



The United States and the Republic of Korea: Dialogues on the Relationship

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CHAIR OBERDORFER: Good morning. I'm Don Oberdorfer, the Chairman of the U.S. Korea Institute at SAIS, the School of Advanced International Studies of Johns Hopkins University. On behalf of Johns Hopkins SAIS, and the U.S. Korea Institute, I'd like to welcome you to this forum, which we are co-sponsoring with the Department of State, particularly its East Asian Bureau, this morning.

We have a great number of cameras and press. In fact, I'm told this is the largest number of cameras that's ever been assembled for a SAIS event.

(Laughter.)

CHAIR OBERDORFER: I hope they're not here in vain. A few years ago, I would have been sitting back there with the press, since I was in the press for 38 years before I became a - whatever I am now - a professor, including 25 years on the "Washington Post", and I'm the author of what is now the standard book on Contemporary Korea.

This meeting is at the initiative of the Department of State, which realized, and we agreed with them completely, that there has been a great deal of focus in Washington on North Korea, which is deservedly so, given the problems regarding the DPRK, but less of a focus on our ally to the south, the Republic of Korea, or South Korea, which is one of the most remarkable countries in East Asia, and I would say in the world.

I had a look at that country as a lieutenant in the U.S. Army in 1953 and '54, and it was a war-torn, poverty-stricken, desperate, desolate country in the wake of the Korean War. It's almost unimaginable to me that today it is a democratic country, very democratic, about to have its next presidential election at the end of this year, and either the 10th or 11th largest economy on the face of the earth, depending on what kind of dollar-won ratio you pick. So we have much to talk about, about South Korea, and we can't ignore North Korea, which has been a principal focus of the U.S. relationship with South Korea since the Korean War of 1950-53.

We have a very rich menu this morning. First, Secretary Hill, who I'll introduce in a minute, is going to talk and answer questions. After his talk, he and I are going to have a little conversation, and then we'll turn to your questions. Then we're going to have Wendy Cutler, the Assistant U.S. Trade Representative, who negotiated the Korea-U.S. Free Trade Agreement, which has been signed between our two countries, and which will soon be submitted to Congress. And she will be introduced and questioned by Andrew Ward, former Bureau Chief for the "Financial Times" in Seoul, and now the White House Correspondent for the "Financial Times."

Finally, Richard Lawless, the Deputy Undersecretary of Defense for Asia, who has played a leading role in the security issues in East Asia and the Pacific, and in the past five years since he's been in the Pentagon, and who's a veteran of Korea, and he will be questioned and introduced by Alan Romberg, the Senior Associate and Director of the East Asia program of the Henry L. Stimpson Center.

So that's the plan ahead. First, Chris Hill needs little introduction to any of you, I'm sure. His three years as Assistant Secretary for East Asia and the Pacific, have been years of great activism on his part. I've known most of the Assistant Secretaries for the past 30 years, and he's among the most activist. He resurrected, really, the Six-Party Talks to be something that has the potential, at least, of making a very serious contribution to the de-nuclearization of the Korean Peninsula.

He's the former Ambassador to South Korea, before he got this job to be Assistant Secretary of State. You have, or there is available on the tables if you didn't get them when you came in, the biographies of these people, so I don't need to go into any detail.

Secretary Hill is going to talk for a few minutes, and after that, I'll engage him in a little conversation, and then we'll turn to your questions. So, Secretary Hill.

ASSISTANT SECRETARY HILL: Well, thank you. Thank you very much, Don. It's a great pleasure to talk about the other Korea. I must say, being here and seeing so many familiar faces in the audience, including people who have really been very instrumental in my understanding of Korea, is quite humbling. Staring with yourself, Don, because truly, your book about the two Koreas has become a kind of basic textbook that everyone who does anything about Korea really has to read. And, by the way, I actually read it twice, once when I didn't know much, and then once a little later on, and it stacks up very well in both circumstances. A text that one simply has to commit to memory.

It's also a pleasure to see my predecessor here, Ambassador Tom Hubbard, who's sitting here in the front row. Tom, great to see you again.

You know, we'll be talking about South Korea today, and I know there are a number of journalists here today, but whatever you plan to write, you can't come close to the AP story that came out of Seoul this morning. As many of you may have noticed, there was a competition of these people who were walking across the Han River on a wire, high above the Han River, and tight-rope on this wire. And the AP story said, "Skywalkers in Korea cross Han solo."

(Laughter.)

ASSISTANT SECRETARY HILL: So you just can't improve on that. Anyway, my compliments to the AP headline writer, who had a good day that day.

