

NORTH KOREA: LEVERAGING UNCERTAINTY?

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THURSDAY, MARCH 16, 2000

HOUSE OF REPRESENTATIVES,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Committee met, pursuant to notice, at 10 a.m., in room 2200, Rayburn House Office Building, Hon. Benjamin A. Gilman, (Chairman of the Committee) presiding.

Chairman GILMAN. The Committee will meet once again to review U.S. policy toward North Korea. This is the fifth hearing on the Democratic People's Republic of Korea, the DPRK, in the last 18 months held by our Full Committee on International Relations.

Today's hearing will focus on the status and the prospects for our policy toward North Korea in the aftermath of Dr. Bill Perry's report to the Congress last October. We are pleased to have gathered a distinguished group of witnesses to discuss this very important national security issue.

Regrettably, our concern about North Korea and our policy still remains unabated. Let me discuss why we feel that way. The CIA reported in Congressional testimony last month that North Korea is continuing to develop the Taepo Dong II—an intercontinental ballistic missile—despite a test moratorium, and could launch that missile this year should it decide to do so.

The intelligence community, CIA, further states that a three-stage Taepo Dong II would be capable of delivering a several-hundred kilogram payload anywhere in the United States. The CIA has also concluded that the DPRK is the world's major supplier of ballistic missiles and technology, primarily to South Asia and to the Middle East. Their transfers to Pakistan, Iran, Syria, and Libya pose a significant threat to our national interest, to our American forces, and to our allies.

It has also been alleged that North Korea may be pursuing a uranium-based nuclear weapons program while the cost of heavy fuel for the 1994 Agreed Framework is likely to top \$100 million this year. There is a continuing concern about being able to get the IAEA into North Korea to conduct its assessment of their nuclear program, as well as finding willing underwriters for the nuclear reactor project.

In recent testimony, the Commander of U.S. Forces of Korea called North Korea "the major threat to stability and security in Northeast Asia, and the country most likely to involve our Nation in a large-scale war."

General Schwartz further stated that North Korea's goal is to unify the peninsula by force. American military dependents, Em-

bassy staff, and their families in Seoul were recently issued 14,000 gas masks because of the North Korean chemical weapons threat.

According to our Commander in Chief of the Pacific, North Korea conducted its largest conventional force exercise in years this past winter. Admiral Blair went on to say that North Korea continues to divert a disproportionate share of their meager national wealth to their military programs.

The DPRK recently declared the nullification of the Northern Limit Line, where they fought a sea battle with South Korea last summer, and Pyongyang bought 40 Mig-21 fighter jets from Kazakhstan for some \$8 million.

Recently, the Japanese police seized 250 kilograms of amphetamines believed to have originated in North Korea. That seizure, with an alleged street value of 15 billion yen, or \$139 million, was the fifth largest single haul of illegal drugs ever seized in Japan.

Confronted with impossible access to the most vulnerable groups of North Korean citizens, the French NGO, Action Against Hunger, withdrew from North Korea after 2 years. Their press release stated, "We are convinced that the international aid flowing into North Korea is not reaching the people most in need, and that thousands of people continue to die despite the massive food aid provided to that government." In their press conference announcing their decision, the French group said that international food aid is undoubtedly being diverted to the military and to the civil servants.

The Director of Central Intelligence said that instead of pursuing real reform, North Korea's strategy is to garner as much aid as possible from overseas, and has directed its global diplomacy to that end. This means more people will needlessly starve as Pyongyang chooses ideology over reform.

Our State Department is considering removing North Korea from the list of state sponsors of terrorism despite the fact that North Korea abducted Japanese citizens for use in their intelligence apparatus, continues to harbor Red Army hijackers, and is reportedly involved in political assassinations abroad. DPRK agents recently may have also kidnapped a South Korean clergyman working in China near the border.

The DPRK continues to severely oppress its citizens, and the international community has not spoken out forcefully enough about the day-to-day horrors of the North Korean gulag. In a highly celebrated case, several North Korean defectors were forcibly repatriated from China to a certain death.

Diplomatically, North Korea is willing to talk with anyone but South Korea. They talk with Rome, Canberra, and Tokyo, but not with Seoul. Despite numerous overtures toward Pyongyang, Seoul is rebuffed time and time again.

Furthermore, it was reported this morning that talks in New York over a visit to the United States by a high-level North Korean official have broken off without any agreement. This visit was first proposed by Dr. Perry almost a year ago. These recent developments are hardly encouraging.

As the North Korea Advisory Group pointed out in its report last October, before all of this took place, the threat to the United States and global interests of North Korea continues to grow, despite almost 6 years of engagement and close to \$1 billion in aid.

It is clear that the challenges presented by North Korea are significant, and managing the threat is a tremendous policy undertaking. We look forward to today's testimony on how we plan to deal with the ever-widening and deepening threat presented by the DPRK to our own interests.

We want to thank our good Ambassador Sherman for being with us today.

Allow me to yield time to Mr. Gejdenson, our Ranking Minority Member.

[The prepared statement of Chairman Gilman appears in the appendix.]

Mr. GEJDENSON. Thank you, Mr. Chairman. I, too, welcome Ambassador Sherman. She was an able advocate for the State Department when she headed up their Legislative Affairs Bureau. If she could handle Congress, we know that she will be able to handle North Korea as well.

I think there is clearly a case that while there is great consternation here and elsewhere in how to deal with North Korea, and there is a great sense that it poses a threat to the United States and many in the international community, few of us have any real solutions on how to deal successfully with the North Koreans.

The North Koreans have aggressively pursued programs that have harmed millions of their people, leading to starvation and leaving their population decimated. Unfortunately, their nuclear missile programs, which began in the 1980's, are still a potential threat, even if some of that has been stalled.

It seems clear that the North Koreans, with their missile flight tests and other policies, tend to use these to leverage their position in the international community.

We are in a difficult position. Millions of North Koreans are starving, with a government that seems to care little for its own population. Maybe they sense that our own humanity prevents us from simply walking away and trying to be more confrontational. However, I think that the one thing the North Koreans have to know is that there is a limit to the patience of the U.S. Congress and the American people.

Their failure to move forward in this new round of negotiations is a very bad signal, and I think that both Democrats and Republicans alike in Congress are losing patience with the North Korean government, which believes it can continue to live in this wonderland where its irresponsible policies threaten the world and threaten their own population.

Thank you, Mr. Chairman.

Chairman GILMAN. Mr. Bereuter.

Mr. BEREUTER. Mr. Chairman, I appreciate the words of my two colleagues and the introduction of Ambassador Sherman. However, I will defer my comments preferring first to hear from our witnesses.

Chairman GILMAN. Thank you very much.

With that, I would like to welcome our first panelist, Ambassador Wendy Sherman. It is a pleasure to welcome you back to our Committee as one of the State Department's leading policymakers on North Korea.

Wendy Sherman was confirmed by the United States as Counselor, Department of State, with the rank of Ambassador, for the tenure of her service in July 1997. Prior to assuming that position, from April 1996 to 1997, Ambassador Sherman was President and CEO of the Fannie Mae Foundation.

From 1993 to 1996, Ambassador Sherman served as Assistant Secretary for Legislative Affairs in the Department of State. From 1991 to 1993, Ambassador Sherman specialized in strategic communications as a partner in the political and media consulting firm of Doak, Shrum, Harris, and Sherman. Prior to that, she directed EMILY'S LIST.

We thank Ambassador Sherman for being with us once again. You may feel free to summarize your remarks and submit your entire statement for the record. We have asked our Members to withhold their questions until your testimony is complete.

Ambassador Sherman, please proceed.

**STATEMENT OF THE HON. WENDY R. SHERMAN, COUNSELOR,
U.S. DEPARTMENT OF STATE**

Ambassador SHERMAN. Thank you very much, Mr. Chairman. Thank you, Ranking Member Gejdenson, and Subcommittee Chairman Mr. Bereuter, for being here this morning. Thank you very much for the opportunity to discuss the Administration's North Korea policy.

I have submitted a fuller written version of my testimony for the record, and I will try to summarize my comments and make time for your questions.

Just this last September, Dr. William J. Perry presented the findings and recommendations resulting from his 10-month long review of our policy toward North Korea. I have been very privileged to be part of the policy review team as the senior government official who worked most closely with Dr. Perry, and I chair an inter-agency working group responsible for implementing the report's recommendations.

Mr. Chairman and Members, I completely agree with you: the Korean Peninsula remains one of the most volatile areas in the world. Our overarching goal there is simple—achieving lasting peace and stability and removing the threat that it poses for the United States, for our allies, and for the world.

Since 1994, the Agreed Framework has been at the center of our DPRK policy, and key to any ultimate success in achieving our goal. Two events in 1998, however, called that policy into question. That summer we found ourselves in protracted negotiations with the DPRK to gain access to a site at Kumchang-ni that we suspected might be the future site of a nuclear reactor.

If confirmed, the existence of such activities would have violated the Agreed Framework and jeopardized its continued viability. A visit to the site last May demonstrated that it was not involved in such activities, and we will revisit the site this spring. As was confirmed in the talks that Ambassador Kartman just completed in New York, we will return in May.

The experience, nonetheless, demonstrated the need for a mechanism to address similar concerns should they appear in the future, at least until such time as the DPRK comes into full compliance

with its IAEA obligations under the terms of the Agreed Framework.

Separately, in 1998, North Korea fired a long-range missile, the Taepo Dong I, over Japan in an apparently failed attempt to launch a satellite. Even though missile controls are not part of the Agreed Framework, this test firing rightly provoked a storm of protest in both the United States and Japan, and led to calls in both countries to end support for the Agreed Framework.

There is no doubt in my mind, however, that had we aborted the Agreed Framework, the DPRK would have responded by reopening its nuclear facility at Yongbyon. This would have placed the DPRK in a position to resume production of weapons-grade plutonium, and eventually to arm those very missiles with nuclear warheads—the very worst of all possible worlds.

During that period in 1998, the Congress called for a review of policy toward the DPRK. President Clinton and Secretary Albright agreed with the Congress and asked Dr. William J. Perry to assemble a policy review team. Over the course of 10 months, we met with experts inside and outside of the U.S. Government, including all of you on this panel and many Members of Congress and their staffs.

We traveled several times to East Asia to consult with our allies in the Republic of Korea and Japan, and with China's leaders. We also exchanged views with the EU, Russia, Australia, and other interested countries. We visited Pyongyang to talk with the leadership of the DPRK, and we have reported to this Committee on that visit.

Through many long sessions with our ROK and Japanese allies, we discussed how best to pursue our common goals of peace and stability, while taking into account our respective interests. After many months, we reached a common approach and a common understanding. The Perry Report is the result.

The comprehensive approach recommended by Dr. Perry, and developed in close consultation with our two allies, gave highest priority to our security concerns over DPRK nuclear weapons and missile-related programs. The strategy he recommended envisioned two paths.

On the first path, the U.S. would be willing to move step-by-step in a reciprocal fashion toward comprehensive normalization if the DPRK was willing to forego its nuclear weapons and long-range missile programs.

Alternatively, if North Korea did not demonstrate its willingness, by its actions, to remove these threats, the United States would seek to contain them by strengthening our already strong deterrent posture.

Because the second path is both dangerous and expensive, but most importantly because it is so dangerous, we and our allies all strongly prefer the first alternative, if we can go down that road.

As I have indicated, perhaps one of the most fundamental things to result from the Perry process has been extraordinary coordination among the three allies, which is stronger than at any time in the past. This is largely the result of the newly instituted trilateral coordination oversight group, or TCOG—perhaps not the world's greatest acronym—created nearly 1 year ago to ensure more fre-

quent, close consultation among the United States, South Korea, and Japan, at the subcabinet level. I chair our delegation to that TCOG.

We have met nine times trilaterally over the past year, including a meeting of foreign ministers and a summit meeting. Allied support for the U.S. approach is strong, in part because the Perry report is, in essence, a joint project. In January, I visited Seoul and Tokyo on one of our many trips there. I met with President Kim Dae-jung, participated in a TCOG meeting, and met with Japanese leaders.

During our discussions, President Kim again expressed his full support for our policy as complementary to his own policy of engagement. We, in turn, fully concur with his view that North-South dialogue remains central and key to ultimate peace on the peninsula.

We hope the DPRK leadership will have the foresight to take advantage of the opportunities before it to address issues of mutual concern, and to move its relationship with the United States, the ROK, and Japan, more rapidly down the path toward normalization and ultimate peace and stability.

There are increasing signs that other members of the international community would be prepared to increase their contacts with the DPRK as the DPRK addresses the international community's legitimate concerns. Italy has recently established diplomatic relations with the DPRK.

The Australians and the French both recently sent delegations to Pyongyang. Canada received an unofficial DPRK delegation. The Philippines is considering establishing relations, and, as you know, Japan is about, probably at the beginning of April, to move forward in normalization talks with the DPRK. We are consulting constantly and closely with our friends and allies on North Korea policy to ensure that our approaches are coordinated.

Guided by the Perry recommendations, U.S. policy is making progress in the step-by-step reciprocal approach recommended by the Perry Report. In September, the DPRK announced its intention to refrain from long-range missile tests of any kind, while high-level discussions were underway to improve relations. This was a small but important step in dealing with our proliferation concerns.

In September, we announced our intention to ease certain economic sanctions against the DPRK. More recently, the North accepted Dr. Perry's invitation for a reciprocal visit to Washington by a high-level DPRK visitor. From March 7th to just yesterday, March 15th, in New York, Ambassador Charles Kartman and Vice Foreign Minister Kim Gye Gwan held their third round of preparatory talks for the high-level visit. Further preparatory talks will be needed before the visit occurs.

The DPRK did agree yesterday in New York to recommence talks related to our concerns about the DPRK's missile program, and to begin a new negotiation on implementation of the Agreed Framework. As you know, as part of the positive path outlined in his report, Dr. Perry proposed talks to deal with our continuing concerns about DPRK missile-related and nuclear weapons-related activities. We are glad that the DPRK has now agreed to proceed with those negotiating tracks.

Finally, the DPRK reconfirmed yesterday its agreement for another visit to Kumchang-ni in May of this year. The negotiations leading to a DPRK high-level visit have been difficult, and, knowing North Korea, will remain difficult, as are all negotiations with the DPRK. These discussions continue.

Nonetheless, we and our allies remain convinced that the visit would advance our interests. We view the visit as an opportunity for both sides to demonstrate their intention to proceed in the direction of a fundamentally new relationship. It would be an important, but, as Secretary Albright said, a modest step, and would make clear to the DPRK that as it addresses our security concerns we are prepared to reciprocate by taking other steps to improve ties with the DPRK.

As we move forward in our relations with North Korea, the Agreed Framework will remain central to our policy. The turnkey contract, the light water reactor construction, was signed on December 15, 1999, and became effective on February 3rd. This means that construction can now, as soon as winter is over, begin in earnest.

As you know, the ROK in Japan committed respectively to providing 70 percent of the actual costs—that is the Republic of Korea—and the yen equivalent of \$1 billion for Japan, based on the current estimated cost of \$4.6 billion. Since the turnkey project became effective, South Korea has already disbursed nearly \$120 million, and Japan over \$51 million, to KEPCO, the primary contractor for the project.

We believe the Framework continues to be our best means of capping and eventually eliminating the threat of DPRK nuclear weapons by replacing the dangerous and frozen graphite-moderated reactors with proliferation-resistant light water reactors.

Faithful implementation of the Agreed Framework by all sides is absolutely essential to keeping the DPRK's nuclear activities at Yongbyon and Taechon frozen, and to the maintenance of stability on the peninsula.

We do need, and have appreciated, the Congress' continued support in order to continue to live up to our side of the bargain by helping to provide heavy fuel oil, even as fuel oil prices, as you all know very well, are painfully high and have a difficult impact on our project as well.

In doing so, we will, of course, continue to hold the DPRK strictly to its own obligations and commitments under the Agreed Framework, including the rapid conclusion of spent fuel canning and resumption of North-South dialogue.

While we are striving to advance our nonproliferation goals, we remain committed to addressing other issues of concern with the DPRK. We have and will continue to do all we can to improve the monitoring of food aid and other international assistance to North Korea. We will continue to monitor, condemn, and work multilaterally to gain improvement in the DPRK's dismal human rights record. We will support UNHCR's effort to address the plight of North Korean refugees.

As suggested in the Perry Report, we will pursue our serious concerns about the DPRK's chemical and biological weapons multilat-

erally. We will also continue to seek information on the alleged North Korean drug trafficking and other illegal activities.

Bless you, Mr. Chairman.

Chairman GILMAN. Thank you.

Mr. GEJDENSON. Is that part of your official statement?

Ambassador SHERMAN. Absolutely.

Chairman GILMAN. I like that.

Ambassador SHERMAN. I am also very personally committed to ensuring that we resolve, as fully as possible, the status of the American soldiers who remain unaccounted for from the Korean War. As we approach the 50th Anniversary of that conflict, this is absolutely critical.

The DPRK has been cooperative on this issue in the past, but the current lack of progress is more than a disappointment. This is a very important issue for veterans, for the families of those still missing, and for all Americans. We have an obligation to continue to press the DPRK to work with us on this very critical issue.

Let me stress, as I seek to conclude, Mr. Chairman, that we are attempting to pursue a constructive dialogue with the DPRK that addresses our central security concerns and leads us more rapidly down the path toward full normalization only as those concerns are addressed.

The Cold War still exists on the Korean Peninsula. We hope that our dialogue will be a crucial step toward ending it. We are under no illusions that it will be an easy path. We recognize fully that everything we and our allies do in diplomacy requires, first and foremost, the maintenance of a strong allied deterrent posture. This is fundamental.

In fact, the Perry Report stresses, and Dr. Perry has said directly to the DPRK, that there would be no change in our conventional forces. Congress' support of our forces in the region remains essential. The presence of 37,000 U.S. troops in South Korea and 47,000 in Japan demonstrates our commitment to stand with our allies against any threat of aggression.

