

The Politics of Foreign Aid in North Korea

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This study aims to elucidate the nature of foreign aid in failed states through a case study of the Democratic People's Republic of Korea. Based on an in-depth analysis of political economy and internal politics in North Korea, I explain why foreign assistance has failed (and was doomed to fail) to support sustainable development and significantly improve humanitarian challenges in the country. In addition, focusing on the problems caused by donors, I examine humanitarian aid to North Korea since 1995 and conclude that it has been politicized, having been largely driven by non-humanitarian, political goals—more specifically, the strategic/diplomatic purposes of donors—and thus has exacerbated the problem of aid ineffectiveness.

Key Words: foreign aid, failed state, humanitarian aid, North Korea

This study aims to elucidate the nature of foreign aid in failed states through a case study of the Democratic People's Republic of Korea (DPRK, hereafter North Korea). Based on an in-depth analysis of political economy and internal politics in North Korea, I explain why foreign assistance has failed (and was doomed to fail) to support sustainable development and significantly improve humanitarian challenges in the country. In addition, focusing on the problems caused by donors, I examine humanitarian aid to North Korea since 1995 and conclude that it has been politicized, having been largely driven by non-humanitarian, political goals—more specifically, the strategic/diplomatic purposes of donors—and thus has exacerbated the problem of aid ineffectiveness.

Various studies have attempted to find a causal relationship between economic development and foreign aid. Some highlight the positive role of aid in bringing

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development while others are more skeptical.¹ In practice, it is very difficult, first of all methodologically, to generalize and delineate the causal relationship between aid and development of a partner country as development is often the outcome of a complicated domestic and international process where aid is only one of various factors affecting development of a country.² Yet, efforts to find the causes of aid ineffectiveness continue, rising in particular after the 2005 Paris Declaration on Aid Effectiveness.³ Overtime, the international development cooperation community, led by the Development Assistance Committee (DAC) of Organization for Economic Cooperation and Development (OECD), highlighted the importance of good governance as an important precondition for aid success. More specifically, they have stressed the problem of ‘fragile’, or ‘failed state’ as a main cause of aid failure. According to OECD DAC, “a fragile [or failed] region or state has weak capacity to carry out basic governance functions, and lacks the ability to develop mutually constructive relations with society. Fragile states are also more vulnerable to internal or external shocks such as economic crises or natural disasters” (OECD 2008). Under various categorizations, North Korea certainly meets the definition of a failed state. For instance, North Korea is included as one of the twenty-five least-developed countries identified by the United Nations (UN), one of the underperformers of the Millennium Development Goals (MDGs) identified by the OECD, and the only country in East Asia with a low and falling Human Development Index, as calculated by the UN. In particular, for the 2012 Failed States Index issued by the Fund for Peace, North Korea ranked twenty-second among 178 countries, which put the DPRK in the category of “alert.”⁴

¹ For a positive view on aid see, for instance, Sachs (2005) and Burnside and Dollar (2000); for the contrasting view, refer to Easterly (2003) and Economides et al. (2008).

² In this sense, Riddell (2007) points that the international society and the academia is spending too much time and effort trying to find answers to the question of, ‘is aid effective?’; instead, according to Riddell, we have to put more efforts into trying to find ways to make aid more effective.

³ During 2005 OECD Development Assistance Committee (DAC) High-Level Forum, DAC members endorsed “Paris Declaration on Aid Effectiveness” which included the following principles: ownership, alignment, harmonization, managing for results, and mutual accountability. Also, in 2008, the Accra Agenda for Action (AAA) was drawn up to build on commitments agreed in the Paris Declaration. The AAA includes the following principles: predictability, country systems, conditionality, and untying. For further information, refer to OECD DAC (2009).

⁴ This index shows that North Korea is particularly vulnerable in the aspects of poverty, state legitimacy, public services, and human rights. The study also measured the level of state capacity with indicators including leadership, military police, judiciary system, civil service, civil society, and media. Except for military—in which North Korea rated “excellent”—the country was ranked “poor” (the weakest level) on government capacity (Fund for Peace 2012).

There are no better examples in the world than the two Koreas to clearly illustrate and prove the importance of effective policies and good governance for a country’s economic development, as well as for aid success. Much research has been published to demonstrate that South Korea’s developmental state, with a sound and talented bureaucracy, effectively intervened in the economy and played a determining role in South Korea catching up with the advanced economies.⁵ In particular, South Korea is one of very few cases where aid was used effectively for the recipient country’s sustainable development (Kim 2011). Today, South Korea has become the model of development and aid success, as it is the thirteenth-largest economy in the world and boasts an annual trade volume exceeding 1 trillion USD. North Korea, on the other hand, despite receiving a significant level of foreign assistance, has experienced a sharp and continuous economic decline since the late 1980s (see Table 1), with serious human security challenges that include widespread poverty and famine; today, it has the infamous reputation of being “the worst place to live.”⁶

Table 1. Major Economic Indicators, North Korea, Selected Years (Unit: US\$)

Year	Nominal GDP	Real GDP (as of 2005)	GDP Per Capita	GDP Growth Rate
1970	4,927,332,597	6,244,838,734	388	-
1971	5,439,775,187	6,894,301,963	416	1.4%
1974	7,319,613,878	9,276,785,637	520	3.7%
1977	8,757,067,642	11,098,596,275	592	3.7%
1980	9,878,952,400	12,520,458,764	642	4.1%
1983	12,855,131,499	13,962,285,410	795	10.4%
1986	13,653,901,719	15,224,813,423	805	10.4%
1989	15,771,363,636	15,873,249,554	811	1.2%
1992	12,457,619,048	13,491,125,101	593	6.1%
1995	4,849,295,775	12,063,029,255	222	-3.4%
1998	10,273,488,372	10,804,153,310	456	-4.5%
2001	11,021,860,465	11,940,329,021	476	-4.3%
2004	11,168,000,000	12,558,940,503	473	0.7%
2007	14,374,670,965	12,744,545,021	598	-1.2%
2010	12,278,165,834	13,117,305,796	504	2.1%

Source: North Korea Statistics (<http://kosis.kr/bukhan/>)

*Data on North Korea from this source of North Korean Statistics (<http://kosis.kr/bukhan/>) was collected by the South Korean government from various international/domestic institutions including the UN and the World Bank. Even though this dataset include many discrepancies I think it is usable to understand the general trend of the North Korean economy.

⁵ See, for instance, Evans (1995), Amsden (1989), and Wade (1990), among many others.

⁶ I borrowed this expression from a chapter title in Cha (2012).

