

NORTH KOREA

BRIEFING AND HEARING
BEFORE THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
ONE HUNDRED TENTH CONGRESS
FIRST SESSION

—————
JANUARY 18 AND FEBRUARY 28, 2007
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Serial No. 110-15
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Printed for the use of the Committee on Foreign Affairs



Available via the World Wide Web: <http://www.foreignaffairs.house.gov/>
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U.S. GOVERNMENT PRINTING OFFICE

32-548PDF

WASHINGTON : 2007

For sale by the Superintendent of Documents, U.S. Government Printing Office
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NORTH KOREA

THURSDAY, JANUARY 18, 2007

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 1:32 p.m., in room 2172, Rayburn House Office Building, Hon. Tom Lantos (chairman of the committee) presiding.

Chairman LANTOS. The committee will come to order. Seven years ago, one of our nation's great strategic thinkers outlined a new and bold approach to the North Korean challenge. He said that the United States should pursue a comprehensive and integrated approach toward the nuclear and missile programs of what so many have come to accept as the hermit kingdom. But this time, we would be equally prepared to wield both carrots and sticks to entice the hermit into a meaningful dialogue.

Pyongyang's verifiable steps to eliminate their nuclear and missile programs would be met with a package of incentives structured in a carefully modulated, step-by-step fashion, and if Pyongyang refuses to negotiate a verifiable deal, America and its allies would move assertively to contain the North Korean threat and protect the international security.

I am very pleased that the author of that ground-breaking and tough-minded plan, former Secretary of Defense Dr. William J. Perry, is here with us today to present his views on the forward course with North Korea. Given the dramatic increase in the threat posed to the United States by Pyongyang over the past 7 years, one must wonder if our national interests would have been better served by fully implementing Dr. Perry's thoughtful recommendations instead of deriding any and all foreign policy initiatives of the Clinton administration.

The initiation of the Six-Party Talks was smart policy, but the deep divisions within the administration have hobbled the negotiations from Day One. Until recently, the administration seemed satisfied with sending an American delegation who read canned talking points instead of engaging in a meaningful dialogue.

I have great confidence in Ambassador Christopher Hill, but I must wonder whether Pyongyang, having witnessed the first few years of this administration, has already made the strategic decision to delay serious negotiations until the next President is on the job. It is my hope that this is not the case. But North Korea's decision to test a nuclear device just 3 months ago would seem to indicate that a deal may not be in the offing.

In the meantime, we must have a simple goal. We must work assiduously to keep the door open for diplomacy. Ambassador Hill must be given maximum flexibility to deal with the North Koreans to advance the ball toward a verifiable and comprehensive deal.

I was very encouraged by Ambassador Hill's comments yesterday in Berlin, opening the door to an eventual bilateral dialogue with the North Koreans on normalization of relations after the nuclear issue has been resolved. In order to break down decades of mutual mistrust, we must also open up new channels of communication between North Koreans and the American people through increased cultural contacts.

I will continue to do my modest part. I have led two substantive trips to North Korea to meet Pyongyang's negotiating team, and relations with my hosts at the highest levels of government improved significantly over time. I will return to North Korea again this spring to underscore the importance of continuing a meaningful and substantive dialogue between our two nations, with the goal of establishing a Korean peninsula free of nuclear weapons.

Concrete progress toward a comprehensive deal may prove elusive unless we return to the approach outlined by Dr. Perry 7 years ago: Sustained, high-level, carefully calibrated, and reciprocal diplomacy. Short of this, we may very well see additional nuclear and missile tests from the North.

I am delighted to acknowledge the outstanding contributions made to peace on the Korean peninsula by our other distinguished witness today, Ambassador James Lilley. As ambassador to South Korea and, subsequently, China, Jim really played a crucial role in developing and implementing American policy in the region for decades. We greatly appreciate his penetrating insights into the North Korean regime and his recommendations on how we can improve our policy toward the Korean peninsula.

As our two witnesses today know very well, North Korea policy is bereft of easy options: Military, economic, or political. That said, the North Korean nuclear and missile threat is on a sharp rise, and it is imperative that our nation find a way, with the cooperation of China, South Korea, Japan, and Russia, to check this threat before the security of North Asia is further destabilized.

The stakes are enormous. North Korea could sell bombs or plutonium to third parties. It could complete a large reactor capable of producing 10 bombs every single year, and nuclear proliferation in Asia could be on its way. We must prevent this from happening.

Before turning to our witnesses today, I am delighted to recognize my good friend, the distinguished ranking member of the committee, Congresswoman Ileana Ros-Lehtinen, for her opening comments.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman. Thank you for the time, and let me begin by thanking our witnesses for their testimony today.

North Korea's increasingly reckless behavior represents an immediate and growing threat not only on the Korean peninsula but to the entire Asia-Pacific region. This region has enjoyed an unprecedented period of peace and prosperity for several decades and has been transformed into an engine of the global economy.

However, North Korea's repeated provocations, including last year's July 4th missile launches and the October nuclear test, pose a great threat to the stability required for the region's continued growth.

The impact of a major crisis would be felt far beyond Korea, not only in Tokyo and Hong Kong but in London and New York as well.

Concerns have been raised that Kim Jong Il and his regime may conduct a second nuclear test in the near future. This, in turn, could trigger a nuclear arms race in the region, with Japan, South Korea, and perhaps even Taiwan reevaluating their fundamental security needs. The threat posed by North Korea's nuclear program has wider, even global, implications.

The regime has long been a major proliferator of nuclear and other weapons-of-mass-destruction materials and technology. Its ties to the Dr. A.Q. Khan nuclear black market network have been extensively documented. In addition, Pyongyang has been involved for many years in missile sales to Iran and other rogue states in the Middle East.

The damage caused to the northern cities of Israel last summer from North Korea missiles supplied by Iran to Hezbollah is a stark example of the threat posed by the regime's continuing proliferation.

We are seeking answers today on how to counter North Korea's increasingly provocative behavior. What steps can the United States take, working with specific allies, through the Six-Party Talks, and at the U.N. Security Council, to put the North Korean nuclear genie back in the bottle?

A regional proliferation problem needs a regional solution, as this is a concern which extends beyond the outstanding bilateral issues which separate Washington and Pyongyang. That will require a greater commitment and concrete action from other countries in the region, especially China.

Greater attention must also be focused on the various issues and the means by which North Korea has accessed the hard currency needed to finance its proliferation activities. Following the clampdown on the Macau-based Banco Delta Asia in 2005, Kim's regime was forced to resort to even more desperate and illicit activities to keep the cash flowing. These activities included ongoing schemes, such as fraudulent insurance claims and other financial scams, involving the United Nations Development Program and other U.N. agencies. We must work to deny these resources to the regime in North Korea. I expect this committee to devote continued attention to this problem in the months ahead.

Regarding the subject of the United Nations and North Korea, it should be noted that the U.N.'s most recent special envoy for North Korea was Canadian businessman and disgraced former U.N. official Maurice Strong. I remind my colleagues that Mr. Strong received \$1 million from Saddam Hussein, via Tongsun Park, who was convicted last year in a United States Federal court. Mr. Strong also received a number of gifts from Mr. Park, including subsidized rent of Strong's New York office.

I will be very interested to see who the new secretary-general selects to be Maurice Strong's replacement as the special envoy.

Given that Mr. Strong remains and retains strong friends in high places at the U.N., he may seek to play a role in selecting his own replacement.

The U.N. has the potential to play a positive role in 2007 with respect to North Korea. But it may choose to continue to play a very negative role by serving as a conduit for cash for the North Korean regime.

Kim Jong Il's past eagerness to engage in illicit activities, including drug trafficking in Japan and counterfeiting of United States currency, indicates that the Dear Leader would have no hesitation in striking a deal of proliferation for profit.

This is an issue of utmost urgency, and I welcome the comments of our distinguished panel of experts. Thank you very much, as always, Mr. Chairman.

Chairman LANTOS. Thank you very much, Congresswoman Ros-Lehtinen.

Before I turn to other members of the panel, let me just say, the last 2 days, we had the opportunity of hosting the incoming secretary general of the United Nations, Ban Ki-moon. Yesterday morning, he met with the Foreign Affairs Committee and the night before we hosted him at a dinner, and I am convinced that he is determined to change the culture of the United Nations, and he is approaching his very complex and difficult task with a firm determination to introduce the highest ethical standards within the U.N.'s structure, and I have every confidence that his appointments to the position you mentioned and all others will meet with our approval.

I am very pleased to recognize the distinguished chairman of the Asia Subcommittee for 3 minutes.

Mr. FALCOMA. Thank you, Mr. Chairman. I certainly would like to offer my personal welcome to Secretary Perry and Ambassador Lilley and look forward to their comments and certainly commend the outstanding services that they have rendered for our nation, especially on our foreign policy questions in this important region of the world.

Mr. Chairman, despite tough rhetoric from the administration, North Korea continues to have enough nuclear grade plutonium for six to eight atomic bombs, and, in October of last year, North Korea defied the international community and conducted its first nuclear test. Most will agree, the Six-Party Talks have not proven successful.

For obvious reasons, it is time for the United States to reassess its policies in the Korean peninsula. Bilateral discussions between the United States and North Korea should seriously be considered by the Bush administration. What is the administration afraid of? There is no harm in talking. Ironically, during the time of our number one enemy that we have confronted for some 40 years, which happens to be the Communist-Marxist Government of the Soviet Union, and yet we constantly communicated with the Soviet Union. We had dialogues. Disagreements, yes, but we had a dialogue.

We do not have to accept what North Korea says; neither should we place ourselves in a position where North Korea dictates what the policy should be. On the other hand, and in the interest of

defusing a dangerous situation, we should not fear dialogue. I have always been concerned that we are at war in Iraq at a time when North Korea is pointing missiles at our own country and, I suspect, probably even in other countries of the region. Add a nuclear warhead to the missiles, and North Korea will become a distinguished member of the nuclear club, thereby challenging the military and strategic dynamics of the entire Asia-Pacific region.

Japan, as an economic power second only to the United States, is not a permanent member of the United Nations Security Council and does not have a nuclear capability to defend itself if and when North Korea chooses to perhaps point Japan with its nuclear missiles and its capabilities.

Furthermore, with the United States preoccupation with Iraq at this time, will the United States defend Japan at all costs, or will Japan have to go nuclear to protect its own interests? If Japan does go nuclear, how comfortable with China feel?

And then there is the issue of Pakistan. The United States continues to subsidize Pakistan's military at about \$80 million per month, which is roughly equal to one-quarter of Pakistan's total defense expenditures. What the public may not know is that North Korea and Pakistan have been engaged in conventional arms trade for over 30 years, and then last year, 2006, General Musharraf admitted that Pakistan has transferred nuclear technology to North Korea and other rogue nations as well.

What does a Pakistan-North Korea alliance mean for India, and why does the United States continue to turn a blind eye. I do not know.

These questions are daunting, and given the dangerous circumstances of our times and the potential for nuclear proliferation in the Asia-Pacific region, I believe our most important responsibility is to do all in our power to further peace.

As we can all agree, the most valuable resource of any nation is its people, and under no circumstances should we expend our lives if alternatives to war can be found. This is why I am hopeful that the United States will seriously consider bilateral discussions with North Korea and reconsider its position toward Iraq.

I am happy to say that there was a recent article in today's papers, the *New York Times* and the *Washington Post*, that Secretary Chris Hill has recently held 2-day sessions with the North Korean leaders, I believe, in Berlin, after consultations with our Secretary of State, Condi Rice, and shortly our subcommittee definitely plans to hold hearings with Secretary Hill on this issue and see where we need to go from there.

Thank you, Mr. Chairman, and I look forward to hearing from our witnesses.

Chairman LANTOS. Thank you very much. Mr. Royce.

Mr. ROYCE. Thank you, Mr. Chairman, and welcome, Ambassador Lilley, and welcome, Mr. Perry.

Last Congress, this committee passed legislation that I and others on this panel championed, the North Korean Nonproliferation Act of 2006, and that bill became law, and I am pleased that this committee is keeping a focus on North Korea, and I look forward to building on last year's work.

I do, though, come to this hearing a little surprised. A press report this week noted that the Treasury Department is scrutinizing the \$24 million frozen in the Banco Delta Asia case—now that is in Macau—looking to segregate the so-called legitimate and illegitimate North Korean accounts.

At a November hearing with Under Secretary Burns, I asked that we not go wobbly on financially pressuring Pyongyang. It would seem to me very difficult, if not impossible, to differentiate between these activities, given that most of the country's financial system is based on a broad range of illicit, state-sanctioned activity, such as trade in missile technology to state sponsors of terrorism, such as counterfeiting and narcotics trafficking. Now that is the main source of income coming into the country.

It seems that some are reasoning that nothing should get in the way of brokering a deal with North Korea on its nuclear weapons.

Chairman LANTOS. I am sorry. The gentleman's time is up.

Mr. Ackerman.

Mr. ACKERMAN. If this morning's papers are to be believed, Mr. Chairman, we have finally arrived at a point that many of us have been advocating since the beginning of the Bush administration: Direct negotiations with North Korea. If it were not so horrendously late in the game, I would make a motion to give three cheers for the victory of rationalism over ideological purity.

While the administration dithered externally and bickered internally, North Korea went about the business of reprocessing plutonium and, last fall, testing a nuclear weapon. Those inside the administration who believed that if we simply sanction, isolate, and pressure the North long enough they will collapse, have misread the situation from the beginning.

North Korea's obvious willingness to defy China, its closest ally and largest provider of foreign aid, should be a clear signal to all concerned that Kim Jong Il thinks he can survive the wave of international sanctions and still have his bombs. We know what the outlines of the deal look like. We get a nuclear-free Korean peninsula. They get security guarantees, economic assistance, and integration into the community of nations.

Now that the Bush administration has gotten over its fear of direct negotiations, it is time to get to work, and I look forward to hearing from our two very distinguished witnesses.

Ms. ROS-LEHTINEN. Mr. Chairman, if I could ask a question about the time element. It seems to me that Mr. Royce still had a minute and 30 seconds to go on his time, and then when Mr. Ackerman started to speak, it took a minute to get his time up on the board.

I do not want to have a petty, time-issue discussion with you, Mr. Chairman. You are my good friend, and I know you want to work in a bipartisan way, but if you want to have those time-element issues, we really need to be fair, and I know that you are a fair man, and I am not blaming the timekeeper either, but—

Chairman LANTOS. Well, let me advise the ranking member, the policy of the Chair is as follows: The ranking member and the Chair make opening statements without time limit. The chairman and the ranking member of the relevant committee get 3 minutes. The ranking member of the Asia Subcommittee is not present. Mr.