With our South Korean and Japanese allies, however, we believe that this comprehensive two-path strategy recommended by Dr. Perry offers the best opportunity to change the stalemated situation on the Korean Peninsula in a fundamental and positive way. Through these efforts, we hope to lead the Korean Peninsula to a stable, peaceful, and prosperous future.

In closing, Mr. Chairman and Members, I would like to cite a senior Administration military leader on the Korean Peninsula who told me the following in my most recent trip there. He said, "When I came here 18 months ago, I thought I would have to fight a war. Thanks to the efforts of your team, I see this as an increasingly remote possibility."

Mr. Chairman, making war an increasingly remote possibility, working to address our concerns about weapons of mass destruction, and addressing pressing human needs—these are challenging and hard-to-achieve objectives. It will take time—unfortunately, probably lots of time—to accomplish them. I know, however, that we share these goals, and, working together, I believe we can and will succeed in this mission.

I thank you very much, and I am happy to take your questions. Thank you, Mr. Chairman.

[The prepared statement of Ambassador Sherman appears in the appendix.]

Chairman GILMAN. Thank you, Ambassador Sherman, for your extensive statement. We want to thank both you and Dr. Perry for your good work in trying to find a peaceful solution to the problems in North Korea.

Ambassador Sherman, it was reported this morning that the talks on a high-level visit by senior North Korean officials to Washington have broken down. This seemed to be a critical milestone in the Perry process. Can you tell us why those talks failed? How does that delay your intentions to begin missile and nuclear talks with North Korea? How does that affect your desire to get North Korea to sign a written agreement to halt missile testing?

Ambassador SHERMAN. First of all, Mr. Chairman, I don't exactly see what happened in New York in exactly the same way you do, which probably doesn't come as a surprise. I don't see it as the talks having broken down or having failed. I see it as part of a very tough and continuing negotiating process that we expected to take time.

In the Perry process, and in the Perry Report, we sought to address two immediate, we thought, highest priority fundamental concerns. That is, the implementation of the Agreed Framework and concerns about ongoing nuclear-related activities, and the missile program that North Korea has. In that report, we suggested that there needed to be a reintensified missile negotiation and a new negotiation on implementation of the Agreed Framework.

Oddly, nowhere in the Perry Report do we suggest a high-level visit. The high-level visit actually became a concept that arose out of a discussion with the North and a desire to reciprocate an invitation that we put on the table when we were in Pyongyang that they were welcome to come to Washington.

So we are actually quite pleased with the outcome from New York, as difficult as it was and as difficult as the days ahead will be, in that we expect very soon to have that reintensified missile negotiation underway, to have the Agreed Framework implementation negotiation underway, and to continue our conversation on the high-level visit. I fully believe that will take place.

The two negotiations may take place in advance of it, but I think the sequence matters less than trying to reach our security objectives.

Chairman GILMAN. Has a new date been set for further discussion?

Ambassador SHERMAN. A new date has not yet been set, but I would expect that to happen in the next few days. Ambassador Kartman had to come back and consult with us. They had to go back and consult with Pyongyang.

Chairman GILMAN. Ambassador Sherman, why did the President not certify that North Korea has not diverted assistance provided by our Nation for purposes for which it was not intended, or that North Korea is not seeking to develop or acquire the capability to enrich uranium or any additional capability to reprocess spent nuclear fuel?

Ambassador SHERMAN. On the diversion of assistance issue, we believe, based on the Perry Report and reports from within North Korea, that assistance is reaching the targeted population. So the President used his waiver authority on that certification provision.

On the uranium issue, the way that certification is written, it goes to the intention of North Korea. To tell you quite frankly, Mr. Chairman, having sat across from North Koreans, it is very hard to conceive of what their intentions are. One can hypothesize, one can apply logic, but it is very hard to know, actually sitting across from anyone, what their intentions are.

So we felt, again, to be fully accurate to the Congress, we could not certify as to North Korea's intentions, but, rather, use the waiver authority which the legislation provides.

Chairman GILMAN. Thank you, Madam Ambassador. What were the results of the recent talks in New York? Why is our Nation now considering removing North Korea from the terrorism list? What objectives did you actually achieve? What criteria does our Nation have for removing North Korea from the terrorism list?

How will we be dealing with the Japanese kidnappings, the Red Army hijackers, the incursions into South Korea and Japan, and politically motivated assassinations and kidnapping, such as the recent one of a South Korean clergyman?

Ambassador SHERMAN. Thank you, Mr. Chairman. Ending terrorism in the world is one of the highest priorities for the U.S. Government. It poses a substantial threat to American citizens, as I think America has seen quite painfully in the last few years. So, it is in the United States' interest to get North Korea to take those steps which would end its state sponsorship of terrorism and any terrorist activities that it might undertake.

There are two ways that a country can be removed from the list of state sponsors of terrorism. Both contain the concepts of cessation and credible forbearance of terrorism. I can go through, if you would like, the excerpts from the law, which I am sure you know, that specify the kinds of things that must take place for a country to come off the terrorism list.

I would suspect that our process with North Korea will take time. Michael Sheehan, Ambassador Sheehan, who is the head of our counterterrorism office—an office which you, Mr. Chairman, had a great deal to do with making sure it had prominence, focus, and the attention of the Secretary of State—met with the North Koreans in an introductory meeting where he merely laid out what it took under our law to come off of the terrorism list, and the process of negotiations that we wanted to undertake to talk with the North Koreans about taking the steps they would need to take to no longer be seen as a terrorist country.

I would suspect that we will have follow-on negotiations and discussions. I think this will take some time to do. Let me hasten to add that before Ambassador Sheehan even had the introductory talks, in the TCOG that I held in Seoul with Japan and South Korea—both bilaterally and trilaterally—we discussed the terrorism issue. Bilaterally particularly, I spoke with both countries about what their particular concerns were that they hoped we would address.

So we very much have in mind the concerns of our allies as we undertake this particular discussion. However, it will take some time, and I would be happy in a closed session to brief you or your staff about each specific requirement. I don't think it would be good tactically to have that discussion in public.

Chairman GILMAN. Thank you very much, Madam Ambassador. Mr. Gejdenson.

Mr. GEJDENSON. Thank you, Mr. Chairman.

Who are North Korea's closest allies? Are the Chinese helping them, either economically or with military technology?

Ambassador SHERMAN. North Korea is considered an ally of China, and China of North Korea. China does supply oil and food. I believe we have very good reason to know, in fact, that in urging North Korea not to test launch a long-range missile, and to agree to the moratorium on such launches, that China played a very positive role in encouraging them to not destabilize the peninsula further by undertaking test launches.

It is ironic, Congressman Gejdenson—because some of our goals are probably not the same—that we share objectives in this area. China has no interest in an arms race on the peninsula. That is because of North Korea, but that is also, quite frankly, because of Japan and Taiwan. China has no interest in people having nuclear weapons on the Korean Peninsula because it is destabilizing not only for South Korea and Japan, but for China as well.

So we believe that China has actually played a constructive role in getting North Korea to end its isolation and to move forward in working in a somewhat coordinated fashion, though not in the same way that the ROK and Japan do with us.

Mr. GEJDENSON. Now, what are the relationships in the Middle East? Are they primarily, sales, where the North Koreans sell rockets of some kind, and the Middle Eastern countries buy them? Or are the relationships more significant than that?

Ambassador SHERMAN. I believe, Congressman, the relationships are largely of exporters and importers. There are some details of those relationships that I would be glad to discuss with you in a private session.

Mr. GEJDENSON. I would like to have that. Then what about Russia? Do the Russians have any kind of relationship with the North Koreans?

Ambassador SHERMAN. The Russians do have a relationship with the North Koreans. Foreign Minister Ivanov recently went to sign a friendship agreement in Pyongyang. He spoke with Secretary Albright before he went and briefed us when he came back. In fact, we suggested some messages that he might want to take, and he did, indeed, do so. We try to stay in close touch with Russia.

I think it is significant that although I believe the DPRK was interested in a military alliance with Russia, Russia did not want to proceed in that direction. There is no longer a military alliance between Russia and North Korea.

Mr. GEJDENSON. Are there any other countries, other than China, that have a relationship that is significant with North Korea?

Ambassador SHERMAN. I think other countries are trying to develop a relationship, in part because they have adopted the ap-

proach of our trilateral alliance, and of the Perry Report, to believe that if we can begin to bring North Korea out of its isolation—out of the closed hermit kingdom that many people describe it as—that we might have a better chance of getting them to join the norms of the international community. That is a hypothesis that we are testing out, and I don't know, to tell you the truth, what the answer to that will be.

Italy will be visiting. Foreign Minister Dini, is going to be visiting Pyongyang, and he is stopping here for a consultation before he goes. I believe that we will probably see normalization of relations with other countries as well in the coming days. But all of these countries are doing it quite slowly, usually by double-hatting their Ambassadors in Beijing, and then moving very slowly in close consultation with all of us who are involved in policy toward North Korea.

Mr. GEJDENSON. What countries have the most significant diplomatic relationship at this point with North Korea, and have an ambassador there, have a significant presence, either economically or politically, in the country? China, obviously, would be——

Ambassador SHERMAN. China obviously, Russia, and then there are several other countries. I don't know the number.

Do you know the number?

Mr. GEJDENSON. Does Vietnam have a significant——

Ambassador SHERMAN. Yes.

Mr. GEJDENSON [continuing]. Presence there?

Ambassador SHERMAN. They have a presence. They have a presence, and as does Sweden, and there are a few others. We can get you the list, Congressman. I don't think we would say that any of them have a staggeringly significant relationship. In fact, it is not a post that people clamor to take on.

Mr. GEJDENSON. What a surprise.

What are the most significant economic relationships with the private sector that exist? Are there any large private corporations—whether it is hotels, industrial, or service sectors, in North Korea?

Ambassador SHERMAN. Probably the largest and most significant economic relationship is with South Korea. Hyundai opened a tourism project at Kungang Mountain. They are also working to put together an agreement for, in essence, what we might call an enterprise zone. There have been, I think, in the last year over \$300 million spent in North Korea in the tourism project. Samsung has opened up a project in North Korea.

In fact, I met with the president of Hyundai Asan when I was last in Seoul. The amount of private sector relationship with North Korea is growing quite significantly. In my discussions with President Kim Dae-jung, although the North has not yet developed a government-to-government relationship with South Korea in the way that we all would hope it to be, the private sector relationships, I think, are heading in a very positive direction, and ultimately will require, probably for infrastructure reasons, a relationship with the South.

Mr. GEJDENSON: I will finish with this. Those private sector relationships are, indeed, with the government of North Korea, because

if you are doing a tourism project in North Korea, there is no private land ownership or——

Ambassador SHERMAN. No.

Mr. GEJDENSON [continuing]. Sector that you would sign up with. So it is an agreement between a corporation in South Korea and the government of North Korea.

Ambassador SHERMAN. Correct. With the knowledge and understanding of the South Korean government.

Mr. GEJDENSON. Thank you.

Chairman GILMAN. Mr. Bereuter.

Mr. BEREUTER. Thank you, Mr. Chairman.

Ambassador Sherman, I want to express my sincere appreciation to you, to Secretary Perry, to Ambassador Kartman, and to all of the assistants and support people you have, in focusing on these important North Korean issues for us. I wish you well, and I hope you will convey that to them.

Ambassador SHERMAN. I will, indeed. Thank you.

Mr. BEREUTER. Ambassador, Secretary Albright, within the last month, has answered questions before the Committee, including one I addressed to her. I asked her if the resumption of missile flight tests of the Taepo Dong II would signify a decision by the DPRK to follow the path of confrontation, the second of the two paths that Secretary Perry has put before them.

Do you agree with her view? Do you know whether or not Secretary Perry would agree with that view?

Ambassador SHERMAN. I think what we believe, Congressman, as I said, we would know if North Korea was choosing the second path by its actions. There is no question that if they launched a Taepo Dong II missile, it would be a very serious action, and we would be in immediate consultation with the Congress and with our allies on those steps that we would need to take.

I think, more importantly, or as importantly, when the Taepo Dong I overflew Japan, the response in Japan and here in the United States, and rightly so, was one of concern. One can see that you could be down a downward slippery slope quite quickly. So I think it is a very dangerous situation we would have to take extremely seriously. I know that Dr. Perry feels that way as well.

Mr. BEREUTER. Do you think it would suggest that they have decided to take the path of confrontation or to continue on it perhaps?

Ambassador SHERMAN. I think it would certainly show that they, for the moment at least, had chosen not to take the positive path. What we tried to do in the Perry Report and in the classified report that was submitted to Congress is to build a ledge, so to speak, Congressman, because I don't think we want to go from a missile launch to war, if that can be avoided.

Although it would certainly mean they were not on the positive path, we would need to take those actions that would help us from going on a downward slope quickly toward war and conflict.

Mr. BEREUTER. The second path is basically to prepare our capacities to deal with a continued or a more militant North Korea, as I understand it.

Ambassador SHERMAN. Yes. It includes——

Mr. BEREUTER. It is not a matter of war or——

Ambassador SHERMAN. Right. Not a matter of war necessarily, but a way, if they took negative actions, that we could strengthen our deterrent posture, but also what we could do politically and economically, which sometimes is equally as important.

Mr. BEREUTER. Ambassador, on February 15th of this year, a memorandum was sent to the Committee which conveyed a memorandum of justification about the certifications and intent to waive certifications required under various statutes to continue our participation in KEDO.

On page 3 of that unclassified memorandum, it says, specifically, that North Korea's agreement to freeze and eventually dismantle its declared graphite-moderated nuclear reactors and related facilities at Yongbyon and Taechon has halted activities that, had they not been stopped, would have given the DPRK a nuclear weapons capability.

My question is: Is this suggesting that North Korea does not have a nuclear weapons capacity, or is it suggesting that the Agreed Framework has halted the North Korean nuclear weapons development program? Which is it?

Ambassador SHERMAN. What it is and what we have said repeatedly is that the Agreed Framework halted the plutonium production through graphite-moderated reactors at Yongbyon and Taechon, which is the quickest and surest way to the development of nuclear weapons.

Dr. Perry has said in front of this Committee that we have—we all have concerns about whether, as he calls it, the physics of nuclear weapons is still occurring, because that could take place in a room smaller than this.

One of the reasons that we want an Agreed Framework implementation negotiation, which the North has now agreed to, is to get at some of those concerns that would be realized in the Agreed Framework, but would not be realized until all IAEA full safeguards were in place, which will take some time because of the steps that are in the process of the Agreed Framework.

Mr. BEREUTER. Then I think that is a misleading statement in that memorandum because it does say that the agreement has stopped what would have given the DPRK a nuclear weapons capability. It appears to me that you are not saying North Korea does not have a nuclear weapons capability right now.

It is just that the nuclear weapons development program and the judgment behind the certification has been stopped. However, the capacity may be there now. At least—

Ambassador SHERMAN. I think, though, part of it is the passive verb. There is no question that the facilities at Yongbyon and Taechon would have given the DPRK a nuclear weapons capability.

Mr. BEREUTER. But they are not saying they don't have one now.

Ambassador SHERMAN. But we are not saying anything about that here.

Mr. BEREUTER. Right. OK.

May I have one more question, Mr. Chairman.

Chairman GILMAN. Without objection.

Mr. BEREUTER. Thank you.

Ambassador, this would seem like a question that should have been asked a long time ago, but maybe it has and I am not aware

of it being asked or the answer to it. Has the Department of Energy, or any Federal agency, made preliminary decisions regarding the licensing of nuclear reactors or nuclear technology to North Korea?

Has Secretary Richardson or his predecessor, Secretary O'Leary, made any commitments regarding the expedited licensing of nuclear technology that eventually would reach the DPRK? It goes to what safeguards would have been put in place or which would still need to be put in place. Are you aware of the answer to those questions?

Ambassador SHERMAN. I think one of the reasons that it may not have been asked in that way, Mr. Bereuter, is that the light water reactors that are being built are being built through KEDO, which is a consortium of countries and an entity that is responsible for the development of those light water reactors.

The primary contractor for those light water reactors is KEPCO, which is a South Korean entity. So I will go back——

Mr. BEREUTER. But it is——

Ambassador SHERMAN [continuing]. What my colleague is telling me is there are no licenses yet, and we would need to put a nuclear cooperation agreement in place first, prior to such licensing.

Mr. BEREUTER. Because those are U.S.-licensed technologies——

Ambassador SHERMAN. Yes.

Mr. BEREUTER [continuing]. That would be put in place through the South Korean entity, through the KEDO entity, I believe.

Ambassador SHERMAN. Yes. As you know, Congressman, there is a sequence of events that need to take place, the nuclear cooperation agreement being one of them, before key components are in place and the construction is complete.

Mr. BEREUTER. So you would expect or convey to the Department of Energy that they need to be in consultation with Congress to assure that the safeguards that they need to negotiate yet would meet statutory requirements?

Ambassador SHERMAN. I am sure they will be, and we will be in very close consultation with Capitol Hill as we present a nuclear cooperation agreement at the appropriate time.

Mr. BEREUTER. Thank you, Mr. Chairman, for your indulgence. Thank you, Ambassador.

Chairman GILMAN. Thank you, Mr. Bereuter.

Mr. Royce.

Mr. ROYCE. Ambassador Sherman, if I could ask you, *The Los Angeles Times* not too long ago reported that North Korea has been conducting major military exercises, showing capabilities that have caught analysts off guard. *The L.A. Times* reports that Pentagon officials have said that these exercises were being supported by the food aid that the U.S. and others are providing the regime in the North.

Now, what is your response to this criticism? Is *The L.A. Times* wrong in that report, in your view?

Ambassador SHERMAN. I believe that Admiral Blair testified in front of this Committee and said quite publicly that the winter military exercises were quite large, quite sophisticated, and quite good. I would not differ with Admiral Blair in that regard.

