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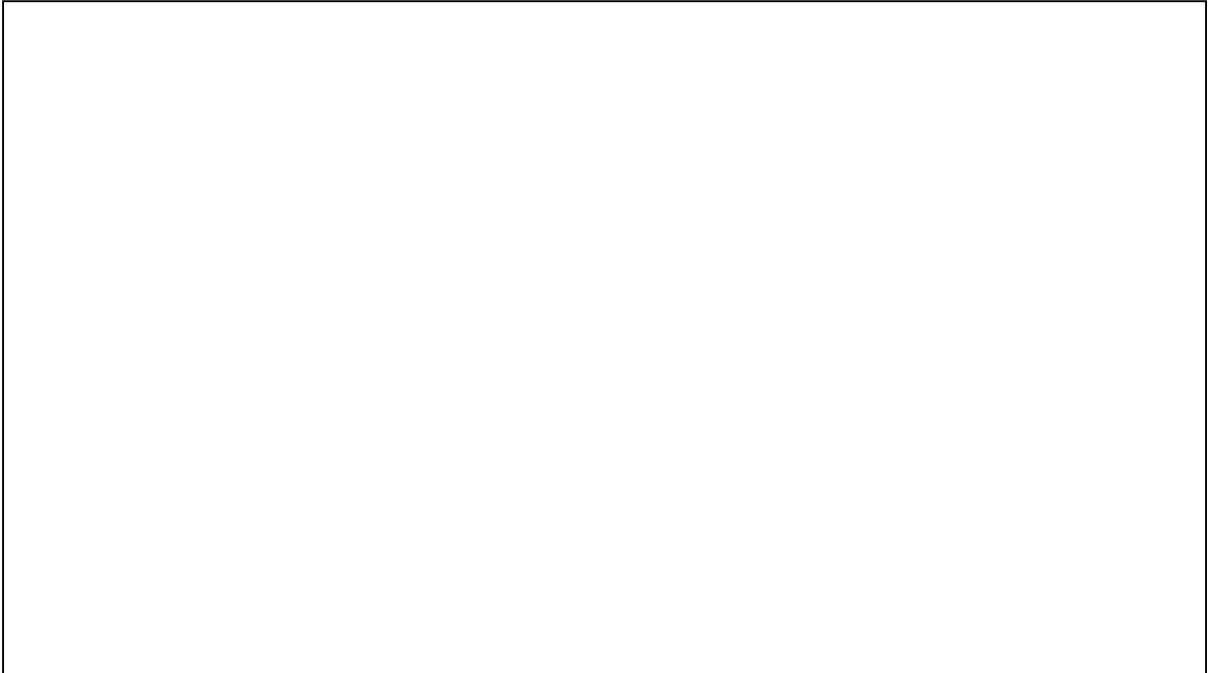


Intelligence Report

Directorate of Intelligence

24 February 1998

Intelligence Monitoring of North Korea's Implementation of the US-DPRK Agreed Framework (21 June-21 December 1997) [Redacted]



CIA/OTI --- IR 97-174CX ---

CIA/APLA --- IR 98-40103CX ---

This report was prepared by analysts throughout the Directorate of Intelligence and was coordinated within the Intelligence Community. This is a monthly report that updates policymakers on developments related to North Korea's implementation of the US-North Korean nuclear agreement. Information available as of 16 January 1998 was used in this report. Comments and queries are welcome and may be directed to