Royce, as all other members, receives 1 minute time. I hope this clarifies the picture.

Ms. ROS-LEHTINEN. That would be fine if—

Mr. SHERMAN. Mr. Chairman, if I could be recognized. I fully understand your policy. I think these hearings are so involved with proliferation that perhaps there would be two subcommittee chairs that would be accorded the extra time.

Chairman LANTOS. That seems like a reasonable suggestion and the ranking member of the Nonproliferation Subcommittee and the chairman will each be recognized for 3 minutes.

Ms. ROS-LEHTINEN. Thank you, Mr. Chairman.

Chairman LANTOS. Mr. Chabot.

Mr. CHABOT. I am not the ranking member, Mr. Chairman.

Chairman LANTOS. But you are recognized for a minute.

Mr. CHABOT. Well, thank you very much. I think we look forward to the testimony of both of the excellent witnesses we have here today.

I guess, just in response to some of Mr. Ackerman's remarks, and this committee tends to be bipartisan, but there are some partisan remarks which occur, and I think blaming this administration for dithering, et cetera, sort of begs the question of the previous administration, and some of the problems that we see right now with North Korea, I think, are a direct result of the botched negotiations that took place and the mess that this administration found itself in because of the mistakes of the previous administration. I guess there goes bipartisanship. I yield back the balance of my time.

Chairman LANTOS. I thank the gentleman. I am pleased to recognize the chairman of the Nuclear Nonproliferation Subcommittee for 3 minutes, Mr. Sherman.

Mr. SHERMAN. Thank you, Mr. Chairman. We had a strategy laid out: Carrots and sticks in order to achieve CVID, complete, verifiable, irreversible disarmament. The strategy has failed. It has failed because we have not had enough carrots, and we have not had enough sticks, not because it was poorly conceived.

We need more carrots. We ought to be offering, as now Secretary Hill has finally done so, normal diplomatic relations. We ought to be offering trade. We ought to be offering a nonaggression pact. We should not be offering *carte blanche* to counterfeit American currency. But with more carrots, we stand a better chance of achieving the objective.

We also need more sticks. Now, where do you go in this world when you need something? When you need a shirt, you need a radio, you need sticks, you go to China. That is why we are running a \$200 billion trade deficit with China. Well, in this case, we need to import from China some sticks.

Now, we could go to China and beg and plead and lecture them and tell them that it is in their interest to inform North Korea that their oil might be turned off if they turn down this plethora of carrots that America is offering. We have tried that. China does not need lecturing. It does not need begging. It does not respond to begging. What we need to do is inform the Chinese that how we deal with the currency issue will be dramatically affected by whether they are willing not only to look at their own national interest in

preventing North Korea from having nuclear weapons but are willing to look at our even greater concerns in that area.

To dismiss this and to say, well, China does not want North Korea to have nuclear weapons, so whatever China chooses to do must be the right thing for China to do, is to continue business as usual, continue to have inadequate sticks, and no doubt will lead to the same results that we have had so far.

The problem we have in Washington is that those who are concerned with national security are far less powerful than those who profit from imports. If we can galvanize the American people to say that we are going to have to get tougher with Beijing in order to get them to do more to achieve what is a joint concern and a joint goal, then we may succeed.

To ask Secretary Hill to go meet, at a two-sided table or a six-sided table, to offer an inadequate collection of carrots and to tap a pencil because he has no sticks guarantees continued failure. I yield back.

Chairman LANTOS. Thank you. If Mr. Royce would like additional time, I am delighted to give it to him.

Mr. ROYCE. Mr. Chairman, I appreciate that very much. I would just wrap up by saying that I want to end the North's nuclear program as well, but brushing aside things like counterfeiting of \$100 bills, counterfeiting of hundreds of millions of dollars in \$100 bills, which is a direct attack on a protected national asset, which is our dollar, not to mention North Korea's record on human rights, ignores the reality of this regime and makes me wonder if there is a deal that the North will abide by.

We know the history here, and it seems to me that you have got a mafia state that is counterfeiting our currency, and, under that circumstance, it would seem a better concept to freeze the assets, to keep them frozen, and to deny that state the ability to have the hard currency to put into its nuclear weapons program, as well as stopping its trafficking in narcotics, and bringing the pressure to bear financially to change that regime. That would seem to be the solution to me.

Mr. Chairman, I appreciate the time. Thank you.

Chairman LANTOS. Surely. Congresswoman Sheila Jackson Lee for 1 minute.

Ms. JACKSON LEE. Mr. Chairman, thank you very much to you and the ranking member for, I think, this important hearing. Let me thank and welcome Secretary Perry and Ambassador Lilley.

As Secretary Albright indicated yesterday, in this business of diplomacy and negotiations, silence is not golden. I hope that we will look forward into the 21st century and engage not only in bilateral talks but any manner of negotiations and diplomacy that will generate the kind of resolution we need between North and South Korea.

Our soldiers now are placed on the very important military demarcation line that has stayed over 50 years. We owe them engagement, and I would hope that we would cease using terms like "axis of evil," and I hope we would engage in discussions about the misuse and abuse of our currency, but we cannot solve any problems by the deafening silence that I am hearing from the present administration.

With that, Mr. Chairman, I yield back.

Chairman LANTOS. Thank you. Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you, Mr. Chairman. Let me compliment you on the way you just handled your first little crisis here, and your wisdom has shown through, and thank you very much.

Let me note that we do not have enough carrots and sticks to affect any policy decisions on the part of North Koreans as long as we feed the people of North Korea. We have taken the pressure off North Korea by making them the recipients, the largest recipients, of American foreign aid in Asia. They have been receiving hundreds of millions of dollars of food aid. Why would they care what our other carrots and sticks are as long as we are feeding their army and feeding their people?

Let us note that no matter what type of negotiations we have, we have taken away our own leverage there. We should be supporting regime change and, with the strongest and harshest language, condemning this brutal dictatorship and siding with those elements in North Korea, trying to foster them, who would oppose this dictatorship.

We need to hold them accountable for the counterfeiting and drug dealing. We need to make sure that the people of that country know what type of regime they have, and we have not taken the steps to do that.

Finally, we need to hold China accountable for its relationship with Korea, which is nefarious.

Chairman LANTOS. The gentleman's time has expired. Mr. Scott.

Mr. SCOTT. Thank you very much, Mr. Chairman. Again, I would like to welcome you to the committee as well.

I think that paramount to me and, I think, to a lot of the American people is they get a very sober, sober opinion from the two of you as to whether or not South Korea is maintaining this sort of cat-and-mouse game to kind of relay it over to the next administration, which could be 2 years.

What would be the consequences of that, particularly given, if we are correct, that their capability is to make at least 10 nuclear weapons in each 1-year period, which would come to about 20?

What is the probability, or what is our intelligence telling us about the probability, of them selling them to third parties or to a variety of terrorist groups, remembering that what I think is their most crucial problem is that their people are starving? It could very well be that they are using these nuclear weapons as collateral—

Chairman LANTOS. The gentleman's time has expired.

Mr. SCOTT. I look forward to your testimony.

Chairman LANTOS. Mr. Inglis.

Mr. INGLIS. Mr. Chairman, I look forward to hearing from the witnesses and very much appreciate the hearing.

Chairman LANTOS. Thank you. Mr. Delahunt.

Mr. DELAHUNT. Thank you, Mr. Chairman. I will be very brief. I want to commend you, Mr. Chairman, for indicating that you are contemplating a trip to North Korea. I think that is very important, and I would look forward to joining you on that effort. I think that is significant.

I also want to express my concerns about the statement by the ranking member relative to the appointment to replace Mr. Strong, Mr. Michael Strong, and I would hope that, in camera, so to speak, she could share with us the evidence that he is attempting to influence that appointment. I think that is something that we all should be made aware of, and with that, I yield back.

Chairman LANTOS. Thank you. Mr. Tanner.

Mr. TANNER. Thank you, Mr. Chairman. I just want to enjoy an unexpressed opinion here and look forward to the witnesses. I wanted to come hear you all. Thank you for being here.

Chairman LANTOS. Thank you very much. Ms. Woolsey.

Ms. WOOLSEY. Mr. Chairman, I echo the remarks of the gentleman just before me.

Chairman LANTOS. Thank you. Mr. Wu.

Mr. WU. I will join the gentleman from Tennessee in his eloquence. Thank you, Mr. Chairman.

Chairman LANTOS. We thank all three of you, and I am delighted to welcome Secretary Perry. We are grateful that you are willing to share your wisdom and experience with us. You are one of our nation's most distinguished strategic thinkers, and we look forward to your testimony. Could you push the right button?

Mr. PERRY. I have submitted written testimony, with your permission, to enter into the record.

Chairman LANTOS. Without objection.

Mr. PERRY. And I will only summarize it in my comments.

Chairman LANTOS. Without objection.

**STATEMENT OF THE HONORABLE WILLIAM PERRY, SENIOR
FELLOW AT THE HOOVER INSTITUTION, FORMER SEC-
RETARY OF DEFENSE**

Mr. PERRY. In October of last year, the North Koreans tested a nuclear bomb. This test, the culmination of 6 years of failed diplomacy with North Korea, poses a serious threat to the United States and to our allies in the region.

My testimony today will discuss the North Korea nuclear program by asking three related questions: Why should we care, how did they get there, and what should we do about it?

We should care, not because North Korea is going to put its bombs in missile warheads and fire them at us. They are still far from having that capability, and even if they get it, deterrence would still be effective. The North Korea regime is not seeking to commit suicide.

We should care because the North Korea nuclear program can stimulate a nuclear arms race in the Pacific with a host of dangerous consequences.

We should care because, as North Korea proceeds unchecked, there will be very little chance of stopping Iran, and we should care because a Korean or Iranian bomb could end up in the hands of a terror group who could detonate it in one of our cities.

North Korea has been working to achieve a nuclear weapons program for more than 20 years, and the United States has been working that same period of time to contain or delay that program. In my written testimony, I explain how their actions and our

counteractions have played out these past 20 years, leading to five nuclear crises, which I will briefly summarize now.

The first crisis occurred in 1990 and resulted in the freezing of the North Korea nuclear production under international inspection, but this freeze did not occur until they had produced a small amount of plutonium, enough to make one or two nuclear bombs.

In 1994, we came close to a second Korean war over North Korea's nuclear weapons program. In May 1994, North Korea ordered the international inspectors to leave and began preparations to reprocess their reactor fuel, which would have given them enough weapons-grade plutonium to make a half-a-dozen nuclear bombs. I was secretary of defense at that time, and I publicly warned North Korea that the United States considered the making of plutonium to be a red line.

I then requested that the Joint Chiefs prepare a contingency plan for conducting a strike on the nuclear facility Yongbyon, using conventionally armed, precision-guided missiles, and I directed preparations to augment our deployment in Korea with tens of thousands of troops. I was literally in the cabinet room briefing President Clinton on the reinforcement plan when the call came from Pyongyang that Kim Il Sung was ready to freeze activities at Yongbyon and begin serious negotiations.

So, in the end, that crisis was resolved not by war but by a diplomatic agreement known as the "Agreed Framework." The Agreed Framework called for North Korea to continue indefinitely the freeze at Yongbyon, to be followed in time by the dismantlement of those facilities. South Korea and Japan agreed to build new, commercial, light-water reactors for North Korea and the United States agreed to supply fuel oil to North Korea until the light-water reactors were completed.

In 1998, we appeared to be headed for another crisis like the one in 1994. North Korea had begun the deployment of medium-range, ballistic missiles that could target Japan and the design of two long-range missiles that could target parts of the United States. Our concern over these programs came to a head in August 1998, when North Korea flew an ICBM over Japan, landing in the Pacific west of Hawaii. In response, President Clinton established a sweeping review of our North Korea policy, which he asked me to head. I was, by this time, out of government and back at Stanford University.

The key finding of that review was that North Korea was undergoing terrible economic hardship, including widespread famine, but these hardships were unlikely to cause the regime to be overthrown. Therefore, I said, we had to deal with the North Korean regime as it was, not as we would wish it to be.

In dealing with North Korea, I recommended two alternative strategies. If North Korea would forego its long-range missile program and nuclear weapons program, the allies would move to a comprehensive normalization of relations. Alternatively, if North Korea did not remove the threat, the allies agreed to take necessary actions to contain that threat.

In May 1999, I led an American delegation to Pyongyang to present those alternatives to the North Koreans, with the full backing of the Japanese and South Korean Governments. That meeting

was followed by substantial evidence of a general thawing underway, including the first-ever summit meetings between North and South Korea. Kim Jong Il sent a senior emissary, Marshall Jo, to Washington, where he met with President Clinton. On his way to Washington, Marshall Jo stopped off at Stanford to consult with me about his upcoming meeting with the President. Based on my discussions with Marshall Jo, I believed that the United States was very near to the desired agreement with North Korea.

But at that critical junction, the Bush administration took office. Engagement with North Korea was broken off, and for 1½ years there was neither a dialogue nor a new policy. Whatever policy might have originated was preempted by the discovery, in 2002, that North Korea had undertaken to covertly start another nuclear program based on highly enriched uranium.

As this new crisis unfolded, Dr. Carter and I wrote an op-ed piece urging the administration to deal with this emerging uranium program but not to abort the Agreed Framework. The Agreed Framework, in its 8 years of operations, had, in fact, kept the North Koreans from building 50 to 100 nuclear weapons.

Nevertheless, the Bush administration cut off the fuel oil they had been supplying under the Agreed Framework and persuaded Japan and South Korea to stop work on the reactor. North Korea, in response to this cutoff, declared the Agreed Framework terminated, ejected the inspectors at Yongbyon, reopened their reactor, and announced they were starting to reprocess the fuel rods.

The United States, which had, in 1994, made reprocessing a “red line,” chose not to establish any red lines this time, and the reprocessing proceeded. During this period, China became increasingly concerned and pressured North Korea to participate in multilateral meetings in Beijing.

The first three Six-Party meetings made no apparent progress. The fourth meeting, held on September 5th with a new negotiator, Ambassador Chris Hill, resulted in an understanding that entailed North Korea giving up their nuclear weapons and the United States pledging not to initiate military force to overthrow the North Korea regime. All sides agreed that North Korea was entitled to have a peaceful nuclear program.

