to provide energy assistance to the DPRK.” The agreement said that the parties would discuss the provision of a light water nuclear power reactor to North Korea “at the appropriate time.” This document serves as the foundation for subsequent agreements.<sup>23</sup>

North Korea tested a nuclear device in October 2006, resulting in the swift passage of U.N. Security Council Resolution 1718, which imposed international sanctions banning trade of military goods, WMD and missile-related goods, and luxury items to North Korea.<sup>24</sup> In the Six-Party Talks held in December 2006, as well as in meetings held earlier that month with North Korean negotiators, U.S. officials reportedly spelled out a detailed package of humanitarian, economic, and energy aid that would be available to Pyongyang if it gave up nuclear weapons and technology.<sup>25</sup>

The resulting Denuclearization Action Plan of February 2007 called for a first phase to include the shut-down of key nuclear facilities and initial provision of 50,000 metric tons of heavy fuel

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<sup>21</sup> State Department Daily Press Briefing by Adam Ereli, Deputy Spokesman, November 5, 2003.

<sup>22</sup> The Administration reportedly was preparing to offer this plan in 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, February 4, 2003. [http://www.nti.org/e\\_research/official\\_docs/dos/dos020403.pdf](http://www.nti.org/e_research/official_docs/dos/dos020403.pdf).

<sup>23</sup> Joint Statement of the Fourth Round of the Six-Party Talks Beijing, September 19, 2005. <http://www.state.gov/r/pa/prs/ps/2005/53490.htm>

<sup>24</sup> <http://www.un.org/News/Press/docs/2006/sc8853.doc.htm>

<sup>25</sup> Helene Cooper and David Sanger, “U.S. Offers North Korea Aid for Dropping Nuclear Plans,” *New York Times*, December 6, 2006.

oil to North Korea. In the second phase, the parties agreed to provide North Korea with “economic, energy and humanitarian assistance up to the equivalent of 1 million tons of heavy fuel oil, including the initial shipment of 50,000 tons of heavy oil.” Concurrently, North Korea promised to provide a declaration of its nuclear programs and to “disable” its nuclear facilities at Yongbyon. A future Phase Three envisioned under the agreement would involve assistance for the permanent dismantlement of North Korea’s nuclear facilities, the removal of spent fuel rods from the country, and eventual dismantlement of its weapons and weapon sites as part of “denuclearization.”

## **Heavy Fuel Oil Shipments**

The shipments of fuel oil or equivalent (e.g., steel products to renovate aging power plants) assistance were to happen on an “action for action” basis, as North Korea made progress on the second phase steps (nuclear disablement at Yongbyon and declaration of nuclear facilities and activities). An October 2007 joint statement on “Second-Phase Actions” confirmed these commitments.<sup>26</sup> The shipments of 1 million metric tons (MT) of heavy fuel oil or equivalent were to be divided equally by the five parties (i.e., 200,000 MT each). Over the next 14 months, HFO shipments were delivered in a start-and-stop manner, slowed primarily by disagreements between Pyongyang and Washington over how and whether to verify North Korea’s disablement, and over whether the United States would remove North Korea from its State Sponsors of Terrorism list. Before the Six Party Talks broke down in March 2009, the DPRK had received 500,000 MT of heavy fuel oil and equipment and 245,110 MT of fuel equivalent assistance.<sup>27</sup>

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<sup>26</sup> These commitments were reaffirmed in the October 3, 2007 Agreement on “Second-Phase Actions for the Implementation of the Joint Statement.” <http://www.state.gov/r/pa/prs/ps/2007/oct/93223.htm>

<sup>27</sup> Japan said it would not provide its share of energy assistance to Pyongyang until North Korea had satisfactorily resolved the issue of Japanese citizens abducted by North Korea. For more on this topic, see CRS Report RS22845, *North Korea’s Abduction of Japanese Citizens and the Six-Party Talks*, by Emma Chanlett-Avery. In 2008, press reports said that the United States was arranging for other countries such as Australia, New Zealand, and European states to provide Japan’s portion of HFO aid. Australia and New Zealand had each reportedly agreed to donate \$10 million, approximately equal to 30,000 metric tons of heavy fuel oil. See “Japan mulls funding N. Korea denuclearization, others to give oil aid,” Japan Economic Newswire, October 21, 2008. Japan also reportedly was considering the contribution of technical assistance related to North Korea’s nuclear dismantlement in the amount of 200,000 metric tons of HFO (approximately 16 billion yen or \$164 million). See “Japan may pay cash for North Korea’s denuclearization, says report,” BBC Monitoring Asia Pacific, October 22, 2008.

**Table 2. Six-Party Talks-Related Energy Assistance to North Korea**

July 2007-March 2009

Donor Country	Amount of HFO (MT) Delivered	Amount of HFO Equivalent (MT) Delivered	Amount Left to be Delivered
China	50,000	150,000	0
Japan	0	0	200,000
Russia	200,000	0	0
South Korea	50,000	95,110	55,000 HFO equivalent
United States	200,000	0	0
<b>Total</b>	<b>500,000</b>	<b>245,110</b>	<b>310,000</b>

**Source:** Compiled by the Congressional Research Service.

**Notes:** Japan has stated it will not deliver energy assistance to North Korea until the issue of abductions of Japanese citizens by North Korea is resolved.

### *Energy Assistance in the 111<sup>th</sup> and 112<sup>th</sup> Congresses*

In its FY2009 Supplemental Appropriations request, the Obama Administration sought \$95 million for heavy fuel oil or equivalent to North Korea in support of the Six-Party Talks under the Economic Support Fund, with the requisite notwithstanding authority for these funds, as was done in the FY2008 Supplemental. The Administration argued in the request that they “must be prepared to provide necessary energy assistance if North Korea takes the required steps to denuclearize.”<sup>28</sup> As mentioned above, the House Appropriations Committee in May 2009 decided not to fund the Administration’s request due to Pyongyang’s withdrawal from the Six-Party Talks, its restarting of nuclear facilities at Yongbyon, and its detention of two U.S. journalists. The committee, however, stated in its report that it “still strongly supports the denuclearization of the Korean peninsula and the Six-Party Talks framework,” and that it “will consider providing such assistance in the future” if circumstances change.<sup>29</sup> The Senate Appropriations Committee cut all \$95 million the Administration requested for HFO payments, stating that it “will consider such a request only after the Government of North Korea returns to the Six Party Talks Agreements.”<sup>30</sup> As discussed above, the final bill did not provide funds for energy assistance to North Korea (P.L. 111-32). Furthermore, the 2010 Consolidated Appropriations Act (P.L. 111-117), specified that “none of the funds made available by this Act under the heading ‘Economic Support Fund’ may be made available for energy-related assistance for North Korea.” The FY2011 and FY2012 budget requests do not propose any funds for energy assistance to North Korea.

<sup>28</sup> [http://www.whitehouse.gov/omb/assets/budget\\_amendments/supplemental\\_04\\_09\\_09.pdf](http://www.whitehouse.gov/omb/assets/budget_amendments/supplemental_04_09_09.pdf)

<sup>29</sup> U.S. Congress, House Appropriations, *Making Supplemental Appropriations For The Fiscal Year Ending September 30, 2009, And For Other Purposes*, 111<sup>th</sup> Cong., May 12, 2009, H.Rept. 111-105 (Washington: GPO, 2009).

