

# CHINA'S PROLIFERATION PRACTICES AND THE NORTH KOREAN NUCLEAR CRISIS

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## HEARING

BEFORE THE

## U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

ONE HUNDRED EIGHTH CONGRESS

FIRST SESSION

—————  
JULY 24, 2003  
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The Commission's Statutory Mandate begins on page 118.

U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION

AUGUST 12, 2003

The Honorable TED STEVENS,  
*President Pro Tempore of the U.S. Senate, Washington, D.C. 20510.*  
The Honorable J. DENNIS HASTERT,  
*Speaker of the House, Washington, D.C. 20515.*

DEAR SENATOR STEVENS AND SPEAKER HASTERT:

On behalf of the U.S.-China Economic and Security Review Commission, we are pleased to transmit the record of our hearing on July 24, 2003 examining China's proliferation policies and practices in the post 9/11 era, focusing in particular on its role in the developing North Korean nuclear crisis.

As you know, the Commission is mandated by law (P.L. 108-7, Division P) to "analyze and assess the Chinese role in the proliferation of weapons of mass destruction and other weapons (including dual use technologies) to terrorist-sponsoring states, and suggest possible steps which the United States might take, including economic sanctions, to encourage the Chinese to stop such practices." The Commission heard testimony from current and previous Administration and Intelligence Community officials, as well as a range of outside experts, on the current state of Chinese proliferation practices, on the events unfolding with regard to North Korea's nuclear program and on the implications of these developments for U.S. national security.<sup>1</sup>

We addressed the efforts of the Chinese government in the post 9/11 period to curtail its proliferation practices, which have served as an issue of contention for many years, the quality of its enforcement of newly-established export controls for weapons of mass destruction (WMD), and the effectiveness of current U.S. sanctions laws and practices. Witnesses provided a number of recommendations for encouraging the Chinese government to strengthen its commitment to curtail such proliferation activities, and to address continuing shortcomings of its export control system, as well as to review the adequacy of the Non-Proliferation Treaty.

China's role in cooperating with the United States in addressing the North Korean nuclear crisis was a priority issue in the hearing, given the urgency of this national security challenge. The scope and secrecy of its nuclear weapons program, coupled with a North Korean history of deception and lack of respect for agreements it has previously entered into, its willingness to export missiles and components of WMD, its economic dependence on those exports, and the potential for North Korea to become a near-term exporter of fissile materials as well as complete nuclear weapons are clearly a matter of supreme importance for the U.S. Therefore, the Commission believes the extent of Chinese cooperation in achieving an irreversibly de-nuclearized Korean peninsula is a key, if not the key, test of the U.S.-China relationship in the current period. China's recent diplomatic efforts in helping to secure North Korea's agreement to engage in the upcoming multiparty talks is encouraging, but must be followed up by the active use of its substantial leverage to persuade North Korea to freeze its reprocessing efforts and dismantle its nuclear weapons and ballistic missile programs, and to accommodate an intrusive international verification regime, which ensures the effective implementation of any agreement that is ultimately reached.

The stakes of the upcoming multiparty talks for U.S. national security and, indeed, the viability of nonproliferation programs globally, are enormous. Given those stakes, and the long history of Congress' involvement in fashioning and approving agreements dealing with arms control and issues of such national importance, we, the Chairman and Vice Chairman, believe that the building of a bipartisan consensus underpinning the goals and outcome of such negotiations argues for an early, informed and reinforcing role for the Congress. If Congress is fully engaged and vested in any future agreement with North Korea it would substantially improve prospects for a durable consensus between the two branches on this vital matter.

Yours truly,



Roger W. Robinson, Jr.  
*Chairman*



C. Richard D'Amato  
*Vice Chairman*

<sup>1</sup> The classified portion of this hearing record, at the codeword level, is also available for the use of Congressional Committees and cleared staff in S-407, the Capitol.



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## **CHINA'S PROLIFERATION PRACTICES AND THE NORTH KOREAN NUCLEAR CRISIS**

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**THURSDAY, JULY 24, 2003**

U.S.-CHINA ECONOMIC AND SECURITY REVIEW COMMISSION,  
*Washington, D.C.*

The Commission met in Room 138, Dirksen Senate Office Building, Washington, D.C. at 11:00 a.m., Vice Chairman C. Richard D'Amato and Commissioner Robert F. Ellsworth (Hearing Co-Chairs), presiding.

### **OPENING REMARKS OF CHAIRMAN ROGER W. ROBINSON, JR.**

Chairman ROBINSON. I'd like to bring today's hearing to order. Today the Commission will be addressing a subject that in my view is the highest priority in our legislative mandate, namely, the Chinese role in the proliferation of weapons of mass destruction and ballistic missiles to terrorist-sponsoring states. While Chinese firms continue to be involved in troubling transfers of WMD related material to states of concern, there is no more ominous threat to the viability of global nonproliferation mechanisms than the burgeoning nuclear crisis on the Korean peninsula.

Among the nations in the region, China by far possesses the greatest amount of economic and political leverage to advance efforts to defuse this crisis. So notwithstanding China's own record on proliferation, the unfolding events on the Korean peninsula present China with a special opportunity to bring North Korea back from the brink.

As we convene this hearing, the U.S. and its allies as well as China and North Korea are cascading toward a historically important crossroad fraught with danger for our country and the world.

In short, will North Korea continue to proceed with the reprocessing of some 8,000 spent fuel rods to extract plutonium for the production of reportedly six or more nuclear warheads to be added to the handful of nuclear weapons North Korea claims it already possesses?

If Pyongyang completes the current reprocessing of these fuel rods in the absence of a dramatic use of Chinese leverage, it would be no exaggeration to observe that the nuclear weapons and proliferation-related crisis on the peninsula would have, to a large extent, reeled out of control.

Published reports indicate that this new echelon of proliferation peril and nuclear threat could eventuate well within the next six months.

Accordingly, this Commission is properly focusing today on the most pressing dimension of the broader Chinese proliferation chal-

lenge. Will North Korea be permitted to nuclearize, despite the President's strong statements that such a circumstance would be intolerable? Will Pyongyang be allowed to secure the capability to produce a nuclear weapon a month for the better part of a year?

Is the North Korean leadership serious about its stated intention potentially to transfer nuclear materials or weapons to third countries or groups? Does Chinese leadership genuinely recognize the imminent danger confronting the international community associated with the loss of most of its policy options, already very limited, to harness and reverse North Korean nuclear capabilities and associated proliferation activities?

Will China act decisively in this short window to head off the draconian choice between a de facto nuclearized North Korea and high-risk military action by the United States and a coalition of the willing?

These are among the questions before us. Together they unmistakably represent both a momentous test of the U.S.-China relationship and China's leadership role in the region and the world. Our Commission has never considered a set of issues as defining as those we will be discussing today.

With that rather somber introduction, I would like to turn the proceedings over to our hearing Co-Chairmen, Commission Vice Chairman Dick D'Amato and Commissioner Robert Ellsworth.

[The statement follows:]

**Prepared Statement of Chairman Roger W. Robinson, Jr.**

Today the Commission will be addressing a subject that in my view is the highest priority in our legislative mandate, namely the Chinese role in the proliferation of weapons of mass destruction and ballistic missiles to terrorist-sponsoring states. While Chinese firms continue to be involved in troubling transfers of WMD-related materials to states of concern, there is no more ominous threat to the viability of global nonproliferation mechanisms than the burgeoning nuclear crisis on the Korean peninsula. Among the nations in the region, China by far possesses the greatest amount of economic and political leverage to advance efforts to defuse this crisis. So, notwithstanding China's own record on proliferation, the unfolding events on the Korean peninsula present China with a special opportunity to bring North Korea back from the brink.

As we convene this hearing, the U.S. and its allies, as well as China and North Korea, are cascading toward a historically important crossroad fraught with danger for our country and the world. In short, will North Korea continue to proceed with the reprocessing of some 8,000 spent fuel rods to extract plutonium for the production of reportedly six or more nuclear warheads to be added to the handful of nuclear weapons North Korea claims it already possesses? If Pyongyang completes the current reprocessing of these fuel rods, in the absence of a dramatic use of Chinese leverage, it would be no exaggeration to observe that the nuclear weapons- and proliferation-related crisis on the peninsula would have, to a large extent, reeled out of control. Published reports indicate that this new echelon of proliferation peril and nuclear threat could eventuate well within the next six months.

Accordingly, this Commission is properly focusing today on the most pressing dimension of the broader Chinese proliferation challenge. Will North Korea be permitted to nuclearize, despite the President's strong statements that such a circumstance would be intolerable? Will Pyongyang be allowed to secure the capability to produce a nuclear weapon a month for the better part of a year? Is the North Korean leadership serious about its stated intention potentially to transfer nuclear materials or weapons to third countries or groups? Does Chinese leadership genuinely recognize the imminent danger confronting the international community associated with the loss of most of its policy options (already very limited) to harness and reverse North Korean nuclear capabilities and associated proliferation activities? Will China act decisively, in this short window, to head off the draconian choice between a de facto nuclearized North Korea and high-risk military action by the United States and a coalition of the willing?



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**OPENING REMARKS OF VICE CHAIRMAN C. RICHARD D'AMATO  
HEARING CO-CHAIR**

Vice Chairman D'AMATO. Thank you very much, Mr. Chairman. I want to welcome Assistant Secretary of State Paula DeSutter to our hearing today. I'll note that she is sympathetic to our cause and is a graduate of this institution, as I believe she worked on the Senate Intelligence Committee staff for a number of years.

Ms. DESUTTER. Right.

Vice Chairman D'AMATO. Our hearing today focuses on the evolving crisis on the Korean peninsula and the role that China is playing in resolving that crisis. It is the most serious challenge to the foreign policies of the present Administration. Settling the nuclear question has long-range consequences for the viability of non-proliferation practices throughout the world and the long-term stability of Northeast Asia. It is an historic test of U.S.-Chinese relations, and it is a test not only of this Administration, but the Congress as well, which bears substantial shared responsibilities for the strategic policies of the United States.

The Commission intends to monitor and evaluate how cooperative the Chinese are being with the United States. There have been encouraging signs of more active Chinese diplomacy in bringing the U.S. and North Korea together, but we will wait and see if China is prepared to use additionally the tremendous leverage that it has over North Korea, which is nearly completely dependent on China for its economic well-being, to achieve a satisfactory resolution of the nuclear and missile issues.

So far, the record appears mixed as China has blocked UN Security Council action to condemn North Korea for walking away from the Nonproliferation Treaty, nor is China actively supporting the interdiction of weapons trade from North Korea to the Middle East.

So, how forthcoming the Chinese government ends up in pushing back the dogs of war in that peninsula and the snakes of nuclear madness into the world of terrorist states and organizations will be critical as to whether the U.S. and China evolve into the strategic partnership that many wish it to develop into.

The Chinese, as this Commission documented in our first report to Congress, are deeply dependent on American economic transfers and largess, and Chinese economic growth is in many ways dependent on the United States.

It is not too much to ask for Chinese cooperation on the Korean crisis at a far greater level than we have seen so far. We hope China should step up to the plate in a bold way, not just to support U.S. interests, but because it is in their own national interests as well.

Secondly, it's certainly a test of American leadership. As the mainstay of the Northeast Asian democracies over the last 50 years, the U.S. cannot and should not dodge its role. It demands leadership of a tough, dogged, even risky type, despite our resources being stretched elsewhere. A crossroads is approaching.

One road sets loose a new psychology in the world which invites politics by nuclear blackmail. The other stops this potential psychology dead in its tracks at the Korean border. It will either be the end of global anti-proliferation policies or a milestone of their success.

A third, as a Congressional Advisory Commission, we are interested in the role the Congress must play in the development and resolution of any new agreement with North Korea contemplated by this Administration. There are consultative procedures that should be followed with the Congress, and as an arms control agreement which involves the vital interests of the United States, which by necessity will be long in duration and with the probable use of massive appropriated United States funds over many years to implement it, it fits the traditional criteria that has been used by the Congress in the past to determine that it should be treated as a treaty, requiring Senate approval according to constitutional procedures.

And I might add that Senator Byrd, the Ranking Member of the Appropriations Committee and a former Democratic leader, has sent a letter to the President today, which has been released just a few minutes ago, asking the President to consider this agreement to be forwarded and consulted with the Senate as a treaty.

The stakes are very high. The Commission is trying to understand the Administration policy on this issue so that we can recommend to the Congress what approaches to China should emerge from this experience and provide incentives for China to work unambiguously with us in fashioning a long-term satisfactory solution.

Lastly, Americans have always insisted on strong and transparent verification mechanisms. This is one of the successes of the relationship with President Reagan in building a satisfactory arms control structure with Mr. Gorbachev, and so we're very pleased to hear from Paula DeSutter, the Assistant Secretary of State for Verification and Compliance, and we're particularly interested in your thoughts on an appropriate verification system, which will be the major challenge to this agreement, as you know.

And I'd like to turn it over to my colleague, the Co-Chairman of the hearing.

[The statement follows:]

**Prepared Statement of Vice Chairman C. Richard D'Amato  
Hearing Co-Chair**

Our hearing today focuses on the evolving crisis on the Korean peninsula and the role that China is playing in resolving that crisis. It is the most serious challenge to the foreign policies of the present Administration. Settling the nuclear question has long-range consequences for the viability of nonproliferation policies throughout the world, and the long-term stability of Northeast Asia. It is an historic test of U.S.-Chinese relations. It is a test not only of this Administration, but of the Congress, which bears substantial shared responsibilities for the strategic policies of the United States.

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for walking away from the Nonproliferation Treaty. Nor is China actively supporting the interdiction of weapons trade from North Korea to the Middle East. So, how forthcoming the Chinese government ends up in pushing back the dogs of war, and the snakes of nuclear madness into the world of terrorist states and organizations will be critical to whether the U.S and China evolve into strategic partners or not.

The Chinese, as this Commission documented in our first Report to Congress, are deeply dependent on American economic transfers and largess, and Chinese economic growth is in many ways dependent on the U.S. It is not too much to ask for Chinese cooperation on the Korea crisis at a far greater level than we have seen to date. China should step up to the plate in a bold way, not just to support U.S. interests, but because it is in their own national interest as well.

Second, certainly this is a test of American leadership. As the mainstay of the Northeast Asian democracies of the last 50 years, the U.S. cannot and should not dodge our role. It demands leadership of a tough, dogged, even risky type, despite our resources being stretched elsewhere. A crossroad is approaching, one road sets loose a new psychology in the world which invites politics by nuclear blackmail and increasingly massive and mindless violence. The other stops this potential psychology dead in its tracks at the Korean border. It will either be the end of global anti-proliferation policies, or a milestone of their success.

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Lastly, Americans have always insisted on strong and transparent verification mechanisms. We are very pleased to hear from Ms. Paula DeSutter, the Assistant Secretary of State for Verification and Compliance. We are particularly interested in your thoughts on an appropriate verification system, which will be a major challenge as you know.

#### **OPENING REMARKS OF AMBASSADOR ROBERT F. ELLSWORTH HEARING CO-CHAIR**

Co-Chairman ELLSWORTH. Thank you, Mr. Chairman and thank you, Mr. Vice Chairman. I subscribe to everything that both the Chairman and the Vice-Chairman have said, and we're going to proceed quickly and rapidly. The Vice-Chairman, Mr. D'Amato, and I are the co-chairs of this hearing. And just for emphasis, I want to repeat very briefly the main points that have already been said.

This hearing will address the two most important questions for international security and for the United States' vital interests in the world for the foreseeable future. Those questions are (a) the role of China in the world; and (b) how to stop and rollback the proliferation of weapons of mass destruction?

In the light of recent claims by the North Korean government that it has resumed its nuclear weapons program in the mid-'90s based on a covert uranium enrichment program, and that it has now begun reprocessing plutonium fuel rods for weapons production, U.S. policymakers are confronted with very serious and immediate choices.

If North Korea is allowed to maintain its nuclear weapons programs, other nations may well follow suit and some may buy such weapons from the North Koreans. Resolution of this crisis on the Korean peninsula certainly requires that China play a leading role in defusing the standoff on the peninsula.

What that role is and what it should be is the substance of this particular hearing. We have a very full day of expert testimony and are grateful to all the panelists for agreeing to participate.

The first portion of the hearing that is about to take place now will provide an opportunity to hear the Administration's views on the events unfolding in North Korea and China's role in the developing crisis. It will also provide the Commission an opportunity to discuss the Bush Administration's comprehensive strategy to stem proliferation again with a focus on North Korea and China.

This strategy includes both an aggressive sanctions policy and the Administration's recently announced Proliferation Security Initiative, PSI. We will discuss with Assistant Secretary DeSutter progress on the PSI and the dynamics of this multilateral arrangement.

Another key area of examination will be the Administration's assessment of China's commitment to vigorous implementation of its newly promulgated export control regime.

Prior to her current appointment, Assistant Secretary DeSutter served for over four years as a professional staff member of the U.S. Senate Select Committee on Intelligence, SSCI, where she focused on issues pertaining to proliferation, terrorism and arms control.

Prior to her work in the Senate, Assistant Secretary DeSutter held numerous positions in the Verification and Intelligence Bureau of the Arms Control and Disarmament Agency. I want to welcome you, Secretary DeSutter.

The rules of the Commission hearings are that the witness—that's you at this moment, and you have the whole morning to yourself—are limited to ten minutes, but in light of the fact of the importance and the criticality and of the fact that you are the only one, you can go for ten or 12 or so minutes if you wish. And then the Commissioners will go around and ask questions, and I want to remind the Commissioners and advise you, each Commissioner will have seven minutes at his or her disposal, and that's for both the question and the answer.

[The statement follows:]

**Prepared Statement of Ambassador Robert F. Ellsworth, Hearing Co-Chair**

This hearing will address the two most important questions for international security and for United States interests in the world for the foreseeable future.

Those questions are the role of China in the world, and how to stop and roll back the proliferation of weapons of mass destruction.

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If North Korea is allowed to maintain its nuclear weapons programs, other nations may well follow suit. And some may purchase these weapons from the North Koreans.

Resolution of this crisis on the Korean peninsula certainly requires that China play a leading role in defusing the standoff on the Korean peninsula. What that role is, and what it should be, is the substance of this hearing.

We have a very full day of expert testimony and are grateful to all of the panelists for agreeing to participate.

**ADMINISTRATION PERSPECTIVES**

Ms. DESUTTER. Right. Well Intel members only got five, so you guys have it pretty well.

Co-Chairman ELLSWORTH. So thank you for coming and we look forward to hearing from you now. Please proceed.

**STATEMENT OF PAULA A. DeSUTTER, ASSISTANT  
SECRETARY OF STATE FOR VERIFICATION AND COMPLIANCE**

Ms. DESUTTER. Thank you. Thank you for inviting me to testify before you today. The primary focus of my testimony will be the Administration's perspective on China's record of proliferation activities, their compliance with nonproliferation commitments and arms control obligations. I'll also be happy to address the North Korea issue.

I serve as the Assistant Secretary for Verification and Compliance. We are mandated by law with three primary responsibilities. The first is to ensure that arms control, nonproliferation and disarmament agreements and commitments are effectively verifiable.

We are charged with assessing compliance with those obligations once they are in effect, and we are the primary policy liaison to the intelligence community for verification and compliance matters.

In any consideration of verification and compliance, the question of deterrence and enforcement is central, and so therefore we have worked closely with the matters before the Commission today.

Let me begin by stating the obvious. China is a key to achieving the Administration's goal of stopping the proliferation of weapons of mass technology, mass destruction technology, throughout the world.

Secretary Powell said last year China's fulfillment of its nonproliferation commitments would be crucial to determining the quality of the U.S.-China relationship. And Chinese officials have expressed their hope that nonproliferation can become an area of cooperation between our two countries. We share the desire that proliferation become an area of cooperation. But while China has made significant commitments in the areas of arms control and nonproliferation, the government of China has not done enough to ensure that it fully complies with its arms control obligations and that all Chinese entities abide by the nonproliferation commitments the government has made.

We therefore continue to see arms control noncompliance and proliferation of weapons of mass destruction and missile-related items from Chinese entities. I would like to walk through a bit of the history with particular emphasis on the missile proliferation because I think this provides the bedrock upon which we base the proliferation policies that we have.

At the highest levels, the Chinese government has claimed that it opposes missile proliferation and that it forbids Chinese firms and entities from engaging in transfers that violate its commitments to the United States.

Unfortunately, the reality has been quite different. China made its first missile nonproliferation commitment to the U.S. in March 1992. This commitment was a direct result of the U.S. imposition of sanctions in connection with the sale of M-11 missiles to Pakistan in June 1991 on two Chinese entities, the China Great Wall

Industry Corporation and the China Precision Machinery Import-Export Corporation. We call it CPMIEC.

In return for the U.S. ending sanctions on these two entities, China provided a written commitment in March 1992 that it would abide by the original guidelines and parameters of the Missile Technology Control Regime, or MTCR, which the United States publicly stated were indeed applicable to both the M-9 and the M-11 missile.

