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TESTIMONY OF STEPHEN W. LINTON, Ph. D.
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BEFORE THE SENATE SUBCOMMITTEE
ON EAST ASIAN AND PACIFIC AFFAIRS

Mr. Chairman, members of the Subcommittee, I am pleased to appear before you today to offer some of my insights on life in North Korea.

As an American, I believe that that I have been given a rare extended glimpse into North Korea that most foreigners are not allowed to see. Before I share some of my thoughts on this topic, allow me to give a brief explanation of these unique circumstances.

Background

I grew up in Korea, the son of a third generation Southern Presbyterian missionary. My family lived in the South Korean countryside during a period of great economic hardship. At that time the infection rate for tuberculosis was about 5% of the general population. While attending a local Korean grade school, I contracted this disease. As a result, I spent nine months confined to my bedroom with my two brothers in 1956.

While recuperating from my second bout with tuberculosis in 1979, I first visited North Korea as an observer to an international table tennis meet. This visit encouraged me to focus my graduate research on North Korea. Upon completion of my degree at Columbia University, I taught Korean studies and worked as a consultant for a variety of North Korea-related projects, including an effort by the Reverend Billy Graham to develop relations with North Korea's leader, Kim Il Sung.

Eventually I had to make a choice between teaching and continuing North Korea work. When the North Korean government officially asked for assistance in 1995, I founded the Eugene Bell Foundation and began to coordinate shipments of donated food. In 1997, North Korea's Ministry of Public Health formally asked me to focus our organization's work on tuberculosis. Vice Minister Choe Chang Sik's knowledge of my own experience as a tuberculosis patient, as well as the fact that my parents had founded and directed a tuberculosis clinic and sanitarium in South Korea for thirty years, no doubt

encouraged him to make this request.

In response to this official request, since 1997 the Eugene Bell Foundation has focused on medical assistance to North Korea and now assists approximately 60 out of 80 North Korean hospitals and tuberculosis treatment facilities. Over the years, I have made close to 60 visits to North Korea and have traveled to every province in the country to assess needs and to monitor humanitarian assistance. The Eugene Bell Foundation has grown to be one of North Korea's primary sources for outside medical assistance, particularly for people who live in rural areas.

Tragedy Followed by Slow Improvement

As many have documented in detail, North Koreans experienced a severe economic shock in the mid 1990's, a drastic economic downturn they blame on a series of natural disasters. By their own admission, North Korea's citizens, used to relying on dependable though modest government subsidies, were unprepared (and in all too many cases, unable) to adjust to a new economic order where survival depended on individual initiative. As a result, untold numbers starved to death. While traveling in the countryside in the spring of 1997 I witnessed hundreds of internally displaced people who were wandering the city streets, highways, and railroad tracks in a desperate search for food. Many of them drifted northward to the Chinese border as if following the shipments of corn and other foodstuffs that were trickling over the border from the PRC. The plight of these people was indescribable, a tragedy that I will never be able to forget.

Today, the life of the ordinary North Korean continues to be difficult almost beyond description. For South Koreans who are old enough to remember the 40's and 50's, the harsh economic realities of North Korea today would look familiar. Especially since the steep economic downturn of the 1990's, income from salaries and wages has not been enough to guarantee survival. As a result, North Koreans have had to turn to informal coping mechanisms. Even individuals who work in government ministries rely on outside sources of income to acquire the goods and services they need for their families.

Thankfully, the North Korean economy has slowly improved over the past few years. Although outsiders would have a hard time believing that what the average person eats could be an improvement, when compared to 1996 and

1997, the lives of its ordinary citizens has improved slightly. This is even in light of the fact that North Koreans still struggle with severe shortages of electricity, fuel for heating, and practically everything else.

The credit for a modest improvement in the standard of living in North Korea is threefold. Indubitably, foreign food assistance, particularly from the US, deserves a major share of tribute for saving and improving the life of the average North Korean. Despite evidence of diversion, the continual stream of aid from the outside has helped immeasurably. Evidence of the volume of foreign food assistance is visible not only in the fuller faces of the ordinary North Korean citizen but also in the ubiquitous food sacks stamped with slogans like "Donated by the USA" one can see all over North Korea.

Foreign economic assistance and barter trade has also played a major - if unmeasured role in the modest gains in the quality of life in North Korea. Of particular significance has been the agricultural assistance from the Republic of Korea (South Korea) that has made it possible for the North Korean peasant to grow more food. North Koreans have also shipped countless rail cars loaded with timber and scrap metal to China where they have bartered it for food and other necessities. Whole factories have been scrapped and shipped north, along with much of what remained of North Korea's forests. But although these measures may have stemmed some starvation, they have scarcely brightened North Korea's long-term economic potential.

The primary credit for North Korea's modest economic gains has been the informal economy. These so-called 'informal coping mechanisms,' including produce from private plots, farmer's markets, etc., adopted by North Korea's tough and resilient population, have halted North Korea's precipitous economic slide toward oblivion. Although the economic situation is still precarious, improvement in the over-all food supply has meant that some officials are beginning to refer to the "Arduous March" (North Korea's official euphemism for the famine) in the past tense.

Barriers to Economic Reform

Conspicuously missing from this picture of a slow improvement in quality of life is the structural reform needed to promote legitimate international trade. The absence of significant economic reform, moreover, threatens the modest gains made through aid and the informal economy, efforts that have only managed to

pull North Korea's population back a few steps from disaster.