It is true the scale of operations during the winter cycle did exceed what had been observed over past years. But I want to remind the Committee that we have never shrunk from the fact—and it is part of our grave concern about North Korea—that their million man army is formidable; that the artillery and supplies that they have, although not as up to date as they would like to be, probably without some of the spare parts they want, could do catastrophic harm to our allies and to our troops. We take it quite seriously.

As for the food issue, Congressman, it is also my understanding, though I was not here, that Admiral Blair said that at the end of the day, food aid did not make a difference, in his judgment, in the capabilities of that million man army, and that it was the American tradition to provide such food aid. He believed it was the right way to go.

There is no question, and we have said this before publicly, that food aid—food is fungible, and there is no question in my mind but that North Korea wants to feed its military first and foremost. They cannot produce enough food for their own people, and probably the food they do produce goes first to their military, and then foreign food aid goes to others in the population.

We do believe, through the monitoring of the WFP, although it is not perfect and we are always trying for better monitoring, that, in fact, food is reaching the most vulnerable populations. Those who have been there frequently have seen, just with their own eyes, a difference in terms of the health and welfare of children, women, and the elderly.

Mr. ROYCE. We were providing some 500,000 tons of fuel each year. Do we know if that fuel was used in these military exercises?

Ambassador SHERMAN. We do not believe so, Congressman. One of the reasons that we wanted to provide heavy fuel oil was the fact that it is harder to convert heavy fuel oil to other forms of fuel. I cannot tell you with a guarantee and a certainty that they have not gone through the process which would enable them to do that, but it is one of the reasons that heavy fuel oil was chosen.

Mr. ROYCE. If the analysts are caught off guard by the magnitude of the military exercises, perhaps we should focus on that question, since we are still providing the fuel.

I recently had the opportunity to travel to Macau, and there have been reports in their papers about growing illegal North Korean activities there. North Korea allegedly is using Macau banks to launder money gained from drug trafficking. It is also, we heard, using Macau as a base of an operation that is counterfeiting \$100-dollar U.S. bills. Is this a serious concern, this activity? Maybe you could shed some light on the counterfeiting of U.S. \$100-dollar bills by North Korea?

Ambassador SHERMAN. I am aware of these reports, Congressman, and we are very concerned about them. This is a very sensitive subject because it goes to a number of areas. I would be pleased to have someone come up and give you a full brief, but I would rather not do that in a public hearing.

Mr. ROYCE. The last question I would ask you is the Administration and our South Korean partners have been engaged with the North Korean regime for several years now, providing all types of

aid. However, I am a little hard-pressed to see how the North Korean regime's behavior has been modified.

Do we really believe that this aid is leveraging reform in North Korea for at least more responsible international behavior? If that is the case, what are the signs that you could share with me that this is working right now?

Ambassador SHERMAN. I am very glad you asked this question. I happen to have a card here ready for it. It is hard, and it is very frustrating. I have many colleagues who have been at this a whole lot longer than I have been. I think to myself on the days—which is almost every day with North Korea—that I am intensely frustrated, I think of other parts of the world where negotiations have taken a long time.

Ambassador Dennis Ross, who is a tremendously able negotiator, has been working on Middle East peace for 10 years. We didn't see the end of the Soviet Union for more than 40 years. We tend to think of timeframes in 2, 4, 6, and 8 years. It has something to do with our election cycle probably. But North Korea sees life and time in 40-year increments. Somebody gets to be the head of North Korea for 40 years, and then dies and his son takes over.

So their sense of time is quite different than ours. Their approach to proceeding on these issues is quite different than ours.

That said, Congressman, you have every right to ask, so what has this gotten us anyway? Let me tell you what I think we have achieved, even in this very painful, difficult, slow process.

There is no question in my mind that the Agreed Framework froze plutonium production, and plutonium production was and still remains the fastest way to nuclear weapons. If that reactor, that potential reprocessing plant, were to startup again today, in months we would have dozens of nuclear material for nuclear weapons.

Second, we have gotten far enough in our relationship with North Korea that when we have a crisis, when we have a problem, we are able to negotiate our way to the other side; Kumchang-ni being the best example of that. That was a crisis situation. The Congress, understandably, the intelligence community, the policy community, the Secretary of State, the President, and the Secretary of Defense, were quite concerned that Kumchang-ni was a nuclear reactor site, given its size and given some of the characteristics of it.

Ambassador Kartman, through very patient and tough negotiations—he is one of the most tenacious negotiators I've ever met. You would not want to sit across from him. He can sit and stare at you for hours and not blink and not move until you are ready to move in his direction. He managed to gain access to Kumchang-ni, not just once but as many times as it took to satisfy our concerns. As I said, the North Koreans just reconfirmed again the visit in May of this year.

Third, again, through very tough negotiations, the North Koreans have agreed to suspend their launch and testing of long-range missiles while conversations and dialogue go on with us. This is no small action. It is not that they have stopped all of the development of their missile program. I do not believe they have. But it—

Mr. ROYCE. That is the question I have, because I don't—

Ambassador SHERMAN. Right. It is very, very hard to continue development of a program if you cannot test. If you cannot test, it is harder to market your weapons. If you do not test and you only have one missile, it is hard to give it a whirl because you don't know whether it is going to work or not.

So folks who are missile negotiators, who—Bob Einhorn, who is our Assistant Secretary for Non-Proliferation, would tell you that the single most important thing anyone can do to slow down, if you cannot yet stop a missile program, is to stop the testing.

We have a long way to go. We are very glad that North Korea has agreed to reintensify the missile negotiation to schedule the next missile negotiation, because as the Perry Report says, our goal is to end North Korea's long-range missile program, to get a verified program to end the development, deployment, testing, and export, which is critically important. That remains our objective.

We also now have, as I mentioned, commitments to a reintensified missile negotiation, Agreed Framework implementation, which gets to nuclear-related concerns. We will have ongoing terrorism talks, which is a tremendous interest.

Fourth, or fifth—I don't know where I am in the list—food aid is very controversial, but it is, as Admiral Blair said, the American way. We have fed vulnerable, starving-to-death people, and that is important. It is still important to our country.

Finally, and I think quite critical to whether we will ultimately succeed here or not—and I still don't know whether we will—is that we have constructed and now carried out the strongest trilateral consultation, I think, in our security, both military and political, relationship with South Korea and Japan. We have now proceeded also to further multilateralize that approach, so that we are in consultation and coordination with virtually everyone who is approaching North Korea.

Chairman GILMAN. The gentleman's time has expired.

Dr. Cooksey.

Mr. COOKSEY. Thank you, Mr. Chairman.

Thank you, Madam Ambassador. Let me ask you, what is the main source of financial aid? I understand they receive about a billion dollars, apparently, a year in financial aid. What country gives them cash? Do any countries give them financial aid directly?

Ambassador SHERMAN. I don't know any country that gives them hard cash. I would have to consult with my colleagues. I don't believe so. Our contribution is heavy fuel oil, and some administrative expenses to KEDO, and our food aid. When the Congress has monetized that food aid, it gets upwards to several hundred million dollars.

The EU makes contributions toward KEDO. China gives oil and food. Hyundai, which is a private corporation that we discussed earlier, does make payments to North Korea for the mountain tourism project. But there is no government that I can think of that gives cash, except those governments which buy missiles and missile technology from North Korea.

We believe that North Korea exports that technology for three reasons. First, as status and pride that they, in fact, can do this. Second, as a leverage in its relationships with us and others in the

world. Finally, for hard currency. We don't think the hard currency is the primary reason because although it is substantial, it is not really as much as one would think.

Mr. COOKSEY. I would assume that they don't really export a lot besides missiles and misery. What will it take for them to collapse financially, to have just a financial collapse?

Ambassador SHERMAN. It is hard to answer that question, Congressman, because I think many people would have predicted that North Korea would have collapsed already. Certainly, I think, a couple of years ago a lot of analysts thought they would, but I think virtually every analyst would say today that they are not going to collapse.

One of the fundamental premises of the Perry Report, which leads one to certain conclusions, is that we have to deal with this regime as it is, not as we wish it to be, because it is not in danger of imminent collapse. That is the view of our South Korean allies who are quite closer to the situation than we are, and I think of most analysts.

There is no question that if one believes they are on the verge of imminent collapse, then one might have adopted one of the proposals that we outlined in our report which we rejected. If you thought they were in imminent collapse, one might move to try to undermine the regime because you might think you could do it rather quickly.

We rejected that proposal because we don't believe they are in imminent collapse, and to undermine a regime takes a long time. During that time they would develop weapons of mass destruction further, and make it even more difficult to get them to give up their indigenous program.

Mr. COOKSEY. I know that we have given them food and heavy oil, but you gave me an answer about what the world has gained from it. I accept that as a reasonable answer and probably a good response.

I would assume, as I look out over this audience, that there is someone in here that is a representative from North Korea. It probably wouldn't be too difficult to guess who they are. How long will it take for people that are North Koreans to come to this country and see the way we operate here in an open forum, to see that there is a better way of doing things? Will there be people that have seen the outside of North Korea that would go back and be the basis for a revolt?

Maybe there is someone in this room—is there likely to be someone in this room—does anybody want to raise their hand that is a North Korean?

Ambassador SHERMAN. I doubt it, Mr. Cooksey, because North Koreans cannot travel outside of a 25-mile radius of New York, where they have a permanent representative at the U.N., without permission by the State Department. Those who were with Ambassador Kartman in New York did get permission to go to Georgia for a meeting at Georgia Tech tomorrow, but we know where North Koreans travel in this country, unless, of course, they are here in ways that we are not aware of.

So I would suspect there isn't a North Korean in this room, but I couldn't guarantee it.

Chairman GILMAN. The gentleman's time has expired.

Mr. COOKSEY. Thank you, Mr. Chairman.

Thank you, Madam Ambassador.

Ambassador SHERMAN. Thank you.

Chairman GILMAN. Ambassador Sherman, one last request. If I heard you correctly, you said you were quite pleased with the results of your New York talks. I am concerned about the New York talks, the fact that North Korea has rebuffed us once again on scheduling a high-level visit, and the fact that North Korea has rebuffed us once again in providing a written assurance on the ban on missile tests, and the fact that North Korea has once again rebuffed us on agreeing to the specific agenda for the follow-on missile and nuclear talks, which should be part of a joint communique of the recent visit.

So tell us a little bit, what made you so pleased with all of that?

Ambassador SHERMAN. When I said I was pleased, it is because I feel that we are still taking steps forward in this process. I think probably I get pleased maybe perhaps with less than would please you, Mr. Chairman, because this is a very, very difficult process. So if you can take forward steps with North Korea, then one is ahead in this process.

In the overall scheme of things, there is no question. I wish we had a date for a high-level visit. I wish we had the agenda completely nailed down. I wish that we had already had the missile negotiation, the Agreed Framework negotiation. I agree with you. I would be even more pleased if those things had occurred.

However, we did make forward movement in a process in which forward movement, small steps, one at a time, is the way that we are going to solve this problem. I wish it were otherwise. I truly do. I know Ambassador Kartman, who has to sit for hours and hours and hours with some of his team who are here, across from the North Koreans wish that more progress would go forward.

I think, fundamentally, there was no rebuff of our objectives. There was no disagreeing that, in fact, we are still proceeding toward a high-level visit. The missile moratorium remains in effect, which is crucial to meeting our ultimate objectives around their missile program.

We are still proceeding in very small steps—I agree with you, very small steps—very slow, small steps. However, we are still moving in a forward direction, and that, I think, is what our allies believe is necessary and what we have agreed to with South Korea and Japan, as Japan is proceeding in its own bilateral track.

The one last thing I would add, Mr. Chairman, is I had a meeting yesterday with one of our colleagues from Japan, and one of the points he made, which I think is quite true, is that we have to look at the aggregate of what is occurring. We believe, and Japan and South Korea believe, that any progress each of us makes is part of the aggregate progress that all of us are making toward dealing with North Korea because we are working together.

So, if Japan has its bilateral talks because they are in such close coordination with us, we are moving forward on the objectives of the Perry Report. If South Korea moves, both in its private economic channels and, I hope sometime soon, in North-South direct

government channels, toward reaching those objectives, we are reaching our common objectives.

I am not as pleased as I would like to be, but we are at least still moving forward.

Chairman GILMAN. Mr. Bereuter.

Mr. BEREUTER. Thank you, Mr. Chairman.

Both the Chairman and I are interested in whether the North Koreans have agreed to dates certain for talks on missiles. I would also ask a second question. Since North Korea is the world's worst proliferator when it comes to missile technology, and since non-U.S. independent sources indicate that North Koreans are working on nuclear development programs elsewhere in Asia, to what extent are we making that an element in our talks with them to try to get a commitment that they are going to abandon this kind of third country work on missile development and nuclear development?

Ambassador SHERMAN. Without getting into the specifics of the issues that you are discussing—

Mr. BEREUTER. I just want to know if it is being taken into account—third country.

Ambassador SHERMAN. Yes, absolutely. The reason for the Agreed Framework implementation talks, as I said, is to address our concerns that we either cannot get to soon enough because of the Agreed Framework implementation guideline and parameters, or where other concerns have been raised that we want to address as it was in the Kumchang-ni situation.

In the missile talks, absolutely. We are quite concerned about the range of activities of North Korea. I cannot today give you dates for the missile and the Agreed Framework implementation. As I said earlier, Ambassador Kartman had to come back to us. Kim Gye Gwan had to go back to Pyongyang. But we expect those dates to be set very soon through the New York channel.

Mr. BEREUTER. Thank you.

Thank you, Mr. Chairman.

Chairman GILMAN. Thank you, Mr. Bereuter.

The Committee stands in recess until the vote is completed. We will continue very shortly.

Ambassador Sherman, we thank you for your appearance.

Ambassador SHERMAN. Thank you.

Chairman GILMAN. I don't think there is any need for you to stay.

Ambassador SHERMAN. Thank you very much, Mr. Chairman.

Chairman GILMAN. Thank you.

[Recess.]

Mr. COOKSEY [presiding]. I would now like to welcome our second panel headed by Douglas Paal. Mr. Paal is President of the Asia Pacific Policy Center and a former senior staff member of Asian Affairs on the National Security Council during the Reagan and Bush Administration. We are glad you could join us today to give us your perspective on the Korean problem.

Mr. Paal will be followed by Dr. Mitchell Reiss. Dr. Reiss is the Director of the Reves Center for International Studies at the College of William and Mary. We welcome your perspectives on the North Korean policy dilemma as a former policy advisor at KEDO.

Finally, we will hear from Scott Snyder of the Asia Foundation. Mr. Snyder represents the Asia Foundation in Seoul, and recently published a book on North Korean negotiating behavior. We are glad you could join us today to give us your perspective on North Korea's negotiating tactics and strategy.

Welcome to all of you. I know that many of you have appeared before Congress previously. For the sake of time, I would request that you summarize your remarks and have your full statement appear in the record.

Again, I would ask Members to withhold questions until all of the witnesses on this panel have testified.

Mr. Paal, proceed.

**STATEMENT OF THE HON. DOUGLAS PAAL, PRESIDENT, ASIA
PACIFIC POLICY CENTER**

Mr. PAAL. Thank you, Dr. Cooksey. It is a pleasure to be here to present the views, and I will submit a small statement for the record.

Current U.S. policy toward North Korea remains a distasteful exercise in dealing with an obnoxious and threatening regime. With little to no consultation with the Congress, the Administration reached the Agreed Framework with North Korea in 1994.

Since then, the Congress has been forced to choose between overturning a major international undertaking by the U.S. Government, which in principle would be a harmful act to U.S. interests, and appropriating taxpayer money every year for use by a despicable elite in Pyongyang. This is not a welcome choice, as you well know.

You and your colleagues have tried to steer a course between these alternatives and have succeeded to a limited extent in conditioning and monitoring the flow of food and heavy fuel oil to North Korea. You have also succeeded in pressing the Administration to organize a more comprehensive effort under the original direction of former Defense Secretary Perry, and now under Ambassador Sherman.

How successful has this approach been? In the short term, it appears to be a mixed result. The most likely source of full-scale plutonium production in the Yongbyon facility has ceased operations, though not yet been dismantled or intrusively inspected. The North has also momentarily ceased testing long-range missiles with a hint of willingness to enter into a more formal moratorium.

In the longer term, however, we will not know probably for at least 4 years whether the North has found another way to produce nuclear weapons at sites away from Yongbyon. It stretches the mind to imagine that a key element of the Agreed Framework—satisfactory special inspections by the IAEA—will ever be intrusive enough in a secretive society like North Korea.

To meet a high standard of investigation 8 months to 2 years of inspections are likely to be required. It will be an important question during that period whether the North will bend to the international community in order to get the critical components necessary for the light water reactors under construction, or the international community, led by the United States, will bend its standards to keep Pyongyang cooperative.

Before turning to the outlook for the future, I would like to note that I have great respect for the hard work and many frustrations of the civil servants who have had to work this wet of problems with North Korea. I was one of them myself in the Bush Administration. They have labored under policy constraints in the new Administration that leave few options, and all are suboptimal.

When the Agreed Framework was adopted, the choices before the Administration were framed as either war or cooperation with Pyongyang. The absence of major conflict since then, despite repeated skirmishes, is, of course, an accomplishment for which the architects of the Framework claim credit. However, war has been avoided on the Korean Peninsula since 1953 through effective deterrence. The cessation of long-range missile tests and the arrest of the Yongbyon nuclear facility are two other outcomes of the Agreed Framework. But as I have noted in my statement, these are qualified successes.

The problem for the Congress and the next Administration is that the Agreed Framework and Secretary Perry's efforts have effectively postponed the ultimate confrontations with North Korea over nuclear weapons and missiles, and they have yet to address the fundamentally more serious problem of conventional arms on the peninsula.

As Admiral Blair noted in his testimony here 2 weeks ago, despite years of poor economic performance and large-scale international food aid, Pyongyang surprised observers with the largest winter military exercise in nearly a decade.

