S. HRG. 108–56

REGIONAL IMPLICATIONS OF THE CHANGING NUCLEAR EQUATION ON THE KOREAN PENINSULA

HEARING

BEFORE THE

COMMITTEE ON FOREIGN RELATIONS UNITED STATES SENATE

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

MARCH 12, 2003

Printed for the use of the Committee on Foreign Relations

Available via the World Wide Web: http://www.access.gpo.gov/congress/senate

U.S. GOVERNMENT PRINTING OFFICE
87–871 PDF WASHINGTON : 2003

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

COMMITTEE ON FOREIGN RELATIONS

RICHARD G. LUGAR, Indiana, *Chairman*

CHUCK HAGEL, Nebraska	JOSEPH R. BIDEN, JR., Delaware
LINCOLN CHAFEE, Rhode Island	PAUL S. SARBANES, Maryland
GEORGE ALLEN, Virginia	CHRISTOPHER J. DODD, Connecticut
SAM BROWNBACK, Kansas	JOHN F. KERRY, Massachusetts
MICHAEL B. ENZI, Wyoming	RUSSELL D. FEINGOLD, Wisconsin
GEORGE V. VOINOVICH, Ohio	BARBARA BOXER, California
LAMAR ALEXANDER, Tennessee	BILL NELSON, Florida
NORM COLEMAN, Minnesota	JOHN D. ROCKEFELLER IV, West Virginia
JOHN E. SUNUNU, New Hampshire	JON S. CORZINE, New Jersey

KENNETH A. MYERS, JR., *Staff Director*
ANTONY J. BLINKEN, *Democratic Staff Director*

CONTENTS

REGIONAL IMPLICATIONS OF THE CHANGING NUCLEAR EQUATION ON THE KOREAN PENINSULA

WEDNESDAY, MARCH 12, 2003

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met, pursuant to notice, at 2:30 p.m. in room SH–216, Hart Senate Office Building, Hon. Richard Lugar (chairman of the committee), presiding.

Present: Senators Lugar, Hagel, Chafee, Allen, Alexander, Sununu, Dodd, Feingold, Bill Nelson, and Rockefeller.

The CHAIRMAN. This hearing of the Senate Foreign Relations Committee is called to order.

Before making an opening comment, recognizing my colleague, the distinguished Senator from Connecticut, I would like to greet to this hearing 60 students from Evansville and Elkhart High Schools in Indiana that include—and out of home town pride, I will recite all of them—Evansville Bosse High School, Evansville Harrison, Evansville Central, Evansville Reitz, Evansville Memorial, the Signature Learning Center, Elkhart Central High School, and Elkhart Memorial High School.

In addition to that, Reverend Jack Scott, of Columbia City United Methodist Church, has brought 25 students from Columbia City, Fort Wayne, Goshen, and Valparaiso to our hearing today.

So all 85 of these distinguished Hoosier students and teachers are with us, Secretary Kelly, so you have a good, fair, critical audience for your testimony.

Today, the Foreign Relations Committee will examine the regional implications of the changing nuclear equation in North Korea. This will be the fifth hearing we have held this year that has dealt with issues related to North Korea. On February 4, we reviewed the broad strategic implications of weapons of mass destruction on the Korean Peninsula. That same week, we welcomed Secretary of State Colin Powell, who addressed many questions related to North Korea. On February the 25th, the committee considered the issue of global hunger with specific reference to North Korea. Last Thursday, we explored the possible structure and objectives of diplomatic engagement between the United States and North Korea.

We have devoted this concentrated attention to the Korean Peninsula because of the enormous stakes for United States national security. The stakes are high, in part because the North Korean

pursuit of nuclear weapons will change the security calculations of Japan, China, Russia, South Korea, and Taiwan, among others. These are extremely important nations to the United States. Japan and China are our third and fourth largest trading partners. South Korea and Taiwan rank seventh and eighth, respectively. The cooperation of each of these countries is critical to northeast Asian security and the broader war on terrorism.

Given North Korea's extreme isolation in past years, it has been tempting to de-emphasize its impact on northeast Asia outside of the Korean Peninsula. Commerce and economic development have moved forward in the region almost without reference to North Korea. But the continuation of North Korea's nuclear weapons program will force its neighbors to adopt new strategic strategies, perhaps including the acquisition or repositioning of nuclear weapons. Our analytic task would be simplified if all the security responses of northeast Asian nations were directed at North Korea like spokes connected to the hub of a wheel. But security enhancements undertaken by any of North Korea's neighbors will, in turn, change the calculations of the rest of the group. The North Korean nuclear weapons program could spark a northeast Asian arms race that is fed by the interlocking activities of each of its neighbors.

President Bush is working to construct a multilateral approach to the escalation of nuclear activity by North Korea. Multilateral diplomacy is a key element to any long-term reduction of tensions on the Korean Peninsula. But it is vital that the United States be open to bilateral diplomatic opportunities that could be useful in reversing North Korea's nuclear weapons program and in promoting stability. We must be creative and persistent in addressing an extraordinarily grave threat to national security.

In reviewing the regional impact of North Korea's nuclear program and also considering previous testimony before this committee regarding North Korea, many questions deserve close attention and will be a focus of our hearing today.

One, if North Korea does not abandon its nuclear program, will South Korea, Japan, and Taiwan eventually develop nuclear capabilities?

Two, given our lack of knowledge about North Korea and our inability to verify operational details of their weapons of mass destruction programs, how can we be certain that North Korea is not already exporting plutonium or perhaps biological or chemical weapon components?

Third, there are recent reports that China has sold North Korea large amounts of a chemical known as tributyl phosphate, TBP, which can be useful in extracting material for nuclear bombs from spent nuclear fuel. Although TBP also has commercial applications, is this sale evidence that China is not fully engaged in helping achieve a peaceful solution?

And how can we involve China as a positive influence on North Korea? Or how do calculations in China and South Korea about the possibility of an abrupt collapse of the North Korean regime impact the ways in which those countries, China and South Korea, approach the North Korean crisis?

And, fifth, Russian officials have visited Pyongyang as part of their diplomacy in response to the crisis on the Korean Peninsula.

How can the United States maximize cooperation with Russia on this issue?

Sixth, in the event that North Korea does not agree to suspend its nuclear programs and subscribe to a full verification, how should our security guarantees to Japan, South Korean, and Taiwan be adjusted, and should we pursue a common theater missile defense for the region?

These questions, admittedly, only scratch the surface of the security challenges that we face in regard to the Korean Peninsula. Currently, the United States is deeply engaged in diplomatic efforts related to Iraq. But, simultaneously, we must be working with allies in Asia to develop an effective strategy toward North Korea, and this committee looks forward to the testimony of each of our witnesses today as we continue that inquiry into these critical problems.

[The opening statement of Senator Lugar follows:]

OPENING STATEMENT OF SENATOR RICHARD G. LUGAR

Today the Foreign Relations Committee will examine the regional implications of the changing nuclear equation in North Korea. This will be the fifth hearing that we have held this year that has dealt with issues related to North Korea. On February 4, we reviewed the broad strategic implications of weapons of mass destruction on the Korean Peninsula. That same week we welcomed Secretary of State Powell, who addressed many questions related to North Korea. On February 25, the Committee considered the issue of global hunger with specific reference to North Korea. Last Thursday, we explored the possible structure and objectives of diplomatic engagement between the United States and North Korea.

We have devoted this concentrated attention to the Korean Peninsula because of the enormous stakes for U.S. national security. The stakes are high, in part, because North Korean pursuit of a nuclear weapons arsenal will change the security calculations of Japan, China, Russia, South Korea, and Taiwan. These are extremely important nations to the United States. Japan and China are our third and fourth largest trading partners. South Korea and Taiwan rank seventh and eighth respectively. The cooperation of each of these countries is critical to Northeast Asian security and the broader war on terrorism.

Given North Korea's extreme isolation, in past years it has been tempting to deemphasize its impact on Northeast Asia outside of the Korean Peninsula. Commerce and economic development have moved forward in the region almost without reference to North Korea. But the continuation of North Korea's nuclear weapons program will force its neighbors to adopt new security strategies—perhaps including the acquisition or repositioning of nuclear weapons. Our analytic task would be simplified if all of the security responses of Northeast Asian nations were directed at North Korea like spokes connected to the hub of a wheel. But security enhancements undertaken by any of North Korea's neighbors will in turn change the calculations of the rest of the group. The North Korean nuclear weapons program could spark a Northeast Asian arms race that is fed by the interlocking anxieties of each of its neighbors.

President Bush is working to construct a multilateral approach to the escalation of nuclear activity by North Korea. Multilateral diplomacy is a key element to any long-term reduction of tensions on the Korean Peninsula. But it is vital that the United States be open to bilateral diplomatic opportunities that could be useful in reversing North Korea's nuclear weapons program and in promoting stability. We must be creative and persistent in addressing an extraordinarily grave threat to national security.

In reviewing the regional impact of North Korea's nuclear program and also considering previous testimony before this committee regarding North Korea, many questions deserve close attention.

1. If North Korea does not abandon its nuclear program, will South Korea, Japan and Taiwan eventually develop nuclear capabilities?

2. Given our lack of knowledge about North Korea and our inability to verify operational details of their weapons of mass destruction programs, how can we be certain that North Korea is not already exporting plutonium or perhaps biological or chemical weapons components?

3. There are recent reports that China has sold North Korea large amounts of a chemical known as tributyl phosphate (TBP), which can be useful in extracting material for nuclear bombs from spent nuclear fuel. Although TBP also has commercial applications, is this sale evidence that China is not fully engaged in helping achieve a peaceful solution? How can we involve China as a positive influence on North Korea?

4. How do calculations in China and South Korea about the possibility of an abrupt collapse of the North Korean regime impact the ways in which China and South Korea approach the North Korean crisis?

5. Russian officials have visited Pyongyang as part of their diplomacy in response to the crisis on the Korean Peninsula. How can the United States maximize cooperation with Russia on this issue?

6. In the event that North Korea does not agree to suspend its nuclear weapons program and subscribe to full verification, how should our security guarantees to Japan, South Korea and Taiwan be adjusted and should we pursue a common theater missile defense for the region?

These questions only scratch the surface of the security challenges that we face in regard to the Korean Peninsula. Currently, the United States is deeply engaged in diplomatic efforts related to Iraq. But simultaneously, we must be working with allies in Asia to develop an effective strategy toward North Korea. The committee looks forward to the testimony of each of our witnesses as we continue our inquiry into this critical problem.

First we will hear from Assistant Secretary for East Asian and Pacific Affairs, James Kelly. The second panel is composed of Ambassador James Lilley, now with the American Enterprise Institute; Dr. Victor Cha, Associate Professor of the Department of Government and the Edmund Walsh School of Foreign Service at Georgetown University; and Dr. Bates Gill, Freeman Chair in China Studies at the Center for Strategic and International Studies.

The CHAIRMAN. We are honored to have you all with us this afternoon. First we will hear from the Assistant Secretary for East Asian and Pacific Affairs, James Kelly. The second panel is composed of Ambassador James Lilley, now with the American Enterprise Institute, Dr. Victor Cha, associate professor of the Department of Government and the Edmund Walsh School of Foreign Service at Georgetown University, and Dr. Bates Gill, Freeman Chair in China Studies at the Center for Strategic and International Studies.

It is my privilege to call now upon the distinguished Senator from Connecticut, Senator Dodd, for an opening statement.

Senator DODD. Well, thank you very much, Mr. Chairman. And once again, it was said yesterday, that Senator Biden, of course, is the ranking Democrat on this committee, but is recovering from some surgery and not going to be in the Senate this week. And Senator Sarbanes is unavoidably tied up in another meeting and could not make this one. So there could be statements submitted by them and, if so, I would ask that they be included in the record.

The CHAIRMAN. They will be included in the record in full.

[The prepared statement of Senator Biden follows:]

PREPARED STATEMENT OF SENATOR JOSEPH R. BIDEN, JR.

NORTH KOREA: LISTENING TO ALLIES

Mr. Chairman, North Korea's pursuit of nuclear arms, in clear breach of its international treaty obligations has brought Pyongyang to the edge of the same precipice it approached in 1994.

Our challenge is clear: we must stop North Korea from becoming a plutonium factory churning out fissile material for the highest bidder. We must not acquiesce to the North's nuclear ambitions. In order to accomplish this objective, we will need the active cooperation of friends and allies.

There is good news on this score. All of our regional partners—South Korea, Japan, China, Russia—as well as several other interested parties—the European

Union, Australia, Thailand, Singapore—share our goal of preventing North Korea from building nuclear weapons. All recognize that their own interests would be undermined if North Korea were to continue on its present path.

The bad news is that we do not have consensus on how to deal with the North Korean threat. South Korea supports an engagement strategy backed by maintenance of a strong deterrence. They want to avoid coercive measures and have ruled out military moves to take out the North's nuclear facilities.

Japan, China, the European Union, and Russia all support direct talks between Washington and Pyongyang in an effort to defuse the crisis.

The Bush administration insists that this problem must be resolved through a multilateral process, rightly pointing out that North Korea's violation of its Nuclear Nonproliferation Treaty commitments is a matter of concern for the entire world, not just for Washington. Although the administration prefers a peaceful diplomatic solution, it has made clear that all options, including the use of force, remain on the table. The administration has refused to sit down with the North for direct, bilateral, dialog, arguing that such talks would constitute a reward for North Korean bad behavior.

For its part, North Korea has repeatedly rejected any multilateral forum, arguing that its problem is with Washington. Pyongyang wants direct bilateral talks with Washington and claims that it is prepared to abandon its nuclear weapons program only in exchange for formal security assurances from the U.S. Government.

One fact is undeniable: while we argue about the shape of the table, the Korean Peninsula is becoming more dangerous by the day, with cruise missile tests, DMZ incursions, interceptions of U.S. reconnaissance aircraft, and threats by North Korea to reprocess the spent fuel from its Yongbyon reactor. If North Korea takes that fateful step, they could harvest enough fissile material for 5-6 nuclear bombs by the end of the summer.

As I have said before, the North says the ball is in our court. We say it is in their court. And from where I sit, the ball is stuck in the net and someone better go get it. In fact, I think we're putting form over substance and losing sight of the ball.

The whole point of doing something multilaterally is to secure the support of friends and allies who have something to contribute to the resolution of this crisis.

Well guess what? We have consulted our friends and allies, and they all agree that we should sit down and talk with the North to test their willingness to abandon their nuclear and ballistic missile programs. Our friends stand ready to assist those talks and to contribute diplomatically and economically to a solution.

At a Washington Post forum on North Korea policy held on February 6, 2003, Deputy Secretary of State Wolfowitz explained the administration's insistence on a multilateral framework this way: "I think absolutely key as we go forward to solving this nuclear problem, but also to achieving our larger goals in Northeast Asia, is to maintain the solidarity that we have had with South Korea and with Japan over many years."

I couldn't agree more. But in this case, ironically, maintaining solidarity with our allies means being willing to sit down bilaterally with North Korea.

As for whether bilateral talks would constitute a "reward" for North Korea, I guess that depends on the content of the dialog. I believe the purpose of any dialog is to articulate clearly and convincingly why the world rejects North Korea's pursuit of nuclear weapons and to hold out to them the promise of a fundamentally different future—including positive security assurances—if and only if they are prepared to abandon their nuclear weapons ambitions.

This is not appeasement. This is not a reward for bad behavior. This is about offering North Korea a choice of two futures, and I would add, making our own future much more secure.

Frankly, I am not optimistic that at this stage North Korea can be convinced to change course. It's a long shot. But I can promise you this: if the administration sustains its current policy of malign neglect of the Korean Peninsula, North Korea is almost certain to accelerate its nuclear program. If that happens and we move to adopt sanctions or other coercive measures against the North, as seems likely, we will have a tough time rallying allies to our cause if we have ignored their advice all along. They will rightly ask us why we failed to test the North's intentions by sitting down and talking directly to them.

Senator DODD. And I, too, want to welcome, by the way, these students. Is anyone left in Indiana? You have filled the room here with all these wonderful students, and we are delighted you are here. And what an honor it is to have you as an audience in the Senate Foreign Relations Committee, and what a true honor it is

for you to be here and watch your Senator preside as chairman of the committee.

I have served with Senator Lugar for 22 years now in the U.S. Senate, and I do not say this merely because he is here or you are here, America is truly blessed to have someone of Dick Lugar's talents and abilities to be serving as the chairman of this committee, and you in Indiana are very, very lucky to have him as United States Senator.

So we are glad you are here to witness and listen to Senator Lugar, who has made a very fine opening statement asking some very pointed and serious questions about the problems that persists in North Korea and, as well, to thank him once again for having a series of hearings as we have had on major foreign policy issues around the world that the United States must deal with and the challenge for us to be able to multi task, which is difficult for any nation, but if you are in the position we are as the United States where so much depends upon what we do every day, it is important that we be able to juggle, if you will—maybe "juggle" is not the right word I would like to use, but the idea of handling a variety of challenges that confront us every single day. And certainly the issue of North Korea is one of those issues, despite the problems in the Middle East, that we are going to have to grapple with.

So I thank the chairman immensely for holding what has now been the third hearing examining North Korea and our policy toward North Korea in the last month, reflecting the urgent nature of this crisis.

Now, I know that the administration does not like me to use the word "crisis," or anyone else to use the word "crisis," but I do not know how else to describe the prospect of North Korea, where they might, in a matter of days, and that is not an exaggeration, become a plutonium factory selling fissile material to the highest bidder around the globe. There has been a lot of talk recently about what we are going to do about this particular problem, how we can convince North Korea to abandon its pursuit of nuclear weapons and the long-range ballistic missiles.

The Bush administration says it is willing to sit down with North Korea, but only in a multilateral setting. The President has argued, rightly, in my view, that North Korea's nuclear activities are the concern of the world, not just the United States. He is absolutely correct in that view. So it is desirable for many interested parties—South Korea, China, Japan, Russia, the European Union, perhaps others—to participate in the solution to this particular crisis. And I agree with him. That would be the best possible way to proceed.

But I would add, Mr. Chairman, that there is a bit of an irony here, the administration insisting on a multilateral approach to the North Korean crisis while pursuing what many see as almost a unilateralist strategy with respect to Iraq.

In any case, there is a catch with respect to any multilateral approach to North Korea, namely that North Korea has categorically rejected multilateral talks. They want to sit down directly with us and no one else at the table. I regret that. I think that is a mistake. But, nonetheless, that is the situation we find ourselves in. They seek security assurances from the United States, in exchange

for which they claim they are prepared to address our concerns about their nuclear and ballistic missile programs.

So how should we resolve this impasse? What do we do about this? We should start by listening, really listening, to our friends, in my view. Our South Korean allies, who understand the North Koreans probably better than anyone else, have a suggestion. They have urged us to engage in direct bilateral talks to test North Korea's intentions. I think we should listen to them. What do the other players say? China, Russia, the members of the European Union all agree that direct U.S./North Korean talks have the best chance of convincing North Korea to change direction. I think we should listen to them, as well.

We have the blessing, indeed the encouragement, of our friends and allies to sit down with the North for direct talks. In my view, we should proceed with bilateral talks, all the while, of course, keeping our allies informed of how they can contribute not just in the negotiations, but also to any agreement that promises to fully and irreversibly dismantle the North's nuclear and ballistic missile programs.

Now, I understand, of course, the President's reluctance to negotiate with North Korea. The regime of Kim Jong Il is one of the most brutal authoritarian governments on the planet; not just now, but throughout history. They cannot be trusted, in my view, and they have a track record of behaving badly, very badly, in order to get the world's attention and to try and extract concessions in return for more reasonable behavior.

But this is not about trusting or liking North Korea. We did not trust or like the Soviet Union either when we engaged in arms-control treaties with them throughout almost five decades. And this is not about rewarding bad behavior either. Talks are not a reward unless the message is surrender. Certainly the administration knows this.

When General Anthony McAuliffe of the 131st Airborne Division held direct bilateral talks with German officers on December 22, 1944, during the Battle of the Bulge, he did not engage in appeasement. He answered their call for surrender with one word, "Nuts."

The reason for us to talk with North Korea, in my view, is to test their intentions and to offer them an alternative to the disastrous path that they are currently on. If North Korea is prepared to verifiably dismantle its nuclear and ballistic missile program, then we should stand ready with our friends and allies to offer them a brighter future.

But maybe they will tell us, "Nuts." If the North Koreans refuse to take the path of peace and reconciliation, at least we will have tried. And if we, in the end, return to a containment or even more coercive steps, then we will have a far better chance, in my view, of securing multilateral support for our efforts if we have first exhausted diplomatic avenues. Surely, the administration can appreciate this given all that is going on in New York this week.

Mr. Chairman, I look forward to hearing from our witnesses. I am deeply grateful to the Assistant Secretary for being here to share his thoughts with us, and our other witnesses, who bring a wonderful expertise to the particular issue of the Korean Penin-

sula. It can be tremendously helpful to all of us in gathering our own opinions and deciding what course we ought to follow.

Certainly, we have had wonderful witnesses already, and scholars, including Ambassadors Donald Gregg and Arnie Cantor, all of whom have endorsed, of course, that dialog with North Korea is essential to any peaceful solution to this crisis. And I look forward to hearing from the witnesses.

The CHAIRMAN. Thank you very much, Senator Dodd.

It is a real privilege to have Assistant Secretary Kelly before us today. He is a veteran of the trail of American diplomacy, with a remarkable career, and he is an expert on the subject on which he is going to testify today from his personal experience.

Now, I just want to say that I hope we can release Assistant Secretary Kelly sometime around 3:45 or thereabouts so that he can continue his work of American diplomacy in addition to his work with us today. But he is flexible, and members will be heard. So I want to offer that reassurance that we will have opportunities to question our witness.

Would you please proceed, Assistant Secretary Kelly?

STATEMENT OF HON. JAMES A. KELLY, ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS, DEPARTMENT OF STATE, WASHINGTON, DC

Mr. KELLY. Thank you very much, Mr. Chairman and members of the committee and distinguished citizens of Indiana, as well. I thank you very much for this opportunity to discuss the regional implications of the changing nuclear equation on the Korean Peninsula, which is, as you have said, an issue of vital importance.

With your permission, I would submit my longer statement for the record and will get right to the bottom line.

The CHAIRMAN. It will be published in full, and proceed as you wish.

Mr. KELLY. Thank you, sir.

In the past several months, North Korea has initiated a number of serious provocations designed to blackmail the United States and to intimidate our friends and allies into pushing the United States into a bilateral dialog with the North, giving the North what it wants and on its terms. What the North wants is acceptance by us that North Korea's nuclear weapons are somehow only a matter for the Democratic People's Republic of Korea [DPRK] and the United States. This may be tempting to some nations, but it is not true.

We tried the bilateral approach 10 years ago by negotiating the U.S./DPRK Agreed Framework. In 1993 and 1994, and subsequently over the past decade, we made a number of statements relating to North Korea's security. We met our end of the bargain. While the Agreed Framework succeeded in freezing the North's nuclear weapons program for 8 years, it was only a partial solution of limited duration. It was easier for North Korea to abrogate its commitments to the United States under the Agreed Framework thinking it would receive the condemnation of only a single country.

This time, a more comprehensive approach is required, and that is because nuclear North Korea could change the face of northeast Asia undermining the security and stability that have under-

written the region's economic vitality and prosperity and possibly triggering a nuclear arms race that would end prospects for a lasting peace and settlement on the Korean Peninsula. The stakes are equally high for the international community, which would face the first-ever withdrawal from among the 190 signatories of the Nuclear Non-Proliferation Treaty.

