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CRISIS ON THE KOREAN PENINSULA: IMPLICATIONS FOR U.S. POLICY IN NORTHEAST ASIA

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Presented by:

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MR. JAMES STEINBERG: Good afternoon ladies and gentlemen. On behalf of the National Committee for U.S. China Relations and Brookings I want to welcome you here today.

I have the distinct honor of introducing the introducer. That is I'm going to introduce Ambassador Carla Hills. But before I do just want to acknowledge a number of very distinguished guests that we have here today, and I know I'm going to leave somebody out so I apologize in advance, but we have three former Ambassadors here, two of whom were Ambassadors to China—Stapleton Roy and Jim Sasser, and Wyche Fowler, who is our Ambassador to Saudi Arabia. It's a real privilege and honor to have them here. In addition, Wendy Sherman is also with us here. She was Counselor to the Secretary of State and played a critical role in the coordination of the North Korea Policy Review with Bill Perry, and also in coordinating our policy with South Korea and Japan which as we have seen recently is a very important part of the overall strategy in dealing with this difficult problem.

As I say, it's my privilege to introduce Carla Hills today. As I always say in these things, it's a person who clearly needs no introduction, but I'm supposed to do it anyway so I will.

Carla Hills is the Chairman and Chief Executive Officer of Hills & Company which is an international consulting firm. She has had both an extraordinary career in public service in government, both as USTR, U.S. Trade Representative from 1989 to 1993, and Secretary of the Department of Housing and Urban Development in the Ford Administration. And in between these stints she's also played a critical role in supporting a lot of the kinds of work that we here at Brookings do. She's co-chair of the International Advisory Board of our good friends at the Center for Strategic and International Studies. She's Vice Chair of the U.S. National Committee on U.S.-China Relations which is what brings her here today. She's a member of the Board of Trustees of the Asia Society, the Council on Foreign Relations, the Institute for International Economics, another neighbor across the street, the America-China Society, and yet another neighbor, the Inter-American Dialogue.

So it's really a great privilege and honor to have her here. Her service to the country and particularly her interest in questions of East Asia is longstanding, and it's a pleasure to have you here.

[Applause]

AMBASSADOR CARLA HILLS: Thank you, Jim. It's a great pleasure to be here and it's a great pleasure to be here to introduce my friend William J. Perry, a most remarkable individual who has earned enormous respect as a scholar, a statesman and an entrepreneur.

Bill was confirmed as our 19th Secretary of Defense by the unanimous vote of our Senate; widely praised as an innovative thinker and an organizational genius; and well remembered for his earlier service as the Deputy Secretary of Defense where he was responsible for weapon system procurement, and even earlier than that in the Carter Administration as Under Secretary for Research and Procurement where he was credited with spearheading the drive for stealth technology.

Prior to, between and after his tours of service with the Department of Defense Bill has been a highly successful entrepreneur. He founded and served as Chairman of the Technology Strategies

Alliances, and he founded and served as President of ESI. He was Executive Vice President of Hambrick & Quist; and Laboratory Director for General Telephone and Electronics. He's also served on a number of Boards of Directors focused on technology and defense.

If all of the foregoing were not sufficient accomplishments for a single individual, Bill is now a highly respected academic. He is currently the Michael and Barbara Berbarian Professor at Stanford University with a joint appointment in the Department of Engineering, Economic Systems and Operations and to the Institute of International Studies. He's also Senior Fellow at the Hoover Institute and Co-Director of the Preventive Defense Project, a research collaboration between Stanford and Harvard Universities. And recently he authored Preventive Defense with Ashton Carter, I believe it was published here at Brookings.

He was born in Pennsylvania and he obtained his bachelor's and master's degree at Stanford University and his doctorate at Penn State—all in mathematics. He's a member of the National Academy of Engineering and a Fellow of the American Academy of Arts and Scientists. He is a recipient of numerous awards including the Presidential Medal of Freedom, twice the Department of Defense Distinguished Service Medal, awards from the Army, Navy, Air Force, NASA, Intelligence, and so many more, and ten nations have bestowed high decorations upon him.