Recognizing that there have been very few attempts to rigorously analyze the nature of foreign assistance in North Korea, especially from the perspective of international development cooperation, in this study I explain the causes of the aid failure in North Korea with a special focus on the *politics* of foreign assistance. More specifically, I explain this aid failure based on an in-depth analysis of the nature of domestic politics, namely the politics of a failed state, in North Korea. In addition, I discuss humanitarian aid to North Korea since 1995 and highlight the politicization of aid by donor countries. I suggest that such donors' aid activities largely violate the existing international principle of humanitarian aid and further exacerbate the problem of aid ineffectiveness in North Korea.

This case study on North Korea has important empirical implications in expanding our understanding of foreign assistance in failed states because most studies that deal with this topic have been limited to the African context. In addition, relatively few attempts have been made to rigorously understand the nature of foreign assistance in North Korea. Considering the empirical importance of the North Korean case in the field of international development cooperation—North Korea currently is the largest recipient of the UN World Food Programme (WFP)—a serious scholarly discussion about foreign aid to North Korea needs to be initiated. Finally, one of the main goals of this study, for which I adopt the development cooperation perspective as a theoretical lens, is one shared with most other studies of North Korea: to better understand the post-totalitarian institutional politics and functions that affect the policy choices of the North Korean regime.⁷ More specifically, my goal is to demystify the nature of the political economy of North Korea.

THE ROAD TO PERMANENT CRISIS AND FOREIGN AID IN NORTH KOREA

In 1995, the North Korean government officially asked the international society for foreign assistance to end a devastating famine, claiming that natural disasters including floods had caused a dire food crisis. Since this time, the international society has provided humanitarian aid to save the lives of thousands of North Korean. However, despite such active international efforts, North Korea still suffers from chronic food shortage, high malnutrition rates, a deteriorating social service sector (including the healthcare system, sanitation, water supply, and provision of fuel for home heating), and deep-rooted economic problems. Young children and the elderly are particularly vulnerable: for instance, the prevalence of underweight children under five years of age is close to 20% and the chronic

⁷ For a recent detailed study of North Korea's institutional politics, see McEachern (2010).

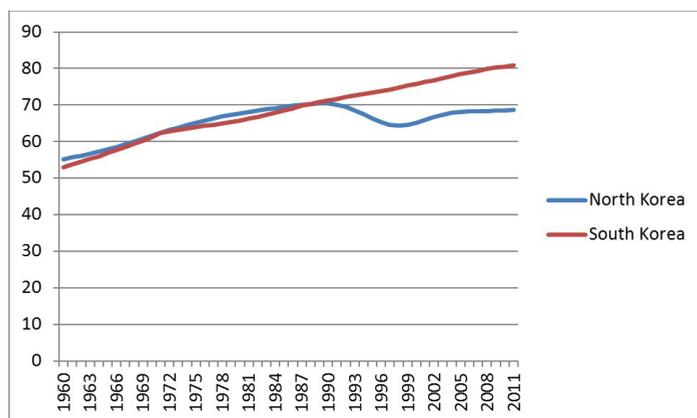
malnutrition rate is 32.4% (United Nations 2012, 17). According to the UN, about one-third of children in the country are stunted (too short for their age), with wide disparities between rural (45%) and urban (23%) populations .

Challenging the official announcement of the North Korean government, many experts have pointed to a systematic failure of the North Korean economy, which included the chronic stagnation of the planned economy and the expansion of unproductive investments, asserting that economic mismanagement (rather than natural disasters) was the fundamental cause of the great famine.⁸ In fact, North Korea's history as an aid recipient goes back to the earliest period of the country. From the mid-1940s, and particularly after the Korean War (1950–1953), North Korea received various kinds of “support” from the leading powers of the Communist world, the Soviet Union and China. China is still North Korea's most influential patron.

As shown in Table 1, in recent decades the North Korean economy has continuously suffered from low growth and low GDP per capita, recording a mere 222 USD in 1995. In fact, North Korea has recorded shockingly low growth rates since the late 1980s. From 1993 to 2001, North Korea recorded negative GDP growth rates which is exceptional even among developing economies. Furthermore, though there is limited data on human development in North Korea, it is apparent that most of the North Korean populace has experienced a sharp deterioration in standard of living, especially during the 1990s. For instance, as shown in Figure 1, North Korea has experienced a drastic fall in life expectancy since the late 1980s: The average life expectancy in North Korea rose continuously and surpassed that of South Korea prior to the late 1980s; however, since that period it has fallen from 70.5 years in 1989 to 69.5 years in 1992 and 64.4 years in 1999. Despite having risen since 2000, the life expectancy of North Korean people today is still shorter than it was in the 1980s. This further supports the argument that the fall of North Korea's economy and the human security crisis started well before the great famine in 1997–1998 and that the latter was due mainly to structural failure and fundamental bottlenecks in the North Korean political economy.

⁸ See, for instance, French (2007), Hassig and Oh (2009), and Cha (2012), among others.

Figure 1. Life Expectancy of North Korea and South Korea, 1960–2011



Source: The World Bank Database (World Development Indicators); Calculated by the author.

Assuming that one needs to take a historical approach in explaining development as well as aid failure in North Korea, in what follows I examine how foreign aid to North Korea was used until about the 1990s.⁹ As mentioned, North Korea experienced a sharp and continuous fall in economic as well as development indicators especially following the 1980s, suggesting that aid to North Korea generally failed to bring about sustainable development and economic reform in the country.¹⁰ The government failed to use foreign aid effectively to build a sound economic base for sustainable development; instead, the aid was mainly used to maintain and continue ineffective economic policies whose main purpose was to consolidate the dictatorial rule of the Kim regime¹¹ rather than to improve the living standard of the general public. In other words, foreign aid failed to bring about sustainable economic development because it was mainly used to support ill-fated economic policies, including excessive investment in heavy industry and the military sector.

In fact, North Korea's economic policy and strategy has been far from dynamic. Following the Stalinist model of industrialization, North Korea fervently

⁹ Instead of focusing only on the post-1995 period, this study adopts a historical approach in analyzing the political economy of North Korea. By doing so, this study aims to highlight structural liability of North Korean political economy as a main cause of aid failure prior to and after 1995.

¹⁰ Recognizing that aid played a role in industrial development and infrastructure building of the country at least up until the 1980s, I emphasize that unlike in South Korea, aid in North Korea failed to bring about sustainable development of the country, meaning that it produced the problem of aid dependency rather than leading to sustainable and continuous self-development.

¹¹ By 'regime' I mean a "system of rule," or, "a political system," following Heywood (1997, 412).

supported rapid industrialization guided by principles that emphasized heavy industry, prioritization of the military sector, and the attainment of a self-sufficient economy. Although from time to time the government highlighted the importance of the development of other sectors such as light industry, the agricultural sector, and technological development, there was very little reform of North Korea’s economic policy from its first Five-Year Economic Development Plan in 1957 until 1993, when North Korea at last officially admitted the failure of its economic development strategy. Given insufficient financial resources, these “other sectors” had been largely neglected, leading to the permanent economic crisis and eventually to what the North Korean government coined as the “arduous march” period of 1996–2000. It is beyond the scope of this study to discuss detailed trajectories of the economic downfall of North Korea; here, I limit the analysis to describing how foreign aid played a role in this progression toward permanent economic crisis in North Korea prior to the historic famine in the mid-1990s.