We and others fear an economically desperate North Korean regime might sell fissile material or nuclear arms abroad, and other nuclear aspirants are watching. If North Korea gains from its violations, others may conclude that the violation route is a cost-free one. In fact, the past 6 months has shown the international community is united in its desire to see a nuclear-weapons-free Korean Peninsula.

States cannot undertake this task alone. International institutions, particularly the International Atomic Energy Agency [IAEA] and the U.N. Security Council, will have an equally important role to play. For all these reasons, we are moving forward with plans for multilateral, rather than bilateral, talks to achieve a verifiable and irreversible end to North Korea's nuclear weapons program.

Achieving a multilateral resolution to North Korea's nuclear weapons program will take time. The key States to northeast Asia—South Korea, Japan, China, and Russia—all share the common goal of seeking a denuclearized Korean Peninsula. However, each also have a unique historical experience with North Korea and very distinct concerns. Japan has suffered a legacy of North Korean abductions of innocent Japanese civilians, as well as the threat posed by North Korea's ballistic missile program. The cool admission of kidnapings from the Japanese home islands followed by untimely deaths stunned many Japanese.

For China, a nuclear North Korea raises the specter of a regional arms race in a neighbor with a very unstable economic backdrop to its nuclear ambitions and a potentially huge burden on Chinese resources.

Russia is, likewise, concerned about a regional arms race and instability on its far eastern border.

And the people of South Korea want national reconciliation, yet worry about the economic costs and burdens that this could impose.

As the foregoing should make clear, all of North Korea's immediate neighbors feel they have a stake in the outcome of the diplomatic process, and they want to be consulted and engaged in achieving a resolution. They all support the principle of multilateral dialog. Indeed, since the Secretary's trip to the region just 2 weeks ago, our discussions with Japan, South Korea, China, and others have been focused on the specific modalities of a multilateral approach, rather than on its merits. These countries have also asked that the United States address DPRK concerns directly. We have told our partners that we will do so, but in a multilateral context. This time, we need a different approach. We cannot risk another partial solution.

The United States is open to ideas about the format for a multilateral solution. The process for achieving a durable resolution will require patience. It is essential that North Korea not reprocess its spent nuclear fuel into plutonium. That could produce significant plutonium within some 6 months. But the highly enriched uranium

alternate capability is not so far behind. Resolution is not just a matter of getting the North to foreswear its nuclear weapons ambitions, but also to accept a verifiable and reliable regime of that verification, including declaration, inspection, and verified elimination.

North Korea has, so far, rejected a multilateral approach, but we do not believe this is necessarily its last word or its final position. In the end, North Korea will have to make a choice. Over the past 10 years, Pyongyang has been in pursuit of two mutually exclusive goals—the first is nuclear weapons; the second is redefining its place in the world community and, incidentally, its access to international largesse—by broadening its diplomatic and foreign economic relations. The DPRK needs to accept that it cannot do both. The international community is impressing on the North that its in its own best interests to end its nuclear arms program.

In the past, North Korea has indicated it wanted to transform its relations with the United States, South Korea, and Japan. It has the ability to achieve such a transformation. The question is whether it has the will.

President Bush has repeatedly said we seek a peaceful diplomatic solution with North Korea, even though he has taken no option off the table. The President has said he would be willing to reconsider a bold approach with North Korea which would include economic and political steps to improve the lives of the North Korean people and to move our relationship with that country toward normalcy once the North dismantles its nuclear weapons program and addresses our longstanding concerns.

While we will not dole out rewards to convince North Korea to live up to its existing obligations, we and the international community as a whole remain prepared to pursue a comprehensive dialog about a fundamentally different relationship with that country once it eliminates its nuclear weapons program in a verifiable and irreversible manner and comes into compliance with its international obligations.

Of course, for full engagement, North Korea will need to change its behavior on human rights, address the issues underlying its appearance on the State Department's list of states sponsoring terrorism, eliminate its illegal weapons of mass destruction programs, cease the proliferation of missiles and missile-related technology, and adopt a less provocative conventional force disposition. But we remain confident of a peaceful diplomatic solution based on the common interests of our friends and allies, and we will continue to work closely with the Congress as we move ahead.

Thank you, sir. I am ready to respond to your questions.

[The prepared statement of Mr. Kelly follows:]

PREPARED STATEMENT OF HON. JAMES. A. KELLY, ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS

Mr. Chairman and Members of the Committee, it is an honor and a privilege to appear before you today to discuss a vitally important issue, the regional implications of the changing nuclear equation on the Korean Peninsula.

THE PROBLEM

Let me begin by recapping the problem.

For many years, North Korea's nuclear weapons program has been of concern to the international community.

In 1993, North Korea provoked a very serious situation on the Peninsula with its announced withdrawal from the Nuclear Non-Proliferation Treaty, setting in motion a crisis-and-negotiation scenario that culminated in the 1994 Agreed Framework.

While North Korea adhered to the Agreed Framework "freeze" on its declared plutonium production facilities at Yongbyon, last summer it became apparent that the North had been pursuing for several years another track covertly to acquire nuclear weapons, a uranium enrichment program.

Our discovery of this program and North Korea's refusal even after acknowledging it to us, to dismantle it, forced us to set aside a policy we had hoped would put us on a path towards resolving all of our concerns with North Korea—a path that would have offered North Korea an improved relationship with the United States and participation in the international community, with the benefits and responsibilities conferred by membership in the international community.

Instead of undoing its violations of existing agreements with the U.S. and South Korea, as well as of the NPT and IAEA Safeguards agreement, the North has escalated the situation, first by expelling IAEA inspectors, then announcing its withdrawal from the NPT.

More recently, the North restarted its reactor at Yongbyon, conducted test firings of a developmental cruise missile, and intercepted an unarmed U.S. aircraft operating in international airspace with four armed North Korean fighter aircraft.

Each of these North Korean provocations is designed to blackmail the United States and to intimidate our friends and allies into pushing the United States into a bilateral dialogue with the North—giving the North what it wants, and on its terms. What the North wants is acceptance by us that North Korea's nuclear weapons are somehow only a matter for the DPRK and the U.S. This may be tempting to some nations. But it is not true.

WHY A MULTILATERAL APPROACH

We tried the bilateral approach ten year's ago, by negotiating the U.S.-DPRK Agreed Framework.

We agreed to organize an international consortium to provide the light water reactor project and to finance heavy fuel oil shipments, in exchange for the freezing and eventual dismantling of the North's graphite-moderated nuclear program. Our agreement also set. aside North Korea's obligations under the Nuclear Non-Proliferation Treaty.

In 1993 and 1994, and over the past decade, we made a number of statements relating to North Korea's security.

And we found the North could not be trusted.

This time, a new and more comprehensive approach is required.

The stakes are simply too high.

North Korea's programs for nuclear weapons, and the means to deliver them at increasingly longer range, pose a serious regional and a global threat.

A nuclear North Korea could change the face of Northeast Asia—undermining the security and stability that have underwritten the region's economic vitality and prosperity, and possibly triggering a nuclear arms race that would end prospects for a lasting peace and settlement on the Korean Peninsula.

The stakes are no less compelling for the international community, which would face the first-ever withdrawal from among the 190 signatories to the NPT, dealing a serious blow to an institution that may be even more relevant and necessary today than ever in its history.

And an economically desperate North Korean regime might sell fissile material or nuclear arms abroad.

Make no mistake, we believe we can still achieve, through peaceful diplomacy, a verifiable and irreversible end to North Korea's nuclear weapons programs.

However, to achieve a lasting resolution, this time, the international community, particularly North Korea's neighbors, must be involved. While the Agreed Framework succeeded in freezing the North's declared nuclear weapons program for eight years, it was only a partial solution of limited duration. That is no longer an option.

That is why we are insisting on a multilateral approach, to ensure that the consequences to North Korea of violating its commitments will deny them any benefits to their noncompliance.

It was easier for North Korea to abrogate its commitments to the United States under the Agreed Framework, thinking it would risk the condemnation of a single country.

In fact, the past six months have shown that the international community is united in its desire to see a nuclear-weapons free Korean Peninsula. North Korea has no support in its policies as reflected in the 35-0-0 and 33-0-2 IAEA votes.

If our starting point for a resolution is a multilateral framework, therefore, we believe that this time, it will not be so easy for North Korea, which seeks not only economic aid, but also international recognition, to turn its back on all of its immediate neighbors and still expect to receive their much-needed munificence.

This would further North Korea's own isolation with an even more terrible price to be paid by its people, who are already living in abject poverty and face inhumane political and economic conditions.

States cannot undertake this task alone. International institutions, particularly the International Atomic Energy Agency and the UN Security Council, will have an equally crucial role to play.

Thus, as Secretary Powell explained to our friends and allies in Northeast Asia when he visited the region last month, we are moving forward with plans for multilateral rather than bilateral talks to resolve this issue.

But the rubber hits the road when we are faced with violations of those agreements and commitments.

Moreover, it is important to underscore that multilateral support for such regimes as reflected in the NPT is critical.

We must, in dealing with North Korea, be mindful that other would-be nuclear aspirants are watching. If North Korea gains from its violations, others may conclude that the violation route is cost free.

Deterrence would be undermined and our nonproliferation efforts—more critical now than ever—would be grossly jeopardized.

REGIONAL IMPLICATIONS

Achieving a multilateral approach to eliminating North Korea's nuclear weapons program will take time. The key states in Northeast Asia—South Korea, Japan, China and Russia—all share the common goal of seeking a denuclearized Korean Peninsula. However, each also has a unique historical experience with North Korea and very distinct concerns.

Japan has suffered a legacy of North Korean abductions of innocent Japanese civilians, as well as the threat posed by North Korea's missile program. The cool admission of kidnappings from the Japanese home islands followed by untimely deaths stunned many Japanese.

For China, a nuclear North Korea raises the specter of a regional arms race and a neighbor with a very unstable economic backdrop to its nuclear ambitions—and a potentially huge burden on Chinese resources.

Russia is likewise concerned about a regional nuclear arms race and instability on its far eastern border.

And, the people of South Korea want national reconciliation, yet worry about the economic costs and burdens that this could impose.

As the foregoing should make clear, all of North Korea's immediate neighbors feel they have a stake in the outcome of the diplomatic process and want to be consulted and engaged in achieving a resolution.

For that reason, all of them support the principle of multilateral dialogue.

Indeed, since the Secretary's trip to the region last month, our discussions with Japan, South Korea, China and others have been focused on the specific modalities of a multilateral approach, rather than its merits.

What I would like the committee to understand, however, is that in response to North Korean demands for bilateral US-DPRK dialogue, they have asked that we also address DPRK concerns directly.

We have told our partners that we will do so—but in a multilateral context. This time, we need a different approach. This time, we cannot run the risk of another partial solution.

The process for achieving a durable resolution requires patience. It is essential that North Korea not reprocess its spent nuclear fuel into plutonium. That could produce significant plutonium within six months. But the HEU alternate capability is not so far behind. Resolution is not just a matter of getting the North to forswear its nuclear weapons ambitions, but also to accept a reliable, intrusive verification regime, including declaration, inspection, and irreversible and verifiable elimination.

North Korea has so far rejected a multilateral approach, but we do not believe this is its last word or its final position.

Members of the Committee will recall that last year, North Korea loudly refused our proposal for comprehensive talks until finally convinced to follow through on that offer by Japan, South Korea, and China. We then had to shelve our talks with

the discovery of the clandestine HEU program, of course. This time our friends and allies have again begun working on North Korea. Indeed, as the South Korean Foreign Ministry noted on March 7, "North Korea could find some benefits from multilateral dialogue which bilateral dialogue cannot provide."

In the end, though, North Korea will have to make a choice. Over the past ten years, Pyongyang has been in pursuit of two mutually exclusive goals. The first is nuclear weapons. The second is redefining its place in the world community—and, incidentally its access to international largesse—by broadening its diplomatic and foreign economic relations.

The DPRK needs to accept that it cannot do both.

Unfortunately, North Korea's choice to date has been to proceed with nuclear weapons development and to escalate international tensions, while demanding commitments and dialogue.

North Korean provocations are disturbing, but they cannot be permitted to yield gains to North Korea.

The international community must, and indeed is, impressing on the North that it is in its own best interest to end its nuclear arms program.

The North must understand that to choose the path of nuclear weapons will only guarantee further isolation and eventual decline, if not self-generated disaster.

The United States is open to ideas about the format for a multilateral solution.

One idea is for the Permanent Five—the U.S., China, France, Great Britain and Russia—to meet together with the Republic of Korea, Japan, the EU, and Australia.

Others have suggested other ideas, such as six-party talks: North and South Korea, the U.S., the PRC, Japan, and Russia.

President Bush has repeatedly said we seek a peaceful, diplomatic solution with North Korea, even though he has taken no option off the table.

The President has also stressed that we will continue to provide humanitarian assistance to the people of North Korea and that we will not use food as a weapon.

We recently announced an initial contribution of 40,000 tons of food aid to North Korea through the World Food Program, and we are prepared to contribute as much as 60,000 tons more, based on demonstrated need in North Korea, competing needs elsewhere, and donors' ability to access all vulnerable groups and monitor distribution of the food.

In closing, I would note that in the past, North Korea has indicated it wanted to transform its relations with the United States, South Korea and Japan.

North Korea has the ability to achieve such a transformation.

The question is whether it has the will to do so. The DPRK will need to address the concerns of the international community.

First, North Korea must turn from nuclear weapons and verifiably eliminate its nuclear programs.

President Bush has said he would be willing to reconsider a bold approach with North Korea, which would include economic and political steps to improve the lives of the North Korean people and to move our relationship with that country towards normalcy, once the North dismantles its nuclear weapons program and addresses our long-standing concerns.

While we will not dole out "rewards" to convince North Korea to live up to its existing obligations, we and the international community as a whole remain prepared to pursue a comprehensive dialogue about a fundamentally different relationship with that country, once it eliminates its nuclear weapons program in a verifiable and irreversible manner and comes into compliance with its international obligations.

Of course, for full engagement, North Korea will need to change its behavior on human rights, address the issues underlying its appearance on the State Department list of states sponsoring terrorism, eliminate its illegal weapons of mass destruction programs, cease the proliferation of missiles and missile-related technology, and adopt a less provocative conventional force disposition.

As I said, we remain confidant that diplomacy can work—and that there will be a verifiable and irreversible end to North Korea's nuclear program.

To that end, the United States is intensifying its efforts with friends and allies.

Thank you for this opportunity to discuss this important issue today with you.

We will continue to work closely with the Congress as we seek a multilateral, diplomatic solution with respect to North Korea.

The CHAIRMAN. Thank you very much, Assistant Secretary Kelly. We will try a 7-minute limit for each of us on a round of questioning, and I will start the questioning and ask the timekeeper to start the clock.

Secretary Kelly, you have described, certainly, an excellent format for negotiations, a multilateral approach in which all the parties have responsibility for enforcement, and North Korea would have responsibility to all the parties. I want you to address the question of timing that is involved in this. Press reports indicate attempts to engage China and Russia, for example, to be more forthcoming, to be more cooperative, to indicate that there has been some progress—and yet not nearly enough, it would appear, thus far. There are announcements periodically by the North Koreans that they are progressing with their plutonium program again. Since we do not have international observers any longer on the scene, it is difficult to verify that. On the other hand, we would obviously hope that they would not do so, that the proliferation dangers would increase. We would hope to see their ability to hide or sequester material reduced in due course, quite apart from the worst option, and that is selling it in some commercial way.

So what if the other parties who are involved in the multilateral agreement, because of their national interests and their preoccupations with other issues, are unable to work with us to try to get this format, while the North Koreans continue to indicate that they may not be interested in it at all? Of course they could change their minds under some circumstances, while the proliferation dangers move ahead. What do we do to stop the latter if we are not really meeting in the former format? And can you give some idea at least of your own view of the urgency of the proliferation situation, leaving aside the broader issues that we might bring together if we had this group around the table?

Mr. KELLY. Well, Mr. Chairman, you described the dilemma very well, that there is an element of urgency. I would not say that it is a matter of days, but if North Korea begins reprocessing, and so far we do not have any evidence that they have done so, yes, they could, within a period of some months, develop this fissionable material.

But you may recall, it was exactly 10 years ago today, on March 12, 1993, when North Korea withdrew from the Non-Proliferation Treaty [NPT] for the first time. It took until October 21, 1994, in a bilateral format, before the agreement was completed. This was a whole year and a half later. A hasty agreement is likely to have the result of not solving the problem, and we have to solve all aspects of the nuclear weapons problem.

And the element of speed does not only apply to the plutonium issue. Some have assumed that is somewhere off in the fog of the distant future. It is not, Mr. Chairman. It is only probably a matter of months, and not years, behind the plutonium. So we really have to address this entire issue.

Now, the importance of North Korea not reprocessing is something that is known very much to the North Koreans. We have told them ourselves. Our allies and friends in the region understand this very well, and I am sure that many of them have passed on this information to North Korea.

So I think there are some opportunities that are being worked. We are mindful of this difficulty. We are able to chew gum and walk at the same time. This is an important issue that is addressed by our nation's senior leadership. I talk to Secretary of

State Powell about the North Korean issue at least once every single day, and that includes weekends.

The CHAIRMAN. Well, that is reassuring. At the same time, I suppose, it is very difficult to note the progress of this just as observers.

Now, granted, it took a long while for the bilateral negotiation to take place. But what you have had to say today about the highly enriched uranium project is not reassuring. We have concentrated on the plutonium issue, with which there has been some success, and presumably there might be some more. We really did not know, I guess, where the highly enriched uranium project was going when you had this initial contact that turned out to be a confrontation—you had hoped it might be a talk—with the North Koreans in which they informed you that they were doing this.

All of these announcements that are provocative, such as those of missile tests or even buzzing a United States aircraft, continue on. Our responses have been, I suppose, appropriate. We have sought not to become unduly exercised, to indicate that the military option is not there, and that we are still plowing ahead. But the lack of urgency, as perceived by China or Russia, for example, in this is obvious. And I suppose I am simply curious, do we need more time simply to pull together our South Korean friends? Is a part of our lack of urgency the need to take time with them before we make sure that we are all together in this?

Mr. KELLY. I think the point, Mr. Chairman, is that North Korea has been working on nuclear weapons for more than 20 years in various ways and forms. This is not something that is going to be easily given up on their side, and it is very important that we get serious results.

As for offering them the alternatives, that is what I did when I went in in October. My presentation to the North Koreans was not some ultimatum that they had to give up this uranium enrichment program that we had learned about. I talked about all the things that President Bush had had in mind with his bold approach that is described in the statement here and all these opportunities. And, in a quiet manner, I wanted to make clear to the North Koreans that there was another path that they could take.

The allies in the region, in many ways, have problems of their own. China is in a kind of a transition. There are serious economic problems in Japan. South Korea has had a President who has been in office now for 2 weeks and is putting together an administration also at a time with some economic difficulties facing him. They certainly do all wish that we would take care of this issue in some way and make it go away so that they did not have to think about it.

But after 20 years of work on nuclear weapons in North Korea, the threat and the nature of the problem is one that absolutely involves all of these countries, and I think we have made a great deal of progress in convincing them. All of us together, really, have to convince the North Koreans. It is they who have to make the choice of whether they want to stay the nuclear weapons route or look for something a little bit better.

The CHAIRMAN. Senator Dodd.

Senator DODD. Well, thank you very much, again, Mr. Chairman. And thank you, Assistant Secretary Kelly, for being here.

And just to pick up on those points the chairman is raising, I certainly would agree with you, Mr. Secretary, that all of North Korea's nuclear issues ought to be resolved and dealt with here, not just an incremental approach. But would you not agree, as well, that if, in fact, our willingness to enter into direct talks with North Korea would result in North Korea bringing about a verifiable freeze in those programs while those talks were ongoing, would be a worthwhile goal?

Mr. KELLY. It is very possible, Senator Dodd, for North Korea to freeze these programs, with plenty of positive outlook. There is plenty of precedent for security guarantees. I count five that were given by the United States to North Korea at various times during the 1990s and the year 2000. All these opportunities are there.

But the other side of their demand for bilateral negotiations is a demand that the outcome of these be something that is verified only by the United States. The International Atomic Energy Agency is not supposed to be a part of that. That is just an unacceptable development for us. The IAEA has to be involved in the nuclear weapons issues around the globe.

Senator DODD. Well, I do not disagree with that. We are sort of arriving at the final result of what negotiations would produce. My question was, if, in fact, you began direct talks, in the result of doing so there was a freeze on all of their nuclear programs from going forward, my simple question is would that not be a worthwhile goal if the result of directed talks would produce that result?

Mr. KELLY. The problem, Senator, is we would have no way to verify that freeze other than what we can do right now, as to whether North Korea is going forward with existing weapons programs. There are serious limitations on our ability to verify the uranium enrichment. Of course, I suppose if the reactor were to shut down, that would perhaps solve that concern.

It is true that this would be one way to make progress. But a better way to make progress is to convince the North Koreans that working with other interested countries that do not wish them ill is also in their interests.

Senator DODD. Well, I do not disagree. If I could—anytime I have to sit down and negotiate with someone I disagree with, if they would just agree with me it would be wonderful. My concern here is they have obviously rejected that, and we need to now find some common ground here that would let us step back from this pending crisis.

I certainly acknowledge the fact that this is a 20-year-old problem with North Korea. It did not happen in the last few weeks. But to pick up on a point the chairman has raised, my concern is that we are having a series of events here that would—causing the potential to lose that steadiness and stability here, in terms of arriving at a way to resolve these issues, that could explode on us. And I am worried about that, where all of a sudden you have, instead of just following a reconnaissance plane, one gets shot down or we shoot down one of theirs, for instance. All of a sudden, you are moving divisions closer to the DMZ, you are firing missiles that get closer, all sorts of things that we have already seen some evidence

of that could result in a response that would all of a sudden move this away from sort of a movements by chess pieces on a board to something that brings us to a far more serious situation.

And in light of the potentiality of that, and assuming, if you will, that talks are not a reward, that we have engaged in them historically, to our great success, with people we did not trust, for very good reason. I am mystified, along with many other people, why we are taking a position contrary to those of our allies in the region who have far more at risk than we do immediately, when they have urged us to move in a direct-talk basis.

I do not disagree with you. They ought to be multilateral talks. This needs to be a multilateral solution to this problem. It cannot just be the United States. But it seems to me, to get the ball moving in a direction away from the potential problem we are looking at here, it is in our interest and the interest of our allies, particularly when they are urging us to do so, to try this. And I am mystified why we are unwilling to take that step.

Mr. KELLY. Well, first of all, Senator, our allies wish that this problem would go away. This came through very clearly in the visit of Secretary Powell to Japan and China and South Korea just a couple of weeks ago. I have had four visits to all those countries in the last 4 months. It is very clear that there is also a great deal of interest in the multilateral process, and various formats and ways are being explored.

North Korea only withdrew from the NPT on the 10th of January. We are less than 2 months away. And I would suggest, Senator, that the timing of when a tack is abandoned is a sensitive issue.

There is not the slightest doubt that North Korea would like to enter into these negotiations only with us. They say so, and they want to underscore this, as you point out, with a whole series of incidents. The more that they emphasize bilateral negotiations, the more that we believe that they think that the way to successful negotiations is to get us isolated out there so that after the call is for talks, then the next call is for concessions. This is a problem that has gone on for much too long. It was solved in some respects. It was postponed in others in 1994. We have got to take care of it once and for all this time, sir.

Senator DODD. Just one last question. My time is almost up.

But you have suggested that because there has not been a reprocessing of spent fuel, that we ought to offer some glimmer of hope here. Have we been offered any evidence, either directly or indirectly, by the North Koreans, through whatever sources, that they are not going to reprocess the spent fuel?

Mr. KELLY. They have not said that at all, sir. But if they do so, it will be a very serious measure, and they certainly know that it will be a very serious measure that will intensify the difficulty of this situation significantly.