His knowledge and experience in academia, venture capital, defense procurement, technology, military force structure, and the international scene enables Bill to bring a truly unique perspective to the topic that we're addressing today which is Korea. Please join me in welcoming Secretary Perry to the podium.

[Applause]

SECRETARY WILLIAM J. PERRY: Thank you very much, Carla.

From that bio you might get the impression that I couldn't hold a job. [Laughter]

I am a child of the Cold War and as such my thinking for decades was conditioned by the great issue of that era which is how to maintain freedom in the face of what we perceived was the ambition of the Soviet Union for world domination. For the first few decades of the Cold War the American strategy for achieving this objective was containment backed up by a powerful nuclear deterrent. But as the nuclear arms race heated up it became increasingly clear that this strategy risked precipitating a nuclear holocaust.

Thus by the late '60s nuclear arms control had become the overriding security issue. Certainly it dominated my thinking on security during that era.

But with the ending of the Cold War the threat of nuclear holocaust receded and arms control as we had practiced it during that era was no longer the dominant security issue. The most serious threat

to the United States because nuclear weapons in the hands of failed states or terrorists, used not in a standard military way but in extortive or apocalyptic ways. Therefore in the present era preventing proliferation of nuclear weapons replaces arms control as the organizing principle for our security. For the last decade it has dominated my thinking on security.

When I was the Secretary of Defense I spent almost half of my time trying to deal with proliferation problems. Indeed the security poster child of the Clinton Administration was the Nunn/Lugar program, a program in which we worked cooperatively with Russia to secure nuclear weapons materials and technology. But not all nations were willing to cooperate to prevent proliferation so we also needed coercive programs to keep hostile states such as Iraq and North Korea from developing their own nuclear capability.

We dealt with Iraq through UN inspections which by applying moderate levels of military coercion continued to be effective during the period that I was in office. But in 1998 Iraq threw out the inspectors and the United States and the United Nations did not respond forcefully. Since then our intelligence indicates that Iraq has worked to reinstate their capability in weapons of mass destruction as well as the missiles to deliver them.

This problem continued to grow during the first year of the Bush Administration, but in the wake of 9/11 the Administration decided to confront this problem threatening military action to disarm Iraq. This prompted the United Nations to impose a new strict inspection regime on Iraq.

This drama of inspection now is playing out, but while it's playing out a new crisis has emerged involving a nuclear weapon program in North Korea. I said new, but in fact this crisis is not really new. It is in many ways a re-run of the Korean crisis of June of 1994.

Today the crisis is about essentially the same issue. North Korea's actions—both overt and covert—to build nuclear weapons.

In my talk then I will address five specific questions relative to this ongoing crisis. What North Korean actions led to the 1994 crisis and to the present crisis? Why does the United States feel so strongly that a North Korea nuclear program would pose unacceptable security risks? What actions did the United States take after the 1994 crisis to deal with the underlying issues and why has the crisis arisen again? And finally, what can we do about it this time?

I don't presume to have answers to all of these questions, especially the last one, but I will address each of them.

The Korean history since World War II has been one of conflict and threats of conflict. Indeed since the ending of the blood Korean war there has been on peace on the Korean peninsula, only a dangerous armed truce. And just how dangerous this truce could be was demonstrated during the crisis with North Korea in June of 1994. That crisis is forever ingrained in my memory because I was

personally involved in preparations for a military conflict that would have been disastrous for all sides.

The North Korean nuclear facility at a place called Yongbyon was about to begin reprocessing nuclear fuel which had provided them with enough plutonium to make immediately about five nuclear bombs. Considering the seriousness of this challenge I directed that an option be prepared for striking the facility at Yongbyon with precision-guided conventional warheads. Such a strike could have been successfully carried out but had a high probability of provoking an invasion of South Korea. So I set this option aside so that we could explore all other options first.

