

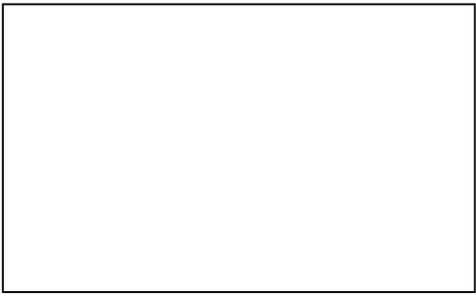
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# Executive Intelligence Brief

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**Thursday, 8 June 2000**



**Koreas: Beyond the First Inter-Korean Summit**

**Top Secret**  
8 June 2000

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# BEYOND THE FIRST INTER-KOREAN SUMMIT:

## Common Ground, Enduring Divisions



**North Korean Leader,  
Kim Chong-il**

**"It is my vision and my firm determination to build a powerful socialist nation . . . as soon as possible, so that no enemy will dare touch us and all the people will live happily without care . . . By doing so, we will be able to guarantee provision of all resources necessary for building a powerful nation, so as not to fear anything."**



**South Korean President,  
Kim Dae-jung**

**"South Korea's impending goal is not to attain unification but to dismantle the Cold War structure. For this reason, the South Korean Government is willing to help North Korea in the spirit of cooperation and peace . . . on the principle of separation of politics and economy."**





**Special Perspective**

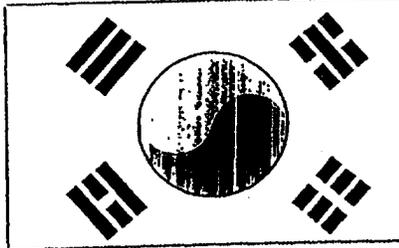
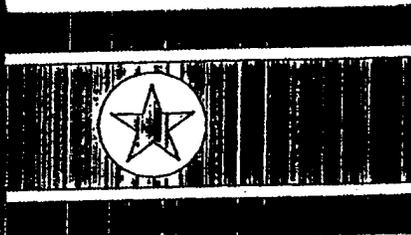
Directorate of Intelligence

8 June 2000

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**BEYOND THE FIRST INTER-KOREAN SUMMIT:**

**Common Ground,  
Enduring Divisions**



Unique circumstances are bringing the Kims together in a historic meeting that could lead to lasting progress, but only if the two leaders overcome vast differences

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**S**outh Korean President Kim Dae-jung and North Korean leader Kim Chong-il are brought together by a unique, perhaps fleeting, correlation of political and economic forces. Even if their meeting goes well, its long-term impact will depend on whether the Koreans institutionalize cooperation where possible, on economics for example, and avoid intractable issues like Korea's national identity. Any progress will be based on the Kims' shared conviction that North Korea should endure for some time because of the alternative's unthinkable consequences. President Kim worries about the potentially calamitous instability and economic burden that would come should North Korea collapse in the near future, while Kim Chong-il—who watched Romania go under—believes it would mean his life.

President Kim stands alone among South Korean presidents for his clear engagement policy and skill in managing domestic obstacles. His strategy for drawing P'yongyang into a sustained working relationship involves emphasizing symbolic issues, such as family reunions and economic benefits, and deferring tough problems like security. Kim Chong-il knows that South Korea is the only party in a position to provide the massive economic aid North Korea needs.

— Their window of opportunity for advancing cooperation is framed by the length of President Kim's term, which ends in 2002, and by the extent to which North Korea can endure its current predicament.



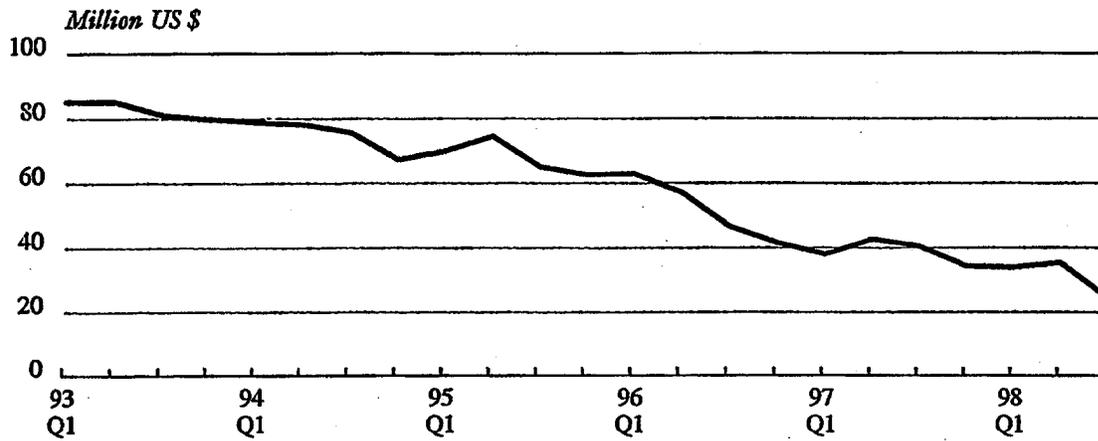
South Korean media reflect the public's hope for a successful summit.