Despite this commitment, Chinese entities subsequently transferred M-11 missiles to Pakistan.

In response to U.S. complaints, China indicated that the M-11 missile was not covered by the MTCR and that it was still fully adhering to its 1992 pledge. Then in 1993, the United States again imposed but lifted sanctions on the Chinese Ministry of Aerospace Industry, CPMIEC, and the Pakistani Ministry of Defense for their roles in another transfer.

In return for the lifting of these sanctions, China agreed in October 1994 that it would not transfer ground-to-ground missiles inherently capable of reaching a range of at least 300 kilometers with a payload of at least 500 kilograms. Nevertheless, in the years following this 1994 commitment, Chinese entities continued their missile-related sales to Pakistan and provided significant assistance to Iran and Syria in contravention of their commitments to the U.S.

China declared in October 1996 that its previous agreements did not cover items contained on the MTCR Annex.

Following additional negotiations in June 1998, China in a joint statement reaffirmed that its policy was to prevent the export of equipment, materials or technology that could in any way assist the programs in India or Pakistan for nuclear weapons or for ballistic missiles capable of delivering such weapons.

However, despite even these assurances, Chinese missile related transfers continued. In response to the continuing transfers, the U.S. engaged in extensive negotiations to obtain yet another non-proliferation commitment from China. These efforts culminated in a November 2000 commitment wherein China pledged not to assist in any way any country in the development of ballistic missiles that can be used to deliver nuclear weapons, i.e., missiles capable of delivering a payload of at least 500 kilograms to a distance of at least 300 kilometers.

In addition, China agreed to enact and publish comprehensive missile-related export controls at an early date. In exchange for China's further promise, the United States yet again agreed to waive sanctions that were required by United States law for past assistance by Chinese entities to the Iranian and Pakistani missile programs.

While China eventually issued its new export control list, it was some year and a half later, there were weaknesses in both their content and implementation as I have described in my written statement. Moreover, new concerns arose with respect to China's compliance with its November 2000 commitment.

For example, a shipment of missile-related technology to Pakistan in contravention of the 2000 commitment prompted the United States to impose sanctions in September 2001 on the Chi-

nese Metallurgical Equipment Corporation. We call it CMEC. Since the CMEC problem in 2000, additional concerns have emerged with respect to implementation of Chinese export regulations and ongoing activities of what we are now calling serial proliferators.

All of these problems with Chinese implementation of its commitments are underscored by the continuing problem of business as usual proliferation by Chinese companies dubbed serial proliferators. On numerous occasions, we've expressed our concerns about these entities to the Chinese government and have asked Beijing to subject exports by these serial proliferators to persistent close scrutiny.

Despite these efforts, however, the Chinese government has failed to halt the transfer of missile related items from these notorious Chinese proliferators to countries such as Iran. Take, for example, the China North Industries Corporation, known as NORINCO. For some time we've been alerting the Chinese government to our concerns about the activities of NORINCO.

Nevertheless, the Chinese government has taken no action to halt NORINCO's proliferant behavior. In the face of Chinese inaction, therefore, the Administration has twice sanctioned NORINCO this year, once in May and once this month.

These sanctions prohibit NORINCO from entering into any contracts with the U.S. Government and prevent the importation into the United States of any goods manufactured by NORINCO or its subsidiaries.

In addition to the sanctions imposed by the Administration, we've concluded in the most recent noncompliance report to Congress, which is prepared by my bureau, that Chinese state-owned corporations transferred missile technology to Pakistan, Iran, North Korea and Libya, and that these transfers were clearly contrary to China's commitments to the U.S.

The U.S. is also concerned about China's nuclear proliferation. We believe that while China has adhered to a number of nuclear commitments, that they've structured its membership and involvement in various international nuclear regimes so that they may still lawfully circumvent the basic purpose and intent of these regimes.

It's clear that China continues to contribute to the nuclear programs of both Pakistan and Iran, but we will continue to urge China to join the Nuclear Suppliers Group and to accept full-scope safeguards as a condition of nuclear supply.

We are also concerned about Chinese weapon proliferation. They've maintained a chemical weapons program, and it's a serious matter of concern to us. China has declared that it does not possess chemical weapons. But we believe that China has not fully acknowledged the extent of its CW program.

We believe that they possess a moderate inventory of chemical agents. The U.S. is particularly concerned about the role of Chinese entities in providing CW-related equipment, technology and precursor materials to Iran. And the U.S. has imposed sanctions on several Chinese entities for providing material assistance to Iran's CW program, the most recent sanctions being imposed earlier this month.

Similarly, the United States believes that despite being a member of the Biological Weapons Convention, China maintains a BW program in violation of those obligations. The U.S. believes that China's consistent claims that it has never researched, produced, or possessed BW are simply not true, and that China still retains its program.

While we have no indication that China has proliferated any of the dual use or direct BW materials, given China's failure to enforce its stated nonproliferation goals with respect to missile technology, nuclear related items and its chemical weapons program, we must be concerned about the possibility of undetected proliferation of dual use or actual elements of a BW program.

What can we take from all of this? On the surface, China's policies appear to tackle nonproliferation issues. China avows that it's opposed to proliferation of WMD and their means of delivery. In the last decade or more, China has signed up to an impressive array of commitments. Regrettably, however, China has not delivered on many of these promises.

Since the PRC has not stemmed this transfer of WMD and missiles, we must ask whether this failure reflects Beijing's inability or unwillingness to fight such proliferation. It has been said by some that Chinese transfers are the result merely of inefficient export control enforcement. While this may undoubtedly sometimes occur, there is reason to believe that these problems do not always result from incapacity.

But whether the problem is based on inability, unwillingness or both, the United States remains deeply concerned about their record. China's noncompliance is of concern not only because of the damage to international stability and security resulting from proliferation of missiles and weapons of mass destruction, but importantly, because other nations will be looking to China to set an example. China can be a force for ill or, conversely, they can serve as a model for adherence to and compliance with their obligations and commitments.

What are we doing to improve the situation? First, the Administration is continuing to seek changes in Chinese behavior by raising proliferation as part of our ongoing dialogue with the PRC. President Bush has stated that he seeks a candid, cooperative and constructive relationship with the PRC, and Undersecretary Bolton is—he wished he could be here himself—he is currently leading a delegation to China this week, continuing our dialogue with Beijing on nonproliferation and related issues.

But our commitment to dialogue does not mean that this Administration will turn a blind eye to transfers from China of WMD technologies and delivery systems. This Administration is determined to use every weapon at our disposal to check the spread of these dangerous weapons.

The Bush Administration has aggressively used the sanctions process to help change the way China and other proliferators behave because we believe that sanctions are a valuable tool.

Undersecretary Bolton recently said the imposition or even the mere threat of sanctions can be a powerful lever for changing behavior, as few companies wish to be labeled publicly as irresponsible. Sanctions not only increase the cost to suppliers, but also en-



courage foreign governments to take steps to adopt more reasonable nonproliferation practices and to ensure that entities within their borders do not contribute to WMD programs.

Our perspective on sanctions is clear and simple. Companies around the world have a choice: trade in WMD materials or trade with the United States but not both. Where national controls fail and where companies make the wrong choice, there will be consequences. U.S. law requires it and we are committed to enforcing these laws to their fullest extent.

For the Chinese government and its corporate entities, this is a very real choice. The recent sanctions against NORINCO have brought home to China and the world that WMD trafficking has concrete and painful consequences. We trust that other companies will take the lesson to heart.

No matter how resolute the U.S. may be on economic sanctions, however, there will always be some who still deal in these deadly weapons. The President has recognized that we need additional tools in our struggle against WMD proliferators. This is why he announced on May 31 the groundbreaking Proliferation Security Initiative that the Chairman mentioned.

This initiative is designed to improve the ability of the U.S. and its allies to impede and actually to interdict the transfer of WMD-related goods at sea, in the air, and on the ground. Over the past few months, the Administration has been working with 11 countries to combine our resources to build upon existing legal authorities with an eye to improving our collective capabilities to interdict WMD and missile-related transfers.

We're optimistic that this initiative will assist in the worldwide fight against proliferation of WMD and their delivery systems.

I'd like to conclude by noting that China has taken some steps toward joining us in opposing proliferation of WMD and missile systems such as our joint efforts to halt the DPRK's nuclear ambitions and lower tensions in South Asia. Beijing's failure to implement its own regulations and stop Chinese proliferation, however, are still in contrast to its own commitments.

My bottom line is that while we will continue high-level dialogue directed at persuading the PRC to adopt national policies to enforce its commitments, we're also seeking to enhance deterrence of Chinese proliferation by changing the cost benefit analysis to make a change in the behavior more attractive to China.

While we continue high level dialogue directed at persuading them to adopt national policies to enforce commitments, we will also seek to deter further Chinese proliferation by making transfers more politically and economically costly. The Administration takes proliferation very seriously. We cannot stand idly by and watch rogue states and terrorists obtain missiles and weapons of mass destruction whatever the source.

This concludes the bulk of my remarks, but I would make one comment with respect to North Korea. While the Chinese assist us, work with us and they appear to be helpful, and indeed are being helpful, one of the things that I think is important to remember is that the Nuclear Nonproliferation Treaty reflects an international regime that the world community entered into collectively to provide for additional collective security. While it's important for

China to participate because of their additional leverage on North Korea—we know about the ties that they have, the trade levels—it's also important for the rest of the world community to join in.

It's easy for people to say we like this commitment, we like this regime, we like this arms control obligation, but this is where the rubber hits the road. This is where other countries have got to join in, and if they believe, as we do, that the NPT reflects an important regime, an important approach, then they've got to step in and operate together.

This is why the United States has been so anxious to have a multilateral approach, particularly with the nations in the region, but more broadly as well.

[The statement follows:]

#### **Prepared Statement of Paula A. DeSutter**

Good Morning, Mr. Chairman, Mr. Vice-Chairman, Members of the Commission, thank you for inviting me to testify before you today to offer the Administration's perspective on China's record of proliferation activities.

I am proud to serve as Assistant Secretary for the State Department's Bureau of Verification and Compliance. Our bureau is charged by law with ensuring that arms control, nonproliferation, and disarmament agreements and commitments are effectively verifiable; with assessing compliance with such agreements and commitments once they are reached; and with serving as the policy community's primary liaison to the U.S. Intelligence Community on verification and compliance issues. These responsibilities have necessarily involved us closely in many of the issues I will discuss today.

Let me begin by stating the obvious: China is a key to achieving the Administration's goal of stopping the proliferation of weapons of mass destruction technology throughout the world. Chinese officials at every level have said both publicly and privately to us that China recognizes the importance of this issue, and expressed their hope that nonproliferation can be an area of cooperation rather than contention between our two countries.

While we too share this desire, I must report to you today that we continue to see problems in the proliferant behavior of certain Chinese entities and remain deeply concerned about the Chinese government's often narrow interpretation of nonproliferation commitments and lack of enforcement of nonproliferation regulations. The government of China has not done enough to ensure that all Chinese entities abide by the nonproliferation commitments the Chinese government has made. This has an impact on our bilateral relationship. As Secretary Powell said last year, "China's fulfillment of its nonproliferation commitments would be crucial to determining the quality of the United States-China relationship."

While there are many buyers in the market for WMD and missiles, there are only a handful of states with the capability to be dealers in that market. China's sophistication with many of these technologies has made it possible for Chinese entities to become key exporters of WMD and missile technology. Unfortunately, Chinese entities' record of transferring these technologies—and the record of the Chinese government's enforcement of its own laws and regulations to stem these transfers—has frequently been poor.

Permit me to walk through a bit of the history of China's proliferation and the U.S. response to that history so that I can explain the bedrock upon which our policies are based. Basically I will outline the policies that did not work, and explain why we are redoubling our efforts and trying some new approaches.

My bottom line will be that while we will continue high level dialogue directed at persuading the PRC to adopt national policies to enforce its commitments, we are also seeking to enhance deterrence of Chinese proliferation by changing the cost/benefit analysis to make a change in behavior more attractive to China.

#### **Missile Proliferation**

Missile proliferation is presently our most significant proliferation concern with China.

At the highest levels, the Chinese government states that it opposes the proliferation of missile technology and that it forbids Chinese firms and entities from engaging in transfers that violate its commitments to the United States. Unfortunately, the reality often does not bear this out.

As we concluded in the most recent Noncompliance Report submitted to Congress, “Chinese state-owned corporations have engaged in transfer activities with Pakistan, Iran, North Korea, and Libya that are clearly contrary to China’s commitments to the U.S.” The report further noted that these “actions call into serious question China’s stated commitment to controlling missile proliferation.”

The Chinese government appears to view missile nonproliferation, at least in part, not as a goal in and of itself but as an issue that needs merely to be managed as part of its overall bilateral relationship with the United States. China has generally tried to avoid making fundamental changes in its transfer policies by offering the U.S. carefully-worded commitments. A brief review of the history of U.S. nonproliferation discussions with China will help to illustrate China’s diplomatic strategy.

#### **The 1992 and 1994 Missile Commitments**

China made its first missile nonproliferation commitment to the United States in March 1992. This commitment was the direct result of the United States’ imposition of sanctions in June 1991 on two Chinese entities—the China Great Wall Industry Corporation (CGWIC) and the China Precision Machinery Import-Export Corporation (CPMIEC)—in connection with the sale of M-11 missiles to Pakistan. In return for the U.S. ending sanctions on these two entities, China provided a written commitment in March 1992 to then-Secretary of State Baker that it would abide by the original “Guidelines and Parameters” of the Missile Technology Control Regime (MTCR), which the United States publicly stated were indeed applicable to both the M-9 (CSS-6) and M-11 (CSS-7) missiles. Despite this commitment, Chinese entities transferred M-11 missiles to Pakistan. In response to U.S. complaints, China indicated that the M-11 missile was not covered by the MTCR and that it was still fully adhering to its 1992 pledge.

In 1993, the United States imposed sanctions on the Chinese Ministry of Aerospace Industry, CPMIEC, and the Pakistani Ministry of Defense for their roles in the transfer. In return for the lifting of these 1993 sanctions, China agreed in October 1994—in a Joint Statement with the United States—that it would not transfer ground-to-ground missiles “inherently capable of reaching a range of at least 300 km with a payload of at least 500 kilograms.”

Nevertheless, in the years following this 1994 commitment, Chinese entities continued their missile-related sales to Pakistan and provided significant assistance to Iran and Syria in contravention of their commitments to the United States. China declared in October 1996 that its previous agreements did not cover items contained on the MTCR Annex.

Following additional negotiations, in June 1998, China in a Joint Statement reaffirmed that its policy was “to prevent the export of equipment, materials, or technology that could in any way assist programs in India or Pakistan, for nuclear weapons or for ballistic missiles capable of delivering such weapons.” However, despite even these assurances, Chinese missile-related transfers continued.

#### **The November 2000 Commitment**

In response to the continuing transfers, the U.S. engaged in extensive negotiations to obtain yet another nonproliferation commitment from China. These efforts culminated in a November 2000 commitment wherein China pledged not to assist “in any way, any country in the development of ballistic missiles that can be used to deliver nuclear weapons (i.e., missiles capable of delivering a payload of at least 500 kilograms to a distance of at least 300 kilometers).” In addition, China agreed to enact and publish comprehensive missile-related export controls “at an early date.” In exchange for China’s further promise, the United States agreed to waive sanctions that were required by United States law for past assistance by Chinese entities to the Iranian and Pakistani missile programs.

#### **China’s Compliance with the November 2000 Commitment**

New concerns soon arose with respect to China’s compliance with its November 2000 commitment. A shipment of missile-related technology to Pakistan in contravention of the 2000 commitment prompted the United States to impose sanctions in September 2001 on the Chinese Metallurgical Equipment Corporation (CMEC). In response, the Chinese government denied that its company had shipped missile-related items to Pakistan. The Chinese Foreign Ministry, for instance, publicly stated that “[i]n-depth investigations by the Chinese side indicate that [CMEC] has never engaged in any activities as alleged by the United States and the U.S. allegation is groundless.” In subsequent conversations with the Chinese on this issue, however, we have had more forthcoming exchanges on the question of CMEC and its activities.

Since the CMEC problem in 2001, additional concerns have emerged with respect to the implementation of China's export regulations and serial proliferators.

#### **Chinese Missile Export Regulations**

As part of its November 2000 commitments, China promised to publish at "an early date" a comprehensive export control list. After more than a year and a half, China finally published this control list in August 2002. This was a significant and welcome step. Nevertheless, China still has some important deficiencies in its export controls that it needs to address. First, the new Chinese control list is not as comprehensive as the MTCR Annex. For example, the Chinese control list does not include ammonium dinitramide (ADN)—an advanced ingredient used as a fuel oxidizer in solid propellant missiles. Second, unlike the MTCR, the new Chinese regulations do not specifically prohibit the export of complete missile production facilities. Finally, the Chinese export control regulations do not list any factors to be used in determining whether to approve transfers.

Important implementation and enforcement issues also need to be addressed. China does not appear to be enforcing controls at its borders, allowing unauthorized transfers to go undetected. Furthermore, it must establish a system of end-use verification checks to ensure that items approved for transfer are not diverted. It is also important to ensure that "catch-all" controls are implemented effectively within China. To that end, one area of possible cooperation between the U.S. and China could be in the area of export control enforcement and implementation.

Finally, China needs clearly to signal to all Chinese entities that it intends vigorously to enforce its export controls. To date, Beijing has not taken adequate steps under these new controls to prevent sensitive transfers or prosecute violations. China should make an effort to publicize its efforts to enforce its export control regulations. Such publicity will demonstrate to the international community China's commitment to stop the proliferation of missile-related items.

I do not detail these facts in order to give you a history lesson, for I am sure you are familiar with these events. I recount it, however, to highlight the continuing centrality of U.S. pressure to improvements in Chinese behavior. Forward movement in nonproliferation has come after U.S. pressure. Indeed, Beijing's commitments of 1992, 1994, 1998, and 2000, and its new regulations in 2002—occurred only under the imminent threat, or in response to the actual imposition, of sanctions. Clearly China places value on the bilateral relationship with the United States and thus when proliferation is made a critical element in the relationship, it has positive effects. Despite some signs of improvement in the central authorities' awareness of the dangers of missile proliferation, much work remains before the behavior of PRC entities match Beijing's international commitments.

#### **The Serial Proliferator Problem**

All of these problems with China's implementation of its commitments are underscored by the continuing problem of business-as-usual proliferation by Chinese companies dubbed "serial proliferators." On numerous occasions, we have expressed our concerns about these entities to the Chinese government and have asked Beijing to subject exports by these serial proliferators to persistent and close scrutiny.

Despite these efforts, however, the Chinese government has failed to halt transfers of missile-related items from these notorious Chinese proliferators to countries such as Iran. Take, for example, the China North Industries Corporation, known as NORINCO. For some time, we have been alerting the Chinese government to our concerns about the activities of NORINCO. Nonetheless, the Chinese government appears to have taken no action to halt NORINCO's proliferant behavior. In the face of apparent Chinese inaction, therefore, the Administration has sanctioned NORINCO twice this year, once in May and once this month.

This serial proliferator problem, however, isn't limited to just NORINCO. Another example of a serial proliferator that has not been reined in by China is CPMIEC. The United States sanctioned CPMIEC or its parent organization in 1991, 1993, 2002 and 2003, for missile-related transfers to Iran and Pakistan.

We will continue to impose sanctions, as warranted and when legally available, on Chinese serial proliferators or any other entity that transfers missile-related items. The Executive Order sanctions the U.S. Government placed on NORINCO in May 2003 are an excellent case in point. These sanctions prohibit NORINCO from entering into any contracts with the U.S. Government and prevent the importation into the United States of any good manufactured by NORINCO or its subsidiaries.

We will closely monitor the response of the Chinese government to our concerns about NORINCO and its reaction to the imposition of sanctions. As in the case of CMEC, the Chinese have stated that our sanctions were "unjust," glossing over U.S. concerns about the continuing proliferation threats posed by these companies. The

Chinese Ministry of Foreign Affairs spokesman denied that any transfer by NORINCO had occurred, stating that “[a]ccording to the investigation of the Chinese side, the relevant company in China has not offered help to the relevant projects of Iran. In our view, the U.S. is imposing its own national policy on others by willfully imposing sanctions in some fields for no good reason.” It is possible that at some point the PRC will act to give a more forthcoming response as we experienced in the CMEC case.

#### **Nuclear Proliferation**

The United States is concerned about China’s compliance with its nuclear non-proliferation commitments. In particular we are concerned that China has structured its membership and involvement in various international nuclear regimes so that it may still “lawfully” circumvent the basic purpose and intent of these regimes. For example, China has joined the Zangger Committee, but not the Nuclear Suppliers Group (NSG). This distinction is significant, because the Zangger Committee requires only item specific safeguards, while the NSG requires more stringent full-scope safeguards as a condition of supply. This makes it possible for China to continue providing assistance to safeguarded nuclear facilities in proliferator countries, such as Pakistan. Indeed, it is clear that China continues to contribute to the nuclear programs of both Pakistan and Iran. We will continue to urge China to join the Nuclear Suppliers Group and accept full-scope safeguards as a condition of new nuclear supply.

