The Obama Administration’s Aid Policy to the DPRK and Prospects for the USA-DPRK Relationship

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Please let me begin by expressing my thanks to the Korean Sharing Movement, Gyeonggi Province, Friedrich Ebert Stiftung and The Asia Foundation for convening this conference and for inviting me to participate. It is an honor and pleasure to be here.

On September 2, 2002, the radio station Voice of America (VOA) scooped the competition with an exclusive interview with a US government official about U.S. government flood assistance to the Democratic People’s Republic of Korea (DPRK). The assistance, primarily medical supplies, would be delivered by three U.S. non-governmental organizations (NGOs).

My assignment today is to discuss “The Obama Administration’s Aid Policy to the DPRK and Prospects for the USA-DPRK Relationship.” If I limited myself to this topic, I could wrap things up in a few more paragraphs by describing this flood aid, since this is the only new development since we met together last year.

However, if I talk about the prospects for development assistance – however far off they might be – I can extend my remarks. As we will likely discuss at this conference, the DPRK government intends to produce a national MDG Progress Report by the end of this year. According to the United Nations Development Program (UNDP), the Millennium Development Goals (MDG) report will be “the foundation for cooperation in development assistance.” This announcement reopens -- on very positive terms -- the conversation on development programming in the DPRK. In 1998, the DPRK, UNDP and the Food and Agriculture organization (FAO) developed the Agricultural Recovery and Environmental Program Plan (AREP). AREP had only limited success, and planning on this scale has not been attempted since. Therefore, DPRK/UNDP collaboration on an MDG progress report and subsequent conversations on development are a welcome new opportunity.

The global discourse on aid, fueled in part by the UN Millennium Declaration and the resulting MDG, is paralleled by a domestic debate in the United States on effective aid modalities and administration. U.S. funding of development in the DPRK is an unlikely prospect at the moment, but U.S. aid transformation provides a useful background for our discussion. Therefore, I’ll provide a selective history of U.S. foreign assistance to demonstrate a trend in U.S. development programming: a model that seeks grantee government “good governance” benchmarks, such as certain freedoms, investment in education and health and robust support of a market economy. I’ll then turn to what this might mean for prospects for U.S. humanitarian and
development assistance in the DPRK. Finally, I will compare U.S. and Chinese approaches in order to identify overlap.

2010: Flood Aid and Humanitarian Assistance to the DPRK

But first, I will say a bit more about the flood assistance provided to North Korea this year. According to VOA, Ambassador Robert King, the U.S. Special Envoy for North Korean Human Rights, said the United States agreed to provide assistance after it had learned of the seriousness of the flood damage in North Korea. King reportedly emphasized that the aid had no political motive:

Our humanitarian assistance is provided solely on the basis of the need and our ability to provide the assistance and to monitor that it's being received by those in need. . . . This is not in response to ongoing talks or lack of talks. This is not in response to the humanitarian release of an American citizen.

It is understandable that King would underscore the humanitarian nature of the decision; some scholars have suggested that Clinton-era aid to the DPRK was politically motivated. King’s statement echoes Bush administration assertions that its decisions to provide assistance to the DPRK are based on assessments of need rather than political considerations.

Funding for the flood relief was provided by the US Agency for International Development (USAID) Office of Foreign Disaster Assistance (OFDA). OFDA funding is granted on the basis of need; there are no other eligibility requirements. Currently it is one of the few U.S. government foreign assistance funding streams that can be used in the DPRK.

The Obama administration has made no contributions to multilateral or humanitarian development programs in the DPRK. This could be because of high expectations regarding monitoring protocols developed during the 2008/2009 USAID-funded food aid program. The United States, World Food Programme (WFP) and DPRK had negotiated for the WFP to distribute the bulk of the USAID commodities under an agreement that included a nutritional survey and permitted Korean-speaking expatriate WFP staff. When several aspects of the monitoring agreement could not be implemented, the U.S. suspended shipments to the WFP in late 2008. The DPRK ended the program prematurely in March 2009.

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* The plan called for US NGOS to distribute a fifth of the commodities.
† The protocols were successfully implemented in the NGO portion of the program and shipments to NGOs continued.
Since the food aid program ended, the U.S. has quietly stopped funding multilateral programs in North Korea. As we know, this is not unique to the United States. In fact, funding for UN programming in the DPRK has nearly disappeared. For example, the WFP’s DPRK September 2008-June 2010 Emergency Operation Program (EMOP), which was designed to provide emergency assistance in the wake of flooding and increases in food and fuel prices, received only 19.7% of the program budget. The WFP’s current two-year Protracted Relief and Recovery Operations (PRRO) budget has a shortfall of over 80%. U.N. programming in the DPRK relies heavily on the Central Emergency Response Fund (CERF), which is often used to fill funding gaps.