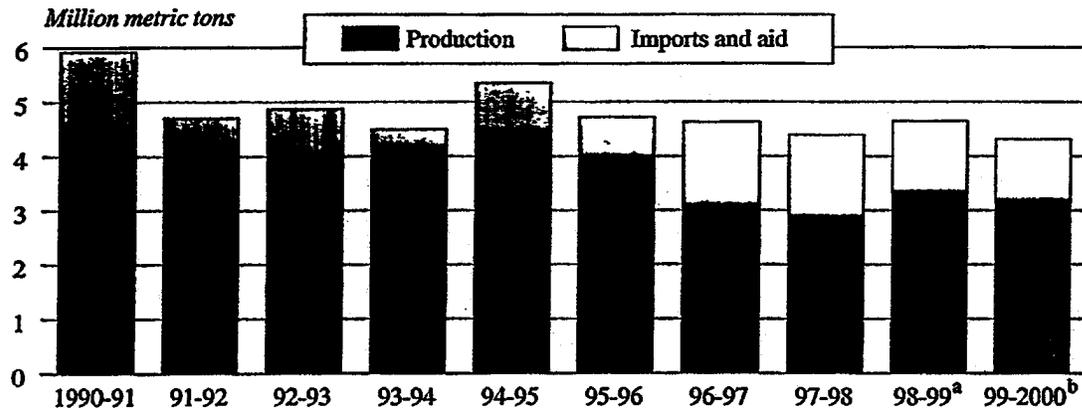
Kim will want continued  
close coordination between the US, South Korea, and

# NORTH KOREA'S DETERIORATING ECONOMY

## Industrial Operations, 1993-98



## Grain Production, Imports, and Aid 1990-98



DI Current Production Center 374351A1 6-C3

Japan to keep P'yongyang from exploiting perceived differences. Seoul will be inclined to play down any negative developments, such as new revelations about the North's missile or nuclear programs. [redacted]

For its part, North Korea will keep South Korean energy assistance separate from US obligations under the Agreed Framework, including provision of heavy fuel oil and light water reactors. P'yongyang will threaten to walk away from North-South dialogue if it judges Seoul is making aid contingent on progress toward US nonproliferation objectives. [redacted]

**And If the Summit Flops?** President Kim's engagement policy would suffer a grievous setback. Public opinion polls pointing to strong support for tough restrictions on aid if the summit fails would encourage South Korea's opposition parties to harden their stance against further engagement. [redacted]

P'yongyang could find less enthusiasm in Europe and Japan for its diplomatic overtures. This could force Kim Chong-il to rethink his strategy for acquiring economic aid and encourage him to resurrect confrontational engagement with Washington over the missile launch moratorium and alleged US failure to deliver on Agreed Framework obligations. [redacted]

**A failed summit could force Kim Chong-il to rethink his strategy for acquiring economic aid and encourage him to resurrect confrontational engagement with Washington.** [redacted]

**BEYOND THE SUMMIT:  
CHALLENGES AHEAD**

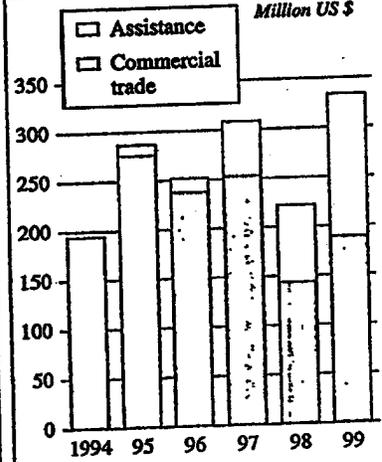
For the summit to mark a turning point in relations, the Koreans will have to stop repeating the cycle of high expectations followed by disappointment that has defined previous attempts at sustained engagement. The early challenges will be establishing a workable procedural framework for cooperation, accommodating their styles, and keeping Kim Chong-il satisfied that the effort will help achieve his domestic goals.