Anyway, I think over the years, the U.S. relationship with Korea has gone through a lot. I've always been optimistic about it, because I always have believed in the real logic of a good relationship between the U.S. and the ROK. And right now, I really feel the relationship is going very well indeed.

I think it's kind of symbolic of the relationship that Secretary Rice and Minister Song Min-Soon have actually met in Sharm el-Sheik today as they've met to discuss issues like Iraq and the Middle East, and other issues of common concern, because I think more and more, Korea is a country that is not just a regional power, but it's growing in importance globally.

I think Korea, thanks to economic interests, but not just those economic interests, has developed, or is developing, an international perspective. Its diplomats are all over the world. Korean people are all over the world in various walks of life: as missionaries, and businessmen, and various other pursuits. So more and more, I think what we have with Korea is a relationship that is growing to be the partnership that we all have had aspirations for it to become.

I really don't know what the solutions will be in some of these difficult spots in the world, like the Middle East, but I do know that the world's 10th largest economy needs to be a part of those solutions. So it's very appropriate that Korea is there.

Obviously, Korea has been a key player in our relationship with China, indeed, and in China's emergence economically. It's impossible to spend two minutes in China without seeing the influence of the Republic of Korea. It is really quite astounding to see the role that Korea has played in the region.

Korea's democratic progress, its progress as a democracy, which I had the privilege of being in Korea in 1987 to witness some of those developments, but to come back, as I did, to Korea in 2004, and to see what had happened, is really quite an inspiration for all of us who believe that democracy is the wave of the future. I think Korea really showed the way, and I think has led by example in many parts of the world, especially in Asia.

I spend time in countries in Southeast Asia, and there, again, Korea is very present. Korean businesspeople especially are present. But again, I go to some of these capitals in Southeast Asia, and I get the opportunity to meet Korean diplomats who are always very well-informed, and are really key players in the diplomatic community, so there's so much that's very positive.

I have always felt, and certainly during my tenure in Korea, I really pressed for the idea that there should be a Free Trade Agreement. And what impressed me so much was the fact that my colleagues as USTR and the Korean officials in the Ministry of Foreign Affairs and Trade worked so hard, and were able to produce this. I think this FTA is important to the United States, but it's very important to this very special relationship. And I think, ultimately, extremely important to Korea as it goes forth. So I think this FTA, in many respects, will serve as the sort of foundation of the next 50 years of this very special relationship.

To be sure, we have had to work very closely on some very tough issues, and I think we sometimes come at these tough issues from different perspectives. Often those perspectives have to do with the facts of geography, and frankly, the facts of history, as we've approached, in particular, the six-party process. But I do believe that, as we work with our partners in that process, and as we work to make progress, we don't have any better partner in the process than the ROK. So I'm very encouraged by these developments.

We would like to more Korean people come to the U.S. We'd like to see many more visitors in this regard. We want to see Korea added to the Visa Waiver program. We are working to look for ways to do that. In the meantime, I think my understanding is that, as of today, there are more Korean students in the U.S. than any other country. And I think this is a very good sign. I think Korea has actually eclipsed China in recent years as the number one student population here. We have some one and a half million Americans of Korean descent. So I think, in terms of people-to-people contacts, we are very close country.

Our bilateral trade is really, is over \$72 billion and growing. By comparison, our bilateral trade with a country like India is only on the order of \$28 billion, so it gives you some sense of how important Korea is to the U.S.. So, I think we have a very special relationship.

We've, obviously, had to work very hard on modernizing our security relationship, on re-aligning our troops to make sure that, though we may move troops around, we may move bases around, but we certainly don't move the sense of deterrence around. That we maintain a very strong sense of deterrence, and maintain peace and stability, this ROK-US alliance, I think, has really been very successful, and we need to keep it successful. And I think we're doing that very effectively.

Ultimately, as we move forward in the six-party process, I think it's very important that we do create, as we move beyond just the issue of de-nuclearization in North Korea, that we try to create stronger multi-lateral mechanisms for problem-solving in the region, and for developing a greater sense of community in the region. I think in this regard, Korean and U.S. interests are very much aligned.

First, we would like to, as we pick up momentum in the six-party process, and I think I'll sort of hold my comments on the six-party process for the inevitable questions on the six-party process, but as we make progress, and we will make progress, we would like to begin to address the issue of finding a peace mechanism on the Korean Peninsula, peace mechanism among directly affected parties; that's the ROK, the DPRK, China, and the United States. And if we can do that, I think that will really pave the way for some broader mechanisms, which we would also like to launch in the region. Broader mechanisms with the six-party process, as the basis of those, but not just limited to the six countries -- as we go forward, opening the process up to other countries.