While there might be multiple reasons for the attrition of other donors, including political considerations and the competition for funds created by the devastating earthquake in Haiti and flooding in Pakistan, one explanation for the U.S. decision may be that the U.S. funding of WFP DPRK programming is contingent on the same level of monitoring demanded in the 2008/2009 USAID program.

**Background: U.S. Foreign Assistance**

U.S. foreign assistance is provided in five ways: “bi-lateral development aid, economic assistance supporting U.S. policy and military goals, humanitarian aid, multilateral contributions, and military aid.” The primary rationale for giving foreign assistance is that it increases U.S. national security. It has also creates a future market for U.S. exports or improves the economic environment for U.S. goods. Finally, there is the belief that the U.S. has a strong moral imperative to help disaster-stricken countries.

The current legislative era of foreign assistance began with the Foreign Assistance Act of 1961 (FAA). The FAA was passed when U.S. politicians feared that without U.S. largesse, neutral countries would fall prey to communism. In his statement defending his decision to vote in favor of the FAA, Congressman Morris K. Udall declared that

Peoples are seeking a voice in their affairs and higher living standards. The siren call of Communism is being heard in nearly every land. Can we afford to let the Communists go in with their rubles and their technicians and represent their cause as the only avenue of progress? Can we allow the Chinese and Russians to dominate the independent countries of South America?

The FAA, through large-scale development projects funded primarily through bilateral government-to-government grants, was supposed to help “win the hearts and minds” of people in recipient countries. Yet the communist threat was not the only reason for
foreign assistance reform. When President Kennedy urged Congress to pass foreign assistance legislation in 1961, he complained that “the existing foreign aid mechanisms” were “bureaucratic, fragmented, awkward, and slow.”

The FAA, which resulted in the creation of USAID, did streamline the U.S. aid bureaucracy. But the fix was short-lived. Turf battles continued and ever-evolving philosophies dictated new modalities of providing aid and new challenges demanded new responses, new legislation, and new agencies.

The end of the Cold War, and with it the end of Communism as the rationale for aid, dampened Congressional support for foreign assistance. Calling foreign assistance “a waste of tax-payer’s money,” congressional critics “challenged the effectiveness of assistance, distrusted the integrity of some aid recipients, and doubted the competence of USAID.” The USAID budget was slashed repeatedly in the 1990s, resulting in the contraction of programs as well as massive staff lay-offs.

The attacks on 9-11 renewed U.S. policy maker’s belief that development assistance was in the U.S. interest. Experts that consider failed or failing states to be fertile grounds for illegal activities and terrorist ideology consider strong economies to be an essential component in stemming terrorism. In fact, in the post 9-11 era, the U.S. government has so closely linked development goals with U.S. security that the U.S. Department of Defense has become increasingly involved in the delivery of humanitarian and civic assistance (HCA). By November 2005, the DOD had issued a directive making stability operations, including “restoring essential services, and meeting humanitarian needs,” “a core U.S. military mission. . . [to be] given priority comparable to combat operations.”

The creation of significant new centers of development under Bush and the concurrent weakening of USAID has created additional administrative complexity. The U.S foreign assistance bureaucracy is once again “bureaucratic, fragmented, awkward, and slow.” In its current configuration, U.S. foreign assistance is funded under more than 20 laws and implemented by over 30 agencies. This increasingly complicated bureaucracy is a manifestation of multiple agendas, congressional/administration and inter-agency competition, and mistrust of the efficacy of existing models. Some of the new laws and structures were established to address the concerns that the money is

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*Rolf H. Sartorius and Vernon W. Ruttan give an excellent review of the Mutual Development and Cooperation Act of 1973, the “new directions” legislation that was one of the first major additions to the FAA. See "The Sources of the Basic Human Needs Mandate" Bulletin Number 88-4, November 1988, the Economic Development Center, accessed on October 22, 2010 at http://ageconsearch.umn.edu/bitstream/7486/1/edc88-04.pdf. According to Sartorius and Vernon, the debate over Foreign Assistance was a flexing of congressional muscle; the act and debate surrounding it marked increased congressional involvement in foreign policy.

†A longer paper would address the risks created by the securitization of aid, examined by Dr. Reuben E. Brigety II, in “Humanity as a Weapon of War.” Please see the end notes for further information on this essential report. Oxfam America calls the integration of defense priorities into development programming a ‘security paradox;’ security-driven development programming does not necessarily mean good development practices. Oxfam warns that “aid programs that emphasize short-term security over long-term economic development are less effective at reducing poverty and hence therefore less likely to produce a safer world.” Smart Development, op. cited., p. 2
being misspent. Oxfam America calls this a control paradox: "the more that policy makers aim to control U.S. foreign aid to make it effective, the less effective it becomes."19

Development Reform --The Bush Administration

With this as a backdrop, let’s look at the two most recent U.S. administrations. In addition to 9/11, the Bush administration was also influenced by years of Republican critiques of US foreign assistance and the UN. President Bush’s faith in USAID and UN institutions was famously limited.