Table 2. Foreign aid to North Korea 1945–1990 (Unit: million USD)

Period	Soviet Union	China	Other Socialist Countries	OECD Countries	Total
1945–49	53.0	-	-	-	53.0
1953–60 (Grants)	609.0 (325.0)	459.6 (287.1)	364.9 (364.9)	- -	1,883.5 (977.0)
1961–70	558.3	157.4	159.0	9	883.7
1971–80	682.1	300.0	-	1,292.2	2,274.1
1981–90	508.4	500.0	-	-	1,008.4
Total	2,409.8	1,417.0	523.9	1,301.0	6,102.7

Source: Korea Development Institute (1996, 161).

As shown in Table 2, the Soviet Union began to provide aid to North Korea in 1945 after the Japanese defeat in World War II, mainly to stabilize the region. The North Korean regime used the Soviet aid to implement various stabilization projects, including land reform, rehabilitation of the industrial facilities destroyed by the Japanese, and development of the agricultural sector. However, it was not until the armistice of the two Koreas after the Korean War in 1953 that the Soviet Union, China, and other socialist countries (including East Germany and Czechoslovakia) began to actively provide foreign aid to North Korea. As indicated in Table 2, a significant portion of these aid funds was delivered in grant form. During the post-Korean War era, North Korea depended heavily on foreign aid. For instance, in 1954 33.6% of North Korean government income was financed via aid, and between 1954 and 1956 foreign aid from socialist countries

accounted for more than 80% of North Korea's total imports (Shin 2000). In particular, a large proportion of these aid funds were invested in the construction of the industrial sector, and of the total industrial investment, 81% was invested in the heavy industrial sector (Shin 2000).

In general, foreign aid in this early period was successfully and effectively used in rebuilding the country from the devastation of war, and aid played a role in establishing basic infrastructure for further industrialization of the country. That said, even in this early period, foreign aid in North Korea was largely used to support and strengthen the political legitimacy of Kim Il-sung's regime and had limited direct impact on the improvement of the livelihood of the general public. Indeed, according to Yang (2001), Kim Il-sung's strategy of heavy industrialization met with strong political opposition at the time and the active implementation of this strategy would have been impossible without foreign aid. In this sense, aid played a role in consolidating the political power of Kim Il-sung. Unlike in South Korea where aid funding (mainly from the United States) in the aftermath of the Korean War was mainly used for humanitarian purposes (to provide basic needs for the general public) (Kim 2011), in North Korea the primary goal of foreign aid was to support Kim Il-sung's policies, namely the facilitation of heavy industrialization and rapid military build-up.

Beginning in the 1960s, the pattern of foreign aid to North Korea changed in several important ways. Most of all, aid from the Socialist bloc declined sharply. Furthermore, as seen in Table 2, the primary type of aid changed from grants to loans (meaning that now North Korea had to repay the aid funding through a loan package that featured favorable conditions for North Korea, with low interest rates).¹² The sharp reduction in aid led the Kim Il-sung regime to accelerate its efforts to realize a self-sufficient economy. Beginning in 1957, the government pressed for full mobilization of domestic resources—i.e., people's income!—for increased production and fast growth. At the time, these early government-led industrialization drives seemed to be working: North Korea recorded an average industrial growth rate of 22% in 1959. In that same year, the government announced the early completion of the First Five-Year Economic Development Plan (that began in 1957), which had originally been slated for completion in 1961. Soon, however, signs of an economic bottleneck began to emerge. The economic strategy, which relied heavily on the "people" for the mobilization of investment resources and on the disproportionate investment in heavy industry, encountered problems such as a shortage of funds and labor, high military expenditures, increased imports, and deterioration of the agricultural and energy sectors.

¹² Domestic economic troubles were the main cause of the sharp reduction in aid from the socialist bloc. Since that time, North Korea has borrowed heavily from socialist donors (mostly the Soviet Union and China), but by the mid-1970s it became obvious that North Korea was unable (and unwilling) to pay back the loans. Nevertheless, throughout the Cold War era, the Soviet Union and China continued to send aid to North Korea.

In fact, implicitly recognizing the limitations of its heavy industrialization strategy, the North Korean government started to highlight the importance of “other” goals beginning with its First Seven-Year Economic Development Plan (1961–1967). These other goals included balanced development (namely development of the light industry and agricultural sectors), technological innovation, cultural revolution, improvement of the general living standard of the North Korean people, modernization of the economy, and the facilitation of trade and international economic cooperation (Shin 2000). However, under the prevailing conditions of limited investment resources, all these goals remained largely on paper, with little real progress on efforts to implement reform measures. For instance, despite the official announcement of an emphasis on a more balanced economic structure, throughout the 1960s more than 60% of North Korea’s total investment went into the heavy industrial sector (Shin 2000). As shown in Table 3, heavy industry has always been the most important and the largest sector for North Korea. More importantly, the emphasis on heavy industry continued to limit progress in reform.

Table 3. Industrial Structure of North Korea, 1970–1990 (Unit: %)

	1970	1975	1980	1987	1990
Agriculture & Fishery	21.5	21.8	-	20.0	26.8
Mining & Industry	57.3	63.0		60.0	56.0
Heavy industry	(62.0)	(63.7)	(63.9)	(74.1)	(73.3)
Light industry	(38.0)	(36.3)	(36.1)	(25.9)	(26.7)
Other services	21.2	15.2		20.0	17.2

Source: Institute for National Unification, *Economic Indicators of Two Koreas*, 1995, 131 (Reprinted from M. C. Lee [2005, 57]).

Again in 1971, North Korea made a new economic development plan with no new fundamental changes in its economic development policy. This time, however, North Korea achieved an impressive level of growth (at least in the early part of the 1970s) owing largely to successful acquisition of investment funds, mainly through foreign assistance (i.e., public loans). There was a significant increase in foreign aid to North Korea in the 1970s, attributable mainly to loans from the advanced capitalist economies of the OECD. As seen in Table 2, the total amount of aid from the OECD countries (1,292.2 million USD) during the 1970s exceeded that from the Soviet Union (682.1 million USD) and China (300.0 million USD). Between 1970 and 1975, from these OECD countries North Korea received loans with interest rates of 6 to 7% and repayment periods of four to five years. In addition, during this period North Korea also attempted to obtain

advanced technology and facilities from the Western economies through active economic cooperation with OECD countries. However, North Korea's active international economic cooperation did not last long, as by 1975 the country had fallen into a debt crisis.