But the day after the meeting concluded, first, Washington and then Pyongyang backed off from an essential part of the agreement. In the meantime, the North Korean nuclear program moved ahead at full speed, and it is clear that North Korea is well embarked on building a sizable nuclear arsenal.

Given this background, the report, in June 2006, that North Korea was preparing to test an ICBM was particularly ominous. At that point, Dr. Carter and I wrote another op-ed piece recommending that the administration tell the North Koreans to take their ICBM off the launch pad and return it to the storage area, or the United States would destroy it.

Instead, the administration responded to North Korean preparations with a press statement that they would consider the launch of an ICBM as “unacceptable.” North Korea launched the ICBM. To add insult to injury, they launched it on the Fourth of July and added to their fireworks display the launch of four medium-range

missiles. The administration then released another press statement deploring the action.

Late in September, we saw activity underway in North Korea indicating that a nuclear test was in preparation. The administration again warned that such a test would be “unacceptable.” On 6 October, North Korea conducted the test.

Shortly after the nuclear test, I wrote another op-ed. I pointed out that because of past inactions on the part of the United States and the international community, there were no attractive options left for stopping North Korea from having a meaningful nuclear capability, but we could still formulate a strategy whose minimum objective is to keep the problem from getting worse, with a primary focus on two future dangers.

The first danger is that North Korea will sell some of their bombs or plutonium to a third party. The Proliferation Security Initiative, designed to prevent the illegal transfer of nuclear material, is a good program, but we should never believe that it has a high probability of preventing an experienced smuggler like North Korea from transferring enough plutonium to make a nuclear bomb. That plutonium would be about the size of a grapefruit.

The United States should issue a statement warning North Korea of the grave consequences to North Korea if a North Korean bomb is detonated in the United States, Japan, or South Korea, whether the bomb is delivered by North Korea or by a third party. That statement should be as unambiguous as the one President Kennedy made at the time of the Cuban missile crisis, and I would invite you to go back to your news accounts to read that statement.

The second danger is that North Korea will finish work on their large reactor, which would give them the capability of making about 10 nuclear bombs a year. We should be prepared to exercise coercive diplomacy to keep that from happening. The United States should return to the negotiating table with a viable negotiating strategy which includes a credible, coercive element and which includes significant buy-in from the other interested parties.

The most feasible form of coercion, or sticks, could come from the Chinese and the South Koreans, who could threaten to cut off their supply of grain and fuel oil if North Korea does not stop work on the large reactor. That alternative has always been resisted by China and South Korea, but the danger of a North Korean nuclear program should, by now, be obvious to them.

An additional inducement for China and South Korea would be the concern that if they did not provide the coercion, the United States might take the only meaningful course of action available to it, which is destroying the reactor before it could come on line. This, of course, is a dangerous alternative, but, in fact, we have reached the stage where there are no alternatives left that are not dangerous, and allowing North Korea to move ahead with their robust program, building 10 nuclear bombs a year, could prove to be even more dangerous.

The press reports that bilateral discussions may be underway between the United States and North Korea pointed to a new understanding about stopping the North Korea nuclear program. One can hope that these talks will be successful, and I, for one, have great confidence in the ability of our negotiator, Ambassador Chris

Hill. But if not, the United States should be prepared to rally the concerned regional powers to cooperate in applying meaningful coercive diplomacy.

If we are creative and energetic in applying our diplomacy, we can still contain this danger, and if we do, our children and our grandchildren will thank us.

[The prepared statement of Mr. Perry follows:]

PREPARED STATEMENT OF THE HONORABLE WILLIAM PERRY, SENIOR FELLOW AT THE
HOOVER INSTITUTION, FORMER SECRETARY OF DEFENSE

In September of last year the North Koreans conducted a test of an atomic bomb. This test, the culmination of six years of failed diplomacy with North Korea, poses a serious threat to the United States and to our allies in the region. My testimony today will discuss the North Korean nuclear program by asking three related questions:

Why should we care?

How did they get there?

What should we do about it?

We should care not because North Korea is going to put its bombs in missile warheads and fire them at us. They are still far from having that capability, and even if they get it, deterrence would still be effective. The North Korean regime is not seeking to commit suicide.

We should care because a North Korean nuclear program can stimulate a nuclear arms race in the Pacific, with a host of dangerous consequences. We should care because if North Korea proceeds unchecked, there will be very little chance of stopping Iran. And we should care because a Korean or Iranian bomb could end up in the hands of a terror group who in turn could detonate it in one of our cities.

North Korea has been working to achieve a nuclear weapon program for more than twenty years. And the United States has been working that same period of time to contain or delay that program. The first part of my testimony will explain how their actions and our counteractions have played out these past twenty years. I will organize this discussion around what I call the five nuclear crises, which curiously enough have occurred in four-year intervals coinciding with America's off-year elections: 1990, 1994, 1998, 2002, and 2006.

The first crisis had its roots in the 1960s, when the Soviet Union provided North Korea a research reactor and some training for Korean engineers. As the Koreans became more proficient at this new technology, Kim Il Sung apparently decided to use it to make a North Korean nuclear bomb. During the 70s, he asked in turn the Russians and the Chinese to help him do this, but was turned down by both. Apparently he concluded that North Korea would have to get its bomb the hard way and the slow way, through its own efforts. In 1989, American satellites saw evidence that this effort was reaching fruition. They detected a large facility in an advanced state of construction near the town of Yongbyon, and correctly concluded that this was a nuclear bomb program underway. The first Bush administration appealed to the Russians to pressure the North Koreans to join the NPT and submit their nuclear facilities to international inspection. But there was no real progress until the American government pulled its tactical nuclear weapons out of Korea in 1991.

Within a few months of that action, the governments of North Korea and South Korea agreed to maintain the Peninsula free of nuclear weapons. And North Korea agreed to submit to international inspection. But they delayed the acceptance of inspectors long enough to reprocess the spent fuel from the reactor. When the inspectors did arrive, they made a quite thorough inspection and concluded from forensic evidence that North Korea had made more plutonium than the small amount they had declared. So the result of the 1990 crisis was a freezing of the North Korean nuclear production, but this freeze did not occur until they had produced a small amount of plutonium, probably enough to make one nuclear bomb.

In 1994, we came close to a second Korean War over North Korea's nuclear weapons program. In May of 1994, as the Yongbyon reactor completed its fuel cycle, the North Koreans announced that they were withdrawing from the NPT, and ordered the international inspectors to leave. They then began preparations to reprocess the fuel, which would have given them enough weapons-grade plutonium to make about a half-dozen nuclear bombs. The United States, Japan, and South Korea announced their intention to impose severe sanctions if North Korea made the plutonium. But North Korea said that they would consider the imposition of these sanctions as an act of war, and proclaimed that they would turn Seoul into a "sea of flames." Some

said this was only rhetoric, but as the secretary of defense at the time, I had to take North Korea's threats seriously. So I warned North Korea that the United States considered the making of plutonium to be a "red line," and that if they began reprocessing they faced military action from the United States. I then requested that the Joint Chiefs prepare a contingency plan for conducting a strike on the nuclear facilities at Yongbyon, using conventionally-armed cruise missiles. But I put that plan far to the back of the table to be brought forward only in the event of failure of the diplomacy then underway, the coercive element of which was a very severe sanction program. In the meantime, I undertook a detailed review of our contingency plans for responding to a North Korean attack. This review indicated that, while the allies would achieve a decisive victory, there would be very high casualties on all sides. It was also clear that we could significantly reduce casualties by reinforcing our troops in Korea before hostilities began, so I directed preparations to augment our deployment in Korea with tens of thousands of troops. This is the only time during my tenure that we came close to a major war, but at that moment, we were very close. Indeed, I was literally in the Cabinet room briefing President Clinton on the reinforcement plan when the call came from Pyongyang that Kim Il Sung was ready to freeze activities at Yongbyon and begin serious negotiations.

So, in the end, that crisis was resolved not by war, but by a diplomatic agreement known as the Agreed Framework, negotiated for the United States by Ambassador Gallucci. The Agreed Framework called for North Korea to continue indefinitely the freeze at Yongbyon, to be followed in time by the dismantlement of those facilities. And it called for South Korea and Japan to build new commercial light water reactors for North Korea, and the United States to supply fuel oil to North Korea until the light-water reactors were completed. The agreement envisaged that the North Koreans would not have the capability to reprocess the spent fuel from their light-water reactor, and would have to send the spent fuel out of the country for reprocessing, so that the reactor could not be used for making weapon grade plutonium. With these safeguards, Japan and South Korea agreed to build the light-water reactor, and the Americans agreed to supply fuel oil to North Korea to compensate for the loss of electricity entailed by the shutdown of the reactor at Yongbyon.

From 1994 until 2002 the facilities at Yongbyon remained frozen. That result was critical for security on the Peninsula, since during those eight years these facilities could have produced enough plutonium to make perhaps fifty to a hundred nuclear bombs. The dismantlement of Yongbyon was not called for until construction of the light-water reactor was completed, and that was still a few years away in 2002. Therefore production of plutonium could have been restarted in a few months if the Agreed Framework were terminated. So we always understood that the crisis had been postponed, not resolved.

In 1998 we appeared to be headed for another crisis like the one in '94. North Korea had built a large number of underground facilities that we assessed were for military applications. Particular concern was expressed over the facility under construction near the small town of Kumchang Ni, because this facility was large enough to house a reactor and processor like the ones at Yongbyon. We feared that this was evidence that the North Koreans intended to cheat on the Agreed Framework. At the same time, North Korea had begun the serial production and deployment of medium-range ballistic missiles. Additionally, they had undertaken the design of two long-range missiles, the Taepo Dong 1 and Taepo Dong 2. The two long-range missiles could reach targets in parts of the United States, as well as all of Japan. This missile program again raised a serious concern about North Korea's nuclear aspirations, since an ICBM makes no military logic without a nuclear warhead. This concern came to a head in August, 1998, when North Korea flew a Taepo Dong over Japan, landing in the Pacific West of Hawaii. This test firing led to calls in the Congress and the Diet for a termination of the funding which supported the Agreed Framework. But if the Agreed Framework were to be aborted, there was no doubt that North Korea would respond with a reopening of the nuclear facility at Yongbyon. And this in turn would put North Korea in the position of producing the plutonium that would allow them to put nuclear warheads on their missiles. During this turbulent and dangerous period President Clinton established an outside Policy Review, which he asked me to head. After an intensive review, done jointly with South Korea and Japan, and coordinated with Russia and China, I submitted our conclusions and recommendations.

The key finding was that North Korea was undergoing terrible economic hardship, including widespread famine—BUT that those hardships were unlikely to cause the regime to be overthrown. Therefore we had to deal with the North Korean regime as it was, not as we would wish it to be. In dealing with North Korea, I recommended that the allies should establish two alternative strategies. If North Korea would forego its long-range missile program as well as its nuclear weapons program,

the allies would move step-by-step to a comprehensive normalization of political and economic relations, including the establishment of a permanent peace. Alternatively, if North Korea did not demonstrate by their actions that they were willing to remove the threat, the allies agreed to take necessary actions to contain the threat.

In May of 1999 I led an American delegation to Pyongyang to present those alternatives to the North Koreans, with the full backing of the Japanese and South Korean governments. During the talks, it was clear that North Korea was seriously interested in the positive alternative. They saw that this would open the path to economic development in North Korea, which they desperately needed. But they feared that the communication entailed in economic contact with the outside world would put at risk the closed society that has kept their regime in undisputed control of North Korea. So when our delegation left Pyongyang, we were not sure how North Korea would respond.

But within a few months, we saw substantial evidence of a general thawing underway. South Korea and Japan each held first-ever summit meetings with North Korea. Kim Jong Il made a visit to the Shanghai Stock Exchange. Secretary Albright made an official visit to Pyongyang, where she met with North Korean senior officials, and invited Kim Jong Il to come to Washington. Kim Jong Il responded to that invitation by sending a senior emissary, Marshall Jo, to Washington, where he met with President Clinton. On his way to Washington, Marshall Jo stopped off at Stanford to consult with me about his upcoming meeting with the president. Based on my discussions with Marshall Jo, I believed that the United States was within a few months of getting the desired agreement from North Korea.

But at that critical junction, the Bush administration took office in the United States. Two months after the inauguration, President Kim Dae Jung visited Washington for a confirmation that this engagement policy would continue. On his arrival, Secretary Powell vowed to continue the North Korea policy set by President Clinton. But the next day, when President Bush met with President Kim, Bush disowned the Clinton policy and said he would create a new policy. Engagement with North Korea was broken off, and for one and a half years, there was neither a dialog nor a new policy. Whatever policy might have originated was preempted by the discovery in 2002 that North Korea had undertaken to covertly start another nuclear program. And so began the fourth nuclear crisis with North Korea.

The new program, at a covert location separate from Yongbyon, was based on highly-enriched uranium instead of plutonium. In September 2002, Assistant Secretary Kelly went to Pyongyang and confronted the North with our findings. They at first denied the existence of the uranium program, then became defiant and said that it was necessary because of our hostile attitude.

As this new crisis unfolded, Dr. Carter and I wrote an op-ed piece urging the administration to deal with this emerging program in uranium, but not to abort the Agreed Framework, since this would allow the North Koreans to restart their plutonium program, which was far more dangerous and certainly more imminent than the new Uranium program. Nevertheless, a few months after Kelly's visit to Pyongyang, the Bush administration cut off the fuel oil they had been supplying under the Agreed Framework, and persuaded Japan and South Korea to stop work on the reactor called for under the Agreed Framework. North Korea, in response to this cutoff, ejected the inspectors at Yongbyon, reopened their reactor, and announced they were starting to reprocess the fuel rods.

The United States, which had in 1994 made reprocessing a "red line," chose not to establish any red lines and the reprocessing proceeded. For the next nine months the United States and North Korea were at an essential standoff, with no real dialog and with North Korea continuing to operate their facilities at Yongbyon. During this period, China became increasingly concerned and pressured North Korea to participate in multilateral meetings. As a result, there have been five meetings in Beijing, the last four involving six parties (United States, North Korea, China, Russia, Japan, and South Korea). The first three meetings in Beijing, all in the first term of the Bush administration, made no apparent progress. The fourth meeting, held in September 2005 by our new negotiator, Ambassador Chris Hill, resulted in an understanding.

