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PRIORITY ISSUES
Key Analytic
Challenges [Redacted]

A Briefing Book
Produced Annually

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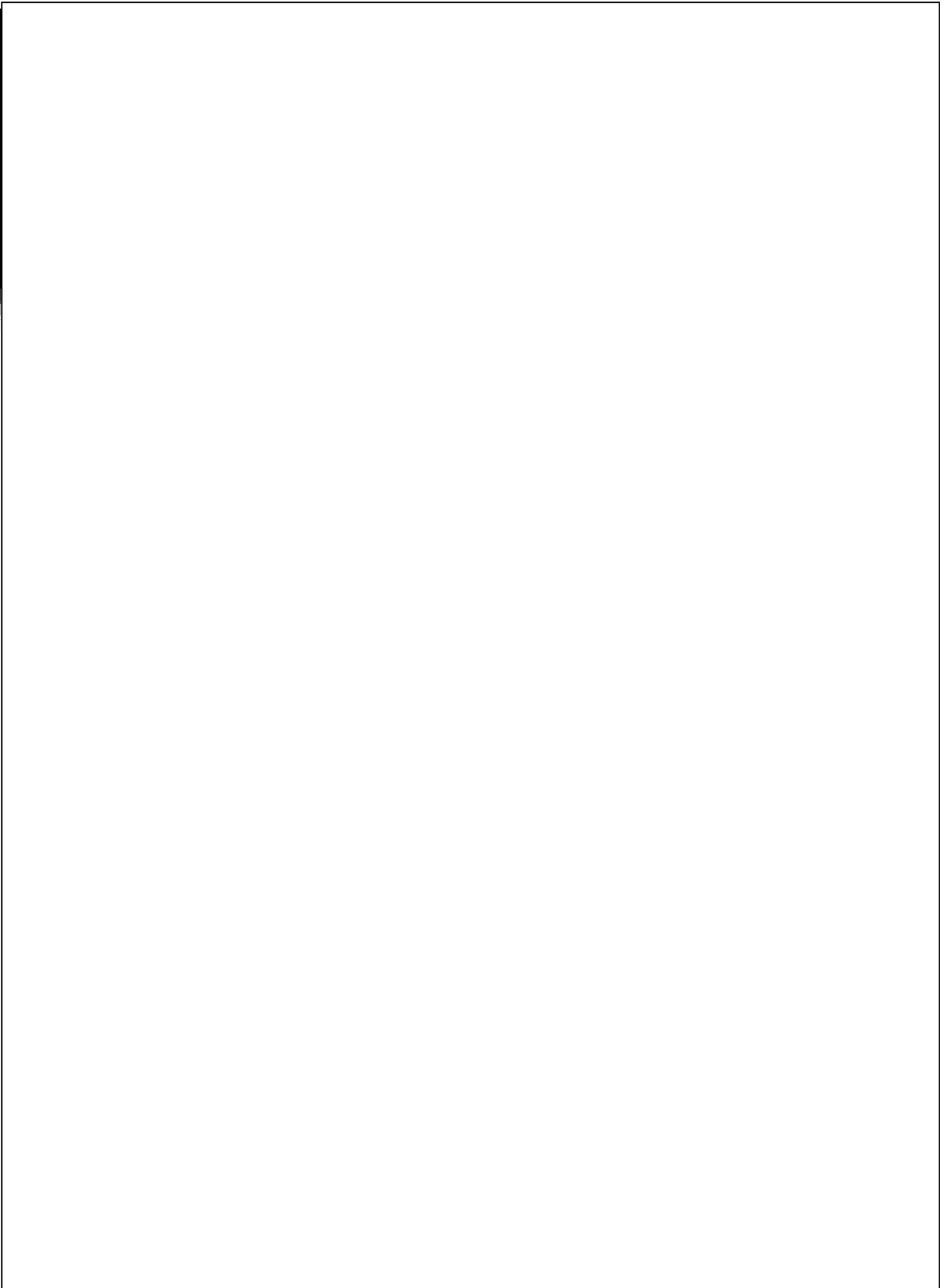
This briefing book was prepared by a team
of Directorate of Intelligence analysts, graphic
designers, cartographers, editors, and statisticians

