I thank you very much for allowing me the

opportunity to come before this Committee. I do appreciate the

comments that were made by the Chairman and the Ranking

Member and all the Members, because I do think that what they

cite is something that is significant. This is a very important issue

and you should obviously learn as much about it as possible.

I want to talk about the current U.S. policy toward North Korea,

and particularly share some information with you from a General

Accounting Office report released today on the heavy fuel oil distributed

to North Korea under the 1994 Agreed Framework. It will

focus entirely on the heavy fuel oil.

Mr. Chairman, as you know, I am a Member of the Foreign Operations

Subcommittee, as you just pointed out, which provides

funding for the United States’ contributions to the Korean Peninsula

Energy Development Organization, or KEDO. I have been a

Member of that Subcommittee since Congress first began paying

for the 1994 Agreed Framework in Fiscal Year 1995.

I was also requested, as you know, by the Speaker of the House,

to join his North Korea Advisory Group. In my role as a Member

of the Advisory Group, I have met with Secretary Perry, Ambassador

Sherman and other members of the Administration, including

the Department of State, the Department of Defense, CIA, Secret

Service, and the DEA. I have also reviewed a substantial

amount of classified information, including Secretary Perry’s report,

the gentleman whom I have the highest respect for, and I encourage

all Members of the Committee and the House to review the

information as well. As we work together to review the Administration’s

current policy toward North Korea, it is essential to know as

many of the facts as possible.

Many Americans do not understand why the United States is

supplying aid, in the form of oil, to North Korea: After all, North

Korea has remained in a state of war with the U.S. since 1950, is

listed by the Department of State as a sponsor of international terrorism,

and continues to proliferate missiles and missile technology

to other rogue nations.

But as all of the Members here today know, in 1994 the Administration

cut a deal with Pyongyang. After repeated North Korean

threats of starting an international conflict, the Administration

formed the Korean Peninsula Energy Development Organization

and cut this $5 billion deal. Under this plan, the Administration

agreed to facilitate the provision to North Korea of two light-water

nuclear reactors and an annual supply of 500,000 tons of heavy

fuel oil until the nuclear reactors are built.

In other words, the Administration agreed to provide aid to

North Korea in order to convince Pyongyang to defuse tensions of

their own creation.

Under the 1994 Agreed Framework, this heavy fuel oil is to be

used only, and I repeat, only, for heating and electricity production

at seven specific locations. Any diversion of this oil for other purposes

constitutes a violation of the 1994 agreement.

To date, the United States has contributed $138.4 million to

North Korea in the form of heavy fuel oil. For Fiscal Year 2000,

the Administration requested another $55 million. In addition, on

September 29, 1999, the President signed a reprogramming request

for an additional $18.1 million for North Korea.

I would point out to my colleagues that although this notification

was signed on September 29th, it did not reach the Appropriations

Committee until yesterday.

Before we continue to spend taxpayer dollars on aid to North

Korea, Congress and the American people, I mean a bipartisan

Congress and the American people, deserve to know whether

Pyongyang is living up to its end of the bargain.

In mid-1995, KEDO established a heavy fuel oil monitoring system.

This system consists of flow meters and data recorders at each

of the seven sites where the oil is consumed. This system is designed

to detect and deter any diversion of heavy fuel oil.

However, the GAO report provides some alarming information

about this monitoring system. According to the GAO, ‘‘KEDO has

no arrangements with North Korea for monitoring the large quantities

of heavy fuel oil in storage or in transit to the plants consuming

the heavy fuel oil.’’

In addition, monitoring equipment installed at each of the seven

sites consuming KEDO-supplied heavy fuel oil has been subject to

power outages at various times since the system was installed.

According to the GAO, ‘‘the worst outages of the KEDO monitoring

system occurred at Pyongyang, whose monitoring system

was inoperative for 46 percent of the year, and Chongjin, whose

monitoring system did not operate at all during 1998.’’ These two

sites combined consumed over 20 percent of the fuel oil supplied that year.

The most alarming incident reported by the GAO, however, took

place this year at the Sonbong thermal power plant where over half

of the KEDO-supplied fuel oil has been consumed.

On January 18, 1999, the monitoring system at this plant became

inoperative and was not restored until April 26, 1999. During

this period of a little over 3 months, the only data showing the consumption

of heavy fuel oil at Sonbong have been provided by the North Koreans.

According to the information supplied in the GAO report, during

this time ‘‘heavy fuel oil was being consumed at levels substantially

exceeding those historically recorded at Sonbong.’’

For the 6 months leading up to the shutdown of the monitoring

system, the consumption of heavy fuel oil was approximately

10,700 metric tons biweekly. During the 3-month period when the

monitoring system was not operating, the average consumption reported

by North Korea increased by 62 percent to over 17,300 metric

tons biweekly. After the repair of the monitoring equipment,

consumption dropped back down to an average of 11,500 metric tons biweekly.

In effect, we see a spike in oil consumption at precisely the time

when the monitoring system was inoperative.

Although North Korean officials claim to have experienced an increase

in consumption during those months, the GAO report states

‘‘the failure of KEDO’s monitoring equipment leaves no way to verify this.’’

In effect, the monitoring system for heavy fuel oil has failed.

Faced with this information from the GAO, I believe Congress and

the American people deserve to know what happened at Sonbong

and where the taxpayer-funded heavy fuel oil is actually going. If

North Korea has violated the 1994 Agreed Framework by diverting

any of this oil for purposes not specified in the agreement, the

United States must consider serious actions in response.

