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RELEASED IN PART
B1, 1.4(B), 1.4(D)

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ACTION EAP-01

INFO LOG-00 ACDA-08 ACDE-00 INLB-01 AGRE-00 AID-00 ACQ-01
CA-02 CEA-01 CIAE-00 SMEC-00 COME-00 CTME-00 INL-01
C-00 DOE-00 SRPP-00 DS-00 EB-00 EUR-01 EXIM-01
E-00 FBIE-00 FRB-00 H-01 IMM-01 IM-01 TEDE-00
INR-00 IO-00 ITC-01 LAB-01 L-01 ADS-00 NSAE-00
NSCE-00 OCS-03 OBS-01 OIC-02 OMB-01 OPIC-01 PA-00
PM-00 PRS-00 P-00 CIO-00 SCT-00 SP-00 SSO-00
SS-00 STR-00 T-00 USIE-00 SNIS-00 NISC-00 PMB-00
DSCC-00 DRL-04 G-00 SAS-00 /035W

P 122139Z MAY 98
FM AMBASSAD Y SEOUL
TO SECSTATE WASHDC PRIORITY 0538
INFO DEPT OF TREASURY WASHDC
AMBASSAD Y MOSCOW
USMISSION USUN NEW YORK
AMBASSAD Y TOKYO
AMBASSAD Y BEIJING
AMCONSUL SHENYANG
AMCONSUL VLADIVOSTOK
SECDEF WASHDC
USCINC PAC HONOLULU HI//FPA//

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TREASURY FOR OASIA JSINGER

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1. (°) PARTICIPANTS AT A MAY 1 DINNER HOSTED BY THE AMBASSADOR FOR SENIOR STATE DEPARTMENT AND ROKG OFFICIALS AGREED THAT FORMER NORTH KOREAN LEADER KIM IL-SUNG HAD WANTED TO CHANGE HIS COUNTRY TO PREVENT ITS COLLAPSE, BUT THE MOST LIKELY IMPETUS FOR ANY POSSIBLE CHANGE MIGHT BE THE NORTH KOREAN MILITARY. IT WAS IMPOSSIBLE TO ANALYZE THE SITUATION ADEQUATELY GIVEN A LACK OF INFORMATION ABOUT THE MILITARY LEADERSHIP. VARIOUS POSSIBLE MODELS WERE SUGGESTED FOR NORTH KOREA: DRIFTING, MAFIA, REFORM, AND STAGNATION. 

SUMMARY:

NORTH KOREA TRYING TO CHANGE EXTERNAL RELATIONS?

3. (c) The Ambassador asked for an assessment of conditions in North Korea and prospects for developing bilateral diplomacy between the two Koreas.

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4. (c) North Korea seemed to be changing somewhat, given the large number of material benefits from abroad, and it might be taking its first steps toward normalizing relations with the external world.

5. (c) Commented that he was not so sure North Korea was on course to normalize its external relations.
NORTH KOREA: DRIFTING, MAFIA OR REFORM MODEL?

6. (C)
NORTH KOREA IN THREE DIFFERENT POSSIBLE MODELS:

1. **DRIFTING** - WITH NO FIXED IDEA OF ITS FUTURE, TRYING TO LIVE HAND TO MOUTH.

2. **Mafia State Model** - TRYING TO KEEP AT LEAST THE REGIME AND ITS ELITE GOING BY EXTORTING AS MUCH AS POSSIBLE FROM OTHER COUNTRIES BY THREATS WHILE GIVING NOTHING AWAY.

3. **REFORM** - COMING FROM SOMEWHERE DEEP FROM WITHIN THE PARTY NUCLEUS.

7. (c) NOTED THAT IF THE REFORM MODEL WERE TRUE, IT WOULD HAVE TO BE A VERY STEALTHY REFORM. ALSO VOICED SKEPTICISM REGARDING THE REFORM MODEL. NOTED THAT ONE OF THE MOST INTERESTING THINGS ABOUT NORTH KOREA WAS THAT AS YOU WORKED YOUR WAY UP THE RANKS, YOU REALIZED THAT THERE WAS NO VARIANCE FROM RIGID ORTHODOX THINKING. YOUNG OFFICIALS SAID NICE THINGS TO U.S. ACADEMICS, E.G. WE WANT YOUR TROOPS TO REMAIN. BUT WHEN YOU GOT TO THE HIGHER, LESS REFORM-
FLEXIBILITY.

8. (C) THAT BEFORE HE DIED, KIM IL-SUNG APPEARED DETERMINED TO MAKE CHANGES TO SAVE HIS COUNTRY, AND THAT HE WAS THE ONLY ONE WHO COULD DO SO. HE STARTED TO DO IT, BUT DIED, AND THEN THE NORTH KOREAN LEADERSHIP FROZE AND SINCE THEN HAD NOT BEEN ABLE TO MUSTER ANY FLEXIBILITY TO DEAL WITH THEIR SERIOUS CIRCUMSTANCES. KIM IL-SUNG CLEARLY SAW THE DIRECTION HIS COUNTRY WAS TAKING AND HAD DECIDED NOT TO LET IT GO DOWN. BUT NO ONE ELSE COULD MAKE THE NEEDED CHANGES. AGREED THAT KIM IL-SUNG WAS THE ONLY ONE WHO COULD CHANGE THE NORTH KOREAN SYSTEM. WITH HIS DEATH, THERE WAS NO ONE ELSE WHO COULD DO IT, AND THE SYSTEM WENT ON NOW, LOCKED TO THE COMPASS COURSE SET WHILE KIM IL-SUNG LIVED.