#### **Chemical Weapons Proliferation**

China’s maintenance of a chemical weapons program is a matter of serious concern to us. We are no less concerned about certain Chinese entities’ continued transfers overseas of dual-use chemical agents and technologies and equipment that can be used in chemical weapons programs.

The United States believes that, despite being a State Party to the Chemical Weapons Convention (CWC), China has an advanced chemical weapons research and development program.

Although China has declared that it does not possess chemical weapons, we believe that Beijing has not acknowledged the full extent of its CW program. We also believe that China possesses a moderate inventory of traditional CW agents. A number of facilities within China’s large chemical industry are capable of producing many dual-use chemicals.

One ongoing initiative at the Organization for the Prohibition of Chemical Weapons (OPCW) would focus more attention on increasing the number of industrial inspections at facilities that produce chemicals not directly controlled under the Convention. This effort would help to alleviate some concern regarding activities within China’s massive chemical industry.

This proposal is being discussed by the Executive Council of the OPCW, and the U.S. plans to follow up with Beijing on this proposal during the U.S.-China Security Dialogue next week. My bureau is also actively pursuing a compliance dialogue with China.

China has instituted internal export controls over chemicals listed on the CWC Schedules, and 20 precursor chemicals appearing on the Australia Group (AG) control list. In addition, China also has instituted “catch-all” provisions for chemical (and biological) goods, which provide a legal basis to control items not on the lists, if the exporter has reason to believe or has been informed that the items are destined for a CBW program.

The U.S. remains concerned, however, about the role of Chinese entities providing CW related equipment, technology, and precursor materials to Iran. The U.S. continues diplomatic efforts to encourage China to prevent exports to CW-related end-users, particularly in Iran.

In the recent past, the U.S. has imposed sanctions on several Chinese entities for providing material assistance to Iran’s CW program, the most recent sanctions being imposed earlier this month.

#### **Biological Weapons Proliferation**

Similarly, the U.S. believes that despite being a member of the Biological Weapons Convention (BWC), China maintains a BW program in violation of its BWC obligations.

The United States believes that China’s consistent claims that it has never researched, produced or possessed BW are simply not true—and that China still retains its BW program.

We would like to begin a bilateral dialogue to help increase our confidence in China’s BWC activities, consistent with Article V of the BWC (which provides that the Parties will consult one another and cooperate in solving any problems which may

arise in relation to the objective of, or in the application of the provisions of, the Convention).

Given the failure to enforce its stated nonproliferation goals with regard to missile technology, nuclear related items and its chemical weapons program, we must be concerned about the possibility of undetected proliferation of its dual-use items or actual elements of a BW program.

#### **Administration Perspective**

On the surface, China's policies appear to tackle nonproliferation issues. China avows that it is opposed to the proliferation of WMD and their means of delivery, as noted in many official Chinese speeches and even government websites. This policy reverses China's views in the late seventies and early eighties. In the last decade or more, China has signed up to an impressive array of commitments.

The PRC signed the Nuclear Non-Proliferation Treaty (NPT), the Biological Weapons Convention (BWC), and the Chemical Weapons Convention (CWC). It made missile nonproliferation commitments in 1992, 1994, 1998, and 2000. Last year the Chinese government also promulgated formal missile export and dual-use chemical and biological agent regulations.

Regrettably, however, China has failed to fulfill these promises. Chinese firms and individuals continue to be prime exporters of missile technology to several countries, including rogue states; China continues to maintain both chemical and biological weapons programs. Chinese entities' transfers of dual-use chemical agents and technologies and equipment that can be used in chemical weapons programs—and the lack of Chinese government enforcement of the regulations meant to stop them—remain of deep concern to the United States.

Since the PRC has not stemmed its proliferation of missiles and nuclear technology, we must ask whether this failure reflects an inability or an unwillingness to stop this proliferation. It has been said by some that Chinese transfers of WMD are the result merely of inefficient export control systems, and that Chinese companies too often ignore the central government and violate export control regulations. While we do have evidence of Chinese efforts to block some exports in accordance with their regulations, PRC entities are involved in too many sensitive transfers for the problem merely to be one of imperfect enforcement.

Clearly, in dealing with the issue of China and nonproliferation, we have our work cut out for us. The extent to which the Chinese authorities are aware of or are involved in the activities of certain Chinese entities is unknown to us. Similarly, the difficulty of squaring China's stated policy in support of nonproliferation objectives with the problematic transfers we continue to see necessarily complicate our dealings with the PRC on this issue. Further complicating the situation is the confusing relationship between the proliferating entities and the government of China. Many entities appear to be organizations with direct ties to the Chinese government while some appear to have a more tenuous relationship with the central government.

President Bush has stated that he seeks a candid, cooperative, and constructive relationship with the PRC. To that end, he has met with his Chinese counterpart four times in the past two years, including most recently with new President Hu Jintao in Evian. The President is also committed to resolving the problem of the proliferation of WMD and the means to deliver them, and has made it clear that he wants to continue a dialogue with China on these issues. Under Secretary John Bolton, in fact, is leading a delegation to China this week, continuing the Administration's dialogue with Beijing on nonproliferation and related issues.

Our commitment to dialogue, however, does not mean that this Administration will turn a blind eye to transfers from China of WMD technologies and delivery systems. This Administration is determined to use every tool available to us in checking the spread of these dangerous weapons.

The Bush Administration has aggressively used the sanctions process to help change the way China and other countries with proliferation problems behave because we believe that sanctions are a valuable tool with which to influence incentive structures.

The imposition or even the mere threat of sanctions can be a powerful lever for changing behavior, as few countries wish to be labeled publicly as irresponsible. Sanctions not only increase the costs to suppliers but also encourage foreign governments to take steps to adopt more responsible nonproliferation practices and ensure that entities within their borders do not contribute to WMD programs.

Our perspective on sanctions is clear and simple. Companies around the world have a choice: trade in WMD materials or trade with the United States, but not both. Where national controls fail and where companies make the wrong choices,

there will be consequences. U.S. law requires it, and we are committed to enforcing these laws to their fullest extent.

The recent sanctions against the NORINCO brought home to China and the world that WMD trafficking now has concrete and painful consequences. Trade between the U.S. and China was worth approximately \$120 billion in 2002, and NORINCO was one of the larger PRC firms involved in this business. Although we recognize that economic sanctions often have painful consequences for U.S. importers, manufacturers, retailers, and consumers, our national security interests are clear. In the case of the recent NORINCO sanctions, a conglomerate that does a lot of business in the United States has now forfeited the privilege of trading here by engaging in activity that threatens our security.

We trust that other companies will take this lesson to heart.

No matter how resolute the U.S. may be on economic sanctions, however, there will always be some who still deal in these weapons. The President has recognized that we need additional tools in our struggle against WMD proliferators. This is why he announced on May 31 the groundbreaking Proliferation Security Initiative (PSI). This initiative is designed to improve our ability to impede and actually to interdict the transfer of WMD-related goods at sea, in the air, and on the ground. Recognizing that our current "nonproliferation toolbox" does not provide a means to cover all aspects of the proliferation problem as it has evolved, PSI is a necessary and innovative approach to preventing WMD and missile-related proliferation. Over the past few months, the Administration has been working with ten other countries to structure a means of combining our resources and building upon existing domestic authorities with an eye to improve our collective capabilities to halt and interdict WMD and missile-related transfers. This is a global problem that will require a concerted effort by like-minded countries. We are optimistic that this initiative will assist us in the worldwide fight against the spread of WMD and delivery systems to states and non-state actors of proliferation concern.

While North Korea is not the subject of my testimony today, I am aware of your keen interest in the situation there and in China's potential involvement in the solution to this problem, and would like to say a few words on this subject. The Administration is deeply concerned about the threat posed by North Korea's nuclear program to the countries in the region and to the global nuclear nonproliferation regime. North Korea's aggressive exports of missile technology are also of serious concern. China and others in the region and throughout the international community share these concerns.

The North Korean nuclear problem must be solved through a multilateral process involving those with a direct stake in the outcome, including the South Korea, Japan, China and possibly others in the region. We value the role that China has played in this matter. On Friday, July 18, Secretary Powell and Deputy Secretary Armitage met with visiting Chinese Vice Foreign Minister Dai Bingguo and his delegation. They discussed in detail how to achieve our common goal of a peaceful, non-nuclear Korean peninsula through multilateral talks. We made clear our strong belief that the time has come for other parties to join multilateral talks in order to ensure that all key issues are addressed.

### **Conclusion**

I would like to conclude my remarks by noting that China has taken some steps towards joining us in opposing proliferation of WMD and missile systems. Perhaps the clearest examples of this can be seen in our joint efforts to halt the DPRK's nuclear ambitions and to lower tensions in South Asia. In some respects, however, Beijing's lack of enforcement and implementation of its own regulations are in contrast to its commitments.

The U.S. and China have many areas of overlapping interest. For its part, China has expressed its hope that nonproliferation can be an area of cooperation rather than contention. That is our hope, as well, and we will continue to work with the PRC to ensure their cooperation in halting the spread of WMD and missiles.

That said, we recognize that the issue of nonproliferation is often a contentious one between us, and we will not paper over our differences. We will continue to use sanctions to underscore our compliance diplomacy so long as the PRC remains unable or unwilling to enforce its WMD and missile technology related regulations to stop proliferation by its quasi-governmental and private enterprises. At the same time, we look forward to continuing our ongoing discussions with China about these important issues. Resolution of these ongoing proliferation problems is essential: this Administration takes proliferation very seriously, however, and will not stand idly by and watch rogue states and terrorists obtain missiles and Weapons of Mass Destruction.

Mr. Chairman, that concludes my prepared remarks and I would be happy to take questions from you and your fellow Commissioners.

Co-Chairman ELLSWORTH. Thank you, Secretary DeSutter, an excellent, very rich statement.

Ms. DESUTTER. Thank you.

#### Discussion, Questions and Answers

Co-Chairman ELLSWORTH. And I'm sitting here with lots of questions.

Ms. DESUTTER. I hope I'm sitting here with lots of answers.

Co-Chairman ELLSWORTH. I guess I'll start with my seven minutes and perhaps you and I won't take seven minutes, but in any case, you say that they're working with us, the Chinese are, on the North Korean problem, and I understand even beyond that and even beyond what you've said, that they are really working with us on this, very active, why is it that they're so active now and they weren't in 1994? Very briefly, because I have another an even richer set of questions.

Ms. DESUTTER. Well, and this would obviously be my personal view from being around at the time.

Co-Chairman ELLSWORTH. Yes.

Ms. DESUTTER. In 1994, I think that the United States was far more willing to view this as a U.S. problem. We did bring other nations into it with KEDO, but we were very concerned at the time about the NPT review conference and China's threat to withdraw from the NPT was viewed with great distress. And so I think the U.S. was far more willing to take it on on their own.

Co-Chairman ELLSWORTH. So I guess basically you're saying that we didn't really press the Chinese to work with us at that time whereas we are now—

Ms. DESUTTER. I'm not familiar enough with what our efforts were with China at the time to give you anything definitive, but I think the United States, I mean I saw from the Arms Control and Disarmament Agency, it was very distressing, and it was a flurry of activities, and, people took it on.

Co-Chairman ELLSWORTH. Now, the next question is based on this letter from Senator Byrd to the President—have you seen this?

Ms. DESUTTER. No, I haven't.

Co-Chairman ELLSWORTH. Well, I wish somebody would give you a copy. There you are.

Ms. DESUTTER. Here I am.

Co-Chairman ELLSWORTH. Please don't stop to read it now, but let me just briefly summarize—it says here recent news accounts indicate that the Government of the United States may be contemplating new diplomatic initiatives—new diplomatic initiatives to resolve the international security threat posed by North Korea's pursuit of nuclear weapons.

I assume you know what those are and all about them? Do you?

Ms. DESUTTER. I'm aware of many of them. Let me tell you what my bureau's primary interest in this is. The Administration's position is that what we require is the full, complete, irreversible and verifiable dismantlement of North Korea's nuclear program. My bureau's primary interest is in deciding, trying to come up with a regime to say what is verifiable dismantlement?



Co-Chairman ELLSWORTH. Yes, I understand that, and thank you for reminding us of that. Another sentence I want to read from this letter from Senator Byrd to the President says: While I understand and support the Administration's insistence that North Korea's neighbors including China, South Korea and Japan must be involved in negotiating a solution to this crisis. That to me is very interesting, and I believe that it reflects a lot of activity, diplomatic activity by us in that region.

Ms. DESUTTER. Absolutely.

Co-Chairman ELLSWORTH. The parties that the Senator names, China, South Korea, and Japan, which I'm very strongly in favor of, as the Senator is, that's not the purpose of his letter—but my question to you is can you fill us in here now on what those initiatives are and where they stand, because I think that's very interesting and important to know? I didn't know it before a couple of days ago.

Ms. DESUTTER. Well, what I can say certainly is that as recently as July 18, Secretary Powell and Deputy Secretary Armitage met with the Vice Foreign Minister of China, Mr. Dai and his delegation, and discussed in detail how they were going to try to get a common view. The Administration is also seeking to make sure that whatever initial talks there [are], that they bring in those other nations, which obviously means talking to all of those people.

The State Department engages in ongoing activities of a diplomatic nature all the time. Obviously in this case, there's additional effort. Assistant Secretary Kelly goes over there frequently. They're engaged fully in trying to work this problem.

Co-Chairman ELLSWORTH. So why don't we just wrap up our seven minutes by you telling us everything that's going on with Japan and South Korea in addition to China? Can you do that?

Ms. DESUTTER. I'm really not comfortable doing that. That would probably be a better question for the East Asia Pacific Bureau.

Co-Chairman ELLSWORTH. Well, we don't happen to have them sitting here with us this morning, but thank you for your testimony.

Ms. DESUTTER. Thank you.

Vice Chairman D'AMATO. We're being treated to a rather interesting new phenomenon: China shuttle diplomacy. I don't think we've seen Chinese shuttle diplomacy before. But it's obvious that this is an urgent question to the Chinese as well as to us. And time is urgent. Our understanding is that the possibility of North Korean reprocessing, if left, if it continued on the path that we expect it to continue on in the absence of an agreement could see the conclusion of the reprocessing of all these fuel rods within six months at the outside and probably in a shorter period of time.

So we understand that there may be negotiations beginning as early as a couple of weeks from now. What I wanted to know from you is in the context of such negotiations and an American proposal, what would be in your judgment the importance, given the time frame of the reprocessing problem, that at the outset of such negotiations, we would want to have at a minimum an agreement for a North Korean freeze on its activities in conjunction with some kind of a verification regime to be put into place at that time?

What in your judgment would be, as the Assistant Secretary for Verification, the requirement for an adequate regime of verification under those circumstances?

Ms. DESUTTER. Well, obviously, a good first step for North Korea would be for them to agree to halt their current activities at Yongbyon. It would also be important for them to make a basic commitment to eliminate their uranium enrichment program.

Those are going to be necessary steps. If an agreement that doesn't include getting rid of the uranium enrichment program that they only revealed a year ago, then it won't solve the problem. What will need to happen is we will have to get a full, I mean there has to be a commitment on their part to eliminating these programs. That's the sine qua non of moving forward for complete dismantlement.

We've seen how difficult it is to find things when people try to hide them. So it would have to be a declaration of all of the materials and facilities so that we can move forward with figuring out what exactly needs to be done to eliminate it.

We would like to have to work hand-in-hand with the IAEA obviously on elements of the verifiable dismantlement. However, we've thought about this pretty carefully, and what we believe is that while the IAEA would be a necessary element, it wouldn't be sufficient. We would probably have to have nuclear weapons experts from the P-5 countries so that we can make sure that all elements of the program are eliminated.

The IAEA is primarily focused on monitoring peaceful programs, and so you need to have people who have the expertise in a weapons program to do that. Otherwise, for example, you might be proliferating weapons information to the inspectors, and I don't think we or the IAEA want to have that happen.

We then would have to undertake dismantlement of both the plutonium program and the uranium program or at least put it in a state where we don't have to worry about it again. Having done that, we would then need to move forward to make sure that we don't have reconstitution. At that point, even if we had eliminated the materials, the equipment and the facilities, they would still retain the knowledge that they developed by virtue of having these programs for these many years. And so there would have to be some effort to make sure that there is no reconstitution.

Vice Chairman D'AMATO. So you would anticipate that such a verification regime would include the participating countries in the multilateral negotiations, presumably China as well as the United States as part of the inspection and verification system within North Korea?

Ms. DESUTTER. Primarily where our thinking is, is the IAEA which could include representatives from there and then P-5 countries.

Vice Chairman D'AMATO. Yes. And given the fact that this is intended to be a multilateral agreement including the Chinese, then would it be safe to assume that we would want to have the Chinese as part of the agreement and serve as a guarantor of the agreement?

Ms. DESUTTER. I can't say that.

Vice Chairman D'AMATO. We're talking theoretically here, but it seems to me that that logic would follow. Would that be something that we would want, the Chinese to step up to the mat in terms of guaranteeing the implementation of the agreement that we entered into?

Ms. DESUTTER. Well, I don't know that the Chinese government could guarantee implementation by another nation of their commitments.

Vice Chairman D'AMATO. Or to serve as a party that would in good faith attempt to.

Ms. DESUTTER. But what we would want, I mean since we are speaking theoretically, what we would want is everybody involved, and that means the members of the NPT to have a stake in a successful outcome.

The other thing worth mentioning is that we've had a case of, a successful case of nuclear disarmament in South Africa, and in this case P-5 experts supplemented what the IAEA did, and it took a long time.

Vice Chairman D'AMATO. Commissioner Wessel.

Commissioner WESSEL. Thank you, Mr. Chairman and thank you for being here today. We appreciate it. In the last week or two there has been substantial questions raised here in Congress and among the public about WMD and the basic intelligence we have and how valid, how correct, what kind of confidence we should have in it. You indicated that one of the three positions or three duties of your office was the liaison with the intelligence community.

In that the quality of an agreement, the ability to both verify and ensure compliance in the long-term is dependent, how satisfied are you with the level of intelligence, the quality of the intelligence you're receiving now, and do you believe it's a proper basis for moving forward in the Administration's public prescriptions at this point?

Ms. DESUTTER. Well, North Korea is what the intelligence community calls rightly a hard target. It's very closed. It's very difficult to get intelligence information about the particulars of their activities. So given what a hard target it is, I'm fairly satisfied with the intelligence community's performance given the difficulties.

If we were going to move forward in verification, it would be important for North Korea to give us a full declaration so that we're not strictly reliant on our own national technical means, for example, to do that. If you went into an on-site regime, you would probably want to be taking on-site technologies that might be helpful.

Commissioner WESSEL. So is there any way with them being such a hard target to ensure long-term compliance without having assets on the ground?

Ms. DESUTTER. I think that the answer to that would depend on a number of factors. One clearly is whether or the answer to the decision about whether or not North Korea should be permitted to have a peaceful nuclear program or have they foreclosed that as an option for themselves? If there is an ongoing program, it would be critical to have continuing safeguards of an extensive nature such as the additional protocol would provide and perhaps even beyond that.

So that would be an important point. If they don't, you're still going to want to have, depending on where our technologies are at the time, you would want to be very scrupulous about it, and you would want to have some very clear insight into what comes in and goes out of that country.

Commissioner WESSEL. Are you confident that we are aware of the full scope of their current program?

Ms. DESUTTER. That's difficult.

Commissioner WESSEL. Let me turn to a separate compliance question, and you said a number of times in your comments we need a change in the cost benefit analysis. That they can trade in weapons of mass destruction or the materials of weapons of mass destruction or with us, but not both. When PNTR was passed into law I believe two, two and a half years ago, the trade deficit paled in comparison to what is expected to be 120 billion or more trade deficit this year.

In that most of the compliance issues now seem to be a question of overall efforts of the Chinese government to expand resources and share compliance, would it not be appropriate for us to look at larger economic sanctions that go to the heart of the matter, as you say, a change in the cost benefit analysis?

Ms. DESUTTER. Well, I think one of the things that I conclude from the information that I relayed to you is that the sanctions laws that we have currently available to us are only now in my view really being used as a tool. They're pretty good laws. Anything can use an improvement, and the Administration is taking a look carefully at the existing sanctions laws to see how they can be meshed together perhaps a little better.

But if the sanctions were imposed and waived, imposed and waived, imposed and waived, we're only now beginning to see how effective sanctions might be as a tool. The sanctions that were imposed on NORINCO were very, very significant sanctions. They were probably the most sweeping sanctions that have ever been imposed on China and they're not waived, and they hurt. NORINCO does a lot of trade with the United States.

It's unfortunate. It could have an impact on some U.S. businesses. We believe this is a matter of national security, and that in this case, the national security priorities have to take precedence.

So I think we're moving in that direction. I certainly don't rule anything out. I think that should be a matter of ongoing dialogue.

Commissioner WESSEL. Thank you. I see my time is about up.

Vice Chairman D'AMATO. Thank you. Chairman Robinson.