The Millennium Challenge Account (MCA), one of the Bush administrations’ highest-profile initiatives, pays homage to the MDGs, † anticipates some of the agreements reached in the 2005 Paris Declaration on Aid Effectiveness, 20 and emphasizes the the free market and democracy. The Bush Administration sidelined USAID by creating a new agency for MCA implementation, the Millennium Challenge Corporation (MCC).

The MCC uses funding as an incentive to encourage democratic governments and free-market economies, as well as investment in health care and education. The MCA has been called

A U.S. government program that gives development aid in the form of grants to poor countries that adopt economic and political reforms. . . MCA funds will go to countries that enact market-oriented measures designed to open economies to competition, fight corruption, and encourage transparent business dealings.21

The MCC relies on indicators or analysis from third parties “to identify countries with policy environments that will allow MCA funding to be effective in reducing poverty and promoting economic growth. The MCC evaluates performance in three areas— Ruling Justly, Investing in People, and Encouraging Economic Freedom.”22

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* President Bush’s former Administrator for USAID, Andrew Natsios, declares that the “The demands of the counter-bureaucracy [for evaluation and administration] are now so intrusive that they have distorted, misdirected, and disfigured USAID’s development practice to such a degree that it is compromising U.S. national security objectives and challenging established principles of good development practice.” Andrew Natsios., “The Clash of the Counter-bureaucracy and Development” p. 6, July 1, 2010, revised July 13, 2010. The Center for Global Development website; accessed on October 17 at http://www.cgdev.org/content/publications/detail/1424271.

† The Millennium Declaration asserts that "Success in meeting these [development and poverty eradication] objectives depends, inter alia, on good governance within each country. It also depends on good governance at the international level and on transparency in the financial, monetary and trading systems. We are committed to an open, equitable, rule-based, predictable and nondiscriminatory multilateral trading and financial system."
Eligible countries receive large grants known as “compacts;” their five-year duration allows for more ambitious programming.*

The MCA was created in part to address a universal concern that some of the poorest countries absorbed huge amounts of assistance year after year with little impact. Lack of government accountability, poor administration and widespread corruption diluted or eliminated positive outcomes.

As noted above, aid is given primarily to meet U.S. security objectives, which has meant that humanitarian and development goals are typically secondary. In contrast, A core tenet of the MCA is that it would be protected from political interests and committed to supporting the “best performers” in the developing world. These countries may or may not be prominent allies in the U.S. war against terrorism. With allocations based solely on economic performance and governance, the MCA would be the closest to a development purist’s blueprint for aid that the United States has ever attempted.24

MCA’s “pure development” model is based on an analysis of the role of the democracy and the free market economy in “freeing the entire human race from want.”25 Its incentive-based funding underscores a foreign-aid objective not identified above, and makes explicit a long-running theme of U.S. assistance: to remake the world in the image of the United States.

While the aid community is at this point cautiously supportive of the MCC, calling it “focused, innovative, and results-oriented,”26 there are concerns. For example, MCA and a Bush initiative on HIV/AIDs (PEPFAR) increased U.S. unilateralism.† MCA and PEPFAR were “designed and implemented by the U.S. alone.” Scholars note that

Since 2000—even as U.S. development assistance increased nearly 10 percent per year in real terms—the share of foreign assistance channeled through multilateral organizations dropped by more than half (down to 11 percent today compared to an average of 30 percent for other rich countries). . . [T]he U.S. also implemented its development programs in relative isolation. According to the OECD’s Development Assistance

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* Countries that “come close to passing these criteria and are firmly committed to improving their policy performance” receive smaller grants through the “threshold program,” in order to help them to qualify for a compact grant. See www.mcc.gov
† One of the tenants of MCC is to increase government responsibility and accountability for program planning and implementation; the aid is bilateral
Committee, only 12 percent of U.S. aid missions are effectively coordinated with other donors.  

It is remarkable that the Bush administration chose to implement a “pure development” program at a time when terrorism had become the driving force of U.S. foreign assistance. Many “front-line” allies in the war on terror and failed or failing states would be unlikely candidates for MCA funds. Yet MCA programs prospered. The MCA, as well as HIV/AIDS funding, were primarily responsible for exponential growth in “core development” programming from 1998 to 2008: from $1.9 billion to $9.6 billion.