The essence of the understanding was: North Korea said that they were prepared to give up their nuclear weapons; The United States said that it was prepared to pledge not to initiate military force to overthrow the North Korean regime; and All sides agreed that North Korea was entitled to have a peaceful nuclear program. But the day after the meeting concluded, there were conflicting reports from Pyongyang and Washington as to what the third component of the understanding really said. Washington said that full disarmament had to be the first step; only then would they "consider" North Korea's request for a light-water reactor. Pyongyang says that

the light-water reactor must be agreed to before any disarmament begins. Thus there was a fundamental misunderstanding about the “understanding.”

In the meantime, the North Korean nuclear program moved ahead at full speed. Unlike the faulty intelligence information the United States had on Iraq before the Iraq War, we had substantial and solid information about North Korea’s plutonium-based weapon program. My assessment of their status as of last June was as follows:

It was certain that they had the fuel for making about 8 nuclear bombs;

It was highly probable that this fuel had been reprocessed to make plutonium;

It was highly probable that the resulting plutonium had already been used to make some or all of the bombs;

It was likely that North Korea would conduct tests with some of these bombs; and

It was certain that North Korea had restarted their research reactor at Yongbyon to produce more plutonium.

We had much less confidence in information about their uranium-based weapon program: American government officials have said that North Korea has a covert weapons program based on highly-enriched uranium. North Korea says they do not. A Pakistani scientist says that he gave technology and materials to North Korea for a highly-enriched uranium program. Libya reports that they have bought material and equipment for a highly-enriched uranium program from North Korea. A reasonable conclusion was that North Korea did have a highly-enriched uranium program, but that it was probably not close to production.

In sum, the evidence in June was strong that North Korea was well embarked in building a sizable nuclear arsenal. Given this background, the report in late June that North Korea was preparing to test an ICBM was particularly ominous. Dr. Carter and I were sufficiently concerned that we wrote an op-ed piece for the Washington Post. Our op-ed recommended that the United States take a very hard line with the North Koreans, telling them to take the ICBM off the launch pad and return it to their storage area or the United States would destroy it. Of course, we did not really want to have to carry out such an attack. We hoped that the op-ed would cause the parties involved to realize how serious the situation had become. That it would stimulate China to get serious about real pressure on North Korea; that it would stimulate North Korea to stop playing at brinkmanship; and that it would stimulate the United States to get serious about negotiating with North Korea. Instead the administration responded to the North Korean preparations with a press statement that they would consider the launch of an ICBM as “unacceptable.” North Korea launched the ICBM. To add insult to injury, they launched it on the 4th of July, and added to their fireworks display the launch of 4 medium-range missiles. The administration then released another press statement deploring the action. And so the fifth nuclear crisis began in 2006, right on schedule.

Late in September we saw activity underway in North Korea indicating that a nuclear test was in preparation. The administration again warned that such a test would be unacceptable. The Chinese government sent an envoy to North Korea to urge them not to conduct the test. The United Nations released a resolution demanding that North Korea not conduct the test.

On 6 October, North Korea conducted a nuclear bomb test. It was low yield, so it is reasonable to conclude that it was not a complete success, but it was a nuclear bomb, fueled by plutonium. On the basis of that test and certain other information, I revised my estimate of North Korea’s nuclear capability. My October estimate is similar to the estimate I made in June, except that the word “likely” is replaced by the word “certain.” Shortly after the nuclear test I wrote another op-ed for the Washington Post. I pointed out that because of past inactions on the part of the United States and the international community, there were no attractive options left for stopping North Korea from having a meaningful nuclear capability.

In sum, I believe that we are in a very deep hole today with North Korea. So how should we proceed—is there a way we can dig out of that hole? Of course we would like North Korea to roll back their entire program, but it will be very hard to get North Korea to give up a capability they already have. But we should be able to formulate a strategy whose minimum objective it to keep the problem from getting worse, with a primary focus on two future dangers.

The first danger is that North Korea will sell some of their bombs or plutonium to a third party. The administration established some years ago an international initiative (Proliferation Security Initiative) designed to prevent the illegal transfer of nuclear material. This is a good program, but we should never believe that it has a high probability of preventing an experienced smuggler like North Korea from transferring enough plutonium to make a bomb, which is about the size of a grapefruit. To deal with the danger of selling nuclear material, the United States should issue a statement warning North Korea of the grave consequences to North Korea

if a North Korean bomb is detonated in the United States, Japan, or South Korea, whether the bomb is delivered by North Korea or a third party. The statement should be as unambiguous as the one Kennedy made at the time of the Cuban missile crisis.

The second danger is that North Korea will finish work on their large reactor, which would give them the capability of making about 10 nuclear bombs a year. We should be prepared to take coercive actions to keep that from happening. The best venue for coercive diplomacy would be the 6-party talks. But we have spent more than three years in those talks with no results, so the talks are a necessary but not a sufficient condition for success. Indeed, the most recent 6-party talks were held last month with no apparent progress.

The United States should go back to these talks with a viable negotiating strategy, which includes a credible coercive element, and which includes significant buy-in from the other parties. The most feasible form of coercion could come from the Chinese and South Koreans, who could threaten to cut off their supply of grain and fuel oil if North Korea does not stop work on the large reactor. This alternative has always been resisted by China and South Korea. But the danger of the North Korean nuclear program is by now obvious to them and they should now be willing to join the United States in a concerted diplomatic initiative. An additional inducement for China and South Korea would be the concern that if they did not provide the coercion, the United States might take the only meaningful coercive action available to it—destroying the reactor before it could come on line.

Clearly, this is a dangerous alternative. If China and South Korea do not agree to applying coercion, the United States may be forced to military action which, while it certainly would be successful, could lead to dangerous unintended consequences. But in fact there are no alternatives left that are not dangerous. And allowing North Korea to move ahead with a robust program that is building ten nuclear bombs a year could prove to be even more dangerous than exercising coercive diplomacy. We desperately need to get serious negotiations underway with North Korea. And all of our negotiating experience with North Korea tells us that success depends on the diplomacy being backed with a credible threat of force.

If the United States and the concerned regional powers prove to be willing to cooperate in applying meaningful coercive diplomacy, we still could contain this danger. And if we did, our children and our grandchildren would thank us.

Chairman LANTOS. Thank you very much, Secretary Perry.
Ambassador Lilley.

**STATEMENT OF THE HONORABLE JAMES LILLEY, FORMER
UNITED STATES AMBASSADOR TO SOUTH KOREA**

Mr. LILLEY. Thank you. I am going to take a slightly different tack on this. If you have North Korea, with one-thirtieth of the economic strength of South Korea and half the population, and if that state is surrounded by three successful powers, economically and militarily, Japan, South Korea, and China, and if we are backing them, it seems to me that the tides of history are on our side, not on theirs, and it seems to me, too, that over the past 10 years, we have been working hard to get cohesion with our friends and allies in the area to bring effective pressure to bear on North Korea to change its behavior.

What do I mean by that? Well, first of all, Sun Tzu, the old Chinese strategist, said, "If you get involved with one of these things, know your enemy, know your opposite number." What is North Korea up to, in stark terms? Survive, remain in power, keep an iron grip on the people, and we know from high defector reports that Kim Jong Il is a control freak, number one.

Number two, he is trying to help win an election for himself by backing the ruling party in South Korea and a possible trip by Kim Jong Il to South Korea to buoy up the existing party. So far, that has backfired on him in South Korea.

He wants to exploit what they perceive as widespread anti-Americanism. They are attempting to exploit U.S./ROK differences, and they are going to play the nationalist theme. That is obvious. We know that.

I think they are also going to try to get former President Clinton to North Korea after the United States 2008 elections and try to get back to the two light-water reactors and food and oil, the 500,000 tons of heavy oil a year and perhaps several hundred million dollars of food aid, largely unmonitored.

They are going to make enough short-term concessions to keep food, energy, money coming in, principally from South Korea and China. They are going to try to split five-power cohesion, pointing the finger at United States as the cause of tension.

The trend of policy in North Korea has evolved from a massive military intervention in 1950, through frequent terrorist threats and actions, to its current strategy. What have they tried to do in the past? Let us look at it briefly.

In 1968, they tried to send a team in to assassinate President Park Chung-hi. It failed. In the 1970s, they built tunnels under the DMZ. They failed. In 1983, they tried to kill the South Korean cabinet in Rangoon. Half of them got killed; half of them did not. In the 1990s, they started their submarine infiltrations into the South, and their first submarine hit a reef. The infiltration team fled onto shore, and all committed suicide. My friend in the Center of Naval Analysis said, "Bad seamanship, strong morale."

Now, a tactical change is taking place with this focus on weapons of mass destruction. Their threat of proliferation is a more effective means to survive but still is single-minded on their part. It is quite clear they are going to try to keep their nuclear weapons, to the extent they can.

They have, however, been forced into ostensible economic reforms, and we note that, in their New Year's address this year, 2007, they stress economic first over their fascination with putting the military first. This has led to unexpected consequences for them: The flourishing of the Gaesong Industrial Zone, with a number of Korean companies pushing in there, hiring North Korean labor, setting up factories, expanding their presence, expanding into the whole area. We know for a fact, and I know this certainly personally, that this is the way China changed economically. It is starting in North Korea.

Inchon Airport, if you have been there, Mr. Chairman, I am sure, it is one of the best airports in the world. It makes JFK look like something in Indonesia in 1957. It is there sitting right next to the border, the DMZ. It is obviously a force of history. If you have gone through that North Korean airport, Pyongyang, it could fit into one-fiftieth of the Inchon airport. That is a trend.

You see increasing Chinese trade relations in North Korea. They are all over the place, businesses flowing in. They are setting up a glass factory. They are everywhere. It is increasing, much to South Korea's concern, and we also see growing consumer goods availability in North Korea for the elite class.

Going into the other powers, we all know that a fragile but aggressive North Korea, if it implodes, has negative consequences for its neighbors. I think this is particularly appreciated in Peking.

Millions of refugees flowing into Russia, South Korea, and China are going to cause great consternation all over the area.

A unified Korea, under Seoul, allied with the United States is a nightmare for China, certainly. To have these horrible warlords—Kim Jong Il is one thing—those stone-faced men that sit there with medals from their neck to their groin, if they get their hands on nukes, you have got a real problem.

But you have to realize, in dealing with this problem, that China has long, intimate, intense relationships with the Korean Peninsula including North Korea. One instance—I think we should pay attention to this because it is talked about as the “Northeast Project” in China. They have laid claim to the entire North Korean part of the peninsula, through what they say is Koguryo Dynasty discussions as part of China, debate. South Korea says, no such thing; that is our Korean dynasty.

The South Koreans know, and we who follow China know, that it is allegory and it made a lot of sense in the Cultural Revolution and other times, that when they start using allegories, pay attention because what they are saying is that this territory, by definition, belongs to us: [A] if you collapse, we move in, with justification. That really is a shot across the bow.

Chinese involvement in the Imjin defeat in 1596 of the Japanese invasion by Hideyoshi; the Chinese helped the South Koreans do it. The role of China in suppressing dissent on the Korean peninsula; they certainly did that, too, in the Tonghak rebellion. And China rescued North Korea in 1950. MacArthur had knocked them flat on their back. They were finished. Kim Il Sung was sitting up there on a mountain top with his medals on, trying to give orders. Nobody paid any attention to him. China came in and bailed them out. North Korea has not shown one ounce of gratitude for this.

China tried to help set up free trade zones in North Korea, in Sinuiju up on their border, and they moved it down to Gaesong, and the Chinese, I think, breathed a tremendous sigh of relief because Chinese Premier Zhu Rongji had gone to Kim Il Sung and said, Do not put it here. The Chinese knew very clearly who the North Koreans were going to pick: Yang Bin, who is in a Chinese jail for 17 years on corruption. In Sinuiju it would turn out to be a center of prostitution, drugs, counterfeiting, everything else, and China helped push it over to Gaesong.

I do give you here two, I would say, illustrative examples of differing authoritative opinions in China. One, Shen Dingli comes out and says, North Korea is an essential buffer zone to China, and we need it to offset the Americans if there is a crisis in the Taiwan Strait. He says that right out.

The second Chinese, Zhu Feng, comes in and says, It is far less of a strategic buffer zone than it was in the past. If sanctions do not move North Korea, China will use a variety of means to accomplish this goal, including coercive diplomacy and perhaps, ultimately, regime transformation.

All I am saying is, in China, and I found this out when I was there in 2004, there is a propagandistic level where they talk, and this is very depressing to hear, the problems in the Korean peninsula started with American involvement in the Korean Civil War, and goes downhill from that.

If you get to the second level, you hear people talking very frankly about North Korea. Americans, you do not lecture us on it. We know better than you what they are like.

And, third, if you talk to some of the military people, you get a sense that they will not stand still for a North Korea really trying to create instability by going to the missile and nuclear business in a series of tests.

I would like to point out to you that, given the North Korean intentions, the Six-Party Talks are a nightmare for them. They have in fact provoked the increasing cooperation among the other five powers, especially after their nuclear and missile tests, and the U.N. resolutions, with Chinese and Russian support. This was never done before, this was the first time. China has moved troops to the North Korean border. They have inspected vehicles going to North Korea. They have shut down some of the North Korean bank accounts. That is just the beginning of what they have done.

South Korea has suspended fertilizer and food shipments. The revenue from the Macau bank is suspended, which hits the North Korean elites. We are trying to stop, of course, the narcotics and counterfeiting. And ASEAN has kicked in again, telling North Korea—this is the Association of Southeast Asian Nations—to stop the nuclear program, and even Vietnam, where the South Koreans worked with us in the Vietnam War, has come in and started to put sanctions on North Korean banks.

The above actions lead to a loss of face and sustenance in North Korea. They have turned, as you pointed out, to a highly enriched uranium program. We have put restrictions on the Macau bank. But we know the North Koreans' reaction to these actions. We cannot be jerked around by what they are doing.

The latest speeches they make, what they are building and their nuclear weapons; these are important, but we cannot let them take the initiative on this. They will resort to their standard practice of signing agreements, then adding conditions, and then blaming the other side for the breakdown. This is standard. We have looked at their negotiating tactics for 50 years. That is the way they act, no surprise.

North Korea is also seeking to find fellow travelers: United Front work. Support and create a new generation of Korean-oriented Edgar Snows to explain to the West what North Korea really is, and most of it is bunk.

But I still insist, the accumulation experiences and attitudes indicate that the North Korean extreme, sudden violence has been curtailed and that economic reform is eating into their system. They are beginning to pay a price right now for their behavior, and it is hurting them. One tendency is to go all the way and force our hand by carrying out the nuclear tests. The other one is react to this accumulation of pressures and leverage on them.