Chairman ROBINSON. Well, that's a good segue. Thank you, Commissioner Wessel. I want to congratulate the Administration and particularly Undersecretary Bolton and your office for the robust sanctions that have been imposed on NORINCO, which as you pointed out has proven itself to be a serial proliferator.

Import controls of this type are the first truly serious proliferation-related sanctions I've ever seen and are already having a positive impact on Chinese behavior as you pointed out.

That said, do you see a possible inconsistency in, on the one hand, officially denying NORINCO access to the U.S. market for some two years while simultaneously some U.S. public pension sys-

tems, mutual funds, and an array of other institutional investors continue to hold NORINCO stocks and bonds in their portfolios, thus helping underwrite this kind of high-risk company?

Ms. DESUTTER. Well, what I would—and I know that there has been consideration of legislation in those areas, but one of the things I would say is investors tend to be pretty smart people. I'm not one of them. And when investors get the message that these proliferating countries, and a part of that is for us to make it public, to make it known, then they will be making different investment decisions.

Chairman ROBINSON. I certainly agree that disclosure and transparency of the type you're talking about is a very potent and market-oriented solution to that problem.

Do you agree in principle that, however, the expanded use of financial sanctions should be properly explored, given the increasing problems that have been associated with trade-related sanctions, not the least of which is foreign availability and pressures to maintain exports and jobs that have, to a large extent, eviscerated their use?

Ms. DESUTTER. I don't know that—you mean there's been evisceration of the use of trade sanctions?

Chairman ROBINSON. I think so. I mean it's more difficult to apply such trade sanctions than it used to be, and there are increasingly compelling reasons why this is a less effective tool than it used to be, or it's certainly more difficult to make use of them because of, in part, pressures coming from our allies, the business community, and the overall foreign availability problem more broadly.

Ms. DESUTTER. Well, I'm not an expert on those sanctions. What I can say is that this Administration has employed sanctions far more readily than other Administrations, and I appreciate the kind words, but I should also give good comments to our colleagues in the Nonproliferation Bureau who have been working on this for a long time.

And I think that these sanctions will probably have a strong effect, and I think that we should look at all of the available options, but I also think that the Proliferation Security Initiative is a new approach, and I think that that will have a good impact over time, and I think that when the countries, the 11 countries who have worked together and got a regime, understood each other's abilities and capabilities and proved those, and are able to exercise them, that will also send a strong message to proliferators.

Chairman ROBINSON. Thank you.

Vice Chairman D'AMATO. Commissioner Reinsch.

Commissioner REINSCH. I didn't realize I was that high on the list. Nice to see you again, Paula. It's been awhile.

Ms. DESUTTER. Good to see you.

Commissioner REINSCH. I can't resist saying one thing in response to something that Roger just said. If you're going to talk about foreign availability, which I think is an awfully good point to make, foreign availability of money is probably much more clearly established than the foreign availability of dual use items. So if you're going to use that as your criterion, capital market sanctions,

it seems to me, are the last thing that you would want to impose, not the first thing. But that's not a question for you.

Getting back to your comments, I'd like to focus on China rather than Korea because I think that's really the focus of your testimony, and it's something that I'm a little bit more familiar with anyway. Your portfolio is verification and compliance. One of the themes that has been, I believe, in your testimony, but also in the testimony that we're having this afternoon from some private sector people and former officials, is that while there are some signs Chinese cooperation, at least to the letter of their commitments, has improved—there are among other things, continued failures on the enforcement and compliance front, if you will.

I certainly agree with that. Have you had discussions or has your bureau had discussions directly with the Chinese focused specifically on sort of verification and compliance issues, not the policy of what they're controlling, but how they can do a better job of enforcing their own rules?

Ms. DESUTTER. My bureau has not, but I believe that the Nonproliferation Bureau and Undersecretary Bolton have.

Commissioner REINSCH. Well, I know that Bolton would, but why wouldn't you be involved in that? Isn't that what you do? Isn't what the Nonproliferation Bureau does is focus on the policy and regime membership and things like that?

Ms. DESUTTER. Well, I'll do an inside baseball for a minute. The Verification and Compliance Bureau is responsible primarily for the overall verification and compliance. Export controls and working those especially in dialogue with other countries has been the primary responsibility of the Nonproliferation Bureau.

Commissioner REINSCH. Okay. Well, maybe we can have them with us at some point. Let me then go back, ask you to pursue, if you would, for a moment, one of the questions that I also raised this morning in a briefing we had with the intelligence folks. Can you comment with respect to some of the violations, if you will—that's the wrong word—some of the transactions that the Chinese have engaged in with various countries that have given us cause for concern over the years?

To what extent, and be as general or specific as you can, have these involved items that are actually subject to multilateral control as opposed to items that we have unilateral concern about?

Ms. DESUTTER. Some of these have been items of international control, but some of them have not been. This is why one of the things that we've talked to the Chinese about is the importance of having a reference to more sweeping regulations. In addition, the things that the—the missile components that they've transferred have been clearly inconsistent with commitments they've made to us, and so they have commitments on the books to the United States, and so whether or not something is on a multilateral list, it's something that they've made a commitment to the United States not to do.

Commissioner REINSCH. I believe your testimony mentioned that they have—correct me if I'm wrong—that they have, at least on paper, put in a catch-all provision? Is that correct?

Ms. DESUTTER. No. They've issued export regulations, but as I detail in my written statement, there are weaknesses in these.

They don't, for example, cover everything that's on the MTCR. So there are weaknesses in those areas, and then there is also an enforcement problem.

Commissioner REINSCH. I assume we bring these things up. What is their response when we talk about these deficiencies?

Ms. DESUTTER. They address it—one of the things, one part of the dialogue is that when we have raised particular entities, they've said we've investigated this thoroughly, and we find that the company didn't participate in the activity you mentioned. Now, it is difficult.

I mean U.S. intelligence can be quite good, but it's very difficult to imagine that U.S. intelligence can find out information about transactions of Chinese, basically Chinese-owned entities that the Chinese government can't discover on its own.

Commissioner REINSCH. Yet you seem to choose not to believe them when they tell you that they've investigated and found nothing wrong?

Ms. DESUTTER. It's contrary to the evidence that we have.

Commissioner REINSCH. So we do have evidence?

Ms. DESUTTER. We do have evidence.

Commissioner REINSCH. Despite—

Ms. DESUTTER. It's a very—you know, making a sanctions determination against a significant country like the PRC isn't done lightly. It's done after a significant review of all of the available evidence, most of which doesn't get revealed in public, and it's weighed, it's chewed, it's debated, it's argued. These are not—I used to think—I worked in the Arms Control and Disarmament Agency before, and I did the assessments of Soviet noncompliance, and one of the things that we had was that that was the reputation for the most acrimonious interagency debates, and what I've discovered is that sanctions determinations are probably even more difficult.

All of the evidence is weighed. All of the alternative views are examined. So when the United States makes a sanctions determination, it's based on rock-solid evidence.

Commissioner REINSCH. I would endorse that having been involved in some of that in the past. Final question.

Ms. DESUTTER. The acrimonious part or the evidence?

Commissioner REINSCH. Both. I can speak intimately about the acrimonious part. Final question. You alluded to the impact of NORINCO sanctions in a comment on one of other questions. Have you made any effort or has anybody made any effort to quantify the economic impact either on NORINCO or the Chinese or on the United States of those sanctions?

Ms. DESUTTER. NORINCO's trade with the United States, I'm told by the experts, is \$150 million a year or was.

Commissioner REINSCH. Was. The effect of the sanctions is to zero that out—

Ms. DESUTTER. Right.

Commissioner REINSCH. —I take it. Perhaps it would be helpful, if you have the information available and it's not a lot of work, if you could provide us a breakdown of what the 150 million was in terms of what kind of range of products and things like that?

Ms. DESUTTER. Yes, we can do that.

Commissioner DREYER. And how much it went down after the sanctions.

Commissioner REINSCH. Well, it went to zero apparently.

Ms. DESUTTER. Right.

Commissioner DREYER. Went to zero.

Commissioner REINSCH. Thank you, Mr. Chairman.

Vice Chairman D'AMATO. Thank you. Commissioner Dreyer.

Commissioner DREYER. Just one quick follow-up on that. Do you have any evidence that NORINCO has managed to find ways around the sanctions? In other words, we've seen evidence before of sanctions on Chinese entities, specific Chinese companies, and then new companies are founded with different names which have affiliations with the parent companies. And so although it may look as if revenue went down to zero, in fact it hasn't gone down to zero. Have you had any evidence of that?

Ms. DESUTTER. The sanctions were only imposed in May. So I have not—

Commissioner DREYER. The sanctions were only what?

Ms. DESUTTER. Imposed in May.

Commissioner DREYER. In May.

Ms. DESUTTER. And so I certainly have not seen any such evidence.

Commissioner DREYER. Then implicit in your statement is that it's a little early to say that there won't be?

Ms. DESUTTER. Right. We would certainly be watching for it.

Commissioner DREYER. Good. I'm glad to hear that. And the impression I got from your testimony is that China's efforts at non-proliferation have been rather half-hearted. In other words, they have been enticed into the Zangger Committee, but they have not joined the Nuclear Supplier Group with its much more stringent safeguards.

Ms. DESUTTER. Right.

Commissioner DREYER. And given the half-hearted nature of China's commitment to nonproliferation, can they be expected to play an active role in stopping North Korea from proliferating?

Ms. DESUTTER. One of the things it's important, when I raise the issue of—is this an inability to control their proliferation or is it an unwillingness to? If it is inability, then you would expect to see more difficulty. I am inclined to believe that it's more an unwillingness to unless confronted with an issue without demands and with—certainly I think China wants to have a good relationship with the United States.

I think when they see that there's a potential for the bad behavior to impact, they will make a commitment and at least make some effort. Therefore, that's incumbent upon us to be stringent in what we demand.

If it is an unwillingness or just a half-hearted effort, and they change heart, then certainly they could probably make a big difference. It's hard to imagine that China couldn't do a better job of controlling the behavior of Chinese-owned entities.

Commissioner DREYER. No question they want a good relationship with us, but at what cost to themselves? And it seems to me that they are doing what, of course, all countries do; they try to



have their cake and eat it too. They want a good relationship, but they don't want to stop doing what we find objectionable.

Ms. DESUTTER. Which is why changing the cost benefit analysis is important. We find that in trying to deter noncompliance with any sort of an agreement or commitment, one of the things that's certainly true is that if nobody is watching and if nobody cares, another nation will be more likely to make bad decisions about its behavior.

In the face of ongoing strenuous commitment to—I mean it is not free for the United States to try to monitor these behaviors. It is not free for the United States to undertake the effort to make a sanctions determination. And it's certainly not free for the United States to make and impose a sanctions determination and to keep it. And so that commitment from this Administration I think can over time make a difference. I think the Proliferation Security Initiative can make a difference.

Commissioner DREYER. And, finally, would you agree that the success of the South African de-nuclearization is not a valid precedent for what may happen in North Korea? I'm not an expert on nonproliferation, but I seem to remember that the South African proliferation was terminated after the Soviet Union collapsed, which of course, the Soviet Union had been funding the ANC, and the apartheid regime was on its way out, so there really wasn't any more need for nuclear weapons.

And this probably would not be the case with North Korea.

Ms. DESUTTER. Well, the question there is whether it is needed for there to be, in the case of South Africa, you had a regime change.

Commissioner DREYER. Uh-huh.

Ms. DESUTTER. The new regime made a commitment to nuclear disarmament. A commitment to nuclear disarmament is a key element. It isn't obvious, although one could speculate, about whether or not a regime change would be necessary. This would be a major change in direction for North Korea to make that decision.

Once that decision is made, even with full cooperation, it is difficult. It was difficult in the South African case, not because of any lack of cooperation, but because, as the nuclear experts in my office tell me, getting the material balances right was difficult. So it is a very difficult painstaking effort even with good commitment.

Commissioner DREYER. Yes, I think the level of commitment in North Korea is just not going to be the same as South Africa.

Ms. DESUTTER. It doesn't appear to be there yet. I don't rule out that it will be.

Commissioner DREYER. Thank you.

Vice Chairman D'AMATO. Thank you. Commissioner Mulloy.

Commissioner MULLOY. Let me just ask why is it our concern whether or not North Korea would have a nuclear weapon? I mean are we worried about North Korea attacking the United States or hitting us with a nuclear weapon? What is it that's driving such strong concern over this issue?

Ms. DESUTTER. I would say that the concern is across a number of fronts. First, for the nonproliferation regime, this is a direct assault on a regime that we have believed to be very important. And

it's not just a nonproliferation regime. It's a collective approach to security. So the attack on that regime is very disturbing.

In addition, we've seen North Korea's missile program continue to extend its range. We haven't seen any flight tests for a couple of years, but we don't believe that they have ceased working on their missile program.

As they increase the range of those missiles, that could pose a threat to the United States and to our allies in the region. In addition, North Korea is probably the world's worst proliferator, and given that we have seen them repeatedly proliferating missiles and missile technology to countries in regions that we don't want to have those capabilities, I don't think anybody could rest quietly thinking that North Korea would not proliferate nuclear technology or nuclear weapons to other countries.

So there is no reason for us to believe that that's true. Now, somebody asked me the other day, gee, in your noncompliance report, you mentioned that Russia is not in full compliance with a number of its obligations including chemical and biological weapons.

Well, I don't think that we're staying up at night worrying about whether or not Russia is going to use chemical or biological weapons on us. I would not be confident that North Korea wouldn't make—they've made so many bad decisions thus far, we can't have any confidence they wouldn't make the ultimate bad decision.

Vice Chairman D'AMATO. Thank you.

Commissioner MULLOY. Let me ask this. Are you concerned that North Korea would permit these weapons to get into the hands of non-state terrorist groups?

Ms. DESUTTER. The proliferation world is so murky and there are some indications of secondary proliferation and things getting to the hands of those who want to harm us has to be a concern. And so I can't, we certainly can't rule it out.

Commissioner MULLOY. Former Defense Secretary Perry was on public radio yesterday and he's written an article in The New York Times today which is critical of the Administration's insistence that it has to be a multilateral negotiation, thinking that if secondary proliferation is the concern, we have to do whatever we can to make sure they don't have these weapons. Mr. Perry argues that if they won't engage in multilateral negotiations and want to engage in bilateral talks, we have to do that. What is the thinking of the Administration on that? Why are we so resistant to bilateral talks with North Korea?

Ms. DESUTTER. Well, as I mentioned, I think that this is a global problem. Global problems are generally more conducive to global solutions. And I think going back to your question about terrorism, recall that North Korea has a very extensive crime and smuggling operation. And given that they have done this for so long, we can't rule it out. That's why one of the measures the United States is taking is sort of a criminal approach in the region working with our allies there to try to stop their smuggling of a number of activities and illicit behavior.

Commissioner MULLOY. Thank you.

Vice Chairman D'AMATO. Commissioner Becker.

Commissioner BECKER. I can't resist one comment or short question. Do you believe that North Korea is going flat-out to reach their stated nuclear goals or in view of the pending negotiation and diplomatic efforts that others have talked about, have they idled back their activities? What do you believe we are really facing?

Ms. DESUTTER. Well, I think that I probably would get into intelligence issues to talk about exactly what we think they're doing right now. But certainly they seem to be at no short measure for provocative activities. Moving forward on reprocessing is certainly what they've told us that they're doing, and I think, well, let me just—

Commissioner BECKER. I want to pick up on what Commissioner Wessel had talked about, the economic sanctions, and the thought that I got from your response was that the Administration is broadening its look of how to deal with this.

Ms. DESUTTER. Right.

Commissioner BECKER. I just want to make a comment and see whether you agree with me. When we talk about a tremendous economic leverage, some \$120 billion a year in trade deficit, we also have huge research and development transfers from corporate America that's interlocked with our research and development in China, which really gives me great cause for concern. Technical transfers are taking place almost daily within this research and development, and we've got tens of thousands of young Chinese students trained in this country, some of them graduate students that are working in very sensitive jobs gathering information.

I just want to know is the Administration looking at this issue? Do they see a strong linkage between the economic security of the United States and the military?

Ms. DESUTTER. I'm probably not the right one to address that from my current position. I will say that when I was on the Intelligence Committee, and we were doing our examination of the nuclear labs and we found out how many interns and young Chinese nationals we had working in the national labs, we were all quite concerned about it.

Vice Chairman D'AMATO. Commissioner Bartholomew.

Commissioner BARTHOLOMEW. Please. Thank you very much, and it's really a pleasure to see Assistant Secretary DeSutter here. We were colleagues. I was on the House Intelligence Committee staff and I am very aware of her commitment and dedication to non-proliferation issues.

Ms. DESUTTER. We are survivors of the 9/11 Commission.

Commissioner BARTHOLOMEW. I believe the report on the 9/11 Joint Inquiry is being released quite soon. I guess I'm really struck, as somebody who has focused on U.S.-China policy over the course of the past decade, at least here on Capitol Hill, with this whole history of promises made and promises broken, and often the promises that were made were made in the context of a trade debate. Members of Congress expressed concern about proliferation activities and the Administration—this has been over several Administrations—has gotten a commitment from the Chinese government. It was trumpeted as “this is going to solve the problem” and then the next thing you know, there was no compliance, no enforcement, whatever.

And, in fact, that's a pattern, not just in nonproliferation. It's a pattern of the Chinese government on trade and on human rights promises also. What I'm particularly interested in is hearing from you why should we believe that anything is going to be different this time as the Administration seeks agreements, or agreements to agree, or agreements to comply? What would be different that would make any of these promises more believable?

Ms. DESUTTER. One of the reactions that I think I have observed in not just the proliferation world but especially in the arms control world is that when you're faced with a violation, one of the things that you do is say, well, did they just understand what it was we expected of them?

The bureau that I worked in ACDA used to take the position that just because there is no agreement on the obligations doesn't mean there's no obligation. But one of the things that people will tend to do is say, well, they may not have understood what we want; let's try again to get another commitment.

And I think that one of the differences that this Administration has brought to bear is that there's no longer this issue about whether or not we're just going to give them more one more try. It's sort of like when there's violations, people think the response is more verification, not more compliance. What this Administration is demanding is better compliance. Yes, we will work with them and have a dialogue and identify areas where we think their implementation of their own export controls can be improved.

But we are saying we demand better than this of you. And, you know, the Proliferation Security Initiative is a pretty interesting new initiative. One of the things that it does there used to be a lot of slave trade, and after the Congress of Vienna, the British decided that they were going to start to have a number of bilateral agreements with other countries to start surveying the slave trade.

They didn't get a sweeping new multilateral agreement. They didn't do that. But what they did is they created a new norm. And that norm was effective at trying to stem the tide of the slave trade. What we're hoping to do is to sort of create a new norm so that we can move forward so that countries will understand this isn't make-believe, this isn't easy, this has real consequences and that we and our allies will step forward to do anything we can to stop it.

Chairman ROBINSON. Thank you very much, Secretary DeSutter. You've been very kind with your time. Were you completed?

Commissioner BARTHOLOMEW. Oh, I was just going to—

Chairman ROBINSON. My apologies.

Commissioner BARTHOLOMEW. One final comment.

Chairman ROBINSON. Yes, sure.

Commissioner BARTHOLOMEW. Whenever dealing with U.S.-China policy, when Secretary Bentsen came up to the Congress, I believe on something else, but his comments were fool me once, shame on you; fool me twice, shame on me. And I would say in a lot of these issues, we are well down into being fooled dozens of times. So I hope that the Administration has some success on this.

Ms. DESUTTER. I think that this Administration is establishing already a record of imposing and not waiving significant sanctions determinations.

Chairman ROBINSON. Well, again, thank you very much and I would again commend you and your team for all that you're doing in this critical area.

Ms. DESUTTER. Thank you so much.

Chairman ROBINSON. And to my fellow Commissioners, I would ask that we move briskly down to Room 192 where we'll be gathering with former Secretary of State Madeleine Albright and former Senator Fred Thompson, and we will be reconvening here at 1:30. Thank you very much.

[Hearing off the record at 12:15 p.m.]

#### LUNCHEON SESSION

Vice Chairman D'AMATO. I'd like to welcome everyone to lunch today. Our format is, first, I will introduce the former Secretary of State Madeleine Albright, who will make some remarks, and then Ambassador Bob Ellsworth will introduce Senator Fred Thompson, who will also make some remarks. Then we will have some time for questions for them both. We'll start with questions from Commissioners, and then those members of the press who are here are certainly welcome to ask questions.

The China Commission is honored to have former Secretary Albright with us today to give us her thoughts on where we go now in the Korean crisis, a major issue in U.S.-China relations.

Secretary Albright has by any measure had a storybook career in the realm of U.S. foreign affairs. As a Congressional Commission, we appreciate that she understands the workings and psychology of the United States Senate. She served here as a chief legislative assistant a couple of years ago to Senator Ed Muskie from Maine who himself, as you may know, served as Secretary of State briefly. Secretary Albright was born in Prague, Czechoslovakia, educated at Wellsley and Columbia. She served in various foreign policy posts including on President Carter's National Security Council staff in the late 1970s and on and off in academic positions, particularly at Georgetown University.