The least provocative of these other options was an allied plan to impose sanctions on North Korea. But North Korea said they would consider the imposition of sanctions as an act of war and proclaimed that they would turn Seoul into a "sea of flames". They have a way with words, there's no doubt about it.

Therefore, I conducted a review to determine whether our war contingency plan was adequate. This review indicated that in the event of a no-warning attack from the North the allies would achieve a decisive victory but that there would be very high casualties to Korean forces, to American forces, and mostly to Korean civilians.

But the review also indicated that we could significantly reduce those expected casualties by reinforcing our troops in Korea before any hostilities began. Therefore I ordered a plan to be drawn up to augment our deployment in Korea with tens of thousands of American troops and our embassy in Seoul prepared plans for the evacuation of non-essential civilians from Korea.

President Clinton was within hours of authorizing those actions when he received word that Kim Il Sung was ready to freeze the activity at Yongbyon and begin serious negotiations.

So in the end the crisis was resolved not by war, but by a diplomatic agreement known as the Agreed Framework.

This agreement called for North Korea to freeze and in time dismantle the reactors and processors of concern and for the Republic of Korea, Japan, and the United States to provide replacement facilities that would provide the needed electricity without entailing the same risk of proliferation. Until the new reactors were ready the United States agreed to provide fuel oil to compensate for the loss of electricity from the reactors.

As a result of the Agreed Framework those nuclear reactors and the processing facility that concerned us so much have remained frozen for more than eight years, from June of 1994 until just a few weeks ago. During that period those facilities could have produced enough plutonium to make more than 50 nuclear bombs.

But the dismantlement of those facilities awaited completion of the construction of the

commercial reactors called for in the Agreed Framework which when the present crisis began was still a few years away. Therefore with the termination of the Agreed Framework earlier this month North Korea was able to and did reactivate the reactor and processing facilities and could be in full production of plutonium within a few months.

Between the 1994 crisis and the present one there was another crisis in 1998. North Korea had underway the serial production and deployment of a medium range ballistic missile capable of reaching Japan. Additionally they had under development two long range missiles which could reach targets in parts of the United States as well as Japan. This missile development program aroused major concern in both countries which came to a head in 1998 when North Korea flew one of these missiles over Japan, crashing into the Pacific Ocean.

This test firing provoked a strong reaction both in the United States and Japan and led to calls in the American Congress and in the Japanese Diet for termination of the funding which supported the Agreed Framework, which predictably would have led to a reopening of the frozen nuclear facilities.

So it was during this turbulent and dangerous period that the United States Congress called for and President Clinton agreed to establish an outside policy review which he asked me to head.

I believed that success in our new policy formulation required a concerted effort by all three allies, so our team set about to structure the policy review with the full participation of the Republic of Korea and Japan. The tripartheid—and I emphasize this—the tripartheid policy team considered several alternative strategies. One alternative was to attempt to undermine the North Korea regime. There was little evidence, however, of dissent within Pyongyang's iron Stalinist regime. Certainly nothing like the dissident factions in Iraq, let along Afghanistan to build upon. While the North Korean people certainly need a better government to meet their desperate needs, in fact we did not know how to accomplish it.

Moreover there was a problem of mismatched time tables. Even if we could force a change in the Pyongyang regime the process could take years. Our concern about weapons of mass destruction was urgent. We could not wait for a slow solution.

Finally, our allies would not agree to a strategy of trying to force a regime change. We therefore set aside that option.

Another option we considered was to base our strategy on the prospect of reform in North Korea. Perhaps Kim Jong Il would take the path of China's Deng Xiaoping opening up his country economically and trying to be a member in good standing of the international community including its non-proliferation norms. This outcome could be hoped for, but hope is not a strategy.

Moreover, North Korea's reform process seemed almost undiscernibly slow while its weapons of mass destruction programs moved quickly. The United States and its allies needed a strategy for the

near term and that meant, as the unclassified form of our review stated, United States policy must deal with the North Korean government as it is, not as we wish it to be.