In retrospect, this was a period in which North Korea actively pursued an outward-oriented policy for the first time in its history, only to drag the country further down and into a permanent economic crisis. According to a U.S. Central Intelligence Agency (CIA) report, North Korea's international debt in 1976 amounted to about 24 billion USD, 14 billion of this from the advanced capitalist economies (Lee 2005). Why did aid loans from the Western economies fail to bring about significant economic development in North Korea at that time? Besides the general and fundamental obstacles of failures in governance and politics (which will be further addressed in the following section), North Korea suffered from chronic balance-of-payments problems. Disproportionate investment in heavy industry and excessive military expenditure levels have been the main causes of North Korea's financial troubles, and these financial problems worsened with unfavorable international market factors and developed into a debt crisis in 1975. Above all, with the international oil shocks of the 1970s, the price of import items, including raw materials, increased sharply, while the prices of North Korea's major export goods, including steel and nonferrous metal, fell drastically. For instance, in the years 1972, 1973, and 1974, North Korea recorded trade balances of -241, -345, and -626 million USD, respectively (Shin 2000). To achieve the goals of its industrialization drive, North Korea had little choice but continue to import capital goods, raw materials, and technology, and a large segment of the foreign aid received in this period was spent for that purpose. North Korea had (and continues to have) limited international competitiveness as an exporter: relying on a few semi-finished goods and raw materials based on steel and nonferrous metal and with only a poor manufacturing sector, North Korea historically has received only modest marks as an exporter. Indeed, export has not been North Korea's central economic strategy, since that does not fit well with its national goal of building a self-sufficient economy.

Amid evident signs of deep economic troubles, in 1977 and 1987 North Korea announced the Second (1978-1984) and the Third (1987-1993) Seven-Year Economic Development Plans, respectively. However, neither plan stopped or slowed the fall of the North Korean economy. As it became evident that North Korea could not pay back its international loans, in 1976 Western donors halted aid to the country. On the other hand, the Soviet Union and China continued to give aid to North Korea throughout the 1970s and the 1980s, helping to prevent the total collapse of the North Korean economy. For the Soviet Union, the maintenance of stability in North Korea was deemed vital to constrain the expansion of the American influence in the region. In addition, North Korea took

advantage of the Sino-Soviet rivalry and was able to secure a significant level of assistance from both countries, as neither the Chinese nor Soviet leaderships wanted the other to gain sole influence over North Korea.

Despite continuing support and aid from the Soviet Union and China, by the early 1990s, the level of North Korea's economic stagnation was so deep that, for the first time in its history, North Korea's leaders admitted the failure of its economic plan:

As numerous socialist countries and socialist economies fell, there were confusions in the short- and long-term trade agreements between us [North Korea] and these [former socialist] countries, resulting in slowdown or abrupt ending of trade. This has had a negative impact on our efforts to build a strong economy, making it inevitable to coordinate the speed and level of our economic development plans. In addition, these deteriorating external factors led to *the failure of the Third Seven-Year Economic Development Plan* (Lee 2005).

As described in the above passage, the fall of the Soviet Union and other socialist countries were the main excuses the North Korean government adopted to explain the fall of its economy after the late 1980s. Since the Soviet Union was the largest donor to and trading partner of North Korea throughout the Cold War era, its collapse indeed had a detrimental impact on North Korea's economy. However, domestic policy failure and general mismanagement of the economy were far more fundamental causes. The North Korean government failed to implement reform measures or to transform its inefficient economic structure, both imperative in order for the country to overcome and prevent various development challenges, including famine. More importantly, the North Korean case further highlights the point that without strong political will and commitment to improving the living standards of the general public, the role of aid in bringing sustainable development to recipient countries is highly likely to be very limited; instead, foreign aid to a political system in which the state-society relationship is fragmented often plays a role in consolidating the political power of the existing regime—in this case, the Kim family—by supporting various government projects whose goals lie mainly in strengthening the regime rather than enhancing the living environment of the populace. The following section further elaborates this point by focusing on the nature of North Korean domestic politics and its influence on aid (in)effectiveness.

DOMESTIC POLITICS AND AID FAILURE IN NORTH KOREA

In this section, I aim to present theoretical explanations for aid failure in North Korea based on an understanding of the nature of North Korean domestic politics

and of state-society relations in particular.¹³ As discussed in the previous section, the absence of effective economic policy and, more importantly, a failure to successfully implement reform measures were the central causes of the economic crisis in North Korea. In fact, the problem of policy failure in recipient countries has been well recognized as the main cause of aid failure, and donors have increasingly highlighted the importance of adopting “good policies” as a critical precondition for aid success. For instance, according to Burnside and Dollar (2000), aid works or effectively contributes to economic growth of the recipient countries only when there are good fiscal and monetary policies, namely free-market economic policies. Following just such a policy-centered perspective, the World Bank adopted the Country Policy and Institutional Assessment (CPIA) to assess the level of governance of recipient countries, and the CPIA score has become one of the main criteria of the World Bank in selecting recipient countries and deciding the level and amount of aid funds.¹⁴

However, such emphases on good policies by the donor community have often left more fundamental problems largely unanswered, namely the problem of failed politics in many developing countries. This is problematic, as bad policies are generally the outcome of ineffective or dysfunctional politics. Indeed, these studies “have focused their tools on the question of what governments should do, with relatively less attention given to the economics and politics of how to accomplish the ‘what’” (Pritchett and Woolcock 2008, 149). More specifically, for such a policy-centered perspective, “the interactions of citizens, the state, and providers were simply overlooked” (Pritchett and Woolcock 2008, 149). In other words, studies have tended to ignore the important questions of why many developing countries adopt such ineffective economic policies and to what extent political institutions (including the characteristics of state and politics) play a role in producing such bad policies. Indeed, most donors’ efforts to implement good policies have been largely ineffective, as they have tried to reform and impose these policies without seriously taking into account the nature of politics of the relevant developing countries.¹⁵

Highlighting the importance of politics in understanding development, Leftwich (2000, 5) writes as follows:

The processes of development in human societies always involve the organization,

¹³ I admit that the best way to tackle this question is to analyze North Korea’s aid management system. However as it is almost impossible to obtain credible data on how aid fund was actually controlled and managed by North Korean government, here I provide theoretical explanations instead.

¹⁴ The CPIA consists of 20 characteristics that cover macroeconomic and developmental policy, economic and public sector management, and institutional capacity and competence.

¹⁵ For instance, for van de Walle (2001), such donor-imposed structural adjustment reforms in Africa have mostly failed because there was an absence of domestic political consensus regarding the free-market reform and, furthermore, because these reforms were against the political interests of the ruling class.

mobilization, combination, use and distribution of resources in new ways.... [Thus,] there will inevitably be disputes amongst individuals and groups about how such resources are to be used as they calculate who will win and lose as a result of different configurations. It will be clear from this why all “development” is therefore inescapably political....