<sup>30</sup> U.S. Congress, Senate Appropriations Committee, 111<sup>th</sup> Cong., May 14, 2009, S.Rept. 111-20.

## U.S. Denuclearization Assistance

### Nuclear Disablement Expenditures

As part of Phase Two under the Six-Party agreements, the Departments of State and Energy worked on disabling the nuclear facilities at the Yongbyon complex in North Korea until April 2009.<sup>31</sup> This effort was funded through the State Department's Nonproliferation and Disarmament Fund (NDF). The State Department paid the North Korean government for the labor costs of disablement activities, and related equipment and fuel. Approximately \$20 million in FY2007 and \$25 million in FY2008 was approved for this purpose. NDF funds may be used "notwithstanding any other provision of law," and are available until expended.

The Department of Energy's (DoE) National Nuclear Security Administration (NNSA) was contributing its personnel as technical advisors to the U.S. Six-Party delegation and as technical teams on the ground at Yongbyon overseeing disablement measures. Although disablement has been suspended, DoE programs continue preparatory work for future verification or denuclearization activities in North Korea.<sup>32</sup> NNSA estimated that it spent approximately \$15 million by July 2008 in support of Phase Two (Yongbyon disablement) implementation.<sup>33</sup> NNSA estimated that disablement costs could have totaled up to \$360 million if North Korea had agreed to the packaging and disposition of separated plutonium and spent fuel at Yongbyon. The Congressional Budget Office estimated that full nuclear dismantlement in North Korea would cost approximately \$575 million and take about four years to complete.<sup>34</sup>

### "Glenn Amendment" Restrictions

North Korea's 2006 nuclear test triggered sanctions under Section 102 (b) (the "Glenn Amendment" 22 *U.S.C. 2799aa-1*) of the Arms Export Control Act, which prohibits assistance to a non-nuclear weapon state under the NPT that has detonated a nuclear explosive device. Due to this restriction, DOE funds could not be spent in North Korea without a waiver. Congress passed language in the FY2008 Supplemental Appropriations Act (P.L. 110-252) that would have allowed the President to waive the Glenn Amendment restrictions and that stipulates that funds may only be used for the purpose of eliminating North Korea's WMD and missile-related programs.<sup>35</sup> The waiver's purpose was to allow DOE "to procure, ship to North Korea, and use

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<sup>31</sup> Nuclear disablement should be distinguished from nuclear dismantlement, the former referring to a process that could be reversed. For discussion of what was accomplished, see Table 2 in CRS Report RL34256, *North Korea's Nuclear Weapons: Technical Issues*, by Mary Beth Nikitin.

<sup>32</sup> For example, the NNSA's Nonproliferation and International Security and Nuclear Noncompliance Verification (NNV) programs. See FY2011 Department of Energy Congressional Budget Justification.

<sup>33</sup> Statement of William H. Tobey, National Nuclear Security Administration, U.S. Department of Energy, to the Senate Committee on Armed Services, July 31, 2008.

<sup>34</sup> The CBO's cost estimate takes into account the dismantling of the reactor and three associated plants at Yongbyon as well as the transport and reprocessing of the spent fuel outside North Korea. Congressional Budget Office, "Cost Estimate: S. 3001 National Defense Authorization Act for Fiscal Year 2009," June 13, 2008. <http://www.cbo.gov/ftpdocs/93xx/doc9390/s3001.pdf>

<sup>35</sup> Similar language appeared in the Senate version of the FY2009 Duncan Hunter National Defense Authorization Act (P.L. 110-417), but was not included in the House version. The final act includes it under "legislative provisions not adopted" under Title XII, since the waiver authority was passed earlier in the FY2008 Supplemental. See joint explanatory note: <http://armedservices.house.gov/pdfs/fy09ndaa/FY09conf/> (continued...)

equipment required to support the full range of disablement, dismantlement, verification, and material packaging and removal activities that Phase Three will likely entail.”<sup>36</sup> The Bush Administration notified Congress of its intent to waive these sanctions for the purpose of denuclearization aid on November 14, 2008, but did not exercise the waiver authority. Because North Korea conducted an underground nuclear test on May 25, 2009, the waiver may no longer be issued under P.L. 110-252. The law stipulates that a nuclear test after the date of enactment would nullify the waiver authority.<sup>37</sup>

## **Cooperative Threat Reduction Funds**

Department of Defense funds must be specifically appropriated for use in North Korea. As in previous years, Section 8042 of the FY2011 Defense Appropriations bill (S. 3800) says that “none of the funds appropriated or otherwise made available in this act may be obligated or expended for assistance to the Democratic People’s Republic of Korea unless specifically appropriated for that purpose.”<sup>38</sup> However, authorization was given for Department of Defense’s Cooperative Threat Reduction (CTR) funds to be used globally for the first time in the FY2008 Defense Authorization Act (P.L. 110-181, see Section 1305), which expressly encourages “activities relating to the denuclearization of the Democratic People’s Republic of Korea” as a potential new initiative for CTR work.

Senator Richard Lugar proposed that the CTR program be granted “notwithstanding authority”<sup>39</sup> for this work since the Defense Department’s experience in the former Soviet Union, expertise and resources could make it well-positioned to conduct threat reduction work in North Korea and elsewhere. The FY2010 Defense Authorization bill (P.L. 111-84) gave the cooperative threat reduction program notwithstanding authority for a limited amount of funds to be used in response to urgent proliferation threats, which could include work in North Korea. However, FY2010 and FY2011 defense appropriations bills specified that no money could be spent on assistance to North Korea unless specifically appropriated for that purpose. The FY2011 and FY2012 budget requests did not provide specifically for any denuclearization funding for North Korea.

## **Assistance to the IAEA**

The United States provided \$1.8 million in 2007 and \$1.5 million in 2008 to the International Atomic Energy Agency (IAEA) for its monitoring activities at Yongbyon. Japan has provided the agency with \$500,000 for this purpose.<sup>40</sup> The European Union in 2008 contributed approximately

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(...continued)

FY2009NDAAJointExplanatoryStatement.pdf.

<sup>36</sup> Tobey testimony, *ibid*.

<sup>37</sup> In P.L. 110-252 Sec. 1405 (b)(3), there is an exception for activities described in Subparas A or B of section 102(b)1 of AECA. This includes “transfers to a non-nuclear weapon state a nuclear explosive device,” and “is a non-nuclear-weapon state and either (i) receives a nuclear explosive device, or (ii) detonates a nuclear explosive device.”

<sup>38</sup> Since this language was part of the FY2010 Defense Appropriations Act, it applies under the continuing resolutions passed this fiscal year (see section 101, P.L. 111-242).

<sup>39</sup> So that funds may be used “notwithstanding any other provision of law.” Senator Richard Lugar, Remarks to National Defense University, October 2, 2008. <http://lugar.senate.gov/record.cfm?id=304026&&>

<sup>40</sup> Christopher R. Hill, Assistant Secretary for Bureau of East Asian and Pacific Affairs Testimony before House Committee on Foreign Affairs Subcommittee on Asia, the Pacific and the Global Environment and Subcommittee on Terrorism, Nonproliferation, and Trade Washington, DC, October 25, 2007.

\$1.6 million (1.025 million euros) to the IAEA for Yongbyon monitoring and verification activities. North Korea expelled the IAEA inspectors in April 2009.