Equally unacceptable was buying our objectives with economic assistance. According to our report, the United States will not offer the Democratic People's Republic of Korea tangible rewards for appropriate security behavior.

After considering and rejecting these alternatives we recommended that the United States, South Korea and Japan all proceed to talk to North Korea, but with a coordinated message and a coordinated negotiating strategy. We believed there was nothing to fear in negotiating with North Korea as long as we all knew and agreed upon our position and our strategy.

We began first with the proposition that verifiable elimination of North Korea's nuclear weapon program was the paramount objective. We would state to the North our position that while we did not like their conduct internally or externally, we did not plan to go to war to change it. We could keep on living in peace with them. But that peace would not be possible if they pursued a nuclear weapon program. Pursuit of such weapons would not guarantee North Korea's security but guarantee confrontation.

We argued that since North Korea had enough conventional firepower to make war a distinctly unattractive prospect to the allies, that they did not need nuclear weapons for their security. That relative stability if not disturbed by nuclear weapons, could provide the time and conditions for a relaxation of tension and eventually improved relations as North Korea transformed its relations with the rest of the world.

After many trips to Seoul, Tokyo and Beijing to coordinate our approaches in May of 1999 we went to Pyongyang to present our findings there which by then had been endorsed by the allied leaders. We described two alternative paths that the United States and North Korea could take together.

On the upward path, North Korea would verifiably eliminate its nuclear weapon and missile programs. The United States would take political steps to relieve its security concerns, most centrally affirming that we had no hostile intent toward North Korea.

In lockstep and through their own negotiations, South Korea and Japan would expand their contacts and their economic links.

Alternatively, on the downward path, the three allies would resort to all means of pressure including those that risk war to achieve their objectives.

We concluded the policy review and stepped down from our government advisory roles in the summer of 2000.

In the subsequent two years North Korea has taken some small steps on the upward path. It

agreed to a moratorium of tests on long range missiles. It continued the freeze at Yongbyon. It had a first-ever meeting with the American Secretary of State. It embarked on talks with South Korea culminating in a dramatic summit of the leaders of North and South. It began the process of healing the World War II era state of war with Japan, returning some Japanese citizens that they kidnapped several decades earlier. And it allowed U.S. inspectors to visit a mountain where U.S. intelligence expected further nuclear weapons work to be going on. This was the first step of even more intrusive inspections that would have been necessary to achieve a verifiable agreement that they had eliminated their nuclear weapons program.

Whether North Korea would have taken further steps on this path is history that will never be written. All of this activity underwent a dramatic change when the Bush Administration came into office. President Kim De Jung, anxious to reaffirm the tripartheid engagement program came to Washington to meet with President Bush just two months after his inauguration. The meeting was a disaster for President Kim. Although Secretary Powell had suggested that the Administration would move forward with the engagement program set in place by President Clinton, President Bush rejected it and said that he would undertake a sweeping review of our Korean policy.

A few months later in his State of the Union address the President included North Korea as a part of the axis of evil.

By September of last year the Administration's review had been completed and they had decided to approach North Korea with an offer of engagement similar in many ways to the one offered under our 1999 policy review. Assistant Secretary of State Kelly was sent to Pyongyang with authorization to make that offer.

But in the mean time the United States had received intelligence that the North Koreans had for several years been embarked on a covert program to enrich uranium, which in a few more years time would give them an alternate source of fissile material for the production of nuclear weapons.

Kelly confronted the North Koreans with the U.S. findings which they at first denied, but finally replied they were entitled to nuclear weapons because of the threat posed to North Korea by the United States. This was a sort of "The devil made me do it" kind of an argument.

Since then the Korea Energy Development Organization under the urging of the United States has cut off all fuel shipments to North Korea, effectively abrogating the Agreed Framework.

North Korea, in turn, has ordered the UN inspectors out of Yongbyon and has begun actions to uncap and reprocess the spent fuel that had been stored there and restart the reactor.

They have said that this action is necessary because of the threat that the United States would attack them with nuclear weapons, and that they would reverse those actions if the United States would guarantee their security.