She served with distinction as our Ambassador to the United Nations from 1993 to 1997 during the time when the First Framework Agreement was negotiated. After that, she was the first and only woman to serve as our Secretary of State, and in that capacity the highest-ranking woman in our history to have ever served in the American Government.

More than this, Secretary Albright is a warm, smart and compassionate person. As a young woman, she fled her native Czechoslovakia twice, the first time when the Nazis invaded, the second time when the communists took over. She came back full circle much later to arrive in Prague aboard Air Force One, and be greeted by President Havel when her native country joined NATO.

As Secretary of State, she's particularly proud of the expansion of NATO that occurred under her tenure as well as NATO's successful campaign to reverse ethnic cleansing in Kosovo. Even more important is that for our purposes here today she is, I think, the only Secretary of State, for that matter any high-ranking U.S. official, to have spent any time with North Korean leader Kim Jong-Il.

You'll learn all about that and more this September when her new book, *Madam Secretary*, hits the bookstores. We look forward,

Madam Secretary, to your thoughts on the Korean crisis that we face today. Thank you very much for joining the Commission.

[Applause.]

**STATEMENT OF MADELEINE ALBRIGHT  
FORMER SECRETARY OF STATE, PRINCIPAL, THE ALBRIGHT GROUP**

Secretary ALBRIGHT. Thank you very, very much for that nice friendly introduction, and I'm delighted to be here, Mr. Chairman, and Commissioners, Senator Thompson, it's very good to be with you. Our bilateral relationship with China has not actually been in the news much lately, which is a really a good thing, but over the long term I think we need to understand that it's perhaps the single-most important relationship between two countries on earth, and one that does, in fact, require a great deal of attention, and is crucial to the way things will develop in the 21st century.

So it's my considered opinion that this Commission really performs a vital service, because what you're doing is bringing together the disparate strands of U.S. policy and comparing them to what we know about Chinese intentions, and I think creating a very important picture so that policymakers and the public understand where we're going or where we should go.

And today's program is obviously an excellent example of all that because you have pulled together some very good experts that you will hear from later this afternoon, and I am especially pleased that people that I worked with so closely will be talking with you this afternoon, Ambassador Sherman and Ambassador Bosworth and Ambassador Einhorn, who really were the key people in not only dealing with the Korean issues but the proliferation issues.

I think your focus on China and North Korea is obviously also very timely and appropriate. He started saying this a couple of weeks ago, but even again yesterday, former Secretary of Defense Bill Perry, a very calm and measured speaker, made very clear that he is concerned about the fact that the United States and North Korea are drifting towards war, perhaps as early as this year.

For him to make a statement like that I think is of major importance. President Clinton and I had asked him to review our Korea policy and he had made very clear when we started that review and has again that he considers the status quo in terms of the relationships that we have with North Korea unacceptable. They were dangerous when we asked him to undertake the review, and they are more dangerous now.

And I think that therefore it's very important and we should all welcome whatever effort China is now making to unclog the diplomatic channels between Washington and Pyongyang. I do expect some resumption of talks of some type in the next few weeks. Clearly, there has been some movement and there are indications that something is going to happen, but I have to tell you I don't know enough about either North Korea's policy or frankly ours to be able to predict whether those talks would yield any kind of a success.

As for China's role, I'd like to say this, the Chinese clearly oppose the DPRK's recent provocative moves, the kicking out of the IAEA and possibly removing the spent fuel rods from the reactor in Yongbyon and claiming to have reprocessed spent fuel into pluto-

nium. And at the same time, the Chinese blame the U.S. for failing to engage North Korea directly and for not offering any incentives for the North Koreans to forego the nuclear programs.

And as your Commission has reported, the U.S. is viewed by China as an aggressive hegemonic country with interests that are hostile and indifferent to international law. And perhaps partly for that reason, the Chinese are clearly uncomfortable with the possibility of a confrontation between the U.S. and North Korea. And it is in their interests to do everything to defuse the crisis by promoting a negotiated solution.

As you know, there are some in the U.S. who don't believe that we should negotiate with the North, and they believe instead that we can end something that they don't even want to call a crisis by pressuring Beijing to force Pyongyang to stop its nuclear program. And under the theory all China has to do is to stop exporting energy to North Korea.

I would give anything to believe that the answer is that simple, but I'm not inclined to do that. And as a matter of fact, I think the following things need to be kept in mind. I mean we know this. That as a matter of principle, the Chinese don't believe in sanctions. They are certainly unlikely to side openly with the United States, and I doubt that they will take coercive measures against the DPRK especially if the U.S. is not willing to negotiate.

Now, whether the DPRK is open to making a deal I don't know. It's hard to tell, but the only way to find out is to test them. And that will allow us at the same time to test China's willingness to use its leverage with Pyongyang. Now, based on my October 2000 conversations with Kim Jong-Il, I can tell you that there is little love lost between China and the DPRK.

China's decision a decade ago to open its economy is viewed as a betrayal and equally as significant as the Soviet Union's decision to split up or necessity to do that. And remember that in 1991, China moved to normalize relations with South Korea and refused to veto Seoul's application for admission to the UN and thereby undermined the North's position on reunification.

And since then, trade and other contacts between China and South Korea have greatly exceeded those between China and North Korea, so despite their close alliance during the Cold War days, which were marked in Korea by the very hot war, the North Koreans now do resent the Chinese, while the Chinese regard the North Korean regime with more than a little disdain.

The Chinese don't, however, want to see the DPRK collapse, which I think is in contradiction to some people in this country who are waiting for the imminent collapse, which led Bill Perry to say we have to deal with North Korea as it is, not as we would wish it to be.

Now, the Chinese obviously have a different reason for not wanting to see the collapse from ours. They are worried about the refugees that might emerge in the short run and they have no reason to favor the emergence of a united and democratic Korea. Now, when I was Secretary of State, the Chinese offered advice for dealing with the DPRK, but it never pretended to speak for the North Koreans or to have much influence over them.

I think there is this kind of misapprehension here really that there is a real possibility that the North Koreans speak through

the Chinese. During the mid to the late 1990s, China was a participant in the four-party talks along with both Koreas and us. But that had more of a symbolic importance, but the Chinese did not play a really substantive role in those discussions, and the progress that we did make with the DPRK came as a result of our direct talks with the North.

And that's because the issues that most matter to the DPRK involve the United States. Now, it will be very interesting now to see what the Bush Administration is going to do. Clearly, a lot of time has been lost. And maybe during the question and answer period we can talk more about this, but I think in terms of major disappointments about this Administration's foreign policy I would put right up there what was lost in terms of time and possibilities with North Korea.

North Korea's nuclear ambitions I think would have been easier to deal with a couple of years ago, but we don't have a choice in terms of moving back. We have to deal with issues the way they are now. So I think the first thing to do is to try to prevent any further deterioration. The ongoing dispute about whether talks should be bilateral or multilateral is not helpful.

We should want talks with the DPRK, period, however they are arranged, and we should offer to discuss our own agenda plus whatever issues the North Korean leaders wish to bring up provided they halt all nuclear and missile-related activities while those talks are underway.

And that means also returning the IAEA inspectors to Yongbyon and a full accounting of the reprocessed fuel rods. And we should coordinate our policy every step of the way with Seoul and Tokyo because that is of paramount importance. In dealing with the DPRK we had one rule that we felt very strongly about was for dealing with the DPRK is that American, South Korean and Japanese policies in public and private should be identical.

Otherwise, the North is going to play one side against the others, and of course it's also important for us to consult not only with the South and Japan, but with Beijing, Moscow, the EU and other Asian allies.

The prize that the DPRK wants is normal relations with the United States and accompanied by a credible pledge on our part not to attack. Now when we concluded office, there was an agreement that was known as the Cho-Albright agreement where we, in fact, talked about having no hostile intent.

We should not grant normalization until we have achieved a verifiable end to the North's nuclear and long-range missile programs including exports and that will take years if it ever happens, but there are interim steps we can take in return for interim steps on their part, and this may sound simplistic, but talking is certainly better than shooting, and I have never thought that talking was appeasement.

It's, of course, possible that there's nothing we can do at this point to prevent North Korea from making some very serious miscalculations. Chairman Robinson and I were talking about this a little while ago, about the importance of timing here, and stories in the papers in the last day where it's indicated that they might, the North Koreans might declare themselves a nuclear state to ob-



serve one of their upcoming anniversaries, and the horror of having the United States actually accede to the fact that North Korea would become a nuclear state.

But I think we have to be prepared. If events do move in the wrong direction, it is vital that the United States be seen to have done everything possible to resolve this crisis peacefully, and I would just close with a more general observation, and this is, as they would say in China, both a crisis and an opportunity. And the opportunity is to see whether the U.S. and China can, in fact, work together on a vital issue of regional security.

We can't, as we said yesterday, outsource our foreign policy to the Chinese, but it is possible that we can learn how to work together better in terms of dealing with the regional crisis, and if we put forward negotiating positions that the Chinese agree are reasonable and the Chinese respond by applying real pressure to the North and the North responds favorably to that pressure, we will indeed have witnessed a breakthrough that could have positive repercussions for future U.S.-China relations, and that is certainly the right outcome for us to pursue.

It will require, I think, a huge measure of serious diplomacy on our part, determined effort at the highest levels, and a true spirit of cooperation from the Chinese, and one would hope a welcome degree of pragmatism from the DPRK. So this is a tall order, but the risks at this point are so high that we can't afford to just set this aside and decide to go with the flow because the relationship between the U.S. and North Korea is the single-most dangerous relationship of our time. I believe that the wrong signals have been read from what happened recently in Iraq. Thank you.

[Applause.]

Vice Chairman D'AMATO. Thank you, Madam Secretary, for that very candid and thoughtful presentation. Ambassador Bob Ellsworth, a new Member of our Commission, is going to introduce our next speaker.

Co-Chairman ELLSWORTH. It's easy to introduce Fred Thompson because he's been a national figure for 30 years in this country. He emerged first on TV as counsel to the minority on the Watergate Committee, later on got elected as a U.S. Senator from Tennessee, 1996 he got more votes than any other person running for elected office in the history of the State of Tennessee, served in the Senate until earlier this year, where, by the way, was a champion in the Senate in keeping weapons proliferation concerns on the front burner, particularly with regard to China and North Korea.

He sponsored the China Nonproliferation Act, which would have if it had passed enhanced the U.S. Government's tools to combat China's proliferation behavior. That's one example. He's a movie star. He's presently a TV star playing District Attorney Arthur Branch on the Emmy Award winning series Law and Order.

He participated with us, the Commission, last year at two of our hearings, and we're honored to have you here with us again, Senator Thompson. We're looking forward to your insights and your wisdom today.

If you will, please.

[Applause.]

**STATEMENT OF FRED THOMPSON  
FORMER U.S. SENATOR FROM THE STATE OF TENNESSEE**

Senator THOMPSON. Thank you, Bob. You use that term "star" pretty loosely, I'll tell you that, but it's an honor to be with you here today. I thank you for your invitation. It's an honor to be with Secretary Albright. She certainly apparently achieved something I never did. Dick D'Amato said that she understood the psychology of the United States Senate.

[Laughter.]

Senator THOMPSON. And so I want to congratulate her.

Secretary ALBRIGHT. That was then.

Senator THOMPSON. That was then. Well, any time I think is a good time. Thank you for what you're doing. I feel proud of what you're doing. I was an early supporter of this Commission. I think the work that you're doing is vitally important. As the Secretary said, a lot of attention now is being diverted to other parts of the world. By any report, our agencies had China at the top of the list in terms of areas of appropriate attention before the terrorist situation became so acute.

Now, one assumes that it's still there, and one hopes that, with the competition for resources and attention and so forth, we don't lose sight of the fact that, although we have tremendous problems in other parts of the world now, and perhaps we've not reacted to them as rapidly as we should have, including our intelligence capabilities, human resources and so forth, China, with its population, its economic advancement, and its military build-up, is still an extremely important part of the world to us. And thank you for the work that you continue to do there.

I do recall back a few years ago, when we would get our annual report from the intelligence agencies, North Korea was always there as the proliferator of choice for that part of that world, especially in terms of missile capabilities and so forth, and of course the situation has gotten more acute since then.

I make these observations simply on behalf of myself as someone who has followed the proliferation situation when I was in the United States Senate and as a private citizen now. It seems to me that there is absolutely no good alternative; that we have to recognize the situation that we're dealing with in a cold objective fashion; that we're dealing with a country that will probably not honor whatever agreement might be reached.

There's a likelihood that they do not believe it would be in their interest to ever not have a nuclear program, in terms of prestige, in terms of the benefits that they have been able to get in the past and that they might expect to get in the future by playing the rope-a-dope that they've been playing, and perhaps because of their own sense of national security.

If that is the case, it makes our task, of course, extremely hard. If that is the case, then I think we have to ask ourselves if negotiations fail, then what? Then what do we do? It seems to me that everything has to be on the table, and that we really need to be taking a real good hard look at all the possibilities. Can we live with it? Perhaps that's the least bad alternative, some say. We just live with their becoming a nuclear power because they will not attack us, they say.

The threat is not by missile. It would be by smuggling something in or perhaps giving something to a terrorist or something of that nature. They could already do that in all probability. So becoming a nuclear power as such might not elevate the threat that much in terms of a direct attack by North Korea on the United States. A lot of people consider a direct attack to be highly unlikely.

The military option. Some people say that its unthinkable. If it is indeed unthinkable, we've apparently gotten fairly close to employing it. In times past, it's been seriously considered. President Bush, Tony Blair, President Clinton, at one time or another have all said that North Korea becoming a nuclear power is not an alternative. However that status has either been reached or is in the process of being reached, it looks like.

So where does that leave us? Of course, everyone wants talks. Everyone wants negotiation. Obviously, if there is any chance at all of reaching some kind of a resolution, it has to be explored. It seems to me like that comes in two stages. One is getting to the table. How do you get to the table, which is kind of where we are now?

Bilateral talks are a very big deal to the North Koreans. We did not engage in that at all until after the Cold War. It is important for them from a prestige standpoint. The United States' position now has been that this is a multilateral situation. The IAEA has deemed them in noncompliance and taken the matter to the UN Security Council.

I can't imagine the Security Council not taking this up if circumstances are as dire as we think that they are. North Korea has left the Nonproliferation Treaty. It's been in violation of international norms. I would think this would certainly qualify as at least a regional if not international issue. President Bush the first tried to involve our friends and those who were not such friends back during his Administration. Not much luck there.

But this President is trying it again. Some things have happened. There has been some movement, it seems to me like, in China and certainly in Russia and Japan, and I assume we can always count, ultimately, on the cooperation of the South Koreans in this regard. Also, the North has become more economically dependent on the South.

So I think there are some things moving there that would indicate that makes some sense to think that we could have an international, multilateral approach to this. And I think that's important for an additional reason, and that is when the breach of the agreement comes next time, it's going to be very important that that breach involve these other countries, and hopefully at that time we would be able to get other country cooperation in resolving the new crisis.

Second step, of course, is the composition of a deal, which brings us to the history of our dealings. The North Koreans, to say the least, do not have a very good history in that regard. I was reading somewhere the other day something that on the eve of the Korean War, the North made a major peace overture to the South, and things haven't gotten a whole lot better since then in terms of straightforwardness.

The agreement they had with the South in 1991, the agreement they had with us in 1994, they pretty much always agree to inspections, and then they see to it that effective inspections are not carried out. There is agreement; there is violation of that agreement. There is a catching; there is then a crisis. Then there is a new agreement that comes from the crisis.

I think for all the criticism the Administration is receiving right now, it can be said that they're seeking a longer-term solution to the problem and not a short-term one. A short-term solution probably, once we got to the table, probably would be, if not easy, certainly doable.

They apparently are taking the position (the Administration), that the North Koreans must dismantle and give up their program first, and that seems to be the real hang-up. Others who have suggested negotiation suggest that their program be frozen and that we go from there. The hang-up there, of course, gets to be what constitutes succumbing to blackmail and what does not?

I think that there's reason to believe that there will be cooperation from China and others with regard to this, that although time is perhaps running short, and we are in that cycle, again, that crisis cycle.

Every time we go through this drill, they always announce, of course, they're withdrawing from the Nonproliferation Treaty, which they've done again this time. In 1993, it was, their refueling of the reactor was the crisis at the moment, a serious crisis. And of course, we're in another one now. And that's not to belittle it or to minimize it at all, but I think it is good to realize that we are probably in the midst of the same kind of situation. There's not going to be any resolution to it immediately, and that whatever we do now should move us toward hopefully a long-term solution, which would involve their giving up their nuclear program.

If that could be done, it seems to me like all things are possible, even to the contribution of countries like Japan and others to the North Koreans.

As far as China is concerned, new President, a lot of unanswered questions. People are looking to see what happens in Hong Kong and how they deal with that and what perhaps that might do in terms of their need for a nationalism kind of issue and what they might do if they reach that conclusion.

All of those things could impact on our relationship and therefore their ability or willingness to do something with regard to North Korea. I note that North Korea receives—what—about a third, almost a third of all its assistance from China and from 70 to 90 percent of its energy from China. So that is obviously a substantial whip-hand, but clearly China does not want to be used by the United States unless it's in their own self-interest.

One would think China would be interested in helping considering the possibility of Japan being able to gear up nuclear in such short order, with the example that North Korea might set for countries like Taiwan if North Korea is able to have its way by gearing up a nuclear program, China's refugee problem, in case we fell back on an isolation or containment strategy, plus North Korea being the sore spot for China anyway. Asia, of course, is a market

for China everywhere else except this one place where they keep pouring money down a black hole.

So one would think that they would have the motivation to cooperate. It seems to me that there have been some indications of that with their brokering of initial talks. Hopefully they will bear some fruit.

Thank you very much.  
[Applause.]

#### **Discussion, Questions and Answers**

Vice Chairman D'AMATO. Thank you very much, Senator. Both the Secretary and the Senator have graciously agreed to answer questions. We'll reserve the first portion of this for questions from Commissioners, and then when they finish, we've got some members of the press who I think would be interested in asking some questions.

I will start off with making one observation. And that is I and Members of the Commission staff met this last week with officials from Japan, South Korea and Australia and all of them were very optimistic that a new round of negotiations would begin in August. They indicated, and this is particularly important with South Korea and Japan, that any new agreement that might be reached and that their governments might be a party to would have to be approved by their national legislatures—the Japanese Diet, and the South Korean National Assembly.

I would note that today Senator Robert Byrd (D-WVa) sent a letter to President Bush indicating his desire that the President look upon this agreement as subject for consultation with the Hill and submission as a treaty to the Senate if it were to be consummated.<sup>1</sup> My question to both the Secretary and the Senator is what is your view of advantages and disadvantages of any new agreement being treated as a treaty.

Secretary ALBRIGHT. Senator?

All right. I'll go and then you can disagree with what I say. I think that one of the real issues clearly as we dealt with policy towards North Korea was generally the attitude in Congress, and that was one of the things that we did as we were embarking on changes in policy and moving forward, was to have very deep consultations on the Senate side and on the House side also, and frankly the presence of Secretary Bill Perry who is so highly respected made a big difference in terms of at least having some Members suspend disbelief for a period of time.

I do think that having a treaty would be much desired. The problem I think is that there is huge division on this issue and I think it would be hard to come by. On the other hand, it is necessary to have very wide support for a policy that is that important to the United States.

But I can just see a lot of blood and guts over the negotiating of such a treaty. Dick, you and I were talking about this earlier, and that is the negotiations with the Soviet Union were also regarded as highly difficult. Well, in the Carter Administration—mechanisms were established, some of which were an advisory

<sup>1</sup>See page 114 for July 23, 2003 letter from Senator Byrd to the President.

group of Senators. The question then always was constitutional—do they actually play a role if they are present at negotiations, et cetera, but that group in the end had been very helpful in understanding how SALT treaties and START really came about.

It obviously would be desirable, but I think it would be a very, very hard sell. I do think what is necessary no matter what is a basic educational process much more about what negotiating with North Korea is like, and I would just make it a point that we actually have had arms control, have had arms control treaties not with our friends, but with our enemies, and you do negotiate with them.

Negotiating is not a sign of weakness and treaties provide a framework for dealing with cheating. Everybody cheats. I hate to tell, you know, there is gambling here, and the truth is that arms control agreements do provide the framework for dealing with the cheaters, and I think that if there were a treaty, it would be hard to come by and we would all have to work very hard to try to get some kind of bipartisan consensus which seems to be very lacking in this town at this moment.

Vice Chairman D'AMATO. Commissioner Wessel.

Commissioner WESSEL. Thank you and thank you both for being here, and Senator Thompson, thank you for your long-term support of our efforts and your participation when you were here and since, so we appreciate it.

There has certainly been a lot of turmoil of late regarding intelligence, its impact on policymaking, whether it was manipulated in any way, whether the timing was correct, et cetera.