**Finding a Common Approach Toward National Reconciliation.** The South favors an incremental approach to build cooperation on broad issues. Seoul prefers to work within the framework of the 1992 Basic Agreement, which calls for joint commissions on economic cooperation, reconciliation, military affairs, and social and cultural exchanges. The North, for its part, characteristically emphasizes the need for agreement on fundamental principles that define North-South interaction. P'yongyang's roadmap is the 1972 joint communiqué, which states unification should be pursued "through peaceful means," "independent of foreign interference," and "through racial unity transcending differences in ideas, ideologies, and systems." The North maintains these "three principles" mandate a US troop withdrawal and elimination of Seoul's anti-Communist laws.

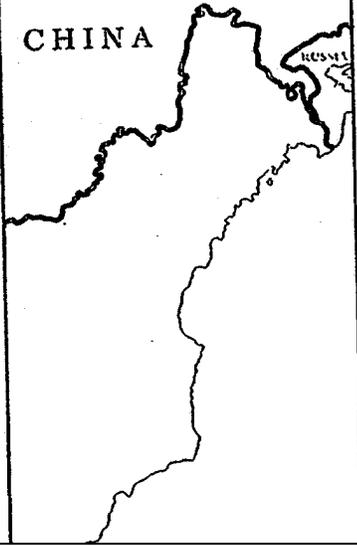
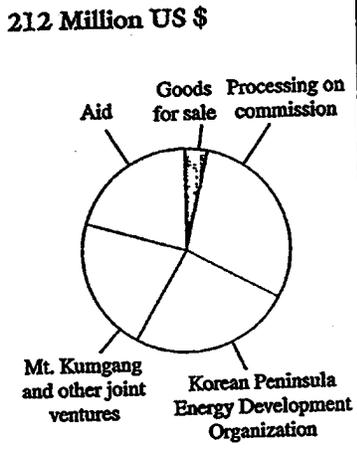
**Overcoming Similarities.** The Koreas' common history of independence punctuated by periods of subjugation has produced two countries whose disdain for compromise and penchant for zero-sum political calculations make

# SELECTED NORTH KOREAN JOINT VENTURES WITH SOUTH KOREAN COMPANIES

**North-South Trade,  
1994-99**



**Composition of South  
Korean Exports, 1999**



them less than ideal negotiating partners. At the same time, their shared ethnic and linguistic identity and resentment of foreigners drive their desire to reunite, admittedly on each country's own terms.

— These attitudes are bolstered by their Confucian tradition, which has fostered a political culture characterized by hierarchy [redacted]

**Addressing the North's Massive Needs.** North Korea's economic situation is bleak. Indeed, P'yongyang, regardless of its political decisions, cannot escape structural impediments to growth. The North cannot produce enough food to meet minimum needs, a failure that stems as much from such unmalleable factors as limited arable land and poor climate as from misguided decisions. [redacted]

[redacted] The North has considerable natural resources, including coal, other minerals, and nonferrous metals. Acute energy shortages, however, stand in the way of their extraction and use.

**Pyongyang, regardless of its political decisions, cannot escape structural impediments to growth.** [redacted]

President Kim's primary resource to address these needs is the South-North Cooperation Fund, in which the Ministry of Unification has \$300 million on hand for economic aid, cultural exchanges, and family reunions.

[redacted] they do not have the funds to finance extensive infrastructure projects. Kim's options for additional resources include the National Assembly, state enterprises, and the large conglomerates. Senior opposition members, however, say they will not allow Kim—whose party does not have a legislative majority—unlimited access to public finances for the North.

— The Assembly blocked a bill last year to establish a 3-percent surtax on electricity earmarked for the South-North Cooperation Fund. [redacted]

The opposition will be emboldened by [redacted] voter concern that they will have to shoulder an increased aid burden regardless of whether the summit improves inter-Korean relations. Many younger voters say they do not share the emotional attachment of their elders to reunification and worry more about domestic issues, particularly the economy. [redacted]

Kim's ability to channel the resources of state enterprises to Northern aid programs is also limited. He has already tapped them to bail out financially troubled investment trust companies; using more of their funds for Northern aid could hinder economic restructuring in the South.

He could seek donations from the chaebol—industrial conglomerates like Hyundai—or encourage them to invest more in the North. The relatively small investments they have undertaken so far—possibly offset by what the press says is tax leniency—are not burdensome, but debt-laden chaebol would be hard-pressed to undertake the large projects that Kim envisions.