I think it's very important in this part of the world where I think too often disputes or disagreements have gone into a bilateral channel, that we find more ways for countries to meet multilaterally, and discuss certain codes of conduct, and codes of behavior, discuss the need to find common explanations of history, and other issues that have kept Northeast Asia from becoming the exporter not just of goods, but also the exporter of stability, and of ideas of interstate relations. So, we're very much prepared to work, to create, or to strengthen these multilateral processes, but to do that, we need partners in the process, and I think none better than the Republic of Korea.

So with those sort of opening comments, maybe we can go to some questions.

CHAIR OBERDORFER: Thanks very much. I'm going to ask a few questions. You would expect it of me, I guess, after all those years in journalism, but that's part of the pattern that we're going to have this morning. The introducer is going to ask a few opening questions, and then we'll turn to the audience.

You mentioned that the United States and the Republic of Korea have to deal with the facts of history, and never more so than since in the last half century since the Korean War, the number one thing that's dominated has been the central problem and strategic issue for both is North Korea, obviously.

Now we have the agreement, which you worked out with your colleagues, February 13th, and it's been hoped that by 60 days from then, the first tangible steps would have been taken to move to the de-nuclearization of North Korea.

I think a lot of people are wondering, I'm wondering, what's the delay? Why is this so hard to get done? What are we waiting on here? What is North Korea waiting on?

ASSISTANT SECRETARY HILL: That's the question?

CHAIR OBERDORFER: Yes.

(Laughter.)

ASSISTANT SECRETARY HILL: All right. I'll take a stab at it. First of all, the agreement that was reached is the first tranche of implementation measures of an agreement that was reached in September 2005, so if I can help write your lead there, Don, you might have asked, what was the delay from September 2005 to February 2007, why did that take so long?

CHAIR OBERDORFER: I think I know the answer to that one.

(Laughter.)

ASSISTANT SECRETARY HILL: Well, remarkably enough, it's the same answer to the question you posed, which is, 'what's the delay in implementing the 60-day measures?' And, basically, what it is, is that in September 2005, coincidentally with the reaching of that agreement, the U.S., in looking at some of the banking practices that the North Koreans have been carrying on in various parts of the world, focused on a bank in Macao called Banco Delta Asia. You may have heard of it.

[Laughter]

And in focusing on this, it was determined that Banco Delta Asia was engaged in practices that were such that the Treasury Department felt it necessary to warn U.S. banks not to do business with that bank.

Because the Macao authorities were very interested in improving the reputation of Macao with respect to banking, they moved quickly to freeze North Korean accounts; in fact, all of the North Korean accounts, some 52 of them. So, while these accounts remain frozen, the United States government continued an investigation to determine whether there should be a final ruling that, absent a change in ownership, that unless the ownership of BDA is changed, U.S. banks should formally be told not to do business with Banco Delta Asia. And, indeed, after some 18 months, finally it was determined that the Treasury Department role in this matter would be concluded, would be resolved. It was resolved in the form of making clear to the Macao monetary authorities that henceforth, U.S. banks would not be allowed to do business with Macao, with this bank until there's a change in the long-term ownership of this, at which point, it would be the decision, or the rule, would be reviewed.

Well, to this day, the bank has remained with the same owner. But in the meantime, all the North Korean accounts were unfrozen, so from our perspective, we resolved the matter, that is, we concluded our investigation. We went final on the rule that prohibits U.S. banks from dealing with Banco Delta Asia under its current ownership, and we also told Banco Delta Asia and the Macao authorities that, with respect to frozen funds, those funds, from our perspective, can be available. That is, our role is completed in this.

But, alas, due to a number of technical matters, and I now know a lot more about banking than I did a few weeks ago, it's not easy to move accounts in a bank that is not permitted to do business with U.S. banks. And so, we have been working actively with various partners to see what can be done to resolve this matter, and to have these North Korean funds available to the DPRK government. So the DPRK government, unfortunately, and I think rather wrongly, has determined that they will not move ahead on de-nuclearization until they actually see these funds appear in another bank, and show up in another bank and accessible to the North Korean government.