Even so, MCA does struggle for funds. According to one development policy expert, although the MCC “has taken an innovative approach to putting good development principles into practice, it has had a difficult time cultivating congressional support for long-term investments in countries where the US has few political or security interests. As such its share of US ODA [Overseas Development Assistance] remains under 4%, considerably less than even the Pentagon, which in recent years has controlled upwards of 15% of US ODA.”

Despite its small share of the ODA budget, the MCA is significant because of its development objectives, its insistence on government investment in health and education; its reliance on government leadership in planning, and the litmus test of an economy that encourages a free market through laws and practice. Although only a small portion of U.S. funding is expended according to these criteria, the MCA implements some of the most prominent recommendations in the U.S. discourse on development, and these themes are echoed in Obama’s initiatives.

Development Reform --The Obama Administration

President Obama’s September 22, 2010, speech at the UN Millennium Development Goals Summit and the Presidential Policy Directive on Global Development (PPD) indicate the overlap between the Bush and Obama administration policies. Like Bush, Obama emphasized country-led development:

* In addition, civil society actors are concerned about what happens to countries that don’t qualify for MCA assistance. Whereas “in near-miss countries, which fail narrowly to qualify for the MCA, the promise of vastly increased foreign assistance could be catalytic in encouraging policy reforms,” in poorly performing states, “the government is unlikely to possess the capacity to close the gap.” Lael Brainard, Carol Graham, Nigel Purvis, Steven Radelet, and Gayle E. Smith, op. cit., p. 4. The authors suggest that poorly performing states receive “challenge grants” to be administered under USAID guidance.

† Development scholar William Easterly is skeptical that donor countries and multilateral agencies pay more than lip service to a commitment to democracy. In a scathing if linguistically biased critique, he belittles donors and aid agencies for using the “Gerund Defense;” claiming that their aid is helping a “democratizing” country in an “unstopable transition toward a bright future.” William Easterly, “Foreign Aid for Scoundrels,” The New York Review of Books, Vol. LVII, Number 18, pp. 37-38, p. 38.
We will seek partners who want to build their own capacity to provide for their people. . . . Because the days when your development was dictated in foreign capitals must come to an end.33

Obama echoed both the MDG and the MCA regarding the importance of economic growth as a means of eradicating poverty:

Every nation will pursue its own path to prosperity. But decades of experience tell us there are certain ingredients upon which sustainable growth and lasting development depends. We know that countries are more likely to prosper when they encourage entrepreneurship; when they invest in their infrastructure; when they expand trade and welcome investment. . . . [U.S. development efforts will focus on countries that] promote good governance and democracy; the rule of law and equal administration of justice; transparent institutions with strong civil societies; and respect for human rights. Because over the long run, democracy and economic growth go hand in hand.34

In contrast to the Bush administration, the Obama administration does not intend to go it alone. The PPD aims to “strengthen key multilateral capabilities” and “Redouble our efforts to support, reform, and modernize multilateral development organizations most critical to our interests.”35

The PPD also refers to Obama administration’s flagship “Feed the Future” (FTF) food security program.* Like the MCA, FTF depends on market mechanisms and country leadership:

FTF is aimed at promoting a comprehensive approach to food security by accelerating economic growth and raising incomes through greater agricultural productivity, increasing incomes and market access for the rural poor and enhancing nutrition. Our efforts are driven by country-owned strategies. . . .36

**Humanitarian Assistance**

Humanitarian assistance has received little attention from either the U.S. government or NGOs in comparison with development assistance. The references to humanitarian assistance in Obama’s PPD were minimal, and only two recent civil

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* FTF was created in response to the July 2009 G8 Summit global leaders commitment to “act with the scale and urgency needed to achieve sustainable global food security.”
society calls for change have potential relevance to North Korea: transition funding and procurement.

NGOs are calling for incorporation of post-disaster development planning earlier in the emergency response. The U.S NGO umbrella organization InterAction notes that “the structure of U.S. assistance still reflects an outmoded dichotomy between ‘relief’ and ‘development,’ with effective coordination and handover between these poles oft-discussed but rarely executed;” this creates “chronic underfunding of disaster risk reduction activities – which support communities to assess their vulnerability to threats such as drought or floods and work to reduce their future exposure to those threats.”

Secondly, NGOs are calling for further improvements in procurement strategies, including procurement that builds local and regional economies.

The DPRK and US Foreign Assistance: Prospects for the Future

As noted above, there are five categories of U.S. foreign assistance and three main rationales for providing that aid. Of the five categories named, the DPRK is a candidate for only one: humanitarian assistance. It is clear that the U.S. is not going to give the DPRK military assistance. The U.S. has not recently made earmarked contributions to multilateral projects implemented in the DPRK. The DPRK is currently legally ineligible for bilateral development aid and economic assistance supporting U.S. policy or military goals.* As for rationales, the United States has made a calculation that providing assistance to the DPRK is not in its current security interests. The U.S. has not identified North Korea as a future market for its exports, nor has the U.S. concerned itself with the economic environment on the northern half of the peninsula. However, the moral imperative does exist. So let’s begin with humanitarian assistance.

