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 March 2010, 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 aid if North Korea takes steps to irreversibly dismantle its nuclear program. The main vehicle for persuading Pyongyang to denuclearize is the Six-Party Talks, involving North Korea, the United States, China, South Korea, Japan, and Russia. The Talks have not met since late 2008.

U.S. energy and food aid to North Korea fell significantly in the mid-2000s, bottoming out at zero in 2006. The Bush Administration resumed energy aid 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 North Korea to help in the nuclear disablement process. In 2008, Congress took legislative 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 explicitly rejected the Obama Administration’s requests for funds to supplement existing resources in the event of a breakthrough with North Korea. However, Congress did approve monies for the State Department’s general emergency non-proliferation fund that the Administration could use in North Korea.

Since the mid-1990s, North Korea has suffered from chronic, massive food shortages. Food aid—largely from China, the United States, and South Korea—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. The drying up of food aid donations from the United States and South Korea has led the World Food Programme to drastically curtail its operation in North Korea, despite ongoing food shortages.

Pyongyang has resisted economic 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. Compounding the problem, China, North Korea’s largest source of food aid, has no known monitoring systems in place. In 2009 and 2010, in response to continued food shortages, Pyongyang asked South Korea – and the United States, according to some reports – to renew food assistance. The Obama Administration must make a number of decisions, including: whether to resume food aid; if so, whether to condition all or part of its assistance on expansive levels of access and monitoring; whether to condition food aid on progress in other areas (such as in the Six-Party Talks); and whether to pressure China to impose similar conditions on its food aid.

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

A Brief History of U.S. Aid Through 2009 ................................................................. 1
Congress’ Role in U.S. Assistance to North Korea ...................................................... 3
  Congress and Energy Assistance ........................................................................... 3
  The 111th Congress’ Handling of Energy Assistance for North Korea ............... 3
Congress and Food Assistance .................................................................................. 4
U.S. Energy Assistance ............................................................................................ 5
  Korean Peninsula Energy Development Organization (KEDO) ......................... 5
  Assistance Related to the Six-Party Talks ............................................................ 6
    Heavy Fuel Oil Shipments ............................................................................... 7
U.S. Denuclearization Assistance ............................................................................ 9
  Nuclear Disablement Expenditures ...................................................................... 9
    “Glenn Amendment” Restrictions ................................................................... 9
  Cooperative Threat Reduction Funds ................................................................ 10
  Assistance to the IAEA ...................................................................................... 10
U.S. Food Assistance ............................................................................................... 11
  U.S. Food Aid Policy .......................................................................................... 14
  Diversion, Triage, and North Korea’s “Aid-Seeking” Behavior ......................... 15
  The Ebbs and Flows of Food Aid to North Korea, 2006-2010 ............................ 15
    North Korea’s 2006 Restrictions and the Decline in the WFP’s Program ......... 15
    The Easing of Restrictions in the Summer of 2008 ......................................... 16
    Cessation of the 2008-2009 Program ................................................................. 17
Other Forms of U.S. Assistance .............................................................................. 18
Chinese Bilateral Assistance .................................................................................. 18
South Korean Assistance ....................................................................................... 20

Figures

Figure 1. Total Estimated Food Aid to North Korea, 1995-2008 ............................ 12
Figure 2. Major Food Donors to North Korea, 1995-2008 ................................. 13
Figure 3. Annual Food Aid by Major Donors, 1995-2008 ................................. 13
Figure 4. China’s Food Aid to North Korea ............................................................. 13
Figure 5. South Korean Food Aid to North Korea .................................................. 20

Tables

Table 1. U.S. Assistance to North Korea, 1995-2010 ............................................. 2
Table 2. Six-Party Talks-Related Energy Assistance to North Korea .................. 8
A Brief History of U.S. Aid Through 2009

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.)¹ 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.²

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.³ 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.⁴ 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.

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

¹ 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.
³ See also CRS Report RL34256, North Korea’s Nuclear Weapons: Technical Issues, by Mary Beth Nikitin
⁴ 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.
humanitarian groups about ongoing food shortages. Under the program, the United States shipped a total of 169,270 MT of food aid, at an estimated cost of $100 million.