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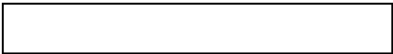
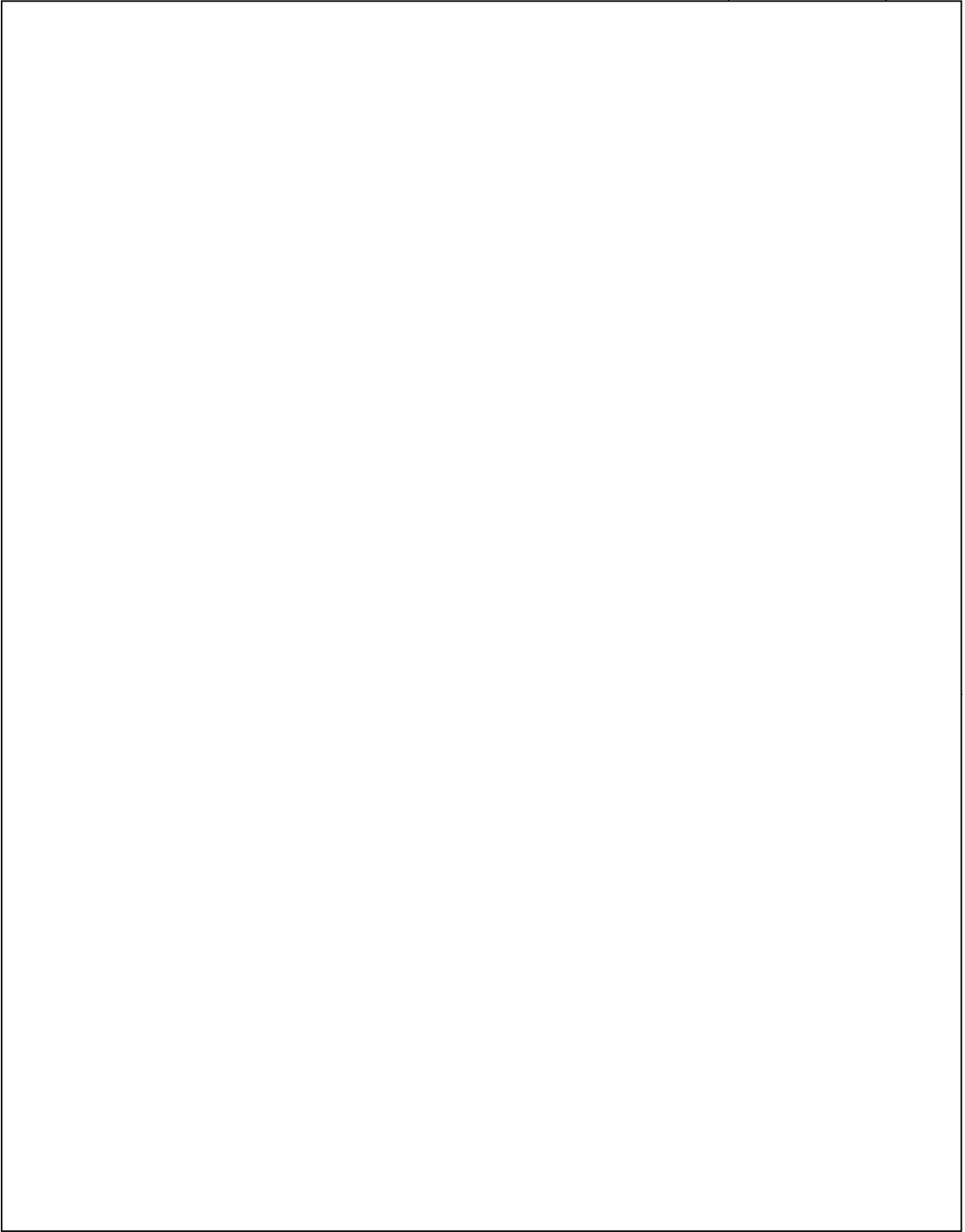
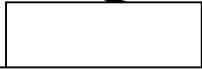
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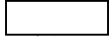