I say wrongly, because I think North Korea's problem with the banking world, with the international financial world, really derives from the fact that they are engaged in the building of weapons of mass destruction. I think if you are engaged in making weapons of mass destruction, you shouldn't be surprised that your bank accounts get a little added scrutiny, because after all, quite apart from the U.S. role with respect to Banco Delta Asia, there are some U.N. Security Council resolutions which were not just the effort of the United States, they were unanimous resolutions. Unanimous means Russia supported them, China supported them, all the countries of the Security Council supported them. These resolutions call on all countries to exude vigilance with respect to North Korean financing, to ensure that these financial transactions are not either providing the financial means to build weapons of mass destruction, but nor are they providing the actual technical or technological means to get equipment for these programs.

So, frankly, while I believe we will be able to solve this Banco Delta Asia matter, we will be able to figure out how to get these accounts moved to a bank that North Korea can then access this money, I think that is possible, it's really the long way around. The shorter route for North Korea is simply to come to the realization that what they really need to do is get on with the task of de-nuclearization.

Now I know there's a lot of concern, and I share that concern about the missed deadline. I mean, after all, 60 days from February 13th is something on the order of April 15th, and we are still not there, and it's now the first week of May.

We believe, nonetheless, that as we have gone through this painful banking matter, and - well, I will not write any memoirs, but I will be telling my grandchildren about this one.

(Laughter.)

ASSISTANT SECRETARY HILL: It's been tough, and we believe that throughout this tough period, the North Koreans have repeatedly signaled to us, they have signaled internationally, they have signaled to the IAEA, which is a key factor in this, that they are prepared to implement the February 13th agreement once they get their money. So those people who say, 'how can you be so patient? Why don't you simply cut this off today?' First of all, they really ought to come forward with what we should do the next day, why is cutting it off better than giving it more time in order to work? And what other ideas do they have for achieving the goal of de-nuclearization.

We continue to believe that the best way to achieve de-nuclearization is to move step-by-step, first shutting down the reactor. Then we have teed up the next tranche of actions, which, since by that time, Banco Delta Asia will be resolved, I hope the next tranche will go quickly, and that we can even recover some of the time lost in the first tranche. And in that next tranche, we would then disable the reactor, which means break it in such a way that it would be very difficult to bring it back on line anytime soon. And so, then we have prevented a plutonium problem, which is already some 50, 60 kilos -- And, by the way, that has to be verified down to the gram -- but we prevent a problem that's 50 or 60 kilos, from becoming a problem that's 100 kilos. So, clearly, getting this reactor shut down is a worthy goal.

Now I know there are a lot of pundits out there, not here in the room, but elsewhere, who say that somehow this is the same thing that was done a few years ago. Why would you want to do the same thing? Well, we want to shut down this reactor. The thing is dangerous. By the way, that reactor, I mean, not even to get into the safety concerns about it, but we want to shut that thing down, and prevent more plutonium.

Plutonium, by the way, once it's produced, it stays on this green earth 700,000 years, so I think it's a good first step to try to prevent more plutonium. I mean, I'll go out on a limb and say that. I think we really ought to try to prevent more plutonium from being produced.

Then in the second tranche, also in the second tranche, we will try to get, and the DPRK has agreed to this, try to get a complete and formal listing of all their nuclear programs. In order to do that, we have agreed with the DPRK that we're going to have a discussion about their highly enriched uranium program, because we know, we know as a fact, that there were certain purchases made, and we have to understand what that was all about, how far did they get? If they did not produce it, then what did they do with it? If they did produce it, then where is the highly enriched uranium? We need to have clarity on that. If we can have clarity on that, and an understanding of what happened there, and make sure that's ended, we've then done the second step of this de-nuclearization, which is the highly enriched uranium problem, and then we end up with the third step -- and a very difficult step -- which is that North Korea needs to return the Plutonium already produced, this 50 or 60 kilos.

If we can do all three of these steps, prevent more Plutonium, get absolute clarity on where we are on highly enriched uranium so that any program there is also dismantled, and finally, have the return of the 50 or 60 kilos, we will have cleared away a lot of problems in the world. And, especially, we will give to North Korea a real opportunity to go forward. And, by the way, I think that some of their banking problems that they are experiencing, not just in Macao but elsewhere, would go away, if they could understand that with de-nuclearization, everything is going to be possible for them.

CHAIR OBERDORFER: So, in other words --

(Laughter.)

CHAIR OBERDORFER: Do I get it right? The Treasury froze its money.

ASSISTANT SECRETARY HILL: No, no, you didn't get that right.

CHAIR OBERDORFER: No, that's right. Macao froze the money after the Treasury said U.S. banks couldn't deal with this.