Senator DODD. But we have no assurances they are not going to do that, either.

Mr. KELLY. We have no assurances that they are not going to reprocess. They have been working on nuclear weapons for 20 years, and there is not the slightest sign that they have any interest in stopping.

Senator DODD. Thank you.

The CHAIRMAN. Thank you very much, Senator Dodd.

Senator Hagel.

Senator HAGEL. Mr. Chairman, thank you. I add my welcome to your constituents from Indiana. I know you are very proud of them, as they are of you. So we are glad that you are with us today.

Assistant Secretary Kelly, thank you. As always, we appreciate your time here.

Could you share with the committee thoughts that might reflect the administration's thinking about the possibility, if we go to war in Iraq, the North Koreans might accelerate their dangerous, threatening behavior, activities? Do you think that might happen, expect that to happen? What will we do about it if it did happen?

Mr. KELLY. The North Koreans have already, Senator Hagel, taken quite a number of steps, as you know very well. Some have been publicized more than others, such as the interception of the U.S. reconnaissance airplane, which was very distant from North Korea and very, very far from its territorial airspace. There have been other somewhat unprecedented, or not recently precedented, incursions across the northern limit line by a North Korean fighter airplane.

North Korea is hard at work sending us signals and we cannot exclude that they will send others, but the ability of our military forces, and especially, of course, those of our South Korean ally, to deter serious measures that would break the unstable peace that has existed, for almost 50 years in South Korea along the DMZ remains very strong.

Senator HAGEL. So you would expect to see an acceleration of activity if we are at war in Iraq?

Mr. KELLY. I cannot speculate about that, Senator Hagel, but I certainly could not exclude it.

Senator HAGEL. And you have thought through that, I would suspect——

Mr. KELLY. We and our colleagues at the Department of Defense and the Joint Chiefs of Staff and the U.S. Military Command in Korea have thought long and hard about all these options, and we are not weakened in either our resolve or our capability, given the situation in Iraq.

Senator HAGEL. Are there any plans underway in thinking—and I know it is dynamic, always, when we look at forward-deployment of forces—of withdrawing any of the 37,000 Americans from the DMZ in Korea?

Mr. KELLY. There have been some press stories about that, Senator. In December, we had a meeting of Secretary Rumsfeld and his South Korean counterpart, and they launched at that time a study of the future of our alliance. State and Defense Department officials visited South Korea just a couple of days after the inauguration, and they are planning to go back in a few weeks. Any changes that will be made are going to be done in very close coordination with our South Korean ally, and I know that is the position of the Department of Defense.

Senator HAGEL. So no position, as far as you know, has been taken regarding that.

Mr. KELLY. No decision has been taken about reducing any forces or, for that matter, increasing forces in South Korea.

Senator HAGEL. Can you tell the committee what you know about what assistance China gives to the North Koreans?

Mr. KELLY. China is the provider of food and petroleum of last resort, I would characterize it, to North Korea. Their quantities are significant. They are also, to the extent anybody is a trading partner with North Korea, probably its largest trading partner, as befits a very long border and a significant number of Chinese citizens of Korean ancestry. I should mention, of course, the serious concerns we have for refugees who have crossed the border there.

China, of course, has an alliance going back to 1961 with North Korea, but China has made clear to us in every discussion we have had, and there have been many, including many recently with Secretary Powell, with the President about to leave office, Mr. Jiang Zemin, the incoming President, Mr. Hu Jintao, and, of course, Secretary Powell's counterpart, the Foreign Minister, about China's response to North Korea's nuclear weapons program. China is firm, as we are, against the nuclear ambitions of North Korea.

Senator HAGEL. If I might point to part of your testimony and just quickly paraphrase what you said, if I open it this way, quoting you, "President Bush has said he would be willing to reconsider a bold approach with North Korea with which he would include economic and political steps," so on, so on, "once the North Koreans dismantle their nuclear weapons program and address our longstanding concerns."

That is a noble effort, obviously, and we would hope they would do that, but why would you include that in your testimony, when, in fact, the North Koreans are moving exactly in the opposite direction? What gives you any reason to believe that there is any incentive here or any reason for them to do this?

Mr. KELLY. North Korea has gone through a tumultuous 10 years. It has felt somewhat isolated. North Korea really does not have any friends around the world. And in a very stilted way, it has been trying to pursue some economic reforms.

There is the possibility, however remote, that North Korea may decide to turn its back on these weapons programs and proceed in a better direction, and we just want to make clear, on the record, that if it is willing to give up its nuclear ambitions and its nuclear weapons, there can be a better future. We know that South Korea, Japan, China, Russia would all support that, and we certainly would, too.

Senator HAGEL. Thank you. Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Hagel.

Senator Feingold.

Senator FEINGOLD. Thank you, Mr. Chairman. Assistant Secretary Kelly, it is good to see you again. And I thank you, Mr. Chairman, for holding this hearing and thank all the witnesses for being here today.

I am glad that we are discussing the regional implications of this crisis today, because obviously those implications are profound. And I find it hard to argue with President Bush's characterization of the situation in North Korea as a regional issue, but it is also,

obviously, an international crisis and a major threat to U.S. security.

The prospect of a nuclear weapons producing North Korea, a country with an extremely troublesome history of proliferation, is not a problem that I am willing to set aside in the hopes that a regional solution develops at some point. The sobering testimony that this committee heard last week relating to the North Korea crisis left no room for doubt about the stakes for American security. And so while I am eager to learn more about the very complex regional dimensions to the crisis, I want it to be clear that I believe the United States' leadership in this regard is essential and very urgent at this time.

Mr. Secretary, what is the position of key countries in the region regarding the U.S. position on engaging in bilateral or direct dialog with the North Koreans?

Mr. KELLY. As I said earlier, Senator Feingold, about the countries in the region, first of all—I will run through them. Japan strongly supports the multilateral process. They have had direct contacts with North Korea themselves to that effect, and they believe this is the best outcome. South Korea is interested in a multilateral process, but would not mind a bit if the United States takes care of it. China, I would say, is in a similar process. All, however, do seriously believe and recognize that the best solution of this longstanding problem is going to be in the multilateral arena and are helping us explore various modalities that might make this a more attractive and more likely outcome.

This process has not been going on forever, Senator Feingold, because, as I noted, it is only 2 months since North Korea stepped back from the NPT.

Senator FEINGOLD. What is Russia's position on the direct talks, bilateral talks?

Mr. KELLY. Two weeks ago, I met with the Russian Deputy Foreign Minister. Deputy Secretary Armitage had met in Moscow and has had long discussions, as has Under Secretary Bolton, with the Russians, and we are in very close touch with them on this issue.

The Russians are also a little bit ambivalent on this one. First of all, they tell us—and, frankly, I do not know why—that they are not so sure that North Korea really is interested in nuclear weapons or has a nuclear weapons program. But they are unequivocal in taking the strong position that this is an international issue and concern and that North Korea must not become a nuclear weapons program. And, that said, they feel that they have useful access to North Korea and that that is something that they can bring to the table. And we hope that, in fact, that will turn out to be helpful.

Senator FEINGOLD. Would it be fair to characterize your answer as saying that Russia really would oppose direct talks, that South Korea and China would not necessarily be opposed to it, and that Japan, I took your answer to mean, would be opposed to us?

Mr. KELLY. I think the true answer is that all of those countries, at the moment, would be very happy if the United States made this problem go away, but they do recognize the difficulty and the complexity of the problem. Japan is probably the closest to us on multilateral talks, but the others are not at all far behind and are very heavily engaged in finding a way to solve the problem.

Senator FEINGOLD. With regard to South Korea, you indicated that South Korea would not mind a bit if we were to take care of it, but have they not really done more? Have they not specifically called on the United States to have direct bilateral talks?

Mr. KELLY. There have been such statements, particularly during the political campaign, but the government has been in office now for 2 weeks, and that was not the position that we heard in our discussions with senior levels of the new South Korean Government. We have a number of other meetings with our friends, the South Koreans, coming up. The Foreign Minister will be here within the next few days, and President Roh is expected to visit Washington very early in his term.

Senator FEINGOLD. Let me just ask you one other way, because this is so important, when we talk to our colleagues and our constituents, to understand why we would or would not have direct talks. Have any of the countries in the region urged us to engage in direct talks since the North Koreans rejected multilateral talks? I understand, as you have described with regard to each country, it might not be their first choice, but is it their preferred choice in light of the recently stated North Korean position?

Mr. KELLY. Well, first of all, Senator Feingold, direct talks—bilateral talks mean just the United States and North Korea and nobody else. Multilateral talks involve any number of other countries. Within multilateral talks, there are all kinds of arrangements, but it is inevitable in such situations that there is a direct conversation, dialog. So I think the direct-talk language has probably been confusing, especially when used by some of our allies.

Senator FEINGOLD. But if you could just answer, have any of the countries urged us to engage in direct talks?

Mr. KELLY. They have all urged us to engage in direct talks. And——

Senator FEINGOLD. Have they urged us to do it?

Mr. KELLY. The question, sir, is whether they have urged us to be in bilateral talks. Some have done that, and some have not; and some have urged both bilateral and multilateral talks.

Senator FEINGOLD. And who, again, has urged us to do the bilateral talks? Which countries?

Mr. KELLY. The Chinese and the Russians have made that point, but they have also—or especially the Chinese—have shown a great deal of interest in various formulas for multilateral talks.

Senator FEINGOLD. In your view, are the key players in the region, such as South Korea and Japan, sort of, resigned to the idea of a nuclear weapons producing North Korea?

Mr. KELLY. No, sir.

Senator FEINGOLD. Thank you, Mr. Chairman.

[The prepared statement of Senator Feingold follows:]

PREPARED STATEMENT OF SENATOR RUSSELL D. FEINGOLD

Mr. Chairman, I thank you for holding this hearing and I thank all of the witnesses for being here today.

I am glad that we are discussing the regional implications of this crisis today, because those implications are profound. And I find it hard to argue with President Bush's characterization of the situation in North Korea as a "regional issue." But it is also an international crisis, and a major threat to U.S. security. The prospect of a nuclear-weapons-producing North Korea—a country with an extremely troublesome history of proliferation—is not a problem that I am willing to set aside in the

hopes that a regional solution develops at some point. The sobering testimony that this committee heard last week relating to the North Korea crisis left no room for doubt about the stakes for America's security. And so while I am eager to learn more about the complex regional dimensions to the crisis, I want to be clear that I believe that U.S. leadership is sorely needed now.

The CHAIRMAN. Thank you very much, Senator Feingold.

Senator Chafee.

Senator CHAFEE. Thank you very much, Mr. Chairman. Welcome, Assistant Secretary Kelly.

We had a hearing a couple of weeks ago, or last week, and Ambassador Gregg testified, former Security Advisor to Vice President Bush, I might note. And he was critical of our present approach toward North Korea and especially the language that has heightened the tensions between our two countries. And obviously "axis of evil," referring to the President of North Korea, in very denigrating personal language, according to Ambassador Gregg, was very harmful to our relations and what he considered a thaw that was happening prior to this escalation of harsh rhetoric. And certainly, common sense would tell you that that kind of language is not helpful in a diplomatic way. How can you defend that?

Mr. KELLY. Mainly, Senator Chafee, it is because it is true. There is a problem of weapons of mass destruction being produced by countries that then offer them for sale through our state and nonstate actors, and that was the defining issue that the President was talking about in the State of the Union Address of 2002.

I have talked very often with Ambassador Gregg. He is a very old colleague and friend. In fact, we have talked within the last 24 hours about various topics, and I respect his opinion.

But the State of the Union is not a forum for using diplomatic language. It is a forum for telling the American people what the serious issues that endangers and confront us are.

Senator CHAFEE. Would, I assume, a common goal of having some kind of relationship with North Korea—do you see or foresee a continuance of this kind of approach?

Mr. KELLY. Well, I have just outlined in my statement our policy and our approach, which is very broad and which provides all kinds of opportunities for North Korea, if it is willing to stop and step back from its nuclear weapons programs, in particular, and also from its other weapons of mass destruction programs.

Senator CHAFEE. I guess that leads to the question of, similar to Iraq, how are we going to verify? We are in a situation in Iraq where we are trying to prove a negative. We say they have weapons of mass destruction; they say they do not. We have not found any. And certainly North Korea has more of a visible—with reactors and the like. But are we going through a similar exercise down the road with North Korea?

Mr. KELLY. This has been a problem for a long time, Senator Chafee. The Agreed Framework provided verification of some aspects of their programs, and it waived a verification to which North Korea had earlier acceded, specifically, their full responsibilities under the Safeguards Agreement with the International Atomic Energy Agency. This is a big problem, and it is one that North Korea is going to have to face if it wants to have an improved rela-

tionship with not only its neighbors, but the rest of the world and certainly with us.

Senator CHAFEE. I just know how difficult it is once you go down that road of, as you said in your statement, "eliminating all its weapons of mass destruction and ceasing proliferation of missiles and missile-related technology." It is a long, difficult road that you are asking that country to go on.

But I would like to just change course a little bit. And in your statement, you continually talk about how important it is to have a multilateral coalition as we approach the problem of North Korea, and even mentioning that it is going to be important to have the U.N. Security Council play a role. And, of course, that begs the question if what we are doing at present jeopardize our success at building this multilateral coalition of friends and allies. And can you play out how what we are doing at present, just in the hours as are dealing, arm twisting—and even here in Congress, I saw an article, we are going to "punish" nations that are not friendly to us in this quest in Iraq. How is that going to help us down the road? As you have said over and over in your testimony, it is important to have a multinational approach to this problem.

Mr. KELLY. Well, most countries, and certainly most major countries, view these problems as the problems that they are. Those other items that I mentioned and you mentioned, Senator, are important, but the nuclear weapons issue certainly takes precedence right now.

But with respect to that, in the International Atomic Energy Agency Board of Governors votes in January and then again in February, the votes were 35 against no opponents and no abstentions on the first vote. The second vote had two abstentions, from Russia and Cuba, and nobody voted against it, and 33 voted for it. There is a lot of unity on this.

The French Ambassador, for example, notwithstanding some important differences we have in other areas, has come to see me with his officers on a number of occasions. The French, I think, yield to no one in their distaste for the nuclear activities of the North Koreans, and that is the same for most of the other serious players in the world.

So the Security Council remains not only an institution with responsibilities for peace and security around the world, but I think it may well turn out to have a role, if we are not going to get a breakthrough soon, on North Korea.

Senator CHAFEE. Thank you. I am on my last several seconds. So you can unequivocally say that, as you say in your testimony, that we are going to have a multilateral approach to the problem in North Korea, that that is our goal? Because certainly it is at odds with some members of the administration that are advocating a sole superpower status in the world. And——

Mr. KELLY. The administration is very solid, Senator Chafee, that this is a multilateral problem and that it has to be solved in that way.

Senator CHAFEE. Thank you.

The CHAIRMAN. Thank you very much, Senator Chafee.

Senator Nelson.

Senator NELSON. Mr. Chairman, I am going to yield to Senator Rockefeller.

The CHAIRMAN. Very well. Senator Rockefeller.

Senator ROCKEFELLER. Thank you, Senator Nelson, very much. Thank you, Mr. Chairman.

Secretary Kelly, it strikes me, as I listen to this, that we are talking about North Korea like it was, sort of, like most other countries in the world. And two things come to mind when I think about the Koreas and northeast Asia. One is that it still amazes me that Japan was able to shut itself off for 250 years during the Tokugawa period up until the middle of the 19th century, and then they had to have bilateral talks with Admiral Perry because he arrived in their harbor. They were not pleased about it. But it says something remarkable about that area of the world, and there is quite a lot of DNA history in that part of the world.

Second, that if you look at South Korea, which is—about 48 million people?

Mr. KELLY. Yes, sir.

Senator ROCKEFELLER. There are—I do not know what point this proves, but it makes a point to me—there are, I think, about 250 last names in the entire country. Now, what does that say? Perhaps not very much, or perhaps it says that this is—and I assume it is sort of the same in North Korea, with about half that many people—that it is an entirely different society, that they are extraordinarily disciplined—and I talk now particularly of the North Koreans. The South Koreans, I think, are going to go through a period when they reevaluate their relationship with us. I think that is natural; not just generationally, but in terms of the new government and the way the world works, generally. But that is not what we are talking about.

North Korea is in terrible straits. They are always about to collapse, except they never do because they are always willing to draw their belts in another two or three inches, because that is what they do. And they do not blame it on Kim Jong Il; they blame it on the political commissar around the corner, and so it gets away with that.

And really there are not a lot of other countries like that, and yet we, sort of, are treating them like we would treat a European country or some other country in the way they ought to behave. I mean, what strikes me from this conversation is that everybody is saying, well, the Japanese think that we should do multilateral, the Chinese maybe do and maybe do not. And my theory on the Chinese is they would probably like to see us do it and then come in and help, sort of, settle it, take some credit for it, which would not bother me at all if it settled it. South Koreans have been on both sides of the issue, as Senator Feingold indicated.

But what strikes me as most important is that North Korea, which is the country which is at stake, says they want to have bilateral talks, which means that they can say, "We will not have multilateral talks." They can decline to talk.

I do not understand what the advantage is if we press for multilateral talks along with some of the other countries, but they decline to have them. Now, there could be reasons they do not want to have them. It could be simply that they have the nuclear bomb,

they have very little else, they seek recognition, they want to have something which says, "We are here, and we are important, and we can engage the United States in bilateral talks if we insist on it." But the important thing is, they can refuse to have the multilateral talks, that they are controlling, in a sense, in this issue unless we decide that we are simply so wedded to multilateral talks that we will not talk with them, which brings in the questions that others have raised, and that is the way they have upped the stakes. You used the word "the stakes are very high," or "simply too high," in your own statement, and they have grown a great deal higher rather rapidly.

Now, my question is this. We have been stuck with them before when they have been in very difficult situations. And, you know, Jimmy Carter went over there in 1994, and Kim Il Sung had his wife there, which was kind of unusual. She did not go to those kinds of things. And then he, Kim Il Sung, turns to—because Jimmy Carter wants to do something about the MIAs, and he turns to his wife, and he said, "What do you think?" And she said, "I think we should do it." And so he went ahead and did it. And then he—and Yongbyon got frozen for a period of time.

Well, I mean, maybe that is kind of a—sort of, an odd construct, but it was a way that seemed to work with Kim Jong Il's father. We have never really dealt with Kim Jong Il that way. Maybe when he deals with U.S. Government officials, that he simply—you know, that he cannot do that in quite the same way because he has not had experience in that, he has not been out of the country enough, or whatever.

So the possibility is twofold, it seems to me. One is that we accede to his request and we do the bilateral. And if the bilateral does not work, then we are in, sort of, a pickle. But, on the other hand, I think if we decide to have the multilateral, it would not work because they would decide that they did not want to do it. You indicated that they did not want to have international inspections, but then that is exactly the kind of thing which, if you have a bilateral and you give that to them in a time of high crisis for us in many parts of the world and enormous danger from them, that they might either change on—or somebody else could come in, including—my suggestion would be Jim Baker could come in and help on that, or the Chinese could come in and help on that.

I mean, I cannot severely predict the failure of bilateral talks, other than the fact—as you apparently can—other than the fact that we do not want to have them and that some other countries would prefer—particularly Japan, would prefer to have the multilateral.

And, to me, the point is that the North Koreans do not want that, and they do want this. And, frankly, I understand why they do want it. Because it is what, sort of, needed at this point. It is, sort of, the equivalent of, let us say, you know, *x*-billions of tons of wheat or something of that sort. I mean, it gives them something that they psychologically need, that he, personally, needs, and the people will be behind him. Why do we insist on having this process fail?

Mr. KELLY. Well, one reason, Senator Rockefeller, is that it would represent advance concessions that the nuclear weapons

issue is something to be settled only between the United States and North Korea.

One of the reasons that North Korea wants to try this is because it has worked for them before. Yes, the discussion that you describe went on with President Carter. And then, a number of months later, an agreement was made which had as its goal the ending of nuclear weapons programs in North Korea. But it did not end nuclear weapons programs in North Korea. It ended one particular nuclear weapons program, but it set the stage for another alternate program to begin.

And so North Korea has had success with bilateral negotiations and getting the results both ways, and we are determined that this time we really have to solve its nuclear weapons problem including verification.

And, incidentally, sir, Kim Jong Il did have discussions with the Secretary of State of the former administration on that visit in November of 2000.

Senator ROCKEFELLER. That is true.

Mr. KELLY. And that involved some suggestions of offerings of missiles, that if we would provide some compensation, then maybe North Korea would stop selling missiles. But when it came to verification, that administration ran into a complete dead end, and there was absolutely nothing going forward.

So we feel, Senator Rockefeller, that a different way has to be tried, and this issue has come to a head within the last couple of months, and it is one that we would like to see—we would like to test just what is the best way to solve this. Because we do not think that the North Koreans are insane or irrational. We think that they are looking out for their best interests. It may well occur to them that the way that they have tried in the past is not going to work and that that is going to lead to increased isolation and pressure on its already stressed economy.

Your analysis, I think, was just excellent, Senator. One thing I would say is that I think the North Korea leadership pulls in the belts of the people and not their own.

Senator ROCKEFELLER. I agree.

Mr. KELLY. But that also is a part of the issue.

Senator ROCKEFELLER. But they do accept it.

Mr. KELLY. They accept it because they do not have any choice, Senator, as you know very well.

Senator ROCKEFELLER. You are correct. But that is the nature of the country.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Rockefeller.

Secretary Kelly, let me just say we are indebted to members of our committee for their loyalty in coming. We had a quorum this morning to pass the treaties. We have a quorum this afternoon to see you. This means we have four more Senators.

Mr. KELLY. Whatever your pleasure, sir.

The CHAIRMAN. I just wanted to try and establish the fact that all four of our remaining members could be heard for their 7 minutes and—because we——

Mr. KELLY. There is not much else I can do that is more important than trying to make our case with this committee, sir.

The CHAIRMAN. Thank you. I appreciate that.

Senator Allen.

Senator ALLEN. Thank you, Mr. Chairman, for holding this hearing. And thank you, Assistant Secretary Kelly, for being here and sharing with us your views.

It is good to have the folks, Mr. Chairman, from Evansville. I was through Evansville this summer with my son and stopped at the Flying J truck stop there—decent gas prices—heading west on Route 41 and Interstate 64. At any rate, good to have you all here. I wish we still had those gas prices.

I want to commend you, Assistant Secretary Kelly, for your great diplomacy and calm in what could easily develop into—it is a crisis; I am not going to argue over words, but something that is much more worrisome and belligerent.

We are not dealing, in my view, with rational leadership in North Korea. And it is interesting, or somewhat ironic, that while others say, "Gosh, the United States is doing too many things on their own," in some parts of the world; here, where we are trying to get multilateral or international folks involved, you are getting prodded and poked to, well, go ahead and do it the U.S. versus—in interactive bilateral talks—just United States and North Korea. This is a dangerous situation. I know that you and the Secretary of State Colin Powell are trying to manage it as best as possible.

The question is, is what—there are several questions. The Japanese. The Japanese, in the past, when it was the United States versus USSR, felt that they could be under our nuclear umbrella. Obviously, you have stated none of the countries want North Korea to have nuclear weapons. They clearly have a few now, and they are—I do not know what the prospects are that they do not have nuclear weapons. What will be the Japanese's, the Japanese Government's, view be of the United States, of the protection provided by a nuclear umbrella in the event that North Korea continues to possess these weapons of mass destruction, particularly nuclear weapons, and clearly the missiles capable of hitting the Japanese?

