This hearing of the Senate Foreign Relations

Committee is called to order. The committee meets today to review

matters related to North Korea. On July 11, the committee received

a classified briefing on North Korea from Director of National

Intelligence John Negroponte and Ambassador Joseph

Detrani. We look forward to continuing our inquiry in open session

today.

On July 4, North Korea test fired a long-range missile with the

theoretical capability of reaching the United States, as well as several

shorter-range missiles. All landed in the Sea of Japan. These

missile launches by North Korea were particularly sobering because

the timing and quantity of the launches appeared to be designed

to intensify their provocative nature and because they occurred

despite significant external pressure to refrain from such a

launch.

The North Korean regime’s drive to build missiles, North Korean

nuclear weapons, and other weapons of mass destruction, continues

to pose a grave threat to the Pacific region and to the United

States. We also are concerned about the transfer of North Korean

weapons, materials, and technology to other countries or terrorist

groups. Although the launches must be seen as a setback for regional

dialog, they do provide additional clarity that could be useful

in moving other states in the region toward a more unified position

on dealing with North Korea.

Up to this point China has attempted to facilitate discussions on

North Korea while continuing to supply and manage key energy

lifelines into North Korea. It has endeavored to preserve a historic

alliance with Pyongyang while discouraging military options or

other destabilizing activities by either side. Beijing has been particularly

concerned with preventing actions by North Korea or its

neighbors that might stimulate the flow of North Korean refugees

into China.

This strategy, however, has led to severe problems for the Chinese.

The North Korean missile tests demonstrated that China’s influence

over its ally is limited. China had appealed directly to the

North Korean Government to suspend the missile tests, but Kim

Jong-Il’s regime disregarded these appeals.

Now, the missile launches underscored that North Korea has its

own agenda distinct from Beijing’s long-term interest. China wants

to avoid instability on its borders, but few acts could have been

more destabilizing than the missile tests. If North Korea continues

on the provocative path of missile and nuclear development, Japan,

the United States, and perhaps other nations may be compelled to

reassess their military posture in East Asia.

China has made huge economic and political investments in the

world economy because it is depending on high economic growth

rates to advance living standards and to preserve internal political

stability. To achieve these growth rates, it needs markets for Chinese

goods, investment and technology for its industries, and energy

sources to feed the growing appetite of its populace for automobiles,

air conditioning, and other energy-intensive conveniences.

But Beijing’s ability to secure these benefits of the global marketplace

will depend on continued cooperation with the West and military

stability in East Asia. To the extent that the United States,

Japan, and other nations view the East Asian region through the

lens of the unique security conundrum created by North Korea,

Chinese aspirations are likely to be set back.

This is why Beijing is encouraged to reassess its regional priorities.

The United States should be working diligently with China

to develop options for peacefully resolving the North Korean dilemma.

These options should start with an attempt to reinvigorate

the Six Party Talks. But we should be mindful that thus far this

format has not produced lasting results.

Last week’s U.N. Security Council resolution condemning the

multiple missile launches by North Korea was a significant action.

It is also important to note that individual leaders of countries outside

of the Six Party Talks are attempting to be helpful with the

North Korean challenge. For example, Indonesian President

Yudhoyono has recently sent a special envoy to encourage resumption

of the talks. The President may follow up with his own visit

to Pyongyang.

North Korea’s missile launches must not distract from the ongoing

challenges faced by North Korean refugees making their way

into China, often in the hope of eventually reaching South Korea.

The Foreign Relations Committee reiterates its concern that North

Korean refugees in China be treated compassionately and that the

Chinese Government allow the UNHCR to actively assist these

North Korean refugees.

We are joined, fortunately, today by Christopher Hill, Assistant

Secretary of State for East Asian and Pacific Affairs, who will report

on his recent trip to the region. Secretary Hill will comment

on the stalled Six Party Talks as well as the United States’ response

to the July missile launches and our ongoing dialog with

China.

On our second panel we will hear from Dr. Arnold Kanter, Principal

Member of the Scowcroft Group, and Ambassador Morton

Abramowitz, Senior Fellow at the Century Foundation. Dr. Kanter

and Ambassador Abramowitz will provide their assessments of

United States policy options toward North Korea. They have been

frequent visitors to our committee and we are grateful once again

to greet them today.

Indeed, we welcome all of our witnesses. We look forward to their

insights on this very important and timely subject.