ASSISTANT SECRETARY HILL: Yes.

CHAIR OBERDORFER: And now the Treasury has allowed the money to move on, but nobody will take it. It's just you can't find a mechanism to get the money from this Macao balance --

ASSISTANT SECRETARY HILL: I think the issue of finding a mechanism is a better way to describe it, because when you take money from a bank, someone has to move the money, and then the money has to go somewhere. So, as each other institution receives the money, they have due diligence issues, they need to ask where did it come from, et cetera. They have their own rules that they have to proceed. And if they hear that it comes from a bank that's under sanction, there'll be a lot of questions, and so we have to work through this.

CHAIR OBERDORFER: Wow, not having any Macao balances, I still find it hard to believe the U.S. Treasury can't help get this problem solved. But, at any rate, you mentioned --

ASSISTANT SECRETARY HILL: Is that a question or a comment?

CHAIR OBERDORFER: That's a comment.

(Laughter.)

ASSISTANT SECRETARY HILL: Okay. So you're making comments, too.

CHAIR OBERDORFER: I'm making comments, too. You've made the point that it might be possible to make up for lost time once this bank issue is resolved.

ASSISTANT SECRETARY HILL: Yes.

CHAIR OBERDORFER: Do you have signals, either from the DPRK or from any of the other participants, that there is some realistic possibility of making up for some of the lost time that's been lost because of this bank issue?

ASSISTANT SECRETARY HILL: Yes.

CHAIR OBERDORFER: Can you give us any clue as to what it is?

ASSISTANT SECRETARY HILL: Well, for example, we are some three weeks passed the 60-day period, so it's fair to say we've lost three weeks. Even if we started with the telephone call to the IAEA tomorrow, that would still require a few weeks to get them there, to -- to get monitors on the scene, to shut down the reactor at Yongbyon, to get seals in place, et cetera, so it's going to be -- so we could find ourselves behind even more weeks. But then we look ahead to the second tranche, and the second tranche involves, let me take the two most critical elements of it - one, is a commitment on our part to provide on the part of four countries, China, Russia, South Korea and the U.S., to provide 950,000 tons of fuel oil or its equivalent. And then on the North Korean part, in addition to the things I mentioned about a declaration, they need to disable the reactor.

I think the disabling, if there's an agreement on how to disable, and there are a lot of ways to do this - you drill holes in it, you break things in it -- but most disabling scenarios, if you talk to people, we're talking a matter of weeks, not months, to disable something. We have to figure out the sequencing of this fuel oil, or fuel oil equivalent. Most countries using dollars or euros or some other currency, but the North Koreans prefer to measure value in terms of fuel oil, which does tell you something. So we could turn fuel oil, we, the four countries that are part of this, could turn fuel oil into, for example, a program to refurbish an electrical plant, a conventional electrical plant, so that could be started fairly quickly.

We cannot wait for the fuel oil to all be delivered before this all happens, because the capacity for North Korea each month of this imported fuel oil is probably about 50,000 tons, so that would stretch out too many months, but we can find other ways to front-load some of this assistance. So we believe we could get the second tranche done in this calendar year. That would put us, I think, in good shape to go to the third tranche, which is the actual dismantling, and dealing with the dismantling and removing of these critical components and also, dealing with the problem of the fissile material, that is Plutonium already produced. And that's where we will be into another set of hard bargaining. But I think we can put ourselves into the position that by the end of this calendar year -- I should say, the latter part of this calendar year -- we can get through phase one and phase two, and poised to work on phase three.

And if I have a weary tone, it's because I'm thinking about phase three.

(Laughter.)

CHAIR OBERDORFER: Well, we don't want you to be weary about anything. So now I'm going to turn to some questions from the audience. I have to say to members of the press, that before the end of Secretary Hill's appearance, I'm going to turn to the press corps, and have several questions specifically from people in the press for him, so put on your thinking caps and get your questions ready.

ASSISTANT SECRETARY HILL: By the way, I just had an appearance on a Japanese television show, and they only asked me about Matsuzaka, the Red Sox, so I've already done the Matsuzaka questions.

CHAIR OBERDORFER: Okay. We'll rule that one out of order. So other questions? If you have a question, there are some microphones here, wait for the mic, identify yourself, ask a question with a question mark at the end of it, not a speech, and identify yourself, and Secretary Hill will try to answer.