Mr. KELLY. You are right to point that out, Senator Allen. The Japanese and the U.S./Japan alliance remain very firm, and the Japanese commitment not to proceed in any direction of nuclear weapons is a very strong one. And that is true notwithstanding their serious concern not only over the abductions, but, as you point out, the missile problem, not to mention the potential nuclear weapons.

So the U.S./Japan alliance provides that nuclear umbrella, and that is a very important part of our commitment and our relationship with Japan, and it was strongly emphasized during the visit that Secretary Powell had not long ago with Prime Minister Koizumi and in telephone calls from President Bush to Prime Minister Koizumi.

Senator ALLEN. So your view is that the Japanese would not reconsider their nuclear posture?

Mr. KELLY. The Japanese are not going to reconsider it. What is happening is the Japanese are starting to talk about these issues. In many ways, this was just a part of the air that was breathed every day by Japanese people. And now, more and more, there is a discussion of such things and a recognition in the context of that

discussion that the U.S.-Japan alliance is not insignificant and that it really means something and that this is a situation in which Japan does not have to throw off its nuclear allergy.

Senator ALLEN. All right. There are questions about who can actually have the greatest influence on North Korea. What percentage of the North Korean Government's functions are funded by the People's Republic of China?

Mr. KELLY. I do not think I know, Senator.

Senator ALLEN. Could you give us a ballpark figure? Would you say at least half of their support and funding, food, fuel, whatever all——

Mr. KELLY. I suppose we would say in terms of the assistance in food and fuel. To the best of my knowledge China is not providing direct monetary assistance. There is a lot of money that has come in the past from Japan. There is a lot less of that now. There are other sources of money for North Korea and they are very hard to sort out. The sale of ballistic missiles and cruise missiles and arms is a source of money. The sale of illegal drugs and the sale of counterfeit currency are other sources of income that certainly do not involve China.

Senator ALLEN. All right, which country provides the most assistance to North Korea?

Mr. KELLY. Unquestionably, China.

Senator ALLEN. Are there any others anywhere close to China? In the event the People's Republic of China wanted to use that leverage and their assistance to try to get North Korea to comport to the desires of the nations, as stated, in this region, would that have any influence on North Korea's Government?

Mr. KELLY. It might; but then again, it might not, for the reasons that have been mentioned here. Additionally, there are some pretty significant amounts of aid that come from South Korea, as well, including the recent food aid. There have been a lot of reports of moneys paid from South Korea. So China is not the only one there. The blunt instrument of China threatening to cutoff North Korea is one that I think China does not want to explore very much, because they have a lot of fear of instability and refugees.

Senator ALLEN. Right. On refugees, there are hundreds daily, if not thousands, of people desperately trying to get out of North Korea and into China. I would hope that we provide as much assistance as we can for to help those people escape this tyrannical regime, and China is the one place that they are coming in to.

I would ask you if you would—I was reading Ambassador Lilley's very thoughtful remarks, and he was talking about, in his remarks, the worry about them raising the ante of provocation. The biggest worry is that their economy is falling apart. And so, therefore, I think his theory—Ambassador, if I am getting it wrong, I am sorry, but it is still—they are probative questions or thoughts—is would Kim Jong Il try to strike out and provoke us to try to avoid the accountability for his own ineptitude and the terrible conditions in their country, and that hides his economic weaknesses and vulnerabilities? Is that a legitimate concern as I have paraphrased?

Mr. KELLY. That is a very possible scenario. And Ambassador Lilley knows a great deal about that subject, and that is one of the possibilities that we have to recognize.

Senator ALLEN. Thank you. My time is up. Thank you, Mr. Secretary. I look forward to working with you as you patiently work through this very difficult, dangerous situation.

Mr. KELLY. Thank you, sir.

Senator ALLEN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Allen.

Senator Nelson.

Senator NELSON. Thank you, Mr. Chairman. Welcome, Mr. Secretary.

Mr. Secretary, in response to your comments to Senator Rockefeller, it seems like you indicate that the question of bilateral negotiations, discussions, are off the table. Is the military option off the table?

Mr. KELLY. Nothing is off the table, Senator Nelson.

Senator NELSON. So your answer to Senator Rockefeller was that it is still a possibility for bilateral?

Mr. KELLY. I do not want to get into that. The President has made clear that all of our options with respect to North Korea are on the table. Now, usually that is thought of as in a different context, but since you put it that way, we are not ruling out anything at any end. But our position is a very strong and sturdy one right now, sir, that multilateral negotiations are the way to proceed. We would certainly have to carry out our own responsibilities in that process, and we would be ready to do so.

Senator NELSON. Well, let me show you how the logic goes. And I am just a country boy from Florida, but here is how it sounded in your response to Senator Rockefeller, that bilateral is off the table. Certainly, you do not want to put up on the table the military option. They say multilateral is off the table. And that leaves us nowhere. Sounds like that means that we accept the status quo.

Mr. KELLY. We do not accept the status quo, sir, and we do not——

Senator NELSON. We certainly——

Mr. KELLY [continuing]. And we do not accept future nuclear developments in North Korea, and neither do the countries in the region.

Senator NELSON. OK. At the end of the day, we want them to be defanged as a nuclear power.

Mr. KELLY. Yes, sir.

Senator Nelson; That is clearly in our interest, it is clearly in the interest of the folks in the region. It is in the interest of the world. How do you do that?

Mr. KELLY. There are a lot of different ways that we work to do that, and they are not necessarily easy. North Korea has been a very serious problem for us even before the invasion of June 25, 1950. The armistice in 1953 was never resolved. There have been series of very dangerous incidents over the years, the 1976 axe murder of American soldiers, the shooting down of a reconnaissance aircraft, 1969, the seizing of the Pueblo. This is a long-time troublesome country, and if our problems had been solved, we would not be having to deal with North Korea now.

Senator NELSON. I agree. But what we want to do is—at the end of the day, we want them non-nuclear.

Mr. KELLY. Yes, sir.

Senator NELSON. And so it seems to me that, first of all, is it any wonder that we are kind of getting a lot of flack in that part of the world with our ally, South Korea, that they make the peace overtures with the previous President, suddenly there is a new feeling of goodwill. Then, the new election occurs, and there is that track for a peace overture, and the United States looks like it comes along and throws cold water on that. Is it any wonder that we are getting a negative reaction from South Korea?

Mr. KELLY. I would argue, sir, that we are not getting so much of a negative reaction, especially over our negotiation policy. The withdrawal from the NPT was after the South Korean election. To be frank, sir, the flack to the administration on whether to pursue a bilateral or multilateral solution is much more intense in Washington, DC, than it is in any Asian capital.

Senator NELSON. Let me ask you about China. I was really shocked—first of all, let just say that your boss, I think, is just marvelous and I think he is one of the best in the business—but I was shocked when Secretary Powell went to Beijing and he seemed to be rebuffed by the Chinese. He, of course, would like to get them into it. We need them in the game, we need Russia in the game, we need Japan in the game. Why was he rebuffed?

Mr. KELLY. Well, the answer, Senator Nelson, is he was not rebuffed. He was rebuffed only by anonymous and unnamed spokespersons here in Washington, DC. I was on the trip, and I was in all the meetings that he had, and "rebuffed" does not even begin to describe this.

In fact, there was a very energetic discussion that went way over time with the Chinese Foreign Minister, went into great detail with the President and Vice President of China. And afterwards, Secretary Powell gave a press conference and described the meetings he had had.

But the work is not finished, and the efforts that China is undertaking and that we are trying to work with it are not concluded. And so I think, as a result of that meetings, some people, if they do not see the results right away, conclude that there was some kind of a rebuff, and that is absolutely not the case, sir.

Senator NELSON. Well, that is encouraging. Would you say, then, if we were not rebuffed, that there is really a chance that we can get China in the game to defang the nuclear North Korea?

Mr. KELLY. Secretary Powell met with the Foreign Minister of China again in New York last Friday, a second meeting in less than 2 weeks, and discussed this issue, and this is working along. I am not able to go into the details of it in this kind of session, though, sir.

Senator NELSON. Mr. Secretary, you give me hope. Thank you.

Mr. KELLY. Well, sir, we are going to try to work on it to see if we can get some results. Working with the Chinese, the South Koreans, Japanese, Russians, and there are others who want to help. The ASEAN Regional Forum has some ideas. Various Europeans have some, too.

Senator NELSON. The fact that you give me hope, I would just offer this one piece of advice in passing, Mr. Chairman, and that is that where we have gotten into trouble with this Iraq situation, sometimes with our European allies, sometimes with Turkey, in

appearing too heavy-handed and appearing too arrogant, maybe we have to go and meet somebody one to one and look them in the eye. And if that is what it takes to defang them, then that would be my advice.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Senator Nelson.

Senator Alexander.

Senator ALEXANDER. Thanks, Mr. Chairman. Mr. Secretary, thank you for being here.

Am I correct that it is pretty clear policy that we have said to North Korea that, "If you attack South Korea, we attack you"?

Mr. KELLY. Yes. We will resist the attack and deter the attack.

Senator ALEXANDER. But there is no doubt in their minds that if they were to——

Mr. KELLY. No, sir.

Senator ALEXANDER [continuing]. If they were to attack South Korea or Japan, for example, that that would require, in diplomatic language, the most severe action by us.

Mr. KELLY. Our alliances are clear, firm, and longstanding.

Senator ALEXANDER. So there is no question about that. Everyone understands that.

Now, let us take—and that is the nuclear umbrella, that is the umbrella that—maybe not nuclear umbrella; that is the defense umbrella that protects our allies in that region, and we have lived with that for a long time, people have a good understanding about that. I have no doubt in my mind that President Bush is absolutely convince of that.

But now we are moving into a different set of what-ifs, which makes this all so difficult, it seems to me. Maybe you said this earlier, but is it as clear that we are unwilling to live with North Korea as a nuclear power? Are we firm about that, or is there some wiggle room in that?

Mr. KELLY. There is no wiggle room in that, Senator Alexander. We are determined that North Korea not become a nuclear power, acknowledged or unacknowledged.

Senator ALEXANDER. So that really leaves us, as we have heard from other people who have come before this committee in the last 6 weeks, with two general options. One is to negotiate a solution, and the second is some sort of action by the United States that stops the development of the nuclear programs in North Korea, or some multilateral group that stops the development of nuclear programs in North Korea.

Mr. KELLY. Well, the best is for the North Koreans to recognize what is the truth, that it is not in their interest to proceed this way and that their suggestions of danger and threats are very overblown and not true.

Senator ALEXANDER. Right. Given that those are—and I will use my own words and not put words in your mouth—that those are really the only two general directions left for us; one is some sort of action to disarm their program or the other is some sort of negotiated settlement of it—would it be fair of me to suggest that the administration is trying to deal with one crisis at a time here?

I am not so surprised that you are saying that you prefer a multilateral approach and that you are unwilling to commit to a bilat-

eral approach. I think that would be the logical thing for us to do at this stage, hoping that that is the kind of discussion we eventually end up in. And I would also assume that at this time, with all of the focus of our country on Iraq, that, just given human nature, that we will deal with Iraq first and North Korea second. Is that right?

Mr. KELLY. No, sir. I do not think that is right. There is an urgency and a seriousness all of its own in the North Korean issue, and this strategy is not a strategy of simply buying some time to get past the Iraq issue at all. Those individuals that characterize our strategy in that way are not correct.

It is a strategy that is determined to deal with this problem in a holistic way. This is a large problem and it is one that is going to have to be dealt with, and we are determined to work through that. As the President puts it, a diplomatic solution is the preferred way, but none of his options are off the table.

Senator ALEXANDER. If I could go back to one of the questions one of the other Senators asked—I believe it was Senator Allen—about the umbrella, in a way that is saying, "If you hit us, we will hit you." But we are now beginning to live in a world where we find that even in the United States we cannot think that way always, that we have to look at, for example, Saddam Hussein and say, "You may not have hit us, but we may have to hit you anyway." It could be that Japan or Taiwan or South Korea would want to do that and would not feel like the traditional cold war umbrella provided by the United States was sufficient, in terms of their defense.

So I wonder if there might not be more of a domino effect here in the proliferation of nuclear weapons in Asia than we have been thinking. I wonder if Japan, which could quickly—might not be able to quickly change its mind, but if it ever did change its mind, it could quickly move with nuclear programs, or Taiwan, South Korean, others. I wonder if North Korea continued with a program if we would not have more of a ripple effect. If Japan were to move, then China would feel threatened, et cetera.

Mr. KELLY. I think we could discuss the relative likelihood of that. But if North Korea is seen to get away with having nuclear weapons, there are many players, many far more dangerous than the ones you name that are—in other parts of the world, that are going to take sustenance in that. The newspapers have had discussions of Iran's work in areas of nuclear weapons and there are other countries that are pretty unstable who might try to go the same way. And that makes it all the more important that this strategy that we are working with North Korea be successful.

But with respect to the immediate danger, of North Korea, our deterrence, our alliances with South Korea, with Japan, are very firm, and I do not anticipate that either of those countries are going to feel the need to turn toward nuclear weapons anytime soon. But it does command their attention in joining with us to resolve this issue, we hope, diplomatically with the North Koreans.

Senator ALEXANDER. Thank you, Mr. Secretary.

Mr. Chairman, thank you.

The CHAIRMAN. Thank you very much, Senator Alexander.

Let me just mention, activities in the outside world that are on the floor. We are likely to have a rollcall vote in a few minutes' time.

I am going to recognize Senator Sununu. And in the event, Senator, that all other Senators disappear, you are in charge until you finish your questioning, at which time Secretary Kelly will retreat, and we will come back to see another excellent panel. But I want to try to keep the continuity of the hearing if we can.

Senator Sununu.

Senator SUNUNU. Thank you very much, Mr. Chairman, and let the record show that I do not believe that offer to put me in charge temporarily bears in any way as to what the appropriate constitutional succession would be. I do not want such an assumption to limit my long-term political viability.

Mr. Secretary, in the material that we were provided it says that the official Russian position has been that North Korea does not now possess nuclear weapons. That seems to be in direct opposition to what the stated official U.S. position is, and that is no small difference in my mind. Is that your understanding of the official Russian position?

Mr. KELLY. Their position is a little softer than that, Senator Sununu. The Russians say the experts that they have think that the North Koreans are not as far along as we think, and I had a direct conversation with the Russians about this matter and said that it was a matter in which we disagreed very, very strongly.

Senator SUNUNU. I do not quite know what to make of the description, soft. Either you have an official position that they are in possession of a nuclear device, or you have an official position that they are not currently in possession of a nuclear device, but it would seem that if there is a difference of opinion on that basic issue, then it may well be an obstacle to working cooperatively toward a long-term solution, because such a difference of opinion would indicate likewise a difference in feeling of the immediacy of the problem.

Mr. KELLY. And it may be a diplomatic way of dodging the problem, too, I would suggest, Senator.

Senator SUNUNU. Is this the reason, or does this in any way relate to the reasons that the Russians have for opposing bringing this issue to the U.N. Security Council?

Mr. KELLY. It is not clear, sir, that the Russians oppose bringing it to the U.N. Security Council. They abstained in the IAEA vote. I do not think we can conclude that they oppose bringing it to the Security Council and, in fact, the issue has come to the Security Council and been referred to experts. It is sort of sent off into a committee until such time as the Security Council brings it back, but the official words were that members of the Security Council were seized with the problem, and that included Russia as well as the other members.

Senator SUNUNU. In your opening remarks you said that a bilateral approach has failed and a multilateral approach is therefore desired by the United States, and we had a lot of questioning on that point. I want to give you an opportunity, though, to develop the arguments for a multilateral approach a little bit more strongly. I think the fact that a bilateral approach has failed in and of

itself is not reason not to continue to pursue a bilateral approach. You can have a bilateral agreement that was a bad agreement, unenforceable, poorly designed, but still believe that a bilateral approach can yield a successful agreement.

Could you lay out in a little bit more detail what the reason is that a multilateral approach would be more effective, and why a multilateral agreement would be more likely to last for the foreseeable future?

Mr. KELLY. Well, first of all, because this is inherently a multinational problem, the NPT has been a very widely observed treaty. Second, by engaging more parties in negotiation, the assurances that any one of the parties might provide are emphasized and endorsed.

Third, if North Korea chooses to step back from nuclear weapons programs, the other countries of the region are certainly ready to begin to offer them all kinds of tangible inducements, building on things that have been done before, and since North Korea needs literally everything, especially electricity, there are things that other countries might choose to do. That is way down the line, but those are among the incentives.

Senator SUNUNU. But you seem to put it, though, in somewhat material terms, more inducements, more levels of sharing of materials. You mention electricity.

But you also said that the Chinese were not likely to use any of their current assistance or support as bargaining in a multilateral negotiation, and if we are just talking about material things, well, the United States, we are the wealthiest country in the history of the world. We could certainly provide far and away what any other group of countries could provide. What other inducements or benefits could be provided by other countries that could not be provided by the United States in a bilateral agreement?

Mr. KELLY. Well, there is, of course, the negative reason, and I suppose this is one of the reasons the North Koreans do not want to proceed multilaterally, is they fear that a multilateral negotiation will emphasize their isolation, and their isolation, as I pointed out, with these unanimous votes against North Korea in the IAEA, is, in fact, quite intense on this issue.

But China's assistance to North Korea is a reality. I do not know that that would be increased. Japan was on the threshold of offering what it described as economic cooperation that could have certainly been as high as some $12 billion had they reached a settlement, but it was disrupted first of all by the North Korean admission without further explanation of the abductions of Japanese citizens and, second, of the nuclear weapons programs. There is a lot more money from those sources that, if North Korea earns it, than would ever practically come from the USA.

Senator SUNUNU. Are you concerned that the reluctance of other countries to fully embrace a multilateral approach is in part due to their desire to avoid responsibility for helping to enforce a multilateral approach and their responsibility to take action if, in fact, the multilateral approach were to fail?

Mr. KELLY. That is possible, Senator, but what is probably more likely is just that North Korea is a difficult outfit to deal with, and other countries would perhaps rather have us do it.

North Korea, for its part, sees that the United States, as a major military power, is perhaps the one above all that would interfere with whatever it is that they might try to do.

Senator SUNUNU. A few of the members talked about the nuclearization of the peninsula, or asked questions regarding the nuclearization of the peninsula. It was mentioned in your remarks. That is naturally a concern.

It was expressed, I think by Senator Alexander, that it was a concern because it might drive other countries to engage in nuclear programs, Japan, South Korea, et cetera, but it would seem to me that that competition of nuclear programs is one concern, and a genuine one, but perhaps even more pressing would be the risk of weapons proliferation, not competition, but proliferation, a willingness on the part of the North Koreans to sell this technology.

Can you speak a little bit to the history that the North Koreans already have for selling missile technology and any other technologies that you are aware of to anyone who is willing to put up enough money?

Mr. KELLY. Well, you are exactly right, Senator. Proliferation is a much, much greater worry than the earlier concern cited. North Korea has a pretty bad history of exporting not only ballistic missiles, but cruise missiles and other military equipment and particularly selling them to countries that have, for excellent reason, difficulty buying this sort of nasty supply anywhere else.

There is not evidence of which I am aware of the sale of chemical or biological weapons, or of nuclear components, but we cannot exclude that in the future, and that is one of the reasons that this problem has to be dealt with.

Senator DODD. I want to warn you about that clock and the time.

Senator SUNUNU. Thank you, Mr. Chairman. Thank you.

Senator DODD. Go ahead.

Senator SUNUNU. Is it the Department's public position today that North Korea has access to both chemical and biological weapons material?

Mr. KELLY. The administration's position publicly is, I believe, that we believe that they definitely possess chemical weapons. With biological weapons, it is much more obscure, and there is a little formula that I will provide for the record, but it is not conclusive evidence, Senator Sununu, but it is an unfortunate suggestion.

Senator SUNUNU. Thank you.

Senator DODD. Could I just—just to complete the thought that Senator Sununu has raised, and that was raised earlier, and just ask you to comment on this quickly, and that is the suggestion somehow that we might convince the Chinese to reduce their support of food or other such issues. Would that, in your mind, also increase, then, the danger or the likelihood of North Korea, since so much of its hard currency seems to be coming from the sale of these materials, that, in fact, to the extent we reduce or diminish the support they are getting, whatever, however limited it might be, increases the likelihood that they may seek, of course, then resources through the sale of these other——

Mr. KELLY. That is logical and possible, Senator Dodd, but I am not sure that it is the equation. I think to be frank, North Korea

will sell these things as fast as they can mainly because they have hardly any other products.

Senator DODD. Thank you very much, Mr. Secretary. We appreciate your staying extra time, too, to hear the questions.

Mr. KELLY. Thank you, Senator Dodd.

Senator DODD. The committee will stand in recess until the return of Senator Lugar.

[Recess.]

The CHAIRMAN. The hearing is called to order again. The Chair would like to welcome to the panel table Hon. James Lilley, American Enterprise Institute, Washington, DC, Dr. Victor D. Cha, associate professor, Department of Government and the Edmund Walsh School of Foreign Service at Georgetown University, Washington, DC, and Mr. Bates Gill, Freeman Chair in China Studies, Center for Strategic and International Studies [CSIS], in Washington, DC.

Gentlemen, it is a privilege to have you before the committee. I will ask you to testify in the order in which I introduced you. Your statements in full will be made a part of the record. Please proceed as you wish. First of all, Ambassador Lilley.

STATEMENT OF HON. JAMES LILLEY, AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC

Ambassador LILLEY. Thank you, Mr. Chairman. I am going to take a slightly different approach on this case. Being an Asian hand, I tend to look at it more in the long-term view, and we have been talking about the immediate problems today, and I believe we are making a mistake in focusing too much on that, because the main issue is, you cannot snatch defeat from the jaws of victory. We are going to win this one. If we get pushed into premature actions, if we get jerked around by the North Koreans, if our allies and friends whine too much and we try to follow them around, we are going to end up in a morass.

We have a chance to really make a difference in North Korea now, mainly, because China is facing a crossroads on this issue, and this could help our common cause a great deal. In my paper, I have gone back into the origins of this, the various ways the Chinese have played a role in the past, but let me just look at this China question for a minute.

China is approaching a crossroads. They have a new leadership. The fourth generation is coming in this month, and the message that we have gotten from them is basically, hold off. We can deal with this problem. We know it a hundred times better than you. These are the worst people on the face of the Earth. We have dealt with them for 50 years, we saved them during the Korean war. They invaded South Korea and we, in effect, lost Taiwan because of what Kim Il-Sung did. He said he could take South Korea in 3 weeks, the Americans would not intervene. What happened is, the Seventh Fleet went in to the Taiwan Strait. He said, I will take South Korea first, then you can take Taiwan. Well, neither of them happened.

China is going on a track, and I am dealing with trends now. They have got the Olympics coming in 2008. They participated in the Seoul Olympics in 1988, their first real breakout. They have joined the World Trade Organization. They recognized Seoul in

1992. They were the instrument in getting both Koreas into the United Nations in 1991. Their trade comparisons between North and South are just astronomical, probably 40 times as much trade with the South as with the North.

China fever is seizing South Korea, but Seoul too is going through a transition period. When Vice President Cheney comes in April, he can start really talking with both China and South Korea seriously about this North Korean problem.

China tends to go with winners, too. They have made some bad choices in the past. They supported leaders like Pol Pot, Milosevic, Hoxha in Albania, and now Kim Jong-Il. They supported big losers in the past, so they know what it is to lose. I do not think they are going to make that mistake this time.

What we recognize, and what the Chinese see clearly, is two things about North Korea, desperation and incompetence. Desperation because North Korea has never been in worse economic shape. They see that a combination of forces around them are beginning to coalesce. This is their nightmare, that they have lost their backing from the Soviet Union and China, and they are sitting out there alone trying to deal with the United States, using these nasty provocations.