We now find that there is new information regarding the possibility of additional facilities in North Korea, and to make my question short, I'd love any comments you might have, Secretary Albright, on the impact of that information and the overall turmoil that Congress and the public is going through.

Secretary ALBRIGHT. Well, I always am very unhappy at a time when there is such a question about the credibility of intelligence, because as a policymaker, I can tell you how dependent one really was on having accurate intelligence, which you actually never got out of one document, but by the possibility of reading a variety of different views, the combination of the CIA, INR, DIA, et cetera, and understanding that there were caveated statements or that there might be some disagreement.

As a policymaker you count on it. You count on it being not only relatively accurate, but also unspun or unmanaged, and I think we are in a very difficult period and that our credibility is being questioned about this. And you know I haven't fully read through the report that's just been issued on 9/11, but that also has raised some questions about intelligence, so it isn't just the matter of the 16 words, but just a general question about our intelligence.

I think, and if I might just divert a little bit, I just left my office where there are the single-most gruesome pictures on television of the Hussein brothers, which I think it is really unfortunate that we had to release those pictures, that our credibility is so low that people do not think that they are really dead unless we release the most gruesome pictures that are not going to help us in the long run.

And I know it's not easy to be in the White House. I don't know what it's like to be President, but I do know that there are difficult times, and I think it would serve President Bush to have a press conference and try to clear the air on this stuff because it is undermining our credibility. I don't know whether to believe whether there's another side or not at this point because for the average reader, which is what I call myself, is given all this chaff and whatever is out there, I think it's undermining the American people's faith in our intelligence.

It's undermining our credibility abroad so we have to release these horrible pictures, and who knows what Kim Jong-Il thinks about some of this stuff.

Vice Chairman D'AMATO. Commissioner Robinson.

Senator THOMPSON. Can I comment on that? I don't think the problem that we're having with credibility with regard to Hussein boys has much to do with recent events over the 16 words, but without getting into all that, it does seem to me in looking at that mess that the White House has mishandled, that a couple things need to be pointed out by those of us who have been involved in it, and that is how intelligence is used.

As the Secretary says, there is seldom a definitive statement in one report. It seems to me like there is seldom a definitive statement in any reports or the totality of reports. Sometimes when you get into a specific factual issue, you can get maybe a little bit closer to a definitive statement, but it's a matter of uncertainty a lot of times. It's often a matter of some disagreement within our intelligence community.

And what we had here apparently was a report by MI-6 on the one hand and a feeling by our intelligence community, or especially the CIA, that that was weak or unsupported sufficiently. They did not say that it was false. They said that they could not verify it and had problems with it. So the President had those two things.

Now, I'm suggesting—I guess I'm making an argument for him that he's not willing to make for himself—but as President of the United States, he's got a right to make his own decision as to where he places his reliance. Now I'm not saying that he should constantly place his reliance on a foreign intelligence service when his own is expressing concern about it, but there have been mistakes in times past, there have been underestimations of what Saddam had in terms of his nuclear program in the Gulf War.

There have been underestimations in terms of the capabilities of the so-called rogue nations as indicated by the Rumsfeld report back in the 1990s, underestimations concerning all of these things, so clearly there are some people at least, if not the President, in the White House, who perhaps viewed the CIA's concern with a jaundiced eye.

The question, the real question is whether or not having been in that position, which is a legitimate position to be in, right or wrong, they then skewed the facts or padded the situation or something else, which is unforgivable.

I think that it points out a larger problem concerning our intelligence situation in this country, which as you know we've been dealing with for some time, and a lot of it has to do with change

of focus, a lot of it has to do with what's happened with regard to our human intelligence capabilities and things of that nature. I found it somewhat ironic that we're debating really over a foreign intelligence report, that the foreign government still, the British still say is a valid one based on more than one source, and debating that as to whether or not it's a valid one or not instead of relying on our own firsthand information. But that's a broader issue.

Vice Chairman D'AMATO. Chairman Robinson.

Chairman ROBINSON. I'd like to ask a question of both of our guests. Harkening back to the '94 agreement under the Clinton Administration, as I understand it, and has been widely reported, it was the North Korean reprocessing of the spent fuel rods that was a primary pacing item. Indeed, it was considered to be a red-line event that could, in fact, catalyze surgical military strikes by the United States against nuclear and missile facilities.

As we understand it now, on the basis of open sources, the reprocessing of those fuel rods is underway. No one is sure, at least to my knowledge, as to exactly what the specific numbers are at the present time. There are the krypton gas and other telltales that have been publicly cited as evidence that reprocessing is underway.

And it's likewise understood that if the reprocessing of those 8,000 spent fuel rods is completed, which could happen, according to most experts, in as little as three to four months, that would obviously change very markedly the state of play. North Korea would have enough fissile material to possibly produce one nuclear weapon a month for the better part of a year. There's a debate about how many nuclear weapons North Korea has now, but they might develop an arsenal in the next twelve months of roughly ten to twelve nuclear weapons which could permit Pyongyang to test or to export to third countries and groups.

I'm wondering, Madam Secretary and Senator Thompson, whether you view the reprocessing as the key pacing item, still a kind of red line, after the completion of which we're in an entirely new and perilous ball game?

Secretary ALBRIGHT. Well, I think that it's a pretty fuzzy line at this point because we don't know, and I guess it's conceivable that the North Koreans are bluffing, but we don't know. I mean that goes back to the intelligence question, but basically we allowed that red line to be erased or blurred, and I think that it is a very dangerous thing that has been allowed to happen. I think I agree with Senator Thompson in terms of saying that I don't see an attack upon us by the North Koreans, but they are basically becoming or would even more so become the Wal-Mart of nuclear proliferation.

And since their need is primarily for currency and since there is a larger and larger number of countries or non-state actors who are desirous of acquiring some form of a nuclear weapon or materials, that is where this has become such an incredibly dangerous situation.

The question is whether if there, in fact, were talks as soon as August and they could accomplish something, how much of this genie could be put back in the bottle, and I think I don't put that past possible wisdom, but a lot would have to be undone.

And I know that there has been a lot of criticism of the Agreed Framework. I think nine-tenths of it unjustified, as it did prevent



what some have estimated somewhere between 50 to 100 potential weapons that could have been created in the last nine years. So I think it is important to talk as rapidly as possible to try to get some control over it.

For me, the greatest problem created by the lack of contact with the North Koreans is that we don't really know what they're doing or what their intentions are, and it makes it very difficult to put it back together.

Senator THOMPSON. Well, it seems to me it's difficult to know what their intentions are even when you are talking with them, but other than that, I tend to agree with what you said.

Vice Chairman D'AMATO. Thank you. Commissioner Dreyer.

Commissioner DREYER. Given China's very strident defense of absolute sovereignty, particularly since 1989, do either of you or are either of you able to see China agreeing to serve as a guarantor of a nonproliferation agreement with North Korea?

Secretary ALBRIGHT. I think we'd have to think through more thoroughly or know more thoroughly about where they are on a number of issues. I know—all I can do is speak from my own experience with them—at the UN they had a relative lack of desire to get involved in any of this. And when we were in '93-94, when we were going through all this and actually thinking about sanctions, there was no way we could get the Chinese. I mean they just were not going to do anything.

The question, the reason I hesitate in just saying flat-out no is that what I find interesting about the Chinese is that they are evolving their own position in terms of how they see themselves as a regional, global power. And it's conceivable, and the foreign minister now is the man that I knew very well, because he was the Chinese Perm rep, Foreign Minister Lee, was at the UN when I was there.

Commissioner DREYER. The UN ambassador?

Secretary ALBRIGHT. The UN ambassador. Then he was ambassador here later, and he does have kind of wide ideas about possibilities of seeing China play a greater role on the stage, but they don't like to be involved in other countries' business mainly because they don't want anybody involved in theirs. So it would take a very long change in their approach to things, but since they are desirous of playing a larger role, you don't know what direction they're going in.

Unfortunately, I think what is going to happen with the Chinese for awhile is Hong Kong is a big deal for them, what is happening, and so the question is how much they will be diverted by that also.

Senator THOMPSON. It doesn't seem to me like you have to know the answer to that question, but you've got to try and see, without knowing where it's going to lead. Some think that they might let the United States wallow around with it for as long as we can or will and then come in at the last minute and save the day. So who knows?

Vice Chairman D'AMATO. Commissioner Pat Mulloy.

Commissioner MULLOY. For both of our guests, I was reading an article by former Secretary Perry in The New York Times, I think it was yesterday, and he implied that the danger of North Korea having nuclear weapons is one that we really can't afford to live

with because they can put it in a basket, a small size container, and sell it to terrorist groups, so the implication I got was that if we don't get a multilateral approach, that we unilaterally have to take preemptive action if they go down that road.

And I'm just wondering how do you both feel about that? Does that create more danger in the international community? If they do go down that road, do we do unilateral action or do we feel we have to go multilaterally to deal with it? I think that's a very important issue for us to wrestle with.

Secretary ALBRIGHT. Do you want to go first this time?

Senator THOMPSON. I think that is the logical conclusion. I don't know whether Secretary Perry, what he would say about that, but that's kind of the logical conclusion of his article. I think he's very concerned, and as we all are, but a lot of people write about the need for talks, the need for negotiation, the need to try to work something out, and what the components of that should reasonably be.

Nobody talks about what if that doesn't work. What if they fail to agree or what if in short order after agreement, they fall back to old habits, and there you are? I mean nobody is really talking about that. You have to either—that's why I said on the front end—accede to it and say we can live with it, come up with some kind of regime of isolation, embargo, what not. Nobody, I don't think, thinks much of that, thinks it will work. China wouldn't let that work, I don't think, with what it would do to them, the refugee problem and all.

Or third, military action. I don't see anybody talking about that. Which is the least onerous of those three terrible choices? And I don't have the answer to that. All I know is we've had Presidents who have said that this is intolerable, you know, being a nuclear a power is not something we can live with.

Secretary ALBRIGHT. I think that it's ironic that we were prepared and did, in fact, use military action in Iraq against a country that as it turns out probably did not have a nuclear program at this time. And at the beginning of this crisis, the Administration kind of took the military option off the table as far as North Korea is concerned.

And I do think without carrying this too far that there are analogies that can be drawn by North Korea regarding Iraq, and if I were Kim Jong-Il, and I saw what happened to a country that didn't have a nuclear program and how we treat countries that do have nuclear programs, we don't invade them. Well, that is one of the things that might lead me to begin to develop my program more rapidly.

Strangely enough, people like Dr. Perry and I and people that have dealt with this actually believe that the military option needs to be on the table. And in fact, we all in retrospect see 1994 as the most dangerous period that we had been involved in, and literally we were all sitting in the Cabinet room with President Clinton about to discuss the various military options when former President Jimmy Carter was in Pyongyang and he and Bob Gallucci were then able to work out the Agreed Framework.

So there is the role of the threat of the use of force that may focus people's minds and there is the possibility of military action.

The thing is that there are no good options at the moment. That is where we are. Unfortunately, as a result of not having done enough about this from 2001 on.

If I may say this—we left a hand of cards on the table when we left office that allowed there to be negotiations in a way to deal with these issues, and if I were Kim Jong-Il, I wouldn't know what to think because he and his father have actually had the same policy for 50 years, whereas I don't think he understands that we switch policies every four years. And even among their father-son combination, so I think there is a problem here in terms of messages and how they are directed, and I do think that, in fact, we are now left with a very bad situation where we have to negotiate or there is the danger of a military confrontation.

And so I would only think that there might be some use in the idea of the threat of the use of force since that is something that's out there in order to try to focus the minds of the people in Pyongyang as well as here.

Senator THOMPSON. If I could, could I just make a comment? It seems to me that the problem now, the crisis now came about because of the acknowledgement of the start-up of the plutonium operation. From what I read, they apparently started it, some form, back as early as 1998. I think it's somewhat unfair to say that this problem was left in good shape in 2001 and the right policies would have alleviated us from being where we are today.

Secretary ALBRIGHT. Can I respond to that? I said earlier, one negotiates agreements with one's enemies primarily, not with one's friends or even people you trust. The reason that I think that it was left, not in good shape, but on track in order to have very tough negotiations about verification, because what then happens is you have established a mechanism for dealing with cheating.

And what happened under the Agreed Framework, when we suspected that they were doing various things at Kumchangni, we were able to get an ability to make sure that they were not doing those things and had at least a mechanism for dealing with it. So while I don't think the Agreed Framework was perfect, as I said, it did provide a mechanism, which we don't have at this point at all.

Senator THOMPSON. I'm not even knocking the Agreed Framework unnecessarily. My recollection is that they first agreed to the Nonproliferation Treaty in 1985 and it was years after that before they even began to seriously talk about effective inspections. Then when they got under the gun, IAEA isolated some sites and wanted to do special inspections, they never would let them do that. The notion that they were on the verge of, for the first time, agreeing to a real set of intrusive inspections of sites, I think, is mistaken.

Vice Chairman D'AMATO. Before closing, there are journalists present and I'd invite them to ask a question now if they have any interest in that. Mr. Glenn Kessler.

Mr. KESSLER. I'm just curious, assuming the talks do go forward, as everyone expects, and you are sitting down opposite the North Koreans, and you were under the instructions that you are not to allow these talks to be perceived as negotiations, which is the way the Administration is approaching it, what would you say to them

to move the ball forward and try to get us out of this crisis that we're in right now?

Secretary ALBRIGHT. That's very hard for me to answer given the fact that I don't think I'd be in that position, but I think that the question here is what are negotiations? I am of the belief that where possible it is a method of delivering a tough message. It's not giving into blackmail or anything like that. What I think I would be trying to work on, first of all, is a freeze so that these could go forward without the danger of talks being so drawn out that things go on under an umbrella, so to speak, and try to be put on the table a bigger deal, more for more, as people have been saying, various parts of trying to get them to allow, make sure that there are very intrusive international inspections and that they commit themselves to giving up various parts of programs that they were not yet ready to do.

But I think if you go in and believe that you are submitting to blackmail, then you act that way, and it is important to be able to have very direct and tough talks. I had plenty of talks with people that I found objectionable and was able to deliver some pretty tough messages. Negotiation, rather than being a neutral term, has acquired a pejorative tint to it which I think is unreasonable.

I mean it is not appeasement to talk to what I consider the most dangerous government around.

Senator THOMPSON. There is no blanket policy that I know of that eschews negotiation. North Korea is a very specific situation, the history of which we've been able to just touch on here a little bit. We're talking about a country with tens of thousands of underground caves and we know what that's resulted in in times past. The question is whether or not we go for a short-term solution or hopefully a longer-term solution.

I don't believe the issue is what precise words the United States uses. I believe the issue is what is the intent of the North Koreans, and we don't know that, and we won't know that until the end of the day, and hopefully the end of the day will involve multilateral discussions. The Administration's opening gambit is "do away with your program" for starters, and then we'll talk about the good stuff.

Vice Chairman D'AMATO. With that, Secretary Albright and Senator Thompson, you've been very generous with your time. We want to thank you for a terrific presentation, and on behalf of everyone here, let's give them a round of applause.

[Whereupon, at 1:40 p.m., the luncheon session concluded, the afternoon session to convene at 1:50 p.m., this same day.]

#### **AFTERNOON SESSION, 1:50 P.M., THURSDAY, JULY 24, 2003**

Chairman ROBINSON. If everyone will be seated, we'll begin, and we apologize in advance for getting off to a slightly late start in our first panel of the afternoon. But it was a worthy delay I think our panelists would agree. We just completed a provocative and illuminating luncheon with former Secretary of State Madeleine Albright and former Senator Fred Thompson who held forth primarily on the North Korean crisis and the role of China in the same vein as our earlier discussions today, including the proliferation practices of China and the challenge that presents to this country.

So with that, I would like to turn the proceedings over to Commissioner Robert Ellsworth, who is one of our co-chairmen of today's hearing along with Vice Chairman of the Commission Dick D'Amato. He's going to proceed with the appropriate introduction. Thank you.

Co-Chairman ELLSWORTH. Thank you, Mr. Chairman. This panel will explore the developing nuclear crisis in North Korea and the role China must be asked to play to help defuse this dangerous situation. Both of you, both of the panelists played key roles during the 1993-94 nuclear standoff with North Korea and can discuss lessons learned from that experience.

We welcome here today the two distinguished witnesses. Ambassador Wendy Sherman was Counselor to the State Department during the Clinton Administration as well as serving as Special Advisor to the President, Secretary of State and North Korea Policy Coordinator.

Ambassador Sherman has the unique distinction of having met face to face with North Korean leader Kim Jong-Il during Secretary of State Albright's visit to that country in 2000. Currently, Ambassador Sherman is a Principal in The Albright Group.

Ambassador Stephen Bosworth, Dean of the Fletcher School of Law and Diplomacy at Tufts University in Boston, served as U.S. Ambassador to South Korea between 1997 and 2000, and was the Executive Director of KEDO, the Korean Peninsula Energy Development Organization, between 1995 and 1997.

Ambassador Bosworth has also served as Ambassador to the Philippines and to Tunisia. His other Foreign Service assignments include Paris, Madrid and Panama City.

We welcome both of you and look forward to your presentations. And the rules are that each of you has ten minutes and then the Commissioners will be recognized as they signal to ask for recognition and will be given seven minutes which includes both their question and your answer.

Vice Chairman D'AMATO. So you can filibuster them.

Co-Chairman ELLSWORTH. Well, which of you wishes to go first? Ambassador Sherman, if you will, please.

## PANEL I

### STATEMENT OF AMBASSADOR WENDY SHERMAN PRINCIPAL, THE ALBRIGHT GROUP

Ambassador SHERMAN. Thank you. Having also been Assistant Secretary for Legislative Affairs, I understand these rules quite well and will make my answers as long or short as the questions deserve.

I want to thank you very much for including me on the panel today as the U.S.-China Economic and Security Review Commission looks at the Chinese role in the proliferation or dealing with the proliferation of weapons of mass destruction and possible steps United States might take to encourage the Chinese to help stop any efforts, particularly as regards the crisis with North Korea.

You are looking today through the lens of that crisis on the Korean peninsula and China's role in getting the North to step back from its very dangerous path. I am absolutely delighted, as always, to be here with my colleague Ambassador Steve Bosworth, without

whom I could not have done a single solitary thing I did when I was both Assistant Secretary and Counselor, and it's always an honor to appear with Steve from whom I always learn something new and helpful.

I want to cover briefly three topics: what role has China played in diminishing weapons of mass destruction in Northeast Asia, and in particular as regards North Korea; what should be happening now to get North Korea to step back from its nuclear weapons program; and what should be happening through the P-5 and the world at large to address these issues. And I'm going to do this rather rapidly, and some of this will be covered in more detail in the subsequent panels today.

First, as regards China, China is a member of the NPT, the Non-Nuclear Proliferation Treaty, and that's an important statement and something I'm sure you'll ask the next panel about in some detail because the value of the NPT, I think, has been brought into question when North Korea summarily stepped out of it. When the NPT was created, there wasn't, I believe, sufficient thought about, well, what happens when someone who has joined decides to leave. But even with China's involvement with the NPT and a member of the P-5 of the UN Security Council, we have long been concerned about what role China might have played in transfers of technology and concerns about its relationship and others' relationship with Pakistan and Pakistan's cooperation with North Korea.

For obvious reasons, I'm not going to go into great detail about that, except to say that there is a nexus of activity that China certainly has played some role in and I think to the extent that China is now trying to take a role to get North Korea to step back from this nuclear crisis, it is a very, very important sign in China's own progress to really following through in the goals and intentions of the NPT.

China was exceedingly helpful privately in establishing the missile testing moratorium that was put in place when the North Koreans in 1998 launched a rocket over Japan causing a terrible problem and through the leadership of Bill Perry, who was the first North Korea policy coordinator, we got an agreement for a missile testing moratorium, and none of us have any doubt whatsoever, that the Chinese played an important behind the scenes' role in making that happen.

China does not want a nuclear peninsula. Its objectives are the same as ours, although their interests are somewhat different. China is quite concerned about Japan remilitarizing and Japan becoming a nuclear power, concerned about South Korea becoming a nuclear power. As you know, South Korea got rid of its nuclear weapons under pressure from us, and they are obviously also worried about Taiwan and Taiwan's relationship with us.

Nonetheless, China has at least in the time that I've been dealing with this issue played a constructive role. Even when things were at the worst during the Clinton Administration after the accidental bombing of their embassy in Belgrade, then Ambassador Li, who is now the Foreign Minister of China, was in my office that very week to talk about North Korea and to talk about how we might be able to help North Korea stay on a positive, not a negative path.

And probably the most hopeful thing that happened in the last few days regarding the North Korea crisis was that Vice Foreign Minister Dai of China actually had a meeting with Kim Jong-Il in a very public way, public for North Korea and very public for China, and then came here in a very public fashion to try to engage in the kind of active diplomacy and public diplomacy that we don't often see with China.

So in terms of China, I think China can play a constructive role, ought to play a constructive role, I'm glad they are playing a constructive role, but if the United States of America builds its policy toward North Korea simply on China, I think we've lost our minds.