MS. MEEGAN: Yes, my name is Ann Marie Meegan. I was chosen to write a report on Globalization -- it's a Global Society Report -- and I traveled to Taiwan to meet the President of Taiwan. And through this process, I also discovered much about adoption by Americans of Taiwanese, as there are adoptions of Korean children. I'd like to hear your thoughts about concerning the success of South Korea and its democracy, what Taiwan can do to be more successful model of democracy as we have used the deliberative democracy model. And, also, as I'm learning more --

CHAIR OBERDORFER: I think that's about enough of a question for him to begin with.

MS. MEEGAN: Just as I'm learning more about adoption, why are Americans continuing to adopt children from Korea, and from Taiwan?

(Laughter.)

ASSISTANT SECRETARY HILL: Okay. I mean, I can give you some personal opinions about it, but this is not a U.S. government policy issue. I mean, the U.S. government has taken the view, to help U.S. citizens who are interested in adoptions overseas, and to make sure adoptions are properly carried out, and that host countries are properly organized for this. And I think Korea has been very much organized for this in terms of the agencies that are working on this matter.

I must say, though, it's funny you do mention this, because I was up at the University of Rhode Island earlier this week, and I met an American who had actually been adopted from Korea. She had left Korea when she was four months old, and she was contemplating going back to Korea for the first time to see what Korea would be like. She never lived in Korea, but when you look at her features, she just looks 100 percent Korean, but when she speaks, she doesn't speak any Korean, for example. And it was really quite remarkable to -- I mean, this person was going back to Korea for the first time to see where she came from. And there are even agencies now that assist in finding birth parents. And she was a very young woman who was just doing excellent things, just totally assimilated in New England. It really is a reminder of the fact that the U.S. and Koreans that we are really so intertwined in this regard. But, I'm sorry, I just don't have any official comments to make about it.

CHAIR OBERDORFER: Another question over here. Now wait a minute, you got the answer, so let someone else have a turn, please.

MS. MEEGAN: I have contacted the Department of State, the President of U.S. actually assisted --

ASSISTANT SECRETARY HILL: Well, we have bureaus, I think the Consular Affairs Bureau is the place to go, not the East Asia Bureau, but the Consular Affairs Bureau is the place to go. I think there's stuff on the website. I think there are a lot of brochures, hand-outs on the overall issues, and I think there's an awful lot on the web now on this issue, but it's not so much a foreign policy issue. It's an issue of citizen services; dealing with U.S. citizens to assist them in these sorts of things.

CHAIR OBERDORFER: Over here. Thank you. Ma'am, you're disrupting the meeting. Please sit down.

MS. MO: Thank you. Naichian Mo from Phoenix Television of Hong Kong. Assistant Secretary Hill, right after North Korea missed the February 14th deadline, the State Department officials said that the U.S. has only days of patience. But right before Japanese Prime Minister Abe's visit, White House officials said in the Foreign Press Center that the U.S. decided to take advice from China to give North Korea more patience. Can you talk about China's influence on the U.S., or the five party collective decision to give North Korea more time? Thank you.

ASSISTANT SECRETARY HILL: Thank you. I think we've worked very closely with our partners, and I think, really, this issue does go to the question of our multi-lateral approach. Everyone is impatient right now, everyone wants this to get going. But what has been important for us as we go forward is to work closely with our partners, and for this reason, I went to China fairly quickly after the deadline was being missed, so that I could consult with the Chinese and see their perspective on it.

A couple of issues have emerged. First of all, this issue, this banking issue of getting the North Koreans their money has proved to be complex. It has involved legal issues, it involved regulatory issues. It is not an easy issue to resolve, but we are making progress on it. So that argues for some more patience.

I think the Chinese view was similar. What we got from the Chinese was their concerns that this is a complex matter, that we needed to be in touch directly with the North Koreans, and we have been, by the way, on this issue. We have had considerable use of our New York channel to be in touch with them. And, as you recall, some weeks ago, we actually had Treasury Department officials in China who also had direct contacts with the North Koreans on this. It has proved to be complex, so the complexity of it argues for the need for more time. That was a point the Chinese made, and a point that we agreed on with the Chinese.

Second point is that, throughout this process, of course, we're monitoring the question, are the North Koreans using this issue in order to delay implementation of the nuclear question? And so far, our view, and the view of our partners, and the view of the Chinese is no, that they are not trying to use the banking issue in order to avoid implementing their de-nuclearization goal, so that also is a sign that we take to try to be patient as we go through this.