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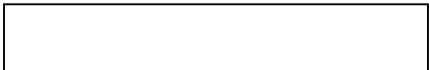
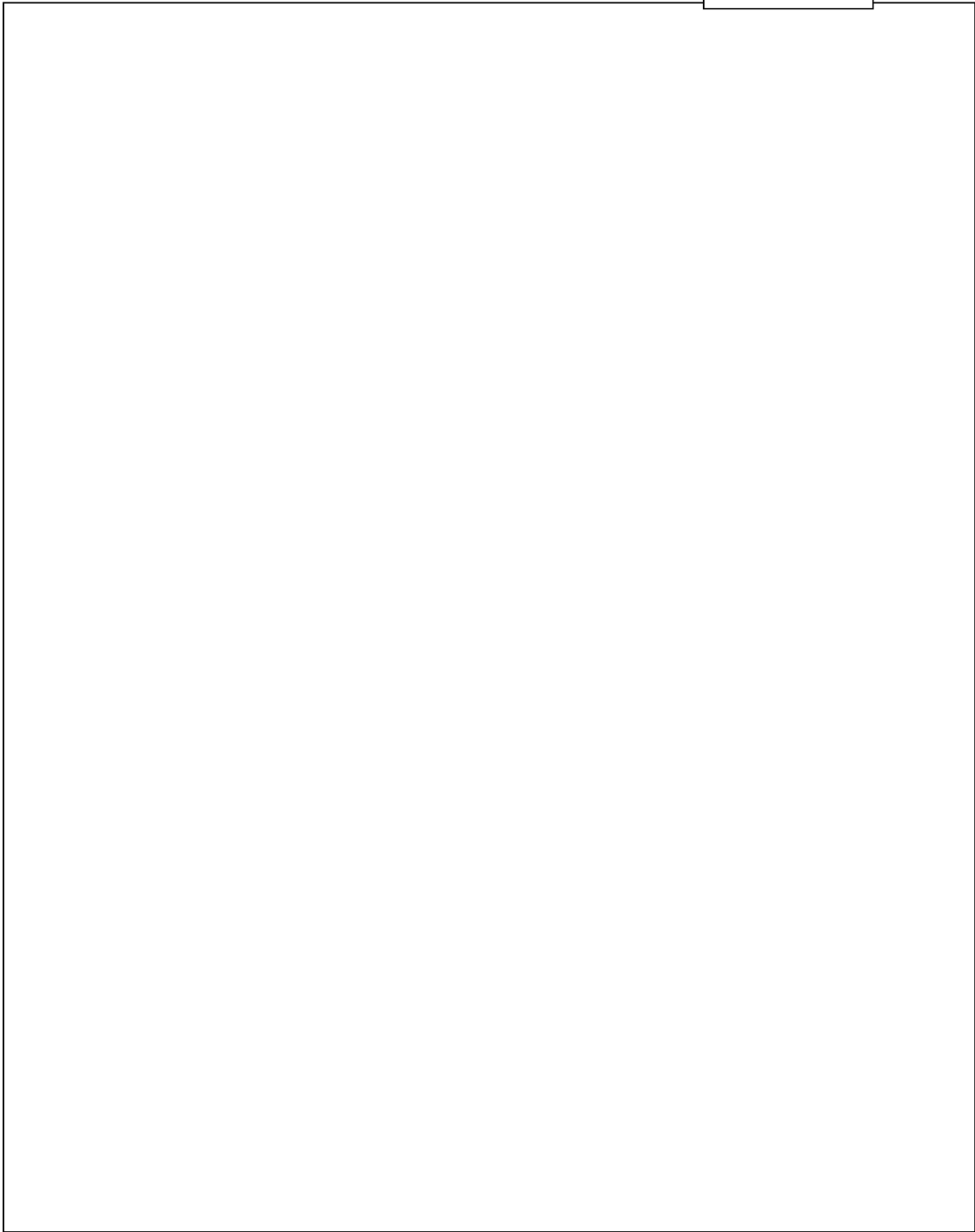
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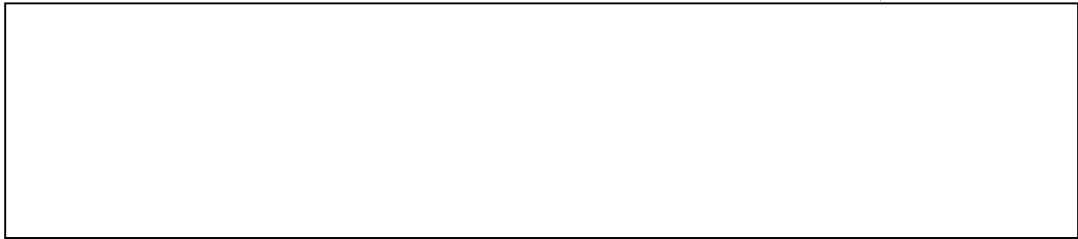