The United States has responded that it will not enter into discussions with North Korea until they have agreed to stop all nuclear weapon activity.

Let me summarize where we stand now. North Korea's unfreezing of its plutonium production program at Yongbyon coming on top of its admission that it had begun a uranium enrichment program in violation of international agreements clearly poses a grave threat to American policy.

While the uranium enrichment program is some years away from becoming a serious threat, the actions underway at Yongbyon pose an imminent danger. I'll repeat that. They pose an imminent danger.

North Korea has begun the reprocessing of several thousand fuel rods that have been under international inspection since 1994. These rods can yield enough weapons grade plutonium for about five nuclear bombs which could be repaired by the end of the year.

Additionally, the startup of the reactors at Yongbyon will give the North Koreans the capacity for serial production of nuclear weapons beginning next year.

What is a plausible strategy for moving forward? As in 1994 we have three basic alternatives: formulating an aggressive diplomatic strategy, accepting a robust nuclear weapon production plan in North Korea, or conducting a full-scale war to stop this program.

The downsides to a full-scale war are about the same today as they were in 1994 and have received ample commentary so I will not elaborate on our obvious desire to avoid this alternative.

The Administration in recognizing how disastrous a war could be and recognizing that North Korea might already have one or two bombs, has suggested that they were not overly concerned with the prospect of the production program restarting. I believe that this misjudges the negative consequences of such a program. Indeed, I believe that any strategy for dealing with this difficult problem must be based on the understanding that allowing North Korea to undertake the production of fissile material and nuclear bombs would be a major setback for American security, for regional security, and for international security. This is perhaps the most important point I'm making in the talk. I want to give you the four reasons I believe that.

First of all, at such time as North Korea possesses a significant nuclear arsenal, its leaders might be misled into thinking that the United States would be unwilling to defend its interests in the region, weakening deterrence and making war more likely.

Secondly, North Korea's nuclear program might begin a domino effect of proliferation in East Asia, causing South Korea, Japan and Taiwan to question their own non-nuclear status.

Third, given North Korea's record as proliferators of ballistic missiles and given their desperate economic condition, we must assume that some of the products of this nuclear program would be for sale to the highest bidders, not excluding terrorist groups.

Finally, we must be concerned that what is sometimes called the "loose nukes" might be the result of some ultimate process of breakup or collapse of the North Korean regime.

For all of these reasons, the North Korean nuclear program poses an unacceptable security risk.

United States strategy should be designed to ensure that the present activities at Yongbyon do not reach the production stage. Clearly to achieve this objective without war will take an aggressive and a creative diplomatic strategy.

The Administration finds discussions with the North Koreans distasteful and said that they are not prepared to talk until North Korea first stops all of their nuclear programs. I must say I am sympathetic to the distaste they feel, but do not believe that this is an acceptable basis for a U.S. strategy considering how unattractive are the two alternative strategies.

Besides our distaste for dealing with North Korea we have to overcome a seeming reluctance to treat South Korea and Japan as full partners. Indeed I believe that our strategy must be based on the understanding that no American strategy toward North Korea can succeed unless it has the full understanding and the full support of our allies in the region—South Korea and Japan. We have an urgent need to reinvigorate an effective tripartheid approach to dealing with the North Korean problem.

It has been suggested that Russia and China can play a constructive role in resolving this crisis, and I agree. Indeed when I was in China six weeks ago I made the point very strongly to President Jiang Zemin that this was not just an American crisis. A nuclear weapon production program in North Korea could produce results profoundly adverse to China's interests including the possibility of a nuclear arms race in the Pacific.

For that reason, and not as a favor to the United States, he should get China actively involved. But how?

I believe that China cannot serve as a surrogate negotiator for the United States. The major issue is an American security issue in North Korea, and surely no one can negotiate that but the United States. But China can play a role as a facilitator or host of a meeting, and even more important would be their role in putting serious pressure on North Korea to stay with the nuclear non-proliferation treaty and abide by the United Nations role in enforcing its provisions through the International Atomic Energy Agency.