Leftwich (2005, *italics added*) further proposes that foreign aid should also be understood as a political process, since aid packages often inevitably involve profound changes in the use, production, and distribution of resources; in other words, the *politics* of recipient countries. Following this political approach in understanding development and foreign aid, in what follows, I explain the aid failure in North Korea by focusing mainly on the nature of domestic politics.

Figure 2. Foreign Aid and Fragmentation of State-Society in North Korea: The Model

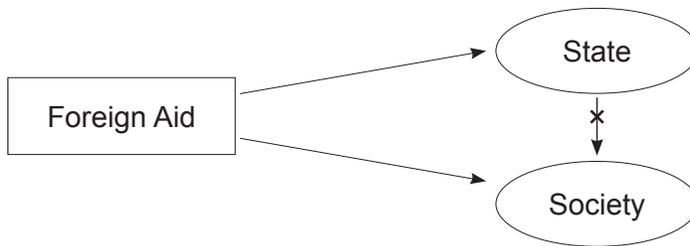


Figure 2 illustrates the structural bottleneck in the effective usage of foreign aid in North Korea for sustainable development or enhancement of the living situation of the general public. In order for aid to work effectively to contribute to achieving the sustainable development of the recipient country, the role of the government is critical. For instance, in South Korea, foreign aid was used effectively to support national development, and, as I argue elsewhere, the effective state sector, whose nature was developmental, was a critical factor explaining aid success in South Korea (Kim 2011). In other words, in South Korea, as in North Korea, foreign aid was managed centrally by the government; yet while the South Korean government used aid mainly to achieve national development (by meeting humanitarian needs and supporting various national economic development plans), in North Korea, foreign aid, along with other foreign resources, was used mainly to support various state projects designed to support and maintain the rule of the Kim family rather than for development per se.

Figure 2 also illustrates the failure of aid to flow into North Korean society. First, direct contacts with North Korean people by donors have been highly

restricted. It was not until the mid-1990s that the North Korean government allowed donor agencies to station representatives in the country; prior to this period, aid was mainly channeled bilaterally and was centrally managed by the North Korean government, with limited donor intervention. Moreover, since North Korea's official request for international help in 1995, there have been conflicts between donors and the North Korean government over the issue of field access. Supporting the principle of "no access, no aid," UN agencies and other international development organizations have requested from the North Korean government full access to project sites. However, the government has been far from cooperative with such requests, and negotiating access for donors in North Korea remains "a long and a difficult process" (United Nations 2012, 6). In particular, North Korea's government allows limited access to those areas where the scale of humanitarian crises is most severe—i.e., the northeastern provinces and Jagang province, with no access allowed to the latter. The lack of accessibility has highly constrained direct contacts with the North Korean people by donors and eventually led a number of international aid non-governmental organizations (NGOs) to leave the country. As a result, donors face great difficulty evaluating and monitoring aid projects in North Korea. It is also believed that a significant portion of the humanitarian aid fails to reach those people in need and is diverted instead to the military and the market (Haggard and Noland 2007).

More importantly, under the North Korean political system, in which the state is largely separated from the society and fails to serve and represent society's interests (or development), foreign aid, along with other resources, fails to serve sustainable development of North Korean society. The nature of domestic politics, more specifically the fragmented state-society relations, has caused development failure as well as aid failure in North Korea. Divided/dysfunctional state-society relations with failed/gatekeeper state structure is the main characteristic of North Korean politics. Such politics can be described as *failed politics* because political leaders have failed to represent and work for the general will and well-being of the people. Under such a political system and structure, foreign aid will inevitably fail to overcome the humanitarian crisis or improve the human condition in North Korea. Further discussions on the nature of the North Korean political system seem necessary for a better understanding of the relationship between aid and slow development in North Korea.

Like other (mostly former) socialist countries, North Korea's political economic structure is largely based on a socialist system whose main characteristics include a party-state system, a centrally managed economy, a power structure based on social class, and socialist paternalism (Lee 2005). However, North Korea is unique in that, unlike other socialist countries, it has been quite successful in building a "monolithic system," known as the *Suryong* system. In particular, the *Juche* idea was put forth to support and consolidate the *Suryong* system. Since

1955, and more overtly since the mid-1970s, Juche ideology has been developed as an indigenous revolutionary doctrine based on Marxism-Leninism, Maoism, Confucianism, and traditional Korean social systems.¹⁶ Starting as a human-oriented philosophy, over time Juche ideology evolved into a Suryong-oriented philosophy and eventually became a crucial part of Kim-Il-sungism (and Kim Il-sung's family regime) (Park 2009). According to Juche ideology, "the priority was on man making his own history by showing complete loyalty to the leader so that Korea could be non-subservient to outside powers and could progress to the final stage of human development, which was defined as unification of the peninsula under Kim Il-sung" (Cha 2012, 38). In other words, a logic that following the guidance of the leader (the Suryong, or Kim Il-sung) is the only way to carry out the duty of subjects was soon developed as a key element of Juche ideology. In North Korea, the political ideology of Juche, rather than other values such as economic efficiency or well-being of the people, has always been the most important guiding principle of the regime and the source of political legitimacy. For instance, North Korea's emphases on a self-sufficient economy (and a high level of skepticism toward international trade) and on heavy industry (and the military sector) were based largely on the national ideology of Juche, whose core components included international independence (*Jaju*), development of an independent economy or self-sustainability (*Jalip*), and self-defense (*Jawee*).

In 1986, the theory of the sociopolitical organism—which states that the Suryong, the party, and the masses are one organic "body," with the Suryong acting as the "brain"—was developed and added to the Juche idea, establishing the ideological basis for the construction of an organic system, in which the whole nation act as one body in accordance with the Suryong's order and direction (Park 2009). According to this theory, in North Korea the power of the Suryong exists beyond political organizations and even the country's constitutional law. Indeed, the North Korean regime has relied heavily on the mechanism of idolization (even deification) of the Kim family to gain political legitimacy. The idolization of the Kim family begins very early in one's childhood through education. Most North Korean people do not question the legitimacy of rule by the Kim family, even though they might have deep animosity against the North Korean government and low-level government officials. In this sense, "the regime's unifying principle is not nationalism . . . but loyalty to the Kim family" (Hassig and Oh 2009, 1). Under such a system, "economic efficiency has been subordinated to political goals, and the prestige of the Suryong has been given the highest priority over everything else in North Korea," contributing to the country's permanent

¹⁶ Juche or "self-reliance" has the following ideological context: (1) man is the master of his fate; (2) the master of the Revolution is the people; (3) the Revolution must be pursued in a self-reliant manner; and (4) the key to Revolution is loyalty to the supreme leader, or Suryong (French 2007, 31).

economic stagnation (Park 2009, 542). For instance, despite economic troubles, the North Korean regime spent a large portion of the government budget—and evidently foreign aid—constructing the Tower of the Juche Idea, Arch of Triumph, and the Kim Il-sung Stadium in Pyongyang.