### *Denuclearization Funding and the 111<sup>th</sup> and 112<sup>th</sup> Congresses*

The Obama Administration's FY2009 Supplemental Appropriations Request asked for \$47 million for the State Department's Nonproliferation and Disarmament Fund (NDF) "to support dismantlement of nuclear facilities in North Korea." The House Appropriations Committee halved the NDF request to \$23.5 million, but did not exclude the use of these funds in North Korea. The Senate Appropriations Committee report also does not specifically mention North Korea in its description of NDF funding, but does not exclude it. The committee approved \$77 million for the NDF, of which \$50 million is for border security in Gaza.<sup>41</sup> The NDF could choose to use other funds in North Korea.

The Administration had originally requested \$34.5 million for Department of Energy (DoE) denuclearization work in North Korea as part of the FY2009 Supplemental, including \$25 million for the Global Threat Reduction Initiative to "complete disablement tasks and to initiate spent fuel disposition and other denuclearization efforts" in North Korea, and \$9.5 million for the Nonproliferation and International Security Program's "disablement and dismantlement support" in the DPRK. The House and Senate Appropriations Committees deleted all the DoE monies for North Korea, saying in reports that should North Korea reverse its policies, then denuclearization assistance could be considered. The 2010 Consolidated Appropriations Act (P.L. 111-117) and the continuing appropriations for FY2011 did not address denuclearization assistance to North Korea since the process was stalled. The FY2011 Consolidated Appropriations Act (P.L. 112-10), Sec. 8042 says that, "None of the funds appropriated or otherwise made available in this Act may be obligated or expended for assistance to the Democratic People's Republic of Korea unless specifically appropriated for that purpose." The draft House FY2012 Defense Appropriations bill includes the same language. As mentioned above, as in the past, the State Department's NDF funds could be used if the situation changed.

## **U.S. Food Assistance**

Since 1995, the international community has donated over 12 million MT of food aid to North Korea 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 to 3 million North Koreans.<sup>42</sup> As **Figure 1** shows, the amount of food aid has varied from year to year, but in general, Pyongyang has successfully ensured a significant inflow; except for 2006 and 2008, food aid has exceeded 400,000 MT.

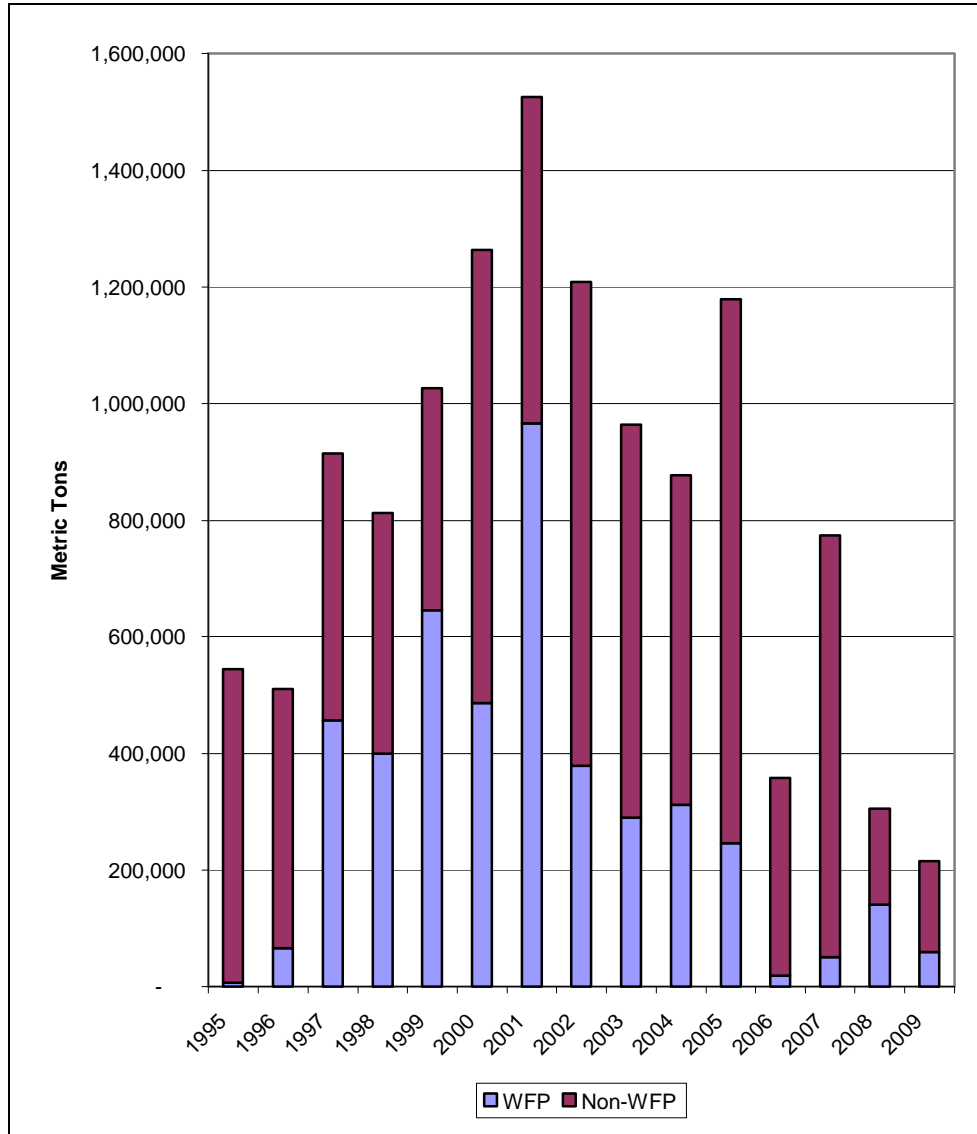
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<sup>41</sup> U.S. Congress, Senate Appropriations Committee, 111<sup>th</sup> Cong., May 14, 2009, S.Rept. 111-20.

<sup>42</sup> For a short review of the estimates of the famine's death toll, see Stephan Haggard and Marcus Noland, *Famine in North Korea. Markets, Aid, and Reform*, (New York: Columbia University Press, 2007), p. 73-76.



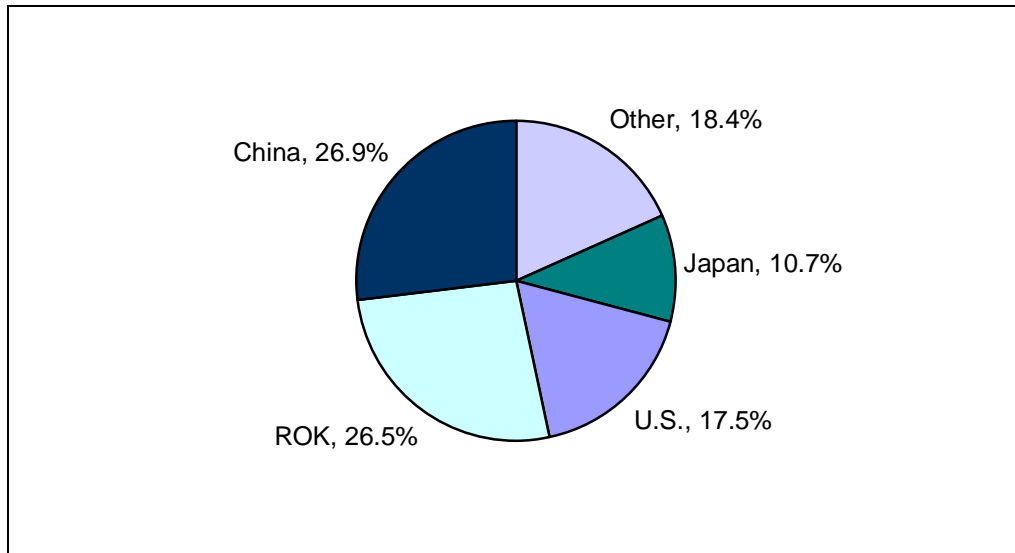
**Figure I. Total Estimated Food Aid to North Korea, 1995-2009**



**Source:** World Food Program's International Food Aid Information System (INTERFAIS) database.

Four countries, China, South Korea, the United States, and Japan, have dominated the provision of food aid, contributing over 80% of the total since 1995 (see **Figure 2**).