Alliance requirements have also limited the room for the U.S. maneuver. The election of President Kim Dae Jong, with his strong commitment to win over or undermine North Korea through blandishments and economic assistance, has made it more difficult for any Administration to take a hard line with the North. There may be some room, however, for a "bad cop, good cop" approach to Pyongyang, with the U.S. playing a heavier role to the more pacifying role of Seoul.

The preconditions already exist in the different emphasis Seoul and Washington—that these two capitals give to weapons of mass destruction, Seoul playing this issue down much more than the U.S. plays it up.

Going forward, the next Administration and Congress will need to rig for heavy weather. Sometime in the first year and a half of the next term, the IAEA will have to inspect at a level of intrusiveness that would be difficult in, say, Sweden, let alone North Korea.

The Iraqi experience is a daunting premonition of the North Korean situation. The level of political support for President Kim Dae Jong's approach to the North also appears to be diminishing in South Korea as the economy there returns to health and the dividends of his Sunshine Policy remain lean.

The next Administration should expect to be tested in a confrontation engineered by the North, as President Clinton and South Korean President Kim Young Sam were in 1993, with Pyongyang's threat to leave the Non-Proliferation Treaty. Here I will interject that this political component to the behavior of North Korea, which is very often missing from analysis and debate—they watch our election cycle much more closely than they are perceived to do.

They have timed their challenges to leaders when they are new in office and are unsure of themselves. This happened in 1993, and President Kim of Korea and President Clinton of the United States responded, in my view, against the previous Administration's background fairly weakly.

In 1994, when the tensions were rising, they signed the Agreed Framework on the eve of the Congressional elections, perhaps believing in their own minds, if not in the minds of the White House, that this would somehow be a time to strike a deal when the Administration was looking for victory.

I believe that they are choosing the present time, the May visit by a senior leader, to come and test the political environment in the United States and see whether the Administration is going to be hungrier for a deal when it is up against a political opponent in our own domestic contests.

I fully expect Pyongyang to try to sweeten the deal or reduce its cost by confronting the U.S. and Korean leaderships again with a choice between confrontation or cooperation or classic appeasement. It will be up to the new team to fashion an alternative to these choices if we are to resolve our concerns about Pyongyang's nuclear, missile, and conventional weapon threats.

Thank you.

[The prepared statement of Mr. Paal appears in the appendix.]

Mr. COOKSEY. Ordinarily, I would go to the other statements. However, in statement four and statement seven, you seem to question the position of the State Department. Is that assumption correct? I get the impression that you don't have as much confidence that they are doing the right thing as Ambassador Sherman did. Or do you?

Mr. PAAL. There are three choices I believe that the U.S. Government has as broad categories for dealing with North Korea. One is a real confrontation. We go to the United Nations, we try to get votes against them, we try to isolate them. That was the choice that was put up before the President in 1993 and 1994. Another option is to work out some kind of cooperative arrangement with all of the agonizing that goes along with it, which Ambassador Sherman and her team have had to go through.

I have always felt that there is a third option, which is simply to turn a cold shoulder to the North on a political level, but to give them opportunities to go into the international economic community. If they want to buy things, if they want to sell things, they are welcome to do it. We could lift our sanctions on North Korea, except for things such as military items, and transfer to the North, and then say, "Here is our phone number. If you want to do business, come to us."

Instead, we find ourselves chasing after them and proceeding to build a process-driven approach to North Korea, which yields extremely small dividends at an extremely slow pace, which is something that is easier for them to do because they don't operate in the democratic political environment where representatives, such as yourself, have to go to the taxpayers and ask for money for a despicable regime's small lifting of its little pinky when it takes from us.

Mr. COOKSEY. Good. Thank you. I am going to come back to you shortly.

Dr. Reiss, If you would go ahead with your statement. Thank you.

STATEMENT OF MITCHELL B. REISS, DIRECTOR, REVES CENTER FOR INTERNATIONAL STUDIES, COLLEGE OF WILLIAM AND MARY

Mr. REISS. Thank you, Congressman. I would like to thank the Committee for inviting me to testify here today on this important issue.

I would like to submit my written testimony for the record and then offer a brief summary of the major points.

There are currently three myths that influence U.S. policy toward North Korea and impede our ability to maintain stability and security on the Korean Peninsula and in the region.

Myth number one: It is impossible to negotiate with North Korea. Determining how best to deal with North Korea has posed a serious challenge for the Clinton Administration. However, it is possible to do business with Pyongyang, as proven by the experience of KEDO, an international organization that was created to deal with the North's nuclear weapons program by building two nuclear power reactors in North Korea.

During the past 5 years, KEDO and the North Koreans have reached agreements that have produced real and tangible progress to implement this nuclear project. Many of these agreements deal with highly sensitive national security issues, such as direct transportation routes from South Korea to North Korea, independent means of communication from the work site to the outside world, and blanket immunity from prosecution for all KEDO workers doing business in the North.

KEDO has shown it is possible to engage North Korea in ways consistent with U.S. national security interests. The KEDO experience also teaches the importance of demanding strict reciprocity. There is no such thing as a free lunch when it comes to North Korea. It is possible to take from the North, but only if you are prepared to give something in return.

It is essential that anyone negotiating with the North not be afraid to walk away from the negotiating table. They should never be or seem to be more eager than the North Koreans to reach an agreement. Hard-headed engagement, which is strongly supported by South Korea and Japan, can work. By keeping faith with our allies, the United States will emerge in a much stronger position should North Korea decide to remain a rogue state.

My final point here is that it is useful to talk with Pyongyang if only to make absolutely clear to them the consequences their actions will bring. In other words, the United States has a strong interest in preventing North Korea from ever thinking that its provocative behavior would go unanswered.

The second myth is that the Agreed Framework nuclear deal can be attacked without harming broader U.S. national security interests. Despite all of the criticisms of the Clinton Administration's handling of North Korea, the reality is that the next Administra-

tion, whether Democrat or Republican, is unlikely to substantially change U.S. policy.

If there is a Republican Administration come next January, I would expect to see important changes in policy style and policy execution, but little change in policy substance, with the possible exception of addressing the North's military posture along the demilitarized zone.

Indeed, leading Republican foreign policy experts advising Governor Bush have already gone on record saying it would be difficult for a Republican Administration to overturn the current U.S. approach to North Korea.

These Republican foreign policy experts recognize that the Agreed Framework and KEDO, Secretary Perry's report, and South Korean President Kim Dae-jung's Sunshine Policy, provide useful tools with which to deal with many of the challenges North Korea presents. This is not to say that the current U.S. approach is ideal. Far from it. It is the least worst option.

Before dismantling the current approach, it is essential to formulate a viable policy alternative. Suddenly reversing Washington's North Korea policy without such a policy alternative in place would harm our relations with two key U.S. allies—South Korea and Japan. The likely result of such behavior would be the weakening of U.S. influence throughout all of East Asia and perhaps beyond.

Myth number three is that KEDO doesn't need or deserve strong U.S. support. According to published accounts, North Korea's work at the nuclear facilities covered by the Agreed Framework has halted. This nuclear freeze is being monitored not only by U.S. national technical means, but also by international inspectors on the ground at these sites in the North.

Without this nuclear freeze, which is due largely to KEDO's ongoing efforts, it is estimated that Pyongyang would have the capability to build five to six nuclear weapons a year. In other words, without the Agreed Framework and KEDO, North Korea could have a nuclear arsenal of at least 25 to 30 bombs by this time. Needless to say, this result would be profoundly destabilizing to all of East Asia and detrimental to U.S. stature and influence in the region.

Unfortunately, the KEDO nuclear project is an estimated 5 years behind schedule. KEDO needs strong support from the Administration and from Congress to move the nuclear project forward. It is useful to recall that under the Agreed Framework, North Korea has pledged to come clean about its nuclear past, to disclose how much weapons-grade plutonium it has separated, only after KEDO completes a significant portion of the two nuclear reactors it has pledged to build.

Many people, including myself and my friend Doug Paal here, are skeptical whether Pyongyang will ever place all of its nuclear cards on the table. We delay testing this proposition with each day the KEDO project is stalled. We delay forcing North Korea to choose which path to follow—the one leading to greater engagement with the outside world, or the one leading to greater isolation and poverty with the North Korean regime.

In conclusion, I would like to leave the Committee with four key points. First, it is imperative that the United States keep its eye

on the prize. Our overriding priority is to maintain security and stability on the Korean Peninsula.

Second, we must keep solidarity with our allies—South Korea and Japan. Anything that weakens our alliances weakens our security.

Third, we need to force North Korea to make a choice through tough negotiating, so we can have a better sense of which U.S. policy is most appropriate for dealing with the threats that North Korea poses.

Fourth, and finally, Congress has a crucial role to play in working closely to help this Administration shape our policy for North Korea.

Thank you.

[The prepared statement of Mr. Reiss appears in the appendix.]

Mr. COOKSEY. Thank you, Dr. Reiss. It is my understanding that you were working for KEDO, and you sat down across the table from the North Koreans and negotiated the agreement that proceeded with KEDO.

Mr. REISS. Yes, sir. For 4 years I was the chief negotiator.

Mr. COOKSEY. Where was this where these negotiations—

Mr. REISS. The negotiations took place in North Korea and in New York, where KEDO is headquartered.

Mr. COOKSEY. What is your opinion of the people you negotiated with? What was their education level? Were they tenacious? Were they honest?

Mr. REISS. They were extremely tenacious and difficult negotiators. I have explained in other addresses that I like to describe the North Koreans as smart but not terribly sophisticated. A lot of what we did was actually explain and educate the way the world worked, international standards, technical advances. Their people literally don't get out a lot, and they are not as familiar as one would hope in terms of what is current concerning technology levels, international standards, international practices.

For the first part of many of these negotiations we spent an enormous amount of time explaining and educating, providing them with written documents and materials, so they could get up to speed themselves.

Mr. COOKSEY. I will probably come back to some more questions for you, but thank you, Dr. Reiss.

Mr. Snyder.

STATEMENT OF SCOTT SNYDER, REPRESENTATIVE OF ASIA FOUNDATION/KOREA

Mr. SNYDER. Thank you very much for the opportunity to be here to address the Committee. I am also going to summarize my statement by first focusing on contributions of the Perry review process.

I think the primary contribution has been the alignment of policies among the United States, Japan, and South Korea, in favor of working with the North Korean leadership to engage in mutual threat reduction in return for the creation of a more benign international environment necessary for North Korea's regime survival.

The policy coordination effort itself is unprecedented and has potentially significant implications for the shape of future security relations in Northeast Asia, including perpetuation of U.S. alliances

with Japan and South Korea as part of the shaping of that security environment.

Another result of the policy review process has been to underscore both the practical limits and essentially unsatisfactory nature of the options available, and the difficulties of achieving a political consensus on how to deal with North Korea in the United States, Japan, and South Korea.

The true test of success or failure of the Perry process in the long-term will depend on whether or not the following positive developments are sustainable—first, continued strengthened alliance coordination among the United States, Japan, and South Korea to prepare along the two-pronged path of engagement or confrontation; second, the ability of the Administration to move from the design phase represented by the policy review process to overseeing an implementation process while maintaining bipartisan political support; and third, an ongoing and regularized engagement with North Korean leaders at higher levels that gives North Korea a stake in and benefits from an engagement process, so that leaders in Pyongyang recognize that they have so much to lose that they cannot afford to walk away.

Although it is necessary to be realistic about the ability of any external party to influence Pyongyang's process of policy formation, the relative influence of external actors and policies toward North Korea clearly has increased during the past decade from a low-level.

This trend has critical significance for policy toward North Korea, in my view, because it means that the focus of the debate increasingly should not be over whether to provide external assistance, but over how to provide assistance and in what forms. To be more specific, it seems to me that the issue of whether or not that assistance is being provided in such a way that strengthens the current regime is a critical criterion that one wants to look at in terms of assessing those efforts.

So the critical objective of the U.S. and the international community is how to increase the pace of positive change in North Korea, while the objective of Pyongyang's leadership, focused on regime survival, is to control the pace of change in ways that do not threaten their political control.

In my view, the single criterion by which all assistance should be judged is whether or not that assistance increases the pace of change in ways that facilitate North Korea's integration with the international community, or whether that assistance actually reinforces policies or gives new life to systems in North Korea that have already failed.

This benchmark has critical implications for how food assistance is provided, how one thinks about issues such as sanctions lifting for implementation of the KEDO project, and which actors inside North Korea are best suited to serve as counterparts to external parties.

The coordinated policy approach toward North Korea that the Perry process has helped to put into place is important for several reasons. First, it manages the differences in priority on specific issues that may exist internally between the United States and Japan, or the United States and South Korea.

Second, it reduces the ability of North Korea to exploit differences in the policy stances of allies.

Third, it underscores the importance of containing North Korea's destabilizing behavior while expanding the base of resources available as part of an engagement strategy with North Korea.

Fourth, it diminishes the possibility that precipitous unilateral action against North Korea by any single party in the coordination process will lead to the spread of broader conflicts in Northeast Asia.

Here I would just note that the coordination process is demonstrated in the way in which the United States, Japan, and South Korea are working to approach North Korea diplomatically. It also has extended what I would call comprehensive deterrents against North Korean destabilizing action. I think this is particularly evident in some of the Japanese attitudes in the national Diet, with regards to some of the negative activities that North Korea is engaging in that impacts Japan in various ways that were mentioned earlier in the session.

The fundamental irony in engaging North Korea is that North Korea has also reached a point where its options have narrowed to the single option of engagement with the outside world, despite Pyongyang's protracted search for alternatives to the kinds of engagement with the international community that will require real changes in their own system.

The Perry process at this point is the best way to test North Korean intentions and frame hard choices for Pyongyang's leadership. Gradually, the realities of North Korea's increased dependence for regime survival on external inputs are being revealed. I think this reality is well-known to North Korean diplomats, including one that privately expressed to me his vision for improved U.S.-North Korea relations as a process through which two parties, both in danger of drowning, have to save each other.

So, in summary, North Korea's system is caught in a contradiction between its long-standing revolutionary nationalist and socialist ideological aspirations, and the North Korean reality of a highly traditional dynastic and feudalistic system, in the words of the highest ranking defector, Hwang Jang Yop.

North Korea's past approaches to the outside world have been highly consistent, even if they are often self-defeating. These days, North Korean approaches to the outside world are also increasingly tempered by a mix of dependency, desperation, paranoia, and pragmatism borne of the reality of North Korea's essential weakness and isolation.

The primary achievement of the Perry review process is that it has provided an opportunity to manage, and possibly avoid, renewed crisis with North Korea, but it does not guarantee that crisis will indeed be avoided. The next equally difficult task is to test whether there is sufficient political will in Pyongyang to overcome some of the differences between the United States, South Korea, and Japan, by pursuing concrete tension reduction measures. In essence, the question of whether moving to a normalized relationship with North Korea will also lead to a normalized North Korea in its relations with the rest of the world.

[The prepared statement of Mr. Snyder appears in the appendix.]

Mr. COOKSEY. Thank you, Mr. Snyder. Just in summarizing your message, you are saying that we should indeed provide external assistance that does not profit the regime or strengthen it, and yet external assistance that will hasten this change from an old out-of-date political and economic model to a modern world, 21st century global democracy, which they seem to be ions away from right now. Is that, in essence, what you are——

Mr. SNYDER. That is right. External assistance can be used to facilitate changes in North Korea, although still at a very limited level.

Mr. COOKSEY. Have you been to North Korea?

Mr. SNYDER. Yes, I have been there four times.

Mr. COOKSEY. Were you involved in the KEDO negotiation?

Mr. SNYDER. I have not been involved in the KEDO process.

Mr. COOKSEY. How did you happen to go?

Mr. SNYDER. These were academic study missions led in three cases by Professor Robert Scalapino when I was working with the Asia Society and at the U.S. Institute of Peace.

Mr. COOKSEY. There are some critics, and probably some who may have a political agenda or bias, that feel that the United States or this Administration has given too many concessions to the Koreans which put us in a dangerous cycle of political blackmail.

You don't have to tell me whether or not you agree with that or not, but do you feel that there is a cycle going between them making demands and blackmailing us? You don't have to tell me whether or not you think it is right or wrong, but do you feel like there is a cycle of political blackmail?

Mr. SNYDER. I believe that part of North Korea's strategy in dealing with the United States is to try to draw resources to itself without giving very much in return. I would agree with some of the comments that Mitchell Reiss made earlier on that note.

Mr. COOKSEY. How can we break the cycle?

Mr. SNYDER. The basic vehicle by which the—what North Korea is doing in order to enhance its negotiating capacity with the United States is trying to show that it has alternatives to negotiation. It is trying to demonstrate commitment and maintain control over the negotiating agenda.

Our objective should be to cutoff the alternatives to a negotiation process, and to try to maintain our own commitment and control over a negotiating process that leads in the direction that we want North Korea to go in.

Mr. COOKSEY. How long is your book?

Mr. SNYDER. Two hundred pages. I will be glad to give you a copy later.

Mr. COOKSEY. I buy a lot of books, but I am so far behind.

It would be interesting to get through it or see as much as I could. My great passion is reading.

Mr. Paal, do you think in light of the testimony from the three of you that this Administration or a future Administration should be tougher, should be more coercive? Is that the only thing that the North Koreans understand?

Mr. PAAL. I would distinguish between the tougher word and the coercive word. I think we have put ourselves at risk of many equi-

ties in East Asia if we go on a coercive, aggressive campaign against North Korea. Deterrence has worked for almost 50 years at keeping them from doing large-scale operations that would destabilize Northeast Asia. Deterrence is being maintained fairly effectively now by our Armed Forces and the overall structure of our national defense strategy.

Going after them encourages the process of blackmail in the sense of trying to win them over, get them to come to meetings. We have spent a lot on food aid, and this has been very well documented. We have claimed humanitarian principles for the food, but it always tied to a meeting or an element of the process of making them look like they are being more cooperative.