In light of this, how could one characterize the nature of the North Korean state? First of all, the state is largely separated from society in the sense that it fails to represent the interests of the general will or public good; rather, under the Suryong political system, the state sector largely serves the interests of the leader himself and the ruling class. Thus ineffective policies have been produced, implemented, and maintained in accordance with the political interests of the ruling elites and the Kim family. Indeed, various attempts have been made to characterize the nature of North Korean state as a “totalitarian state,” “rogue state,” “impossible state,” “criminal state,” “slave state,” and “predatory state.” These categorizations can be useful in explaining various aspects of North Korean politics and economy. In more recent years and particularly within the field of international development cooperation, the concept of “failed state” has been frequently used to highlight the limited governance capacity and political will of the North Korean state in providing public goods and serving the interests of the general public, especially after the Kim Jong-il regime came to power. State failure in North Korea became more evident by the early 1990s as the domestic Public Distribution System (PDS) began to crumble. During the period of the “arduous march” even Pyongyang citizens experienced shortages in food and necessities, and by the early 2000s most of the North Korean people did not rely on the PDS; rather, markets began to replace the PDS for the provision of food and basic goods.

In addition, in terms of its relationship with foreign resources (including aid) and local society, the North Korean state shares some similarities with “gatekeeper states” in Africa. As described by Kalu and Kim (2009, 34–35), “gatekeeper states extract revenue from import licenses and fees, loans and foreign aid that did not need engagement with the people and, therefore, no need to offer concessions as a platform for nation-building . . . [exists, and gatekeeper states] negotiate between foreign governments and agencies without input from the people either as political interest groups or economic entrepreneurs.” Similarly, the North Korean state obtains and exploits foreign revenues and Official Development Assistance (ODA), largely excluding the participation of the general citizenry.

Indeed, North Korean society is a highly unequal, stratified society, because early on the government introduced a refined social classification system to control the people—called the “*songbun*” system. The system is inherently unjust, as one’s family background is the most important factor determining one’s social position. It is also highly inflexible, as it is very rare for the underprivileged to move upward in the social hierarchy. The North Korean government allocates

resources (including food and housing) according to one's position within the social classification system. As in many other developing countries, the regional inequality is high in North Korea, with widespread poverty in the northeastern provinces.¹⁷ What distinguishes North Korea from most other developing countries is that in the case of North Korea, the largest difference lies between Pyongyang and non-Pyongyang citizens. Even when the whole country suffered from economic stagnation, citizens of Pyongyang enjoyed rich cultural activities, sufficient provision of fuel and energy, and advanced levels of education and medical care. Only the privileged are allowed to reside in Pyongyang. By adopting such a strategy of divide and rule (and of course suppression), the Kim regime has successfully ensured unwavering loyalty from a select group of people and has been able to prevent the development of a unified social force against the government. Under such a suppressive state sector and divided society, political elites (most of whom are undoubtedly from the favored class) have limited incentive for and little interest in serving the interests of the entire society; instead, their interests lie mainly in keeping Kim happy and maximizing the interests of their own social class. Thus, despite the theory of the sociopolitical organism, North Korean society is far from unified under the Suryong system.

Against this backdrop, we may advance the proposition (admittedly, largely theoretical) that foreign aid in North Korea has faced political-structural obstacles, namely failed/gatekeeper state and failed politics, resulting in limited impact of aid on the enhancement of development of North Korean society. In other words, under a political system in which the state is largely separated from society and fails to serve the interests of the people, foreign aid (along with other resources) is very likely to fail to support development of the local society. Thus in North Korea aid has been mainly used to support ill-fated economic policies and reinforce the rule of the Kim family. Moreover, major donors (including the United States, South Korea, and Japan) politicized humanitarian aid to North Korea after the mid-1990s and used aid as a diplomatic tool to pressure the North Korean government, especially in regard to the nuclear issue. Hence, the notion that politicization of humanitarian aid by donors has further exacerbated the problem of aid ineffectiveness in North Korea shall be discussed in the next section.

¹⁷ According to Smith (2009), the provincial differences in North Korea resulted mainly from factors such as proximity to foreigners (and consequently to hard currency and non-state-sanctioned opportunities to buy and sell food) and the degree of state control and non-state-sanctioned trading opportunities, rather than from differential levels of agricultural productivity.

POLITICIZATION OF HUMANITARIAN ASSISTANCE BY DONORS

In this section, I examine the international humanitarian assistance to North Korea since 1995 and propose that humanitarian assistance to the country has been highly affected by the political interests of donors, resulting in various problems, including a high level of volatility, lack of harmonization, and a sharp reduction in the aid amount since the mid-2000s.

In general, humanitarian aid refers to “aid and action designed to save lives, alleviate suffering and maintain and protect human dignity during and in the aftermath of emergencies” (Global Humanitarian Assistance website), and it is distinguishable from other forms of foreign assistance and development aid in that it is intended to be short-term and governed by the principles of humanity, impartiality, and neutrality. Humanitarian assistance includes material relief assistance and services, emergency food aid, relief coordination, and protection and support services. The idea of humanity highlights the moral responsibility of the international society to support and make efforts to preserve human dignity; the principle of impartiality emphasizes that there should be no discrimination based on nationality, ethnicity, religion, class, or political backgrounds in providing humanitarian assistance; and the principle of neutrality highlights the importance of political neutrality or independence in responding to humanitarian crises and carrying out humanitarian assistance actions (Moon 2012). Based on this general notion of humanitarian assistance, I question the genuineness of the humanitarian nature of humanitarian aid to North Korea.

In the case of North Korea, humanitarian assistance has been continuously provided for over fifteen years (despite a high level of fluctuations). This is certainly exceptional, because by definition humanitarian aid is a short-term relief measure. In fact, the North Korean government has insisted on transforming the nature of aid from humanitarian to development assistance. However, donors (mainly the United States, South Korea, and Japan) have refused to accept this request, questioning the political will and the intentions of the North Korean regime. Donors have maintained that it is highly unlikely that the regime will accept and implement the necessary institutional and policy reforms that are critical preconditions for receiving development assistance (Park 2011).

