Ambassador Sherman, if I could ask you, *The Los*

*Angeles Times* not too long ago reported that North Korea has been

conducting major military exercises, showing capabilities that have

caught analysts off guard. *The L.A. Times* reports that Pentagon officials

have said that these exercises were being supported by the

food aid that the U.S. and others are providing the regime in the

North.

Now, what is your response to this criticism? Is *The L.A. Times*

wrong in that report, in your view?

We were providing some 500,000 tons of fuel each

year. Do we know if that fuel was used in these military exercises?

If the analysts are caught off guard by the magnitude

of the military exercises, perhaps we should focus on that

question, since we are still providing the fuel.

I recently had the opportunity to travel to Macau, and there have

been reports in their papers about growing illegal North Korean activities

there. North Korea allegedly is using Macau banks to launder

money gained from drug trafficking. It is also, we heard, using

Macau as a base of an operation that is counterfeiting $100-dollar

U.S. bills. Is this a serious concern, this activity? Maybe you could

shed some light on the counterfeiting of U.S. $100-dollar bills by

North Korea?

The last question I would ask you is the Administration

and our South Korean partners have been engaged with the

North Korean regime for several years now, providing all types of

aid. However, I am a little hard-pressed to see how the North Korean

regime’s behavior has been modified.

Do we really believe that this aid is leveraging reform in North

Korea for at least more responsible international behavior? If that

is the case, what are the signs that you could share with me that

this is working right now?

That is the question I have, because I don’t——