I think it is very important that the United States be careful in what it says on this issue because we never want to get on the wrong side of the unification issue. I have had this argument many times with the South Koreans. They said that Rusk and Bonesteel divided Korea at the 38th parallel in 1945, and that was the essence of the problem. I pointed out that many, many Americans died in 1950 trying to unify that country. The conversation stopped.

But I think, basically, there is a trade-off among the powers now in terms of what we are trying to get done in North Korea. Counterproliferation. As Secretary Perry points out, this is our number one concern, that they put those weapons in the hands of the crazies, al-Qaeda, et cetera.

What we have to do is to get our friends and allies, and the Chinese have come along two-thirds of the way on this, and the South Koreans perhaps half, to work with us to stop proliferation in the Proliferation Security Initiative, but also in other ways: Inspecting their cargoes, alerting people on intelligence if we get a tip off, boarding the ships if you have to, checking them as they go through China, in air and land. I think we have got this moving.

But the purpose in all of this would be to allow South Korea and China the opportunity to carry out what they might consider the transformation of the regime through policies which they believe can lead to economic influence and seduction of the North Korean state; ergo, they are looking for more time; we are looking for immediate action. That is a negotiator's challenge, and we have come a long way in pulling together on this thing and beginning to get countries to work together.

I think our indications are that we are going to try to transform the policies, if not the system, while recognizing that North Korea will fight relentlessly to get the goods but keep our contamination out and stage spectaculars to grab world attention. We find this to be true, but we also find to be true, if you examine the track record of what the North Koreans did under Kim Il Sung and what they did under Kim Jong Il, there is a difference.

They tend to be somewhat more cautious now, in terms of what they do. Kim Il Sung would shoot down a KC-135. He would seize the PUEBLO. He would carry out axe murders in the DMZ in 1976. He would do these things.

You find a hesitation now to get involved that deeply. Kim Jong Il does not seem ready to take those chances, and I think it is the accumulation of pressures on him, where he knows that he is going to be forced to give his people a better deal.

Finally, I will just indulge myself in quoting one of the great passages in the Bible, John 8:32: "And you shall know the truth and the truth shall make you free." It is emblazoned on the wall of the CIA, where I worked for a number of years, and I wish they took it more literally.

The North Korean version of this is keep the truth out, and you can survive unfree. Thank you.

[The prepared statement of Mr. Lilley follows:]

*United States House of Representatives
Committee on Foreign Affairs*

The Honorable James R. Lilley
Testimony
January 18, 2007

- Robert Kaplan on Herodotus
 - o Herodotus illustrates how self-interest is calculated within a disfiguring whirlwind, and how deeply humans believe for the sake of survival.
- “Do not snatch defeat from the jaws of victory” – Anonymous
- I am not addressing breakthroughs, turning points, or starting a blame game
- I try to discuss history, trends, cross currents, and possible outcomes. What are the players up to?

I. NORTH KOREA

- a. Trying to:
 - i. Survive, remain in power, keep an iron grip on people. Kim Jong-il is a control freak.
 - ii. Help win an election by the ruling party in South Korea this year. Possible Kim Jong-il trip to Seoul.
 - iii. Exploit what they perceive as widespread anti-Americanism – play nationalist theme in South Korea. They are attempting to exploit US/ROK differences
 - iv. Get former President Clinton to North Korea after U.S. 2008 elections – try to get back light water reactors, food and oil as in 1990s.
 - v. Make enough short term concessions to keep food, energy, money coming in, principally from South Korea and China.
 - vi. Split 5 power cohesion – point finger at U.S. as cause of tension.

- b. Trend of policy in North Korea has evolved from massive invasion of 1950 through terrorist threats and actions to current strategy.
 - i. 1968: assassinate attempt on ROK President Park, seizure of USS Pueblo
 - ii. 1970s: infiltration tunnels under DMZ
 - iii. 1983: kill members of ROK cabinet in Rangoon
 - iv. 1987: blow up South Korean Airliner, get caught
 - v. 1990s: Submarine infiltrations
 - vi. Now, tactical change taking place: focus on WMD.
 - 1. Threat of proliferation a more effective means to survive, but still single-minded, cunning and ruthless, more bravado.
 - 2. Ostensible economic reforms of 2002
 - 3. Has led to Gaesong Industrial Zone plus proposed link-up of transportation systems north and south.
 - 4. Inchon Airport near North/South border DMZ – most modern hub.
 - 5. Increasing Chinese trade relations outside NK central planning
 - 6. Growing consumer goods availability for elite class
- II. OTHER POWERS
- a. Fragile but aggressive NK has negative consequences for neighbors
 - i. Millions of refugees from collapsing state
 - ii. A unified Korea under Seoul allied to U.S.
 - iii. North Korean warlords seizure of WMD
 - b. China has long and intimate history with Korea
 - i. 600-900 AD: Chinese Tang Dynasty aids Shilla in South to overthrow Koguryo in North (a contemporary argument)
 - ii. China involvement in Imjin defeat of Japan in late 16th century AD
 - iii. Role of China in suppressing Tonghak rebels in late 19th century

- iv. China involvement and rescue of North Korea in 1950s
- v. China abortive support for Sinuiju Trade Zone in 20th century
- vi. Chinese authoritative and diverging comments on North Korea
 1. *Shen Dingli* (Fudan University): North Korea is strategically significant for China, in that it reduces the military pressure China faces from US in the contingency of Taiwan independence. It serves as a strategic buffer zone in NE Asia.
 2. *Zhu Feng* (CSIS, Peking University): NK is now considered far less of a vital strategic buffer zone than it was in the past. If Sanctions cannot move NK, China will use a variety of means to accomplish this goal, including coercive diplomacy and perhaps ultimately regime transformation.

III. Processes:

- a. 6 Party Talks are a nightmare for NK, increasing cooperation among 5 other powers, especially after the NK nuclear and missile tests
 - i. UN resolutions passed with Chinese and Russian support – never done before.
 - ii. Japanese and US crackdowns
 - iii. China moves troops to border, inspects vehicles, shuts down some NK bank accounts
 - iv. South Korea suspends fertilizer and food shipments
 - v. Revenue from Macao Bank suspended, which hits NK elites. We try to stop narcotics and counterfeiting by NK
 - vi. ASEAN just appealed to NK to stop nuclear problem.
 - vii. Vietnam acts against NK bank accounts
- b. Above actions lead to loss of face and sustenance – HEU, Macao bank restrictions

- c. NK resorts to standard practice of signing agreement, then adding conditions and blaming the other side for breakdown
 - d. NK also seeks fellow travelers, united front support. They're trying to win converts – perhaps a new generation of Korean-oriented Edgar Snows emerges
 - e. BUT: accumulation of experiences and attitudes indicate that NK extreme sudden violence curtailed and that economic reform is eating into their system
- IV. POSSIBLE OUTCOMES:
- a. First, the US must never get on the wrong side of the unification question. There is a basic trade off among the 5 powers:
 - i. Counterproliferation – joint measures such as PSI in return for U.S. toleration of extended timetable for economic influence and seduction
 - ii. Purpose is to transform policies if not system of NK while recognizing that they will fight relentlessly to get the goods but keep contamination out and stage spectacles to grab attention
 - b. Finally: John 8:32. “And you shall know the truth and the truth shall make you free.” NK version: Keep the truth out and you can survive unfree.

Chairman LANTOS. Thank you very much, Secretary Perry and Ambassador Lilley. You have both given us tremendous insight and analytical prowess, and we are all grateful to you.

Let me begin by asking both of you basically the same question. In various forums, you have both been advocating effective coercive diplomacy, and that surely is the preferred option for all of us.

Now, during my various visits to North Korea, I had as my goal, modest as it was, to urge the North Koreans to return to the Six-Party Talks, and while I certainly do not claim credit for their having done so, unless they return to the Six-Party Talks, it is very unlikely we will get much action, and now they are back at the Six-Party Talks.

What specific steps can the various players in the Six-Party Talks take to bring about a policy change in North Korea? Clearly, neither Japan nor Russia nor we have enough leverage to bring about significant change; only the South Koreans and the Chinese do. Since they clearly have not done so in the past, I would be grateful if each of you would address the reasons why the Chinese and the South Koreans have not taken the effective measures that are within their capability, and what policies should we pursue to persuade Beijing and Seoul to move in the direction of effective coercive diplomacy vis-à-vis Pyongyang. Secretary Perry?

Mr. PERRY. I think the most effective coercive element in the negotiations comes from the Chinese and the South Koreans, where they have to threaten to stop the shipment of oil and grain. This would be huge, huge factor with North Korea. As I indicate in my testimony, they have so far refused to do this, but I do believe that the North Korean behavior in actually testing the nuclear bomb might have put a new element, a newer thinking about this, in China and South Korea.

So I would return to China and South Korea and lay this on them very heavily, that they must provide that coercive element. Those are the sticks that one of your members was asking about.

The carrots can come primarily from South Korea and Japan, the economic carrots, because they have the interest and the wherewithal to help North Korea develop economically. The one carrot incentive that the United States can provide is an agreement, on certain conditions, not to use our military to overthrow their regime. This, in fact, was one of the things we promised to them at the September 2005 discussions.

Also, we can offer to turn the armistice into a peace agreement, and that, from our point of view, would be a desirable thing to do anyway.

So those, I think, are the elements we have at our hands that ought to be on the table in the negotiations.

Chairman LANTOS. Ambassador Lilley?

Mr. LILLEY. Tracking what the Chinese have done to bring their own type of pressure on North Korea. It is not our type of pressure; it is their type because they do not trust our tactics or techniques, and it seems to me there is something going on there because the North Koreans are very difficult bargainers. The Chinese have found this out. If they, in fact, Chinese, cut the grain supplies to North Korea, the North Korea answer is, You can feed our people

in China, or you can feed them in North Korea. Take your choice. And then they probably get another 500,000 tons of grain.

My indications are there has been movement, both by South Korea and China. As far as I know, South Korea has not resumed the fertilizer and rice shipments, and what the North Koreans have done to the South Koreans is to say to them, That great emotional factor in your existence is the reunification of families. If you want that, and we have suspended it all, resume the fertilizer sales. That is bargaining from the North. That is the way they bargain.

So it seems to me, the fact that they are doing this indicates that something is happening. I think, also, the element of giving the North Koreans enough delay on our aid plays into the psychological aspects of, let us say, China's support for them, and we can bring up the Koguryo Dynasty problem, which is a shot across their bow, as opposed to their so-called treaty that they have now, it puts the whole relationship in question.

I think, also, the United Nations' sanctions that came out of the resolutions that were passed cut back on any trade that is related in any way with the North Korea military program. This is a way to develop pressures on them.

My whole point of what I was saying was that the North Korea position, horrible as it is, has evolved. They have been obliged to adopt different methods to get what they want. Do not give up on it now. Do not tell the Chinese that they have to cut off all of the grain, or the South Koreans. They will not pay any attention to us because the South Koreans are convinced that the way to bring about a successful outcome to the situation in North Korea is to influence them through economic seduction.

We know them much better than you do, they tell us. We have had thousands of meetings with them in the Korean language. We know where their weaknesses are, and their weaknesses are in their economic vulnerability, and when that point comes when we have a large presence there in North Korea, those weapons will be taken and thrown into the Pacific Ocean. That will be the outcome, and that is the solution.

The Chinese, of course, have a much more complicated position. They want to retain their influence on the peninsula, but they do not back losers. They are into South Korea, as you know, up to here: Largest trading partner, a number of things they are doing in South Korea which indicate a movement there where the Chinese are shifting more and more of their emphasis to South Korea and away from North Korea. North Korea is a liability; South Korea is an asset.

Watch this process. This is not coercive diplomacy; this is long-term leverage over North Korea, and North Korea, I believe, gets the point.

Mr. ACKERMAN. Mr. Chairman, may I comment?

Chairman LANTOS. Please.

Mr. ACKERMAN. I fully agree with Ambassador Lilley's emphasis on the economic absorption of North Korea. I think that is the long-term strategy which we should be pursuing. I do not think that helps with the short term and the nuclear weapon program, and I do believe, in the short term, to deal with the nuclear weapon

program, we need to have an effective coercive strategy beyond that.

Chairman LANTOS. Well, pursuing that for just another minute, recently, we had a very high-level, United States cabinet delegation go to Beijing, which, in my judgment, was spectacularly unsuccessful. The Chinese ambassador visited with me not long ago, and I pointed out this fact to him, and I indicated that we expect our Chinese counterparts to deal with the matters that are of vital interest to United States national security interests, namely, their proposed \$16 billion investment in Iran and the nuclear program in North Korea.

What mechanism would both of you find useful in persuading our Chinese and North Korean counterparts to take more effective action?

Mr. PERRY. I think I would offer two unrelated points. First of all, in order to persuade them, over the near term, to take coercive action relative to the nuclear program, we have to convince them that the nuclear program is a threat to them as much as it is to us.

Chairman LANTOS. Do they so consider it now?

Mr. PERRY. I think they can believe that. I think they understand that. So I think that is probably doable.

But, secondly, I think, quite aside from the nuclear issue, the United States should be seeking to work cooperatively with China in the development of energy. Both the United States and China are heavy users of energy. Both of us have a shortage of energy, and we are going to end up competing in the world markets for energy unless we can find a way of cooperating. And I think there is a very good basis for cooperating with China in that regard, in that we have the technology to help develop alternative energy supplies, and they have the need for them.

So I think there are possibilities of working in cooperation with China in that regard.

Chairman LANTOS. Ambassador Lilley, would you like to add something?

Mr. LILLEY. I think Secretary Perry made a point: The South Korean long-term absorption of North Korea does not take care of our immediate problem. What I am proposing is that there is a trade-off here between our acceptance of their techniques of absorbing the North and their cooperation with us on the PSI and other matters. All I can say is my sources indicate that that is taking place. It is not taking place in the Chinese joining the PSI Initiative or the South Koreans openly interdicting their ships but it is happening.

Chairman LANTOS. A few days ago, this committee held a hearing on Iran, and the witnesses were Secretary Tom Pickering and former CIA Director Jim Woolsey, and we had a very useful dialogue about a proposal of establishing an international entity that would provide nuclear fuel and reprocessing to any country, guaranteeing that the supply is steady and preventing the need for each country developing its own enrichment and reprocessing facilities.