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Status of IAEA Activity

The eighth round of IAEA-DPRK technical discussions was held in Vienna from 21-24 October. IAEA officials report that no progress was made in resolving outstanding issues, which include preservation of historical information, sampling and monitoring radioactive waste at the reprocessing plant, and IAEA access to buildings not subject to the freeze. The IAEA and DPRK agreed to meet for the next round of technical discussions in the first quarter of 1998.

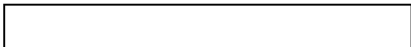
Implementation of Light-Water Reactor (LWR) Agreement

KEDO and North Korean officials conducted a groundbreaking ceremony in mid-August for LWR construction at Sinp'o North Korea.


- A team of US, South Korean, and Japanese diplomats arrived in Sinp'o in late July and established a site office under the auspices of KEDO. A five-member team is remaining on location and will be joined by other KEDO officials as the project progresses. The extended presence in the North is unprecedented for all three countries.
- Over 100 South Korean construction workers and engineers also arrived at the site where they will reside and work side-by-side with North Koreans. South Koreans detailed to the site are not allowed to travel in the North but are afforded diplomatic immunity while on location.

Working-level negotiators for the two sides signed agreements in early July related to postal and telecommunications channels and emergency medical care for KEDO employees. The two sides also established coastal routes for South Korean ships serving the site and set wages for unskilled North Korean workers at \$110 per month including benefits such as insurance and one meal per day. Wage rates for skilled North Korean workers were later set at \$150-220 per month while North Korean managers will be paid \$300 per month.

Despite minor diplomatic disputes between the North and South, protocol agreements have worked well and construction at Sinp'o has proceeded with only brief interruption.





- North Korea suspended construction in early October and confined South Korean workers to quarters, demanding the South apologize after a torn newspaper carrying a photo of Kim Chong-il was found in a wastebasket in temporary quarters vacated by South Korean workers. Officials in Seoul acted quickly to reassure P'yongyang that no disrespect was meant by the act and construction resumed after three days.
- Following vigorous protests from the North, South Korea scrapped plans in early December to send absentee ballots to Sinp'o to allow South Korean workers there to vote in the 18 December presidential election. 

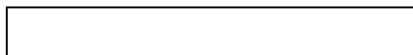
Status of Alternative Energy Program

North Korean ports took delivery of approximately 266,000 mt of KEDO oil during the reporting period. As of the end of the 1997 HFO delivery year on 20 October, KEDO had delivered to North Korean ports approximately 455,000 mt of the 500,000 mt it is obligated to provide to the North under the terms of the Agreed Framework.

During an October meeting with North Korean counterparts, KEDO officials agreed to offer their "best efforts" to deliver the remaining 45,000 mt by the end of the calendar year. In return, North Korean officials agreed to ensure that crews were prepared to offload shipments on the day of delivery, thereby allowing KEDO to avoid the expensive demurrage charges that were incurred earlier in the year.

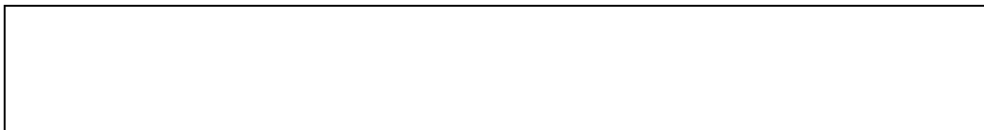


The North was more dependent on coal/HFO-powered plants during the reporting period because of a significant drop in hydroelectric power generation due to drought conditions. Nonetheless, power plants approved for the use of KEDO-supplied oil





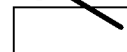
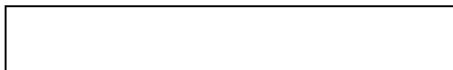
continued to operate at low levels, [redacted] Nationwide, power production fell to its lowest level in five years.



- An average of three of the *main P'yongyang* power plant's fourteen units operated during June, July, and August, but by late September, four or five units were consistently operating. Operations declined in November to an average of three units.
- The *Ch'ongjin* plant remained shut down through late August, but an average of one of four units was in operation thereafter through December.