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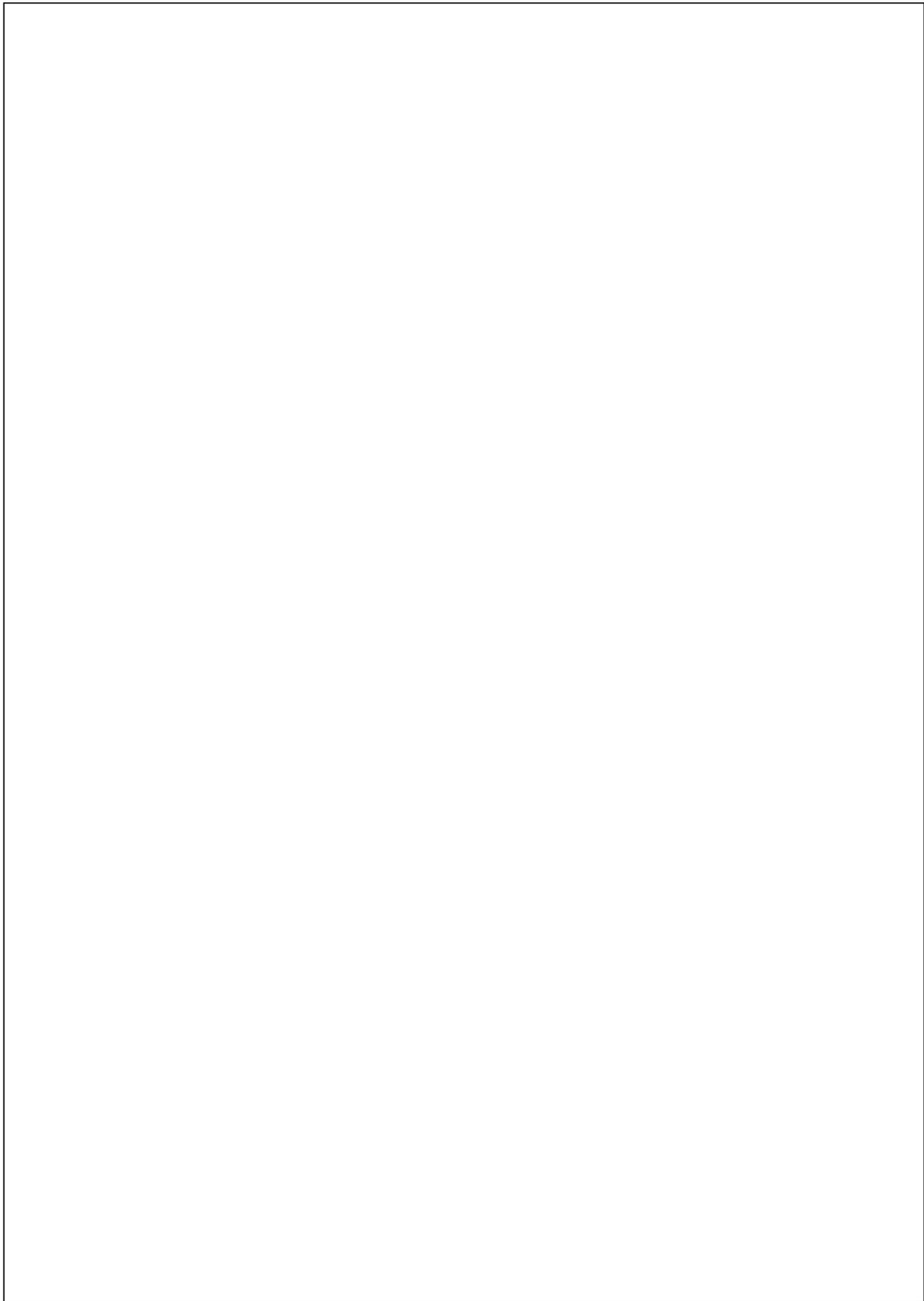
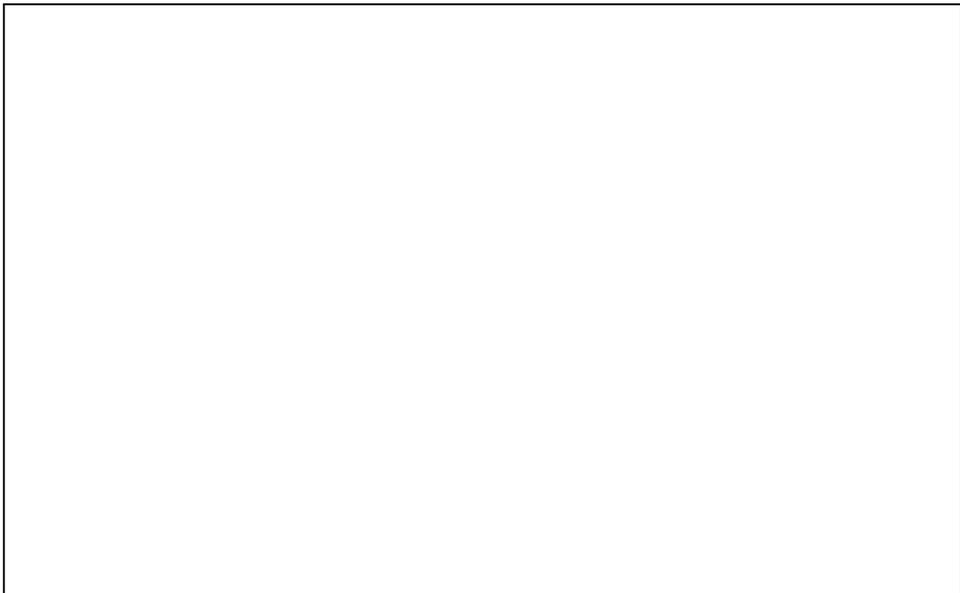