North Korea's attitude toward economic reforms is one of the most controversial topics among students of North Korea today. While some would argue that attempts to set up special economic zones and adjustments in currency represent a genuine willingness to embrace economic reform, these policies aimed at promoting economic growth have yet to make a meaningful impact on everyday life.

This fact is driven home time and time again in our humanitarian work in North Korea. Not only do we struggle with chronic shortages of electricity, bad roads and poor communications, but one particular problem arises time and time again to challenge our efforts to deliver goods and services to North Koreans suffering from tuberculosis and other life-threatening diseases. This is none other than the inability of North Korea to move beyond an 'informal economy' on the macro level. As a result, we pay too much for some things (like transportation) and not enough for others (like manpower). And what's worse, like other humanitarian aid efforts, our assistance does not contribute to North Korea's capacity to engage in legitimate economic activity.

During the 1960's and early 70's, North Korea enjoyed a period of economic growth and stability that old timers in the North still wistfully look back to. During that time, the average citizen lived without fear of famine or worry about how to acquire the necessities of life. The short decade made such a strong impression on the people living at the time, that many who remember it are reluctant to abandon the economic system that delivered North Korea's 'Golden Age.' The chief characteristic of North Korea's Golden Age was a public distribution system that provided citizens with a food and clothing ration, housing, education, and medical care free of charge. Although this state-supported standard of living would hardly satisfy South Koreans today, it meant that money was not needed for survival. As the state's public subsidy system faltered, North Korea's population has had to 'retreat' toward a money-based economy where prices are determined by market principles rather than official fiat. This retreat turned into a rout in 1995.

Since the Arduous March, the informal economy has provided the bulk of goods and services to the average citizen. As more goods have become available, what began as a barter economy has become increasingly monetized, and prices have become a little more stable. Nevertheless, this economic reform on

the micro level has yet to be embraced by the major institutions in North Korean society. As a result, while the private sector has made significant steps toward evolution toward a market economy, North Korea's official sector still lacks the mentality or mechanisms needed to normalize the exchange of goods and services or to permit competitive pricing, changes essential if North Korea is to profit from international trade. Instead, government ministries and agencies continue to rely on a plethora of informal mechanisms to profit from money-making ventures under their control. And while these methods are often ingenious, they do not grow the economy as they should.

One creative example of the workings of North Korea's informal economy at the international level is Hyundai's Diamond Mountain project. Instead of sharing risk with South Korean investors and accepting an agreed portion of the profits, related North Korean ministries collect 'rent' for the use of this scenic area, regardless of whether the overall effort turns a profit or not. The result has been a massive ROK government funded subsidy to North Korea disguised as a tourist industry. As a result, North Korea's own tourist industry has learned very little from this venture about how to profit from international tourism.

What has made North Korea's officials so reluctant to promote the economic changes needed for competitive international trade? It goes without saying that North Korea's leadership is fearful of what might happen if its ordinary citizens are permitted to make the contacts with the outside needed to produce and ship legitimate merchandise. Clearly this concern is behind the attempts to set up 'special economic zones' that can be quarantined from the general population. This kind of thinking is also behind the restrictions placed on humanitarian aid monitoring today. Thanks to humanitarian aid programs, North Koreans are far more relaxed in their dealings with foreigners today than they were only several years ago. Clearly, fear of people-to-people contacts is not the primary reason North Korea has not wholeheartedly embraced economic reforms.

Fair Play and Sanctions

Faith in fairness is essential to justify the risks of opening a closed economy to international trade, and North Korea's leadership has never believed in a world governed by fair play. Instead, they believe that nature as well as history has created a world of national 'haves' and 'have nots.' In this view, because the world's natural resources are unequally distributed in favor of larger nations, smaller nations have to rely on diplomacy and influence (pressure) to acquire

what they need. Not surprisingly, all their energies are exerted in acquiring the leverage needed to force foreign powers to take them seriously.

The primary 'products' North Korea has to 'sell' according to this perspective, are not the material goods that its people might produce, but instead the intangible 'benefits' outsiders could gain through engagement itself. This was the reasoning behind North Korea's support for the Light Water Reactor Project. If it ultimately succeeded, North Korea hoped to gain not only electricity, but more importantly a much desired relationship with the United States. Whether or not the venture would ever provide competitive electrical power had never entered into the equation at all.

Sadly, North Korea's perspective and suspicions regarding international affairs seem to be confirmed by the strong support for US-led sanctions. In the North Korean way of thinking, sanctions 'prove' that the economic playing field will never be level enough to permit their products to compete in the international arena. When seen from this perspective, North Korea's international and domestic policies are relatively easy to understand.

I do not mean to suggest, of course, that removing sanctions would result in an immediate embrace of economic reforms, much less in total transparency in North Korea's WMD programs. Still, it is unrealistic to expect implementation of significant structural reforms until North Korea's leaders are convinced that their products will be allowed to compete in international markets. Until that day, North Koreans will continue to blame others for their hardships rather than wholeheartedly embracing reform.

Not surprisingly, North Korea's ambivalence toward economic reform impacts the ordinary citizen most. While the informal economy may help stave off starvation, it can never provide the structure or legal protections needed to promote private sector business and industry; much less develop the partnerships with outsiders essential to promote trade. Until the day comes when its leaders are willing to risk real economic reforms, North Korean citizens will have to rely on the informal economy to get by from day to day. Clearly this is no way to build a prosperous future, but it may be the only way they can survive.