### Table 1. U.S. Assistance to North Korea, 1995-2010

*As of early March 2010*

<table>
<thead>
<tr>
<th>Calendar Year (FY)</th>
<th>Food Aid (per FY) Metric Tons</th>
<th>Commodity Value ($ million)</th>
<th>KEDO Assistance (per calendar yr; $ million)</th>
<th>6-Party Talks-Related Assistance (per FY; $ million)</th>
<th>Medical Supplies &amp; Other (per FY; $ million)</th>
<th>Total ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>0</td>
<td>$0.00</td>
<td>$9.50</td>
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<td>—</td>
<td>$0.20</td>
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<td>1996</td>
<td>19,500</td>
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<td>—</td>
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<td>1998</td>
<td>200,000</td>
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<td>695,194</td>
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<td>265,000</td>
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<td>—</td>
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<td>110,000</td>
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<td>$0.00</td>
<td>—</td>
<td>—</td>
<td>$0.10</td>
</tr>
<tr>
<td>2005</td>
<td>25,000</td>
<td>$5.70</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>2006</td>
<td>0</td>
<td>$0.00</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$0.00</td>
</tr>
<tr>
<td>2007</td>
<td>0</td>
<td>$0.00</td>
<td>$25.00</td>
<td>$20.00</td>
<td>—</td>
<td>$0.10</td>
</tr>
<tr>
<td>2008</td>
<td>148,270</td>
<td>$93.70(^{a})</td>
<td>$106.00</td>
<td>—</td>
<td>—</td>
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</tr>
<tr>
<td>2009</td>
<td>21,000</td>
<td>$7.10(^{a})</td>
<td>$15.00</td>
<td>—</td>
<td>—</td>
<td>$4.00</td>
</tr>
<tr>
<td>2010</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$0.00</td>
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<td>Total</td>
<td>2,258,164</td>
<td>$706.75</td>
<td>$403.70</td>
<td>$146.00</td>
<td>$20.00</td>
<td>$9.40</td>
</tr>
</tbody>
</table>

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

\(^{a}\) Estimate.

In August 2009, North Korea reversed months of belligerent rhetoric and actions and began making diplomatic overtures toward the United States and South Korea. Some have speculated that Pyongyang may have been partly motivated to soften its stance not only by the effect of U.N. Security Council sanctions imposed after the May 2009 nuclear test, but also by a desire for increased food donations due to ongoing food shortages. North Korea’s 2009 experiments with currency reforms and curtailing private market activity are believed to have made the food
situation more acute. U.S. officials have stated that absent assurances from North Korea about monitoring and access, the Obama Administration had no plans to resume food assistance.\textsuperscript{5}

As of late February 2010, donors had provided the World Food Programme with less than 20\% of the target for its 2008-2010 emergency appeal, leading to reports that it would be forced to further curtail its operations or even shut them down entirely.\textsuperscript{5} There are reports that China dramatically increased its food assistance to North Korea in 2009, which could explain why North Korea has not been more willing to agree to U.S. and South Korean conditions for improved monitoring assurances if the two countries are to resume large-scale food aid.\textsuperscript{7} See “Chinese Bilateral Assistance” below.

### Congress’ 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.\textsuperscript{8} 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 bill, 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\textsuperscript{th} Congress’ Handling of 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.\textsuperscript{9} 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

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\textsuperscript{7} “N.Korea Took 300,000 Tons of Food Aid Last Year,” The Chosun Ilbo, February 24, 2010.

\textsuperscript{8} President Clinton was responding to Section 582(3) of P.L. 105-277, the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999. In response, Section 1211 of the John Warner National Defense Authorization Act for Fiscal Year 2007 (P.L. 109-364; 120 Stat. 2420) required the Bush Administration to appoint a special envoy for North Korea. Christopher Hill, the Assistant Secretary for East Asian and Pacific Affairs, was named to the post.

\textsuperscript{9} 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).
due to North Korea’s withdrawal from the Six-Party process and subsequent missile and nuclear tests in the spring of 2009.\(^\text{10}\) However, Congress did approve 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 available for energy-related assistance for North Korea.” No energy-related assistance for North Korea was proposed in the Administration’s FY2011 budget request.

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\(^\text{11}\) 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, requires “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.”\(^\text{12}\) 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 outright 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 111th 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.\(^\text{13}\) 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).\(^\text{14}\)

\(^{10}\) As in the past, funds from the State Department’s Nonproliferation and Disarmament Fund may be used in North Korea.

\(^{11}\) U.S. Congress, Senate Appropriations Committee, 111th Cong., July 9, 2009, S.Rept. 111-44.