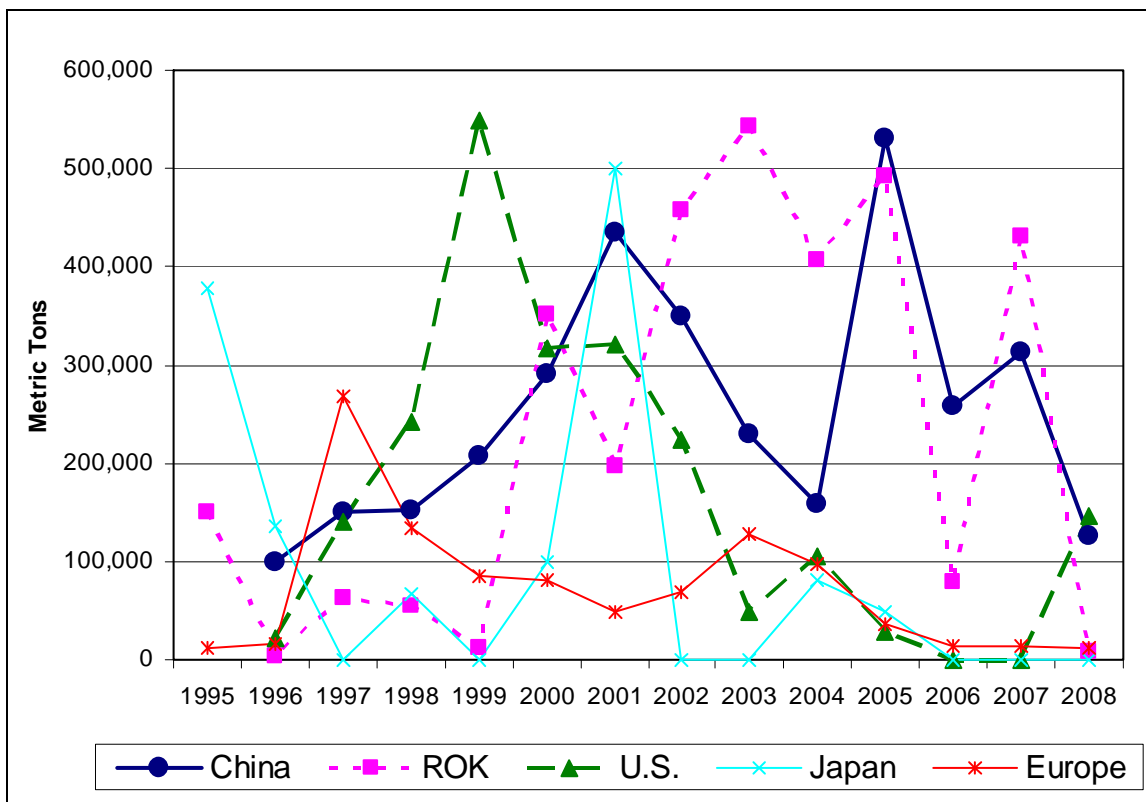
**Figure 2. Major Food Donors to North Korea, 1995-2008**  
By Volume



**Source:** World Food Program's International Food Aid Information System (INTERFAIS) database.

**Notes:** Volume for the United States includes food aid provided by the U.S. government to U.S. NGOs.

**Figure 3. Annual Food Aid by Major Donors, 1995-2008**



**Source:** World Food Program's International Food Aid Information System (INTERFAIS) database.

An examination of Figures 1, 2, and 3 reveals three general characteristics of North Korea's food aid diplomacy in the 2000s:

- North Korea has been adept at maintaining this inflow of food by opportunistically turning from one donor to another;<sup>43</sup>
- The importance of donations (principally from the United States, European countries, and Japan) channeled through the World Food Programme has decreased; and
- The importance of food shipments from China and (until 2008) South Korea has increased.

As discussed below, these developments most likely were highly correlated. Unlike the WFP, Beijing and Seoul have made few requests for access and monitoring. The increase in their food contributions to North Korea arguably allowed North Korea's central government authorities to roll back the highly intrusive (from North Korea's perspective) WFP in the mid-2000s (see "North Korea's 2006 Restrictions and the Decline in the WFP's Program" in "The Ebbs and Flows of Food Aid to North Korea, 2006-2010" below).

## **U.S. Food Aid Policy**

Since 1996, the United States has sent over 2.2 million metric tons (MT) of food assistance, worth nearly \$800 million. Over 90% of U.S. food assistance to Pyongyang has been channeled through the U.N. World Food Programme (WFP). The United States has been by far the largest cumulative contributor to the WFP's North Korea appeals.

Officially, U.S. policy de-links food and humanitarian aid from strategic interests. However, it has been well documented that the Clinton Administration used food aid to secure North Korea's participation and increased cooperation in a variety of security-related negotiations.<sup>44</sup> After June 2002, the Bush Administration officially 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>45</sup> The Obama Administration has continued the Bush policy.

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<sup>43</sup> For more, see Haggard and Noland, *Famine in North Korea*, Chapter 6.

<sup>44</sup> Andrew Natsios, *The Great North Korean Famine. Famine, Politics, and Foreign Policy* (Washington, DC: United States Institute of Peace Press), Chapter 7; Marcus Noland, *Avoiding the Apocalypse. The Future of the Two Koreas* (Washington, DC: Institute for International Economics), 182-91.

<sup>45</sup> USAID Press Release, June 7, 2002. In practice, some have argued that the timing for U.S. pledges from 2001-2005 sometimes appeared to be motivated also by a desire to influence talks over North Korea's nuclear program, and that the linkage between U.S. donations and improvements in North Korea's cooperation with the WFP occasionally has been tenuous. As discussed below, events in 2008, when the Bush Administration resumed food assistance, appear to indicate a tighter link to issues of access and monitoring of food shipments. In late 2008, when Bush Administration officials felt North Korea was violating its agreement with the WFP, they halted food shipments through the WFP but continued sending food through the consortium of NGOs that were handling one-fifth of the United States' 500,000 MT pledge. Mark Noland, "Avoiding the Apocalypse: The Future of the Two Koreas," Peterson Institute of International Economics, June 2000, pp. 159, 186, 189. Stephen Haggard, Marcus Noland, and Erik Weeks "Markets and Famine in North Korea," *Global Asia*, Vol. 3, No.2, August 2008.