Kim will look abroad for resources, but he would still want control. South Korean officials have publicly discussed the possibility of tapping the \$5 billion that many expect Japan would give the North as reparation—something P'yongyang would oppose. Seoul has pushed for North Korean membership in the Asian Development Bank and other international aid and loan organizations.

#### **SECURITY ISSUES: US MILITARY PRESENCE LIKELY FOCAL POINT**

The status of US forces in South Korea is not on the summit agenda, but as it did during the prime ministerial talks of the early 1990s this issue will inevitably become part of any resulting dialogue. By insisting on the 1972 joint communiqué as the basis for improved relations, P'yongyang is already signaling that its basic position on US troop withdrawal is unchanged and that it may link progress in North-South relations to the elimination of what it views as foreign interference in Peninsula affairs.

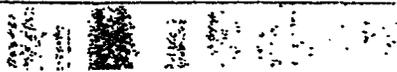
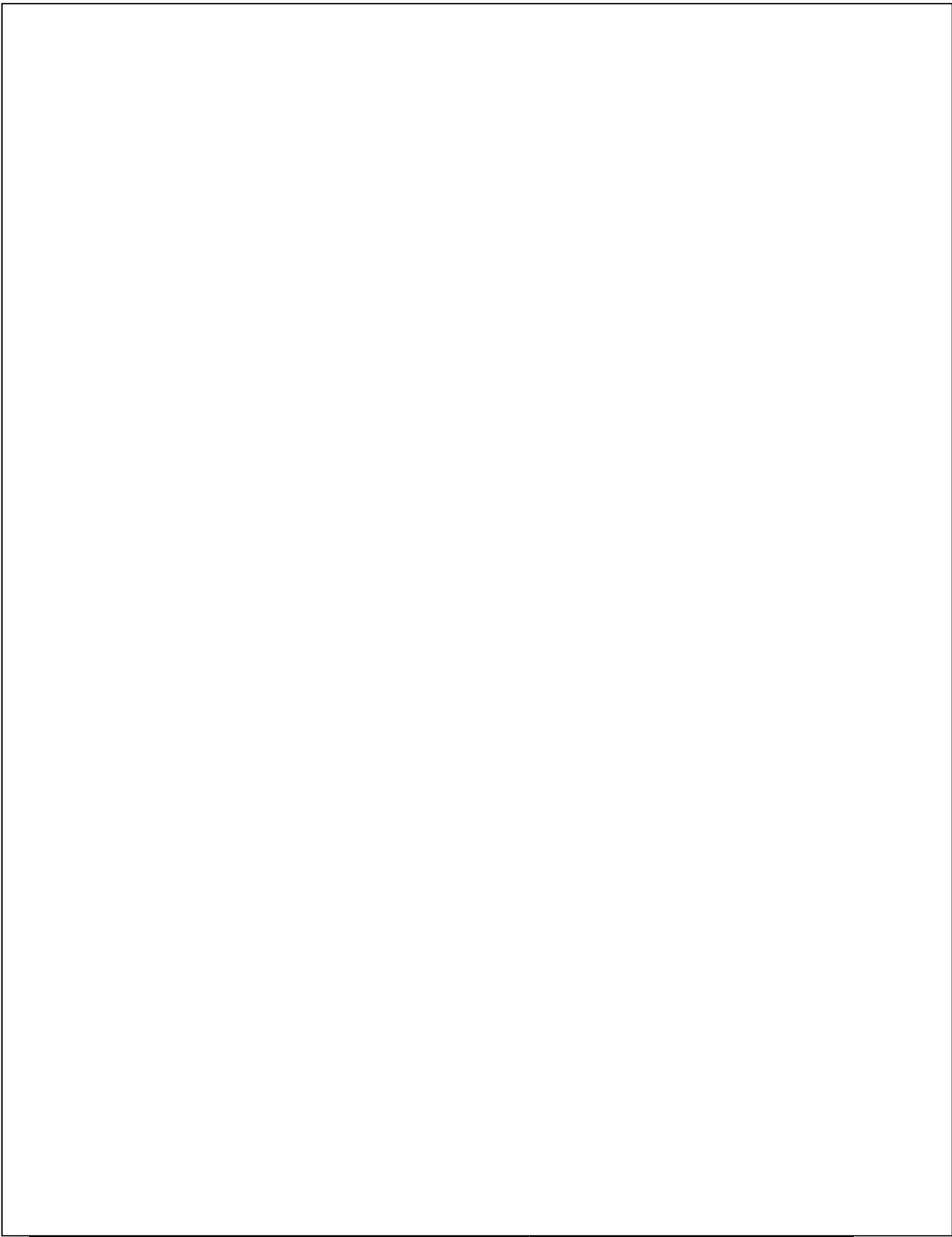
President Kim is inclined to stick to his position that the US presence is a matter between Seoul and Washington, but a successful summit would tempt him to consider at least modifying military arrangements with the US to