Look, we said days, I would have preferred hours. I mean, I want to get moving on this. I think we've got a good agreement in February. I know it's tough for people to watch the days roll by on this, but I think the best course of action - we always have to be guided by what is in our interest, what is in the interest of what we're trying to achieve? And we think that our best interests are in being patient, working very hard. By the way, patience doesn't mean you sit on your hands waiting for something to happen. It means you go out and do things, and so we are being very active. I hope we can get to this, and I'll say it again, in a matter of days.

CHAIR OBERDORFER: One little follow-up there. What persuades you that they are not using this deliberately to postpone taking action?

ASSISTANT SECRETARY HILL: Because I think even though the accounts are unfrozen -- and with unfrozen accounts, they should have access to them -- the fact is, that because the bank has lost some of its ability to do international, or, I should say, had difficulties in doing international transactions, that from the DPRK perspective, they don't feel they can access their funds the way they could before the actions were taken in September 2005. And so, from their perspective, they see this as a big problem.

Throughout this, as I said earlier, they have communicated directly to us, they have communicated to other members of the six-party talks, they have communicated publicly, and communicated to the IAEA, their commitment to fulfilling their part of the February agreement. So I think until we can really show this money is, indeed, available to them, we need to show some more patience on this.

CHAIR OBERDORFER: Okay. We're going to ask one more non-press question, and then we'll go to the press. Right here, yes?

MR. SMITH: My name is Kevin Smith. I'm here with the Mansfield Foundation. I was at an event yesterday where it was suggested by John Wolf of CSIS that this process of taking care of the Plutonium, 50 or 60 kilos that you mentioned, is very costly, upwards of 150-200 million dollars. Where do you see these costs falling between us and the DPRK, and other nations? And what is State's plan to get the United States' share of covering those costs?

ASSISTANT SECRETARY HILL: Well, I think it's not just the cost of handling these 50 to 60 kilos. The real issue will also be when you remove the fuel, the spent fuel, how do you put that in a safe place, and there are a lot of expenses.

Again, I think having a multilateral process is a good way to share some of these expenses. I think you're quite right, it's not free, to take care of this very dangerous material. But I think everyone understands the need to pay some money in order to take care of this, so I think we all understand there are costs associated with this, and we're all prepared to deal with it.

There are different ideas about how to do it, and sometimes different expense levels. I don't want to get into too many of the details, but we haven't necessarily gone with the cheapest way to do it, either. We've gone with the safest way.

CHAIR OBERDORFER: Okay. Now I'd like to have one question from the Korean Press, from somebody in the Korean Press who'd like to ask a question. Yes, sir, you. Yes?

MR. KWON: Thank you. My name is Jay Hong Kwon from the Seoul Broadcasting System. Back in Seoul, Ambassador Vershbow emphasized the relationship between U.S. and the South and North Korea. He called it a railroad track, that means that he emphasized one rail is engagement between South and North Korea, and the other one is the Six-Party Talks for de-nuclearization of Korean Peninsula. He emphasized the speed between two rails. That causes some kind of a controversy in South Korea, that means one rail, so-called the engagement between North and South Korea, is too fast for the side --

ASSISTANT SECRETARY HILL: I'm not very good on metaphors, but go ahead. We've got two parallel tracks?

MR. KWON: Yes.

ASSISTANT SECRETARY HILL: One goes faster, a track doesn't go faster. A train goes faster on a track.

(Laughter.)

MR. KWON: Yes.

ASSISTANT SECRETARY HILL: Okay. I'm with you. Go ahead.

MR. KWON: So what if the media causes some kind of controversy. America is not satisfied --

ASSISTANT SECRETARY HILL: They have their own train? Okay.

MR. KWON: Yes. U.S. government is not satisfied with the speed of the one rail, so what do you think about the speed of the engagement between South and North Korea, two government's engagement?

ASSISTANT SECRETARY HILL: Okay.

MR. KWON: Thank you.

ASSISTANT SECRETARY HILL: Okay. Let me -- I do baseball metaphors, but I have trouble with railroad ones. Let me just say that we don't want a situation where the six-party process is completely out of sync with the North-South Korean process. We'd like coordination between them. But we are very respectful of the very special issues that are involved between South and North. And if you read Don's book, he lays it out very clearly why there are these special issues.

I think I've talked previously about some of the Red Cross visits between families involving people in their 80s. I mean, these are very tragic events to see people divided like that, so we're very respectful of the special needs, and the special feelings that go into the North-South track, if you will. But what we don't want is a situation where there's no connection between the North-South track, and the six parties, and that somehow the North Koreans could be getting very different messages. So there should be some coordination.

