

# North Korea Facing Perfect Storm of Economic Stressors

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## KEY TAKEAWAYS

North Korea is suffering from severe hardship due to sanctions, self-imposed trade restrictions to stave off the coronavirus, and devastating monsoon rains.

Despite North Korea's repeated rejections, the U.S. and its allies should continue to offer humanitarian aid to address coronavirus health problems and flood damage.

Any large-scale offer of food or economic aid should be contingent on strict monitoring requirements for the former and progress on denuclearization for the latter.

North Korea is concurrently suffering from severe economic calamities due to international sanctions, self-imposed trade restrictions to stave off the coronavirus, and devastating monsoon rains damaging the agricultural heartland. In July, Pyongyang finally admitted there were COVID-19 cases in the country, but cited foreigners as its cause, creating a scapegoat to divert blame from the regime.

Kim Jong-un rejects foreign assistance, undermining international efforts to use engagement to influence regime behavior. Despite this, the Trump Administration, in coordination with allies South Korea and Japan, should continue to offer humanitarian aid to address coronavirus health problems and flood damage. However, large-scale provision of food or economic aid should be contingent on strict monitoring requirements for the former, and progress in denuclearization negotiations for the latter.

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**Admitting the Obvious.** In late July, Kim Jong-un convened an emergency meeting of the Politburo to respond to the “vicious virus” having entered the country despite the regime’s “intense preventive anti-epidemic measures.”<sup>1</sup> The regime blamed a North Korean defector who returned to North Korea illegally after reportedly contracting the disease in South Korea. Pyongyang’s previous claims that there were no COVID-19 cases in the country had been dismissed by the international community.

Kim declared a state of emergency and ordered a lockdown of the border city of Kaesong to contain any outbreak, and directed the country to shift from “the state emergency anti-epidemic system to the maximum emergency system.” The regime blocked off other cities, restricted travel into Pyongyang as well as between provinces, and imposed quarantines on anyone who had visited Kaesong.<sup>2</sup> North Korea removed the lockdown on Kaesong by mid-August.

Kim Jong-un declared that emergency quarantine procedures were critical for preventing an “unimaginable and irretrievable crisis.”<sup>3</sup> North Korea is highly vulnerable to a major COVID-19 outbreak due to its emaciated population, rudimentary health care system, and lack of medical supplies including COVID test kits.

**Floods Add to Food and Economic Woes.** North Korea has also suffered severe flood damage, including in several important rice-producing provinces. Pyongyang reported that nearly 17,000 homes and 630 public facilities were damaged or destroyed, and that nearly 100,000 acres of rice fields were flooded.<sup>4</sup> A source in North Korea commented that 42 percent of terraced fields and farmland near rivers in North Hamgyong Province had been either washed away or flooded, and that 30 percent of farmland in South Hamgyong Province had been flooded. Other farmland in coastal areas had been damaged by salt water.<sup>5</sup>

In an indication of the severity of the situation, Kim Jong-un ordered distribution of grain from his own personal reserves. Thae Yong-ho, a senior North Korean defector and now South Korean National Assembly Member, stated during a Heritage Foundation webinar that Kim’s grain reserve is a special stockpile that is to be used only in war or during major calamities. He assessed the regime faced a “very, very difficult” food situation.<sup>6</sup>

The U.S. Department of Agriculture determined that North Korea is suffering from severe malnutrition and calculated that nearly 60 percent of North Korea’s population is facing food insecurity (not enough food to eat) or suffers from uncertain access to food.<sup>7</sup> Last year, the U.N. estimated that around 10.1 million North Koreans suffered “severe food shortages” after suffering “the worst harvest in 10 years.”<sup>8</sup>

The regime ordered people to conserve food amidst rising fears of a famine. Since April, the regime has been unable to provide food rations in Pyongyang and people are said to be starving even in the capital.<sup>9</sup> The autumn harvest is the key source of the country's food supply for the year. Damage to the crops, as has occurred, could have detrimental impact on the country's food situation. Some experts speculate the situation could be similar to the great famine in the 1990s.