North Korean officials admitted to KEDO representatives in September that they were using approximately 1,000 mt of KEDO HFO each month for heating at the Yongbyon nuclear plant even though the boilers had not been fitted with HFO flowmeters. The North has agreed to allow KEDO to install equipment to monitor the amount of oil used at the facility. [redacted]





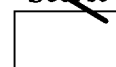
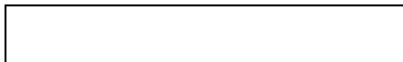
US-North Korean Liaison Offices

No new developments during the reporting periods. 

North-South Dialogue: Four-Party Plenary Talks Open in Geneva


North Korean diplomats met with counterparts from South Korea, the United States and China to formally open Four-Party Talks in Geneva 11-12 December. The North Koreans agreed to the plenary session following two preparatory meetings with the other parties in August and September to explore agenda items for the talks. The opening plenary focused mainly on procedural issues and inconclusive discussions of the agenda for future rounds.

- P'yongyang continues to insist that US troop withdrawal and replacement of the armistice agreement with a permanent peace with Washington be the focus of the agenda for the talks.
- The four sides agreed to hold a second plenary meeting on 16 March in Geneva.







- It was agreed that working level officials would continue working on procedural issues and the agenda at an intersessional meeting scheduled for 13-14 February in Beijing.

In a statement attributed to the fictitious South Korean National Democratic Front (SKNDF), P'yongyang called on South Koreans to "blow up" the Choson Ilbo, a Seoul daily, following a 24 June editorial in which the paper called on Kim Chong-il to take responsibility for his nation's economic plight and resign. 

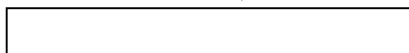
Red Cross officials from the two Koreas met in Beijing in July and again in December to discuss South Korean food aid to the North. South Korea delivered 53,000 tons of food to the North in October—bringing total deliveries for the year to 103,000 tons—and committed at the December meeting to deliver an additional 50,000 tons by March 1998.

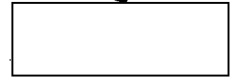
- The North agreed in the July meetings to resume telephonic and written contacts at Red Cross liaison offices in P'anmunjom.
- North Korean Red Cross officials did not respond to a proposal put forward in October by the South to establish family reunion centers at P'anmunjom and elsewhere on the Peninsula.
- The North refused to allow South Korean teams to monitor the distribution of aid, but did agree to additional delivery routes by land and sea. 

North Korean media waited two weeks before making oblique references to the 18 December election of Kim Tae-jung to the South Korean presidency. While avoiding mention of president-elect Kim Tae-jung by name, P'yongyang's media continued to berate Kim Yong-sam and Seoul's "flunkeyist policies" for the South Korean financial crisis and portrayed economic conditions in the South as being worse than those in the North.

- The North did not respond publicly to president-elect Kim Tae-chung's proposals to exchange envoys, possibly meet with Kim Chong-il personally and restart efforts to implement the 1991 North-South Basic Agreement. Kim Tae-chung made the informal proposals in a 19 December news conference following his election, but since has not elaborated on them.
- P'yongyang media continued to emphasize its standing reunification proposal which was reiterated in a Kim Chong-il treatise published last August. 

North and South Korea also agreed to open their Flight Information Regions (FIR) to each other's air traffic controllers at aviation talks held in Bangkok 7-9 October. A



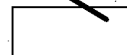
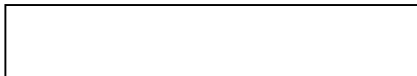


direct phone line allowing controllers from the two countries to share flight data was subsequently inaugurated in an 18 November ceremony. Commercial airliners overflying North Korea will be assured safety and cooperation for rescue, search and accident investigation as well as dispute settlement according to the agreement.