This is yet another incident in a history of incidents with North

Korea. Pyongyang is determined to get as much as it can out of the

United States while providing as little as possible in return. Unfortunately,

I fear the GAO report shows that the Administration’s

current policy falls into this trap by supplying many different carrots

without any of the necessary sticks.

Before we spend any additional taxpayer dollars on aid to North

Korea, Congress and the American people deserve to know whether

North Korea is living up to its end of the bargain.

Again, I want to thank the Chairman and the Members of this

Committee for allowing me to share this information with you

today. I appreciate the time very much.

I think we have to seriously look, as Mr. Cox

just mentioned. I don’t think there can be anybody who could draw

a conclusion other than there is something wrong with this agreement.

I said it was flawed, I said it has failed. If that is the case,

and that is what I believe, I think we have to look to a new agreement

that insists that North Korea live up to it. That is the rule

of law. It applies internationally as well as it does domestically. I

really cannot see where North Korea has succeeded in this agreement

at all. They succeeded in exceeding it, avoiding it, or ignoring

it. So I think it means we must go back to the drawing board.

Mr. Ackerman, you make a point, but the

point is that it is not just heavy fuel oil. It isn’t just food. It isn’t

just the potential for producing plutonium. It is all of those things.

All of those things are our concern. I focused my discussion, my

testimony, on the fuel oil side alone. But all of those are concerns.

I think we have to look at each and every one of them, because

each of them potentially breaks the agreement.

So I go back to the point that I think we have to look at the

flaws in this agreement. They talked about Berlin being an agreement.

Berlin was a deal. There was a framework agreement in

1994, but Berlin was merely a deal. They came up with this quid

pro quo. The carrots and the sticks were there, but, frankly, they

removed the sticks. It is all carrot. So that was a one-sided event.

Mr. Rohrabacher, I can only say this: You

know the history. We have been literally in a truce with North

Korea since 1953, 51 years since I believe they came into being. We

have never had normal relations with them. But there appears to

be now, at least within the Administration, some signals that after

being made aware of these breaches of the agreement, they are

going a step further and offering more incentives. I don’t see how

that really ensures anything in the end for us. I think it literally

gives in to their policy.

I will only speak to the latter comment you

made about keeping them alive. I think that we are helping them

maintain a strategy that, frankly, is counterproductive by virtue of

KEDO. I think KEDO was flawed in the beginning. I think it continues

to show its flaws, and I think this more recent agreement

ordeal, as I call it, at Berlin, did nothing at all except to extend

or provide more benefits—extortion, if you will, if that is your word.

Does that perpetuate them? I think it gives them some credence.

In the eyes of the world, yes.

I have no firm answer, but the number of

years would be, I would suspect four or five, but that is just an estimate.

Number one we, through the World Food Program,

are responsible for something like 87 percent of the food that

goes into North Korea. The problem with food is different than

with oil. It is more difficult to monitor the flow of food, whether it

is in transit or storage. They can move it from one point to another

point on one day, and a week later they can bring it back. So we

don’t know that they are necessarily even giving food to the proper

agencies, because it could be returned. There is some suspicion of

that. But it is very difficult, much more difficult than in the case

of oil. It would be the same as oil when the monitors don’t work.

But it is more difficult with food to really monitor exactly whether

that food gets into the mouth of the hungry citizen.

Dr. Perry, Ambassador Sherman, I too want

to thank you for your patience, first, and for offering this testimony

today. I applaud you, Dr. Perry, for your consistent work in investigating

all avenues of this very important matter which concerns

a lot of us, back to the KEDO Agreement and obviously forward.

Let me just dwell on a point raised by Mr. Campbell. He cited

the fact that if, and I know that is an if, but if these reactors were

to produce the close to 500 kilograms of plutonium in spent reactor

fuel each year, enough, as has been alleged, to make 100 bombs,

and North Korea decides to reprocess, now, what assurances, Dr.

Perry, do we have that North Korea will not reprocess spent fuel?

You mentioned, for example, that if they were to, that would be

in violation of the agreement. But what makes you believe that this

would be a break to North Korea? They continue, it seems to us,

to be breaking one rule after another, one part of the agreement

after another, whether it is in oil, in food, or in the nuclear side,

the light-water reactors.

I would just mention this. This goes back maybe to 1994 when

this was architected. But I have been wondering for a long time

why they chose to give North Korea light-water reactors? Just recently

we had a problem in Japan. We had a problem in North

Korea. We don’t have to think about Chernobyl. When you hand

this kind of technology over to a country like North Korea, you

really have to wonder, you have to worry a little bit about why?

Why not a coal-fired device? That is history, I know. But the question

I am asking is why do you believe that North Korea wouldn’t

begin processing spent nuclear fuel?

Would this spent fuel be stored on site? Is that part of the agreement?

I am talking——

You think that is in the agreement?

I would like to know that if it is possible.

What will happen to this potentially dangerous material is the key question here.

That is in the agreement.

Who is responsible for removing it? Who will be?

Is there any chance it might be moved to

Yucca Mountain? That is a serious question. I laugh, but is that

in the cards? You don’t know.

If you would kindly get back to me on those

other questions, because if that is part of the 1994 Agreed Framework,

then my belief is that that would not be classified and it

should be available.

Dr. Perry, thank you, Ambassador, thank you.