Humanitarian Assistance

As noted above, in September, the United States provided flood assistance to the DPRK in response to demonstrated need. Additional assistance will be based on need as well as the conditions for delivering and monitoring that assistance. Additional aid programs are a strong possibility.

The challenge is that significant bilateral discussion will be necessary for a new large-scale food aid initiative. While there are no political conditions on the aid itself, the political environment will affect whether or not such a discussion is possible, and whether or not an agreement can be reached. In addition to its own concerns, the U.S. has been very sensitive to the state of inter-Korean relations. For example, over the summer privately funded NGO activities in the DPRK continued without interruption.

* For example, last year’s consolidated appropriations act allows the Economic Support Fund – one of the most flexible funds after ODA – to be used only for democracy promotion. Energy assistance is specifically excluded. See the NCNK Issue Brief: FY 2010 Consolidated Appropriations Act: http://www.ncnk.org/resources/publications/FY-2010-Consolidated-Appropriations.doc/file_view
However, after the release of the Joint Investigation Group (JIG) Report on the Cheonan report, the U.S. did not grant any visas for North Koreans to visit the United States for humanitarian study tours. Although there was no public policy statement regarding visas, it is believed that this was in deference to ROK sentiment and policy after the sinking of the Cheonan.*

Humanitarian assistance is not limited to food aid. During the Bush administration, four U.S. NGOs implemented a USAID/OFDA-funded project that provided electrical generators to hospitals in North Korea. 39 If the political environment improves, the administration might be interested in a similar creative humanitarian assistance project, as long as an assessment identified need and USAID was confident that long-term collaboration and site visits were a component of program design and implementation.

However, such a program would require not only significant bilateral discussion; it would also require Congressional support. The mid-term elections in 2010 made the Republicans the majority in the U.S. House of Congress. Beginning January 2011, Rep. Ros-Lehtinen will chair the House Committee on Foreign Relations. Rep. Ros-Lehtinen is famously suspicious of the DPRK, and has introduced legislation with the intent of limiting official U.S. contact with the DPRK. For example, “The North Korea Sanctions and Diplomatic Non-recognition Act of 2010” would prohibit diplomatic recognition of the DPRK until 11 benchmarks had been reached, including release of POWs, reports on the fate of Japanese abductees; opportunity for South Koreans to meet with co-religionists in the DPRK, and so on. The act was not considered when the Democrats controlled the Committee. Ros-Lehtinen has vowed to re-introduce all such legislation when she takes over. Food aid is typically the easiest type of assistance to sell on Capitol Hill; creative programming might prove impossible in the current environment.

Disaster Preparedness

Transition from emergency to development programming should begin as soon as possible; this has not yet been successful in the DPRK. But as I have noted elsewhere, 40 although wide-scale development assistance has been shelved, the DPRK has excelled at the interim step: disaster preparedness.†

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* During the editing of this report, South Korean military exercises near the Northern Limit Line and the deaths by DPRK artillery fire of four South Koreans – including two civilians – have significantly worsened already tense inter-Korean relations. Even a humanitarian program is unlikely in the near future.

† According to Alexandre Y. Mansourov, the DPRK has increased transparency when disaster occurs; increased institutional capacity and knowled ge for disaster management; increased inter-agency management; developed an increasingly proactive, preventative and sustainable approach, and continued civilian/military cooperation to address disasters and greater collaboration with the international humanitarian community. Alexandre Y. Mansourov, “Disaster Management and Institutional Change in the DPRK: Trends in the Sogun Era.” Korea Economic Institute Academic Paper Series on Korea, Volume I, 2008, pp. 40-74. (pp. 63-66)
Critics of North Korea seldom recognize areas in which North Korea excels, such as vaccination and disaster preparedness. In contrast to the characteristics identified by the Bush and Obama administrations as success indicators, the strengths that contribute to improved disaster response stem in part from a centralized government’s ability to allocate resources, as also illustrated by the Taedonggang fruit farm.* Can the centralized planning that contributes to the success of such efforts be utilized by both the DPRK and its partners to be successful in other areas?

Food procurement and Food Security

The DPRK economy is a socialist planned economy and the DPRK has made no announcements that this is going to change. In such an environment, market-based food procurement schemes, such as cash vouchers for food, or procurement from small farmers to feed others in the country, ostensibly have no place. However, since 2002, when the DPRK officially allowed farmers markets, farmers markets have, off and on, been a part of North Korea’s economic planning.