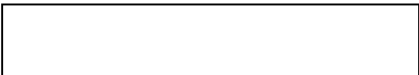
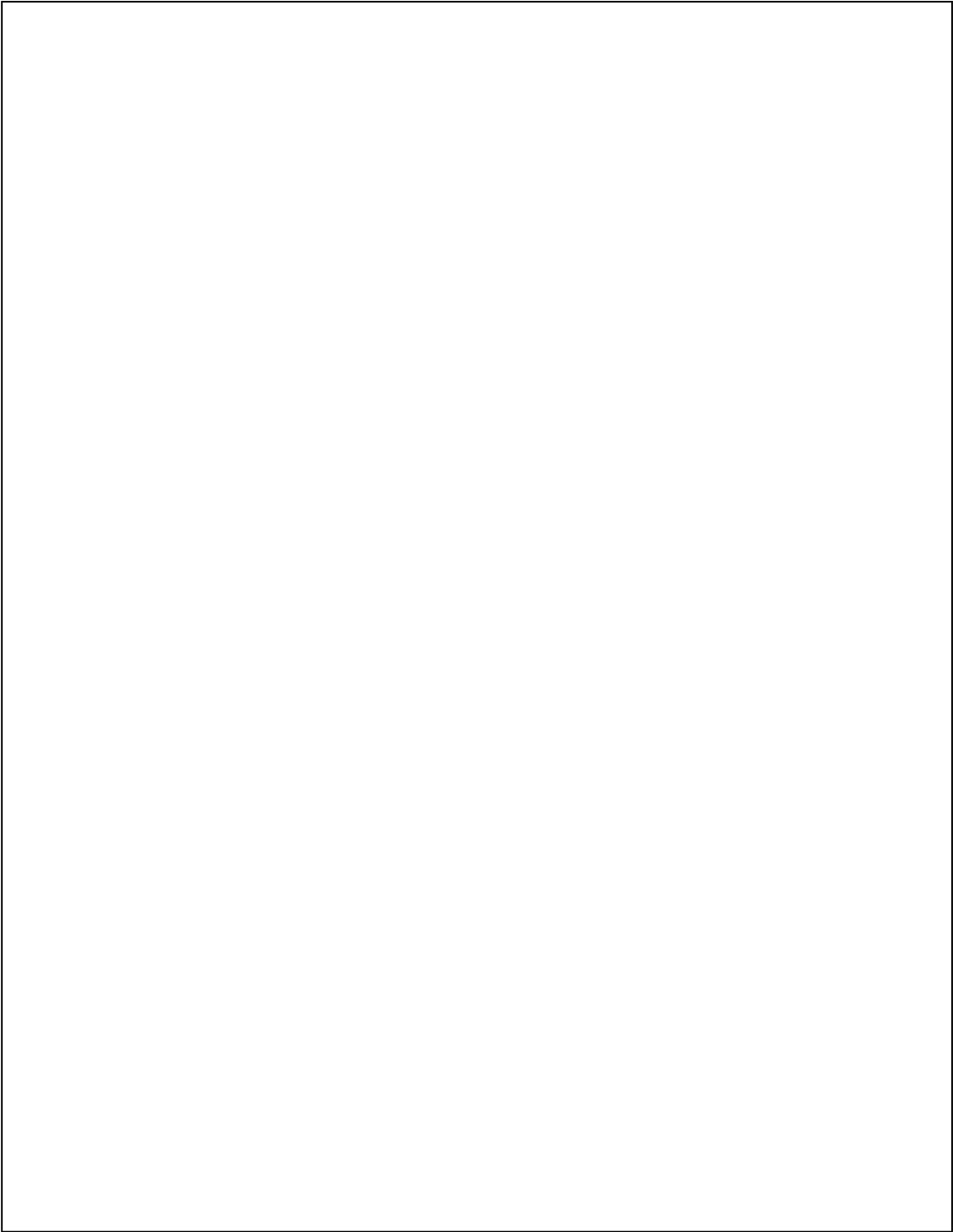
- South Korean and international carriers are scheduled to begin transiting the P'yongyang FIR in April 1998.
- By using the P'yongyang FIR, flights connecting North America, Hawaii and Japan with Seoul and points beyond will accrue substantial savings in flight time and fuel consumption.
- North Korea is expected to earn approximately \$2 million annually in air control fees.

Implementation of the North-South Denuclearization Declaration (NSDD)

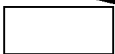
No new developments to report.