Since both of you are knowledgeable in this field, may I ask you, Dr. Perry, to comment on this proposal?

Mr. PERRY. I think this is an excellent proposal. I believe that the international entity for supplying nuclear fuel, relative to Iran, is a necessary condition for curtailing Iran's nuclear program. It is not a sufficient condition. It does not scratch all of their itches, but it does take away their excuse, coming into this program. So I think we should do that, but we should not believe that that will be sufficient.

Chairman LANTOS. Ambassador Lilley?

Mr. LILLEY. I think that it is a good program. It is a good conceptual idea. I just do not think the North Koreans will play ball, no.

Let me just make another point, though. I think, basically, this trade-off, what I am talking about is to seek South Korean and Chinese and Japanese and Russian cooperation in neutralizing the military capabilities of North Korea in proliferation in return for allowing them the chance to transform North Korea. That is the deal.

Chairman LANTOS. Thank you very much. Congresswoman Ileana Ros-Lehtinen.

Ms. ROS-LEHTINEN. Thank you so much, Mr. Chairman, and thank you, panelists, for excellent testimony.

Secretary Perry and Ambassador Lilley as well, how can we call the Agreed Framework a success or anything remotely successful? At the very time that Secretary Albright was meeting with the Dear Leader in Pyongyang, the North Koreans were enriching under her very nose. During the Clinton administration's implementation of the Agreed Framework, North Korea was trading its missile technology with AQ Khan for highly enriched uranium technology, at that same time.

I believe that it is a revisionist view of history to label the Clinton administration's North Korea policy as anything but a failure, a disaster. In 1994, North Korea pledged to freeze its nuclear program in exchange for international assistance to build its nuclear reactors. Four years later, North Korea fired a missile into the Pacific Ocean in 1998. The response from the Clinton administration was to essentially reward North Korea for its behavior by engaging in high-level talks and, in September 1999, easing sanctions against this rogue regime.

The one lesson I believe that was learned from North Korea from this exchange is that it could blackmail the international community and the United States into concession. Many would argue that Iran has similarly learned this lesson well and has adopted the same approach. The chairman used a great phrase that I would apply in a different way. I think that the Clinton administration's North Korea Doctrine has been spectacularly unsuccessful. I would like for you to comment on that, and I am just going to string them together, Mr. Chairman, if I might.

On the issue of human rights, when Jimmy Carter went to North Korea in 1994 and met with Kim Il Sung, he talked about nuclear issues but said not one word about the gulags, the massive human rights violations. Jimmy Carter, as we know, is known far and wide as the human rights President, and he criticized South Korea's human rights program vigorously during his administration but said not one word about the suffering of the North Korean peo-

ple and who was responsible for that suffering, nor did Secretary Albright make this a priority issue when she visited Pyongyang.

So why was the Clinton administration silent about the greatest human rights tragedy in Asia since Pol Pot?

And, lastly, on the China issue, we have repeatedly gone to Beijing, asking for its help regarding North Korea. The Chinese always say that they are doing all they can, but there is very little result. However, when China, which is North Korea's only ally and the conduit for most of its energy and food, wants something, it has no problem using its leverage, including cutting off oil to North Korea, with immediate results.

Why is China jerking us around in this manner? Do they want a resolution, or do they benefit from having the United States bogged down in a crisis that we cannot resolve but which keeps us coming back to Beijing with hat in hand over and over again?

Lastly, Secretary Perry, you had mentioned the op-eds that you had written some months ago, one of them advocating a possible surgical strike on North Korea's nuclear missile. You said:

"If North Korea persists in its launch preparations, the United States should immediately make clear its intention to strike and destroy the North Korean Taepodong missile before it can be launched. This could be accomplished, for example, by a cruise missile launched from a submarine carrying a high-explosive warhead. The blast would be similar to the one that killed terrorist leader Abu Musab al-Zarkawi in Iraq, but the effect on the Taepodong would be devastating."

Do you still hold those feelings, as you were pointing out in your statement, and is a military strike on North Korea's nuclear facility feasible? Do we have enough information about their capacity and the facilities to be able to destroy them with great confidence? Thank you, Mr. Chairman.

Mr. PERRY. Let me comment on the several different issues you raised, Congresswoman, and, first of all, the Agreed Framework.

The Agreed Framework, in my judgment, in no way solved all of our problems with North Korea. It did not solve, or even address, the human rights problem. It did not solve the counterfeiting problem. It did not cause North Korea to give up its nuclear aspirations. All of those things you can say flat out.

All that it did, all that it did, was it stopped North Korea from building 50 to 100 nuclear bombs between 1994 and 2002. That is probably worth having, though.

In addition to that, with the absence of an Agreed Framework in the last few years, they have built six nuclear bombs, and they have restarted a reactor which could allow them to build 10 nuclear bombs a year.

So the Agreed Framework focused on this one problem, and on that problem, it did pretty well. It did not have any effect at all on other problems which we care a lot about.

On the Chinese, in my judgment, the Chinese are not doing all that they can. I am puzzled about that. My own rationalization of that is that the Chinese agree with us and concur with us that they want no nuclear weapons on the Korean peninsula, but they totally disagree with us on how to achieve that. In particular, they

are fearful of a regime collapse in North Korea, which would cause hundreds of thousands, or even millions, of refugees to flow into North Korea.

So we have different goals, I think, in the negotiation. If we could find some way of getting a concurrence with the Chinese on what our goals are, we might be able to get some agreement on how to apply the right kind of diplomatic pressure. Ambassador Lilley?

Mr. LILLEY. I heard, at the National Press Club last month, a highly experienced, technical man who—

Chairman LANTOS. Could you pull the mike a little closer?

Mr. LILLEY [continuing]. Who was just in North Korea, and he says the 50-megawatt reactor is a mess. It is in terrible shape, and thought that they could probably produce no more than one nuclear bomb a year. This is one man's opinion, but a very experienced man who knows these things a lot better than I do.

My sense is, with the Chinese, you go along with them, but you have got means to cause them some problems. We know where they are sensitive. You could do these things, but you have to be fairly subtle about it, and whatever they are achieving in North Korea, you have got to watch for the specific actions that North Korea takes.

Now, again, you had the nuclear test, but, look, that nuclear test was not a very successful one, and the first missile they tried blew up in the sky.

It is disturbing that they are doing this, but look carefully at the limitations of these guys. How much of it is bravado? How much is it really a bargaining technique to get you to come around because that technique works? When you use blackmail of this kind, we come through with goods and various things, and I think they are trying to do that now. But you have got to get to the bottom of their capabilities and not make broad assumptions about what they can do because they have very serious limitations on their capabilities. I think, basically, these are increasing.

Chairman LANTOS. Mr. Ackerman.

Mr. ACKERMAN. Thank you, Mr. Chairman. I cannot help but be amused when some of our colleagues criticize us for being too partisan in trying to deal with the failures of the administration, which we have now, and then spend so much time going back to blaming everything on Bill Clinton and Jimmy Carter and Madeleine Albright, and maybe we should take a look at what Herbert Hoover did about this.

I was curious about my friend from California, whose position I would like to flesh out with our witnesses.

Chairman LANTOS. Which friend are you referring to?

Mr. ACKERMAN. My very good friend—thank you for the clarification—whose approach is a legitimate approach. It is basically starve them out. Why should we give them anything? Do not give them any food, oil, or anything else, and do not help them.

Knowing of Ronald Reagan's point of view that food and humanitarian aid should never be used as a political weapon, I was just wondering if my friend, when he was Reagan's writer in the White House, penned those lines for him, but we will deal with that later.

I was in Pyongyang. It was 1994, in October. I met with Kim Il Sung, discussed at great length the switching of the heavy to the light water reactor, an international group paying for the costs, and somebody supplying oil while the thing changed and turned around, and he was very receptive.

It was disappointing to me that when I returned, the Clinton administration did not accept that as real, and it was not until several months later, on Jimmy Carter's visit, and I am the last one to defend Jimmy Carter these days, that he announced right after the meeting very publicly what then became the Framework Agreement.

When the Republicans came in, as Dr. Perry pointed out, and I am going to ask him the question, the administration walked away from the talks and the table and thought that hating Bill Clinton was a substitute for foreign policy and came up with nothing else.

After listening to the criticism of the Clinton administration's policy that my colleague from Florida described as a total failure, could you tell us, if that policy was not in place, how many weapons, nuclear weapons, the North Koreans would have today?

Mr. PERRY. If the North Koreans had operated their facilities according to the plan that they had already laid out, and if we had done nothing about it, between 1994 and 2002, they could have built somewhere between 50 and 100 nuclear bombs.

Mr. ACKERMAN. So you would consider that policy, while it was in effect, a success or an abject failure?

Mr. PERRY. That was the benefit of the Agreed Framework. As I said, there were many other things they might have done that they did not do, but it did stop them from building 50 to 100 nuclear bombs, which was no small accomplishment.

Mr. ACKERMAN. How do we better engage the Chinese, who seem to have much more leverage and levers than do we, to convince them what is in their national interest? You point out, and this is the question that comes back to what Mr. Rohrabacher was advocating, it is in the Chinese interests to make sure that the North Koreans remain in North Korea rather than go to China, the theory of implosion rather than explosion.

If we did take the hard line and said, Nothing more from the United States, no more humanitarian aid, if that became our policy, what do the Chinese do? Do they just fill the void, or do they try to change North Korea's policy so that the rest of the world is engaged as well?

Mr. PERRY. I think probably the Chinese would fill the void, and the real question is, what can we do to get the Chinese on the same negotiating track that we are on in dealing with North Korea? That is the big issue. If we and the Chinese can agree on how to approach North Korea, I think we could be successful.

Mr. ACKERMAN. Ambassador Lilley, do you agree with that? How do we better engage them?

Mr. LILLEY. Let me come to the defense of Herbert Hoover. He was not an ideal President, but he was one of the most effective aid administrators we ever had. When he went into the Ukraine during the period of horrible Soviet starvation, he laid down the rules for the Soviet Union. He said, "I will monitor the whole thing. You are not going to put the party in here. I am going to go all

the way to the bottom on this," and he conducted a program that probably saved 5 million Ukrainian lives but he got Stalin.

I will not play mathematical games with you in terms of human lives, but if you do something successful, as he did, you get unintended consequences.

As far as the Chinese are concerned, as I pointed out, they have taken a number of actions, that they are split on this issue, that they tend to move more in the direction of being a responsible stakeholder. We are beginning to see that happening.

Chairman LANTOS. Thank you very much. Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you, and thank you, Mr. Ackerman, for highlighting my questions. Let me note that I was working for President Reagan when he took a position on food in relationship to basically hostile countries. Let me note that he never advocated us sending food aid to countries that were hostile to the United States and democracies. The reference you are talking about dealt with Ronald Reagan's belief that we should be willing to sell food to anyone, including hostile powers, because if you sell it to them, they are using their hard currency for food rather than using their hard currency to develop weapons systems, and that is a huge distinction that we should be aware of here.

If we were not providing food freely to the North Koreans, they would have to use their hard currency for something other than developing nuclear weapons. Now, my researchers have shown me the statistics, and we seem to have provided over \$1 billion worth of medical, food, and energy assistance to the North Korean Government in a 10-year period. That is \$1 billion that they have now that is available to produce nuclear weapons and to stabilize their control over their population.

This makes no sense to me at all, and in the testimony that we have heard today, and let me compliment the chairman again, we have had such high-level people here, and I know you are setting a precedent, and I have gotten a lot out of your testimony, and I am going to ask a couple of, you know, probing questions, but do not think that I did not appreciate the expertise that we have just had and have benefitted from it, because I have.

But it just seems to be aversion among both of you to the idea that North Korea, this horrible, brutal dictatorship, might implode, and I will tell you, I think it would have been a very good idea to let the Soviet Union, under Joseph Stalin, implode rather than have fed his people. I am sorry, but I disagree with Mr. Hoover at that time. Perhaps we could have sold Stalin food, sold it to him so that he would not have used his hard currency to set up the monstrous gulag regime and militaristic regime that he set up.

But why is it that we have to fear that there is going to be some sort of dislocation going on in a short period of time on the North Korean peninsula? Do they not have a better chance for absorption by the South, or at least as great a chance, as they had in Germany, for example? It did take 10 years for Germany to absorb that, but that did not create havoc in Europe. In fact, I believe that the implosion of the Communist regimes in Europe has actually led to a great stride forward for humankind.

So why is it so different in North Korea, especially with this cuckoo regime that threatens us with nuclear weapons? I just

throw that out to you, either one. If neither one has a comment, I have more points to make.

Mr. LILLEY. What was the question?

Mr. ROHRABACHER. Why is there such an aversion to the implosion of the North Korean regime? Why is there such a fear that the dislocation will be so disruptive that the benefits of getting rid of that regime that now threatens to build nuclear weapons would not be offset by some of that, as compared to what happened in Eastern Europe when those regimes imploded, and now we have a better world?

Mr. LILLEY. First, I think you have different kinds of Communist-nationalist regimes in Eastern Europe and in Asia. The Asian regimes have what you might call authenticity. The Eastern Europeans did not. They were puppets of the Soviet Union. The Vietnamese, the Chinese, and the North Koreans have a very high sense of nationalism, which never existed in Eastern Europe.

I think, second, implosion; I do not think we fear implosion. The people that really fear the implosion are South Korea and China. They are the ones that would have the real problem on that one. As I pointed out, millions of refugees, warlords with nukes, a unified Korea allied with the United States; these are not pleasant concepts for their neighbors. What we are using, the "in" word now is not "regime change" or "implosion"; it is "transformation."

Mr. ROHRABACHER. Right.

Mr. LILLEY. Yes. Okay. "Transformation" means you are going to bring about, over time, changes in that regime's policies, and if that does not work, in the people.

Mr. ROHRABACHER. My time is up, and let me just say, I have not seen any transformation. We have spent billions of dollars. The only thing I have seen—in China as well, by the way, I do not see any great liberalization going on in China. Let us note, behind the scenes—I disagree with both of you—behind the scenes, China is playing a much more villainous role in the development of nuclear weapons in North Korea than what we have heard today. Thank you very much, Mr. Chairman.

Chairman LANTOS. Thank you very much. Mr. Faleomavaega.

Mr. FALEOMAVAEGA. Thank you, Mr. Chairman. It is always a difficult act for me to follow my good friend's, the gentleman from California, line of questioning and his comments on our committee hearing, but I just wanted to ask a couple of questions.

