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Viewing cable 10SEOUL207, DANISH EMBASSY ON FOOD SHORTAGES, CURRENCY CHAOS

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Reference ID	Created	Released	Classification	Origin
10SEOUL207	2010-02-10 08:53	2011-08-30 01:44	CONFIDENTIAL	Embassy Seoul

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SIPDIS

E.O. 12958: DECL: 02/10/2030
TAGS: PREL PHUM PGOV PINR ECON SOCI KN KS CH
SUBJECT: DANISH EMBASSY ON FOOD SHORTAGES, CURRENCY CHAOS
IN PYONGYANG

REF: SEOUL 136

Classified By: POL M/C James L. Wayman. Reasons 1.4 (b/d).

Summary and Comment

¶1. (C) SUMMARY: Danish Embassy Political Counselor Mette Ekeroth told us that, during a late January visit to North Korea, food was hard to find -- even for diplomats. Ordinary people, even in the capital, were clearly having a difficult time getting enough to eat. Senior regime officials were using foreign currency to purchase food directly -- at cutthroat prices -- from the dwindling number of Chinese merchants still in the capital. Inflation, she asserted, had made the new North Korean Won "nearly worthless." Ekeroth asserted that train cars full of perishable food items had rotted in Pyongyang because of a lack of clarity from the government about official prices. Ekeroth said a Danish WFP official in Pyongyang privately characterized the food situation in the DPRK's northeast provinces as "terrible." According to Ekeroth, the official Euro-new NKW rate was 1:140; the black market rate was 1:560. COMMENT: Ekeroth's report, while perhaps the most alarming we have received, largely tracks with what we have been hearing from a range of sources about severely deteriorating conditions in North Korea (reftel). End summary and comment.

DPRK Trip Readout: Food Hard to Find...

¶2. (SBU) During a meeting at the EU Mission in Seoul, Danish Embassy Political Counselor Mette Ekeroth gave us and several EU colleagues a readout on her January 25-29 visit to Pyongyang with Ambassador Poul Hoiness, who is dual-accredited to the ROK and DPRK. Ekeroth characterized the overall situation in Pyongyang as "very bad," noting that even her delegation had a difficult time finding food. No public restaurants were open during their stay and most hotels had no food. A major department store opened for a few hours on one day during their visit; Ekeroth said a line several hundred meters long formed quickly, with people "obviously" seeking to unload DPRK currency for goods of any kind. Ordinary people, even in Pyongyang, were clearly having a difficult time getting enough to eat, she emphasized.

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¶3. (C) In contrast, Ekeroth asserted, senior regime officials and their families were using foreign currency to purchase food directly from the dwindling number of Chinese merchants in the capital. She said these businessmen have small warehouses in Pyongyang where they sell perishable and non-perishable food items -- at cutthroat prices -- to regime elites; a kilo of oranges, for example, was going for 30 Euros.

Food Rotting at Rail Depots, NE Provinces Hit-Hard

¶4. (C) Ekeroth blamed the DPRK's disastrous currency replacement for exacerbating chronic food shortages. Inflation, she asserted, had made the new North Korean Won "nearly worthless." Echoing observations by Italian Embassy Political Counselor Filippo Nicosia, who visited the DPRK January 19-22, Ekeroth claimed there were food products sitting in train cars at rail depots in Pyongyang; they have not been unloaded and distributed, however, because "nobody knows what the prices should be." Both Nicosia and Ekeroth asserted that train cars full of perishable food items had rotted in Pyongyang because of a lack of clarity from the government about prices. Ekeroth noted that while things in Pyongyang were a mess, the situation in the northeast provinces was reportedly much worse. Dilapidated rail and road links to the northeast have been shut down by severe winter weather, Ekeroth said, meaning that North Hamgyong Province was "basically not getting any food supplies."

¶5. (C) According to Ekeroth, a Danish WFP official in Pyongyang privately told Ambassador Hoiness that the food situation in the northeast was "terrible." The official said he had recently been to Hungnam to supervise the offloading of a shipment of corn on a day when the temperature was minus 20 Celsius. A bag of corn was dropped and broke open, the official said, prompting a huge scramble as dock workers pulled off their gloves and tried to scoop up the loose corn.

The official also told the ambassador that, during the visit to Hungnam, he had seen emaciated KPA troops building small rafts that, despite the bitterly cold weather, they were apparently using to float out to sea far enough to catch fish.

They "Have No Idea What They Have Gotten Themselves Into"

¶6. (C) Both Nicosia and Ekeroth said that banks in Pyongyang apparently had instructions setting official exchange rates for the new North Korean Won (NKW) against major foreign currencies, but were not widely publicizing the information. According to Ekeroth, the official Euro-new NKW rate was 1:140; the black market rate was 1:560. Ekeroth said Ambassador Hoiness had a tense exchange with a Vice Trade Minister about the currency replacement issue, which ended with the minister being "really upset" and displaying "no understanding of basic economic principles." Ekeroth said Ambassador Hoiness summed things up succinctly: "the North Korean have no idea what they have gotten themselves into."
 STEPHENS