9. (S) ASKED WHETHER THE MAFIA MODEL DID NOT BETTER SUIT NORTH KOREA. OBSERVED THAT DRIFT IMPLIED MOVEMENT, AND THAT STAGNATION MIGHT BE A BETTER TERM TO DESCRIBE NORTH KOREA.

10. (C) ASKED WHETHER IT WOULD BE POSSIBLE FOR NORTH KOREA TO ORGANIZE A BOND FLOAT OF PERHAPS $200 MILLION IN INTERNATIONAL FINANCIAL MARKETS - A QUESTION WHICH SURPRISED MOST OF THE OTHERS PRESENT, WHO ASKED Rhetorically WHO WOULD LOAN THE NORTH KOREANS THE MONEY. REPLIED THAT NORTH KOREA HAD TO FIX A NUMBER OF FUNDAMENTAL PROBLEMS FIRST. AT THE PRESENT TIME, ONLY INVESTORS WHO HAD A SELF-CONTAINED PROJECT WOULD DARE CONSIDER INVESTING THERE. A STUDY AS TO WHICH SECTORS MIGHT BE COMPETITIVE IN NORTH KOREA WOULD SHOW
11. (S) COMMENTED THAT THERE MIGHT BE A CHANCE FOR CHANGE IN NORTH KOREA. FOR EXAMPLE, SOME CHANGES OF SOCIALIST COUNTRIES WERE NOT THE RESULT OF DIRECT, DELIBERATE POLICIES OF THE GOVERNMENT, BUT TOOK PLACE AT THE MARGINS OF SOCIETY. THE CHANGES THAT HAD OCCURRED SO FAR COULD HAVE BEEN STOPPED BY THE NORTH KOREAN GOVERNMENT, BUT WERE NOT. NOTED THAT DUE TO NORTH KOREA'S ECONOMIC DEPENDENCY, EFFORTS WERE NOT FOCUSING ON FORM BUT ON SURVIVAL, E.G., AS PEOPLE WERE MOVING ABOUT JUST TO FIND SOMETHING TO EAT. SINCE THIS WAS NOT A COUNTRY WITH DEVELOPED INSTITUTIONS, IT WAS HARD TO SEE POLICY REFORM FROM WITHIN; SO THE MILITARY WAS MOST LIKELY TO BE THE SOURCE OF REFORM, IF THE DICTATOR COULD PRECLUDE MILITARY ACTION. HOWEVER, THIS WAS ALL BASED ON LOGIC RATHER THAN WHAT WE KNEW ABOUT THE NORTH KOREAN MILITARY. UNFORTUNATELY, WE LACKED THE NECESSARY INFORMATION ON THE MILITARY TO ANALYZE IT.

12. (S) SAID THERE WERE RECENT INDICATIONS THAT THE NORTH KOREANS WERE GETTING MORE ACTIVE IN INTERNAL POWER POLITICS. HE WAS NOT SURE WHETHER THIS WAS A GOOD OR BAD SIGN. THAT WAS ONE WAY TO ACHIEVE CHANGE, BUT IT COULD LEAD TO MILITARY CONFRONTATION IF HARD LINERS CAME TO POWER. A CHINESE-STYLE CHANGE IN
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DEPT ALSO PLEASE PASS USDA FAS

E.O. 12958: DECL:05/07/2008
TAGS: PREL, PGOV, ECON, KS, KN
SUBJECT: PROSPECTS FOR CHANGE IN NORTH KOREA AND IN ITS EXTERNAL RELATIONS: USG/ROKG OFFICIALS' THOUGHTS

NORTH KOREA SEEMED UNLIKELY, BUT ONE DID NOT REALLY KNOW
WHAT WOULD HAPPEN, GIVEN THE LACK OF INFORMATION REGARDING THE NORTH KOREAN MILITARY.

15. (C) STATED THAT NORTH KOREA HAD PERHAPS THE MOST SUCCESSFUL TEXTBOOK-STALINIST SYSTEM — A ONE-MAN PARTY. BUT THE NORTH KOREANS HAD BUILT UP THE INCAPACITY TO CHANGE. EVEN IF THERE WERE PEOPLE WHO WANTED TO MAKE CHANGES, IT WOULD BE IMPOSSIBLE TO BRING CHANGE TO THIS SYSTEM.

16. (C) SAID HE AGREED WITH ASSESSMENT THAT KIM IL-SUNG HAD BEEN PLANNING TO MAKE CHANGES AT THE TIME OF HIS DEATH. KIM IL-SUNG KNEW THAT
WITHOUT CHANGE, THERE WAS NO WAY NORTH KOREA COULD
CONTINUE. HE SAW WHAT WAS HAPPENING IN CHINA AND WANTED
TO BRING ABOUT CHANGE IN HIS OWN COUNTRY. TO ACCOMPLISH
THAT, HE NEEDED TO IMPROVE RELATIONS WITH THE U.S. --
NORTH KOREA'S ARCH ENEMY.
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IO-00  ITC-01  LAB-01  L-01  ADS-00  NSA-00  NSC-00
OCS-03  OES-01  OIC-02  OMB-01  OPIC-01  PA-00  PM-00
PRS-00  P-00  CIO-00  SFC-00  SP-00  SSO-00  SS-00
STR-00  T-00  USIE-00  SNIS-00  NISC-00  PMB-00  DSCC-00
DRL-04  G-00  SASS-00  /OS4W

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