Finally, I would note that whatever we do, time is of the essence in heading off North Korea's

nuclear ambitions. In some weeks North Korea will be able to create from the fuel rods they are now processing a dangerous fait accompli—enough weapons grade plutonium for five bombs. Once the plutonium is reprocessed it could be moved anywhere, making it much more difficult subsequently to find and eliminate.

In sum, I believe that we should not have cut off the engagement with North Korea two years ago. That probably contributed to the present problem with North Korea. In any event, it has made it more difficult to deal with this problem.

I believe that we should state immediately that the reprocessing of plutonium at Yongbyon would be a red line, thus defining our diplomacy as coercive diplomacy.

I believe that China, Russia, South Korea and Japan all have an important role to play in the ongoing discussions with North Korea. Certainly we and they have a commonality of interest in this crisis, but the resolution of this crisis is too important to American security to turn the diplomatic treatment of it over to those nations. The United States should be engaged directly and aggressively.

Finally, I believe that time is of the essence in getting back on a serious diplomatic track. Every week we delay makes the problem more difficult to resolve.

There has been some disagreement on thematics. Is this a crisis or is it not a crisis? Let me be clear on my view on that issue. I believe that it is a crisis. Indeed, I believe it is a serious crisis. But I also believe that it can be managed.

The two key ingredients of a possible solution are the credibility—the credibility of our determination to remove the nuclear threat, even if it means risking war; and the courage and the confidence to pursue creative diplomatic alternatives to war.

John F. Kennedy said it best. "We should never negotiate from fear, but we should never fear to negotiate."

Thank you.

[Applause]

MR. STEINBERG: Thank you very much for what is a characteristically clear, judicious, direct and insightful analysis of both the history and the policy challenges that are confronting us. And tough I can't imagine that there are many questions in light of the very comprehensive account you gave, you've been very gracious to agree to answer some questions from our audience.

So if you would, I'll call on people. If you could wait until the mike gets to you, identify yourself, and then go ahead and ask your question.

QUESTION: Carol Giacomo with Reuters.

Unfortunately you did leave me unclear about one important thing. Do you believe that North Korea has in fact started to reprocess? On the one hand you say this should be a red line. ON the other hand a couple of your comments suggested that they had already begun this.

SECRETARY PERRY: Let me make a little more elaboration on the whole related issue.

First of all, in the early '90s, '91, '92, they went through a similar process of taking spent fuel out of their reactor not under IAEA control, and as a consequence there are about nine or ten kilograms of potentially missing plutonium which they claim they don't have, and which our intelligence analysts estimate that they might have.

If they have that, they might already have one or two nuclear bombs. That is where the one or two nuclear bombs comes from. It's not a certainty, but it's treated as a probability by our analysts.

Secondly, the reprocessing has begun, but it has several months to go before it would be completed. The dangerous time is when that reprocessing is completed, at which time the plutonium, now in weapons grade plutonium form could be moved. That's several months away.

But the action of restarting the process, uncapping the fuel rods and opening up the reactor, all of that has already started, and they have also dismissed, ejected from the country all the UN inspectors that were there.

I might add to that, this is almost identical to the scenario that occurred in June of '94. Inspectors were thrown out, they began the reprocessing, and that's when it came to a head then.

QUESTION: I'm Yung Kim with the Institute for Structured Reconciliation.

I strongly agree that time is of essence at this time but for different reasons. In the NGO meeting we had with you a few years ago I think we discussed some important NGO activities. Halting reconsulting U.S. and DPRK. The reason I say that time is of essence is because of this delay of slowing down negotiations between North Korea and the U.S., there are more innocent people dying, especially in this very cold weather during the winter. But the current Administration has made more conditions to send [inaudible] to North Korea. So I think it is really of grave concern to the NGO community. And this fact is actually more solidifying the North Korean people because they have more consensus. All this, the hardship they are suffering, is because of this American non-negotiation with Pyongyang.