## Diversions, Triage, and North Korea's "Aid-Seeking" Behavior

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 uses.<sup>46</sup> Although there has been much public concern about diversion to the North Korean military, WFP officials and other experts said they have seen little to no evidence that the military is systemically diverting U.N. food donations, and further, that the North Korean military has no need for WFP food, since it receives the first cut of North Korea's national harvest. Even if the military is not directly siphoning off food aid, however, such assistance is fungible; funds that otherwise would have been spent on food can be spent on other items, such as the military.

The North Korean government's desire to maintain control over the country is inextricably linked to the food crisis and its chronic reliance on food aid. Residency in North Korea is tightly controlled and highly politicized, with the elite permitted to live in or around Pyongyang, where food shortages are less acute than in the country's more remote areas, where politically less desirable families live. For this reason, the United States generally has shipped its food aid to the northern provinces. Additionally, North Korea is believed to expend little of its foreign currency to import food, relying instead upon the international community. Moreover, since 2007, the government has taken many steps to reimpose state controls over farmers and markets.<sup>47</sup>

## The Ebbs and Flows of Food Aid to North Korea, 2006-2010

### North Korea's 2006 Restrictions and the Decline in the WFP's Program

As shown in **Figure 1**, after peaking at over 900,000 MT in 2001, assistance provided by the WFP fell dramatically until 2008, when the large U.S. contribution brought up the WFP total. There were two primary reasons for the decline in WFP assistance. The first was "donor fatigue," as contributing nations objected to the North Korean government's continued development of its nuclear and missile programs as well as tightened restrictions on donor agencies' monitoring of shipments to ensure that food is received by the neediest. The emergence of other emergency food situations around the globe also stretched the food aid resources of the United States and other donors. Whatever the causes, the WFP was unable to fill its goal of 150,000 MT for the 2006-2008 period. During this time, increased bilateral assistance—outside the WFP's program—that China and South Korea shipped directly to North Korea, as well as improved harvests in North Korea, appear to have made up much of the gap, which generally is estimated to be in the range of 1 million MT per year.

In 2006, the WFP drastically scaled down its program after the North Korean government imposed new restrictions, constraining the organization's size and ability to distribute and monitor its shipments. The WFP and Pyongyang then negotiated a new agreement that would feed 1.9 million people, less than a third of the 6.4 million people the WFP previously had targeted. North Korea's total population is approximately 22 million. In the deal, the WFP

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<sup>46</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>47</sup> Stephen Haggard, Marcus Noland, and Erik Weeks "Markets and Famine in North Korea," *Global Asia*, Vol. 3, No.2, August 2008.

expatriate staff was cut by 75%, to 10 people, all of whom were based in Pyongyang. Before 2006, the WFP had over 40 expatriate staff and six offices around the country conducting thousands of monitoring trips every year.<sup>48</sup> The North Korean government did not allow any Korean speakers to serve on the WFP's in-country staff.

### **The Easing of Restrictions in the Summer of 2008**

In 2008, the WFP warned that food shortages and hunger had worsened to levels not seen since the late 1990s, because of decades of poor agricultural planning, large-scale floods in 2007, and also the significant decline of aid from the two largest bilateral food providers, China and South Korea. According to the WFP, as of the end of June 2008, bilateral food imports and aid totaled 110,000 MT, compared to 738,000 MT for the same period in 2007.<sup>49</sup> In April 2008, the WFP agency issued a call for more international donations and for the North Korean government to relax its restrictions on donor activities.<sup>50</sup> In December 2008, the WFP and U.N. Food and Agriculture Organization (FAO) issued a report summarizing a food security survey taken in October. The agencies estimated that the number of "hungry" had jumped from 6.2 million to 8.7 million, more than a third of North Korea's population.<sup>51</sup> North Korea began seeking a new outside source of food.

In May 2008, the United States Agency for International Development announced that the United States would resume food assistance to North Korea by providing 500,000 MT for one year beginning in June 2008. Of this amount, 400,000 MT was to be channeled through the WFP. Approximately 100,000 tons would be funneled through non-governmental organizations (NGOs), including World Vision, Mercy Corps, Samaritan's Purse, Global Resource Services and Christian Friends of Korea. The announcement stated that the resumption was made possible by an agreement reached with Pyongyang that allowed for "substantial improvement in monitoring and access in order to allow for confirmation of receipt by the intended recipients."<sup>52</sup> The U.S. move came not long after a breakthrough was reached in the Six-Party Talks. Bush Administration officials repeatedly stated their policy that decisions on food assistance were unrelated to the nuclear negotiations.

In June 2008, the WFP signed an agreement with Pyongyang that stipulated terms for increased WFP personnel and access for monitoring the delivery of the food aid. It allowed WFP to expand its operations into 131 counties, versus an earlier 50, in regions at particular risk of famine.<sup>53</sup> The agreement also expanded the WFP's rights and ability to monitor the shipments of food aid, in order to better ensure that the food was not diverted from its target recipients. Following the

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<sup>48</sup> WFP Press Release, "WFP Set to Resume Operations in North Korea," 11 May 2006; undated WFP document, Projected 2007 Needs for WFP Projects and Operations, Korea, DPR.

<sup>49</sup> World Food Programme, "Emergency Operation Democratic People's Republic of Korea: 10757.0- Emergency Assistance to Population Groups Affected by Floods and Rising Food and Fuel Prices," Undated Document.

<sup>50</sup> WFP Press Releases: "WFP Warns of Potential Humanitarian Food Crisis in DPRK Following Critically Low Harvest, April 16, 2008; "DPRK Survey Confirms Deepening Hunger for Millions, July 30, 2008.

<sup>51</sup> "8.7 Million North Koreans Need Food Assistance," FAO/WFP News Release, December 8, 2008.

<sup>52</sup> USAID Press Release, "Resumption of U.S. Food Assistance to the North Korean People," May 16, 2008.

<sup>53</sup> WFP, "Operational Priorities, September 2008, D.P.R. Korea," EMOP 10757.0 – Emergency Assistance to Population Groups Affected by Floods and Rising Food and Fuel Prices. In 2005, the WFP had access to 158 of 203 counties and districts, representing approximately 83% of the population. USAID, *Report on U.S. Humanitarian Assistance to North Koreans*, April 25, 2005; March and April 2005 e-mail exchanges and phone conversations with WFP and USAID.

agreement, the WFP issued a new emergency appeal for over 600,000 MT for 6.2 million North Koreans. The NGO consortium, which targeted around 900,000 people, operated in the country's two northwestern provinces.<sup>54</sup>

## **Cessation of the 2008-2009 Program**

### *The WFP Component*

Beginning in the late summer of 2008, operating conditions for the WFP appear to have worsened. The North Korean government reportedly has not allowed the U.N. agency to fully implement parts of its WFP agreement. In particular, the Bush Administration disagreed with Pyongyang over the number of Korean speakers and Americans allowed in the country. Due in part to these difficulties, the United States has not sent a shipment of food to the WFP's North Korea appeal since August 2008. In remarks reported in the *Washington Post* that appeared to indicate a disagreement between the WFP and the Bush Administration, WFP Asia director Tony Banbury said that North Koreans "are fulfilling their obligations," but that the WFP's North Korea program was running short of food.<sup>55</sup> As of early March 2009, WFP had received less than 5% of the donations needed to reach its targets for its 2008-2009 North Korea appeal. On March 5, the WFP announced it was scaling back its program to "a core minimum" that would allow the organization to rapidly expand its operations if it receives more donations in the future. The announcement stated that the WFP was feeding incomplete rations to only 2 million of the 6.2 million people it had originally targeted.<sup>56</sup>

As of early February 2011, donors had provided the WFP with less than 20% of the target for its 2008-2010 emergency appeal.<sup>57</sup> There have been reports that the WFP program suffered from lapses in the management of the North Korea office's finances and commodities.<sup>58</sup> The charges followed incidents of misuse and diversion of funds during the mid-2000s by the North Korea offices of another U.N. agency, the U.N. Development Program (UNDP).