\(^{14}\) 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-(continued...
Congress’ ability to direct the amounts, manner, and recipients of food aid is relatively limited. The 500,000 MT of food that the United States pledged to North Korea in May 2008 is to come from the Bill Emerson Humanitarian Trust, a reserve of commodities and cash that is intended to provide food aid when other statutory sources of aid are unavailable. The Secretary of Agriculture has authority to release up to 500,000 metric tons of eligible commodities for urgent humanitarian relief. 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.15

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.16 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.17 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 2003.18 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 Treaty (NPT), and resumed operations at Yongbyon. The Bush Administration thereafter sought to permanently end the KEDO program.19 In 2003 and 2004, KEDO’s Executive Board (the

(...continued)

Avery.

15 P.L. 480 (originally P.L. 83-480) was reauthorized most recently by the 2008 farm bill (P.L. 110-246, 7 USC 1691).


17 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.

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

Foreign Assistance to North Korea

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—have 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.\(^{20} \) The Six-Party process began with talks in August 2003.\(^{21} \) 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.\(^{22} \)

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.\(^{23} \)

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.\(^{24} \) 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.\(^{25} \)

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

\(^{20} \) 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.


\(^{22} \) See CRS Report RL30613, North Korea: Terrorism List Removal, by Larry A. Niksch.


\(^{24} \) http://www.un.org/News/Press/docs/2006/sc8853.doc.htm

Foreign Assistance to North Korea

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 (i.e., 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.26 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 fourteen 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.27

26 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

27 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 the HFO aid in its stead. 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

<table>
<thead>
<tr>
<th>Donor Country</th>
<th>Amount of HFO (MT) Delivered</th>
<th>Amount of HFO Equivalent (MT) Delivered</th>
<th>Amount left to be Delivered</th>
</tr>
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<tbody>
<tr>
<td>China</td>
<td>50,000</td>
<td>150,000</td>
<td>0</td>
</tr>
<tr>
<td>Japan</td>
<td>0</td>
<td>0</td>
<td>200,000</td>
</tr>
<tr>
<td>Russia</td>
<td>200,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>South Korea</td>
<td>50,000</td>
<td>95,110</td>
<td>55,000 HFO equivalent</td>
</tr>
<tr>
<td>United States</td>
<td>200,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>500,000</strong></td>
<td><strong>245,110</strong></td>
<td><strong>310,000</strong></td>
</tr>
</tbody>
</table>

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 111th Congress

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.”28 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.29 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.”30 As discussed above, the final bill did not provide funds for energy assistance to North Korea (P.L. 110-32). 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 budget request does not propose any funds for energy assistance to North Korea.

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28 http://www.whitehouse.gov/omb/assets/budget_amendments/supplemental_04_09_09.pdf
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.\(^{31}\) 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 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.\(^{32}\) NNSA estimated that it spent approximately $15 million by July 2008 in support of Phase Two (Yongbyon disablement) implementation.\(^{33}\) 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.\(^{34}\)

“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.\(^{35}\) The waiver’s purpose was to allow DOE “to procure, ship to North Korea, and use

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\(^{31}\) Nuclear disablement should be distinguished from nuclear dismantlement, the former referring to a process that could be reversed.

\(^{32}\) For example, the NNSA’s Nonproliferation and International Security and Nuclear Noncompliance Verification (NNV) programs. See FY2011 Department of Energy Congressional Budget Justification.


\(^{35}\) 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/FY2009NDAAJointExplanatoryStatement.pdf.
Foreign Assistance to North Korea

equipment required to support the full range of disablement, dismantlement, verification, and material packaging and removal activities that Phase Three will likely entail. 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.

Cooperative Threat Reduction Funds

Department of Defense funds must be specifically appropriated for use in North Korea. Section 8045 of the FY2008 Defense Appropriations Act (P.L. 110-116) 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.” Section 8044 of the FY2009 Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (P.L. 110-329) also contains this language. However, authorization was given for Department of Defense’s Cooperative Threat Reduction (CTR) funds to be used globally 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 has proposed that the CTR program be granted “notwithstanding authority” 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.

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. The European Union in 2008 contributed approximately $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.

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36 Tobey testimony, ibid.
37 In P.L. 110-252 Sec. 1405 (b)(3), there is an exception for activities described in Subparas A or B of section102(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.”
38 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&
39 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.
**Denuclearization Funding and the 111th Congress**

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. 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) does not address denuclearization assistance to North Korea since the process was stalled. 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 three million North Koreans. 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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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).