Secretary Perry, you did share with us your experience and involvement with the Agreed Framework that was established during the Clinton administration, and I am always trying to figure out the failures, as has been alluded to earlier by our colleague from Florida. I have always felt that it was a successful effort on the part of the Clinton administration.

I do not want to point fingers, but I just wanted to ask, Mr. Secretary, not only preventing the North Koreans from building 50 to 100 nuclear bombs, but Secretary Albright was the first secretary of state ever to visit North Korea, even met with Kim Jong Il and all of that.

Did you think that perhaps this was a greater success on the part of the Clinton administration to actually dialogue, people-to-people, even though we may disagree with the behavior, the type

of leadership displayed by Kim Jong Il, the fact of the matter is there was a constant dialogue with the North Korean leaders, and was there an earnest effort made not only to prevent them from building nuclear bombs but getting into other aspects of establishing a better and closer relationship with North Korea?

Mr. PERRY. I believe that dialogue and economic cooperation are very important with North Korea because, over the long term, I agree with Ambassador Lilley that that is what could lead to the absorption of North Korea, which is the long-term solution to the problem there. But I must say that I think that the South Korea-North Korea dialogue and cooperation is more important than the North Korea-United States dialogue and cooperation, and I would hope that South Korea could do it and do it more effectively than they have done it recently. But I do think that that is the key to this long-term absorption. I would be interested in Ambassador Lilley's comments on that.

Mr. LILLEY. I think, in South Korea's case, they have been pillaged, colonized, raped by their neighbors for 1,000 years, and they have become a little bit pugnacious on the basis of that. The people from Cholla-Namdo are real good boxers, for instance.

The sense of foreigners playing with them is always very much in their mind. The Japanese occupied them for 35 years. The Russians were in there. The Chinese were in there.

Chairman LANTOS. Could you get the mike a little closer, Ambassador Lilley?

Mr. LILLEY. Yes. So foreign powers are resented, and there is a sense in South Korea, they are really torn on this one. Their blood ties to the North are strong. They sing the same songs. They drink the same booze. They eat the same food. They like the same poetry.

This is a strong tie, and we have been there a long time, and there is no question that the continued presence of a large military contingent causes social problems, and they have caused some serious social problems for us. But you have a very, in my experience, strong body of people in South Korea, including the President, that feel that the United States is indispensable to their future. But this does not mean they are going to follow our orders. It does not mean that at all, as it does in China. They do not follow us on these things. They do it their way.

The thing that Chris Hill has done, I think, his real achievement, is to bring the powers together and get the Chinese to do what they can do, get the South Koreans to do what they can do, and we do what we can do. The result, I claim, although you had this nuclear test, and you had the missile test, is that, in the North Korean case, it is largely bravado, and they are beginning to have to make adjustments in their policy because of our policies, and I would not be discouraged by what we have done.

I am not arguing the Agreed Framework was a total disaster. There are flaws in it, but it was all right in some ways. But we are now going into the next stage and support Chris Hill on this one.

Mr. FALEOMAVAEGA. I just wanted to say that I think myself and two other of our colleagues were the first Members of Congress that went to Gaesong in North Korea, and I personally witnessed the tremendous potential there is on this North Korea-South Korea

economic relationship, and I think it all means we should promote, and we should encourage the North Koreans and South Koreans to see if they can find some means where there is not only closer economic cooperation but the fact that they are the same people, and we should do all we can to promote that unification process for whatever it relates to. Not only politically, but as a people, they are the same people.

Chairman LANTOS. Thank you very much.

Mr. FALCOMA. I just want to say, from the South Korean leader, he said to me, "You know, the United States, you are our friends, but the North Koreans are our brothers." I think that is the distinction there. Thank you, Mr. Chairman.

Chairman LANTOS. Thank you very much. Congresswoman Sheila Jackson Lee.

Ms. JACKSON LEE. Mr. Chairman, thank you very much, and, again, I would like to join my colleagues in thanking you for your leadership on both South and North Korea, your previous visits, and I look forward to the upcoming visit and the leadership of this committee that, I think, will offer a new direction in American foreign policy.

Let me thank our distinguished witnesses for your service to this country, and we respect it greatly.

I mentioned in my opening comments the military demarcation line. I continue to remind myself of that because now, for more than 50 years, the United States military, men and women from our neighborhoods and our communities, have been, if you will, on the dividing line between North and South Korea.

That is something that deserves our commendation and respect, but it also, I believe, requires a serious focus on this moving target, North Korea and its leadership, and, of course, the sensitivity of South Korea. I believe that we cannot cease our involvement and, frankly, view the Iraq War as an enormous distraction from, I think, important business that had been started at the end of the Clinton administration.

Secretary Perry, I would like to have you simply edify or educate us on any value that you could give to the terminology, "axis of evil," and how far that took us in our interaction with South Korea and North Korea. Then I would like to ask, again, the question—I know you have answered it somewhat in many facets or many ways, but I watched Secretary Albright, at the end of the Clinton administration, engage, and no diplomacy is perfect. We have already defined North Korea's methods. They have done it to every administration: Agreements made, agreements broken. It is not unique. But the idea is that we were engaged.

Can you assess how far back we were taken by the immediate cessation of the talks that Secretary Albright had begun and was ongoing when the Bush administration came in? So if you would comment on the axis of evil, and where did we wind up after ending those talks when we were seemingly in the middle of some very productive discussions?

Mr. PERRY. To comment on a few of your points, in terms of the military demarcation line, we have our troops that are exposed in a very forward location for one reason, and that is because if the North Koreans were to attack, they could very, very quickly be in

Seoul, which is half the population of South Korea, and our troops are there to help the South Koreans stop that attack before it gets to Seoul.

Ms. JACKSON LEE. And I do not disagree. I am saying, because they are there, we owe them a viable foreign policy with North and South Korea.

Mr. PERRY. You bet we do. I never agreed with the use of the term, "axis of evil." I think it has not achieved any benefits for the United States and has caused us unnecessary problems.

Ms. JACKSON LEE. And the ending of the talks that Secretary Albright, at least, seemingly not picking those talks up immediately as the Bush administration took office.

Mr. PERRY. I always believe it is better to talk with countries that you have problems with, and the more you dislike the country, the bigger problems there are, the more reason you have to talk with them. I do not think we need to fear from talking as long as we go into those talks with a confidence in what we are trying to do and with strength.

Ms. JACKSON LEE. Ambassador Lilley, I understand this administration's preference for Six-Party Talks. As I understand it, it is to, one, not give deference, respect, or status to North Korea, as well as the fact that North Korea has rebuked or, if you will, broken a number of previous agreements. It is to, in essence, make them behave.

But is it not possible to engage in Six-Party Talks with the possibility of bilateral talks, prospectively or simultaneously? There are times when the Six-Party Talks are in order. I would like to say, humorously, China is in the mood, but there are times when they are not. I am delighted to hear that Secretary Hill may be en route. Can not we combine our approaches, particularly in this very difficult and tricky region of the world where we need stability, I think, most definitively?

Mr. LILLEY. Well, I think that is precisely what we are doing. We are contacting them bilaterally, and we are contacting them through the Six-Party framework. The fact that they are so concerned about the Six-Party framework, it seems to me, you must be doing something right, and I think that Chris Hill's ability to pull the parties together and to get some sort of a cohesion on North Korea has caused them to really rethink what they are doing.

Also, I go back, in my own experiences in Asia, that we had the coming of democracy to South Korea in 1987. I happened to be there. You do not get a democracy that is going to be your friend necessarily. You get a populous President who comes into his victory on an anti-American theme. Nevertheless, he is somebody we can deal with. I think, also, when you bring democracy to Taiwan, which we helped do, that you get somebody who is elected who pushes the course of independence, which causes our foreign policy people considerable grief.

So a democracy itself is not the solution, but it certainly is the best process for politically running a country, as Churchill said, than all of the others.

So, yes, of course, you are going to deal with them, but I do not think you want them to keep setting down the terms of your deal-

ing with them. They say you must deal with us at an authoritative level, or you will not get anything done. Therefore, we will then deal with them on an authoritative level. You find out what they want, and then you use that as a bargaining tool to get them to give you things that you want. You do not just give it to them and move on it.

I agree with Secretary Perry that this process of dealing with your enemy is a process that can work and has worked for us in the past, but do not get wrapped around this business of you have got to have high-level, bilateral talks with North Korea, or nothing is going to happen. The real factors that make things happen are the squeeze you put on them, the psychological, economic pressures, the infiltration of their system, the use of your friends and allies to begin to corner them; that is the way to do it.

Chairman LANTOS. Thank you very much. Congressman Scott.

Mr. SCOTT. Thank you very much, Mr. Chairman. Let me just commend the both of you for an excellent presentation. We have benefitted greatly from it, and thank you, Mr. Chairman, for bringing such an illuminating presentation to us.

Let me ask the both of you this question: What if North Korea either transferred or sold a nuclear weapon to al-Qaeda or any other terrorists? Should not we, in our policy, have what we call a "red line" at some point? What would be our military reaction, not for that one point, that if they sold it or transferred it, and we knew it? That is one. Two, should a device, a nuclear device, from North Korea be exploded in one of our cities—New York, Washington, or even Moscow, Paris—any major city, what should that response be if either one of those scenarios were to occur?

I say that, with the world knowing now, in October, after being warned, after being told, North Korea went ahead with a nuclear test. I agree with you, Ambassador, it may not have been that successful, but we know one thing now that we did not know. We know two things: One, that they have a nuclear capacity; and, two, we did nothing about it. What should we do if one of their nuclear devices got into the hands of a terrorist group; and, second, what should the military response be should one of those explode in one of our cities?

Mr. PERRY. Mr. Scott, it seems to me that our policy now ought to be to deter that from happening. Once it happens, it is a different story, but we should try to deter that from happening. Our best chance, I think, of deterring that from happening is to make sure that North Korea understands that we would consider such an attack to be an attack from North Korea and respond accordingly, even though the actual attack came from a third party.

I referred to the statement that President Kennedy made at the time of the Cuban missile crisis, where he said that a nuclear missile launched from Cuba against the United States or other countries in the Southern Hemisphere would be considered an attack by the Soviet Union on the United States, even if the Cubans launched the missile, and we would respond with full retaliation against the Soviet Union. I believe that statement by President Kennedy went a long way toward deterring the catastrophe that could have happened in Cuba at that time. I think we should do a similar thing.

Chairman LANTOS. Ambassador Lilley?

Mr. LILLEY. You can correct me on this, Bill, if you choose. It seems to me that President Clinton made the same point in 1993 to North Korea: If you ever use your nuclear weapons, you face massive retaliation and elimination.

I think that is burned in there, and the question is, can you trace something through the terrorist network back to North Korea? These guys are very accomplished smugglers, and they are capable of almost anything, but it seems to me the policy that we carried out has led to them progressively backing away from a sudden violent action directly against us.

You are not seeing that happening in the last 10, 15 years. You see them adopting these tactics of using WMD as a tool that they can blackmail us to get food and money and oil without ever getting into that business of putting it in al-Qaeda's hands. I think, as Secretary Perry says, you have got to do everything possible to stop them from doing that. That is the main thing.

Mr. PERRY. I would add to that that the statement we made in the past was of North Korea using a nuclear weapon against us. We need to amend that statement to a third party using a North Korea nuclear weapon.

In general, it is very hard to determine the source of a bomb. In this case, and, in particular, in the case of North Korea, we have had international inspectors and American inspectors at that facility making measurements for many, many years, and I believe we could, through forensics, determine whether the bomb came from North Korea or not. So I think we can make a credible threat.

Chairman LANTOS. Thank you very much. The gentleman's time has expired. Mr. Sherman.

Mr. SHERMAN. Thank you, Mr. Chairman. A few preliminary points. I think it is simply unacceptable how the State Department has recently cheapened our diplomatic language, particularly, the word "unacceptable," since we have accepted so many things that we have branded unacceptable.

I do not think we should put our faith in regime change, whether that be the violent overthrow of this regime that some in the United States harkens for or China's hope that somehow North Korea becomes more like China. First, it is unlikely; but, second, if that regime sees itself going under, they could very well do a number of desperate things with nuclear weapons.

The ambassador points out that the tide of history is on our side, in the sense that powerful nations with large economies all agree that this puny, little country, with its puny economy, should not have nuclear weapons. The problem we have is that since the dawn of the Nuclear Age, the tide of history does not work the way it used to. Only in a Nuclear Age do people in Tokyo have to fear North Korea, whereas in any other time in our history, a powerful nation and its capital would not have to worry about being exploded by a country that was far smaller and had a far smaller economy.

Our colleague, Mr. Rohrabacher, calls for us to use the stick of cutting of food aid. I am informed, and I will ask our witnesses to interject if this is, in any way, wrong, that, in 2005, our total food aid to North Korea was \$7.5 million. Obviously, South Korea and

China provide far more, but if we just cut off our own, I do not think that is enough to bring the North Koreans to heel.

So I think, as the ambassador points out, whether we meet at the highest level or just a high level, or whether we talk to a six-sided table or a two-sided table, does not so much matter. It is what we say, what we do, and what realities we create, and the realities on the ground now are that North Korea can survive without our \$7.5 million worth of food aid, and as long as they get support from China, they will continue to develop nuclear weapons, particularly when they are not being offered the kind of sincere security guarantees and nonaggression pacts that they might aspire to.

So this leaves the issue of how do we change Chinese policy? So I will ask both of our witnesses. I have been told that China does not want North Korea to continue to have nuclear weapons, but it values stability far more than nonproliferation, and it may derive some joy in the pain caused here in the United States by the North Korean nuclear program.

Are we going to be able to get China to threaten to cut off North Korea's oil just by going to the Chinese and saying, we think that is what they should do, in their own interest, and we will send smart people over there to tell them that they do not understand their own interest all that well, but once they talk to us, they will understand that it is in their own interest to change what has been their policy for the last 5 years. Mr. Secretary?

Mr. PERRY. I will preface what I am going to say by observing that I tried for 4 years to change Chinese policy relative to North Korea, and I was quite unsuccessful.

Mr. SHERMAN. Mr. Secretary, were you ever authorized to tell China that we needed that change, and if we did not get it, it could change our trade policy?

Mr. PERRY. I was never authorized to say that.

Mr. SHERMAN. Okay. So that leads me to the next point, and that is—

Chairman LANTOS. The gentleman is quickly running out of time, and we will not get an answer from our witnesses.