### *The NGO Component*

Meanwhile, according to U.S. officials and representatives of the NGO consortium, the NGO portion of the U.S. program continued to proceed smoothly, with marked improvements in cooperation between the aid providers and their North Korean counterparts. For this reason, throughout the winter of 2008-2009, the United States continued to send shipments via the consortium. However, in March 2009, North Korea asked the United States and the NGOs to shut down their portion of the U.S. program by the end of the month. The program had been scheduled to run until May 2009. Many speculated that North Korea had closed the program in part due to

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<sup>54</sup> "Aid Agencies Send Fourth U.S. Food Shipment to North Korea," Mercy Corps and World Vision press release, October 16, 2008.

<sup>55</sup> Blaine Harden and Glenn Kessler, "Dispute Stalls U.S. Food Aid To N. Korea," *Washington Post*, December 9, 2008.

<sup>56</sup> "WFP does what little it can for North Koreans," WFP Press Release, March 5, 2009.

<sup>57</sup> WFP, "Resource Situation" February 3, 2011, Recipient Country: Korea, Democratic People's Republic of, Project Number 107570.

<sup>58</sup> George Russell, "EXCLUSIVE: U.N. Audit Finds 'Lapses' in Managing Food Program Aid to N. Korea," *FoxNews.com*, September 28, 2010.

the overall deterioration in relations with the United States and South Korea. The consortium delivered 71,000 MT of food during its 10-month tenure, reaching more than 900,000 people.<sup>59</sup>

## **The Food Aid Dilemma**

Providing food to North Korea poses a number of moral and policy dilemmas for the United States. Pyongyang has resisted taking economic reforms that would help pay for food imports or increase domestic production, as well as the political reforms that would allow for a more equitable distribution of food. Additionally, the North Korean government restricts the ability of donors to monitor shipments of aid. Multiple sources have asserted that a sizeable amount of the food assistance going to North Korea is routinely diverted for resale in private markets or other uses. Moreover, the assistance is fungible, in that funds that the government otherwise would have spent on food can be spent on other items. Compounding the problem, China, currently believed to be North Korea's largest source of food aid, has no known monitoring systems in place.

However, it is likely that food aid has helped feed millions of North Koreans, possibly staving off a repeat of the famine conditions that existed in North Korea in the mid-late 1990s, when 5%-10% of the population died due to food shortages. A number of observers argue that the North Korean people should not be unduly punished for their government's behavior, that diversion to markets helps ordinary North Koreans by lowering food prices, and that measures can be taken to limit the Kim Jong-il regime's abuses of food aid. Additionally, some contend that a well-designed food aid program can facilitate the expansion of markets, which over time will erode the Kim regime's hold over the country, while helping to reduce food prices in North Korea's most vulnerable provinces.<sup>60</sup> Providing food aid also can be used to serve larger diplomatic goals, though many experts caution against explicitly linking food to concessions in the security arena, such as in the Six-Party Talks over North Korea's nuclear programs.

## **Options and Considerations for Future Food Aid to North Korea**

Along the spectrum of continuing the status quo (i.e., no food aid) and providing food without any conditions, the Administration and Congress face a number of options and considerations when deciding whether and how to resume food aid to North Korea, including the following:

- **Establish explicit “diplomatic” linkages** by conditioning food aid on progress in security-related talks, such as negotiations regarding the North's nuclear programs. In the past, emphasizing geostrategic concerns as a condition for food aid has led to some short-term successes, such as persuading North Korea to return to the bargaining table. However, in nearly all of these cases, it is not clear that the provision of food has induced significant changes in North Korea's long-term behavior on security issues. Additionally, this approach runs the risk of encouraging the North Korean government to believe it does not need to comply with U.S. and humanitarian relief groups' demands for improved monitoring of

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<sup>59</sup> “Statement of NGO Partners on Cessation of Food Aid Program in the Democratic People's Republic Of Korea (DPRK),” Mercy Corps, Samaritan's Purse, World Vision, March 19, 2009.

<sup>60</sup> Stephan Haggard and Marcus Noland, *Witness to Transformation. Refugee Insights into North Korea*, (Peterson Institute for International Economics: Washington, DC, 2011).

the delivery of food aid. A variant of this approach would be to link food aid to North Korean concessions in the human rights sphere, such as releasing political prisoners.<sup>61</sup>

- **Set explicit “humanitarian” linkages** by conditioning future food aid on improvements in access and monitoring. For instance, after several years where the United States did not provide food to North Korea, the 2008 program was initiated after Pyongyang and Washington reached an agreement on improved monitoring that provided greater confidence that the food was being received by the intended recipients, women and young children. The U.S. program also shipped only to North Korea’s historically poorer and politically marginalized northern provinces, to help ensure that even if diversion did occur, food would be diverted to markets likely to be used by the most vulnerable, rather than to markets in the wealthier and politically connected locations of Pyongyang and its surroundings. The Administration could also insist that Pyongyang abide by concessions made in 2008, but apparently not fully implemented, such as granting relief workers the ability to bring emergency communications equipment into the country.
- **Decide on whether and how to harmonize policy with Seoul.** For much of the 2000s, attempts to convince North Korean authorities to conform to international aid standards were often undermined by large-scale, largely unconditional food aid from South Korea and China. In contrast, the current South Korean government of Lee Myung-bak appears to be making tougher humanitarian demands on North Korea. It also is asking North Korea to make improvements in North-South relations before it will consider providing large amounts of food and fertilizer, a demand that has become firmer in the aftermath of North Korea’s November 2010 shelling of a South Korean island that killed four South Koreans. Testifying before the House Foreign Affairs Committee in June 2011, Ambassador King said that South Korea would prefer that the United States not provide food aid to North Korea.<sup>62</sup> Lee government officials are concerned that large-scale U.S. aid would reinforce the view among many South Koreans that they are being unduly rigid in their North Korea policy. Some observers have argued that the United States should not provide food in part because it might create a rift with South Korea, while others contend that U.S.-South Korea cooperation on North Korea is sufficiently strong to sustain different approaches.
- **Should China be pressured on food aid?** U.S. officials could publically and/or privately urge China to insist on some monitoring for its food aid, a topic that does not appear to have been on either the Obama or Bush Administration’s crowded list of talking points with China. A fallback position with Beijing could be to call for a continuation of its current policy, which appears to be to provide food assistance only at a subsistence level needed to maintain stability in North Korea. Since at least 2007, China does not yet appear to have provided North Korea with the massive amounts of grain that would be needed to alleviate hunger and/or build up stores for 2012.

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<sup>61</sup> Chol-hwan Kang, “Unconditional Aid to N.Korea Is Poison for its People,” *English.chosun.com*, April 27, 2011.

<sup>62</sup> U.S. Congress, House Committee on Foreign Affairs hearing, *Religious Freedom, Democracy, Human Rights in Asia, Status of Implementation of the Tibetan Policy Act, Block Burmese JADE Act, and North Korean Human Rights Act*, 112<sup>th</sup> Cong., 1<sup>st</sup> sess., June 2, 2011.