When Kim Il Sung wanted to provoke, he seized the Pueblo or shot down EC–121. His son so far does not seen to know how to do it. I am not saying he will not do it, and do something very dangerous and awful, but I am saying the one thing that really characterizes Kim Jong-Il is incompetence. He cannot reform his economy. His economic reform moves in July 2002 were a disaster. He has his eye on $12 billion worth of reparations he desperately needs from Japan, and he mishandled it on the abduction cases. It blows back in his face.

Then he tries this Sinuiju free economic zone, and it is a fiasco. He gets some Chinese crook over from Manchuria to run it for him. The guy Yang Bin is in a Chinese jail. The Chinese are fed up with him, and they see also that if he keeps up on this path of missile firings and nuclear developments, Japan could go nuclear, Japan already has an active civilian space program and could get long-range missiles quickly, Taiwan, South Korea could follow. The Chinese can see a ripple effect that is decidedly not in their interest, also ballistic missile defense could get a boost, and North Korea has been the cause of this.

How much longer can China prop Kim up? They supply perhaps 80 percent of his oil and food imports, but it is interesting to note, and you can never prove these things, in 1994, when we were trying to get the Agreed Framework, and the North Koreans were getting very difficult at the end—they tend to do this—Chinese grain shipments to North Korea were reported to have gone down 40 percent. We cannot make a direct connection, but all of a sudden, Kim goes along with the Agreed Framework. Again, it was the sweetest deal he ever got in his life. Why would he not go along with it. He was trying to extract last-minute concessions.

So I am saying that this is a major situation for the Chinese, and they have got to begin to move in a different direction, and I think it is important for us to move in coordination with them, not push them too hard now.

The Japanese appear to be becoming more assertive militarily. Ishiba makes a statement about preemptive strike on North Korea, Japan is getting the Patriot PAC–3s, and we are talking about new standard missiles on the Aegis class destroyers. We are talking to Japan about interdiction. Some of the people I have talked to recently—who are former U.S. Navy people—say, we can interdict North Korean attempts to ship WMD if we get the Japanese behind us on the sea, if the Chinese interfere with and inspect North Korean air travel over China there is a good chance of winning this interdiction issue, not completely, but enough to cut into what the North Koreans are trying to do—namely, proliferate WMD to unfriendly nations and possibly to terrorists in the Middle East.

As for South Korea, there is a great deal of fuss being made over our dismay at their Sunshine Policy. This is not accurate. I was present in March 2001, when all of this hullabaloo broke loose about Kim Dae-Jung and the President not getting along. I personally heard two important agreements. First of all, the President supported the Sunshine Policy. No. 2, Kim Dae-Jung supported the American-Korean security alliance.

A real possibility of doing something constructive about North Korea lies in the South Korean movement into the North. Leaders in South Korea have said confidentially, that bribery and other huge pay-offs have been counter-productive. The Hyundai project on tourism was a huge financial loser. The pay-offs for Pyongyang, were a bad move. It is likely that is not going to happen again. The linkages of railroads, roads, the Gae Son Industrial Zone, the Inchon Airport, the linking of power grids inevitably will draw North Korea to the South and, of course, this is the long-term view of strategists in the South.

The North Koreans know this and they say, we will never allow ourselves to be taken over by this sort of evolutionary approach by the South Koreans. They probably no longer have much of a choice.

The United States should resist the temptation to go into talks with North Korea too quickly—and I am talking about direct bilateral talks. From 1989 to 1992, we did it right. President Bush pulled the nukes out of South Korea in September 1991. North Korea signed on for the first time to safeguards agreements which they had resisted since 1985 when they signed the NPT. We got access to Yongbyon, and an inventory of nuclear materials. The IAEA, sent inspectors to Yongbyon and the process started to move forward. Most important, there was active North-South dialog at the level of premier. Two agreements between North and South were signed, the joint agreement on denuclearization, and the joint agreement on reconciliation. These were comprehensive agreements and brought the North and South together more closely than at any previous time.

As these processes advanced and as an added inducement, in January 1992, we had our first bilateral talks with the North Koreans in New York City. They were North Koreans clearly desperate for them. I was in New York as part of the U.S. delegation. We talked to them almost all day. As they appeared to be so anxious for these talks, we laid down two conditions: No. 1, North Korea could continue to deal with the South, and No. 2, North Korea should allow challenge inspections of nuclear facilities and North

Koreans did not respond but undoubtedly took it back to their great leader. Not much happened, because they then got caught cheating on their statements on plutonium. The United States had previously canceled Team Spirit as a goodwill gesture but this did not affect North Korean intentions. Team Spirit was started again in 1993, and this was viewed by the North as a provocation. This led to the escalation, which culminated in 1994, in the Agreed Framework agreement. The claim by the U.S. administration at the time was that the Agreed Framework avoided war.

The people I have talked to in the Clinton administration said there was no real consideration of a preemptive strike. They knew it was impossible, and we know that today. A preemptive strike on North Korea without complete concurrence of South Korea, would not work. The North Koreans could take out Seoul with conventional artillery poised north of the DMZ, and this is the real problem.

So I end on this note. There is reason to be optimistic. If we go back through the negotiating record, the 1968 crisis and how it was managed, the 1993–1994 problem and how it was managed, then we have precedent in handling the issue in 2003. There is a well documented historical record of how to deal with these people. We have written a book documenting 40 years of negotiating in the Military Armistice Commission. There are certain important techniques which emerge. The need to resist caving to brinkmanship, demonstration deterrence in strength, understanding their goals, anticipation of their next move, not treating them like inferiors, but in a way that they understand what we are trying to do to help them on the one hand, and then getting reciprocal action out of them. Also the consequences if they choose a negative path.

So it strikes me that we are moving in the right direction. I agree with Secretary Kelly that the real problem we have now is reminiscent to herding cats but it is essential to have a consensus of our friends and allies before we approach the North. This is no easy job, with our Chinese friends, our South Korean allies, our Japanese allies, and the Russians—this is a tough one.

We should have a sense of how to make this work and I believe we can make it work. We have to be careful about lunging into some sort of a premature acceptance of their game—namely the problem is the U.S. threat of North Korean DMZ.

Thank you.

[The prepared statement of Ambassador Lilley follows:]

PREPARED STATEMENT OF HON. JAMES LILLEY, AMERICAN ENTERPRISE INSTITUTE

Appearances in Korea can be deceiving. A foreigner's impressions and generalizations about Seoul or Pyongyang can be misleading. Pyongyang resembles Wal-Mart and Times Square. Kim Jong-il is interested in the Swedish Economic Model.

Korean folklore touches on this in the anecdote: A foreign missionary comes across an old Korean walking down a road with his wife six paces behind. The foreigner explains to him that they should walk together, as they are equals. The Korean answers, "this is our way, for a thousand years." He moves on. Six months later, the missionary encounters the Korean again. This time his wife is walking six paces in front of him. The missionary says, "You are equals. There is no need for her to walk in front of you." The Korean replies, "This road is mined."

We often deal with North Koreans with a particular negotiation in mind. Our knowledge of them is based on the latest intelligence reports. I want to walk back further and select 2 out of many Korean traditional concepts that influence their approach to us and to the world.

Nunchi: the character and intentions one sees in another's eyes.

Han: The Korean melancholy view of the world. A shrimp among whales. Resentment of arrogant officials, hatred of colonization by larger powers, a wife's dislike of an overbearing husband.

Why nunchi? Kim Daijung looked into Kim Jong-il's eyes in Pyongyang in June 2000 and must have seen things we foreigners can never see. Desperation, fear, arrogance, insecurity, all with unique Korean characteristics. The U.S. knows about his military hardware, but Kim Daejung looked into his soul. This has both positive and negative aspects, as Korean history has demonstrated. In the late 16th century, Hideyoshi, the great Japanese shogun, was preparing to move out militarily against his neighbors. The Chosen Dynasty sent spies and envoys to Japan to observe his nunchi. They saw in Hideyoshi the eyes of a rat and declared that no invasion would happen. The Koreans, however, did not measure his spears, which were longer than theirs. Hideyoshi struck Korea with initial success. Today we primarily measure and assess North Korea's weapons systems—our South Korean friends tend to emphasize character as a gauge of intentions. Therein lies at the root of some of our current differences.

The concept of Han focuses on the immediate big guy. Bullies on Korea's periphery have been around for a long time. Now, the local big guy runs over little Korean girls with lumbering weapons carriers. Anti-foreignism, anti-Americanism are always below the surface but can flare up dramatically over a single incident.

What are the historic characteristics of North Korean regimes with which we are dealing? Korean dynasties tend to last a long time. The Chosen Dynasty was around as long as the Ming and Manchu dynasties together. Corruption, foreign intervention, weakness and incompetence characterized the Chosen for its last 100 years, but the dynasty lasted and lasted. Leaders, bad as they have been, have had long tenures. Kim Ilsung's tenure was about 50 years. Kim Youngnam, the current SPA president, has been around as a leader since 1960. Collapse of a regime in Korean History is uncommon. Using discipline, toughness, and insularity, the cunning Koreans have survived but have had to fight for what they wanted—or some big guy would take it away. By estimates, Korea has had 900 invasions in the last 1000 years. A political vortex exists in North Korea, and until democracy came to South Korea, it characterized the South. A centralized rule from the top, prevailed with minimum local autonomy. Part of this was brought about by the homogeneous nature of the Korean people.

Foreign contrivances, such as roadmaps. frameworks, armistice treaties in the North Korean view are to be circumvented and undermined. North Koreans see them as devices to lock in foreigners but not to restrict Korean behavior or actions. These foreign agreements are primarily useful in getting what the Korean regime needs to survive and to flourish. The conditions are met only in so far as they accomplish these purposes. Power, not trust, is what has gotten the North Korean compliance such as it is. The 1953 Armistice, the most successful of the foreign contrivances worked not because we were trusted but because we and South Koreans were strong enough to inflict damaging consequences on North Korean circumventions. The 1968 Blue House Raid, the submarine infiltrations in the late 1990s, the recent gunboat intrusions, the Rangoon assassination bombing, the sabotage of KA-858 are examples of North Korean provocations, their plans, and what they are capable of carrying out.

A few comments on contemporary North Korea: Kim Jong-il and his military are basically in synch. He is the great symbol of leadership. He has the legacy and the legitimacy the military needs, and he in turn needs their power to maintain his most precious commodity—his survival. He needs the military for the security of the state against foreign threat as well as to maintain domestic stability. Out of 1200 generals, 1100 are probably his. In addition, there are perks: promotions, access to his luxurious palaces, high-grade consumer goods, and travel overseas.

Although Kim Jong-il is no Kim Ilsung, he is the single dominant leader of North Korea today. Unlike his father, he has to work in tandem with other forces, particularly the military. He is less able to inflict his will.

Kim Jong-il's handling of his current challenge—his so-called "ratcheting it up"—almost parrots what his father did in 1993: pull out of the NPT, kick out the IAEA inspectors, fire a missile, threaten to turn Seoul into a sea of fire. Kim has added in elements of an earlier crisis in 1968. In 1968, North Korea seized the Pueblo; in 2003 he directed his MiGs to try to get a U.S. reconnaissance plane, but unlike his father—he failed. In April, 1968, Kim Il-song's pilots shot down an EC–l21 with all aboard lost. This was a great risk by Kim Il-song. Whether Kim Jong-il escalates terrorism against the ROK, as his father did in 1968 in the failed Blue House Raid, or creates a new more aggressive approach (in 1968, it was tunnels under the DMZ)

is not yet clear. Kim would probably be more likely to keep his focus on U.S. targets and the threats the U.S. represents to arouse supportive elements in South Korea who are against the U.S. presence. As in 1969 in Vietnam, the U.S. may be diverted by another major war—this time Iraq in 2003, and this could create a favorable environment for the North Koreans to act.

A word about the North Korean view of bilateral talks with the U.S.: this has had some support of Russia, China, and the ROK, and in the U.S., as well in the arguments of the "why not talk" crowd. What is there to lose, they say. Kim's goal is to make the U.S. threat the issue and to divert emphasis from their weapons of mass destruction. The North Koreans are pressing for a non-aggression pact, saying withdrawl of U.S. forces is a prerequisite for lowering pressure. Before bilateral talks with the North, the U.S. needs to work with its friends and allies in the area, notably Japan, ROK, China, and Russia to develop a coordinated program of incentives and disincentives in dealing with North Korea. To jump in prematurely before China is ready to engage fully would probably accomplish little. Korea is not a U.S. problem, it is a regional one.

Kim Jong-il has a failed economic system. He is on life support from the outside in terms of oil and food. Ungrateful as North Korea has been for past aid, this time it is complicated by a starving population, even including cadres. Kim's moves so far on economic reform in July 2002 have failed badly, his attempt to get the Japanese reparations package, for which he lusts, backfired in the Abduction Cases issue. His economic zone in Sinuiju started out as a fiasco and certainly irritated the Chinese. Kim still has the generous hand of South Korea reaching out—but now hopefully in a more measured and balanced way. Huge bribes and grotesque one-sided tourism deals to Kum Gang-san lost large amounts of money for Hyundai, and the ROKG. Hyundai is reported to have funneled $1.7 billion direct to Pyongyang. South Korean's Sunshine Policy is viewed by the North's leadership as a dangerous subversion, according to the highest level defector Hwang Jong yup, who is the most complete source on Kim Jong-il. A takeover of the North by the South, Kim Jong-il believes, should be resisted at all costs, even if it means less aid.

Perhaps the most disconcerting development for Kim Jong-il is the possible coming together of surrounding states, ROK, China, Japan, Russia, and the U.S. in a loose coalition. This group of states has already agreed in principle that the Korean Peninsula should be free of Nuclear weapons and should have economic reform. The potential use of economic leverage on his WMD programs is a frightening prospect for Kim and is one of the greatest dangers that, North Korea has faced in the past 50 years.

According to Hwang Jong yup, after the disastrous starvations of 1995 and 1996, Kim Jong-il was desperate and talked of a strike on the South, which he had persuaded himself could work. He did not do it then. He fired off a three stage missile instead which then lost him his Japanese contacts and hopes for immediate reparations worth by some estimates to be over $10 billion.

A recent internal KWP document that has surfaced in the Japanese press describing KWP concerns about internal corruption and dissatisfaction among the population. The flight of hundreds of thousands of North Korean refugees to China has dramatized public desperation in the face of continuing economic hardships. The combination of factors could move Kim in the direction of more desperate external moves and to divert attention from domestic failure. In this, he will get the support of his military.

As was the case in 1968, Kim Jong-il lacks support from Russia and China—who had backed his father in 1950 and for years after. This undercuts his strength and his maneuverability.

So will he raise the ante with provocations? Most probably, he will. Will he focus on the U.S. and not on the ROK? Most likely. Will he risk a major confrontation with the U.S. by striking out at U.S. installations, military, air, ground and naval hardware? He will try but will probably stop short of a casus belli. He recognizes his main vulnerability is his economic weakness and dependency. Again, Hwang emphasizes that this is where Kim Jong-il can be undone. He has to keep economic aid under continuing tight control, and he must arrange to get credit for it. But it remains his Achilles heel. And it is the most likely instrument of regime change.

The CHAIRMAN. Thank you very much, Ambassador Lilley. Dr. Cha.

STATEMENT OF DR. VICTOR D. CHA, ASSOCIATE PROFESSOR, DEPARTMENT OF GOVERNMENT AND THE EDMUND WALSH SCHOOL OF FOREIGN SERVICE, GEORGETOWN UNIVERSITY, WASHINGTON, DC

Dr. CHA. Thank you very much. Thank you, Mr. Chairman, for inviting me to speak today on the regional implications of a nuclear North Korea. I thought the way I would do this is to focus in particular on South Korea, and what the implications were for South Korea, and here essentially I wanted to talk about the implications for the street, for the elite, and then for the alliance.

As you know very well, we have all witnessed the groundswell of anti-American sentiment in Seoul. The proximate cause for this was, of course, what was known as the Highway 56 incident, the death of the two teenage schoolgirls, but also fueling this sentiment was the perception on the South Korean street that the current crisis with North Korea was, or is as much a fault of U.S. policy as it is of North Korean truculence. I disagree with this view, but nevertheless, that is the perception on the street.

I guess the one observation I wanted to provide to the committee on this particular point is, I know that many people view this new street view as the new reality, that it is permanent, that this is the view of a younger generation and it is not going to change, and it seems to me still it is uncertain whether it is permanent or whether it is just ephemeral, and the reason I say this is because I still believe, and I think the poll numbers show that there are significant numbers of South Koreans in the 30-plus range that really do see problems with North Korea and that really do not have this sort of Pollyanna-ish view of the North.

A January 1 poll showed that 47 percent of South Koreans se4e North Korea's drive for nuclear weapons as real, and as dangerous, and that was January 1. That was before the NPT pull-out, that was before the missile tests, and before the buzzing of the U.S. intelligence plane, so I think that, in short, there is a silent majority there in Korea that is waiting to be heard, and the more the North provokes, I think, the more opinion will shift, even among the younger generation.

Second, in terms of the elite, I cannot disagree in terms of the implications of a nuclear North Korea in the region with anything that Ambassador Lilley said. I think it would have a huge implication for Japan, it has major implications for China, and I would agree that it is a matter of time, that Chinese equities are shifting, and that they will eventually come onboard, but it is very clear that they want the United States to do all the heavy lifting first, and then, as Senator Rockefeller said, sweep in at the end and try to take credit for it.

Where I would like to focus my comments on the implications of a nuclear North Korea is with regard to the costs, and particularly the economic costs, because I think it is something we have not talked about this afternoon, and there are clearly major economic costs to East Asia and the United States if this crisis results in a nuclear North Korea, and these costs are frankly ones that the South Korean Government discounts, or does not want to talk about, and I point this out because it is at the core, I think, of the

disparate views that the South Korean Government and the United States hold on dealing with North Korea.

What I mean by this essentially is that the South Korean Government says the only option with regard to dealing with North Korea is engagement. You have to take off the table any contemplation of coercive measures, whether that is isolation, sanctions, attack, because in their view this could potentially precipitate a collapse of the North, and as one South Korean official said to me from the Noh Moo-Hyun Government, if you precipitate a collapse of the North, then the South collapses.

I find a problem with that logic for two reasons, one I think it overestimates the cost of a North Korean collapse and unification, and here, rather than go into the details, I would direct you to some work the Institute for Financial Economics has done recently that shows the cost of reunification may not be as high as popularly believed, but more importantly, I think the problem with this logic that we see in Seoul is that it underestimates the costs of a nuclear North Korea as an outcome.

A North Korea with nuclear weapons and ballistic missiles, would have huge costs in terms of capital flight, slowed growth, faltering stock markets and the like, there is already evidence of this out there. On February 11, Moody's downgraded South Korea's sovereign credit rating and country outlook for the first time in 5 years since the financial crisis, because of the growing threat from North Korea.

I attended the inauguration in Seoul, and despite the fact that there was an inauguration, Secretary Powell had a very good meeting with President Noh, the United States announced the resumption of food aid, on that very day the South Korean stock market index, the KOSPI tumbled 4 percent, largely because the North Koreans shot a missile into the Sea of Japan, and there are many other examples. After the second North Korean missile test, the Japanese Nikkei closed at its lowest level since 1983.

The point here is that the costs of a North Korea with a midsize nuclear arsenal, mated with a ballistic missile program, are much higher than the South Korean Government is willing to contemplate, and more importantly, there are no decoupling incentives here, which is my essential message. The South Koreans cannot simply worry about artillery and then say the North Korean proliferation problem is a redundant threat and should be passed off to the United States.

Senator Sununu asked a moment ago what is one of the logical arguments for multilateral over bilateral? Well, frankly, one of the arguments is because you want to prevent decoupling. You want to prevent allies from being able to say, North Korean nuclear proliferation, that is the United States' problem, and they should deal with that, and we decouple from that particular problem.

My final set of points is on the alliance, and it seems to me here, and I will be very quick, even if the United States and the new South Korean Government can close some of the gaps on policy to North Korea, it seems to me that changing the nature of the U.S. force presence and the alliance is inevitable, if not imminent, and I think that this is the case because there are a historically unique constellation of forces that have emerged on the peninsula today

having to do with the balance of forces, democratization, development, the revolution in military affairs, the Sunshine Policy, all of these things may have existed in themselves at one point in the past, but never have we seen them all come together like we have now, and for that reason, I think actually the most important issue that the Government of South Korea is going to have to deal with before it leaves in 2008 is not North Korea, but it is going to be the alliance.

Having said that, in my written testimony and in longer pieces I have written I explain how I think that presence might change. I will not go into that here. I would only say that however this presence is going to be reconfigured, it has to be done in a careful, deliberate fashion, and not a knee-jerk, reactive one.

There are undeniable military rationales for changing the presence, but the value-added of these changes would be even greater if they could be accomplished without the negative political externalities of, for example, a North Korea declaring victory, or our South Korean and Japanese allies fearing abandonment, and it seems to me that these revisions are entirely possible through close consultation, as Ambassador Lilley said, while maintaining the U.S. traditional political influence and stature in the region.

Thank you.

[The prepared statement of Dr. Cha follows:]

PREPARED STATEMENT OF VICTOR D. CHA, D.S. SONG ASSOCIATE PROFESSOR OF GOVERNMENT AND ASIAN STUDIES, DIRECTOR, AMERICAN ALLIANCES IN ASIA PROJECT, EDMUND A. WALSH SCHOOL OF FOREIGN SERVICE, GEORGETOWN UNIVERSITY

Mr. Chairman, thank you for your kind invitation to testify today. I am honored to have the opportunity to speak before this distinguished Committee on an issue of vital American interest, the regional implications of the nuclear crisis with North Korea.

In particular, I have been asked to address South Korean perspectives with regard to the current crisis. I will attempt to address this subject in three parts: 1) at the "street" level, the groundswell of anti-Americanism in South Korea that has been, in part, precipitated by the North Korean nuclear revelations; 2) at the "elite" level, the disparity in South Korean and U.S. government views on what is an acceptable outcome to the crisis; and 3) a longer-term look at the future of the US-ROK alliance.

SOUTH KOREAN PERSPECTIVES: THE STREET

We are all familiar by now with the standard explanations for the groundswell of anti-Americanism in the streets of Seoul over the past five months. The proximate cause was popular dissatisfaction with the military trial acquitting two US servicemen in a vehicular accident killing two Korean teenage schoolgirls. As the Committee members are all aware, however, the brewing crisis with North Korea after the October 2002 nuclear revelations, fueled this street sentiment to the point that we witnessed tens of thousands of South Koreans demonstrating in Seoul, ostensibly against the alliance.

These demonstrations highlighted for many how much the domestic political context had shifted in Seoul. Anti-Americanism was not the same radical, ideological strain ("banmi") that was evident in the 1980s among a fringe group of students and labor, rather it was a view less ideological but no less critical of the United States ("bimi"). Moreover, this new strain of anti-Americanism was spread across a wider swath of society. With regard to the crisis with North Korea, scholarly and media analyses characterized the link in two ways: First, the demonstrations against US policy toward North Korea reflected the views of a younger, affluent, and educated "post-Korean war" generation less fearful of North Korea after the June 2000 summit. Second, many of these younger generation saw the United States stand-offish policy toward North Korea to be as much a cause for the current crisis as the North's nuclear cheating and truculence. Perhaps the grossest popular characterization of this was the 60 Minutes portrayal last month of four Korean stu-

dents blurting out with impunity that George Bush was more threatening to them than Kim Jong Ii.

Committee members are undoubtedly aware of these arguments so I won't go into them in any more detail. The one observation I would like to make in this regard is based on numerous academic conferences, Track II dialogues, and meetings with South Korean legislators, foreign policy advisors, and the new president himself on this topic.