Quite frankly, although I think China is an important player and a constructive player, we should not depend on China for the national security of the United States of America, and so therefore I think we need a policy towards North Korea, and right now I think we have more process than we have policy.

Let me stipulate a couple of things going to my second point here on North Korea. North Korea is a country that none of us would want to live in. There are no rights. There are no freedoms. There's horrific starvation. There is no health care. There is nothing in North Korea, having been there a couple of times, and I've only been in Pyongyang, which is the Potemkin beauty mark of North Korea.

We wish the country was not like it is. And there is no one who wishes more than I that it were different than it is today, but one of the fundamental premises of the Perry report was that we have to deal with North Korea as it is, not as we wish it to be.

And how, therefore, one gets to the kind of North Korea you want as opposed to the one we have is no simple matter. War, which may seem satisfying in the fantasy of it, that North Korea as we know it would disappear and we could replace it with a wonderful new government and people would have democracy and freedom, is a horrific notion.

There's a million man Army forward deployed on the Korean peninsula, with many thousands of rounds of artillery. If anyone, as we're approaching the 50th anniversary of the Armistice, goes back to look at pictures of the Korean War, it was horrific, and all the estimates from all the intelligence agencies that have been made public would be that tens of thousands, if not hundreds of thousands of people would die. We would win the war, but it would have a huge cost in the process. And not only do we have 37,000 troops but probably 100,000 American citizens living in South Korea.

The second notion that people get a lot of satisfaction out of is a preemptive surgical strike. Well, the Clinton Administration considered a preemptive surgical strike at the time that we had the crisis in 1993, and although one can put plans together to do so, one cannot guarantee to South Korea or to our troops that there will not be retaliation and that we will not have the horrific war that I just described a moment ago. So it is a very serious thing to consider, and if, in fact, there is now a second nuclear reprocessing plant, what do you strike?

Third is to tighten the noose, as the Bush Administration is partly trying to do, through interdiction, through embargo, through economic sanctions. All of this may also lead to war because North Korea likes to escalate.

So although diplomacy is not a great option, it is probably the best option because it will test North Korean intentions. No one knows if North Korea will step back from its nuclear weapons program, but the only way to find out is to test their intentions through diplomacy, and so since I have run out of time and we can come back to the third part in questions, is that I believe very strongly that process alone cannot solve this problem.

It is important who is in the room. It is important what the size of the table is and where the negotiations take place, but it is just, and more important, to know what is going to be put on the table, and Assistant Secretary Jim Kelly cannot go to these negotiations with the only instructions being tell them to stop.

There are a hundred variations to get going, and I'm happy to go into those in the question and answer. Thank you very much.

Co-Chairman ELLSWORTH. Thank you and we look forward to coming back and getting into those. Ambassador Bosworth, Dean Bosworth, which do you prefer? Whatever it is, please proceed.

Ambassador BOSWORTH. Either one will get my attention, Mr. Ambassador.

Co-Chairman ELLSWORTH. Thank you.

**STATEMENT OF AMBASSADOR STEPHEN BOSWORTH, DEAN  
FLETCHER SCHOOL OF LAW AND DIPLOMACY, TUFTS UNIVERSITY**

Ambassador BOSWORTH. First of all, I am delighted to be here and it's a pleasure to appear before this prestigious group. It's a particular pleasure for me to have the opportunity to appear with Ambassador Sherman.

Let me say that this is, in my judgment, given my experience in public policy and in foreign policy, this is perhaps the toughest problem that the U.S. faces not only now but has faced certainly since the collapse of the former Soviet Union.

This is really not easy. I would just to establish my bipartisan-ship, if you will, I would argue that the Clinton Administration having negotiated the Agreed Framework, then reverted to a policy of waiting for North Korea to collapse until 1998 when the North Koreans fired a missile off over Japan and the Administration realized that it needed a policy. Fortunately, people like Wendy Sherman and Bill Perry were around to help us devise a policy.

I think the Bush Administration when it came into office had some notion of how vile and reprehensible the regime is in North Korea and decided they didn't want to have anything to do with it. Well, that's not really a policy either, and I think that they are now in a position where clearly had they moved earlier, this problem might, in fact, be somewhat easier to deal with.

Let me talk very briefly about basically three sets of relationships that affect events on the Korean peninsula and then the interests of the countries involved as I see them. The first set of relationships is between South and North Korea and those have changed immeasurably in the last five years, largely as a result of Kim Daejung's sunshine policy which has had mixed success, to say



the least, but it has had the effect of giving the South Korean public a much clearer understanding of what the situation in North Korea is really like, not only with regard to the repressive nature of the regime, but also with regard to the profound economic weakness of that country.

The conclusion that many South Koreans have drawn is that a country that weak can't really be a very serious threat to them.

Now, the future of this engagement remains to be seen, but quite clearly, it has gained a momentum, and even during this current nuclear crisis, South and North Korea continue to meet at inter-ministerial meetings and other forums, and they are devising various methods and projects of cooperation including connecting roads, and potentially connecting railways, building industrial zones in North Korea, et cetera.

The second set of relationships that is very important is one that concerns, of course, this Commission very directly, and that is China's relationships with both North Korea and South Korea. I think that Chinese diplomacy has been extraordinarily successful on the Korean peninsula over the last decade.

They have established diplomatic relations with South Korea. That relationship has now become very important to both countries, both in terms of trade and investment and in terms of politics and foreign policy within the region. At the same time, the Chinese have retained a degree of influence, and I think we have to be careful not to exaggerate this, a degree of influence with Pyongyang as basically North Korea's only semi-friendly contact with the outside world.

The third set of relationships that is obviously relevant to the current situation is that of between the U.S. and South Korea, and here I am dismayed to say I think there has been a distinct deterioration over the last two years for many reasons. South Korea is a rapidly changing society. It is a robust democracy. It is economically very successful. It is the 12th largest economy in the world. South Koreans are increasingly assertive and increasingly self-confident and, as I noted earlier, many of them feel that the threat from North Korea for which they've depended upon the U.S. to deter all these years, that that threat is receding, and they don't view it as acutely as they did even five years ago.

More importantly, I think they, many in South Korea, and I have to be careful, because South Korea is a diverse place in terms of opinion, but many are concerned that the policy being pursued by the United States with regard to North Korea is a policy that may serve U.S. interests but not adequately serve South Korean interests, so that raises suspicions.

Now what are the respective interests of the various countries? I think we all including Japan, South Korea, China, and the United States have interests in common. None of us want to see North Korea become a nuclear weapons state, but our interests on this proposition are not identical. We find that the threat of North Korea as a nuclear weapons state is an acute threat to the security of the United States itself, not because in my judgment North Korea would be able or intend to deliver nuclear weapons against the United States but because of the threat of proliferation of those weapons that could exist.

South Korea does not feel that North Korea would ever use nuclear weapons against it. Japan, on the other hand, is very concerned that North Korea is possibly mating nuclear weapons with missiles which have Japan within range. China does not want to see North Korea as a nuclear power, but China has basically three fundamental objectives on the Korean peninsula.

One is no nukes. The second is no war. And the third is no collapse. They do not want to see North Korea collapse, and that is a goal that the South Koreans share. I think we have not fully understood in this country the degree to which in the last several years public opinion in South Korea has shifted away from a desire for rapid reunification with the North to a very strong desire to put off reunification as long as possible.

South Koreans are concerned about the economic and social costs of reunification and being good students, they've studied the German experience very carefully, and the numbers for the Koreans are less favorable even than were the numbers for the Germans.

So while we all have a common interest not to see North Korea become a nuclear power, I think it is safe to say that for South Korea, they are more concerned about the threat to their national security that could arise from the manner in which the United States chooses to deal with the nuclear problem than they are about the threat of North Korean nukes themselves being a threat to South Korea.

So, what are the possible options at this point? Like Ambassador Sherman, I believe that everything should begin with an effort to negotiate a settlement. The big question is whether there is some combination of security assurances from the United States and economic benefits from other countries which would be sufficient to induce North Korea to agree to give up its nuclear program and, a very important "and," submit to a system of very intrusive inspections, which public opinion in all our countries would demand, be part of any agreement.

I don't know the answer to that, and certainly in the aftermath of what has happened to Mr. Saddam Hussein in Iraq, one has to wonder whether perhaps Kim Jong-Il has drawn what we consider to be the wrong lessons from the Iraqi experience and has concluded that a nuclear deterrent is his only real deterrent.

I would argue that that's a serious mistake. I don't think he needs a nuclear deterrent. He's got a lot of other deterrents, but he may well have concluded that.

Moving across the spectrum from a negotiated solution, one comes to this notion of coercion, some form, some combination of quarantine, blockade, et cetera. North Korea doesn't have very much. I'm not sure it's going to hurt it a lot to take away what little it still has, and as has been suggested, there is the major question as to how seriously China would want to cooperate with that.

Thirdly, we talk about a military option and the need to leave it on the table. I don't think we should be talking about things that we really don't have any intention of doing. I think that is a fundamental flaw in any country's foreign policy and certainly in the case of the United States.

I don't think there is a military option. And we shouldn't blithely say we've left it on the table. It scares the bejesus out of our allies and it, I think, sends a message to Kim Jong-Il which is not very constructive, because he knows that we don't know where all his nuclear facilities are. And he knows that in all likelihood neither South Korea nor Japan would ever give their informed consent to a military act by the United States in an effort to solve this problem.

And I would argue from a very personal point of view that without the informed consent of South Korea and Japan, the use of military power to try to solve this problem would be an act of gross immorality because we would be putting at risk the lives of hundreds of thousands, indeed millions of South Koreans and Japanese.

Thank you. I look forward to your questions.

#### **Panel I: Discussion, Questions and Answers**

Co-Chairman ELLSWORTH. Thank you so much, Mr. Ambassador. Very interesting and very powerful. Now, I have three Commissioners on my list to be recognized, and I will recognize them, but I'm going to use the prerogative and the power of the Chair to ask the first question if I may. I want to go back, Ambassador Sherman, to what you said and then I want to revert, Ambassador Bosworth, to what you just said and see if we can put the two together in some way, and I'm asking these questions in the context of all of our appreciation, and I think we all do appreciate it, that the time is running very, very short.

Reference has been made to former Secretary of Defense Perry, who has pieces in the newspapers recently talking about the shortness of time and the danger that a war solution may be the only solution.

Ambassador Sherman, you spoke about putting more on the table than just to tell the North Koreans to stop it, and you remember at lunch, former Secretary Albright spoke about the necessity for there to be a bigger deal. Should that include, in your judgment, a security guarantee from us to the North Koreans? And it's not totally unrelated, Ambassador Bosworth, to what you're saying.

I wish you would take the opportunity to say another couple or three words about the lack, or your views on the lack, of a realistic and credible military option because you said because we don't know where the new facilities are and he knows it, but is there any more to it than just that?

Ambassador Sherman?

Ambassador SHERMAN. I agree with you completely, Ambassador Ellsworth, that we are running out of time. It is certainly not on our side, and we are dangerously close to it being too late. I think many people believe that on September 9, which is the founding of the DPRK, the anniversary of the founding—

Co-Chairman ELLSWORTH. September 9.

Ambassador SHERMAN. September 9 that North Korea will declare itself a nuclear state. Whether it is or it isn't, it will declare itself a nuclear state and no one will know otherwise. So I think that the way negotiations ought to begin is, and maybe this is done

quietly and not directly, that North Korea would agree to freeze all of its nuclear program in place, allow the inspectors back in, declare if they have a second site, declare where the highly enriched uranium program is, and we would agree, and this is an idea that former Assistant Secretary Einhorn, who is on your next panel, has written about, and we would agree that at least as the talks continue, we would have no hostile intent toward North Korea and we would take no hostile acts, so we would give them what I would say is a "security guarantee light" because it happens within the context of the talks, but at least it would get things going and get things going in a more sane kind of way where we might have an actual chance at resolution.

The last thing I do want to say is this is one point where I slightly disagree with my good friend here, Ambassador Bosworth. I think no country can ever irrevocably take a military option off the table. I do agree with him that it is certainly not an option anyone wants. It is not an option. I believe we should go forward with if South Korea and Japan say no. I agree with him about the virtual immorality of that. But I don't think any country can ever give up its right if they feel that they must.

Co-Chairman ELLSWORTH. Thank you so much. Could you say just a couple of words, Dean Bosworth, further than what you've already said? I mean supposing that Ambassador Sherman's suggestion is tried and doesn't work?

Ambassador BOSWORTH. I think given where we are now that the only other alternate outcome, if you will, is we live with North Korea as a nuclear weapon state. I do not believe that South Korea would give its informed consent. Now I can't prejudge a national decision, but I think it is, first of all, virtually certain that Kim Jong-Il for reasons of face and his own survival would have to react militarily to a military attack on him.

He's not going to just sit there and take it or in all likelihood his own military would throw him out. So I think we can't just blithely assume that what the Israelis did to the Iraqis in '81 is an option that we could employ. And the South Koreans understand very well that any significant military conflict on the peninsula puts at risk everything that they have struggled for over the last 50 years.

It also, I would argue, given South Korea's economic importance in the world, given its presence in every production network of any importance, would be a grave blow to the international economy.

Co-Chairman ELLSWORTH. Thank you. Senator Thompson, would you like to sit up here with us? If you want to, we've got a place for you.

Senator THOMPSON. I'm fine. Thank you very much.

Co-Chairman ELLSWORTH. All right. Commissioner Wessel.

Commissioner WESSEL. Thank you both for being here. Appreciate all your time and effort. What you've just raised, your comments and comments of Secretary Albright earlier at lunch made me fearful that we're flying by the seat of our pants in many ways.

We are, as I noted earlier, having substantial turmoil not only in Congress, but also in the policymaking community regarding the quality of our intelligence and whether there's been manipulation,

whether it's a firm basis upon which to make decisions by our leaders.

As two former policymakers, I'd appreciate your comments on the quality, nature and impact of the intelligence we're receiving, as you pointed out, Ambassador Sherman, the potential of a new site, that the intelligence is driving much of the decisions right now, and what confidence should we have in it?

Ambassador BOSWORTH. Gathering intelligence on North Korea is extraordinarily difficult. This may be an even tougher target than Iraq was from an intelligence point of view. It is very isolated, very cut off. Even South Korea, which probably has more ability to access North Korea than we do, has very little actual intelligence on what's going on up there.

We know very little about how decisions are made, who makes them, what the strategic goals are of the regime other than its survival. My understanding is that there is no agreement within the U.S. intelligence community as to whether there's a second reprocessing site.

There are those who believe that there is. There are those who are skeptical. Having been through other questions of this sort, I doubt that the intelligence community is ever going to be able to give policymakers a clear yes or no. I would only point out that it's clearly in Kim Jong-Il's interest for us to think he may have a second site, because that tends to blunt the military option.

It's also in his interest that we believe that he has some nuclear weapons already. If you look back on what the agency and others have said about that, they've always said that he could have nuclear weapons. We don't say that he does have nuclear weapons.

But clearly it's in his interest to perpetuate that idea, and I think it's in his interest to believe or for us to believe that we have to treat him as a nuclear weapons state, because that is, from his point of view, the ultimate deterrent.

Ambassador SHERMAN. I agree with Ambassador Bosworth. We have to be very careful about how we use intelligence, and I think sadly we have to be particularly careful right now because I think our credibility is very weak. I personally wish that the President would come forward, meet the press, take questions, give reassurance to the world that if we made some mistakes where Iraq is concerned, which I give Deputy Secretary Wolfowitz credit for trying to start an honest assessment of what we knew and what we didn't know in terms of going into the post-war Iraq, that the President put those honest assessments on the table, say this is what we know, this is what we don't know, because I think our credibility is at stake.

So that if we say something about North Korea, given how difficult it is to have intelligence on North Korea that's worth anything, and if we put it out to the world, under the current circumstances, it's not going to be believed, and there are very serious actions that are necessary here. So I would hope the President would address this directly, address the broader intelligence question, and reassure the world that we're honest, as best we can, in a difficult situation about what we're doing and why we're doing it.

Co-Chairman ELLSWORTH. Very helpful. Thank you. , Vice Chairman D'Amato.

Vice Chairman D'AMATO. Thank you, Mr. Chairman. First of all, I want to welcome both of you. Wendy, it's terrific to have you here after having worked with you in the Senate for many years. Your direct testimony, I know, is a result of the caldron of the Senate experience that you went through for so many years, and I congratulate both of you on very frank testimony. It's very, very good to have this kind of teed up testimony to understand the issues.

I also welcome Ambassador Bosworth, the Dean from my alma mater. Thank you very much. It seems to me that you ought to be thinking about a new scholarship program for Chinese junior shuttle diplomats in any case.

And I think it's true that what you are saying is that the credibility of the United States has been weakened, and in a situation like this, our credibility is absolutely critical to making things happen. I suppose that military option comes only from the failure of diplomacy, which assumes that you've tried diplomacy, and I think that's the question that we're asking here.

But let me ask you, Ambassador Bosworth, if you are prepared to accept the North Koreans as a nuclear power, which I think is what you're saying is something that you would be willing to consider here. I guess the problem that we have with that is the question of North Korea's behavior as a nuclear power and the impact that would have on our global proliferation policies.

Can we credibly say to states of the Middle East we don't want you to develop nuclear weapons when basically we're bandying about what I would call the Pakistan solution, namely, a nation cheats, gets the weapons, gets to keep them, and then it's okay, you get the prestige and you're part of the legitimate international community.

I don't know how you have a credible international anti-proliferation policy where you have interdiction, where you penalize states from acquiring weapons, if you permit the North Koreans to retain a nuclear capability. That is, for me, the fundamental problem. If we didn't have a problem in the Middle East and we didn't have the proliferation question worldwide, then the North Korea question would be different. But I relate the two.

Do you relate the two? Do you see that? What is your answer to that problem?

Ambassador BOSWORTH. Well, Vice Chairman, I have no affection for the notion of North Korea as a nuclear power, none whatsoever. It scares me. I hate the notion. What I'm trying to bring to the discussion is some reality and for us to continue to say, well, if negotiations don't work, then we're going to move across that spectrum.

What I fear is that there may be—how should I say this—a half-hearted attempt at—

Vice Chairman D'AMATO. Less an effort at the negotiating effort?

Ambassador BOSWORTH. A half-hearted attempt at negotiation because there are those who don't want to see a successful negotiation because they don't want to deal with this reprehensible character. And to the extent that we entertain the notion that somehow

if negotiations don't work, we always have the military option to fall back on, I think that's a very flawed basis for policy.

Vice Chairman D'AMATO. Yes, I understand that.

Ambassador BOSWORTH. But, no, I do not want to see a nuclear North Korea. I think the consequences in terms of U.S. security and in terms of stability and security within Northeast Asia could well be catastrophic.

But it would be more catastrophic immediately if we were to try to employ a military option without the support of Japan, China and South Korea.

Vice Chairman D'AMATO. I think that we would agree with that. I guess my question is the attempt to divest North Korea of its weapons, which is the stated policy of this Administration and most everybody else who writes on the matter, irreversible dismantlement of its programs, is something that's going to be very difficult to get the North Koreans to agree to.

The question is, if you do not really have in your back pocket a credible military option, it seems to me that was what brought them to the table in the first place. At least it brought the Chinese to convince them to go to the table in the first place in the '90s.

I mean the Chinese, I think, were convinced, were they not, that we would have exercised the military option. If we are not going to be credible in military option, would we give the Chinese the kind of incentive to use leverage on North Koreans, which they have not in the past and even today are still not necessarily prepared to ratchet up?

Ambassador BOSWORTH. I think one of the few points of encouragement in the current situation is China's more active role in this process. I'm not sure we have to behave like the crazy uncle in the attic in order to get China engaged. China has its own interest at stake here.

Vice Chairman D'AMATO. What is that?

Ambassador BOSWORTH. China has its own interest at stake. China does not want to see a proliferation of nuclear weapons in Northeast Asia. The specter of a nuclearized Japan, in particular, is probably one of China's greatest nightmares. So they have their own reasons for striving to prevent North Korea from becoming a nuclear state.

Vice Chairman D'AMATO. Well, then let me just conclude by asking this. Do you think that what you would call a legitimate, mature and highly intense diplomatic track with all the carrots—I guess carrots and sticks are probably an understatement here. I guess we ought to talk about banquets and hammer jacks in this one. This is really the big time.

If you were to exercise the kind of diplomatic track which would use all your powers, all your tradeoffs and all your leverage with your allies, do you think the North Koreans would be prepared to divest themselves of this capability?

Ambassador BOSWORTH. I don't know.

Vice Chairman D'AMATO. Thank you, Mr. Chairman.

Co-Chairman ELLSWORTH. Thank you. Chairman Robinson.

Chairman ROBINSON. Ambassador Sherman, you may or may not have missed a question that I posed to our luncheon guests, but I would like your take on a question posed them concerning a bright

line or a demarcation line after which the North Korean situation moves to a new and perhaps unacceptable echelon of crisis.