The status of US forces in South Korea is not on the summit agenda, but this issue will inevitably become part of any resulting dialogue.

reflect and promote a new inter-Korean dialogue. Seoul could see a reduction in joint exercises—a source of irritation to the North Korean leadership—as the most immediate adjustment. President Kim could cite the decision in the mid-1990s to suspend Team Spirit as precedent and claim that such joint exercises are less vital, given the military's increasingly sophisticated training regimen.

— The South last year publicly debated changing US troops to a peacekeeping force that would have a more equidistant role. [redacted]

North Korea would see these as desirable first steps toward total withdrawal, which P'yongyang almost certainly realizes is a remote likelihood. It would also seek to undermine the legitimacy of the UN Command by arguing that the mandate to protect South Korea from North Korean attack is an unfair and outdated remnant of the Cold War. [redacted]





# THE LONG ROAD TO THE SUMMIT:

## Thirty Years of Progress and Setbacks

### Inter-Korean Relations

- 1970-79
- Red Cross talks on divided families (1971)
  - North-South Coordinating Committee formed, hotline established (1972)
  - North tries to assassinate South Korean president (1974)
  - Korea sign Joint Declaration (1972)
  - Seoul proposes economic cooperation (1978)

### 1980-89

- South accepts North's proposal for prime ministers conference (1980)
- South Korean President calls for Korean Unification Council (1982)
- North kills 20 in assassination attempt on South's President (1983)
- North aids South Korean flood victims (1984)
- Korea hold secret talks on summit, unification issues (1985)
- North destroys South Korean airliner to derail Seoul Olympics (1987)
- South proposes summit, sends secret envoy to North (1988)

### 1990-99

- North's Kim Il-sung proposes North-South conference (1990)
- South Korean President calls for summit (1990)
- First prime-ministerial talks held (1990)
- North, South join United Nations (1991)
- Korea adopt Basic Agreement on reconciliation (1992)
- Korea open liaison office in P'annunjom (1992)
- North Korean Deputy Prime Minister meets South Korean President (1992)
- Kim Il-sung's death derails planned summit (1994)

### 2000

- Korea open food aid talks (1995)
- Northern submarine runs aground on South's east coast (1996)
- South pledges \$16 million in food aid (1997)
- President Kim Dae-jung says willing to hold summit (1998)
- Hyundai envoy meets Kim Chong-il, announces tourism project (1998)
- North clash over disputed fishing grounds (1999)
- Korea hold informal talks on energy cooperation (1999)

### 2000

- Korea discuss energy assistance
- President Kim offers infrastructure assistance
- Secret talks resume in Shanghai and Beijing
- Korea announce summit agreement
- Representatives hold preparatory talks

## 1970

- 1970-79
- North joins the World Health Organization (1973)
  - North joins IAEA and UNESCO (1974)
  - Northern troops kill two US officers at P'annunjom (1976)
  - South Korean president assassinated by KCIA director (1979)

## 1980

- 1980-89
- Kim Chong-il named formal successor to Kim Il-sung (1980)
  - US issues first-ever visit for North Korean academic visit (1985)
  - North Korea joins Nuclear Non-Proliferation Treaty (1985)
  - US, North hold political counselor-level meetings (1988)

## 1990

- 1990-99
- North, Japan begin normalization talks (1990)
  - Kim Chong-il named Supreme Commander (1991)
  - Soviet Union's collapse ends support to North (1991)
  - US, North hold first high-level diplomatic talks (1992)
  - North declares nuclear history to IAEA (1992)
  - US judges North has plutonium for one or two nuclear weapons (1993)
  - North Korea announces intent to withdraw from NPT (1993)
  - US, North begin nuclear talks (1993)
  - North launches No Dong missile (1993)

## 2000

- 2000
- South Korean ruling party fails to secure independent majority in National Assembly
  - Kim Chong-il makes "unofficial" visit to China

### Related Developments