This has become very obvious to North Korea. They don't go to meetings unless they are going to be paid off. Then you are told this is a humanitarian act; it has nothing to do with the process.

I think we can get somewhere between the confrontational and aggressive approach and the one where they are setting the terms and driving us along. That is where we say, "Here is what we need. Here is our phone number. Meanwhile, you are going to confront a world that is pretty cold and unfriendly. Unless you change to meet the terms of that world, we are not going to send you the aid to save yourself."

Food aid is an interesting proposition. As you probably know from previous testimony, North Korea cannot feed itself. It sits on a slab of granite. It can't feed 20 million people in that climate on that soil.

Mr. COOKSEY. They never will be able to.

Mr. PAAL. That is right. They have to sell things or threaten us to give them food. We want to get them into the position of selling things, and to do that they have got to get into the international marketplace. You know all of the complexities and the burdens on societies to change and modernize and to adapt international standards.

That is the path we want them to go on, and I think doling out assistance is just—it implies a kind of blessing of the system as it is, or at least it incurs the risk of some day discovering who you were feeding who was oppressing somebody that was not getting fed, when the records become clear. Or it implies an assumption that the regime is going to fall.

We can no longer make the easy assumption the regime is going to fall that was made in the early 1990's. They have proved that they can stand up, so we have to make an adjustment in the way we approach it.

Now, as I said in my prepared statement, we are also coming up to deadlines under the Agreed Framework which are going to force us either to be straight about what we really need from North Korea or change that and lead them to believe they can get a special standard and get by again.

Mr. COOKSEY. It seems to me, then, that there is a fine line between propping up this regime and playing the political blackmail game. Do you think that is a proper assumption, or a correct assumption? Or let me ask you this: Do you think we are propping up the regime at all?

Mr. PAAL. I think we clearly prop up the regime with the food assistance. We are not the major contributors to that. China is the most important contributor. I think that a new policy toward North Korea would have as an important component a much more aggressive attempt to get the Chinese to take responsibility for the misbehavior of North Korea and to do more about correcting that behavior.

Ambassador Sherman gave a long list today of all of the good things China is doing. However, those are all our assumptions about China's behavior. The Chinese have not demonstrated it, and they have tried to stay out of the spotlight for a variety of reasons.

We have certain common interests with China right now, but it is not long-term an abiding common interest. We separate very quickly when you go down the list of our respective interests in North Korea. I think we ought to be—at the same time we try to construct a more stable relationship with China, we use that stable relationship to get them to do more to help us achieve our objectives in North Korea.

Mr. COOKSEY. You said that North Korea is basically a country of granite and no ground, no place for—

Mr. PAAL. That is an overstatement, but that is the—you get the general point.

Mr. COOKSEY. They just do not have much land that lends itself to farming, and they never will have. Do you think that is part of the reason they have been such a belligerent country all of these years, because they knew they couldn't feed their people and they were trying to control South Korea, or acquire South Korea?

Mr. PAAL. In the 1950's and the early 1960's, they were considered the most successful example of a socialist society. Their productivity had been propped up by barter arrangements with the Communist Community of States, and they just fell behind. Their belligerence goes back to the very beginning, and it has something to do with the system that is in power in North Korea.

You have got 600,000 people in a nomenclature controlling the other 21 million. That system is more what dictates the attitude of the regime, I believe, than the physical conditions on the peninsula. The physical conditions are not much different in South Korea, and we have a very different kind of country in South Korea.

Mr. COOKSEY. Dr. Reiss, what can North Korea export besides missiles?

Mr. REISS. They can export trouble.

Mr. COOKSEY. What good things can they export, that they can get some hard currency from?

Mr. REISS. I think there are some natural resources that they have—manganese. There are some other ores that have value on the international market. I would like to ask the other people on the panel if they can think of some other items. There aren't too many big ticket items that come to mind. I think ballistic missiles are their single largest source of hard currency, aside from perhaps counterfeiting or narcotics trafficking.

I think the big concern that we have is their ability to export ballistic missiles to countries in South Asia and the Middle East. Doug was absolutely right in saying deterrence on the peninsula has

worked for 50 years. We have deterred a large-scale invasion of South Korea by the North.

What we haven't been able to deter is smaller incursions, terrorist acts, by North Korea. It is unclear to me whether our current military posture, as strong as it is, without the Agreed Framework and KEDO would be able to deter the North Koreans from building a nuclear arsenal, from exporting nuclear material, putting it on the marketplace along with ballistic missile technology, as they have done in the past.

So deterrence is important. It is essential. However, I am not sure that it addresses all of the policy concerns that the United States has.

Mr. COOKSEY. Let me go back to the KEDO process, in view of your role in the—or your formal role in that organization. If we are not able to work out a nuclear liability for the LWR project, what are the delay and cost implications, particularly if GE backs out?

Mr. REISS. I think, as I said in my written remarks, that there would be enormous delays and increase in costs. I don't have a cost figure off the top of my head to give you. I can try and find out and provide it to you and your staff. I think that it would cause a significant delay. There might need to be some plant redesign work being done. Whoever was found to replace GE, the same issues of nuclear liability would arise.

Mr. COOKSEY. Who could potentially replace GE?

Mr. REISS. I think there is some thought that there is a Japanese company or companies that could build similar technology for the KEDO project.

Mr. COOKSEY. Does South Korea, Europe, China, or Russia—do any of these countries have the potential to replace them?

Mr. REISS. I think it is possible technically that some European companies may do so. I am not sure that the Russians, since they operate a very different type of reactor system, would be able to step in right away. Anybody who comes in, though, is going to have to fit their product into the Korean nuclear standard plant. So, there will be a lot of retrofitting, a lot of adjustments. It is going to be a very difficult process to try to put in a new component into an existing system.

Mr. COOKSEY. If their largest export is missiles, do any of the three of you panelists think that there is any likelihood that they would give up this single largest export, source of hard currency?

Mr. PAAL. I don't see them doing that. In fact, they have an unusually good circumstance. As the Rumsfeld Commission showed, you don't have to test missiles to have them. You can do a lot of tabletop testing. You can also sell a few. It reduces the price at which you can sell them, because people are not as confident they are going to get the bang for the buck. But if you can't get them anywhere else, you have still got your market.

So, North Korea, even with the moratorium informal or formalized, is still in a position to continue to market these missiles.

Mr. REISS. If I could offer a slightly different answer. I think I would reply that we don't know the answer to that because we haven't put a deal on the table with the North Koreans. In the early 1990's, there were reports that the Israelis had worked out an arrangement to buy out some or all of the North Korean bal-

listic missile program, at least to prevent them from exporting to other countries in the Middle East that threatened Israel.

There also was a statement in June 1998 in which the North Koreans strongly indicated that they are willing to sit down and negotiate a price for their ballistic missile program. The answer currently is that we don't know whether that is sincere or whether that is posturing, because we haven't been able to do what we need to do internally, the hard work of coordinating our side of the table in order to engage seriously with them on this issue.

Mr. COOKSEY. Ambassador Sherman had made a statement that she does not feel that they are likely to make a lot of progress in a very rapid manner, that they think in terms of 40 years. I believe it was—wasn't that her? Do you agree with that assessment, that they will outwait us—that they will be slower in their negotiations process?

Mr. PAAL. They don't have an election cycle and we do, and it makes a big difference. It makes a big difference.

Mr. COOKSEY. Forty-year election cycle.

Mr. PAAL. That is right. It makes a real big difference in how they can approach these issues. Also, they have—they see negotiators come and go. It is not just the election cycle. Our cycle doesn't fit neatly over the Japanese and South Korean cycles either. They have a strong incentive to play us off against each other and pick and choose the times when they want to move.

Mr. COOKSEY. Do you think they are likely to fire another missile across Japan in the next 6 to 12 months?

Mr. PAAL. I cannot prove the following statement, but I believe it. I think some day we can prove it. That is I think China, in pressing North Korea to stop making life worse for China, by testing missiles that are leading to the theater missile defense in Northeast Asia, probably gave some pretty good tradeoffs to North Korea in terms of assistance on their missile program.

This is so deeply embedded in the secrecy of the relations between those regimes, and so undetectable by the relevant intelligence means, that I clearly can't prove that at this point. But it is in the nature of the way they deal, that this is likely to be the case, in my personal view.

Mr. REISS. I would be a little surprised if there was an actual test, but I don't think we should be surprised if they rattle the saber a little bit and threaten to do it in order to ratchet up the negotiating leverage in the talks with the United States, and perhaps also with Japan.

Mr. COOKSEY. Do you think the other missile firing was a saber rattling, or do you think it was actually a test? Or was it all of the above?

Mr. PAAL. It is difficult to untangle their motive. They had—an important event took place, and there seemed to be an effort to launch a satellite that would signal that North Korea had arrived in some way. It serves the purpose of testing an international range missile. It serves the purpose of marketing such a missile. It gave them leverage in dealing with us.

They did things such as digging a hole at Kumchang-ni. Now, whether that hole had a maligned intent in the initial phase or not, we may, in fact, have surprised them by coming in with 300,000

tons of food to have a look at that hole in the ground when they weren't going to do anything but just have a hole in the ground. It is very hard to understand what their intentions are.

Mr. COOKSEY. I did see photographs of that hole in the ground. It was an interesting hole in the ground.

I do appreciate your coming, all three of you—Mr. Paal, Dr. Reiss, and Mr. Snyder—to testify in front of this Committee. It is one of the many problems that we have got to deal with, and it is a problem that could impact everyone in the world. I think there are going to be some rogue nations for the foreseeable future.

I did read something recently—that at the beginning of this Century, there was probably less than 5 percent of the world's population that lived under a true democracy in which every segment of society could vote. We were not part of that 5 percent.

Today, 48 percent of the 6 billion people in the world are in democracies and can truly vote. Hopefully, North Korea will get there someday, but I think they will be the last to get there at the rate they are going. I think that we are going to have some inherent costs in that delay.

I personally feel that the quickest way to bring it about would be for them to collapse economically, or something along those lines. From everything I have gathered in the information that we are presented, I don't really know that there are people there that would move in and be part of an insurrection, or be part of the leadership, or have the background to be part of the leadership of a nation that would be able to be players—reasonable, rational players—with democracy as a political model and market forces as an economic model.

Thank you for being here today. We are glad to have had all of you here and look forward to seeing you again.

[Whereupon, at 12:14 p.m., the Committee was adjourned.]

A P P E N D I X

MARCH 16, 2000

**Opening Remarks of Rep. Benjamin A. Gilman
Chairman
House International Relations Committee
North Korea: Leveraging Uncertainty?
March 16, 2000**

The Committee will come to order.

Today, the Committee will meet once again to review U.S. policy toward North Korea. This is the fifth hearing on the Democratic People's Republic of Korea (DPRK) in the last eighteen months held by the full Committee.

Today's hearing will focus on the status and prospects for our policy toward North Korea in the aftermath of Dr. Bill Perry's report to the Congress last October. We are pleased to have gathered a distinguished group of witnesses to discuss this important national security matter.

Regrettably, my concern about North Korea and our policy remains unabated. Let me tell you why.

The CIA reported in Congressional testimony last month that North Korea is continuing to develop the Taepo Dong II (TAY-POH DONG) intercontinental ballistic missile (ICBM), despite a test moratorium, and could launch the missile this year should it decide to do so.

The CIA further states that a three-stage Taepo Dong II (TAY-POH DONG) would be capable of delivering a several-hundred kilogram payload anywhere in the United States.

The CIA has also concluded that the DPRK is the world's major supplier of ballistic missiles and technology--- primarily to South Asia and the Middle East. These transfers to Pakistan, Iran, Syria, and Libya pose a significant threat to U.S. interests, American forces, and our allies.

It has also been alleged that North Korea may be pursuing an uranium-based nuclear weapons program while the cost of heavy fuel oil (HFO) for the 1994 Agreed Framework is likely to top \$100 million this year. There is continuing concern about being able to get the IAEA into North Korea to conduct its assessment of their nuclear program, as well as finding willing underwriters for the nuclear reactor project.

In recent testimony, the Commander of U.S. Forces Korea (USFK) called North Korea "the major threat to stability and security in northeast Asia and the country most likely to involve the U.S. in a large-scale war."

General Schwartz further stated that North Korea's goal is to unify the peninsula by force. American military dependents, embassy staff and their families in Seoul were recently issued 14,000 gas masks because of the North Korean chemical weapons threat.

According to the Commander-in-Chief of the Pacific, North Korea conducted its largest conventional force exercise in years this winter. Admiral Blair went on to say that North Korea continues to divert a disproportionate part of their meager national wealth to military programs.

The DPRK recently declared the nullification of the Northern Limit Line where they fought a sea battle with South Korea last summer, and Pyongyang bought 40 Mig-21 fighter jets from Kazakhstan for \$8 million.

Recently, the Japanese police seized 250 kilograms (550 pounds) of amphetamines believed to have originated in North Korea. The seizure, with an alleged street value of 15 billion yen (\$139.5 million), was the fifth largest single haul of illegal drugs ever seized in Japan.

Confronted with impossible access to the most vulnerable groups of North Korean citizens, the French NGO Action Against Hunger withdrew from North Korea after two years. Their press release stated, "We are convinced that the international aid flowing into North Korea is not reaching the people most in need, and that thousands of people continue to die despite the massive food aid provided to the government." In the press conference announcing their decision, the group said that international food aid is undoubtedly being diverted to the military and the civil servants.

The Director of Central Intelligence said that instead of pursuing real reform, North Korea's strategy is to garner as much aid as possible from overseas, and has directed its global diplomacy to that end. This means more people will needlessly starve as Pyongyang chooses ideology over reform.

The State Department is considering removing North Korea from the list of state-sponsors of terrorism despite the fact that North Korea abducted Japanese citizens for use in their intelligence apparatus; continues to harbor Red Army hijackers; and is reportedly involved in political assassinations abroad. DPRK agents recently may have also kidnaped a South Korean clergyman working in China near the border.

The DPRK continues to severely oppress its citizens, and the international community has not spoken out forcefully enough about the day to day horrors of the North Korean gulag.

In a highly celebrated case, several North Korean defectors were forcibly repatriated from China to a certain death.

Diplomatically, North Korea is willing to talk with anyone but South Korea. They talk with Rome, Canberra, Tokyo, but not Seoul. Despite numerous overtures toward Pyongyang, Seoul is rebuffed time and time again.

Furthermore, it was reported this morning that talks in New York over a visit to the United States by a high level North Korean official broke off without agreement. This visit was first proposed by Dr. Perry almost a year ago.

These recent developments are hardly encouraging. As the North Korea Advisory Group pointed out in its report last October--before the aforementioned took place-- the threat to U.S. and global interests from North Korea continues to grow, despite almost six years of engagement and close to \$1 billion in aid.

It is clear that the challenges presented by North Korea are significant, and managing the threat is a tremendous policy undertaking.

I look forward to today's testimony about how we plan to deal with the ever-widening and deepening threat presented by the DPRK to American interests.

**TESTIMONY
OF
AMBASSADOR WENDY R. SHERMAN
COUNSELOR OF THE DEPARTMENT OF STATE
BEFORE
HOUSE INTERNATIONAL RELATIONS COMMITTEE
March 16, 2000**

Introduction

Mr. Chairman, thank you for this opportunity to appear before you and other Members of the Committee to discuss with you the Administration's policy toward the Democratic People's Republic of Korea.

As you know, last September, Dr. William Perry sent to the President a classified report of findings and recommendations resulting from his ten month-long review of U.S. policy toward the DPRK. This report was presented to the Hill at about the same time. An unclassified version of the report was also circulated widely. I was privileged to be a part of the policy review team. I am the government official who worked most closely with Dr. Perry, and I chair an interagency working group that is responsible for government-wide implementation of the Perry report recommendations.

Context

Mr. Chairman, I think we agree that the Korean Peninsula remains one of the most volatile areas in the world. On the peninsula, the Cold War still endures. There is no peace, but an armed truce. North Korea maintains an army of one million forward deployed at the DMZ. We have been thoroughly engaged with our allies in the region, the Republic of Korea and Japan, as we address the challenges posed by the continued division of the peninsula. For more than 45 years, we, standing together with our ROK allies, have helped maintain peace and security on the peninsula, often in difficult and unpredictable circumstances. We remain committed to achieving lasting peace and stability on the peninsula and the presence of 37,000 U.S. troops in the South is a tangible demonstration of that commitment.

The Agreed Framework and its Challenges

Six years ago, you will recall, the DPRK's pursuit of a nuclear weapons program dangerously raised tensions, with U.N. sanctions a likely outcome that the DPRK said would be tantamount to war. Fortunately, the conclusion of the Agreed Framework in 1994 provided a means to address our concerns about the North's nuclear activities at Yongbyon and Taechon. These facilities would have provided the DPRK the surest and quickest path to an established nuclear weapons capability. In exchange for DPRK agreement to freeze those facilities under international monitoring, we agreed to arrange for the provision of two proliferation-resistant light-water nuclear reactors to the DPRK.

and of heavy fuel oil (HFO) to meet the North's energy needs until the first of these reactors is finished. The facilities at Yongbyon and Taechon have remained frozen since that time and will eventually be dismantled. The spent fuel containing enough plutonium for perhaps a half-dozen nuclear weapons is under seal and IAEA monitoring. It will eventually be removed from the DPRK. Canning and securing the spent fuel is virtually complete. Had we not had frozen the DPRK plutonium production, today the DPRK would be well on its way to having a nuclear program capable of producing dozens of nuclear weapons. Preserving the accomplishments of the Agreed Framework is strongly in the U.S. national interest and remains a cornerstone of stability on the peninsula.

In 1998, however, we found ourselves again in protracted negotiations with the DPRK to gain access to a site at Kumchang-ni that we suspected might be involved in nuclear weapons-related activities. If confirmed, the existence of such activities would have violated the Agreed Framework and jeopardized its continued viability. A visit to the site last May demonstrated that it was not involved in such activities, and we shall send a team back to Kumchang-ni this spring to assure this is still the case. The experience nonetheless demonstrated the need for a mechanism to address similar concerns -- should they appear in the future -- at least until such time as the DPRK comes into full IAEA compliance under the terms of the Agreed Framework.