What has become clear to me is that the South Korean perspective privileges the self-righteousness of this street sentiment at the expense of underestimating its negative impact on American attitudes toward the alliance. This is a dangerous tendency. Americans see the demonstrations in Seoul; witness the burning of American flags and effigies of President Bush; hurling of Molotov cocktails onto US bases; and hear news of US servicemen being accosted in Seoul. These are very real events and images that upset Americans to no end.

In stark contrast, however, Koreans discount these very acts as the deeds of a marginal few. Instead, Koreans explain the demonstrations in Seoul not as anti-Americanism but as "peace" marches or anti-war movements. They claim that this represents the self-expression of a new generation that is not afraid to have a different view on policy to North Korean than its ally. They assert that this difference of opinion on North Korea should not be construed by Americans as anti-Americanism. They further assert that this new Korean identity is actually very American—i.e., a new generation that speaks their mind without fear of persecution.

The gap in these two views, therefore, is quite stark. If it is not minded (particularly on the Korean side, given the real acts of violence), then the result is, frankly, a train wreck in slow motion: What Americans focus on as the primary manifestation of anti-Americanism, the South Koreans dismiss as the incorrect message to take away from the demonstrations. Mutual recriminations would then send the alliance (and popular sentiment on both sides of the Pacific) into a downward spiral.

An important variable or signpost of the extent to which this dynamic could spin out of control is what I have termed the "silent majority" in South Korea. There has been tremendous attention given to the younger electorate's role in bringing the engagement-friendly Roh Moo-hyun to the South Korean presidency. But there still exists a significant portion of the population that is less enamored with the sunshine policy after the October 2002 revelations and genuinely worried about North Korea's pursuit of nuclear weapons. Polls in January 2003, for example, showed as high as 47 percent of the street seeing Pyongyang's nuclear truculence as a real threat.[1] One would imagine that the DPRK's subsequent withdrawal from the NPT, restarting of the experimental reactor, and spate of military provocations has buoyed these numbers. The extent to which this silent majority becomes more proactive will be an important determinant of how wide the gap becomes.

SOUTH KOREAN PERSPECTIVES: THE ELITE

At the elite level, the tensions over North Korea play out in a different albeit no less important fashion. It seems to me that the dispute between the United States and South Korean positions over the nuclear crisis with North Korea boils down to the inherent tension in two principles held by the Roh Moo-hyun government. The newly-inaugurated president declares that a nuclear North Korea can never be condoned by Seoul. At the same time, he argues that the use of force is not an option in dealing with the North. How can one rule out the use of force, Americans ask however, and hope to advance any policy with the nuclear ambitious regime beyond a toothless appeasement policy? The South Korean response is that coercive measures (i.e., surgical attack or sanctions) must be ruled out because they could precipitate a collapse of the North, the costs of which could be too crippling to the South.

This is funny math. As I argue in a forthcoming co-authored book, *Nuclear North Korea* (Columbia University Press, 2003), it is based on the belief that the costs of unification are prohibitive for the South. As one member of the Roh Moo-hyun's foreign policy team stated to me in simple terms: "We can't press the North on the nuclear issue. If we press them, they might collapse. If they collapse, then we collapse." More important, this South Korean view implicitly assumes that there are relatively lower costs associated with any other option that does not have the potential to precipitate regime collapse—even if this means a nuclear North Korea as an outcome.

Both are highly questionable propositions. Let's look at the first part of the equation. It has become a truism that the costs of unification are astronomical. In short, Germany was expensive, and all the macro socio-economic indicators are that Korea

[1] *Chosun Ilbo-Gallup Polls,* January 1, 2003.

would be more so. Relatively speaking, the population gaps between the Koreas are smaller, and the economic gaps are wider.

Beyond this superficial understanding, however, current research shows that the costs of unification may not be as catastrophic as the conventional wisdom argues. Marcus Noland at the Institute of International Economics shows that if unification-handlers take advantage of efficiency gains through DPRK marketization, a younger DPRK (than East German) work force, and optimal movements of labor and capital, absorption could result not in negative growth, but in only a mild slowing in South Korean growth rates and overall increases in peninsular output relative to a no-collapse outcome.

Perhaps more important, to fixate on avoiding the potential costs of unification, as the South Korean government and public do, implicitly assumes that the alternative outcome—a nuclear North Korea—is acceptable. Nothing could be further from the truth. A North Korea with nuclear and ballistic missile capabilities would have untold costs both direct and indirect. These include capital flight, and a faltering stock market, not to mention the price of rolling back an extant North Korean nuclear weapons program and the costs associated with an arms race and nuclear proliferation ripple effect to Japan, Taiwan and even Southeast Asia, all resulting in a tension-filled region created by North Korea.

Skeptics might counter that such costs are negligible, if not impossible to calculate with accuracy. The recent record shows otherwise. On February 11, Moodys downgraded South Korea's sovereign credit rating and country outlook for the first time after successive years of positive assessments since the financial crisis some five years ago. The following week, Standard and Poor's did not increase Korea's foreign currency and local corporation credit rating, and cut back expected growth outlook from 5.7 percent to 5 percent. What makes this fairly innocuous judgment significant is that S&P upgraded Korea's credit rating the year prior (to A–) and its general country outlook to stable, leading many experts to bank on further upgrades given improvements in South Korean credit fundamentals in the public and private sectors, and progress in corporate restructuring.

The primary reason for these sober assessments? S&P Director Takahira Ogawa could not have been more direct, stating "There is a risk from the North, which constrains the sovereign rating of South Korea." Those who think that an eternally optimistic South Korean government, committed to the peaceful status quo and engagement with North Korea, will be able to muddle through are sorely mistaken. All it took was one short-range missile test by Pyongyang into the Sea of Japan for the KOSPI (Korean Composite Stock Market Price Index) to tumble almost 4 percent (24 points) in one day despite a litany of parallel confidence-inducing events including Roh Moo-hyun's inauguration, the US announcement of the resumption of food aid to the North, and Secretary Powell's statements in Seoul that the US would eventually seek to dialogue with North Korea.

After North Korean MiGs intercepted the US surveillance plane in the Sea of Japan last week, the KOSPI dropped to its lowest level in 16 months. After the North Koreans tested a second short-range missile in as many weeks on March 9, the South Korean won depreciated to a four-month low. The Japanese Nikkei 225 closed at its lowest level since March 1983. South Korean economic officials are already expressing concern that these trends could negatively affect FDI in Korea which has been steadily increasing since the 1998 financial crisis. The Korea Economic Research Institute estimated growth rates for 2003 to be as low as 1.4 percent (2002 was 6.2 percent) because of uncertainties created by the North Korea crisis. I have conducted conference calls with hundreds of institutional investors in the past month where the primary question was not about the fundamentals of Roh Moo-hyun's economic plans or the competencies of his cabinet. The main question pertained to the effect of the North Korea crisis on investor confidence in Japan and South Korea.

This is a dynamic that should begin to weigh increasingly more heavily in South Korean thinking as the North continues to escalate.

The bottom line is that Washington and Seoul need to get back on the same page vis a vis North Korea both to resolve the current crisis and salvage the alliance. The anticipated costs of unification are lower than we think. And the costs of a nuclear North Korea are much higher than we think. The argument here is not to advocate the use of force, but that the Roh government may want to rethink the basic cost calculation that causes them to take it off the table completely as an option. Historically, the most credible and successful engagement policy has been a proactive choice of the strong, rather than an expedient of the weak.

Even if the differences in perspectives on North Korea between Washington and Seoul could be closed, the inevitable fate of the Roh Moo-hyun presidency may be that the most critical foreign policy issue it will have to contemplate before its departure in 2008 will not be North Korea but the alliance with the United States.

This is because a historically unique constellation of forces indicates that change to the U.S. military presence in Korea is inevitable, if not imminent. The U.S. ground troop presence's success in deterring and defending against North Korean aggression has also made its tailored forces less useful to overall American strategy in East Asia. At the same time, the ROK military has grown more robust and capable, a far cry from the feeble force trained by the United States fifty years ago.

As noted earlier, civil-military tensions over the U.S. military footprint have grown immeasurably in past months, show casing a younger generation of Koreans who see the United States less favorably than their elders. The sunshine policy also had the unintended consequence of worsening perceptions of U.S. troops in the body politic. On the one hand, the exaggerated success of the policy caused the public to be less welcoming of the U.S. presence. On the other, the failure of the policy led to the search for scapegoats, for which the U.S. presence was a ready target.

Larger trends in U.S. security thinking also presage change. The Pentagon's 100,000 personnel benchmark in Asia is viewed as obsolete among experts. The revolution in military affairs, moreover, with its emphasis on long-range, precision-strike capabilities foreshadow alterations in the face of U.S. forward presence around the world.

Those Koreans who believe that the U.S. is too comfortably self-interested with its position on the peninsula to contemplate serious change are dead wrong. As noted above, the images beamed back to the U.S. of "Yankee go home" demonstrations, burned American flags, accosted GIs, and young Korean assertions that George Bush is more threatening than Kim Jong-Il have had a real effect in Washington. There is anger, expressed in Congress and in the op-ed pages of major newspapers about South Korean ungratefulness for the alliance. With no imperial aspirations, the United States indeed would withdraw its forces in the face of an unwelcoming host nation.

Secretary Rumsfeld's recent remarks about possible modification of U.S. forces in Korea offers a glimpse, in my view, of a deeper, serious, and longer-term study underway in Washington on revising the alliance. The anti-American tenor of the election campaign in Korea and the subsequent "peace" demonstrations have created a momentum in Washington that proponents of alliance revision can ride. The ostensible goal of such plans is the same alliance but with a smaller and different (i.e. less ground, more air/navy) footprint, but if the vicious circle of anti-Americanism in Seoul bearing anti-Korean backlashes in the U.S. continues unabated, then the outcome could also entail a downgrading of the alliance in U.S. eyes.

President Roh Moo-hyun does not want to go down in South Korean history as the leader who "lost" the alliance. His entreaties to NGO groups to damp down the anti-American rhetoric, and meeting with USFK were well-advised steps in this regard. But he needs to do much more. As is underway in the United States, President Roh and his foreign policy team need to undertake a bottom-up review of the alliance. They need to assess Korea's long-term interests in the alliance. And they need to come up with a longer-term vision of what the alliance stands for, rather than what it stands against.

This vision must showcase the new U.S.-Korea alliance as the embodiment of values including democracy, open markets, nonproliferation, counter-terrorism, human rights, rule of law, civilian control of the military, and freedom of worship in a region of the world that does not yet readily accept these values. At its military core, the alliance's regional stability function would require a force presence that meets three criteria. The revamped presence must be militarily potent, but flexible enough to react swiftly to a broad range of regional tasks (Deployable). The presence, however downsized and changed, must still preserve America's traditional defense commitment to South Korea (Credible). Finally, as critical as being a potent, credible, and deployable, the revised presence must not be seen as overbearing by South Koreans (Unobtrusive).

The long-term scope of such a study should not belie its urgency. Coming up now with a mutually agreeable vision and military rationale for the alliance ensures that future revisions to the force presence take place in the right political context and are not misinterpreted. Otherwise, the U.S.-ROK alliance runs the risk of entering

its middle ages as a brittle cold war relic, prone to being overtaken and outpaced by events.[2]

The CHAIRMAN. Thank you very much, Dr. Cha. Dr. Gill.

STATEMENT OF DR. BATES GILL, FREEMAN CHAIR IN CHINA STUDIES, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES [CSIS], WASHINGTON, DC

Dr. GILL. Thanks very much, Mr. Chairman. Thanks also to the other members for inviting me here today to speak about the regional implications of a changing nuclear equation on the Korean Peninsula. I was asked to focus most of my remarks on China's perspective on this issue, and I will do so in three parts, first offering a brief background of China's interests vis-à-vis North Korea, followed by a discussion of China's reaction and policy responses, and then finally focusing on how the changing nuclear equation might affect U.S.-China relations as we go forward.

First, looking at an overview of key Chinese interests, we do have to recognize very clearly that China does have an enormous stake in the outcome of the evolving nuclear equation on the Korean Peninsula, and I am encouraged by some of the things I have heard today both from the committee and from Assistant Secretary Kelly, that we are taking China's role much more seriously, and that it should be considered as one of the key four players in resolving this problem.

Two-way trade, for example, between China and North Korea amounted to something on the range of $728 million in 2002, which accounts for nearly one-third of North Korea's total trade volume. The figures I have suggest that approximately 35 to 40 percent of North Korean imports come from China, and those are largely critical basic commodities such as foodstuffs, fertilizer, and energy.

More importantly, though, of course is the China-North Korea political-military relationship, which, while it has been troubled in recent years, has functioned much like a formal alliance for significant periods of the past 50 years, including, importantly, the transfer of military equipment in the late 1950s and early 1960s, as well as assistance to North Korea's nuclear and ballistic missile program as late as the mid-1980s. Recall, too, the 1961 Beijing-Pyongyang Alliance Treaty of Friendship, Cooperation, and Mutual Assistance, which is still in effect, and which agrees that both parties, "will immediately render military and other assistance by all means at its disposal if either party is subjected to aggression," and it also stipulates that "neither contracting party will conclude any alliance directed against the other contracting party or take part in any block or in any action or measure directed against the other contracting party."

As I say, neither party has formally withdrawn from this treaty, and the two sides continue to carry out high-level party-to-party and military-to-military exchanges. I do not think we can simply dismiss the fact that this is simply a piece of paper between these two countries. I think there is more to it than that.

---

[2] For an expanded study, see Victor Cha, "Focus on the Future, Not the North," *The Washington Quarterly* (Winter 2002-2003), http://www.twq.com/03winter/docs/03winter—cha.pdf

We know, however, that the alliance continues to be fraught with an enormous amount of tension, probably culminating in the August 1992 establishment of diplomatic relations between Beijing and Seoul. Nevertheless, I would argue that in spite of that step, China and North Korea have maintained a basically good relationship, and China's two-Korea policy has been largely a great success. At the end of the day, though, China's North Korean ally is increasingly becoming a potentially disastrous burden, rather than a political-military advantage.

Second, we should ask the question, mutual interest between the United States and China, but how mutual? We often say that the United States and China have a shared interest in seeing a nonnuclear North Korea. This is a point that Secretary Kelly came back to time and time again. I would agree that that is true, but I think things are more complicated than that.

We have to recognize that, while China may prefer to see a nonnuclear North Korea, its bilateral relationship has chilled considerably with North Korea in the 1980s, especially with the introduction of market reforms, and since China opened relations with South Korea in 1992. North Korea has returned some snubs of its own, particularly under the leadership of Kim Jong-Il.

His father, for example, Kim Il-Sung, spent his formative years in China. He spoke Chinese. He studied in Chinese Manchuria, and he participated in pre-1945 Chinese Communist political and guerrilla movements and, of course, was eternally indebted to China for the intervention in the Korean war. Kim Jong-Il has nothing like that kind of personal or political or security ties to China. That further underscores my point that China's ability to influence the situation on North Korea is constrained.

China's position is also constrained because it continues to place, I think, its highest priority not on a non-nuclear North Korea, but, rather, on a stable North Korea, and the avoidance of measures which, in Beijing's view, would escalate tensions and prompt even more reckless behavior on the part of Pyongyang. Refugees are just a near-term problem. Over the longer term, Beijing will want to avoid measures which would lead to further instabilities of its key neighbor, such as military action by the United States, and politically Beijing would prefer a gradual change in North Korea, largely on Chinese terms, which would include the introduction of China-style economic and political reforms, stabilization of North-South relations, and the eventual reconciliation of a non-nuclear, stable North Korea within China's sphere of influence. This is its long-term goal.

A part of this effort, third, is to have the successful two-Korea policy. China will do nothing, or will be reluctant to do anything that is going to undermine this very successful two-Korea policy that has as its long-term goal the reassertion of Chinese influence over the Korean Peninsula.

Currently, Chinese and South Korean interests are increasingly similar toward North Korea. We see them both calling for the downplaying of tensions in favor of a more gradual and accommodating policy toward North Korea. I think in this regard, Mr. Chairman, we need to be careful not to drive South Korea further into Beijing's camp with our policies.

Fourth, getting to the point about China's interests vis-à-vis the nuclear weapons program in North Korea, this, too, is complicated and contradictory. China itself, of course, is responsible in part for this having provided assistance to North Korea in the 1950s, 1960s, 1970s, and 1980s and, moreover, China should be considered at least indirectly responsible for the recently revealed enriched uranium bomb program. This pathway to nuclear weapons is similar to the program that Pakistan pursued, with Chinese assistance.

In any event, China does recognize that it could soon be facing its fourth nuclear armed neighbor on its borders, joining Russia, India, and Pakistan. This is a situation it would certainly prefer to avoid, but it is not necessarily at the top of its priority list, and it has to be weighed in the balance with other interests that China has vis-à-vis the peninsula that we have already discussed here.

Some Chinese strategists and scientists even go so far as to express skepticism that Pyongyang's program could advance to weaponization and operational deployment, perhaps similar to what we hear from the Russians. Whether that is a diplomatic ploy or a scientific assessment, we need to judge, but it is a point that we are beginning to hear coming from China.

I would also add that it may be quite telling that even in the face of the Indian nuclear weapons deployment, where China is obviously a target, Chinese reaction, beyond sort of official and diplomatic rhetoric, has not been particularly forceful, and China and India continue to have a generally favorable and mutually beneficial relationship. By Chinese comparative reckoning, North Korea poses a relatively minor nuclear threat at this stage and in the near term.

So that is a short background, Mr. Chairman, on some of the views I think China brings to this issue, and its interests. Let me speak second on China's policy response. It has basically been a three-part approach. China insists we restart diplomacy and dialog, to avoid, second, escalatory and provocative actions, and it seeks to assure the denuclearization of the Korean Peninsula. This was reiterated most recently in a telephone conversation between Presidents Bush and Jiang just a couple of days ago.

But reading between the lines of this policy, I think we need to see some important nuance. First, when they say the importance of diplomacy and dialog, I think they really are talking about bilateral dialog. There may be some wiggle room and flexibility in there, but this is an important first step for China because it recognizes North Korea's core interests, and second, China can expect bilateral dialog hopefully to result in outcomes that are favorable to China, like stabilizing the peninsula, denuclearizing North Korea, but have all that happen without all the heavy lifting, so it makes some sense for China to pursue, or to encourage us to take the bilateral path.

Also, I think we should expect China in calling for a peaceful resolution to probably oppose the application of coercive measures like sanctions or force against North Korea, so if it is in our mind to go to the Security Council for a resolution for sanctions, we will have to carefully craft that to gain Chinese support.

Let me conclude, Mr. Chairman, with just some thoughts about U.S.-China relations with regard to this issue. We can say, prob-

ably fairly, that we do share some common interests with China on this, but under the surface, there seem to be a number of differences which are apparent, and these differences could increase in the months ahead as we pursue this issue.

First, as I said, Beijing, like others in the region, like South Korea and Russia, and even Japan, would likely oppose a coercive approach to forcing North Korean compliance. A serious split could emerge between Beijing and Washington over the means to bring about North Korean compliance if we do not play our cards correctly.

Second, beneath the surface of common interest toward North Korea, Beijing does not hold Washington blameless. Many strategists in China point out that the Bush administration's tougher approach toward North Korea only forces North Korea's back to the wall, and this can only lead to more provocative and potentially destabilizing responses by Pyongyang.

I do not necessarily fully agree with that analysis, but we have to recall that this is a widely held view in Beijing, so when we go into our negotiations with China, we are having to be prepared to deflect or overcome those views.

In any event, if escalating confrontation does lead to conflict by either design or miscalculation, Beijing will resent Americans' insensitivity to Chinese interests, and America's inability, as the world's sole superpower, to chart and lead a negotiated solution to this.

Third, if things go badly in North Korea, the U.S.-China relationship would also suffer because I think China could be widely seen as part of the problem for not having taken enough action, and U.S.-China relations would suffer considerably.

In our dealings with China, and I understand they are intensifying, we need to consistently and persistently convey to Beijing the risks it takes in not having a more proactive approach, but also remind them of the benefits that will accrue to them in U.S.-China relations by doing so. China needs to recognize that most of the nuclearization that is going to go on in the world following North Korea, if it goes that path, will happen in its own neighborhood.

China needs to understand that if North Korea chooses to proliferate its nuclear materials to States and sub-State actors who seek nuclear weapons, that this is only going to further destabilize the international system, which is against Chinese interests as well.

North Korea probably represents the most unstable and weakest regime yet to openly brandish nuclear weapons, which should raise enormous concerns in Beijing, especially in times of crisis, or the collapse of political, social, and economic order in North Korea.

I think we can also get to China by reminding them that, as North Korea's most important supporter, and a country which has supported North Korea militarily in the past, it bears an enormous responsibility in assuring a peaceful outcome in the resolution of this standoff. China's reputation as an aspiring great power is at stake, and it needs to step up to the plate and take a more proactive position.

We should encourage Beijing to do more as a go-between. It is political difficult, often, for us to encourage that, but I think we

should try, and see if Beijing can facilitate a bilateral dialog between the North and the United States, but embedded within a multilateral, regional set of consultations which includes North Korea and South Korea, certainly, and perhaps also Japan and Russia.

But for all of these words of cautionary diplomatic advice to work, and to gain greater cooperation from Beijing, the United States is going to need to demonstrate its seriousness in advocating a truly multilateral approach to this issue which genuinely offers others a stake in the outcome of this process. It is going to have to begin with a much more intensive set of diplomatic consultations with our allies in the region, getting on the same page, as Dr. Cha said, with South Korea and Japan, and then moving from that trilateral unity on this issue to engage the others.

This is going to be a very, very difficult process, but if we can present that more unified front not only to North Korea, but to China, we can expect greater cooperation from them, and discourage China from exploiting intra- and inter-alliance differences which are emerging between the United States and its friends in the region.

Thank you.

[The prepared statement of Dr. Gill follows:]

PREPARED STATEMENT OF DR. BATES GILL, FREEMAN CHAIR IN CHINA STUDIES, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Thank you, Chairman Lugar, Senator Biden, and distinguished members of this committee, for the opportunity to speak with you today on the regional implications of the changing nuclear equation on the Korean Peninsula. It is highly important and commendable that the committee convene this series of hearings: a nuclear-armed North Korea undermines our national security interests, presents a serious threat to the global and regional nonproliferation goals of the United States, and would have negative repercussions for U.S. relationships with key players in Northeast Asia and beyond.

I was asked to place an emphasis in my remarks on the Chinese perspective with regard to the changing nuclear equation on the Korean Peninsula. In doing so, the testimony will proceed in three principal parts: (1) a brief background and overview on Chinese interests vis-à-vis North Korea and the changing nuclear equation on the Korean Peninsula; (2) a discussion of China's reaction and policy response to the changing nuclear equation on the Korean Peninsula; and (3) a focus on how the changing nuclear equation will affect U.S.-China relations.

OVERVIEW OF KEY CHINESE INTERESTS

Brief background: China has an enormous stake in the outcome of the evolving nuclear equation on the Korean Peninsula. China and North Korea share a lengthy border (at 1,416 kilometers or about 870 miles, it is North Korea's longest border, as opposed to only 238 kilometers with South Korea and 19 kilometers with Russia). China is also North Korea's largest trading partner. Two-way trade amounted to approximately US$728 million in 2002, accounting for nearly one-third of North Korea's total trade volume of US$2.23 billion. Approximately 35 to 40 percent of North Korean imports come from China, largely critical, basic commodities such as foodstuffs, fertilizers, and energy supplies.