Food security programming is sometimes the stepping stone between humanitarian assistance and development assistance. The Obama Administration’s Feed the Future program promotes food security strategies that accelerate economic growth and agricultural productivity. In a recent speech, USAID Administrator Dr. Rajiv Shah noted the components in the development of an FTF program in Tanzania; they included the Tanzania’s leadership identification of counties with a strong agricultural base, a strong infrastructure to deliver food to other parts of the country, and indicators that those regions would be able to respond with sustainable economic growth.41 Food procurement was concentrated in that region in an effort to sustain the “smallholder” farmers and to spark economic growth.

The DPRK does not currently link its goals of improving people’s livelihoods, becoming a strong and prosperous nation, and addressing food needs through strengthening its agriculture. For example, the 2010 Joint New Year’s Editorial named only technical means of increasing agricultural production: “The agricultural sector should sharply increase the grain production by thoroughly applying the Party's policy of agricultural revolution, like improving the seeds, doing double cropping and improving potato and soya bean farming.” 42

Yet we know from conversations with people at various North Korean business enterprises that some companies retain net revenue for bonuses and investment in enterprise expansion and some enterprises are able to sell goods in excess of planned production both domestically and abroad.43 In the past, farms were able to sell grain in excess of planned yield. If, in the future, farms are again run on a similar model, the

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* The Taedonggang Combined Fruit Farm, with 1.8 million apple trees, is a recently constructed intensive-apple tree farm in the outskirts of Pyongyang. See the appendix for more information.
DPRK, with its centralized government, might be well-positioned to implement an FTF approach within a socialist planned economy model.

As an interim step, it might be interesting to explore nutrition enhancement programs that use procurement of vegetables from kitchen gardens to promote economic growth in rural areas while diversifying diets.

Development

The Foreign Assistance Act of 1961 had Communism as its target. By 2004, the United States had moved on, at least in its discourse on Foreign Assistance. Terrorism has replaced communism, not only because of the impact of 9/11 on the American psyche, but also because, according to U.S. rhetoric, both democracy and the market economy have won. However, anti-communism is still a significant feature of U.S. policy toward the DPRK. While North Korea is prohibited from receiving any direct foreign assistance (including MCA funding) under the most recent relevant appropriations legislation, anti-Communism still undergirds many sanctions.*

Given U.S. laws and regulations, the DPRK has little hope of qualifying for U.S. development assistance at this point. The most recent laws – those passed as part of the FY 2010 appropriations budget – are the most restrictive.

If U.S/DPRK relations were to improve, Congress could reverse the restrictions and make more funding streams available. The most likely candidate is the Economic Support Fund, which was used to purchase heavy fuel oil. However, it is very unlikely that U.S. funding for non-humanitarian assistance will be available unless a substantial new security agreement with the DPRK is reached.

Multilateral development assistance may still be an option. The DPRK will be a good test case of the Obama administration’s commitment to “to support, reform, and modernize multilateral development organizations most critical to our interests.”

How will the Obama administration respond to the new UNDP program in the DPRK? Ideally, the administration will support UNDP efforts to implement good program that fulfills executive board expectations, and addresses and resolves issues raised by reluctant donors. The UNDP is more likely to succeed in the DPRK if the administration promotes the program, at the executive board level or in public.

China and the DPRK

* For example, as a non-market economy, the DPRK did not receive Most Favored Nation trading status in 1951. Also, "The Export-Import Bank Act of 1945 singles out Marxist-Leninist countries for denials of guarantees, insurance, credit, or other Bank funding programs. . . The Foreign Assistance Act of 1961 denies most non-humanitarian assistance to any Communist country. North Korea is among 5 countries so designated." And, as a non-market economy that does not allow its citizens to emigrate, "North Korea is not eligible to participate in any U.S. government program that makes credit, credit guarantees, or investment guarantees available, nor may the President enter into any commercial guarantee with the country.” Dianne Rennack, op. cited, pages 6-8.
Even outside of the MCA, U.S. Foreign Assistance and DPRK economic planning are not a particularly good match. President Obama can bask in the applause at the MDG Summit when he says “The days when your development was dictated by foreign capitals must come to an end.” But he wasn’t speaking to the DPRK, and he isn’t expecting the DPRK to respond. In fact, some observers believe that development assistance inside the DPRK will have little impact until North Korea pursues economic and governance reforms.

But China is providing ODA in the DPRK. Although it is not possible to know China’s primary rationales for providing development assistance, let’s pretend for a moment that they are similar to those of the United States – to increase security and economic opportunity. If so, China’s decisions regarding the DPRK would be the reverse of U.S. decisions. China’s most pressing rationale would be that providing assistance to the DPRK increases China’s security. In addition, such assistance creates a future market for Chinese exports and improves the economic environment for Chinese goods; it also provides China with access to DPRK minerals and to DPRK ports. (Whether or not there is a strong moral humanitarian imperative at the government level is unknown.)