I believe there's been a lot of coordination, especially in, let me just say the last year or so, I think it's really, our coordination has been very good on this. I'm not concerned about these problems. But I do understand the special emotions that go into these North-South issues, and it's a little different from the six-party process.

CHAIR OBERDORFER: Okay. Now I'd like to have a question from the Japanese press, not about baseball, but about some other issue. Okay. Wait a minute, this gentleman on the aisle right there. You, yes.

AUDIENCE MEMBER: If I heard you correctly, Secretary, I think you mentioned the need to create a mechanism for the transfer of funds for North Korea. Is settlement of the BDA issue incumbent on the creation of such a mechanism? And, also, do you think that you can really find a bank that's willing to accept North Korean funds in the near future, hopefully by the end of this year? Thank you.

ASSISTANT SECRETARY HILL: I don't want to get into too many of the specifics, but I the issue is resolvable. It can be resolved. It definitely can be resolved before the end of the year. I mean, if it's not resolved by the end of the year, I won't be here. It's proved to be complex, but we've found some ways to deal with this, and so I think - let me just leave it at that. It's been a real tough issue.

I think the North Koreans would have been wise to just keep pursuing denuclearization. With denuclearization, a lot of things in their lives would get easier, including bank transactions. But North Korea has a history of doing -- if there's an easy way of doing something, and a hard way of doing something, the North Koreans always choose the hard way. They feel it builds character.

(Laughter.)

CHAIR OBERDORFER: Okay. The last question from someone at the American Press. Yes?

MS. LEIST: Hi, Ambassador Hill. Thank you.

ASSISTANT SECRETARY HILL: Hi.

MS. LEAST: Libby Leist from NBC. I just am curious, you said that the North Koreans have signaled to the IAEA, to the U.S., and to others that they're willing to move forward, but why, given their history, do we have any reason to trust them? You mentioned that they like to do things the hard way, but what is it about this time period now, and this stage that we're in, that we have any reason to believe that they're ready to change their ways? Thanks.

ASSISTANT SECRETARY HILL: Well, I can't predict with certainty how this is going to go, but I do feel that having a six-party process, and having not just the U.S., but having China there, and South Korea, especially with South Korea coordinating their own North-South process with the six-party process, gives a lot of incentives to the North Koreans to try to get through this.

I think it is important to understand that, as we are waiting for them to invite the IAEA and get on with their tasks, they have not received one drop of fuel oil in this first tranche. Not one drop. And, in fact, they haven't received one dollar of their money, or one euro, or whatever the Macao denomination is, they haven't received any money from these banks accounts yet. So, even though we are impatient with their needing to get going on their obligations, no obligations have really moved. So, I would advise not looking at it as a case of we've done some things, now we're waiting for the North Koreans to do some things. This is holding up the whole first tranche.

And I think for the reasons that they agreed to it on February 13th, I think those reasons are still valid. They would like to get on with the task of taking this fuel oil and getting it into some of their electricity plants. I think they would like to get on with the task, the things that we agreed to, to begin to do with them, that is, to begin to discuss our bilateral relationship. We had one working group, but we would do more.

I hope they want to get on with the task of normalizing their relationship with Japan, because in the long run, North Korea needs a good relationship with Japan. And I hope North Korea understands that as well as everybody else in the universe understands it. So when they understand that, I think they will want to get on. So this is holding up a whole tranche of issues, not just the nuclear shutdown.

CHAIR OBERDORFER: I now have three very brief announcements to make. One is that, when Secretary Hill leaves, he has already answered several questions from the press. He's got another appointment, and he is not going to answer questions on the way to his car, so the usual scramble can be avoided. He's not going to answer them. He's answered them here, and so those of you who have cameras and stuff, you want to break down your equipment, or do whatever you want to do, we're going to take a break for a few minutes to let that happen, and get things in order here for Wendy Cutler, and Andrew Ward, to talk about the economic proposal, followed by Richard Lawless.

Secondly, if you want to use the facilities or get a cup of coffee, it's right back there, but we're going to try to wrap this thing up in about 10 minutes or so.

Third, on our website, uskoreainstitute.org, there will be, very shortly, an audio version of today's entire event that you can consult, and we hope within a day or two there will be a transcript as well, as well as a full report on this meeting that can be consulted.

With that, I'd like to thank Secretary Hill for coming and giving us a full rundown of some of the achievements and frustrations of dealing with this process known as denuclearization, the Six-Party Talks, and his own sense of the importance of the relationship between the United States and the Republic of Korea.

Thanks very much. Let's take a short break, and then come back.

(Applause.)

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