Perhaps most importantly, the China-North Korea political-military relationship, while more troubled in recent years, has functioned much like a formal alliance for significant periods over the past 50-plus years. The China-North Korea alliance was established *de facto* in late 1950 when Chinese troops surged across the Yalu River to push U.S.-led United Nations forces back across the 38th parallel on the Korean Peninsula. Chinese forces remained on the peninsula until the latter half of the 1950s. In the early years of this military relationship, China provided generous support to North Korea, including significant transfers of military equipment in the late 1950s and early 1960s, as well as assistance to North Korea's nuclear and ballistic missile programs as late as the 1970s and early 1980s.

In July 1961, as the Sino-Soviet relationship deteriorated, Beijing and Pyongyang signed a Treaty of Friendship, Cooperation and Mutual Assistance. The treaty envisioned that the two sides would "adopt all measures to prevent aggression against either of the Contracting Parties" and that if either were subjected to aggression by any state or group of states, the other would "immediately render military and other assistance by all means at its disposal." The treaty also stipulated that "Neither Contracting Party shall conclude any alliance directed against the other Contracting Party or take part in any bloc or in any action or measure directed against the other Contracting Party."[1] Neither side has formally withdrawn this treaty, and the two sides continue to carry out official Party-to-Party and military-to-military exchanges.

Nevertheless, this alliance was constantly fraught with tension as Pyongyang sought advantage by playing Moscow and Beijing off one another. While professing eternal communist fealty with North Korea, the Chinese leadership steadily weaned itself away from an overtly supportive position toward Pyongyang, and, from the late-1980s, built a "two-Korea" policy. The culmination of this process was the August 1992 establishment of diplomatic relations between Beijing and Seoul, bringing a practical and peaceful end to decades of Cold War animosity between China and South Korea and effectively ending China's one-sided, pro-Pyongyang approach to the Korean Peninsula. It is true that China continued to provide considerable material and financial support to the economically faltering North throughout the 1990s and into the early 2000s, and portrayed itself as a useful political and economic model for Pyongyang to follow. But what had begun in the 1950s as an alliance hallowed in blood and joint sacrifice had, by the early 2000s, turned into a close relationship for many of the wrong reasons in Beijing: China's North Korean ally became a potentially disastrous burden, rather than a positive political-military relationship.

Recent irritants in the Beijing-Pyongyang relationship include North Korea's continued repudiation of Chinese-style economic and political reforms, enduring economic mismanagement, the resultant flow of North Korean refugees—including an embarrassing flurry of asylum-seekers seeking high-profile entry into foreign diplomatic compounds in the spring 2002—and the effort to open the Sinujiu Special Economic Zone opposite the Chinese border town of Dandong, and have it run by an errant Chinese businessman, Yang Bin, all without consultation whatsoever with Beijing. The current and lengthening list of provocations related to the nuclear stand-off—the clandestine uranium enrichment program, withdrawal from the Nuclear Nonproliferation Treaty (NPT), missile tests—only add to Beijing's headaches as tensions rise in the region.

Mutual interests, but how mutual?: It is often said that the United States and China have a shared interest in seeing a non-nuclear North Korea. This is true. But, for a number of reasons, the difficult Beijing-Pyongyang relationship has complicated U.S.-China cooperation in assuring a non-nuclear North Korea. The committee should weigh these factors carefully in contemplating how and whether the United States can gain greater support from Beijing on the issue of a nuclear-armed North Korea.

First and foremost, China-North Korea bilateral relations have chilled considerably since the 1980s and the introduction of market reforms in China, and especially since China opened diplomatic relations with South Korea in 1992. China's more reform-minded, outward-looking and growth-oriented leaders viewed its isolated and recalcitrant neighbor with disdain at best and alarm at worst, all the more so given the political cult style of leadership in North Korea, reminiscent of the disastrous latter Maoist years in China. By the mid-1990s, China halted officially sanctioned barter trade, no longer accepted payment in non-convertible North Korean currency, cut off regularized direct subsidies, and required foreign currency for trade payments, though perhaps at "friendship prices." Humanitarian aid has been made available—in 1997, for example, China provided some 262,000 tons of free food to North Korea—but on a more restricted and case-by-case basis.

In response, North Korea returned some snubs of its own, especially under the leadership of Kim Jong-il. Unlike his father who spent his formative years in China, spoke Chinese, studied in Chinese Dongbei (Manchuria), participated in pre-1945 Chinese communist political and guerrilla movements, and was indebted to China for intervening in the Korean War, North Korea's current leader, Kim Jong-il does not have the same personal, political, and security ties to China.

---

[1] "Treaty of Friendship, Co-operation and Mutual Assistance between the People's Republic of China and the Democratic People's Republic of Korea, Peking, 11 July 1961", in D. C. Watt, ed., *Documents on International Affairs 1961* (London: Oxford University Press, 1965). pp. 258-59.

Second, even in the chillier climate for China-North Korea relations, Beijing places its highest priority on a stable North Korea, and the avoidance of measures which, in Beijing's view, would escalate tensions, prompt even more reckless behavior from Pyongyang, and unnecessarily destabilize North Korea and the strategic "buffer" it provides for Chinese interests. In the near-term, China already faces a growing presence of illegal North Korean economic migrants who seek better life opportunities across the border in ethnic Korean parts of northeastern China. By some estimates, there may be as many as 300,000 North Koreans illegally resident in China. That number, and the challenges they pose to Chinese local and central authorities, would rise exponentially were North Korea to devolve further into economic, social, and political chaos. Beijing has thus far resisted efforts by the United Nations High Commissioner of Refugees and other U.N. agencies to fully assess the refugee situation along the China-North Korea border or prepare for the possibility of larger inflows of persons on the move in a time of greater crisis.

Most importantly, over the long-term, Beijing will want to slow and avoid measures which could lead to further instabilities and uncertainties for this key neighbor. Military conflict in North Korea could be a major factor for instability and open all kinds of uncertainties for Beijing: potential refugee flows, political instability, and the possibility of U.S. and allied troops positioned at or near China's border. A rapid alteration of the political situation in Pyongyang and on the peninsula could also stimulate nationalistic responses among China's ethnic Korean population along the Jilin Province-North Korea border. Beijing wants to avoid a dramatic change in North Korea which could quickly result in less-than-positive outcomes for Chinese strategic interests. Beijing would much prefer a gradual change in North Korea, largely on Chinese terms, to include the introduction of China-style economic and political reforms, the stabilization of North-South relations, and the eventual reconciliation of a stable, non-nuclear, Korea within China's sphere of influence.

Third—and a point too often overlooked in U.S. assessments—Beijing will work hard to avoid outcomes which would set back its meticulously crafted two-Korea policy. Since the normalization of Beijing-Seoul relations in 1992, China has carefully—and largely successfully—balanced relations between both North and South, with the long-term aim of reasserting China's traditional sway over the Korean Peninsula. Many near-term benefits have accrued as well, most notably the robust economic and trade relationship enjoyed between China and South Korea: China is South Korea's second largest export destination, and is South Korea's third largest source of imports; South Korea is China's third largest import source, and one of its largest export partners. Politically, too, Beijing and Seoul have come closer together on a range of regional issues. Most recently, their common interests have included similar approaches toward North Korea: downplaying tensions in favor of a more gradual and accommodating policy of political, economic, and diplomatic engagement. Thus, Beijing's interests weigh against policies toward North Korea which would be significantly at odds with those of South Korea. In many respects, Beijing and Seoul are closer in their approach toward North Korea than Washington and Seoul.

Fourth, Beijing's interests vis-à-vis North Korea's nuclear weapons program are likewise complicated and contradictory. To begin, China itself is partially responsible for North Korea's nuclear pursuits, having provided some assistance to North Korea's nuclear development program beginning in the late 1950s. China and North Korea signed a cooperation agreement in September 1959 for the peaceful development of nuclear energy, and in 1964 China assisted its neighbor to conduct a uranium mining survey. Reports indicate that China continued providing training and exchange visits for North Korean nuclear engineers and scientists into the late 1970s. By 1987, China apparently halted such official nuclear-related training and assistance for North Korea, but reports persisted of other forms of cooperation, mostly involving Chinese enterprises exporting various technologies and components to North Korea which could have applications for Pyongyang's nuclear weapons programs. For example, as recently as December 17, 2002, the Washington Times, citing leaked intelligence information, reported China exported some 20 tons of tributyl phosphate to North Korea, a chemical substance which has commercial applications, but which could also be used in the extraction of fissile material from spent nuclear fuel.[2] Moreover, China should be considered at least indirectly responsible for the recently revealed enriched uranium bomb program: this pathway to nuclear weapons is similar to the program Pakistan pursued with Chinese assistance;

[2] Information on China-North Korea nuclear related cooperation drawn from the Monterey Institute Center for Nonproliferation Studies database available from the Nuclear Threat Initiative Web site, www.nti.org.

Pakistan in turn is believed to have assisted Pyongyang in the development and design of a uranium-triggered weapon beginning in the late 1990s.

While the precise extent of China's role is unclear and may not in the end have been critical for the North Korean nuclear weapons development program, nevertheless North Korea is or soon could be China's fourth nuclear-armed state on China's border, joining Russia, India, and Pakistan. Today, this is a situation Beijing would obviously prefer to avoid, but it must be carefully analyzed and weighed in the balance with the other interests discussed here. On the one hand, many Chinese strategists and scientists discount the nuclear threat from North Korea, either expressing skepticism that Pyongyang's program could advance to weaponization and operational deployment, or noting that even if North Korea can successfully deploy nuclear weapons, China would probably not be a target.

On the other hand, Chinese strategists and scientists also recognize that North Korean nuclear and ballistic missile development helps drive military modernization programs elsewhere in the region, most notably in Japan. Japan's steps toward the development and deployment of missile defenses in cooperation with the United States, are not viewed favorably in Beijing, especially to the degree those systems might someday strengthen Japanese and U.S.-Japan allied postures during a Taiwan-related confrontation with China. More broadly, threatening North Korean nuclear- and ballistic missile-related provocations strengthen the case for a more robust and ready Japanese defense and military modernization program, including a stronger U.S-Japan alliance relationship—and, in some circles, a discussion of a more offensive conventional and even nuclear capability—again, moves which are not in Beijing's interests. Similarly, provocative North Korean steps with regard to its nuclear program also sparks an escalated American military response, with "all options on the table", according to the White House. Some Chinese analysts are prepared to concede that a nuclear North Korea could conceivably provide weapons or weapons-grade material to others, but this concerns is not given anywhere near the same degree of importance as in the United States.

Consider this: even in the face of Indian nuclear weapons development and deployment, where China is obviously a factor in New Delhi's planning, Chinese reaction, beyond an initial flurry of rhetoric and continuing low-level diplomacy, has not been forceful. Indeed, China and India continue to have generally favorable and mutually beneficial political, economic and security relations in spite of India's nuclear weapons and ballistic missile development and deployment. By Chinese comparative reckoning, North Korea poses a relatively minor nuclear threat at this stage and in the near-term.

Finally, China's interests regarding the changing nuclear equation on the Korean Peninsula are further complicated by Beijing's genuine desire to maintain positive and friendly relations with the United States. The United States continues to hold a number of critical keys for China's overarching national goals of continuing socioeconomic modernization and development at home. On the one hand, the United States is a major source of markets, capital investment, technology, and know-how, all of which helps drive the Chinese modernization process forward. On the other hand, China needs a stable international environment to pursue these goals, especially in East Asia, and will go to great lengths to deflect a crisis in the region involving the United States, and will try most of all to avoid a direct confrontation with the United States, if possible. Again, with regard to the North Korea nuclear issue, Beijing is faced with a delicate and increasingly challenging balancing act.

In sum, Beijing's interests and priorities with regard to North Korea and its nuclear weapons program are a mixture of constraints, frustrations, and difficult choices. Beijing may wield the most influence in Pyongyang of the major powers concerned, but it is an influence China is constrained from exercising fully. Placing Chinese interests within a strategic context, we see that with a direct border on Korea, stability and peaceful solutions are given highest priority in China, with the longer-term expectation of expanding China's traditional geostrategic influence over the peninsula. With that broad aim in mind, Beijing must balance a host of difficult to bad choices in its relationship with North Korea.

With specific reference to Pyongyang's nuclear ambitions, while Washington and Beijing wish to see a non-nuclear North Korea, questions arise over where each side places that priority on their respective list of interests vis-à-vis North Korea. Whereas a non-nuclear North Korea would rank at or near the top of such a list for Washington, other priorities and constraints may have greater weight for China. Given these other contending priorities and constraints, and until the possibility of an openly nuclear North Korea becomes more evident, Beijing will be reluctant to strong-arm North Korea and expend what political and economic leverage it may have in Pyongyang.

CHINA'S POLICY RESPONSE

Consistent policy approach: Beijing's policy toward the changing nuclear equation on the Korean Peninsula has been relatively clear and consistent: faced with a complex and often contradictory situation, Beijing supports a fundamentally cautious walk-back to the *status quo ante,* with a strong emphasis on a diplomatic solution, fearful that any precipitous action would only make a bad situation even worse. China's preferred solution stresses three elements: (1) restart diplomacy and dialogue; (2) avoid escalatory and provocative actions; (3) assure the denuclearization of the Korean Peninsula.

This approach has been consistently reaffirmed at the highest levels in China over the past five months. During their summit in Crawford, Texas—a mere two weeks after North Korea acknowledged its clandestine uranium enrichment program—Presidents Bush and Jiang agreed that both Washington and Beijing oppose nuclear weapons on the Korean Peninsula and that they would pursue peaceful methods to bring about a solution to the impasse with Pyongyang. During their summit in December 2002, Jiang Zernin and Vladimir Putin issued a joint statement urging the United States and North Korea to enter into a dialogue and underscoring their view that the Korean Peninsula should be nuclear weapons-free. On January 10, 2003, Presidents Bush and Jiang addressed the North Korea nuclear issue in a telephone conversation following Pyongyang's announced intention to withdraw from the Nuclear Nonproliferation Treaty. Both leaders shared the view that the peninsula should be nuclear weapons-free and that a solution on this issue should be reached peacefully. Shortly after that conversation, in mid-January, during the visit to Beijing of Undersecretary of State John Bolton and Assistant Secretary of State James Kelly, China went so far as to make a good-intentioned but ill-defined offer to provide a venue for talks between Pyongyang and Washington.

Most recently, on March 10, 2003, the two presidents spoke again by telephone, including a discussion about the North Korea situation. According to the official Chinese report on the conversation, President Jiang expressed China's hope that "various sides should keep calm and avoid actions which may make the situation tenser" and that China supports addressing outstanding issues through dialogue. Jiang added, "The form of dialogue is not the most important, the key is that whether both sides have sincerity, whether the dialogue has substantial content and result, whether it is favorable to the denuclearization in the peninsula, to solving the matters which the United States and the DPRK care about and to safeguarding the peace and stability of the peninsula."[3] As recently as last week, the Chinese Foreign Minister Tang Jiaxuan called on the United States and North Korea to hold direct, bilateral talks, and added that pressures or sanctions on Pyongyang, "Rather than solving the problem . . . can only lead to the complication of the situation."[4]

Reading between the lines: Reading between the lines of official Chinese policy, we can glean other important, but less prominent elements to China's approach. First, Beijing continues to emphasize the importance of bilateral, face-to-face dialogue between Washington and Pyongyang. Beijing recognizes this as a core interest for North Korea, and also sees merits in acting as an outside supporter of such dialogue and negotiation, but not a direct participant. China may expect that any such face-to-face dialogue would go a long way to stabilize relations on the peninsula, curb or rollback North Korea's nuclear weapons (and possibly ballistic missile) program, and result in some reassurances from the United States about North Korean security, all of which are very much in Beijing's interests, but without having to do the heavy lifting or be forced to "take sides" in a multilateral setting.

Second, in advocating dialogue and the eschewal of provocative steps, Beijing expresses its opposition to applying coercive means such as sanctions or force against North Korea. That language is also Beijing's diplomatic reminder to the United States to rein in its threatening posture toward North Korea which, in the Chinese view, is in part responsible for Pyongyang's belligerence. At the moment, the threat or use of force by the United States is Beijing's primary concern, but the question of sanctions may arise in the weeks ahead should the Bush administration choose that route within the United Nations framework. Should it arise, it seems very unlikely Beijing would support a sharp-edged Security Council resolution favoring tough sanctions, forced inspections, or authorizing the use of force when other means to gain North Korean compliance are exhausted.

---

[3] From 'Jiang, Bush Talk over Phone on DPRK, Iraq Issues", accessed from the Web site of the Chinese Embassy in the United States, *http://www.china-embassy.org/eng/44284/html.*

[4] From "China opposes pressure, sanctions on North Korea", *Reuters,* March 6, 2003, and condensed in NAPSNet *Newsletter,* March 6, 2003.

It is worth noting the degree of consistency versus flexibility in Chinese policy toward North Korea's nuclear programs over the past 10 years. For example, with the brief exception of the now-moribund Four Party Talks, Beijing has consistently declined active participation in multilateral mechanisms to resolve security problems on the Korean Peninsula, preferring instead to support more direct U.S.-North Korea dialogue. China did not take part in the multilateral Korean Peninsula Energy Development Organization (KEDO), though it supported its aims as well as the bilateral U.S.-North Korea Agreed Framework which set up the KEDO mechanism. China has also consistently opposed or deflected the application of sanctions against North Korea, dating back to the 1993-94 North Korean nuclear crisis. Since the early 1990s and China's accession to the Nuclear Nonproliferation Treaty in 1992, China has also consistently sought the denuclearization of the Korean Peninsula, beginning with its pressure on Pyongyang in 1992-93 to accept full IAEA safeguards and inspections.

However, in contemplating future policy approaches with China, Washington should consider two important exceptions to an otherwise consistent policy. The first point involves the threat of sanctions. During the 1993-94 crisis, China initially voiced its outright opposition to the imposition of United Nations sanctions and open-ended language of "further Security Council action" in the event of North Korean non-compliance, and threatened to exercise a veto if such a resolution came to a vote. However, as a crisis loomed, the United States readied for military action, the evidence of North Korean non-compliance mounted, and a Security Council sanctions vote became more likely, Beijing modified its position from opposing sanctions to "not supporting" sanctions (meaning Beijing would not exercise its veto to quash a possible sanctions resolution). Shortly after Beijing made this known to North Korea, Pyongyang moved forward to avoid looming sanctions and negotiate what would become the Agreed Framework.

Second, while China declined multilateral participation in the KEDO process, Beijing did agree to participate in the Four Party Talks, first proposed in April 1996 by the United States and South Korea and lasting, fitfully, over six rounds, until August 1999. Beijing may view such a framework more favorably for a number of reasons. First, the make up and smaller number of parties helped Beijing to appear "on North Korea's side", while also avoiding the appearance that the region was "ganging up" on North Korea. The smaller framework also allowed Pyongyang to meet its goal of dealing more directly with the United States, which a larger mechanism might not allow. Of course, in the smaller framework, China's role was also comparatively more weighty than it would be in a larger multilateral setting, such as the proposed "Six Party Talks." Finally, the Four Party Talks were intended to address larger strategic issues of replacing the 1953 Korean War armistice agreement (to which China was a direct party) and fostering reconciliation on the Korean Peninsula, arenas where China can more comfortably operate than dealing with the stickier questions of North Korean disarmament, which Beijing prefers to view as a U.S.-North Korea problem.

U.S.-CHINA RELATIONS AND THE NORTH KOREA NUCLEAR CHALLENGE

U.S.-China relations: Given Beijing's interests and responses thus far regarding the changing nuclear equation on the Korean Peninsula, a mixed picture emerges for U.S.-China relations on this issue. On the one hand, the two sides can fairly say they share common interests in a denuclearized Korean Peninsula and a peaceful resolution to the issue. But under the surface, a number of differences are apparent, and, under certain conditions, these differences could increase in the months ahead.

First, Beijing, like others in the region—particularly South Korea and Russia—will likely oppose coercive steps to force North Korean compliance. In the absence of overtly hostile acts aimed at the home islands, Japan too would prefer a diplomatic, as opposed to a coerced, solution. In this context, Washington should avoid driving South Korea too far into Beijing's camp, a process already underway in some respects. But depending on how far North Korea takes its gambit and the forcefulness of response deemed necessary in Washington and elsewhere in the region, a more serious split between Beijing and Washington could emerge over the means to bring about North Korean compliance.

Second, beneath the surface of common interests toward the North Korea situation, Beijing does not hold Washington blameless. Many strategists in China point out that the Bush administration's tougher approach toward North Korea—including Pyongyang in the "axis of evil," leaking nuclear preemption contingencies aimed at North Korea as part of the nuclear posture review, and personalizing attacks against Kim Jong-il—only force North Korea's back to the wall. In Beijing's view, further tough rhetoric and escalatory actions by Washington would only lead to

more provocative and potentially destabilizing responses by Pyongyang. If escalating confrontation leads to conflict—by design or miscalculation—Beijing will resent American insensitivity to its interests and its inability, as the world's sole superpower, to chart and lead a negotiated solution.

Third, if the current North Korea nuclear situation continues to fester and worsen, pressure will build even further on China to exert greater pressure on Pyongyang. If matters go badly—the emergence of an openly nuclear-armed North Korea, a damaging and costly conflict on the peninsula, or the proliferation of nuclear materials from North Korea to American adversaries—China will likely be seen as part of the problem. Depending on such outcomes, U.S.-China relations could suffer considerably.

Policy approaches: To avoid these kinds of challenges, Washington should continue to engage with China in order to gain steadily more cooperative responses from Beijing. In particular, Washington should consistently and persistently convey to Beijing the risks it takes in not recognizing and acting on the challenges posed by a nuclear North Korea, and the benefits that would accrue for China and U.S.-China relations by doing so.

- At a global level, the further weakening and breakdown of international nonproliferation regime inherent in North Korea's pursuit of nuclear weapons will only encourage others to more seriously consider the nuclear option, such as Iran, or to more vigorously pursue their extant nuclear programs, such as Pakistan and India. These countries are in China's neighborhood for the most part, holding out the prospect for further nuclearization, rather than denuclearization, around China's periphery.
- North Korea has demonstrated its willingness to link with other proliferating states in the spread of nuclear and ballistic missile technologies. Given this record, North Korea must appear very attractive to states and sub-state actors who seek nuclear weapons and ballistic missiles, and who might use them for terrorist purposes, further destabilizing the international system.
- China's own security interests are at stake. North Korea would become the fourth nuclear-armed nation on China's borders, joining Russia, India, and Pakistan. Not only will this even further complicate China's relations with its neighbor and ostensible ally, and leave Beijing open to potential nuclear blackmail and coercion at a future date, but further lowers the threshold for possible nuclear weapons use in China's backyard.
- North Korea would perhaps represent the most unstable and "weakest" regime yet to openly brandish nuclear weapons, raising enormous concerns over command and control, reliability, materials protection, control, and accountability, and potential for misuse, theft, and export, especially in times of crisis or the collapse of political, social, and economic order.
- Chinese security and economic interests will not benefit from a more disruptive and unstable regional security environment, especially one brought on by the potential emergence of a new nuclear power in the region.
- As North Korea's most important supporter and bordering major power, and as a country which aided North Korea militarily in the past, including the provision of nuclear technology and assistance for the North Korean missile development program, China bears an enormous responsibility in assuring a peaceful resolution of the nuclear stand-off and a rollback of the North Korean nuclear and ballistic missile programs.
- Unlike the current Iraq situation, the North Korea crisis should be of immediate strategic concern to Beijing, and the world will look to China to take a more proactive and responsible position in assuring a peaceful outcome and the rollback of Pyongyang's nuclear weapon programs. China's reputation as an aspiring great power is at stake.
- As the principal regional player best positioned to work with both the United States and North Korea, China should be strongly encouraged to do more as a "go-between", clearly conveying messages, constraints, and red lines from both sides, while facilitating a bilateral dialogue embedded within a regional set of consultations which includes North Korea and others such as South Korea, Japan and Russia.
- For these words of cautionary diplomatic advice to work and gain greater cooperation from Beijing in dealing with North Korea, the United States will also need to demonstrate its seriousness in advocating a multilateral approach to this issue, and one in which China (and others) have a stake in the process. In pursuing a multilateral approach, Washington must engage in an even more

intensive set of diplomatic consultations to bring the United States, South Korea, Japan, China, and Russia closer together on how to address the challenges North Korea poses to the international nonproliferation regime and regional security. This process has to begin first with a serious reconstruction of U.S.-South Korea ties and from there coordinating within and across our Northeast Asian alliances so the trilateral U.S.-Japan-South Korea relationship can speak in a more effective and unified way. This not only strengthens the U.S. hand vis-à-vis Pyongyang, but also discourages others such as China from exploiting intra- and inter-alliance differences which have emerged. With Japan, South Korea, and the United States working more closely together, the step toward a more region-wide mechanism will be easier to accomplish.

