

North Korea Bartering Steel for Food

The Daily NK is reporting that North Korea is selling steel to the PRC for food. (<http://www.dailynk.com/english/read.php?cataId=nk01500&num=7210>).

One Chinese trader who does business with North Korea reported to The Daily NK on Monday, “China-based North Korean workers in charge of trading with China for Cheongusan Trading Company (under the Escort Command), say that this year Chosun is expanding the volume of its steel sales with China.”

The trader said, “In November last year, the analysis table of steel quality was delivered to us, and accordingly a contract has also already been signed.” He added, “In Chosun, the company is waiting for a permit to trade from an upper organ after having loaded materials on freight trains.”

He explained further, “For the price of the steel, Chosun has asked for rice, flour, noodles and also construction materials,” adding, “Food in bulk can enter Chosun.”

He explained that since North Korea is facing a serious lack of food, cement and other construction materials due to isolation from the international community, the country is trying to barter steel for food with China, from which the North is able to import.

Another trader in China verified the story, explaining, “Recently in Dandong, workers from Kangsung General Trading Company (under the General Staff) and other companies visited China for the purpose of selling steel.”

He added, “From now on, our company is going to do only steel trade with Chosun. We have decided not to do business in other things because our experiences have shown that there is no credit there.”

Please read the entire article for more important information.

Analysis. This is some good news and a lot of bad news. The minor good news is that steel going to the PRC for food is not going into weapons. The really bad news is that this is a prime indicator of the food situation in North Korea. It is not good. The North has little money to buy anything with. The sanctions applied by the UN Security Council and enhanced by the United States and others have pretty much broken their trade relations with other countries. Their major export, weapons, has been shut down at least by sea. They can only ship through the PRC.

It appears that the North will conduct at least a joint nuclear test with Iran sometime between March and June if the current indicators are correct. Other articles have documented that Iranians presumed to be from their nuclear agency have arrived in Pyongyang carrying one hundred fifty million dollars. Where the North Koreans will spend that money is anybody's guess. Considering the amount of fuel they expended conducting their recent exercises as a counter to South Korea's exercises, I suspect a lot of that money will go for fuel.

What is unknown right now is how close North Korea is to unraveling. Rice prices have climbed appreciably since the YP Do incident. Even with the 4.48 million tons estimated harvest, the North is still a bunch short. We do not know how much food and fuel the PRC is prepared to give the North. Based upon what has been said about North Korea in the People's Daily recently, the PRC will give the

North what it believes is enough to keep the North from collapsing but not necessarily enough to prevent a good deal of starvation. Reports from last Spring talked about North Korean soldiers on leave going to the PRC looking for food and vitamins. If Kim couldn't feed his army last Spring, what will this Spring bring?

I believe this is also why the PRC is so insistent on getting the Six Party Talks going again. The PRC has economic problems of its own and would really like South Korea, Japan and the United States to contribute to North Korea's survival. I don't believe that these countries will do so absent meaningful actions by North Korea to shut down not only its nuclear weapons programs but to dismantle its chemical and biological weapons programs as well.

Since the armistice, North Korea has used intimidation to get aid from the South. That is no longer working. Nor do I believe that President Lee will change his policy towards the North and give in to intimidation. The South Korean reaction to the sinking of the Cheonan and the shelling of YP Do make that pretty clear. I do not doubt that he is under severe pressure from the PRC to return to the days of the "Sunshine Policy". Neither does the United States want to see war on the Korean peninsula.

At the moment we must wait upon events. If we continue to see North Korea selling things that it would rather keep for itself for food, then we should not be surprised if the "pucker factor" on the Korean peninsula goes up again.