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BACKGROUND PAPER

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NORTH KOREA

Managing the threat posed by North Korea continues to represent a major challenge to the U.S.-South Korea security alliance and to regional stability. Although the North's military capability has been degraded by virtual economic collapse and famine, its 10,000 artillery tubes could still inflict enormous damage on Seoul. Efforts to engage the North diplomatically are complicated by the regime's fear that outside contact, especially with South Korea, could threaten its hold on power. Kim Dae-jung's election, however, has opened a window of opportunity for North-South dialogue. Kim has credibly stressed that he has no desire to undermine or "absorb" the North, and has already moved to ease some restrictions on business and family contacts.

North Korean Internal Situation

The situation in North Korea remains bleak. The economy has been in a tailspin since 1990 and in many sectors has nearly ground to a halt. While Kim Jong-il appears to have no organized challengers, he has yet to assume the title of head of state, give a public speech, or meet with foreign leaders, including the Chinese.

North Korea's continuing food shortages, which may by some estimates have contributed to the death of as many as one million people over the past three years, is structural and not amenable to short-term fixes. Unwilling to institute necessary reforms, the North remains dependent on outside aid to avert massive famine. However, the international response to the most recent World Food Program appeal for 658,000 tons of food aid has been weak. So far only the U.S. and ROK have responded directly, pledging 200,000 and 50,000 tons, respectively. The ROK is also contributing 50,000 tons of "private" aid through its Red Cross, and the PRC just announced a 100,000-ton bilateral contribution. The EU, and possibly Japan, will likely contribute this summer. We continue to watch the food shortage closely, given the risk that a starving North Korea might become unstable and create a dangerously chaotic situation.

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North-South Dialogue

The need for fertilizer to boost flagging agricultural yields prompted the North to propose vice ministerial-talks with the South in Beijing starting April 11, the first high-level North-South dialogue since 1994. Though no agreement has been reached yet due to North Korean reluctance to address issues of ROK concern, including reunion of divided families, the two sides are likely to continue their contacts. Our South Korean counterparts believe that the North's willingness to meet with the South reflected a positive reaction to Kim Dae-jung's more forward-leaning policy toward the North.

Four Party Talks

We have agreed with Kim Dae-jung that we should treat North-South dialogue and Four Party peace talks as complementary and mutually reinforcing. The North-South dialogue can improve the general climate and provide the North with much needed economic and humanitarian help, while Four Party talks can produce progress on confidence-building measures and tension-reduction in the security area. Kim Dae-jung also supports the notion of a broader security dialogue encompassing Japan and Russia as well, but envisions this as aimed at enhancing Northeast Asian security as a whole after Four Party talks.

KEDO

KEDO faces a financial crisis, most acutely for supplying heavy fuel oil (HFO) to North Korea but also for financing the light-water reactor (LWR) project. The last HFO delivery was in mid-April, and without new monies KEDO will not be able to restart deliveries for several months. For domestic political reasons the South Koreans and Japanese have refused to help on HFO, and other international contributions have fallen short. Meanwhile, funding for the light-water reactors (LWR) will run out this fall if South Korea and Japan do not follow through on their commitments to the project and disburse additional monies. North Korea is already protesting lack of progress on the reactor project. If we do not meet our oil and reactor commitments, the North might take steps involving the nuclear freeze that initiate a vicious cycle leading to another security crisis on the Korean Peninsula.

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