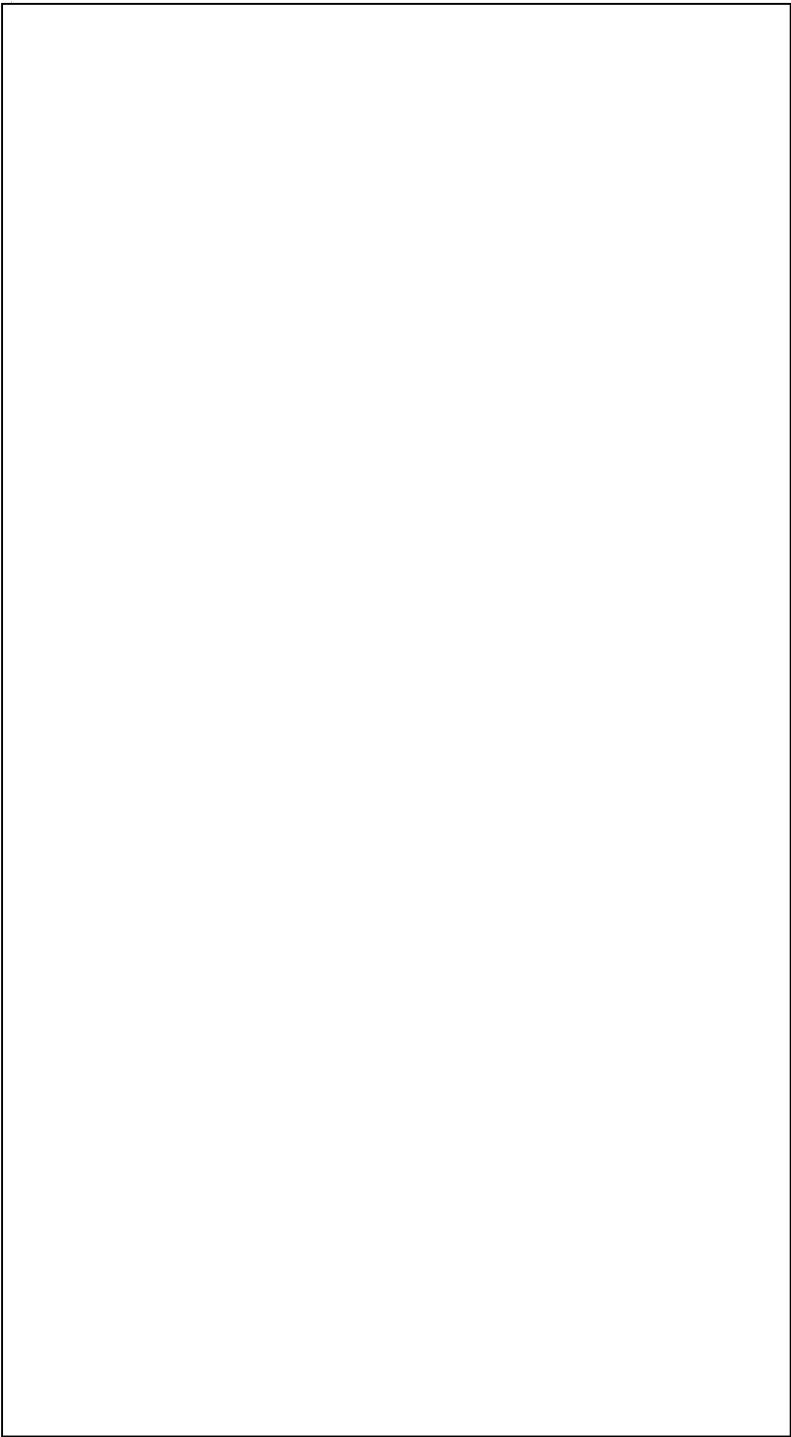
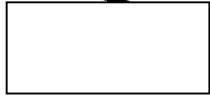
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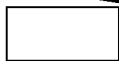
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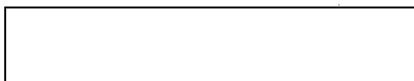