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North Korea

The Challenge

North Korea will remain a serious challenge to regional stability as long as the Stalinist regime endures—and we cannot yet predict its downfall. Further complicating this issue, South Korea is more assertive after a decade of impressive economic and diplomatic success, making cooperation on North Korea more delicate and complex.

Military Threats to US Troops

North Korea's military could inflict enormous destruction on South Korea.

- The North's offensive posture along the demilitarized zone (DMZ) means it could go to war with little or no additional preparation. US troops in South Korea could be involved in intense combat with no more than a few hours of warning.
- North Korea's long-range artillery and surface-to-surface missiles near the DMZ, some of which could deliver chemical warfare agents, could hit forward defenses, US military installations, and Seoul.



Key US-North Korea Bilateral Issues

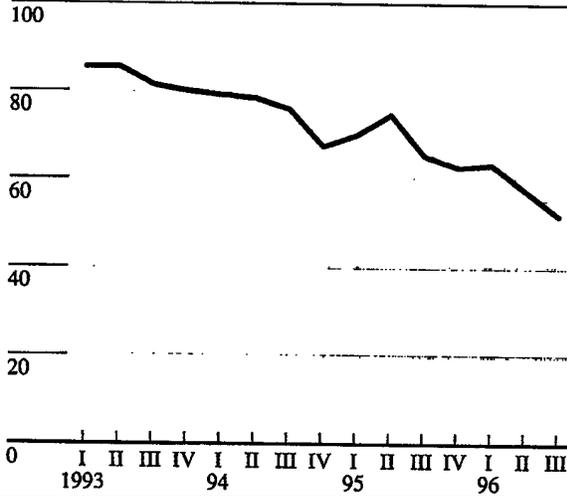
The grounding of a North Korean submarine on South Korea's coast in September disrupted implementation of the Agreed Framework.

| <i>Koreas: Significant Events in 1997</i> | |
|---|---|
| <i>North Korea</i> | |
| <i>16 February</i> | <i>Kim Chong-il's birthday</i> |
| <i>15 April</i> | <i>Kim Il-Sung's birthday</i> |
| <i>25 April</i> | <i>Armed Forces Day</i> |
| <i>8 July</i> | <i>Third anniversary of the death of Kim Il-Sung</i> |
| <i>9 September</i> | <i>Anniversary of the founding of North Korea</i> |
| <i>South Korea</i> | |
| <i>22 February</i> | <i>Secretary of State Albright to visit Seoul</i> |
| <i>16 April</i> | <i>First anniversary of US-South Korea proposal for four-way peace talks</i> |
| <i>August</i> | <i>US-South Korea security consultative meeting</i> |
| <i>December</i> | <i>President Clinton-South Korean President Kim Yong-sam sidebar at APEC summit in Canada</i> |
| <i>18 December</i> | <i>South Korean presidential election</i> |

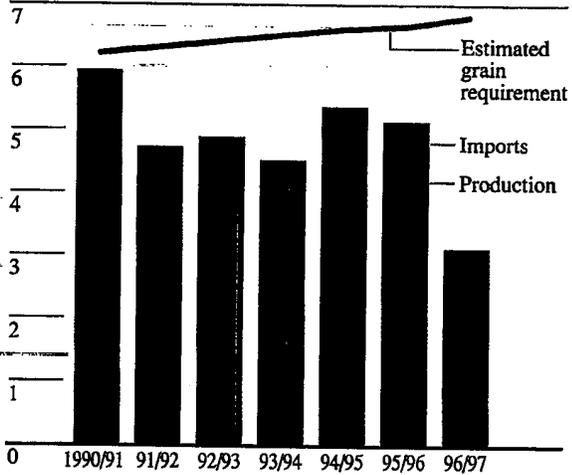
- Seoul responded by shelving plans to send technicians to North Korea to begin site preparation for light-water reactors and by refusing to sign protocols on the provision of goods and services.