I argue that the political and strategic interests and concerns of donors have taken precedence over the “humanitarian” needs of the North Korean people in determining foreign aid to North Korea. As shown in Table 4, up until the early 2000s, international society had extended a high level of humanitarian aid to North Korea; but the sympathetic atmosphere changed drastically in the early 2000s as the North Korean nuclear issue reemerged and threatened regional and international peace and security. A sharp and rather abrupt reduction in the amount of humanitarian assistance to North Korea after 2001 becomes more

evident if one excludes aid from South Korea (see “international society” column in Table 4). For instance, the humanitarian aid from the international society (excluding South Korea) to North Korea experienced a high level of volatility and was sharply reduced from 365.31 million USD in 2001 to a mere 24.81 million USD in 2006.

Table 4. Humanitarian Assistance to North Korea, 1995–2011 (Unit: ten thousand USD)

Year	South Korea		International Society	Total	South Korean Government/ Total	South Korea/ Total
	Government	NGO				
1995	23,220	25	5,565	28,810	80.6%	80.7%
1996	305	155	9,765	10,225	3.0%	4.5%
1997	2,667	2,056	26,350	31,073	8.6%	15.2%
1998	1,100	2,085	30,199	33,384	3.3%	9.5%
1999	2,825	1,863	35,988	40,676	6.9%	11.5%
2000	16,975	3,238	18,177	38,390	44.2%	52.7%
2001	7,522	6,017	36,531	50,070	15.0%	27.0%
2002	19,515	4,577	27,388	51,480	37.9%	46.8%
2003	19,997	6,386	15,680	42,063	47.5%	62.7%
2004	23,340	13,250	18,426	55,016	42.4%	66.5%
2005	28,588	7,666	12,064	48,318	59.2%	75.0%
2006	22,967	7,088	2,481	32,536	70.6%	92.4%
2007	37,936	9,698	n.a.	n.a.	n.a.	n.a.
2008	3,977	6,459	n.a.	n.a.	n.a.	n.a.
2009	2,420	2,858	n.a.	n.a.	n.a.	n.a.
2010	1,780	1,748	n.a.	n.a.	n.a.	n.a.
2011	565	1,173	n.a.	n.a.	n.a.	n.a.

Source: Korea International Trade Association (1995–2007).

*The (South) Korea International Trade Association (KITA) statistical database (www.kita.net), a government organization, has collected the relevant data from various international organizations and foreign governments. However, this dataset does not include aid from China as the Chinese government does not provide any official data on foreign assistance. Data for humanitarian assistance from the international society was not available since after 2006. Food assistance by South Korean government (up till 2008) was included in the South Korean government figure.

A brief examination of the U.S. and South Korean humanitarian assistance to North Korea further helps to underline the politicization of such assistance. Table 5 traces U.S. aid to North Korea between 1995 and 2011. As shown, the amount of total U.S. aid to North Korea after 1995 exceeded 13 billion USD; food aid and energy assistance accounted for approximately 60% and 40%, respectively, of

the total U.S. aid to the country. The statistics reveal that U.S. aid to North Korea in general and food aid (the most important part of the U.S. humanitarian aid package to North Korea) in particular have both been highly volatile. U.S. aid experienced a sharp reduction during the mid-2000s and was nearly eliminated by 2006 before it resumed in 2008. U.S. food aid to North Korea reached its record high in 1999 at 222.10 million USD, then was drastically reduced to 5.70 million USD in 2005 and basically ended in 2006. In 2008, the U.S. resumed supplying food aid to North Korea along with other types of assistance, including fuel oil (as assistance related to the Six-Party Talks).

Table 5. U.S. Assistance to North Korea, 1995–2011

Fiscal Year (FY)	Food aid (per FY)		KEDO Assistance	6-Party Related Assistance (per FY: \$ million)		Medical Supplies & Other (per FY: \$ million)	Total (\$ million)
	Metric tons	Commodity Value (\$ million)	(per calendar yr: \$ million)	Fuel Oil	Nuclear Disablement		
1995	0	0.00	9.50	-	-	0.20	9.70
1996	19,500	8.30	22.00	-	-	0.00	30.30
1997	177,000	52.40	25.00	-	-	5.00	82.40
1998	200,000	72.90	50.00	-	-	0.00	122.90
1999	695,194	222.10	65.10	-	-	0.00	287.20
2000	265,000	74.30	64.40	-	-	0.00	138.70
2001	350,000	58.07	74.90	-	-	0.00	132.97
2002	207,000	50.40	90.50	-	-	0.00	140.90
2003	40,200	25.48	2.30	-	-	0.00	27.78
2004	110,000	36.30	0.00	-	-	0.10	36.40
2005	25,000	5.70	-	-	-	-	5.70
2006	0	0.00	-	-	-	0.00	0.00
2007	0	0.00	-	25.00	20.00	0.10	45.10
2008	148,270	93.70	-	106.00	25.00	0.00	224.70
2009	21,000	5.60	-	15.00	-	4.00	24.60
2010	-	2.90	-	-	-	0.60	3.50
2011	-	-	-	-	-	0.90	0.90
Total	2,258,164	708.15	403.70	146.00	45.00	10.90	1,313.75

Source: Compiled by Congressional Research Service (CRS) from USAID; US Department of Agriculture; State Department; KEDO (Korean Peninsula Energy Development Organization); Extracted from Manyin and Nikitin (2012, 3).

The most critical factor explaining the pattern of the U.S. aid to North Korea is of course the North Korean nuclear issue. Officially, the United States (like most other donors) maintains that it will not use humanitarian aid for the purpose of advancing political/strategic goals. However, the humanitarian aid (food aid) to North Korea, along with other types of assistance, has been highly affected by political/strategic factors, mainly by the problem of North Korea's nuclear programs. For instance, it is widely known that the Bill Clinton administration used food aid to enhance North Korea's participation in various security-related international negotiations. Criticizing the Clinton administration's soft approach and policy toward North Korea, the George W. Bush government, after coming to power in 2001, further tightened the conditions for providing humanitarian aid to North Korea.¹⁸

The critical incident that eventually led the United States and other donors to take a hardline policy and virtually end the humanitarian aid to North Korea took place in October 2002, when the U.S. dispatched Assistance Secretary of State James Kelly as a special envoy to North Korea and, during his visit to North Korea, raised suspicions regarding North Korea's attempts to secretly build nuclear weapons. The North Korean government at first made a strong protest against this accusation; but eventually, faced with clear and irrefutable evidence from the United States, North Korea finally admitted that it had begun a clandestine uranium enrichment program. Immediately after North Korea's acknowledgement, the United States criticized North Korea for violating a 1994 bilateral agreement¹⁹ and halted oil supplies to North Korea; Japan and South Korea followed suit. This was followed by a sharp reduction in U.S. food aid to North Korea (see Table 5). It was not until 2007 that the United States resumed providing energy aid to North Korea as a part of a six-party arrangement, and again the renewal of assistance was followed by the reestablishment of U.S. food aid.²⁰ In fact, the resumption of the U.S. energy aid to North Korea in 2007 was due largely to some significant progress in the Six-Party Talks (that is, North Korea agreed to freeze activity at its plutonium facility). However, the peaceful

¹⁸ The Bush administration highlighted a set of questions to consider before the provision of food aid to North Korea, and these were: How serious is the problem of food shortage in North Korea? Should the U.S. give food aid to North Korea? Does the North Korean government allow international donors to access and monitor the aid delivery process? (Congressional Research Service [CRS] 2010). These questions seem to be at odds with the international principle of humanitarian assistance mentioned above.