Source: Interfais, May 20, 2009; 2008 figures from Interfais, 8/6/09.
Figure 2. Major Food Donors to North Korea, 1995-2008
By Volume


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: Interfais, May 20, 2009; 2008 figures from Interfais, 8/6/09.
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;\(^\text{42}\)
- 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.\(^\text{43}\) 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.\(^\text{44}\) The Obama Administration has continued the Bush policy.

\(^{42}\) For more, see Haggard and Noland, *Famine in North Korea*, Chapter 6.


\(^{44}\) 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 2002, 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.
Diversion, 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.45 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. 46

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 one 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

45 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.

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.\textsuperscript{47} 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.\textsuperscript{48} 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.\textsuperscript{49} 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.\textsuperscript{50} 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.”\textsuperscript{51} 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.\textsuperscript{52} 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


\textsuperscript{50} “8.7 Million North Koreans Need Food Assistance,” FAO/WFP News Release, December 8, 2008.


\textsuperscript{52} 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. 53

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. 54 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. 55

As of late February 2010, donors had provided the WFP with less than 20% of the target for its 2008-2010 emergency appeal. In March 2010, the WFP’s North Korea representative reportedly said the shortage of donations could lead the WFP to shut down its operations by mid-summer. 56

There are reports that China dramatically increased its food assistance to North Korea in 2009, which could explain why North Korea has not been more willing to agree to U.S. and South Korean conditions for improved monitoring assurances if the two countries are to resume large-scale food aid. 57

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 closed the program in part due to

57 “N.Korea Took 300,000 Tons of Food Aid Last Year,” The Chosun Ilbo, Feb 24, 2010.
the overall deterioration in relations with the United States and South Korea. The consortium delivered 71,000 MT of food during its ten-month tenure, reaching more than 900,000 people.\textsuperscript{58}

**Other Forms of U.S. Assistance**

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.\textsuperscript{59} The program, which is in its final stages, has not received any new funding for FY2010.

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.\textsuperscript{60} 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 Act of 1961, for instance, allows the President annually to provide up to $50 million per country for any purpose.\textsuperscript{61} 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.\textsuperscript{62} 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.\textsuperscript{63}

**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

\textsuperscript{58} “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.

\textsuperscript{59} “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.

\textsuperscript{60} Testimony of Richard Armitage, State Department Deputy Secretary, before the Senate Foreign Relations Committee, February 4, 2003.

\textsuperscript{61} Section 614 of the Foreign Assistance Act of 1961, P.L. 87-195.

\textsuperscript{62} Section 607 of P.L. 110-161, the FY2008 Consolidated Appropriations Act, which also bans direct aid to Cuba, Iran, and Syria.

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.\(^6^4\)

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. In 2008 alone, North Korea is estimated to have run a $1.2 billion trade gap with China. 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.\(^6^5\)

- 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

- 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. As mentioned above, Chinese bilateral food shipments reportedly were down significantly in 2008. (See Figure 4.) Data on Chinese food aid for 2009 are not yet available.

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\(^6^4\) For more, see CRS Report R41043, *China-North Korea Relations*, by Dick K. Nanto, Mark E. Manyin, and Kerry Dumbaugh.  
In October 2009, Chinese Premier Wen Jiabao made a “goodwill trip” to Pyongyang, the first by a Chinese Premier in eighteen years. During the visit, Wen offered to expand and strengthen economic cooperation and exchange, and the two sides reached a consensus to proceed with construction of a new bridge over the Yalu (Amnok) River between their two countries (estimated to cost over $150 million). In addition, Wen reportedly offered an economic cooperation package worth another $50 million. In February 2010, South Korean Unification Minister Hyun In-taek reportedly informed the South Korean National Assembly that China sent North Korea 300,000 MT of food in 2009.

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

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68 “N.Korea Took 300,000 Tons of Food Aid Last Year,” *The Chosun Ilbo*, Feb 24, 2010.
Foreign Assistance to North Korea

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. 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.69

North Korea did not request humanitarian assistance from the South until the second half of 2009. In response, South Korea in October 2009 pledged a small amount – 10,000 MT of corn – but North Korea did not accept the offer until January 2010. The delay may have been due to South Korea’s reported insistence that the aid be subject to greater monitoring. Also in January 2010, South Korea agreed to provide about $13 million in unconditional health assistance to North Korea. Despite these modest exceptions, it appears that the Lee government is linking the provision of large-scale assistance to progress in the nuclear talks.

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, Lee has offered a “Grand Bargain” to North Korea, in which South Korea would provide for a $40 billion multilateral aid fund and development strategy that would help North Korea if Pyongyang denuclearizes.

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


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