Let me now turn to our first witness, Ambassador Hill. We are

very grateful to hear you and have appreciated your testimony on

confidence on occasion. We are especially pleased that you can testify

today in public so that the Congress and the public can hear

you. Will you please proceed.

Thank you very much, Secretary Hill. Some in

the United States Government have reservations about conducting

negotiations to the ultimate degree with officials of the present

North Korean Government. They suggest that perhaps we should

wait for a change of regime in that situation, that that would be

a more promising background for this.

What comment do you have on the regime change idea, whether

that is in the cards in any foreseeable future, and whether, in fact,

the suggestion of that publicly, which I hesitate to make, is one

reason for the intransigence of the North Korean parties to begin

with?

Well, some have suggested that in order for the

Six Party Talks to progress, one of two things would have to occur,

maybe both. That is, that there would have to be pressure, principally

by the Chinese, who reportedly provide a very large percentage

of the nutrition and energy needs of the country. This at least

is reputed to be very substantial leverage. Without those increments,

obviously the North Korean people would suffer. Perhaps

the regime would, too. You would be in a better position, having

been closer to the scene, to estimate that.

On the other hand, others have suggested that a package similar

to the one offered to Iran, for example, by the European powers

and the United States would be a way of approaching this—that

there are incentives in such an idea, both in terms of economic betterment

as well as some rapport with the rest of the world, some

regularization.

What do you have to say about either of those routes, and what

is likely to be the course of activity on either of those situations?

Presumably, this requires some verification,

maybe international inspection.

And some idea that that has occurred.

The Chinese were perhaps surprised by the reaction

of the Japanese to the missiles. The Japanese response was

very strong, and relations with Japan and China, as you take a

look at the six parties you have around the table there with you,

have been more and more fractious in the process. Surely the Chinese

are sensitive to the Japanese reaction, which is more existential

than any of the rest of us with regard to this, plus the announcement

yesterday of an 11 percent growth rate in China, with

the whole future of the country riding on the regularization of

trade, which I mentioned in my opening statement.

Is it your impression that the Chinese are sensitive to all of the

above?

Thank you, Senator Chafee.

Let me say for the benefit of all Senators who are with us who

have come in, we are having a 10-minute round of questioning because

of the importance of our questions, and we want the members

to have an opportunity in this hearing to question Secretary

Hill. The fact that we have a great number of members here I hope

will lead members to be careful not to exceed the 10 minutes if you

can avoid it. We will try to be courteous to everybody in allowing

the dialog to continue, but this is a crowded calendar today and,

fortunately, now more of a crowded podium. So we are appreciative

of that.

Thank you, Senator Dodd.

Secretary Hill, I join my colleagues in their commendation of you

for the extraordinary work you do on behalf of our country and

peace in the area. We wish you every continuing success. We thank

you for spending this time with us today responding in so forthcoming

a way to all of our questions. Thank you.

Well, thank you very much, Ambassador

Abramowitz, for some important suggestions and some new insights

in our hearing.

We will have another 10-minute round of questions, and maybe

more if Senators wish to do that.

Let me just mention, historically, Dr. Kanter, I can remember

questions were raised about the missiles in 1993. At least that was

my recollection, because you were heavily involved in policies with

North Korea and South Korea back in those days.

That seems like a long time ago, and for the Japanese it is a return

to this situation, which was very serious then, and very serious

for General Luck as he took a look and had, as I remember,

a graphic about the percentage or some sort of scoring as to the

likelihood of North Korean aggression against South Korea, with

our troop emplacements very close.

So the history goes on for quite a while and we have been involved

in this for a quite a while. Attempts were made in the Clinton

administration, which have been mentioned today, as well as

in this administration. But let me just ask, after all is said and

done, as both of you have said one way or another, China and

South Korea have developed and maintain very different agendas

with regard not only to the North, but with regard to the rest of

the world. The political leadership really in South Korea has

changed a great deal, with the under-35 group or others coming

into it. A recent poll that the committee saw of South Koreans

under the age of 24, China was perceived as by far the best friend

of South Korea, and we were in a tie, that is the United States,

with North Korea in terms of the regard of young people, young

voters in South Korea.

Now, that is quite a change from older people who feel they

might have been rescued by the United States at some point. It is

a very different perspective of history. How the politics of this is

going to play out in South Korea is very, very, difficult, it seems

to me, for anybody to fathom.