- **Select the mix between the WFP and NGO Channels.** If the Obama Administration decides to resume the 2008 program, about 30,000 MT will remain from the program's NGO component and 300,000 from the WFP component. U.S. officials may wish to change this allocation. Since 1995, more than 90% of the 2.2 million MT of food aid the U.S. has provided to North Korea has been shipped via donations to the WFP. One reason the Bush Administration decided to channel one-fifth of the 2008 aid package through NGOs was because several of these private groups appear to have had more success than the WFP in monitoring their assistance, particularly in gaining access to aid recipients and using their own Korean-speaking staff. The smaller operations of these NGOs allow them to deal principally with local North Korean officials, who often have greater incentives to be more cooperative than the central government. The WFP operates nationally and targets millions more.

## Other Forms of U.S. Assistance

### Medical Assistance

From time to time, the United States has responded to humanitarian disasters in North Korea by sending medicines and other emergency equipment. For instance, after floods struck parts of North Korea in the summer of 2010, the Obama Administration sent North Korea about \$600,000 worth of pharmaceuticals and other assistance. The aid was channelled through two U.S. NGOs: Samaritan's Purse and Mercy Corps.

In an example of a broader aid program, in 2008, the Bush Administration allocated \$4 million in assistance to U.S. NGOs to help several North Korean rural and provincial hospitals by improving their electrical supplies and by providing medical equipment and training. The four recipient NGOs are Mercy Corps, the Eugene Bell Foundation, Global Resource Services, and Samaritan's Purse.<sup>63</sup> The program, which is in its final stages, has not received any new funding for FY2010.

### Development Assistance

During the Bush Administration, various officials, including the President, issued vague pledges of more extensive U.S. assistance that might be forthcoming if North Korea dismantled its nuclear programs and satisfied other U.S. security concerns dealing with missiles and the deployment of conventional forces.<sup>64</sup> The Obama Administration has indicated a "comprehensive" aid package would be forthcoming if North Korea takes positive steps on the nuclear front.

With regard to U.S. development assistance programs, in the near term, the President has considerable flexibility to offer some forms of development assistance. The Foreign Assistance

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<sup>63</sup> "U.S. Spends \$4 Million On Medical Aid For N.Korea In 2008," *Korea Herald*, December 21, 2008; December 2008 communication with U.S. State Department.

<sup>64</sup> Testimony of Richard Armitage, State Department Deputy Secretary, before the Senate Foreign Relations Committee, February 4, 2003.

Act of 1961, for instance, allows the President annually to provide up to \$50 million per country for any purpose.<sup>65</sup> Longer-term initiatives, however, would likely require changes in U.S. law and thereby require congressional action. For instance, the FY2005 Consolidated Appropriations Act specifically bans many forms of direct aid to North Korea, along with several other countries.<sup>66</sup> Many health and emergency disaster relief aid programs are exempt from such legislative restrictions because they have “notwithstanding” clauses in their enacting legislation. Additionally, if the Administration were to designate North Korea as a country involved in drug production and trafficking—as some have advocated—then by law North Korea would be ineligible for receiving most forms of U.S. development assistance.<sup>67</sup>

## Chinese Bilateral Assistance

Although many Chinese officials and scholars appear to regard North Korea as more of a burden than a benefit, Beijing’s shared interest with Pyongyang in preserving North Korean stability generally has trumped these other considerations. Since the late 1990s, as long as North Korea has been able to convince Beijing’s senior leadership that regime stability is synonymous with North Korea’s overall stability, the Kim government has been able to count on a minimum level of China’s economic support, particularly in food assistance.<sup>68</sup>

Despite the widespread assumption that China is North Korea’s most important benefactor, little is known about Beijing’s aid to Pyongyang. Information about Chinese assistance therefore is often anecdotal and partial. Chinese assistance to North Korea is divided into four types:

- perhaps most importantly, implicit balance of payments subsidies: According to a number of sources, China has allowed North Korea to run up large and growing trade deficits. Since 2008, North Korea’s annual trade gap with China has been over \$1 billion. While increasing Chinese foreign direct investment in North Korea since 2005, as well as remittances from North Koreans in China, undoubtedly have helped finance this bilateral trade deficit, press reports and other research indicates the central government in Beijing provides at least partial credits to Chinese exporters who receive orders from North Korea.<sup>69</sup>
- the construction of factories and other facilities: Large-scale demonstration projects that Chinese construction firms build at little or no cost to Pyongyang are characteristic of Chinese assistance around the globe. However, the fragmented and often secretive nature of Chinese assistance programs has meant it is difficult to gather data and other information about these projects.
- the provision of fuel, and

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<sup>65</sup> Section 614 of the Foreign Assistance Act of 1961, P.L. 87-195.

<sup>66</sup> Section 607 of P.L. 110-161, the FY2008 Consolidated Appropriations Act, which also bans direct aid to Cuba, Iran, and Syria.

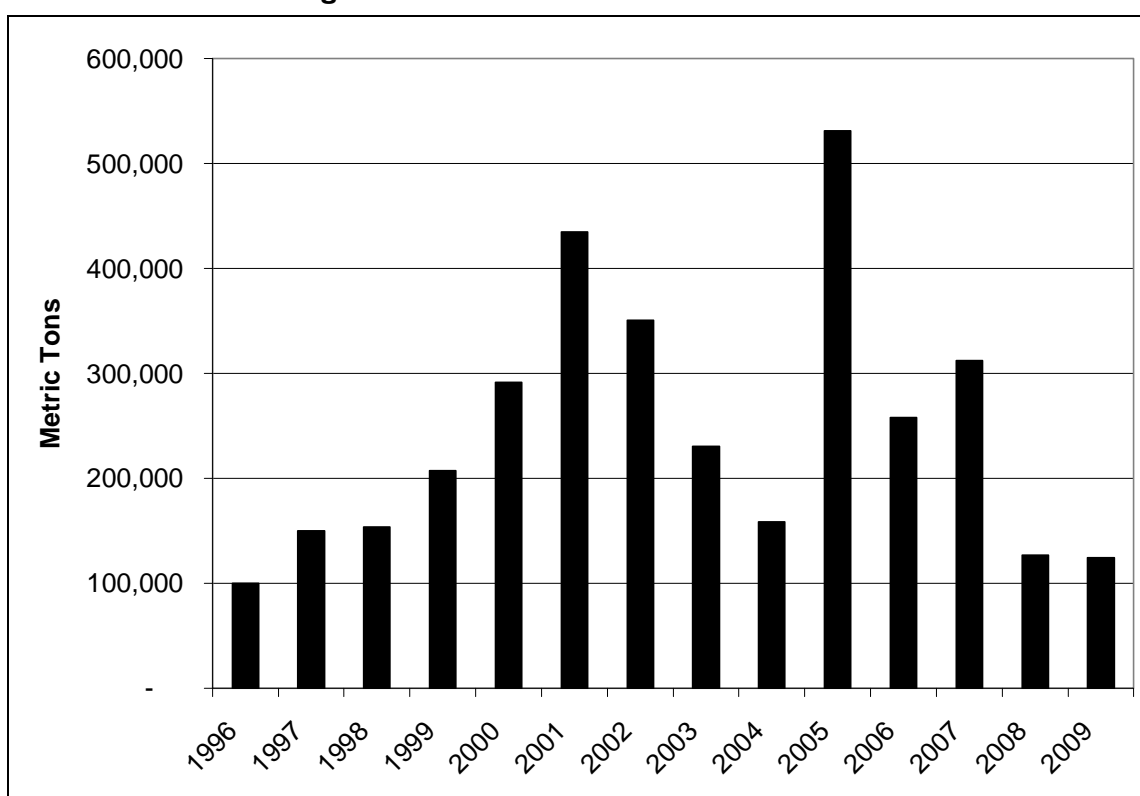
<sup>67</sup> See CRS Report RL32167, *Drug Trafficking and North Korea: Issues for U.S. Policy*, by Raphael F. Perl.