I'd just like to hear about your opinion about how that we can separate or compartmentalize this concern from the NGO community humanitarian crisis I think more increasing and this political crisis we

are currently experiencing.

SECRETARY PERRY: That wasn't coming through very clearly on the mike. Did you get the question, Jim?

MR. STEINBERG: I think the question is that as a result of the fuel cutoff there is now a deepened humanitarian crisis in North Korea and the questioner said the NGO community is concerned about the impact to North Korea now of this humanitarian crisis and how does that fit into, he argues this makes it imperative to move more quickly, and how you would assess that as an element of the need for moving quickly and developing a strategy.

SECRETARY PERRY: My understanding of both the Chinese position of humanitarian assistance and the American is that they are going to continue the humanitarian assistance of food to North Korea in spite of this crisis that's going on. I think China is also continuing to provide some fuel oil to North Korea. America has cut off the fuel oil.

One can argue both for humanitarian and political reasons whether that was a wise move, but in fact it has happened.

We and the Chinese are both concerned with the humanitarian problems in North Korea. It would be gratifying if the North Korean government also showed some concern for those humanitarian problems.

QUESTION: [inaudible] from the Boston Globe.

If our penultimate goal is to see a nuclear-free North Korea is it possible that North Korea's ultimate goal is to have a nuclear program at all costs to defend its own security? And if that's the case, what options do we have?

SECRETARY PERRY: I think it is possible, I think it's probable that there's a strong faction within North Korea that believes they ought to achieve nuclear weapons at all costs, and it seems that that faction has presently controlled actions of the North Korean government. I do not consider this to be an unsolvable problem. I think the combination, when I'm talking about creative and aggressive diplomacy, I mean a combination of military resolve plus showing a way out, showing some options, showing some alternative ways of getting out of the problem, can solve the problem now as it has done, as it did in 1994. And I might mention in a different situation in 1962 in the Cuban missile crisis. The problem seemed equally difficult but the combination of military resolve and showing a diplomatic way out was the key to the solution.

QUESTION: Lynn Joiner from SEIS.

Sy Hurst has an article in which he suggests that the Bush Administration has been ignoring this

what you have clearly defined as a crisis even though the CIA gave them a report and assessment last June indicating that the reprocessing was going to happen.

He suggests that because of this very focused desire to get rid of Saddam Hussein that they are unable to even come up with a policy for dealing with it. I know from your many years of government you still can pick up a phone and talk to people. And so I'm wondering what would you say to them about how they get out of the box they've put themselves in with the President saying no, we will not negotiate, no we will not be blackmailed, but we could start to talk about starting the fuel oil going again if they immediately stopped the reprocessing? If you got on the phone, what would you be saying to them, Bill?

SECRETARY PERRY: What I would not be saying was describing to them how to negotiate this, but urging them to get together with a creative and aggressive program in diplomacy.

I have confidence in the intelligence and the judgment of people in the State Department that if given that assignment they would do a good job of it.

QUESTION: My name is [inaudible] with Mao Business Newspaper of South Korea.

Assistant Secretary Jim Kelly was asked about the [inaudible] running from [inaudible] at a Seoul news conference a couple of days ago. He replied, "Once we can get beyond the issue of nuclear weapons there may be opportunities where the United States with private investors, with other countries to help North Korea in the energy area."

Do you think it would be [inaudible] supplement or the substitute to the [inaudible]?

SECRETARY PERRY: What we had proposed to the North Koreans during our policy review was basically a program where we and they and the South all cooperated to open up North Korea to economic development. All of this was postulated on resolving satisfactorily the nuclear missile problem. But given that those could be resolved, we are prepared to work with the South to have a permanent peace treaty. We're prepared to work with the South and Japan to open up economic programs in the North. All of this would have been very much to North Korea's benefit.

There was a very strong faction of the North Koreans who found this proposal very attractive, but I must say there was another faction who even at the time were very resistant to it. Their reasons for resistance I believe were they feared that just opening up North Korea that would be entailed by the economic assistance would inevitably undermine the regime. I would remind you the North Korean regime stays in power by very strict control of the people and very strict control of information. That would be incompatible with the kind of economic opening that we were discussing. So there are many people in North Korea who fear that, no question about that.