The complexity of the Chinese relationship I think both of you

have indicated. The nuclear issue is important. All things considered,

China would prefer that North Korea got over the idea of developing

these weapons, but for the Japanese, as I termed it earlier,

it is sort of an existential event. The North Koreans have the

range and it is a question whether they can hone and machine nuclear

capacity into a nose cone and create extraordinary damage.

Now, the United States shares this likewise. You can make a

case that the tests were of intense interest to Japan and certainly

of great interest to us. Do they in fact have the range? The Rumsfeld

Commission a while back thought that they might. They were

really on the threshold of all of this.

You ask, well, if they have that much range why are not the Chinese

and the South Koreans or even the Russians that concerned

about it? Well, why indeed? But in fact there are other objectives

here.

Now, is it reasonable to anticipate, as we have with the Six Party

Talks, that even if these recent shots have created more consternation

among all the allies—and, as you have said, Dr. Kanter, may

have created an opportunity here, sort of pushed everybody much

closer together—is it not a fact that the agendas of these parties

are still so varied and so far apart that your second conclusion,

that this unity might be fragile, is the more likely conclusion of

what is going to occur?

In other words, from your experience of all of this, what is there

in this that might lead to some degree of unity among all the parties,

and I finally include the United States? Mention has been

made, without our going into it a great deal, of debate within our

own administration as to whether regime change, use of force,

other items, are really what we ought to be about, sterner stuff, as

opposed to endless negotiations, waiting around for months at a

time for somebody to come to the table.

You may or may not have been parties to these conversations,

but we had Ambassador Hill today at least giving a pretty unified

front, that everybody seems to be on board, and I think we all pray

that is so.

Comment, if you will, on any of these musings.

Let me just follow up with one thought because

you have touched upon the Macao bank situation. Once again,

within our own administration this may have been coordinated:

State, Defense, NSC, and Treasury in this particular case. The

North Koreans have complained about the transactions that they

have being disrupted. Now, as I understand it, the Treasury’s objective—

and maybe this is generally true of the administration—

was to stop counterfeiting and the passage of illicit moneys, perhaps

from weapons sales or from whatever else. But nevertheless,

it seems to have been effective, at least in Macao. Some have suggested

why not try it elsewhere? In other words, if this seems to

get the attention of the North Koreans, it certainly is better than

armed conflict and striking the missiles on the runway before they

go off, or something of this sort.

Now, you have mentioned, however, that one problem with this

maybe once again in our relations with the Chinese and the South

Koreans, that we have just been calibrating, that somehow or other

that may disrupt the major game, the Six Party Talks and their

effectiveness, the unity of purpose here.

Elaborate a little bit more on your analysis of Macao and/or the

spread of what might be considered a type of banking or transaction

sanctions that, given the general poverty of the North Korean

state, its lack of revenues from abroad and so forth, the importance

of its sales and recouping the gains, why this is not a good

thing to sort of continue, to keep the attention of the North Koreans

centered on the problem?

Ambassador Abramowitz, you have suggested

that it may be a time for what you characterize as a new approach,

something well beyond the principles that were established in negotiations

last September that Ambassador Hill mentioned earlier

today. Many, at least in the press, have suggested, often starting

with economic benefits to the country—it is a poor country. Obviously,

we have talked today about the sustenance that comes from

China, to some extent from the South Koreans, in terms of food

and nutrition, basic energy to keep people alive.

But the thought of some, is that well beyond a sustenance level,

we try to think about normalization, a country that might begin to

engage in trade, maybe in tourism, people coming and going, this

sort of thing. Whether or not the North Korean Government permits

this sort of thing or that type of regime they have now is sort

of hard to tell.

But can you give some outline, just some spurt of the imagination

of others that might be thinking of a new program of this sort?

Well, it is an important recitation of history.

I would say that we appreciate very much Ambassador Hill coming

before the committee in public session to try to give an idea of

our position. As you say, one could historically trace our position

back through several permutations—the axis of evil, the three

countries, the regime change, and so forth.

In my earlier question I raised this issue of regime change, are

we on that track? Not necessarily, apparently. The thought has

been that maybe that regime will atrophy and decay or maybe military

powers inside the regime will rumble around. This is given

some credence from time to time, that the great leader is not all

by himself there, that he has some constituents to satisfy, albeit at

very high levels.

But having said all of that, for the moment the administration’s

point of view is that we are going to insist upon the Six Party

Talks. However, as Ambassador Hill says, he talks all the time to

North Koreans, but within context, not behind the backs of anybody.