The CHAIRMAN. Well, thank you very much, Dr. Gill, and I appreciate the testimony of each one of you. You offer complementary views, at least in my judgment.

I want to explore this situation for the reaction of all three of you. This morning, in a different venue, the nuclear threat initiative group that is now headed by my partner in the Nunn-Lugar business, Sam Nunn, and I participated in a press conference. We had Dr. Matthew Bunn from Harvard and other associates who have worked on a remarkable report trying to detail all of the nuclear weapons, fissile material that is not weaponized, facilities and what-have-you, in Russia, just for the sake of having an inventory of, to the best of our knowledge, what is there.

Because of the openness of the relationship we have a reasonably good idea of how much of it could in any way be called secure. That is, there are guards, either Russian, American, or of some combination, as opposed to some laboratories that appear to be unguarded, or spent fuel even outside the former Soviet Union.

The point of this exercise is that fissile material is sought by many parties in the world. One of the arguments on Iraq has been that if a program has not progressed to the point of weaponization, then surely it would be accelerated if the Iraqi's became successful in obtaining fissile material. Most of this material is in the United States and in Russia, arguably more than 95 percent.

The problem here is that there at least is a fear that without active work on our part with the Russians, first of all securing the material, and then second go into an active, cooperative destruction of it, at some point, if not al-Qaeda, some other cells of somebody's terrorist organization, not necessarily a nation State, maybe a very small subgroup, will, in fact, obtain both the expertise and the ability to create even small nuclear weapons. We are talking today just about nuclear capability. There will be existential problems for our country and Russia and lots of other places, and these are so difficult for people to imagine. Even though theoretically you see the concentric circles of destruction wherever it may be, and the hundreds of thousands of people being enveloped, that still is—it seems far-fetched.

The dilemma that people like I have with the North Korean business is that it appears, for all the reasons you have discussed, that conceivably this might be a government, through either its desperation or maybe its normal trade practices, that is prepared to produce even fairly small amounts of fissile material and/or even small weapons and sell them.

Now, there may be some reassurance, as Ambassador Lilley has pointed out, in our ability to interdict such shipments, but I do not

know what the odds are, and small amounts tend to defeat interdiction unless it is extraordinarily multilateral, I would think, and successful. So this is the dilemma that I see.

For example, I understand from the experience that you had, Ambassador Lilley, you point out the idea of the Chinese saying hold off, do not get excited about this thing, we have been there before. Others could say that, too, including our government, that in the fullness of time, with all the proper consultations—and they take time. You try to find some stake that everybody has in them, and eventually sort of working month by month, maybe year by year, you get everybody sort of in a mood to get around the table together, and something good happens.

Now, if our judgment is that nothing really is going to happen in the meanwhile—first of all that the estimate that North Koreans already have weapons is untrue, or that our prophecies that as you split the plutonium off of the rods and such, and move toward weaponization of that, that, in fact, this is a lot tougher, or it will take longer, or you really do not get to weapons even in that process, despite all the bluff—why, that is very reassuring indeed.

In other words, we could listen to all the bluff going on, all the dismissal of the atomic energy inspectors, and say, we have got time, these folks really cannot do it, and they are trying, struggling and so forth, but we surely are adept at watching all of this, trying to stop it, frustrate it, whether we are Chinese or Japanese or so forth.

But what if, in fact, they do have bombs? What if, in fact, the prediction comes true that six might be built in another year if this thing progresses? What if the North Koreans announce all the steps, provocative or not—in fact, if they are not telling the whole truth, they are telling enough of it, that this pretty well describes what they are doing—and in the meanwhile, we continue to say, hang on here now, do not get half-cocked in trying to make a bilateral deal because you have got all sorts of other factors involved here and a lot of other unwilling players.

This leads me to be very uneasy. If I were not concerned about the proliferation issue, about the willing arms, and the fact of people desperately trying to get their hands on this stuff, and the willing seller, the rest of the North Korean situation might work itself out, but I am not sure this part will, so if that is true, does this create any more urgency?

Even if it is urgent, you might say, well, urgent or not, there is not a whole lot you can do about it. Maybe, as Dr. Gill has said, the Chinese take a calm attitude toward development of nuclear tests in Pakistan and India, a calm standpoint. They have not apparently tried very hard, through aggressive maneuvers, to stop it, and maybe we are much more worried about it in the United States.

We certainly were as we proceeded to Afghanistan, and we are deeply worried something might be going on in Kashmir even while we are busy working on the al-Qaeda problem in Afghanistan, nearby. So we became much more interested in both India and Pakistan, both because of geographical situations, but likewise, volatile elements that appeared to be in both countries that might even have wanted to mix it up, and that maybe did not understand

the implications of what might happen to them, have not had experience in dealing with these weapons for very long.

So this is my sense. You know, what about the urgency, or is there urgency? Do we have time? If so, then it appears to me the general prescription that we heard from Secretary Kelly and maybe from you, but I am not certain, is right, that carefully, thoughtfully, step by step, understanding the nuances, looking for something, we sort of put the thing together and we are steady and persistent, and we can go at it month after month, year after year, until we get there.

Do you have any feel about urgency? Is this nuclear thing for real and, if so, does this not change the equation in terms of a steady and more patient course?

Ambassador Lilley, do you have any reflection about this?

Ambassador LILLEY. Stating the obvious, Mr. Chairman, diplomacy is all about hard choices, and in this case, as I try to point out, the solution to this awful situation in North Korea lies in the economic field. As Sun Tzu said, do not hit them at their strong point, hit them at their weak one, and economics is where we get them. That is where you are going to win this fight.

You raise the case about their proliferation. That is what frightens me, not the fact that they are sitting on 20 nuclear bombs in some cave in North Korea. It is what they are going to do with them, and here, I think we have common cause with Japan, China, Russia, et cetera. We have got to have it with South Korea as well.

The CHAIRMAN. You mean they are prepared really to sit with us and to try to stop it there.

Ambassador LILLEY. The answer is a common cause. The South Koreans have to help us do everything possible in intelligence, interdiction, whatever is needed to stop proliferation of WMD from happening. North Korea must understand it will pay a price, not necessarily sanctions. The Chinese in the past have had an exquisite and subtle way of exerting leverage without sanctions. None of these Westernized "road maps" or agreed frameworks for them. If we get cooperation, we should succeed in the long run. North Korea will get the message.

Howls, screams, tantrums, threats, everything will emit from the North. We need to keep a steady course. We need work on our allies and friends. Work on the big countries in Asia, not the ugly little ones such as North Korea. We need to keep focus on the economic front with our friends and allies, which is the North Korean weakness, and then to encourage these countries to help us. That is what we are after, and that is where we can do something with China. Namely, when those North Korean planes start flying over you, stop them, inspect them, see what is on them. We will do it, Japan will do it.

The CHAIRMAN. Perhaps, then, maybe we ought to say up front right now that we are working intensively with each of these countries on nonproliferation. In other words——

Ambassador LILLEY. Of course, China has been no boy scout on this one.

The CHAIRMAN. No. Well, that is why even this course has its problems, but as you say, the Chinese, perhaps informally, maybe when the Vice President goes or somebody, and we sort of discuss

Realpolitik and the problems of the world makes headway. I am trying to look for some silver lining in this situation.

Ambassador LILLEY. Yes. Well, our leaders including Paul Wolfowitz and others, when Xiong Guangkai, the Chinese chief of their military security intelligence came over here, had two messages for him. First of all, we want to reestablish a military relationship with you. We think this is important and we want to do it.

No. 2, the first item on the agenda is North Korea. It is not exchanges, it is not waltzing in the officer's club, it is North Korea.

So I think we can begin to build a common front with China, and as Bates says, it is very difficult to do, but I think we can do it.

Dr. GILL. Mr. Chairman, there may be some precedent for this, because while China has, I would say, 99 percent of the time been opposed to sanctions and more coercive measures, there is, I think, some precedent back in 1993-1994. China consistently, through 1994, opposed the idea of a U.N. Security Council resolution issuing sanctions, opposed, opposed, opposed, opposed.

However, as the issue came to a head, and as it became increasingly possible that there would or could be some military action, and as the international community gathered steam to condemn North Korean action, lo and behold, messages were quietly sent to North Korea from Beijing that China would move its position from oppose a sanction to not support. In other words, they would not issue their veto.

My point is this. We need to do all we can with the Chinese to show our hand here, as much as we can, provide the evidence to the Chinese that this is a looming problem, that we have evidence of their bomb-making capability, of their intentions to move forward in the development of nuclear weapons. To the degree we are able to reveal those bits of evidence, I think that is going to go a long way in convincing the Chinese. That is point one.

Second, mobilize a broad swath of the international community behind us on this one. We may have squandered a lot of opportunities in other parts of the world. We cannot let that happen here with North Korea. We have to have a broad cross-section of the international community behind us on this issue.

With those two cards in our hand, I think we can get the Chinese to do the kinds of arm-twisting that is going to be needed to get the North Koreans to come along.

The CHAIRMAN. Thank you.

Dr. Cha, do you have a comment?

Dr. CHA. Yes. Mr. Chairman, I would agree with all of the concerns that you have raised, and I think when we think about as it relates to China, it is very clear, as both Ambassador Lilley and Bates Gill have said, that the very thing that you are concerned about, fissile material that could be sitting in one of 10,000 caves in North Korea that could possibly be sold to a third party is something that is not simply of concern to the United States, it is a concern for China as well.

And I think one of the most important things to do is obviously to make this aware to China, but in particular, also to say that China cannot wait. China cannot be tactical about this and hope that it can reap the benefits by waiting to the very end, after the

United States has done most of the heavy lifting and then hope to get onboard at that point, because that is not going to gain the leadership and the leverage in the region, that Beijing desires.

So I think those are two very important points, and finally, the third point is that, you asked about urgency. It is a very urgent situation, but how urgent it becomes, I think, will frankly depend on how much worse North Korean behavior becomes.

I think if we get conclusive evidence that they have already started reprocessing, that obviously speeds up the clock for all of us, but in the meantime, I think for both China and the United States, the notion of going to the U.N. and having a soft Security Council resolution that does not talk about sanctions, but states very clearly what is the obvious fact, that North Korea is way outside the nonproliferation treaty, and that they need to come back into compliance, I would find it very difficult for countries like China, Russia, France, or others to disagree with that very basic fact, and that does give you a strong multilateral position from which to then proceed.

The CHAIRMAN. Let me ask an entirely different question. What if the United States were to try to encourage South Korea, even China—and it is counterintuitive that they would come along at all with this—but what if we say, we believe in freedom for people in North Korea? We think they ought to have the ability to emigrate to other countries. Now, the Chinese have spent a lot of time making sure that if anybody ever did that they were harassed until they got back or what-have-you, so we have some understanding of their antipathy to that idea.

The South Koreans usually would appear to be still very resistant, if not the whole idea that sinks both of us to have too much of this going on sort of pell-mell—although we have had some testimony in one of our hearings on the part of some South Koreans that they have accepted people from the North—but by and large very few of them relatively—but what if we in the United States said, we are prepared to accept people from North Korea, freedom-loving people everywhere. The Czechs might take in some North Koreans.

When we were dealing with the cold war over on the European side, clearly this idea that people could escape, could find another life, was very important. We have had that view with regard to Cubans who have come, been sponsored by churches in Indiana, quite apart from Florida, or people in the South, so that there was at least some outlet for this.

It seems to me that right now we are in a situation in which all the parties understand that North Koreans are starving, that they are in horrible predicaments, but they simply are unprepared, really, to deal with a massive exodus, or even with a small one.

Now, perhaps the North Koreans would see any such invitations as almost as provocative as economic sanctions being imposed upon the country. I do not know. That is why I am asking you. I wonder why, in terms of policy, we have not proceeded more in terms of the idea of escape, emigration, a better life, people out of there, given their predicament, as opposed to always treating them inside the cage with the World Food Programme or whoever else it is, to the extent that we could minister unto people who were in bad

shape, while noting that several hundred thousand were dying in the process, even while we are at it. We are sympathetic, but not enough to really relieve the stress.

Does anybody have a feel about that situation?

Ambassador LILLEY. I think, Mr. Chairman, that that situation is evolving. The real obstacle to handling it the way you suggested is the Chinese, their agreement of 1986 with the North Koreans to turn all refugees back, and they have done this maybe 30 percent of the time, but they have refused NGOs. They have refused the United Nations High Commissioner for Refugees a presence in Manchuria. The Chinese want to handle it as a bilateral matter with North Korea.

What I am hearing now is indications of how brutal the negotiations are between the Chinese and the North Koreans. The North Koreans walk in and say for instance, we want 1 million tons of grain, we want 700,000 tons of oil for this next year. We want assurances of this. The Chinese say, well, how about 100,000 tons of grain and 100,000 tons of oil. No. The North Koreans then say, in effect, and this has to be confirmed, how would you like 3 million refugees in Manchuria? The Chinese have to reconsider.

There is an element of blackmail in here, but if you do this to the Chinese enough times, it seems to me that they might begin to adjust their position on this refugee issue. They have done this in Vietnam when they took the Vietnam refugees in china. The proposal setting up a first asylum area in Mongolia has been raised in a different context, but these ideas may again pick up currency as you deal with the very difficult situation the Chinese are facing in Manchuria, where they are having these difficult economic problems in the area opposite North Korea.

So I sense that maybe there is something to be done here, and I think it may be evolving in a positive direction.

The CHAIRMAN. Dr. Cha.

Dr. CHA. Yes, there is clearly a reluctance in both South Korea and China to deal with this problem. The Chinese only send back to South Korea and to third countries those attempted defections that are caught on television or on tape, or on the radio. All the rest do not make it.

The notion of the United States accepting North Korean refugees, I think, would set an incredible precedent for both South Korea and China and Japan for that matter with regard to how to deal with this very terrible problem. The role of the UNHCR in China on an issue like North Korean refugees—and again, I do not know how possible this is, but I would agree with Ambassador Lilley that the North Koreans are leveraging this refugee threat to try to gain more out of China, and I think the Chinese are losing patience with that, and the Chinese refusal to allow the UNHCR to come in and look at this particular issue may be weakening over time, particularly if the boundaries of what the UNHCR is allowed to assess and evaluate are limited, but I do agree that I think patience on Beijing's part with regard to this problem and the North Korean traditional use of leverage threatening these refugees to get what they want from China, their patience is growing thin.

The CHAIRMAN. Well, as Ambassador Lilley has said, a threat of 3 million people going into China, that is a massive number of peo-

ple. I presume there would be 3 million who are prepared to do that. I do not know how the North Koreans look at this.

But just to pick up your point, because in a hearing we do not have to make policy. We just visit with each other and we try to discover the territory. But let us just say for argument that the United States dramatically announced that we are prepared to accept 100,000 North Koreans, and we would like to get on with it, because we believe, as a matter of fact, being a peace-loving country, that whatever expenses may be involved in our transporting and beginning to support through all of our compassionate groups in the United States 100,000 people they would amount to much less than preparation for nuclear war, or whatever else is required to be credible in this particular area.

Now, I say this in the context that clearly there is disagreement among people, back to the Clinton days in 1994, but I can remember, as a Member of the Senate, in a small group listening to Secretary Perry describing plan C—I cannot remember what A and B were, but C involved sending several hundred thousand Americans to South Korea to rescue the country before the North overcame it.

Now, you can say well, that is fatuous. The North never, never would have shot all those guns. They would have sent the people across while Seoul was in chaos. They would never have proceeded on down. I hope that is right, and maybe that is, but I remember a sense of dismay as we practically discussed practically where the logistic support for all of these people is.

By this point, you have some facilities in Japan, nothing left in the Philippines, a little bit in Singapore. Physically, even if you want to do this, if you want to save South Korea on the ground, physically, how do you do it? The expense of doing this is enormous.

Now, we could say, well, that is never going to be replicated again. The military option is off the table. But the fact is, it is never off the table. Our credibility in the area comes from the fact that many people believe the United States has been a protective force. Not uniquely, everybody else is building up forces, but still they counted upon us, as opposed to abandoning the area, and it is a given here, and that is expensive as it stands, and it will be more expensive, as a matter of fact, if things become more tense.

If, instead of sending two dozen bombers out into the area to counter the buzzing of our aircraft, which was some distance in North Korea, well, let us say the North Koreans next week try to out another aircraft, or whatever else may be? I am just hypothetically saying, why do we not take a look and see, as a matter of fact, if there is another approach.

We announced, as you have all noticed at the inaugural for the new President, our new food program, or renewed it at that time, in part because we thought this would be good for our relations with South Korea, leaving aside people that were to be fed. Obviously they would be helped by the process.

But at the same time, the rest of the world has either reneged or gotten out of the program. When we had Mr. Morris from the World Food Programme, he testified that we used to be feeding 6 million people more or less. We would be doing well to get 3 million

fed, because others are opting out of the process, even while we are forthcoming.

Again, I am just trying to figure out the disconnect in all of this, or at least, if we are talking about leverage, examples, relative expense, and humanitarian efforts, it seems to me to offer some possibilities, and I just would testify from the standpoint of the cold war, or even the Cuban business, that emigration meant a lot to people. It changed the dynamics of the situation.

Dr. GILL. Just one comment. The opportunity that would become evident to people inside North Korea of this offer could then lead to a real, an even greater surge of people trying to get out of North Korea, which on the one hand, you know, could have its benefits, of course, because it would hopefully undermine the regime and maybe bring it to a more cooperative position.

On the other hand, from China's point of view, is that a good thing, if we are prepared to take in 100,000 and that spurs 400,000 to come across the border, that is something China may not want to support.

The CHAIRMAN. How about if South Korea stepped up and said, well, we will take half of them.

Dr. GILL. Yes. Well, that would be I think—some measures like that would have to be considered, because obviously if it were 300,000 persons estimated now as refugees in China's Jilin Province, then clearly the demand, if you will, will be much, much higher if that kind of an opportunity were put on the table to go to South Korea or to the United States or elsewhere.

One country we have not talked about here yet in questioning whether this is a good idea or not is North Korea. I doubt that North Korea would be particularly in favor of this, and may well take action, maybe very violent action to make sure it does not happen.

The CHAIRMAN. To stop people from getting out.

Dr. GILL. Or they would do sort of like Haiti did and send us their least desirable persons.

The CHAIRMAN. Oh, I expect all of the above.

Dr. GILL. But on the other hand, I like the idea, because I think it would send an important signal. It would be, I think—China would recognize it in some way as a benefit, as a kind of recognition of the problem they are facing, and a willingness for us to reach out our hand and try to help them alleviate a problem they are trying to tackle.

The CHAIRMAN. Yes, but ultimately, part of our goal is to see the unification of all the Koreans. The South Koreans have always said, but not yet. We are not Western Germany vis-à-vis the East. We just cannot afford this. These people are very, very poor, very, very desperate, and we are still pulling things together and so forth, and fair enough, but at some point unification means sort of commingling of all these needs, and if that is hopefully where we are headed, which I hope is the case for the sake of the Koreans that are involved, in the North especially, this is sort of a way of edging into the situation.

What I see now is a stiff-arming of all of this down to the most minimal migration of North Koreans into South Korea, with the thought that somehow this is not the time, not the place, even a

feeling that even if unification is in the by and by, to be hoped for, the expense of this, the inconvenience of it and what-have-you is not now.

So you push back even from the South Korean side, creating enormous suffering for people in the North and there is great sympathy for them, and then a criticism of us for provoking them so that there might be conflict in the process, and I am trying to think of ways to begin unraveling all of this dilemma that is, after all, a part of history of 50 or 60 years ago, but now there are different dimensions, a more prosperous South, and for that matter an interested group in Japan might want to be a part of this picture.

If we are talking about multilateral cooperation, why, this may be a way in which we try to get a united way.

Dr. CHA. Yes, I would agree. I think all the countries in the region have a very difficult time with this issue, and they kind of wish it was not there.

At the same time, though, I think if the United States were to do something like this and take the lead on it, it would be very difficult for any country in the region, including China, to actively oppose it or to speak negatively of it, and I think it would actually force a lot of countries in the region to get on the bandwagon and, in particular, as you said, try to minimize the negative externalities in particular for China, because they may experience the surge after this 100,000 is accepted by the United States.

With regard to this question of what is the real down side of this, as you mentioned in your initial comments, the down side is, of course, that the North Koreans might perceive this in a strategic way, as an attempt to completely unravel the regime, and for that reason, as Bates said, they might lash out.

I think they would certainly perceive it that way, but whether they would actually lash out as a result of this particular humanitarian gesture to me is highly—it is a highly questionable or debatable proposition, because as we all know, the notion of North Korea lashing out really is a last gasp attempt, where they know it is a self-conscious act of suicide, and whether they would do it in response to a purely humanitarian gesture of this nature, I think it is a very debatable proposition.

The CHAIRMAN. Having argued all this, let me just say that we then have, of course, the problem of our own government, our own policies. In part because of 9/11, the whole immigration situation has become extremely difficult, so each of you who are involved as you are in colleges and universities know the extraordinary problems that everybody has now, going to the immigration office, as I hope you do at your places—you know, we have 5,000 students at Purdue who are international students, and a great number of them from countries which have great political difficulties now, and so we are at that particular point in which we have to work this out.

Likewise, Vicente Fox in Mexico, when he came to power, hoped that there would be a difference in the Mexican-American relationship, closer at home, and there has not been, a great disappointment there, which continues. There are profound problems in terms of our own politics, and so even though I am hypothetically talking

about our doing this, I have no basis whatever to believe that anybody in our government is on the threshold of such a maneuver.

On the other hand, what I think I hear, and what our members around here are concerned about, is that this is, we believe, a very urgent, dangerous predicament. Whether it is elevated to crisis, or whether you can spin it out, remains to be seen. Historically, if we are wrong, why, we will be culpable for having had very bad judgment, and that is the problem, if we have some responsibility.

We are not alone in this, in this committee, or in the Senate as a whole. We have an administration, we have other people, but I think this is a very serious security problem for our country and for many others, so this is why you try to think outside the box occasionally and see really where we might head.

But you have all been doing that for a long time, and I appreciate your testimony. The full papers are excellent, and a real contribution, as well as your patience in musing with me about hypothetical situations this afternoon, and I know we will be closely in touch with you. This will not be our last discussion of the issue, because we have had, as I started my opening comment, at least five occasions during barely 60 days or so of our work as a committee to hold hearings about a serious facet of North Korea, or South Korea, or something on the peninsula.

That is not by chance. It is both because we have a responsibility, and because it is extremely interesting, I think, to our members, so we thank you for being a resource, and the hearing is adjourned.

[Whereupon, at 5:32 p.m., the committee adjourned, to reconvene subject to the call of the Chair.]

○