But not only did we make that offer in the North Korean policy review time back in 1999, but I

believe that Secretary Kelly was prepared to make that sort of an offer had he not been derailed by this uranium enrichment program.

QUESTION: Thank you, Mr. Secretary. Mike O'Hanlon from Brookings.

One of the concerns you raised for why the North Korean nuclear weapons arsenal would be a problem is that it might weaken deterrence. North Koreans might believe there was less of a likelihood we'd come to South Korea's defense. I just wanted to invite you to rebut that. If you believe that our deterrent would remain very robust even under those circumstances, but also maybe add a word about how serious would it be for us in a military operation should it come to that, how much difference would it make if North Korea had one, two, three, four, five, six nuclear weapons in terms of casualties, in terms of how we might fight a war?

SECRETARY PERRY: I think there are overwhelmingly strong reasons for not wanting a war with Korea absent nuclear weapons. The million-man army they have lined up, the thousands of artillery pieces they have targeted at Seoul, all of those guarantee that even in the absence of—and the chemical weapons they have. Even in the absence of nuclear weapons a war would be a catastrophe. So that, as we have told the North Koreans, should be ample deterrence from your point or view to the United States.

In spite of that, we risked war in 1994 to stop that nuclear program, and I think we would do it again. But risking war is not the same as initiating war, provoking a war. Nothing that I was involved with in any discussion in 1994 ever considered initiating a war with North Korea. But risking a war is a different matter.

And I might say at the time we did that there was even then a possibility that they might have one or two nuclear bombs. One or two nuclear bombs can produce a tremendous amount of damage, but of the same order of damage that would be one by the conventional weapons they have.

A serial production program with 10 or 20 or 40 or 50 is a different matter all together.

QUESTION: Patrick Gardner from the Tokyo Shimbum.

There's been some question about how much influence both China and Russia have with North Korea and I was wondering if I could get your opinion on how much influence do you think both countries have with North Korea in ending this crisis?

SECRETARY PERRY: I don't have any reason to believe that Russia has much influence at all today. I do believe China has some influence and I believe their influence stems from, partly from the historic alliance that they had, although that has been dramatically weakened by China's opening up to South Korea. But mostly by the fact that they are the principal supplier of economic assistance to North Korea today.

China, if they want to have a role in this, an influence in this, has the potential of using that influence. But the Chinese government, the people that I've talked to including the President, have said they are very reluctant to use this to put pressure on North Korea.

Their theory, based on their experience, is that pressure on North Korea only makes problems worse, not better, and that they ought to try to deal with them in a non-pressure way. I wouldn't want to come to a judgment about that conclusion. I can tell you with some confidence that is the conclusion of the Chinese government officials I've talked to.

I do think they're in a position of some influence, but they don't seem to be willing to lean very hard on the program. Persuasive, yes. Maybe not much more than that.

QUESTION: John Wolfstall of the Carnegie Non-Proliferation Project.

Sir, I would humbly agree with you that the unappetizing choice between an active nuclear weapons program and a second Korean war are so repellant that the Bush Administration should aggressively and creatively negotiate. But if we reach that point of no return, I'd like to just draw you out specifically. If the reprocessing plant is about to release separated plutonium, does that then mean the United States should initiate a strike even if it results in a second war?

SECRETARY PERRY: I am very clearly of the conclusion that that need not be the outcome of the negotiations. All of the North Koreans I've talked with, I find their government, the regime very very unattractive. I've not seen any indication or any rationale on their part. So I do not believe that would be an outcome. But I do believe to get the outcome we desire we have to be prepared, credibly prepared, to use military force as part of our negotiating tactics.

MR. STEINBERG: Again, on behalf of the National Committee on U.S.-China Relations and Brookings, Secretary Perry thank you very much for a splendid exposition. We're very grateful to you being here.

[Applause]

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