Now, from time to time the Chinese and the South Koreans,

as I listen to them, say: We do not care if you talk behind our

backs; we as a matter of fact think you ought to be talking all the

time to everybody. Maybe something will break in the process.

Maybe we are not quite so rigorous about the desire for Six Parties

and so forth.

On the other hand, from our standpoint we do not want to be undermined

if we come to some agreement with the North Koreans

and suddenly the South Koreans and the Chinese think that is a

bad idea and they are really not going to help us enforce that, particularly

when it comes to verification. As you just mentioned, it is

a very serious objective. Ambassador Hill, as you heard today, rejected

the thought of a freeze. We have been there before and that

can be violated and so forth.

Now, we get back then to what we have been skirting around all

day: Well, what if the United States said we are just simply tired

of this, there are certain places here and we can bomb them or we

can destroy them, and the South Koreans, as you all pointed out,

say, well now, hold on. You already have troops in South Korea,

so you are going to be vulnerable; but we are going to be vulnerable

in a very big way. This becomes really monumental for us. Regardless

of what happens with the Chinese, the South Korean reaction

is very, very strong on this, and we have to be thoughtful about

that. Even as we are concerned about our agenda, the decimation

of another country, particularly an ally with whom we have treaties,

has to be very important, quite apart from what might happen

to the Japanese. The North Koreans have already demonstrated

the possibilities there.

So we keep circling around between rocks and hard places. For

the moment, it would appear to be we are back to insisting on the

Six Party Talks. As Dr. Kanter said, probably we cannot recant

whatever is occurring in Macao because we are talking about law

enforcement there. Some have even suggested that this is a milder

way of handling the sanctions problem, of putting some pressures.

We already have the PSI program and the attempt to cut off nuclear

shipments by North Korea and the attempt to hold that down

to a dull roar and deprive North Korea of some income from these

acts of mischief, as we see them.

But I think we are all probing with each other today as to what

would be in a package that is even slightly attractive, that begins

to get movement here, because absent that it would appear that we

will all need a lot of patience, that we are there for quite a while

sitting around the Six Powers.

Dr. Kanter, do you have a good thought?

Why do you say that? Why would it get worse?

And of course, I would just state for the record,

other countries then around the table also came forward with their

interpretations.

Yes.

Let us say we obtained a freeze and the six powers

or the other five powers came forward with an idea, not unlike

our cooperative threat reduction program with Russia, that we buy

the fissile material, that we have a buyout of all of this and you

sort of take it off the table. Plutonium is not as useful as uranium

perhaps for other nuclear industries around the world, so that the

resale value of the plutonium may be somewhat less.

But is there any potential with the North Koreans for a buyout

of their program?

Not production going on.

I think you put your finger on it. You hold your

nose, and with some it would be more than that. They would say:

There you go again, rewarding all the perfidy of the North Korean

state.

But we keep going around and around this point, and that is,

leaving aside the buyout idea, even if we talked about trade or investment

or some way of changing the lives of the North Koreans

and so forth, some would say this is what comes if you violate

agreements. If in fact you play it the wrong way long enough, why,

you make it more and more expensive and you do better at the end

of it. We have got to have lessons here with regard to world-type

strategy, and one of them is not that there is a reward for this.

So you keep getting back again to who goes first and who gets

rewarded and the nature of the package and so forth. It is hard to

evade the thought that some will accuse whoever is making such

a proposal of rewarding bad behavior.

Well, I appreciate the counsel. I would maybe

use different words, such as ‘‘we would encourage’’ or ‘‘advise,’’ as

opposed to having any ostentatious coercive ability with regard to

all the elements of our administration. But clearly one of the purposes

of our hearing today and our engaging the two of you and

our negotiator, Chris Hill, in this conversation is to try to bring,

from more than isolated press accounts or persons making comments,

some concerted focus. I think our hearing has achieved that,

and it will not be the last in the series, whether it is behind closed

doors or in front of closed doors, because this is a very, very huge

problem facing the United States of America. I think all of our citizens

understand that and they really want public officials to be

wrestling with this and coming to the sort of conclusions, existential

or not, so that we do make progress.

Well, I thank both of you for assisting that process and we look

forward to seeing you again many more times.

As opposed to war or the loss of several hundred

thousand South Koreans or various other grim alternatives.