Mr. SHERMAN. Could you have been more successful if you had been able to say that the next boat load of tennis shoes headed to our harbors might be turned around if they did not listen to you more clearly?

Mr. PERRY. Probably, if that threat had been credible, but China, I think, fully understands that cutting off trade with China is a double-edged sword.

Mr. SHERMAN. I am not talking about cutting of all trade.

Chairman LANTOS. Ambassador Lilley, do you want to comment?

Mr. LILLEY. Well, we went down that path when I was in China. We threatened to lift MFN if they did not shape up on human rights. Their answer was, go to hell. Then one year we turned around, and we said, "Well, let us go back to the drawing board."

I tried to make the point that what is happening is we are turning the screws on North Korea. That is happening. Now, our intelligence perhaps is not that good, and we are being disappointed or jilted again, but this is going on. This is happening. Do you want them to cut off all of the oil? No. The Chinese are not going to do

that. They are not going to get these guys cornered because they know they will do something horrible. Do not do it that way; do it our way. Gradually, the water torture, a thousand drips on your head; this is the way to do it, not your way.

Mr. SHERMAN. I wish I was more confident that continuing the present course would yield results, and I yield back my time.

Mr. PERRY. We will see.

Chairman LANTOS. Ambassador Watson.

Ms. WATSON. Thank you, Mr. Chairman, and I want to thank our two ambassadors. This is very, very helpful. We have had reduction in our forces over there. We had a pretty large component in South Korea, and I was in that part of the world for quite a number of years. Our bases have been closed, and the number of U.S. troops that we have had have been reduced.

I would like to know what impact has this force restructuring had on our relationships, United States and South Korea relationships, and has it impacted the Six-Party Talks in any way? Let me start off with Ambassador Lilley.

Mr. LILLEY. Well, we are going through a very difficult phase of renegotiating our status of forces and our forces in Korea right this minute, which is moving from Yongson to Pyongtaek, which is 70 kilometers away. We are trying to get out of that.

When I was there in Korea, we had the 8th Army golf course in the middle of Seoul. It was a blight on Korean nationalism. It took us 2½ years to move that out because there were elements in the United States Government that did not want to do that, but we got it done.

We have to lower our profile. We have got to get into this command control in an emergency, and we are dealing with that right now with them. And it turns out, when we push it to the wall and say, "Let us do it by 2009," they say, "2012. Okay?" You will get your wartime control back in 2012?

They are very concerned that if America pulls out precipitously our security support for South Korea, they could go into economic decline. This was very much on the South Korean President's mind. Be careful on this one. Talk to us about it before you move, he said.

I think they understand that we can be quite offended by some of the editorials and demonstrations and the labor unions and the crazy young students coming after us and damning American imperialism as the cause, and this happens all of the time. But I think we are moving in the right direction. The combined forces command in South Korea is going to go. We cannot manage that anymore with an American four star in command of their troops in a crisis situation. You will not be able to do that. You will have to change that.

I think what we are doing is we are trying to build up the U.N. command. There were 16 U.N. countries contributing to the forces when we fought for Korea. That anachronism still exists, but I think General Bell has been saying, "Look, take the U.N. here and use that as an instrument to establish a presence that the North and South Koreans can have confidence in to sustain our ability."

But there is always a drawback to this, and there was in these elections where the current populist President got elected. Their two little girls were killed by one of our Humvees, and this turned

into a really violent, anti-American move because we took the two guys out and acquitted them.

These things come up, but my sense is that we are moving in the right direction on this one, and we are shifting out of downtown Seoul, and we are giving them back the command structure and yet maintaining a deterrent to North Korea that is reliable. That is the problem. I think we are doing it.

Chairman LANTOS. Secretary Perry?

Mr. PERRY. I think that it is very important, both for United States policy and for South Korea policy, for the United States to maintain a modest force in South Korea for the indefinite future. The move out of Seoul to south of Seoul, I think, is a good move, and I commend the administration for doing that. The modest reduction in forces we are making there, I think, is also an acceptable move.

I have concerns about the reduction in forces along the DMZ, and I have concerns about the change in the command structure, but, on balance, I think the actions taken by the administration on South Korea and troop forces, I think, have been good measures, and I support them.

Ms. WATSON. Let me just end by this, and it will be real quick. It has been suggested that South Korea could repulse an attack by North Korea without our support. I would like to hear your opinions on that, and thank you, Mr. Chairman, for the indulgence.

Chairman LANTOS. Surely. Secretary Perry?

Mr. PERRY. I think it would be a catastrophe for both North and South Korea. Ultimately, probably the South would win, but the real issue is what happens to the northern part of South Korea? What happens to Seoul and environments? They would be devastated by such an attack. The only chance of stopping that attack before it gets to Seoul is to have United States power at the DMZ and, most importantly, United States air power to blunt that attack before it could get into Seoul. The South Koreans could not stop that from happening.

Chairman LANTOS. Ambassador Lilley?

Mr. LILLEY. I just would add to what Secretary Perry said. I would say that North Korea has over 10,000 artillery pieces aimed right at Seoul, with conventional arms. If the balloon goes up, these could take out probably three-quarters of Seoul, and you would lose millions of people right away.

So we have to do everything possible to prevent that from happening, and we are going to have our air power remain there at Osan. I think we have F-16s there now. We are able to deliver a punch. We can have the carriers based in Japan come up along the Korean coast, and they could launch attacks on North Korea, if provoked.

If the North Koreans know one thing, and I went up to Juche Tower, this tower they have in the middle of Pyongyang, and looked down, and the little girl guide said to me, "Do you realize, in the Korean War, the United States obliterated this whole place?" Now, I am supposed to feel guilt. I said to her, "Look, I was in the nose of a B-26 that flew from Seoul down to Pusan and Japan, and I looked out, and I saw the absolute destruction of South Korea all the way, every tree, every village smashed." We left it at that.

Chairman LANTOS. Thank you very much.

Mr. LILLEY. I had no sense of guilt.

Chairman LANTOS. Thank you very much. Congressman Payne.

Mr. PAYNE. Thank you very much. Good to see both of you, and, Mr. Perry, remember our troop to Goma, Lake Goma, when the cholera took over and the 2 million—

Mr. PERRY. I remember it very well.

Mr. PAYNE. I left Rwanda after the genocide, and I have always admired the work that you have done, and it is good to see Ambassador Lilley. I also agree that the talks with North Korea were very helpful, and you have already laid out where they could have been and where they are as a result of the talks. We have this new policy: Do not talk to certain people. We cannot talk with Syria. We cannot talk to Iran. I think it is a bad policy.

I also agree with Ambassador Lilley that, you know, you talk about Most Favored Nations status with China. Then we went in and gave them permanent trade relations. That is even worse. This is in there, and, I think, if we had not given China permanent trade relations, we could have had some real leverage over them, and I think we need to revisit that, the way China is behaving in Sudan and dropping all kinds of human rights conditions for loans to countries in Africa. I think that China could be very destructive in the future.

And also, Mr. Hoover, Ambassador Lilley, waited a little while before—you know, that starvation had gotten pretty bad in the Ukraine before we really laid the line down. I think Ukraine was one of the worst genocides that really went on at that time.

Also, on the Asian Communists, too, I certainly agree that many of them were just fighting against the imperialists and colonization, and that was a big difference, where, in Eastern Europe, it was just under Soviet domination. But the countries were fighting against the French in Vietnam, and I think a lot of our support for our allies, the NATO countries, even in Africa and in Asia, pushed many countries to Communists, where they were really, I think, freedom fighters or national liberation movements and that kind of thing.

However, I do have a question. The business—and I hope we have a hearing sometime on China and where we are going. Are they going to be our friends? We have our business people that have a love fest going with them. We have some of our defense people who are saying, you know, they are building up a Navy. They are starting to go up into space. I think we need to make a decision on, are we love with China, or are we going to hate them, because we really get such crossed signals that it is confusing, I think, and it is going to get worse in the future.

Just this question: With the population of South Korea aging, like everywhere else, and the younger people not having the same feel toward the United States that defended South Korea and held it from being overrun by the Communists, the older people being very pro-United States—I think you touched on it a little bit, but if you could tell me, where do you think we are going in the future because the younger people, even though they have not had the direct relation, seem to be more sympathetic to North Korea than the older people who remember what the United States did to prevent

South Korea from North Korea? And it seems, in opinion polls, that the younger Koreans in the South have a stronger feel and not are as anti-North Korea and almost some anti-United States.

So, as time goes on, how do you see that playing out, since, I guess, older people will be less and less, and younger people will be more and more, both of you, if you would?

Mr. PERRY. That is a very good question, Congressman Payne. I agree with your observation that there is a big difference between the older and the younger people, in terms of their view of the United States. I believe that the younger ones can be won over, particularly as they get a little older. And I observed that the people that I worked with when I was the secretary, the ones in their thirties and forties who were in the Government of South Korea then, in their college days, had been leading the demonstrations against the United States, and they changed.

When I was over there on my last visit to South Korea, I met with this younger generation. I had a special meeting of the people, of the firebrands, who were very much anti-U.S. and I have the same view about them. They can be won over, too.

One of the things we are doing to help on that is removing the aggravation of having all of our troops in the middle of Seoul. I think that is a very positive action.

Secondly, if we can get going solidly on the negotiations with North Korea, that, I think, would make the biggest difference. We want to do that for our own reasons alone, but I think it would also very much help the relationship in South Korea.

Chairman LANTOS. Ambassador Lilley?

Mr. LILLEY. I am not trying to belittle in any way the so-called anti-Americanism in South Korea, but when I arrived in South Korea in 1986, I was burned in effigy before I arrived. There were probably about 20,000 or 30,000 people in the square, and the South Korean police, in their Darth Vader costumes, pushing them back. All of that continued in the summer of 1987, we went through huge demonstrations that were against the government and against the United States.

So all I can say is this has been around for a long time. My predecessor in Korea wrote, I think, 10 cables saying, anti-Americanism, this is the end, and, of course, it was not.

There will be elections in South Korea in December of this year. The leading party in the polls is the conservative party; the opposition party—it is the GNP. The polls are all in their favor. We see the spectaculars, but there seems to be a body of people that are voting in—I guess I should not use this—in a responsible way. I would agree with Secretary Perry in the sense that one of the firebrands, when I was in Korea, is now the head of the ruling party.

You find this happening in Korea. It is an evolutionary process. You have got to eliminate the things that are causing real friction and then get on with the fact that, still, an awful a lot of South Koreans migrate to the United States. The communities here are large, and the church plays an important role in stabilizing South Korea.

Chairman LANTOS. Thank you very much. Congressman Costa.

Mr. COSTA. Thank you, Mr. Chairman, again for this level of expertise testimony that we are having this afternoon. It is very, I think, informative for all of us.

As I listened to the two witnesses testify about a history of policy that has gone on now for five decades-plus, through both Democratic and Republican administrations, I am mindful of the fact that if the judgment for success is that South Korea has been a viable democracy and a successful economy, then, by and large, notwithstanding whatever mistakes have been made, it has worked, more or less.

I think we are in the long haul as it relates to North Korea, as we have been over the last five decades, and I am wondering about what information you might enlighten us with regards to the stability, given the current regime and its history from father to son. You have laid out several scenarios this afternoon as to what if, as we look down the road.

The successor from father to son, I think, was pretty clear, but what happens if he is to be either toppled or has health problems? What would be, in your view, the reaction? Could the government, in some fashion, still, with the military, stand in some way? What are your thoughts as to after the current ruler is no longer there?

Mr. PERRY. I believe that, unfortunately, the present regime is stable; that is, through their control of information and through their secret police, they maintain very adequate control of their country. I do not expect to see a Romanian- or Albanian-type popular overthrow of the government there.

What you could see is a coup. With the passing of Kim Jong Il, you could see a coup of some sort or a military push, which brought, among the people who are contending to succeed him, there might be a competition as to which one. This would not, I think, bring about a fundamental change in our relationship with North Korea. It would be another one of the same. Ambassador?

Mr. COSTA. Ambassador?

Mr. LILLEY. I would agree with Secretary Perry that NK control is formidable, and you do not see the major cracks coming, but there are minor cracks: The refugees that are coming out, and, as the chairman knows very well, when the refugees come out, the regime begins to sink.

The Chinese are watching the refugee flow, and they are sending enough refugees back to North Korea to keep the North Koreans placated at the same time they are shipping them over to South Korea. The refugees are a real problem because they really have been brought up in this hothouse atmosphere where they cannot do anything.

But the real control that Kim Jong Il has, despite the fact that his sons turned out to be a mess—the oldest one, you know, got caught in Japan on a false passport trying to get into Disneyland. It is something out of a bad movie, but his control over the elites, the military, the Korea Workers Party, is very strong, and it is done in terms of coercion, and it is done in terms of buying them off.

He has got all of these palaces, the Remy-Martin, the lovely Korean ladies. All of these things are available to them. They live on top of the world, a million, 2 million of them, and if they did not

have this, they would be shining shoes in Seoul because they have no talents to do anything except kill and create a military-industrial enterprise.

So I am saying that I agree, but there is no reason to give up on this because you are beginning to get into them: Gaesong, the cross-border between China and North Korea. You are beginning to get signs that the economy is not working, and they have to change. You get this from middle-level bureaucrats.

So you see some of the seeds are there, but we cannot jump in and say it is going to change quickly. No. That is not going to happen.

Mr. COSTA. So you see the ruling class able to continue the status quo for—

Mr. LILLEY. They have got a vested interest in doing that, but, again, the intelligence is not good, and in a fragile situation like that, we could all be very surprised that something could happen suddenly, but all of the signs are it is not happening.

Chairman LANTOS. Thank you very much. I know, gentlemen, I speak for every member of this committee and, I think, for the American people, that we are extremely lucky to have the two of you willing to give many years of your life to public service. This has been an extraordinarily valuable and analytical presentation, and we are in your debt. Thank you very much.

Mr. CHABOT. Mr. Chairman, before you bang the gavel, and I apologize, I just wanted to echo what the chairman said. Having been to North Korea twice, not professing to be any kind of an expert, I was listening to your testimony from the TV, and I just want to say thank you both so much for everything that you do and for being enlightening to us.

Secretary Perry, I had the honor of traveling with you when you were defense secretary, and my opinion of you was great then, and it is as great today. Thank you.

Ambassador, thank you for all of your good work. Thank you, Mr. Chairman.

Chairman LANTOS. Thank you for your comment. This hearing is adjourned.

[Whereupon, at 3:55 p.m., the committee was adjourned.]