North Korea: Economy in Decline

Industrial Activity, 1993-96
Index: 1992=100



Growing Grain Shortfalls
Million tons



355879AI 12-96

not inject momentum into inter-Korean relations—which had bogged down even before the incident. The apology provides South Korean President Kim Yong-sam an opportunity to be more flexible, but he will be constrained by domestic politics and public opinion.

Economic Problems

The continued deterioration of the North Korean economy is eroding regime stability. Kim Chong-il appears to be firmly in control and can compel obedience from the bulk of the populace, but the recent poor harvest will produce severe food shortages early this year.

- The North then suspended spent-fuel canning and threatened to unfreeze its nuclear program. P'yongyang stonewalled on the joint US-South Korean proposal for four-party peace talks.

The North's apology in late December will allow Seoul to reengage P'yongyang on political and economic issues; however, resolution of the incident by itself will

- The resulting decline in living conditions is eroding popular faith in the regime, and P'yongyang can no longer shield most military, security, and political elites from this hardship.
- It cannot reverse its economic fortunes without sweeping reform that would take time to produce results and could unleash destabilizing forces.

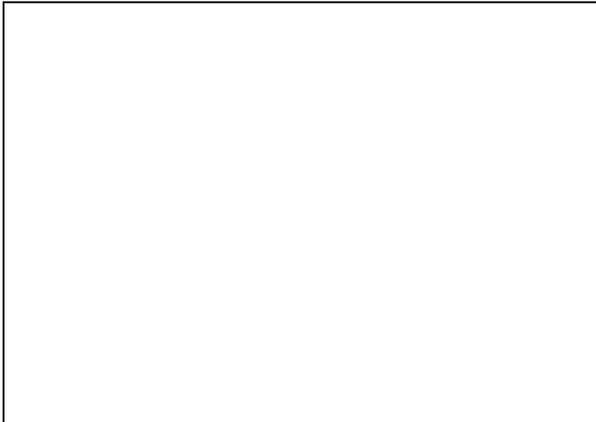
**Agreed Framework and Confidential Minute,
21 October 1994**

Under the Agreed Framework and Confidential Minute signed on 21 October 1994, North Korea will:

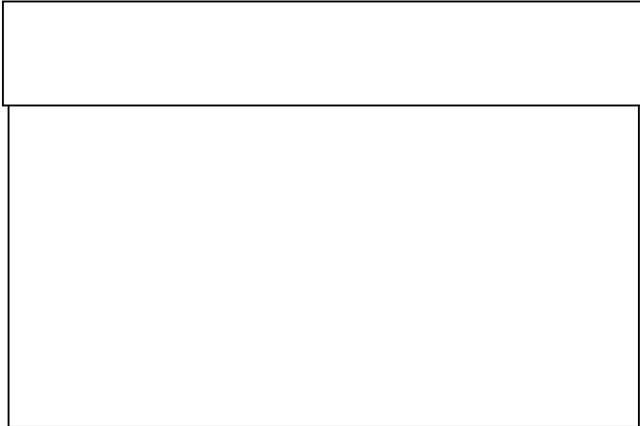
- Freeze graphite-moderated reactors and related facilities under IAEA monitoring.
- Remain party to the Non-Proliferation Treaty (NPT) and implement its safeguards obligations.
- Dismantle graphite-moderated reactors and related facilities in the future.
- Arrange for safe storage and ultimate transfer of spent fuel out of country.
- Come into full compliance with NPT obligations and permit IAEA access to additional sites and information as required to verify its nuclear declaration and history.
- Begin implementing the North-South denuclearization declaration.
- Engage in North-South dialogue.

The US will:

- Provide a Presidential letter of assurance guaranteeing implementation of Light-Water Reactor (LWR) project.
- Organize an international consortium to provide two LWRs with a total generating capacity of 2,000 megawatts.
- Provide assurances against the threat or use of nuclear weapons by the US.
- Provide alternative fuel for heating and electricity to compensate for a freeze on reactors on line and under construction.
- Phase out trade and investment sanctions.
- Phase in diplomatic relations, beginning with exchange of liaison offices.



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