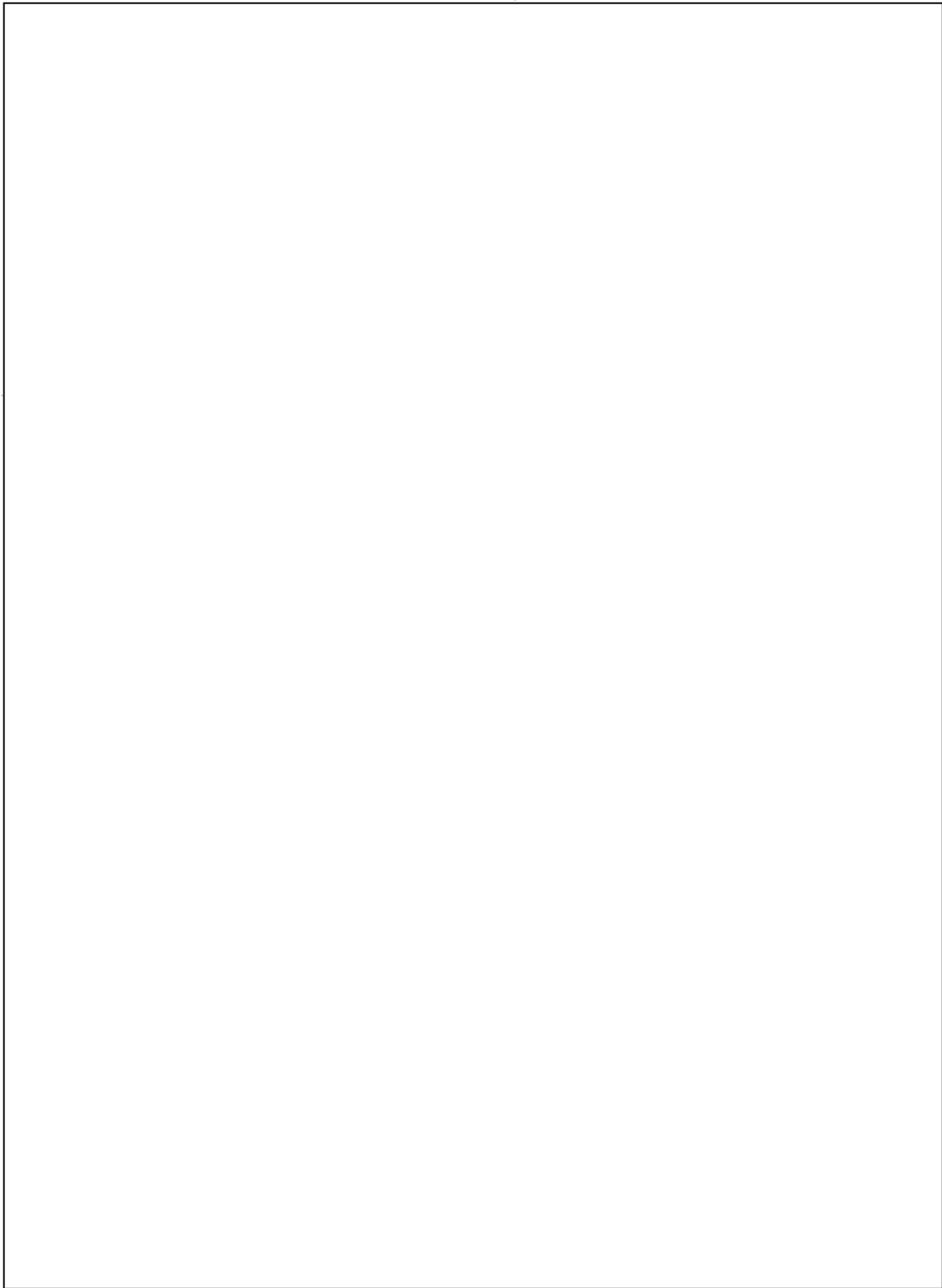
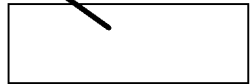
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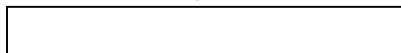
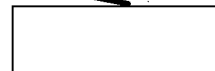
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