Separately in 1998, North Korea fired a Taepo Dong I missile over Japan in an apparent failed attempt to launch a satellite. Even though missile controls are not part of the Agreed Framework, this test firing, rightly so, provoked a storm of protest in both the United States and Japan, and led to calls in both countries to end support for the Agreed Framework. There is no doubt in my mind, however, that had we aborted the Agreed Framework, the DPRK would have responded by reopening its nuclear facility at Yongbyon. This would have placed it in a position to resume production of weapons-grade plutonium and, eventually, to arm its missiles with nuclear warheads -- the worst of all possible worlds.

The Perry Review and its Conclusions

During that tense and dangerous period in 1998, the Congress called for a review of U.S. policy toward the DPRK. President Clinton also believed that a thorough policy review was in order and asked Dr. Perry to assemble a team to conduct one. Over the course of ten months of study and consultation, we met with experts inside and outside the United States Government. We traveled to the Capitol to give regular status reports to Congress, and we benefited from comments and insights received from members of Congress and staff as we developed our ideas. We traveled several times to East Asia to consult with our allies in the Republic of Korea and Japan, and with China's leaders. We also exchanged views with the EU, Australia, and other interested countries. We visited Pyongyang to share our views with members of the DPRK leadership. As a result of these consultations and efforts, Dr. Perry reached four key conclusions (among others) that essentially drove the recommendations that were made, and which he presented to the President and to the Congress last September:

- First, the military correlation of forces on the Korean Peninsula strongly favors the allied forces, even more than during the 1994 crisis. And, most importantly, this is understood by the government of the DPRK. Therefore, deterrence is strong. But that deterrence could be undermined by the introduction of nuclear weapons, especially nuclear weapons on ballistic missiles.
- Second, there has been no production of fissile material at Yongbyon since the Agreed Framework came into force. But production at this site could restart in a few months if the Agreed Framework were aborted. Ending the freeze at Yongbyon remains the surest and quickest path for North Korea to obtain nuclear weapons.
- Third, a security strategy based on the Agreed Framework has worked well these past five years. But this strategy is unsustainable in the face of continued DPRK firings of long-range missiles, since the firing of these missiles undermines the necessary support for the Agreed Framework.
- Finally, economic hardship has caused great privation to the common people of North Korea, but is unlikely to weaken the regime. Consequently, we must deal with the DPRK as it is, not as we might wish it to be.

Perry Report Recommendations

After considering a number of policy alternatives, and in close consultation with our ROK and Japanese allies, Dr. Perry recommended a strategy that focused on U.S. security concerns over DPRK nuclear weapons- and missile-related activities as our highest priority. We of course recognize that other issues also warrant our serious attention, and plan to address these matters as well as relations between our two countries improve. The strategy recommended by Dr. Perry envisioned two paths. On the first path, the U.S. would be willing to move step-by-step toward comprehensive normalization of relations if the DPRK was willing to forgo its nuclear weapons and long-range missile programs. Alternatively, however, if North Korea did not demonstrate its willingness -- by its actions -- to remove these threats, the U.S. would take action to contain them. Our already strong deterrent posture would have to be further strengthened.

We recognize that successful execution of either strategy requires the full participation of our ROK and Japanese allies. Because the second path is both dangerous and expensive, the first alternative is obviously preferred by both us and our allies.

Here, let me underline a central conclusion of our review: the importance of close coordination with our allies.

I am pleased to say that coordination among the three allies is stronger than at any time in the past, and I believe this has been one of the most important achievements of the Administration's policy toward North Korea. This accomplishment is largely the result

of the newly instituted Trilateral Coordination and Oversight Group, or TCOG, created nearly one year ago to ensure more frequent, close consultation among the United States, South Korea and Japan at the sub-cabinet level. Allied support for the U.S. approach remains strong, in part because the Perry report is in essence a joint project. We have met nine times trilaterally with the ROK and Japan in the past year, including a meeting of foreign ministers and a summit meeting. We plan to meet again soon. In late January, I visited Seoul and Tokyo, during which I met with President Kim Dae-jung, participated in a TCOG meeting and met with Japanese leaders. During our discussions, President Kim again expressed his full support for our policy as complementary to his own policy of engagement. We, in turn, fully concur with President Kim's view that North-South dialogue remains the key to ultimate peace on the peninsula. Similarly, in the context of this coordinated trilateral approach, Japan in recent months has reengaged with the North. As always, none of us are under any illusions, and we pursue all of these efforts on a solid foundation of deterrence. Deterrence is fundamental to our diplomatic approach to the DPRK.

There are increasing signs that other members of the international community are prepared to increase their contacts with the DPRK as the DPRK addresses the international community's legitimate concerns. Italy has established diplomatic relations with the DPRK; the Australians and the French both recently sent delegations to Pyongyang; the Philippines is considering establishing relations; and Japan is moving ahead. We are consulting closely with our friends and allies on North Korea policy to ensure that our approaches are coordinated.

However, it takes two to tango. Therefore, the success of Dr. Perry's first path depends on full cooperation from **both** sides. North Korea needs to understand and demonstrate its acceptance of the opportunities before it.

Following the death of Kim Il Sung in 1994, the DPRK went through what some observers surmised was a period of political uncertainty. The structural flaws of its economic system were exacerbated by several years of natural disasters and the economy has continued to falter. Nonetheless, Kim Il Sung's son and successor, Kim Jong Il remains firmly in control. We only hope that the DPRK under his leadership will seize the opportunities before it to address issues of mutual concern and to move its relationship with the U.S., the ROK, and Japan more rapidly down the path toward normalization.

Recent Developments

Since Dr. Perry appeared before your committee last October, there have been significant developments in our relationship with the DPRK. Last September, as you recall, the DPRK announced its intention to refrain from long-range missile tests of any kind while high-level discussions were underway to improve relations between our two countries. This was a small but important first step in dealing with our proliferation concerns. On September 17, President Clinton announced his intention to ease sanctions on the import and export of non-strategic commercial and consumer goods; allow direct personal and

commercial financial transactions between U.S. and DPRK persons; ease restrictions on investments; and allow U.S. ships and aircraft carrying U.S. goods to call on DPRK ports. The Administration is well along in the bureaucratic process of revising the relevant regulations to implement this Presidential decision. More recently, the North also indicated its intention to accept the invitation extended by Dr. Perry during his May 1999 visit to Pyongyang for a reciprocal visit to Washington by a high-level DPRK visitor.

In November, and again in January, Ambassador Charles Kartman met in Berlin with his DPRK counterpart to pursue discussions aimed at realizing this high-level visit. From March 7 to March 15 in New York, Ambassador Kartman and Vice Foreign Minister Kim Gye Gwan held their third round of preparatory talks for the high-level visit. They did not complete their work, and the DPRK has agreed to schedule further preparatory talks. The DPRK also agreed in New York to recommence talks related to our concerns on the DPRK's missile program and to begin a new negotiation on implementation of the Agreed Framework. As you know, as part of the positive path outlined in his report, Dr. Perry proposed two sets of talks to deal with our continuing concerns about DPRK missile-related and nuclear weapons-related activities. Finally, the DPRK reconfirmed its agreement for another U.S. visit to Kumchang-ni.

In our talks, we have discussed our concerns about the DPRK's association with international terrorism, which warranted its inclusion on our list of state sponsors of terrorism. Confronting terrorism, on a worldwide basis, remains a high priority for the Administration. We have begun to reengage the DPRK in a serious way in negotiations aimed at stipulating the DPRK actions required for its removal from the terrorism list. Just as in our other dealings with the DPRK, we are under no illusions of speedy progress, but believe progress is possible with cooperation on both sides.

The High-Level Visit

Negotiations leading to the DPRK high-level visit have been difficult -- as are all negotiations with the DPRK -- and they continue. Nonetheless, we and our allies remain convinced that the visit would advance our interests. We view the visit as an opportunity for both sides to demonstrate their intention to proceed in the direction of a fundamentally new relationship. It would be an important, but modest, step; and we would make clear to the DPRK that, as it moves to address our security concerns, we are prepared to reciprocate by taking other steps to improve ties with the DPRK.

Let me emphasize that the DPRK's September expression of restraint in testing long-range missiles was only a single step. Our continuing talks will give us the venue to address our broader agenda of concerns.

Continuing Relevance of the Agreed Framework, Four Party Talks

As we move forward in our relations with North Korea, the Agreed Framework will remain central to our policy toward the DPRK. As I stressed before, the Framework

continues to be our best means of capping and eventually eliminating the threat of DPRK nuclear weapons.

KEDO is now ready to move forward with actual construction of the two proliferation-resistant, light-water nuclear reactors. As you know, South Korea and Japan are shouldering the major burden for this ambitious project. Last December KEDO and KEPCO, the South Korean prime contractor, concluded the Turnkey Contract for the project. More recently, South Korea and Japan separately concluded all arrangements necessary to finance the project. South Korea and Japan are committed, respectively, to providing 70 percent of the actual costs and the yen-equivalent of \$1 billion, based on a current estimated cost of \$4.6 billion. Since the Turnkey Contract became effective, South Korea has disbursed nearly \$120 million, and Japan over \$51 million, to KEPCO, the prime contractor for the project. Disbursements will reach close to 450 million dollars by the end of the first construction year. As I indicated earlier, faithful implementation of the Agreed Framework – by all sides – is critical to keeping the DPRK's nuclear activities at Yongbyon and Taechon frozen, and to the maintenance of stability on the peninsula. The Administration is doing its best to fulfill its Agreed Framework commitment to help provide heavy fuel oil (HFO).

Congress's enduring support for the Agreed Framework remains essential if we are to be able to live up to our side of the bargain. In doing so, we will of course continue to hold the DPRK to its own obligations and commitments under the Agreed Framework, including the rapid completion of spent fuel canning, and resumption of North-South dialogue. As I said earlier, we fully recognize the centrality of the North-South role in resolving issues of peace and stability on the peninsula.

In that same regard, we remain committed to the Four Party Talks as the primary venue for discussing the replacement of the armistice with a permanent peace regime. We have pressed the DPRK to resume the Four Party Talks in the near future.

The Food Situation in the DPRK

The food situation in the DPRK remains grim and malnutrition remains a chronic problem. As you know, the United States committed last year to provide 400,000 metric tons of food aid to the DPRK in response to an appeal from the World Food Program (WFP). This assistance is targeted on the most vulnerable population in the DPRK, including its women and children, and the elderly. This assistance is provided only in response to demonstrated need and is monitored by the WFP's resident monitors through its network of offices. The U.S. government also donated an additional 100,000 tons through a new program called "the potato project." In this project, U.S. PVOs, under an agreement with the North Korean Flood Damage Reconstruction Committee, conducted a seed potato multiplication project and distributed and monitored the humanitarian food aid the U.S. government provided. We are satisfied that there is no significant diversion of food assistance to non-target populations in either program. Indeed, there is ample evidence to confirm that U.S. humanitarian assistance to North Korea continues to reach those for whom it was intended.

We understand that the harvest this past fall may have been only marginally better than the previous year's, and that the DPRK will continue to have a food shortfall in the range of 1.2 million tons. The international community will be called on again to cover a large part of this shortfall in order that the food situation not be pushed back into crisis. As in the past, we will consult with international organizations such as the WFP and with our allies, and will make any decision on additional humanitarian assistance based on demonstrated need and subject to strict monitoring. At the same time, we will continue to urge the DPRK to carry out the kinds of agricultural and economic reforms that could lead it toward improvement of its ability to feed itself.

Other Areas of Concern

We remain committed to addressing other issues of concern with the DPRK. We will urge improvement in the DPRK's dismal human rights record, and we will support UNHCR's efforts to address the plight of North Korean refugees. We will pursue our serious concerns about the DPRK's chemical and biological weapons programs as well as alleged North Korean drug trafficking and other illegal activities.

I am also personally committed to ensuring that we resolve as fully as possible the status of the American soldiers who remain unaccounted-for from the Korean War. The DPRK has been cooperative on this issue in the past, but the current lack of progress is a severe disappointment. This is a very important issue for veterans and the families of those still missing, as well as the American people, and we have an obligation to continue to press the DPRK to work with us on this humanitarian issue.

Concluding Remarks

Let me stress that we are attempting to pursue a constructive dialogue with the DPRK that addresses our central security concerns and leads us more rapidly down the path toward full normalization. The Cold War still exists on the Korean Peninsula -- we hope that our dialogue will be the first step toward ending it. We are under no illusions that it will be an easy path. We recognize fully that everything we and our allies do in our diplomacy requires the maintenance of strong allied deterrent posture. This is fundamental. Congress's support of our forces in the region remains essential. The presence of 37,000 U.S. troops in South Korea and 47,000 in Japan demonstrates our commitment to stand with our allies against any threat of aggression. With our South Korean and Japanese allies, however, we believe that this comprehensive, two-path strategy recommended by Dr. Perry offers the best opportunity to change the stalemated situation on the Korean Peninsula in a fundamental and positive way. Through these efforts, we hope to lead the Korean Peninsula to a stable, peaceful and prosperous future.

In closing, I would like to cite a senior American military leader on the Korean peninsula who told me during my most recent trip there that, "When I came here 18 months ago, I thought I would have to fight a war. Thanks to the efforts of your team, I see this as an increasingly remote possibility." Making war an increasingly remote

possibility, working to address our concerns about weapons of mass destruction, and addressing pressing human needs -- these are challenging, hard to achieve objectives. It will take time to accomplish them. I know, however, that we share these goals and, working together, I believe we can and will succeed in this mission.

STATEMENT OF DOUGLAS H. PAAL
President
Asia Pacific Policy Center
Washington, D.C.
Before the

COMMITTEE ON INTERNATIONAL RELATIONS

March 17, 2000

Mr. Chairman, thank you for the invitation to present my views on policy toward North Korea before the full committee. To save your time, I have reduced my statement to a series of points on the subject.

1. Current U.S. policy toward North Korea remains a distasteful exercise in dealing with an obnoxious and threatening regime. With little to no consultation with the Congress, the Administration reached the Agreed Framework with North Korea in 1994. Since then the Congress has been forced to choose between overturning a U.S. international obligation, which in principle would be harmful to the United States, and voting taxpayer money for use by a despicable elite in Pyongyang.
2. You and your colleagues have tried to steer a course between these alternatives, and have succeeded to a limited extent in conditioning and monitoring the flow of food and heavy fuel oil to North Korea. You have also succeeded in pressing the Administration to organize a more comprehensive effort, under the original direction of former Defense Secretary William Perry and now under Counselor Wendy Sherman.
3. Prior to 1938, paying off adversaries to modify their behavior was a standard tool of diplomacy, known as "appeasement." After the vain effort to appease Hitler at Munich, the term fell into deep disrepute and became a loaded political charge when used. But one cannot escape the reality that today's U.S. policy toward North Korea is one of classic appeasement. The U.S. and other friendly nations are providing assistance to the North to modify its behavior.
4. How successful has this approach been? In the short term, it appears to be a mixed result. The most likely source of full-scale plutonium production – the Yongbyon facility – has ceased operations, though not yet dismantled or intrusively inspected. The North has also momentarily ceased testing long range missiles, with a hint of willingness to enter a more formal moratorium.
5. In the longer term, however, we will not know probably for at least four years whether the North has found another way to produce nuclear weapons at sites apart

from Yongbyon. It stretches the mind to imagine that a key element of the Agreed Framework – satisfactory special inspections by the IAEA – will ever be intrusive enough in a secretive society like North Korea. Eighteen months to two years of inspections are likely to be required to meet a high standard of investigation. It will be an important question during that period whether the North will bend to the international community in order to get the critical components necessary for the light water reactors now under construction, or the international community will bend its standards to keep Pyongyang cooperative.

6. Meanwhile, we have to assume that work on missile design and production continues apace in the North. The Rumsfeld Commission, initiated by the Congress over two years ago, showed that flight testing is much less critical to the development of a threatening missile capability in states like North Korea than was previously thought. Ground testing of components, computer modeling, and even flight testing in other countries are likely means for the North to continue to build its threat, whether or not it agrees to a moratorium. Based on the experiences of the past six years, one can well imagine the U.S. is organizing international assistance to the North to reward them for not testing what they may not really need to test.
7. Before turning to the outlook for the future, I would like to note that I have great respect for the hard work and many frustrations of the civil servants who have had to work this set of problems with North Korea. They have labored under policy constraints that leave few options, all suboptimal. When the Agreed Framework was adopted the choices before the Administration were framed as either war or cooperation with Pyongyang. The absence of major conflict since then, despite repeated skirmishes, is of course an accomplishment for which the architects of the Agreed Framework claim credit. But war had been avoided on the Korean Peninsula since 1953, through effective deterrence. The cessation of long range missile tests and the arrest of the Yongbyon nuclear facility are two other outcomes of the Agreed Framework process, but as noted above, these are qualified if significant successes.
8. The problem for the Congress and the next U.S. administration is that the Agreed Framework and Secretary Perry's efforts have effectively postponed the ultimate confrontations with North Korea over nuclear weapons and missiles, and they have yet to address the fundamentally more serious problem of conventional arms on the peninsula. As CINCPAC Admiral Dennis Blair noted in his testimony here two weeks ago, despite years of poor economic performance and large-scale international food aid, Pyongyang surprised observers with the largest winter military exercise in nearly a decade.
9. Alliance requirements have also limited the room for the U.S. maneuver. The election of President Kim Dae Jong, with his strong commitment to win over or undermine North Korea through blandishments and economic assistance, has made it more difficult for any administration to take a hard line with the North. There may be some room, however, for a "good cop, bad cop" approach to Pyongyang, with the

U.S. playing a heavier role. The preconditions already exist in the different emphasis Seoul and Washington give to weapons of mass destruction.