**Deteriorating Economic Conditions.** North Korea's economy has been decimated by the combined impact of trade-restricting sanctions, the regime's strong domestic COVID-19 isolation measures that cut off the country from both legal and covert foreign supply chains, and floods impacting the already fragile food situation.

At the initial outbreak of COVID-19, North Korea rapidly implemented extensive quarantine measures, including closing its borders, suspending all travel into and out of the country, and imposing a 10-day quarantine on all inbound cargo.

The regime cut itself off from China, which accounts for 90 percent of North Korea's foreign trade. The Korea Institute for National Unification assessed that, in the first half of 2020, North Korea's imports from China decreased 67 percent from the same period last year, while exports to China fell by 75 percent.<sup>10</sup> Research firm Fitch Solutions expects North Korea's economy to contract by at least 8.5 percent in 2020.<sup>11</sup>

Pyongyang's isolation measures indirectly enhanced enforcement of U.N. economic sanctions. Last December, all North Korean workers overseas had to return to the country, depriving the regime of an estimated \$500 million to \$1 billion a year.<sup>12</sup> The regime had sought to compensate by acquiring critically needed foreign currency through foreign tourism, including flagship tourist resort projects overseen by Kim Jong-un. But COVID-19 isolation measures shut down all resorts and tourist operations.

**Rejecting Foreign Aid.** Despite the dire economic and food situation, Kim Jong-un rejected foreign food assistance due to concerns over COVID-19 risk. Instead, North Korea indicated that it would shut its borders tighter.<sup>13</sup> The U.N., South Korea, and other nations have indicated a willingness to provide aid. In March, Pyongyang rejected President Trump's offer of COVID-19 humanitarian assistance. Pyongyang has been particularly dismissive of attempts by Seoul to provide food or assistance despite the Moon Jae-in administration's increasingly desperate attempts at improving inter-Korean relations. Pyongyang rebuffed South Korea's offer of \$11 million in food.

## What Washington Should Do

Despite North Korea's repeated rejections of diplomatic dialogue and offers of humanitarian aid, the United States should:

- **Continue to offer medical and humanitarian aid** to mitigate the spread of COVID-19 and respond to devastating flood damage. This assistance could be a combination of unilateral U.S. aid and in conjunction with international efforts of other nations and non-government organizations.
- **Support U.N. sanctions exemptions for items benefiting the North Korean populace.** There are no U.N. or U.S. sanctions on food, medicine, or humanitarian assistance. All U.N. resolutions and U.S. laws have language emphasizing that any punitive measures do not cover those items. Washington should urge the U.N. sanctions committee to expeditiously process requests for sanctions exemptions for any humanitarian assistance that was inadvertently blocked.
- **Work with U.N. nations to clarify sanctions exemption language.** Some sanctions on North Korea prohibit certain high-tech equipment that could potentially be of use to the nuclear and missile program and have unintentionally hindered some humanitarian assistance. The U.N. sanctions committee should make efforts to revise sanctions language to simplify approval of shipments of humanitarian items.
- **Maintain sanctions applicable to prohibited WMD programs.** While humanitarian assistance for immediate problems should not be constrained, Washington should resist recommendations to water down U.N. and U.S. sanctions in hopes of inducing progress in denuclearization negotiations. Those sanctions should remain until the trigger behavior has ceased.
- **Condition economic redevelopment assistance on progress on denuclearization talks.** Washington should continue to privately counsel South Korea not to offer massive economic benefits to North Korea in hopes of improving inter-Korean relations. The international community should maintain pressure on the regime until it ceases its defiance of U.N. resolutions.

## Conclusion

There has long been debate over the degree to which humanitarian disaster response assistance should be distinguished from large-scale food aid and economic development programs. The U.S. and other nations should be willing to provide immediate aid to ameliorate natural disasters that impact the populace while concurrently refraining from large-scale assistance that benefits the regime's prioritization of the military over the needs of its citizens.

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