In terms of categories of assistance, the Chinese government provides bilateral development aid and economic assistance supporting Chinese policy and military goals. China does not make contributions to multilateral assistance programs in the DPRK, with the exception of energy assistance provided under the Six Party Talks, and, although it provides food, it does not give need-based humanitarian assistance with target populations in mind. Drew Thompson recently summarized the three benefits China expects from economic engagement with North Korea: survival of the DPRK regime, more moderate behavior by the DPRK, and “economic opportunities for Jilin and Liaoning provinces.”

However, the overarching motives behind China’s ODA are not fully understood in the United States. One expert, while admitting the limited U.S. knowledge about China’s ODA, comments that “the Chinese provide their aid largely without the conditions that typically accompany Western aid—a good human rights performance, strong economic management, environmentally responsible policies and political openness on the part of recipient governments.” This implicit criticism of China is surprising, given that is well known that the U.S. supports egregious regimes in pursuit of its own political and security interests. However, it could be that China does not have a category of “pure development aid;” apparently it lacks a constituency for the “use of aid to reduce poverty.”

It also appears that China does not require or participate in strategic country planning with aid recipients, in part because that "would be inconsistent with their policies of responding to the preferences of their recipients and not trying to remake the economies they aid."
Yet regardless of what China demands from its aid recipients, one thing is clear: China’s own development success story is a compelling one. When he was Country Director for China and Mongolia at the World Bank, David Dollar commented that “China has had the most impressive poverty reduction in history, mostly because it's had this sustained economic growth over a long period of time. . . . [T]here's a lot of interest and fascination in China's success.”52 Certainly statements by Kim Jong Il reveal his appreciation of China’s growth. During his visit to China in 2006,

Kim provided expressive compliments to his hosts on the economic progress accomplished over little short of three decades. It was reported that Kim had “trouble sleeping at night” during his visit, pondering how to apply reforms to North Korea to generate the results he witnessed in Guangzhou. . . . Kim said that he was “deeply impressed” by China’s “shining achievements” and “exuberant development,” especially China’s hi-tech sector.53

This kind of enthusiasm may give China an opportunity to press the DPRK on economic reforms, as some scholars suggest.54 Reports after Kim Jong Il’s visit to China in May implied that China expressed frustration at the slow pace of reform, and not for the first time.

As argued by many experts, China, given its own experiences, is in a position to understand the strength and weaknesses of the DPRK’s approach, to share with the DPRK the lessons of its own economic development, to explain how it integrated a planned economy with a market economy, how it is addressing corruption and increasing gaps in wealth. Perhaps China views the DPRK’s large-scale projects such as the Taedonggang Combined Fruit Complex differently than visitors from market economies.

The DPRK will make its own choices; that goes without saying. Despite its remarkable current public embrace of its relationship with China, the DPRK has made no announcements about changing its economic policy according to the Chinese model. But China is playing a key role in North Korea’s economy at the level of benefactor and investor, and for more than 25 years “the top leaders of China and North Korea have held intensive discussions of economic policy reform.”55

Conclusion

China’s investment in and economic assistance to the DPRK is criticized in the United States; many U.S. experts see China’s economic engagement as under-utilized leverage that should be used to pressure the DPRK not to behave provocatively or to give up its nuclear weapons. The United States government has reportedly attempted to
persuade the PRC that nuclear proliferation is as grave a security risk as instability on the Korean Peninsula, and it is therefore in China’s interest to pressure the DPRK economically.

However, as Drew Thompson points out, “Few Americans appreciate that China does make the connection between economic and security interests in North Korea, and is not selectively ignoring Pyongyang’s transgressions in pursuit of parochial economic interests.”56 China hopes that economic engagement, by giving North Korea a greater sense of security, will “check DPRK tendencies to lash out.”57

For the time being, there doesn’t seem to be much chance that the PRC is willing or perhaps even able to use economic leverage to pressure the DPRK. But this need not be a dead end, if the United States accepts Chinese assistance and investment in North Korea as integral to China’s security policy, much as some U.S. foreign assistance is primarily political.

In a recent New York Times article, David Rothkopf describes the decreasing ability of the United States to pressure other nations, particularly China, to act against their perceived interests in the pursuit of U.S. interests; in such cases it may best for the United States to seek areas of compromise with China.58 Chinese economic engagement with the DPRK is likely one of those issues.