<sup>68</sup> For more, see CRS Report R41043, *China-North Korea Relations*, by Dick K. Nanto and Mark E. Manyin.

<sup>69</sup> Stephan Haggard and Marcus Noland, “North Korea’s External Economic Relations,” Peterson Institute for International Economics Working Paper Series, WP 07-7, AUGUST 2007; Robert J. Saiget, “China, NKorea Trade Booming Despite Rocket Tensions,” *Agence France Presse*, April 5, 2009.

- the provision of food: Based upon data reported to the WFP’s International Food Aid Information System (INTERFAIS) database, China has been North Korea’s largest supplier of food aid. All Chinese food shipments are given bilaterally, that is, directly to the North Korean government. It is believed that China does not have any systems for monitoring its food shipments to North Korea. Chinese bilateral food shipments reportedly were down significantly since 2007. (See **Figure 4**.) Data on Chinese food aid for 2010 are not yet available. According to China Customs data, Chinese commercial shipments of grain also have fallen since the middle of the decade. These indicators, plus North Korea’s search for food aid in late 2010 and early 2011, may mean that Beijing is following a policy of providing food only at a subsistence level needed to maintain stability in North Korea.

**Figure 4. China’s Food Aid to North Korea**



Source: World Food Program’s International Food Aid Information System (INTERFAIS) database.

## South Korean Assistance

From 1998-2008, South Korea’s left-of-center governments promoted a “sunshine” policy of relatively unconditional engagement with North Korea, Seoul’s regular aid consisted primarily of large-scale provision of food and fertilizer, as well as the construction of the inter-Korean industrial park outside the North Korean city of Kaesong and the tourist resort at Mt. Kumgang in North Korea. Seoul’s shipments of food made it North Korea’s largest or second-largest annual provider. Most of this was provided bilaterally, and South Korea had few monitoring systems in place. (See **Figure 5**.) Seoul also provided 300,000 MT in fertilizer every year.

However, in 2008, the inauguration of a conservative government led by Lee Myung-bak brought about a change in South Korea's aid policy toward North Korea. The Lee government has established the principle of reciprocity in its assistance policy: large-scale aid, including humanitarian aid, is linked to North Korea's cooperation on other issues, most importantly progress on denuclearization. The greater the cooperation from Pyongyang, the greater the assistance from Seoul. In 2010, Seoul added new conditions: North Korea's acknowledgement of its role in the March 2010 sinking of a South Korean naval vessel, the *Cheonan*, believed to be caused by a North Korean submarine attack, and its apology for the North Korean military's November 2010 shelling of a South Korean island, Yeonpyeong-do. The Lee government also has reduced aid to South Korean NGOs operating in North Korea and has made it more difficult for them to travel to the North.<sup>70</sup> In the aftermath of the *Cheonan* sinking and the Yeonpyeong-do shelling, Seoul prohibited South Korean aid groups from traveling to North Korea. In 2009 and 2010, when inter-Korean relations have thawed momentarily, the Lee government has sent small amounts of humanitarian assistance.

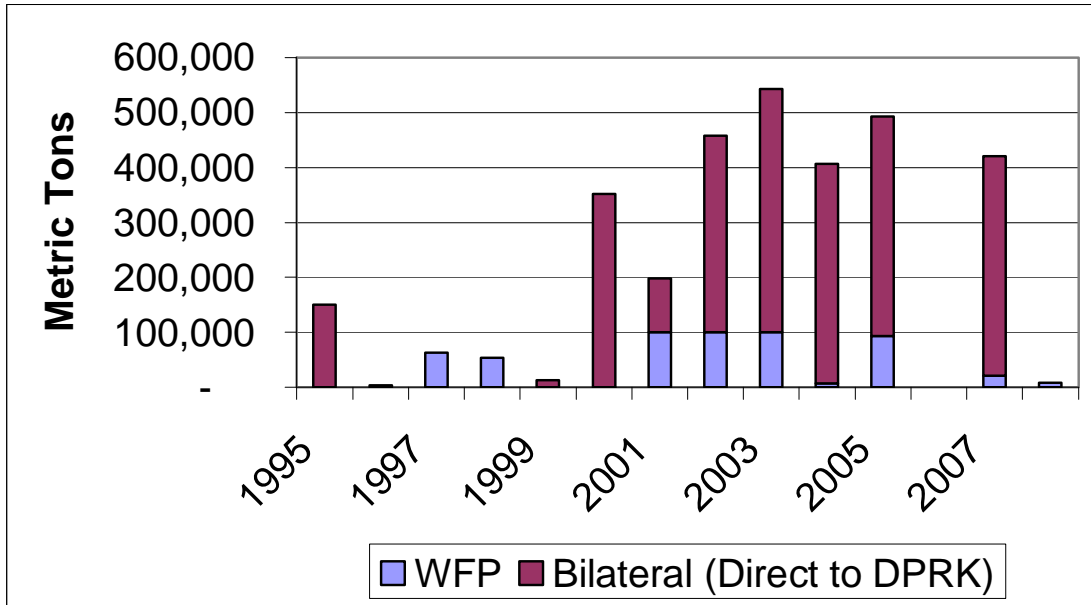
Additionally, Lee has rejected the pledges his predecessor, Roh Moo-hyun, made to North Korean leader Kim Jong-il during an October 2007 summit, in which South Korea promised to finance a second industrial zone, the refurbishing of North Korea's Haeju port, the extension of North Korea's railway line north of Kaesong, a highway between Kaesong and Pyongyang, and a shipbuilding complex in the North Korean port of Nampo. Instead, the South Korean government has discussed establishing a multi-billion dollar multilateral aid fund and development strategy that would help North Korea if Pyongyang denuclearized. According to the details provided by various media outlets, the proposal appears to be a continuation of Lee's "3,000 Policy" pledge during the 2007 presidential campaign to help raise North Korea's per capita income to \$3,000 over the next ten years.<sup>71</sup> The proposal also appears to complement the "comprehensive" package the Obama Administration has indicated could be forthcoming if North Korea took positive steps on the nuclear front.

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<sup>70</sup> Jong-moo Lee, "The History of South Korean Aid to DPRK," Paper Presented at the 2009 International Conference on Humanitarian and Development Assistance to the DPRK, Seoul, November 24-26, 2009.

<sup>71</sup> Christian Oliver, "Seoul Plans \$40bn Aid Fund for N Korea," *Financial Times*, July 20, 2009. North Korea's 2009 per capita income was \$1,900, according to the CIA World Factbook.

Figure 5. South Korean Food Aid to North Korea, 1995-2008



Source: Interfais, May 20, 2009; 2008 data from Interfais, August 6, 2009.

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