10. Going forward, the next U.S. administration and Congress will need to rig for heavy weather. Sometime in the first year and a half of the next term, the IAEA will have to inspect at a level of intrusiveness that would be difficult in, say, Sweden, let alone North Korea. The Iraqi experience is a daunting premonition of the North Korean situation. The level of political support for President Kim Dae Jong's approach to the North also appears to be diminishing in South Korea, as the economy there returns to health and the dividends of his "sunshine policy" remain lean.
11. The next administration should expect to be tested in a confrontation engineered by the North, as Presidents Clinton and Kim Young Sam were in 1993, with Pyongyang's threat to leave the Nonproliferation Treaty and IAEA. I fully expect Pyongyang to try to sweeten the deal or reduce its costs by confronting the U.S. and Korean leaderships again with a choice between confrontation and cooperation, or classic appeasement. It will be up to the new team to fashion an alternative to these choices if we are to resolve our concerns about Pyongyang's nuclear, missile and conventional weapon threats. Thank you.

Prepared Testimony
of
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College of William & Mary
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before the
Committee on International Relations
U.S. House of Representatives
Washington, D.C.
March 16, 2000

I would like to thank the Committee for inviting me to testify today on this important and complex issue. My testimony will explore three myths that currently influence U.S. policy towards North Korea and impede our ability to maintain stability and security on the Korean peninsula and in Northeast Asia. I will then suggest some ways in which Congress might work to improve this policy.

Myth #1: It is impossible to negotiate with North Korea

That North Korea poses a threat to important U.S. interests in Northeast Asia and around the globe is not in doubt. Ideologically hostile to the outside world, armed with ballistic missiles (perhaps loaded with chemical or biological agents), and capable of building nuclear weapons, North Korea is the world's poster child for rogue regimes. This dysfunctional country excels in only one area -- it exports trouble. The North's aggressive military posture threatens American allies in the region and directly places at risk the 35,000 U.S. soldiers based in South Korea. Through its sale of ballistic missile technology to Pakistan and the Middle East, Pyongyang helps undermine global security.

Determining how best to deal with North Korea has posed a serious challenge for the Clinton Administration. But it is possible to do business with Pyongyang, as proven by the experience of a specialized international organization created to deal with the North's nuclear program.

In 1995, the United States, South Korea and Japan created KEDO (the Korean Peninsula Energy Development Organization), whose mission is to deliver 500,000 tons of heavy fuel oil/year and two 1,000 MW(e) light-water reactors to North Korea in return for the North initially freezing and eventually dismantling its nuclear weapons complex capable of producing enough plutonium for dozens of nuclear bombs.

At the start, it was unclear whether the North would even meet with KEDO officials, let alone permit thousands of South Korean to live and work at the construction site alongside North Koreans. Yet KEDO and Pyongyang have reached agreements that have produced real and

tangible progress to implement this project. Many of these agreements deal with highly sensitive national security issues, such as direct transportation routes from the South to the North, independent means of communication from the work site to the outside world, and blanket immunity from prosecution for all KEDO workers.

With no clear road map to follow, KEDO has shown it is possible to engage Pyongyang in ways consistent with U.S. national security interests. Reaching agreement with the North is never easy, but few worthwhile things in life are. Like other skilled negotiators, the North Koreans prefer to keep their options open for as long as possible. Indeed, they are often under instructions to do so because competing bureaucracies back home can't agree on a common position.

The KEDO experience also teaches the importance of demanding strict reciprocity; there is no such thing as a free lunch with the North Koreans. It is possible to "take" from the North, but only if you are prepared to "give" something in return. Although it is easy to blame the North Koreans for many misdeeds, the truth is that stalemate in the negotiations was at times due not to the North's belligerence, but to disagreements among the KEDO parties -- the United States, South Korea and Japan -- over what to horse-trade. Significantly, when KEDO has reached agreement with the North Koreans, they have largely kept their side of the bargain.

KEDO's experience also teaches that you must stand firm with the North Koreans. They are masters at raising the tension level to realize their objectives. The negotiating table is simply one more venue for this type of brinkmanship. For example, in late 1995 the North's Ambassador Ho Jong threatened to have Pyongyang restart its nuclear weapons program if KEDO did not make certain concessions. Despite the risk of triggering a new nuclear crisis on the Korean peninsula, KEDO hung tough. Ho eventually dropped his demands.

Constant vigilance is also warranted in dealing with North Korea. The United States should not be surprised when Pyongyang engages in provocative actions, such as the September 1996 submarine incursion, the August 1998 Taepo Dong 1 ballistic missile launch, and the June 1999 confrontation between the North and South Korean navies over the Northern Limit Line. It is entirely possible they may threaten to test launch another ballistic missile later this year.

It is therefore essential that anyone negotiating with the North not be afraid to walk away from the table. The United States should never be, or seem to be, more eager than the North to reach a deal. Offering the North inducements for simply showing up, or holding meetings solely for the sake of holding meetings, diminishes U.S. credibility in Pyongyang and elsewhere around the world.

At the same time, the United States should never be less eager than North Korea to craft a more stable and secure Korean Peninsula. Hard-headed engagement, which is strongly supported by South Korea and Japan, can work. And by keeping faith with our allies, the United States will also be in a much stronger position should North Korea decide to remain a rogue state.

Finally, it is useful to talk with Pyongyang if only to make absolutely clear to them the

consequences their actions will bring. In other words, the U.S. has a strong interest in preventing North Korea from ever thinking that its provocative behavior would go unanswered.

***Myth #2: The Agreed Framework nuclear deal can be attacked
 without harming U.S. national security interests***

Despite all the criticisms of the Clinton Administration's handling of North Korea, the reality is that the next Administration, whether Democrat or Republican, is unlikely to substantially change U.S. policy. If there is a Republican Administration come next January, I would expect to see important changes in policy style and policy execution, but few changes in policy substance (with the possible exception of addressing the North's military posture along the DMZ). Indeed, leading Republican foreign policy experts advising Governor Bush have already gone on record saying it would be difficult for a Republican Administration to overhaul the current U.S. approach to North Korea.

These Republican foreign policy experts recognize that (i) the Agreed Framework and KEDO, (ii) former Secretary of Defense William J. Perry's Report of October 12, 1999, and (iii) ROK President Kim Dae-jung's "sunshine policy" of greater economic cooperation and reconciliation with North Korea provide useful tools with which to deal with many of the challenges North Korea presents. This is not to say the current approach is ideal. Far from it. It is the least worse option. But before dismantling the current approach, it is essential to formulate a viable policy alternative. Suddenly reversing Washington's North Korea policy, without such a policy alternative, would harm our relations with two key U.S. allies – South Korea and Japan – each of which has more at stake than the United States in promoting a stable and secure Korean peninsula.

As former U.S. Ambassador to South Korea during the Bush Administration, Donald P. Gregg, has recently observed:

A rapid and uncoordinated American policy shift away from the Perry Report and the "sunshine policy" to a more confrontational posture toward North Korea would undermine President Kim [and] confuse the Japanese...One of the greatest strengths of the "sunshine policy" is the regional support that it enjoys from Korea's neighbors. For the U.S. to distance itself from this support, and by so doing weaken it, would be counterproductive in the extreme. North Korea would be strengthened, not weakened, by such a move.

Indeed, the likely result of such behavior would be the weakening of U.S. influence throughout all of East Asia, and perhaps beyond.

Myth #3: KEDO doesn't need, or deserve, strong U.S. support

According to published accounts, North Korea's work at the nuclear facilities covered by the Agreed Framework has halted. This nuclear freeze is being monitored not only by U.S. national technical means, but also by international inspectors on the ground at these sites in North Korea.

This nuclear freeze is the result of KEDO, the multinational consortium envisioned in the Agreed Framework and established in 1995. Without this nuclear freeze, it is estimated that Pyongyang would have the capability to build 5-6 nuclear weapons per year; in other words, without the Agreed Framework, North Korea could have a nuclear arsenal of at least 25-30 bombs by now. Needless to say, this result would be profoundly destabilizing to all of East Asia and detrimental to U.S. stature and influence in the region.

Despite this useful role, KEDO suffers today from a number of problems, all of which require immediate high-level attention and support from Washington. First, KEDO needs to reach an agreement with the prime contractor, KEPCO, that is acceptable to the subcontractors on nuclear liability for the LWR project. If certain subcontractors decide not to participate in the project because of the nuclear liability issue, then the entire project will be put at risk, or at a minimum, suffer additional delay and cost. Specifically, if General Electric, which licenses technology for the steam turbine generators and supplies certain components, decides not to participate, the next best source of technology and components would be a Japanese company. This option would be resisted by Seoul and, even if it were approved eventually, would entail extensive revisions of LWR plant design. The result would be additional delays and increased costs for the LWR project, which is already an estimated five years behind schedule.

Second, there is still no formal delivery schedule with North Korea that sets out the time-frame for KEDO's construction of the two LWR plants, as well as the obligations the North Korean side must meet for the project to be completed. Currently, KEDO has been unable to arrive at a consensus approach to this protocol. A major point of internal disagreement is how to handle the timing of North Korea's coming into full compliance with its International Atomic Energy Agency (IAEA) safeguards obligations. It is estimated that the IAEA's investigative and analytical process may take as long as 24 months, during which time little or no work would be done at the Kumho site. This delay would increase significantly the cost of the LWR project. As the country footing the largest portion of the bill, South Korea has argued that this time period needs to be shortened by having the North Koreans take certain cooperative steps with the IAEA in advance of the IAEA's inquiry. Seoul would like KEDO to require that these steps be enshrined in the delivery schedule and performance protocol. The Clinton Administration is opposed to this approach, not wanting to entangle KEDO on an issue that is primarily the concern of the IAEA.

These issues have been debated for years inside the KEDO Secretariat, which has been unable to broker differences among the Executive Board members. The reality is that none of these issues will be resolved – and the KEDO project will not go forward -- without the attention of senior officials in Washington, Seoul and Tokyo.

It is useful to recall that under the Agreed Framework, North Korea has pledged to come clean about its nuclear past – to disclose how much weapons-grade plutonium it has separated – only after KEDO completes a "significant portion" of the two light-water reactors it has pledged to build. Many people, including myself, are skeptical whether Pyongyang will ever place all of its nuclear cards on the table. But we delay testing this proposition with each day the KEDO project is stalled. We delay forcing North Korea to choose which path to follow – the one leading to

greater engagement with the outside world or the one leading to greater isolation and poverty for the North Korean regime.

In the past, Congress has from time to time played a useful role in critiquing the Administration's North Korea policy. Congress has been most helpful when it has avoided the temptation to score political points at the Administration's expense and instead focused on the larger strategic issues at stake for the United States in Northeast Asia. For example, in November 1998, it passed legislation requiring the Clinton Administration to appoint a Special Coordinator to conduct a thorough review of Washington's North Korea policy. This Congressional initiative yielded tangible results: the Perry Report and the Trilateral Coordination and Oversight Group.

Congress still has an important role to play in helping shape the Administration's strategy towards North Korea. Congress should emphasize to the Administration that U.S. goals are greater security and stability on the Korean Peninsula, continued close policy coordination with our South Korean and Japanese allies, and the maintenance of a strong deterrent posture towards the North. The purpose of future negotiations with the North is not simply more negotiations. Rather, it is to ensure that the North take tangible steps to reduce the military threat it poses to the South and in the region through its nuclear weapons, chemical, biological and ballistic missile programs, and with its conventional forces.

At the same time, Congress can articulate what it is willing to allow the Clinton Administration to place on the negotiating table when it discusses these issues with the North. Are we willing to relax all economic sanctions? Are we willing to remove the North from the terrorism list? Are we willing to establish diplomatic relations and exchange ambassadors? Are we willing to officially end the Korean War and sign a peace treaty with North Korea? Are we willing to "buy out" the North's ballistic missile program, and if so, for how much? Are we willing to establish confidence-building measures, such as establishing hot lines between military commanders on either side of the DMZ? Are we willing to consider redeploying US/ROK forces if the North agrees to redeploy its forces?

During the past five years of dealing with the North, the Clinton Administration has not even asked many of these questions, let alone come to some consensus on answering them. To be sure, these are complex issues that resist simple answers. But if the United States is serious about addressing the threat posed by the North, we must first of all decide what price we are willing to pay. Only then will we be able to present the North with a clear and well-defined choice – either greater engagement and better relations with the outside world or continued international isolation and poverty. Otherwise, the North will defer making this choice for as long as possible, milking the negotiations for every concession it can extract from the United States.

By proceeding in a more resolute manner – stating clearly what we want from the North and what we are prepared to offer in return -- we allow ourselves the greatest opportunity for a successful policy of engagement with Pyongyang that will lead to greater security and stability in Korea. We will also emerge in a much stronger position, with domestic public opinion, with our allies and with the international community, should the North decline our offer. Congress, and this Committee especially, has an indispensable and ongoing role to play in this effort.

**Testimony Before the House Committee on International Relations
Hearing on "North Korea: Leveraging Uncertainty?"**

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Testimony at House Committee on International Relations

North Korea: Leveraging Uncertainty?

The Perry Policy Review: A Needed Corrective to U.S. Policy

The state of U.S. policy toward North Korea has improved considerably compared to the situation 18 short months ago, when the U.S. Congress required the Clinton administration to conduct a review of U.S. policy toward the Korean peninsula as a condition for continued funding of the Korean Peninsula Energy Development Organization (KEDO). The appointment of former Defense Secretary William Perry to conduct that policy review in November of 1998 and the subsequent year-long consultation and policy formulation process he led through October of 1999 have proved to be a significant corrective, driven by Congressional demands, to a Clinton administration Korea policy that was on the verge of careening off course toward renewed crisis and a possible military confrontation. The conduct of the policy review itself and the new ideas that have been applied—i.e., special envoy to communicate with North Korea's top leaders, "bigger carrots and bigger sticks," the need for close and effective policy coordination with allies, and the need for a "comprehensive approach"—now represent consensus views, many of which have the support if not the original authorship of Congressional policy strategists.

The Perry Review itself also spawned a host of parallel non-governmental efforts during 1998 that mobilized senior political and policy analysts to carefully weigh a wide range of policy options toward North Korea, including a Council on Foreign Relations Task Force on policy toward the Korean peninsula, a "Team B" report from a National Defense University group led by former Undersecretary of Defense Richard Armitage, and a steady stream of Congressional hearings and presentations of opinion from senior policy experts. The similarities in conclusions drawn as part of these efforts demonstrate a core consensus on aspects of policy toward North Korea driven not by bi-partisanship but by the essential lack of responsible alternatives available to any policy maker with direct responsibility for implementing policy toward North Korea. Compounding the problem is that the issue of how to deal with North Korea is a political loser: neglect breeds crisis and accusations of failure to manage an issue that may impinge directly on U.S. security interests, while direct negotiations or deal-making requires concessions that will inevitably be criticized as rewards to an undeserving regime. The unfortunate reality—confirmed by the extensive scrutiny given during the past 1 ½ years to a range of U.S. policy options currently available—is that any responsible approach to North Korea will involve both a frustrating and protracted negotiation process with a conservative and isolated regime as well as recognition of the possibility of a breakdown in negotiations and willingness/preparedness to face the prospect of renewed crisis.

The primary contribution of the Perry policy review process has been the alignment of policies among the United States, Japan, and South Korea in favor of working with the North Korean leadership to engage in mutual threat reduction in return for the creation of

a more benign international environment necessary for North Korea's regime survival. This policy coordination effort is itself unprecedented and has potentially significant implications for the shape of future security relations in Northeast Asia (i.e.; building U.S.-Japan-ROK security coordination as the core of a new regional security environment), but it may be unsustainable either if the urgency of the North Korean threat subsides or if North Korea were to somehow find a way to exploit differences in priority among the United States, South Korea, and Japan to take advantage of continued domestic political differences in each country over how to deal with North Korea. Another result of the policy review process has been to underscore both the practical limits and essentially unsatisfactory nature of the options available and the difficulties of achieving a political consensus on how to deal with North Korea in the United States, Japan, and South Korea.

The true test of success or failure of the Perry process in the long term will depend on whether the following positive developments are sustainable: a) continued strengthened alliance coordination among the United States, Japan, and South Korea to prepare along the two-pronged path of engagement or confrontation, b) the ability of the administration to move from the design phase represented by the Perry Review process to overseeing an implementation process while maintaining bipartisan political support, c) an ongoing and regularized engagement with North Korean leaders at higher levels that gives North Korea a stake in and benefits from an engagement process so that leaders in Pyongyang recognize that they have so much to lose that they can not afford to walk away.

Other issues not addressed directly by the Perry report that are likely to emerge in due time as central issues to be negotiated with North Korea are how to effectively promote North Korea's economic and political cooperation with its neighbors and the initiation and implementation of a process that will effectively address both remaining WMD issues (including chemical and biological weapons) and conventional arms control issues, including the demilitarization of the DMZ.

Although it is necessary to be realistic about the ability of any external party to influence Pyongyang's opaque process of policy formation, the relative influence of external actors and policies toward North Korea clearly has increased during the past decade from a very low level. This trend has critical significance for policy toward North Korea, because it means that the focus of policy debate increasingly should not be over *whether* to provide external assistance (i.e., food assistance, economic sanctions lifting, international trade opportunities, KEDO, regional economic cooperation projects, etc.) but rather over *how* to provide assistance and in what forms.

The critical objective of the United States and the international community is how to increase the pace of positive change in North Korea, while the objective of Pyongyang's leadership, focused on regime survival, is to control the pace of change in ways that do not threaten their political control. In my view, there is a single criterion by which all assistance can and should be judged: does that assistance increase the pace of change in ways that facilitate North Korea's integration with the international community or does that assistance reinforce policies or give new life to systems in North Korea that have

already failed? This benchmark has critical implications for how food assistance is provided, how one thinks about issues such as sanctions lifting or implementation of the KEDO project, and which actors inside North Korea are best suited to serve as counterparts to external parties.