¹⁹ In the 1994 Geneva Agreed Framework agreement signed by North Korea and the United States, North Korea promised to freeze its nuclear program in exchange for assistance in building civilian nuclear reactors.

²⁰ In January 2003, North Korea withdrew from the Nuclear Nonproliferation Treaty. Under the leadership of the U.S., the Six-Party Talks (which include South Korea, North Korea, the United States, Russia, China, and Japan) were created in August 2003 to find a peaceful solution for the problem of North Korea's nuclear weapons program.

moed waned, as in 2009 North Korea unilaterally announced its withdrawal from the Six-Party Talks. Moreover, despite strong international protests, in April 2009 North Korea proceeded with a long-range missile test, and the following month carried out a second nuclear test (the first test was conducted in October 2006). Today, with no signs of North Korea giving up its nuclear ambitions—as conveyed by the carrying out of its third nuclear test in March 2013—the United States has practically ended all types of aid, including humanitarian aid, to North Korea.

Likewise, South Korea's humanitarian aid to North Korea has been highly affected by the domestic politics and strategic goals of the South Korean government. From 1998 to 2006, South Korea maintained a significant level of humanitarian aid to North Korea (see Table 4) under the Sunshine Policy.²¹ This largely explains the diverging pattern of South Korea's foreign aid to North Korea in the mid-2000s compared to other donors. While international society reduced humanitarian assistance to North Korea during this period, South Korea maintained a significant level. However, even in the era of the Sunshine Policy, humanitarian aid to North Korea was often disrupted whenever political/military tension was created between the two Koreas. For instance, on June 15, 1999, a battle between the navies of the two Koreas erupted in the West Sea border, and the South Korean government ordered a transport ship that was en route to deliver pesticides to North Korea to return immediately. In addition, the South Korean government used humanitarian assistance to support its Sunshine Policy, not the other way around. For instance, to accomplish the historic summit meeting between the two Koreas in June 2000, South Korea offered and provided a huge amount of humanitarian aid to North Korea. However, this "generosity" basically came to an end with the ascendance of the Lee Myung-bak government in 2008. Criticizing the former governments' engagement policies, the Lee government highlighted the principle of reciprocity in providing assistance to North Korea, making it clear that without cooperation from Pyongyang regarding key security issues (especially the nuclear problem), Seoul would not provide large-scale assistance (including humanitarian assistance) to North Korea. During the Lee administration, the size of humanitarian assistance to North Korea was reduced sharply and became almost negligible after the ROKS *Cheonan* incident of March 2010.²²

²¹ Criticizing the existing hardline, pro-American policy toward North Korea, the Kim Dae-jung administration adopted the Sunshine Policy, which refers broadly to more cooperative policies and a warmer attitude toward North Korea. In addition, the surplus rice stock in South Korea was another critical factor explaining the rise of food aid during this period—a fact which I am indebted to an anonymous reviewer for pointing out.

²² On March 26, 2010, a South Korean naval vessel, ROKS *Cheonan*, sank due to an explosion; North Korea was suspected to be the perpetrator. Later that same year, on November 23, North Korean artillery bombarded South Korea's Yeonpyeong Island.

As shown in Table 4, South Korean NGOs over time became a major donor to North Korea. In particular, during the era of the Sunshine Policy, government-permitted humanitarian assistance via South Korean NGOs experienced a rapid rise. For instance, in 2001, aid from South Korean NGOs increased sharply, accounting for nearly 80% (a record high) of the total South Korean aid to North Korea. In 2006, humanitarian assistance from South Korean NGOs (70,880,000 USD) exceeded that of the total international contribution (24,810,000 USD). However, such aid was not immune to political factors and the international environment, as evidenced by the restriction of aid to the DPRK under the Lee administration's principle of "reciprocity" as a key precondition for aid delivery. As a result, the South Korean NGOs' humanitarian aid fell sharply from 201 billion KRW in 2008 to 77 billion in 2009, and then to a mere 14 billion KRW in 2010. Furthermore, after the 2010 *Cheonan* and Yeonpyeong Island incidents, all types of assistance (including humanitarian aid via NGOs) to the DPRK basically ended.

In short, as Aaltola (1999, 381) correctly observed, in North Korea, "a context was created in which it was possible to use the issue of humanitarian aid and food delivery more as a political instrument than as a moral necessity": that is, "what was politically noteworthy about the North Korean famine was not that South Korea and the USA in the end gave some food aid to their Communist enemy—that was in accordance with international humanitarian norms—but that the aid was cleverly delayed to gain political concessions without any widespread international condemnation" (Aaltola 1999, 381). Such politicization of humanitarian assistance to North Korea by donors has certainly worsened the problem of ineffective use of aid for the country's stabilization, creating problems that include a high level of aid volatility and a drastic reduction of foreign assistance since the mid-2000s. Moreover, various reports and testimony from North Korean defectors suggest that a food crisis again hit the country in the mid-2000s and that for many North Korean people the situation this time was even worse than the period of "arduous march" of the mid-1990s; this time there was little international help.

CONCLUSION

This article explains the problem of aid failure in North Korea with special attention to the nature of North Korea's domestic politics and politicization of humanitarian aid by donors. The fragmented nature of state-society relationship in which the state largely failed to lead national development by producing and implementing effective economic policies has been at the root of development, economic, as well as aid failure in North Korea. Moreover, politicization of aid by

donors has made the situation worse for many North Korean people. Concerning the future impact and role of aid, although some studies point to the role of foreign aid in marketization in North Korea in recent years, as explained in this study, caution must be exercised not to exaggerate the role of aid in bringing economic reform to the country. As mentioned, much of the foreign aid to North Korea has been diverted into the military sector and, more importantly, wasted in supporting various ineffective governmental economic development programs. Again, under the political context of failed politics and a gatekeeper/failed state, it is highly likely that the developmental impact of aid is severely limited. Having said that, according to various interviews with North Korean defectors and from information obtained from human rights NGOs—although I think we must be cautious in generalizing—it appears as though aid goods from donors (especially from South Korea) have further impaired the political legitimacy of the North Korean regime in two ways: by further demonstrating the state's failure to provide for the basic needs of the people, and by displaying the economic success of South Korea. This suggests some possibility of an indirect role for aid in bringing about political reform in North Korea, which of course must be further investigated in future research.

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