This may be less difficult than it seems at first glance for Chinese and U.S. experts to identify areas of overlap; both nations are signatories to the Paris Declaration and supporters of the MDG. For although the U.S. might continue to question some of China’s decisions, the two countries have a joint interest in promoting certain norms, such as norms used in global trade -- reliable adherence to international business law, bookkeeping according to international standards and so on. These are areas in which the DPRK has already shown interest and sought more information.59

China and the United States might work together to expand technical capacity building in these and other areas. In addition, Chinese NGOs and GONGOs might work with INGOs to design food security projects that create sustainable gains in community-level food security. Finding common ground between these two countries has the potential to benefit pragmatic development in the DPRK.
Appendix

The Taedonggang Combined Fruit Farm

In the Samsok District of Pyongyang, the Taedonggang Combined Fruit Farm spreads out over a vast expanse. At least 1.8 million apple trees have been planted in rows 60 cm wide, 1 meter deep, with 80 cm between rows to allow for 40 cm wide trees. The farm will eventually be 1,000 hectares, and will include a pig farm to provide liquid fertilizer.

The DPRK takes significant pride in this farm, which was built by soldiers from the Korean People's Internal Security Forces by the Ministry of Public Security: “Until last year, the area had remained a small rural community consisting of a few outdated villages with a zigzag river and uneven paddy and dry fields. In a matter of less than a year, the villages have all moved and nestled under a hill, the river course changed, a large hill totally disappeared and the patches turned into a large-scale orchard.”

“Land was realigned, river and stream improvement projects carried out, a total of nearly 1,700 km of trench-like ditches dug, hundreds of thousands of concrete props produced and set up and dozens of kilometers of fences erected.”

“The farm, with well-arranged and vast orchards, ring-shaped roads and waterways and fruit tree nurseries, has put fruit farming on a scientific, intensive and modern basis.”

Since its establishment, many foreign delegations have been taken to see the farm, which is heralded as North Korea’s 11th Scenic Wonder. Many visitors probably do respond in wonder; an orchard of this size is a remarkable sight, and its rapid completion is amazing. Some visitors may have questions, such as the role of apples either in domestic food security or as part of an export strategy. They may ask about the types and costs of resources required in such intensive agriculture. But regardless of whether or not those questions are answered to their satisfaction, it is clear that this farm is an of the DPRK’s ability to focus human and capital resources to achieve astounding accomplishments in record time. It is also an example of DPRK priorities and country-led investment. According to KCNA, on a recent visit General Secretary Kim Jong Il “said with pride that such a large-scale fruit farm as the Taedonggang Combined Fruit Farm could be constructed only in the DPRK, a socialist country based on collectivism.”

\(^{1}\) Woodsome, Kate, “US to Send Flood Aid to North Korea,” September 2, 2010, Voice of America. Accessed on October 10, 2010 at http://www.voanews.com/english/news/US-to-Send-Flood-Aid-to-North-Korea-Amid-Diplomatic-Row-102066328.html. Note: The $750,000 figure provided by VOA is not accurate; the actual amount was $600,000.


11 Ibid, p. 3.


16 Ibid, p. 2

17 Ibid, p. 8

18 From Department of Defense Directive 3000.05, as quoted in Ibid, p. 7.

19 “Smart Development, op. cited. P. 10

20 The Paris Declaration on Aid Effectiveness can be accessed at http://www.adb.org/media/articles/2005/7033_international_community_aid/paris_declaration.pdf


23 MCC Website, About MCC, http://www.mcc.gov/pages/about


26 Kharas and Unger, op. cited.

27 “Set to lead again?” op. cited.


30 Jeremy Konyndyk, personal communication, October 27, 2010


33 Remarks by the President, op. cited.

34 Ibid.

35 Fact Sheet, op. cited.

36 Factsheet, op. cited.


38 “Reform Priorities,” op. cited, p. 3.

39 The generators were installed by NGOs with long-term relationships with the DPRK. See Michael Ha, "Washington to Offer Medical Aid to North Korea," The Korea Times, May 13, 2008. http://www.koreatimes.co.kr/www/news/art/2008/09/143_24120.html. To read individual stories about this project, see the following webpages: Global Resource Services: http://grsworld.org/topstories/ourstories.php; Mercy Corps: http://www.mercycorps.org/countries/northkorea; Samaritan’s Purse: http://www.foxnews.com/story/0,2933,568609,00.html

40 “Working at the People-to-People Level,” op. cited, p. 20.


42 The DPRK New Year’s Joint Editorial for 2011 is available at http://www.ncnk.org/resources/publications/KCNA_January_2010_New_Years_Editorial.doc/file_view

43 Personal interviews, DPRK, February 2009 and September 2010.

44 Dianne E. Rennack, op. cited, p. 6.


46 Remarks by the President at the Millennium Development Goals Summit, op. cited.


51 Op. cited, p. 4


56 Drew Thompson and Natalie Matthews, op. cited., p. 5

57 Ibid.


63 Ibid.