**The Primary Accomplishment of the Perry Review:
Creating An Effective Mechanism for U.S.-Japan-ROK Policy Coordination**

The most important contribution that Secretary Perry has made aside from serving as a focal point for internal coordination of U.S. policy toward the Korean peninsula has been to effectively strengthen alliance coordination with Japan and South Korea. The strengthening of ties between Japan and South Korea, an accomplishment made possible by the improvements in Japan-ROK relations following President Kim Dae Jung's state visit to Tokyo in October of 1998, has been supported by the development of a trilateral consultation process among the three countries. It has led to a "regionalized" or trilateral approach on the specific issue of coordinating policy toward North Korea through the establishment in April of 1999 in Hawaii of the Trilateral Coordination and Oversight Group (TCOG), as well as the historic trilateral summit meeting among President Clinton, Prime Minister Obuchi, and President Kim Dae Jung on the sidelines of the APEC meeting in September of 1999.

A coordinated policy approach toward North Korea is important for several reasons. First, it manages the differences in priority on specific issues that may exist internally between the United States and Japan or the United States and South Korea, effectively curbing the impulse for more emotional reactions to perceived North Korean provocations. Second, it reduces the ability of the negotiating counterpart (North Korea) to exploit differences in the policy stances of allies. Third, it underscores the importance of containing North Korea's destabilizing behavior while expanding the base of resources available as part of an engagement strategy with North Korea. Fourth, it diminishes the possibility that precipitous unilateral action against North Korea by any single party in the coordination process will lead to the spread of broader conflict in Northeast Asia, a scenario that would have severe effects on the American alliance relationships with Japan and South Korea that have supported regional stability up to now. The key ongoing challenges to be addressed as part of implementation of the Perry process include the following:

a) Integrating South Korean Interests With Trilateral Policy Coordination Efforts

The first challenge has been the recurring question of whether South Korea will be abandoned by improvements or breakthroughs in the U.S. relationship with North Korea.

With the release of the Perry report, the announcement that the United States will ease sanctions toward North Korea, and the prospect of a high-level visit by a North Korean official to Pyongyang following Secretary Perry's invitation during his own visit to Pyongyang in May of 1999, this long-standing question has resurfaced among some

South Korean observers. South Korean fears of abandonment had earlier been expressed most strongly in the context of the U.S. decision to negotiate directly with North Korea over nuclear issues in Geneva in 1993 and 1994. These concerns were reflected both in the Agreed Framework provision requiring North-South dialogue as part of the implementation process as well as in the creation of an international organization, the Korean Peninsula Energy Development Organization (KEDO), including South Korean officials both as part of the staff and on the board of directors. They have also been reflected in South Korean worries that U.S. sanctions lifting will allow American business to secure their own economic interests in North Korea to the detriment of South Korean interests, this despite a manifest lack of American private sector interest in North Korea's uncompetitive investment environment.

Under President Kim Dae Jung's leadership as part of his engagement policy toward North Korea, however, the South Korean worries about abandonment seem to have been turned on their head. Kim Dae Jung has urged in a May 5, 1999, CNN interview that the United States and Japan normalize their respective relationships with North Korea as part of a removal of the influence of the Cold War on the Korean peninsula. The logic of DJ's statement is that normalization of Japan-DPRK or U.S.-DPRK relations is politically and practically impossible without an accompanying improvement in relations between North and South Korea. In other words, spurring progress in North Korea's relations with Japan and the United States ultimately may be the "back door" to support the progress in North-South dialogue necessary to sustain DJ's "Sunshine Policy." And the fact that improvements in the U.S.-DPRK relationship are inextricably related to a normalized

relationship between North and South Korea has been at the core of U.S. policy from the beginning of the U.S. opening with North Korea through the “modest initiative” of Assistant Secretary of State for East Asia Gaston Sigur in 1987. However, it is unlikely that South Korean voices fearing abandonment by the United States will be fully reassured until North Korea returns in good faith to the task of implementing the 1992 Basic Agreement (Agreement on Reconciliation, Nonaggression, and Exchange).

The West Sea incident of June of 1999, in which North and South Korean navies traded blows in a disputed area near the Northern Limit Line (NLL), has also served notice to Pyongyang of the deterioration of North Korea's military capabilities relative to that of the South. There are lines that Pyongyang can no longer cross with relative impunity as a result of enhanced efforts to deter North Korean military aggression. By forcefully implementing the principle of no toleration for North Korean military incursions put forth during his inauguration address, President Kim Dae Jung was able to use deterrence as a vehicle for enhancing his policy of engagement with North Korea.

b) Integrating Japan's Interests With Trilateral Policy Consultation Efforts

The second challenge is whether it is sustainable for Japan's policies to be coordinated effectively with U.S. and South Korean overtures toward North Korea. The progress that has been made toward renewing Japan-DPRK normalization talks in the aftermath of the Murayama-Nonaka delegation to North Korea, far from constituting an example of the

failures of policy coordination, is further evidence of the early success of the policy coordination effort.

The challenge and necessity of policy coordination between the United States and Japan toward North Korea as part of the Perry process has been illustrated in two respects. First, a primary result of the Perry process, itself stimulated in part by the crisis emanating from North Korean missile development efforts, was the recognition that Japanese concerns about North Korean missiles and alleged abductees in North Korea would have to be satisfied for Japan to remain as a reliable partner in KEDO and other multilateral policy coordination efforts toward North Korea. One result has been the addition of Japanese concerns on the abduction issue to the list of criteria that must be satisfied before the United States government will be willing to remove North Korea from the list of countries who sponsor terrorism. The integration of Japan's concerns as part of the U.S. agenda with North Korea has underscored the importance of renewed dialogue between North Korea and Japan.

c) Trilateral Coordination, Contingency Planning, and "Comprehensive Deterrence"

Secretary Perry's initiation of an enhanced U.S.-Japan-South Korea policy coordination process toward North Korea has also enhanced cooperative efforts among the same parties to limit illicit or destabilizing North Korean behavior through the extension of "comprehensive deterrence" including coordinated responses among the United States, Japan, and South Korea. Secretary Perry has justified renewed engagement with North

Korea despite opposition in some quarters of Congress on the basis of the assumption that it is necessary to work with allies in Japan and South Korea. Likewise, the recent easing of Japan's policy toward North Korea has been justified on the basis of the need to pursue policy in concert with the United States and South Korea. And South Korean President Kim Dae Jung has exhorted the United States and Japan to improve their relationships with North Korea in line with the Sunshine Policy during periods when the policy has continued to be under attack at home.

As part of the extension of "comprehensive deterrence" against destabilizing North Korean behavior, U.S.-ROK military readiness and technological depth has been strengthened from the time of the 1994 crisis. That crisis resulted in the strengthening of U.S.-Japan coordination in the form of the revised U.S.-Japan Defense Guidelines that were finally ratified by the Japanese Diet in June of 1999 as well as the signing of a new Acquisition and Cross-Servicing Agreement, which outlines concrete commitments by Japan's Self-Defense Forces to provide logistical and equipment support to U.S. forces in the event of a military contingency in the region. North Korean threats have also served as a catalyst for the development of U.S.-Japan-ROK defense consultations from 1997 that have supported the rapid improvement of Japan-ROK defense exchanges in the late 1990s. These quiet consultations have proceeded to the point where plans exist on paper for managing a coordinated response to North Korean contingencies, including the emergency removal of Japanese citizens from the Korean peninsula in time of war and handling of North Korean incursions that cross over from Korean to Japanese territorial waters.

In the aftermath of the 1998 Taep'odong rocket launch, Japan has taken concrete measures to enhance deterrence against North Korea. Most notable has been the effort by Japanese Diet members to limit technological and financial transfers to North Korea in the wake of the discovery that many technological components of North Korea's missile and submarine programs have been bought off-the-shelf from Japanese vendors. Following an inspection of a North Korean submarine by Japanese Diet members in the summer of 1999, it was revealed that as many as one-quarter of the components for these submarines were made in Japan. They were most likely bought and transferred to North Korea illicitly through members of the Chosen Soren, a pro-North Korean organization of Koreans in Japan. This small group of Japanese Diet members has actively sought ways to enhance Japan's deterrence against such technology transfers in recent months, including the possible crackdown on Chosen Soren financial activities or transfers to North Korea.

d) Perry Process and Coordination With China

A final aspect of the enhanced deterrence of North Korean illicit or destabilizing activities goes beyond the United States, Japan, and South Korea to include diplomatic

¹ See "A List of Japanese Companies Related to 'North Korean Arms,'" *Bungei Shunju*, August 1999, pp. 94-107 (available in English through the Foreign Broadcast Information Service Doc. No. OW2207135399). The other development that has spurred Japan's commitment to "comprehensive deterrence" was the discovery and pursuit of "mysterious ships" of suspected North Korean origin that appeared near Japan's coastline in late March of 1999. During the course of the incident, Japan's Self Defense Forces fired warning shots at the ships, the first time Japanese Maritime Self Defense Forces had fired on an enemy since World War II, but the most lasting impact of the encounter was that it revealed command-and-control and equipment-related inadequacies the Maritime Self Defense Forces to conduct such an operation that are in the process of being addressed by the government of Japan.

coordination with others affected by these activities, including China and other affected members of the international community. To the extent that North Korea's activities have jeopardized Chinese strategic interests, China has become a "silent partner" with the United States and others to pursue its primary objective of maintaining stability on the Korean peninsula; however, the long-term divergence of U.S. and Chinese respective interests on the Korean peninsula raises questions about how far China will be willing to go if efforts to stabilize the Korean peninsula are perceived as primarily or overwhelmingly American-led or otherwise detrimental to PRC security interests, particularly in the event of a serious downturn in the U.S.-PRC relationship.

In the short-term, however, there is a remarkable coincidence of interests between the PRC and the United States in favor of maintaining stability on the Korean peninsula. The "three nos" of U.S.-China policy toward North Korea are no nukes, no war, and no collapse of North Korea. Efforts to achieve these shared objectives have allowed a certain level of quiet Chinese cooperation with the United States. For instance, working level U.S.-PRC consultations continued despite tensions in U.S.-China relations felt most intensely in the aftermath of the NATO bombing of the Chinese embassy in Belgrade in May of 1999 as part of the Kosovo conflict.

In addition, to the extent that North Korea attempts to overcome its diplomatic isolation through improved relations with the EU, Australia, the Philippines, and Canada, among others, the leadership in Pyongyang is reminded that prospects for overcoming diplomatic

isolation are limited without an accompanying demonstration of good-faith efforts to make progress in limiting its nuclear and missile programs.

Conclusion: The Path Ahead

The Perry Review process itself has laid the groundwork for a more effective U.S. policy toward North Korea, but it remains to be seen whether either North Korea or domestic politics in the United States will give the administration significant room to successfully implement its policy proposals or whether political imperatives will drive the United States and North Korea in very different directions. The Perry process provides a limited opening for potential progress in improving U.S.-DPRK relations and in providing a more positive environment for improved inter-Korean and improved Japan-North Korean relationships. However, there are worries that the initiative may fall victim to bad timing in two respects. First, the window of opportunity for actual progress with North Korea is rapidly closing as the political campaign competition begins in the United States. It is likely that this domestic distraction would lead to renewed inattention to policy implementation with North Korea, resulting in further setbacks. At best, the current opening may prove to be most valuable for preventing or delaying a renewed cycle of destabilization between the United States and North Korea rather than in delivering any diplomatic breakthroughs.

Second, to the extent that the North Korean economic situation itself has now begun to stabilize with an accompanying increase in political confidence by a new leadership, it

may be more difficult to negotiate with North Korea than might have been otherwise the case. At the same time, the situation is demonstrably different from the one that existed prior to 1990, when North Korea could afford to walk away from the negotiating table and used the negotiation process primarily for propaganda purposes. To this extent, regardless of how frustrating and slow-moving the process may be, it should continue, with sober expectations for precisely how easy it will be to create a foundation leading to even more potentially intractable issues, such as conventional arms reductions and the end of inter-Korean military confrontation.

As one example, North Korea's pledge not to pursue further missile tests has been seen as an essential prerequisite for allowing the Perry policy of enhanced engagement with North Korea to go forward; however, the negotiation of a hard-and-fast pledge by North Korea to give up its negotiating leverage at the beginning of the process is highly unlikely. The Berlin statement is properly understood as analogous to the first ever U.S.-DPRK joint press statement emanating from the first round of U.S.-DPRK talks over North Korea's nuclear program in June 5-11, 1993; i.e., it marks a starting point for further negotiations that might eventually lead to a broader deal involving North Korea's suspension of its missile program in return for political concessions and economic support, but hardly represents a breakthrough. In fact, it almost restores the status quo ante that existed in the immediate aftermath of the Geneva Agreed Framework in early 1995, at which time a much larger sanctions-lifting effort by the United States had been implied by the agreement but was not forthcoming as a result of political concerns on the part of the Clinton administration in the aftermath of the 1995 Republican takeover of

Congress. The Berlin agreement has simply put a temporary brake on a possible second Taep'o-Dong launch, leaving open the door to additional negotiations.

The administration's decision of last fall to move forward with economic sanctions-lifting unilaterally based on the rather ambiguous North Korean pledge embodied in the joint statement may also be compared with the Bush administration decision to unilaterally withdraw forward deployed air and land based nuclear weapons in September of 1991. In that case, the effect of a global decision inadvertently had a positive effect on North Korean cooperation in the nuclear field, leading the North to declare its willingness to join the IAEA and opening the door for a single high-level political meeting between then Korean Worker's Party International Secretary Kim Young Sun and Arnold Kanter, undersecretary of state for political affairs. However, in the absence of a political strategy for engaging North Korea, that opportunity was lost and a destabilizing cycle of tension escalation renewed itself within months in the form of North Korean confrontation with the International Atomic Energy Agency in the context of a politicized atmosphere surrounding U.S. and ROK presidential campaigns in late 1992. This time, the administration took the political risk of targeting a unilateral concession to North Korea in an attempt to jumpstart the negotiating process, but the risks of political opposition to this move paled in comparison to the costs of failing to prevent a subsequent North Korean Taep'odong test.

Although these two analogies with past periods in the cycle of U.S.-DPRK negotiations both represent hopeful beginnings to process of engagement and negotiation between the

United States and North Korea, they also reflect the very real likelihood of breakdown and even backsliding in the negotiation process. The dangers of distraction that accompanied the near-simultaneous election cycles in the United States and South Korea during 1992 constitute a sobering warning for the coming months, as Seoul faces the election of a new National Assembly on April 13 and the U.S. primary and presidential elections take center stage on the American agenda. Indeed, the U.S.-DPRK negotiation of 1992—in the absence of a U.S. political strategy of engagement with North Korea—did not prevent North Korea from inducing a crisis with its March 12, 1993 announcement that it would withdraw from the NPT; nor did the U.S.-DPRK joint statement of June 11, 1993 did prevent the deterioration of the IAEA's capacity to monitor North Korea's nuclear program in late 1993 and it failed to prevent North Korea from removing fuel rods from its experimental 5Mwe reactor in June of 1994. Likewise, the Berlin agreement is only as good as the immediate forward momentum that accompanies it, and possible renewed escalation of crisis—either orchestrated as a tactic for spurring the negotiation process or as a result of temporary setbacks or miscalculation—is unfortunately a significant part of the past U.S.-DPRK negotiating experience.

The fundamental irony is that North Korea also has reached a point where its options have also narrowed to the single option of engagement with the outside world, despite Pyongyang's protracted search for alternatives to the kinds of engagement with the international community that will require real changes in their own system. The Perry process, in which South Korea, Japan, and the United States all pursue engagement in tandem, is the best way to test North Korean intentions and frame hard choices for

Pyongyang's leadership under the current circumstances. Gradually, the realities of North Korea's increased dependence for regime survival on external inputs are being revealed. This reality is well-known to the North Korean diplomat who privately expressed to me his vision for improved U.S.-North Korean relations as a process through which two parties both in danger of drowning have to "save each other."

North Korea's systemic failure and dependence on external inputs must be increasingly apparent to anyone sitting in Pyongyang who has witnessed the breakdown in the government's public distribution system and accompanying rise in farmer's markets that has occurred as a result of the food crisis during the past few years; this is why there appears to be such harsh competition for control among branches of the North Korean bureaucracy over relationships with groups that can provide external inputs, and the food crisis has been a primary catalyst for deviations in practice that contradict socialist theory or official policy; however, these "adjustments" have neither been acknowledged nor endorsed by the leadership. (Taking into account the past behavior of the North Korean leadership, one might assume that there will be no announcement of a change in North Korean policy; rather, such a policy change will simply occur without acknowledgement or other comment.) Signs of system failure surely can be seen everywhere in Pyongyang, but the political structure and the power of the central leadership still remains in place, so the average North Korean has no choice but to cling to the center of power as a matter of individual survival, risk fleeing to an uncertain fate in China or possibly South Korea, or die.

North Korea's system itself is caught in an enormous contradiction between its longstanding revolutionary nationalist and socialist ideological aspirations and the North Korean reality of a highly traditional, dynastic, and "feudalistic" system, in the words of the highest-ranking defector Hwang Jang Yop. North Korea's past approaches to the outside world have been highly consistent even if it is often self-defeating, but these days North Korean approaches to the outside world are increasingly tempered by a mix of dependency, desperation, paranoia, and pragmatism borne of the reality of North Korea's essential weakness and isolation.

The primary achievement of the Perry Review process is that it provides the opportunity to manage and possibly avoid a renewed crisis with North Korea, but it does not guarantee that crisis will indeed be avoided. The next, equally difficult task is to test whether there is sufficient political will in Pyongyang to overcome long-standing differences with South Korea, the United States, Japan, and others by pursuing concrete tension-reduction measures that can bring lasting peace to the Korean peninsula, accompanied by the arduous process of moving to a normalized relationship between a "normalized" North Korea and the rest of the world.