Specifically, if the North Koreans were to complete the reprocessing of the 8,000 spent fuel rods between now and Thanksgiving or whatever an accelerated time-table could potentially yield, and had enough fissile material to fabricate one weapon a month leading to a nuclear arsenal of some ten to 12 weapons, that would in turn permit the North Koreans to test such a weapon, export nuclear materials or a completed weapon to third countries or groups, would that in your view represent such a bright line that may not be tolerable for the U.S.?

Ambassador SHERMAN. I'm not going to answer your question as directly as you would like me to, in part because in many ways the Administration has already made a decision to cross over several lines that prior Administrations, both Democrat and Republican, wouldn't have crossed over.

And so I believe we're dealing with a different set of assumptions than the assumptions that underlie your question. And for me, the answer is not what bright line are you next ready to walk over, but why aren't we in intense negotiations to avoid reaching that next bright line?

Otherwise, we are marching down the path that Ambassador Bosworth suggested, whether by intention or by drift. North Korea becomes a declared nuclear power, capable of having multiple nuclear warheads and transferring them and transmitting them, some that can be detected, some that will not be detected, to people all over the world, and rest assured North Korea will sell its weapons. They sell everything. They sell everything for hard currency and they sell everything as a matter of pride and of remilitarization and morale building.

So I think the issue here is not what next bright line can't we tolerate. I don't think we should tolerate where we are right now. I don't think we should tolerate them having told us about the HEU program and deciding, well now that you have this program, we're certainly not going to talk to you. In my view, having heard that they had a program, we should have intensified our negotiations. Negotiation, a good negotiation, a good negotiator, gets more than they give. So it is a win for the United States, not an appeasement by the United States.

Chairman ROBINSON. Thank you. Ambassador Bosworth, draw out a bit more the perils of this crisis going military and why in your view that would be an unacceptable circumstance, because I buy what Ambassador Sherman has been saying concerning the willingness without any hesitation on the part of the North Koreans to sell nuclear materials, particularly if they're in excess supply, or possibly even a weapon to the proverbial highest bidder.

We know what this could mean to New York, Washington or some other U.S. city or major asset around the world or in this country if terrorist organizations were to acquire such a weapon or even a terrorist-sponsoring state, for that matter.

Given these potentially horrific outcomes, I was frankly somewhat surprised by your assessment that there is virtually no circumstance that would justify a military response by the United



States, acknowledging the serious costs of such action. But I'd just like to understand better your views.

Ambassador BOSWORTH. Sure. Well, first of all, I think one should examine the proposition that Ambassador Sherman just made. I'm not sure I agree with it, that North Korea would inevitably sell nuclear material if it had it in its possession.

We believe that they probably have had in their possession for the last ten years or so. They haven't sold it. There is one circumstance in which I can foresee the inevitability of a military response, and that would be if this country were affected directly by a strike or by a terrorist organization using nuclear weapons.

Then, I think you have to ask yourself is Kim Jong-Il's interest in selling nuclear material when he knows that if that were used against the United States, it would provoke an immediate and horrific response, or is his interest in having it to deter an attack by the United States? I don't know.

But what I'm saying is I'm not saying that there are no circumstances under which I would envision a military strike on North Korea. What I'm saying is that we should not delude ourselves into thinking that there is some sort of surgical way to take out North Korea's nuclear program, ala Israel in 1981, because, first of all, we don't know where it all is, and secondly, in North Korea's case, in contrast to Iraq, not only would he want to react, he would have to react, and he has targets well within range, things that he can do that would be very damaging to us and to our allies. That was not a condition that Saddam Hussein enjoyed.

Co-Chairman ELLSWORTH. Good. Thank you so much. Commissioner Mulloy.

Commissioner MULLOY. Well, I have a follow-up on the issue that we just talked about here. Ambassador Sherman says we can't tolerate a nuclear North Korea because they would sell everything, and then Ambassador Bosworth says that there is no military option. My concern is a unilateral action by the United States to take out a North Korean nuclear capacity.

It just seems to me like the United States spent 70 years trying to build up a multilateral framework to deal with threats to international security. Now, has September 11 changed all of that, that we now start down the road that when we perceive that unilaterally that there has to be action, that we take it unilaterally, and we have to do this in order to prevent the unraveling of our non-proliferation efforts?

Vice Chairman D'AMATO. I didn't say we had to do that.

Commissioner MULLOY. Why can't we move multilaterally to deal with these kinds of issues? That's what concerns me.

Ambassador BOSWORTH. One of the few encouraging elements I see in the current situation in addition to China's direct involvement is the fact that we are closely consulting with our allies in the region. We may not be doing yet what they would like us to do, but we have been in close consultation with China, South Korea, and Japan.

I think this is obviously a severe threat to the security of the region and the security of the United States. I don't happen to believe that there is a unilateral military option available to the

United States, and I don't happen to believe that South Korea, in particular, would ever consent to U.S. military action.

Now, I should specify I'm not trying to pen in the South Korean government. They can agree or not agree, depending upon their own view of their own interests. But the next case that came along might well be quite different and if there were a military response that was practical and feasible, I would not rule that out.

But, what we did in Iraq is clearly not applicable to the situation in North Korea. We cannot have a kind of cookie cutter approach to these major questions of U.S. national security, and for the most part, I believe that we should be involved with in trying to solve these problems the other countries of the region who themselves are very directly concerned.

Ambassador SHERMAN. I agree with Ambassador Bosworth that there cannot be a cookie cutter approach in these kind of situations, that each one has to be looked at in the context and the circumstances of the situation and that we must be in very close consultation and ought to move shoulder to shoulder, particularly with South Korea and Japan, and I think one of the most important things we did, which the Bush Administration has continued, is the Trilateral Coordinating and Oversight Group, a terrible acronym, TCOG, but it is an ongoing institution where the United States, South Korea and Japan meet on a regular basis.

I think I led delegations 14 times in 12 months to make sure that we all were moving forward together, but one thing I want to add, Commissioner, is I do think that the world needs to consider what we're doing about nuclear nonproliferation in a new way. And whether that is a Security Council meeting in the same way that we looked at HIV/AIDS as a security issue for the first time, and re-look at the NPT and re-look at how we approach nuclear nonproliferation.

We live in a different era than we did when it [NPT] was created, and I'm sure your next panel will have some ideas about what ought to happen on this front, but I think until there is that a new multilateral framework for dealing both with fissile material and completed nuclear weapons and declared nuclear states, we are not going to have the kind of energy behind this that we need, whether it's North Korea or any number of other states that we could talk about this afternoon.

Co-Chairman ELLSWORTH. Good. Thank you. Dick, go ahead.

Vice Chairman D'AMATO. I want to clarify something. I want to make something clear to Commissioner Mulloy. I wasn't talking about unilateral action. I was talking about multilateral action in the event. I was just asking Ambassador Bosworth the question of the other consequence of a nuclear state in the North Korea peninsula in terms of our proliferation strategies. That would be the other side of this question, which is the question, which was addressed by the Clinton Administration.

The interview by Ashton Carter indicated that their position was that the gravity of that exceeded the gravity of going in on a military strike, and that's why they considered a military strike. I just wanted to clarify that.

Co-Chairman ELLSWORTH. Thank you. Commissioner Bryen.

Commissioner BRYEN. Thank you. Thank you for your testimony. I'm confused, to be honest with you, about a lot of this, and some of it honestly doesn't make any sense to me, so maybe you can clarify some points for me.

First question I would like to have your views is what's the difference between a nuclear North Korea and a nuclear Iran? Aren't they about the same problem for us? Answer in any order you like.

Ambassador BOSWORTH. I would never try to pass myself off as an authority on Iran, but again I think each of these questions, each of these problems poses its own consequences to American security. We don't have American forces at risk the same way that we do in South Korea. I don't know what the difference is. I don't want either one of them to be nuclear, and I think we ought to do everything reasonably we can to stop that.

Ambassador SHERMAN. I actually completely agree that we do not want additional nuclear states in the world. That is not good for any of us. I'm very sorry that India and Pakistan are nuclear. I don't think that's a positive thing for the world either.

And I think that there's no question that North Korea is probably at a much more advanced stage than Iran is in terms of nuclear development. That's not to say that Iran's nuclear development is not of great concern, but there are inspectors in Iran. They are involved in the process of inspections in a way that now is not even an option in North Korea. Most intelligence estimates that have been made public are that North Korea already has one to two nuclear weapons from plutonium that they secreted away before Yongbyon was shut down in 1994. And if they have reprocessed spent fuel, then within a matter of months, they could have five or six nuclear weapons.

And to go back to a point that Ambassador Bosworth made, I agree North Korea probably hasn't sold its nuclear technology up to this point, but when you have one or two weapons, you're more likely to hold on to them because they are a deterrent. You're less likely to test and use them. If you can have five or six, you're more likely to use them, sell them or have a much tougher deterrent.

So Iran is a very serious issue. It's just in a different stage of development with a different set of circumstances.

Commissioner BRYEN. Well, there were inspectors at one point in North Korea, and they kicked them out; right?

Ambassador SHERMAN. Yes. Yes, they kicked them out.

Commissioner BRYEN. And then we had inspectors once in Iraq and they seemed to not notice the fact that there was a nuclear weapons program there at the time. I was in the government then. We had the IAEA. This is before '91.

Ambassador SHERMAN. I'm sorry. I didn't understand—that the IAEA—

Commissioner BRYEN. Yes. I think you made a point earlier that I think was a valid point. You were talking about China. You said I would never put my national security in their hands. The U.S. has to, in effect, decide what's best for its national security on its own. Same thing goes for these inspectors. I wouldn't put U.S. national security in the hands of some inspectors that have a variety of motives that may not be in our best interest.

And I don't hold—I'm not very optimistic about inspection as a way of securing our interest or world peace for that matter.

A couple other questions. In South Korea, you mentioned earlier that they at one point had a nuclear program, and that we were able to convince them to desist.

Ambassador SHERMAN. It's true of South Africa as well. There are other countries that have begun down the nuclear road and moved back from it.

Commissioner BRYEN. Do you expect South Korea, given the fact that it looks as if North Korea has nuclear weapons, imminently has nuclear weapons, some people say two, some people say six—I don't know how many there are—are they going to go back and build their own nuclear weapons?

Ambassador SHERMAN. I would actually defer to Ambassador Bosworth on that, who was the ambassador to South Korea. What I would say is I don't think South Korea wants to spend its national treasure on a nuclear weapons program. It's a very expensive undertaking. They have a security umbrella with the United States that I think is very useful to them. So I don't believe that South Korea would rush to create a nuclear weapons program, no, I don't, but I would defer to him on this.

Ambassador BOSWORTH. I don't think so. I think we have to be careful not to speak with certainty about how other countries are going to react to events over which we have little control. Many people believe that Japan would become a nuclear power if North Korea would.

Commissioner BRYEN. That was my next question.

Ambassador BOSWORTH. I think there is that possibility. It would certainly strengthen the argument of those within Japan who would like to become a nuclear weapons country, nuclear weapons state. But I don't think we should assume that it would automatically happen. In both South Korea and in Japan, there are very strong constituencies that would militate against becoming a nuclear weapons state.

Commissioner BRYEN. For instance, if South Korea had nuclear weapons, whether on their own or whether we gave them nuclear weapons, what does that do this policy of North Korea's, to try and threaten and intimidate their neighbors by the policy that they're following?

Ambassador BOSWORTH. South Korea has lived with North Korea's ability to threaten and intimidate for over 50 years. North Korea has several thousand artillery tubes that have Seoul well within reach. So they don't—

Commissioner BRYEN. I'm talking about nuclear, which is a different.

Ambassador BOSWORTH. I think most South Koreans would argue that there is no qualitative difference between being threatened by nuclear weapons and being threatened by conventional weapons, if the conventional weapons can do great damage to you.

Commissioner BRYEN. So their policy is to rely on the U.S. to defend them in the final moment because they're not going to be able to defend themselves; is that what you're saying?

Ambassador BOSWORTH. No, that's not what I'm saying. We have a security alliance with South Korea under which we have troops stationed there.

We have a commitment to come to their assistance in the event that North Korea attacks them. If North Korea attacked them with a nuclear weapon, we would come to their assistance, but it's more likely that North Korea, if they were to attack, would attack with conventional weapons.

Ambassador SHERMAN. But I think what's important for you to know, Mr. Commissioner, is that South Korea's military is quite terrific and a very capable military, and there has been a lot of discussion which may underlie your question about whether our forces ought to leave South Korea. I believe it would be a mistake for that to happen right now because it would not, as some believe, if our troops left would mean that South Korea wouldn't have to do anything that were a trigger for North Korea's actions. I think North Korea's actions go well beyond whether our troops are there or not there, and I think it is in our own national security interests for us to be there perhaps in ways that are slightly different than we're there now because of the modern military, but I don't think it will end the crisis for our troops to leave.

Commissioner BRYEN. I've run out of time, but where I was really going was to say why just sit there and be intimidated when, in fact, we're a very strong and credible nation? I don't buy any of this about this lack of credibility, and maybe that's what North Korea needs is a dose of reality. Thank you, Mr. Chairman.

Co-Chairman ELLSWORTH. Thank you. Commissioner Reinsch.

Commissioner REINSCH. Thank you. First, I want to commend both of you and Secretary Albright, who was with us at lunch, for your stewardship of this problem in the last Administration. As she said, you left, if not in good shape, at least with a playable hand on the table. And in my judgment we kind of squandered a lot of those cards in the last couple of years.

I think you, the two of you, in particular, and Secretary Albright, well understood the old cliché that the longer you wait to deal with a problem, the fewer the options and the more expensive they are. You all attempted to deal with this problem when there were more options and dealt with it constructively, not finally, obviously, but constructively, and I think you all deserve great credit for that, and that tends to be forgotten these days. So I just wanted to put that on the record.

I do have a couple of questions. Ambassador Bosworth, I believe you mentioned in your testimony that you thought that economic sanctions on North Korea would be of limited utility, because they are so isolated economically. I certainly agree with that. Can you turn that around for a minute and comment on whether or not there might be economic carrots that would be useful in this area? Most of the discussion has been about a security negotiation or about military options. Are there economic things that we can do that would have any relevance or meaning to the North Koreans and, in turn, are there any commitments that, they could make there that we would find reliable?

Ambassador BOSWORTH. Sure. North Korea is a very poor country. They need a lot. They need almost everything you could think

of. So I think as part of any effort at negotiation, you have to be prepared to put economic goods on the table and say that exchange for a different behavior, these will be available.

That could be economic assistance coming from the international financial institutions where the U.S. really does hold the key to the door. It could also be substantial amounts of economic assistance coming from Japan, South Korea, conceivably China.

They need food. They need fertilizer. They need to rejuvenate their entire infrastructure of electricity, both generation and transmission. They need a new transportation system.

North Korea is not just an economy that is collapsing. The economy has collapsed. That's why I'm very dubious that sanctions are going to have much effect, but, yes, the lure of substantial economic benefits I think would be quite appealing.

Commissioner REINSCH. How likely do you think it is that we could internationalize that effort via the international financial institutions or other countries and create a multilateral presence there?

Ambassador BOSWORTH. I think it is very likely. What that effort requires, and here I agree strongly with Ambassador Sherman, what that effort requires is a degree of American leadership that has not been being exercised on this problem.

Commissioner REINSCH. Well, I was sort of moving in that direction.

Ambassador BOSWORTH. I thought you might be.

Commissioner REINSCH. Ambassador Sherman, do you want to comment on that, too, before I go to the next question?

Ambassador SHERMAN. Why don't you go to the next matter. I think I've said it.

Commissioner REINSCH. Very prudent. The next question is for you, Ambassador Sherman. One country I don't think mentioned, although I apologize for missing part of your testimony, was Russia. And do they have any role in this?

Ambassador SHERMAN. Yes, and I actually did not—I think I may have mentioned it in passing. Russia, the European Union, Australia, there are a number of players. But Russia has long had a presence in Pyongyang. They know the country very well. Certainly, a country that I consulted with when we were working both on the Perry report and subsequent negotiations.

They have ongoing relations. They have been known to pass messages in a useful way. And they also have very strong relations now with South Korea, and they're both important to each other's economy. Russia also has interests, economic interests in a railway line that would cut across North Korea all the way to the South.

So I think Russia is an important player here, can play a useful role. I think as many people in the room as possible is good, but at the end of the day, we have to decide what we want and exercise the kind of leadership that you and Ambassador Bosworth were referring to.

Commissioner REINSCH. Thank you for that. I certainly agree with that. One final question, if I may. We've been discussing on and off here the military option, and I certainly agree with you that one doesn't want to take anything off the table. I think that weakens one's negotiating position, but maybe either of you or both

of you could reflect for a minute on the extent to which that is in practical terms a viable operation or actually what we would do to make it a viable option. And I recognize you're both not military planners. On the other hand, I'm not sure that that makes a lot of difference these days.

Ambassador SHERMAN. We have a standing and constantly revised and reviewed operations plan for such a contingency. I don't know what its number is these days. It was 5027 in my time. And so I don't have any doubts the military knows what to do and how to do it should we get there.

And although Ambassador Bosworth and I may disagree about whether it should be on or off the table or in the back room or out of sight altogether, I do agree with Ambassador Bosworth that if we indeed are going to consult closely with South Korea and Japan, then we are going to consult closely and we are also going to listen, not just either brief or tell them what we're going to do, whether they like it or not, and neither South Korea nor Japan, particularly South Korea, would want us to move forward with a military option.

So it is certainly, in my view, a very, very, very last resort and one that if we had to get to I would hope we would come to together.

Commissioner REINSCH. Thank you. Ambassador Bosworth, do you want to add anything to that?

Ambassador BOSWORTH. I think I've probably already said a sufficient amount on the subject. I think it's inconceivable but—

Commissioner REINSCH. Thank you. Thank you, Mr. Chairman.

Co-Chairman ELLSWORTH. Yes, thank you. Commissioner Becker.

Commissioner BECKER. Thank you. Ambassador Bosworth, I was intrigued with your comments that there's really not a true military option for the United States under the current circumstances. I won't ask you to qualify that anymore. I think I understand it pretty well.

How do you feel about North Korea? Do they have a true military option?

Ambassador BOSWORTH. I don't believe they do, no. I think they understand that if they provoke us, the result is likely to be suicidal, and the planning that Ambassador Sherman referred to is a plan for the defense of South Korea against a North Korean assault, but it would obviously involve strikes into North Korea, and it would, in my judgment, mean the end of that regime.

Commissioner BECKER. I agree with you, and you're shaking your head, Ambassador Sherman.

Ambassador SHERMAN. Absolutely. I think the North knows quite well that if we all had to face the horrific possibility of a war, that South Korea and the United States with support from Japan and others would win that war. I don't think there's any question about it.

Commissioner BECKER. It would be very tricky for them to play any kind of a nuclear card, I would think, on everything that I know of this. It would have to be strictly out of despair. But we're removing, or in the process of removing, the 37,000 troops. I think that's the figure that we have in the DMZ.

Ambassador BOSWORTH. No.

Commissioner BECKER. Or the plans are relocating to not on the front lines?

Ambassador BOSWORTH. We are relocating. There are plans to relocate them south of the Han River.

Commissioner BECKER. Is that to, in some way, remove the risk of conflict or is it being interpreted by the North Koreans as clearing the decks so that we could have a preemptive strike?

Ambassador BOSWORTH. I think there are those in both North Korea and South Korea who interpret it in that manner. In my judgment, that is not the real intent. The real intent is to have more room for maneuver. They are very tightly penned in up there with the highly urbanized area in which they operate. But there's no question that there are those in South Korea and I'm sure those in North Korea who think this is, as you phrase it, clearing the decks.

But we have to remember that also present on those decks are 40 to 60,000 American civilians who live in Seoul. So you've got to somehow account for them if you're really going to clear the decks.

Ambassador SHERMAN. The discussions about how to deploy our military have been under discussion for quite some time because, as Ambassador Bosworth points out, they're penned in an urban setting on prime land in downtown Seoul, which creates a tremendous amount of tension, don't have maneuverability. I think the problem we have is one of timing of both the discussion and the actuality of making those changes, and that timing has left an impression for those who want to believe it that this is a function of us sending some kind of a message to the North, either that we should get rid of our troops so they aren't a hair trigger for North Korea or we should take them away as some kind of response, and so I think we have to be worried about the timing and the interpretation, but the planning and thinking about this has gone on for some time.

Commissioner BECKER. North Korea has made the statement several times that if economic sanctions are brought against them, and they're not quite clear as to who would bring those economic sanctions, they would go to war. Is it your thinking that they would go to war against South Korea or against the United States? Or would that make a difference?

Ambassador SHERMAN. Well, I don't think in practicalities it would make a difference, because we have an alliance, as Ambassador Bosworth pointed out, with South Korea, and have a commitment to come to their defense.

But North Korea said this back in 1993, that as we were heading to the UN Security Council for economic sanctions that it was tantamount to war. They have repeated that comment. I think there are some people who believe it's a bluff on their part. It might be, but it's a hell of a risk.

Commissioner BECKER. Thank you.

Co-Chairman ELLSWORTH. Thank you, Mr. Becker. Thank the ambassadors. Now, I'm not threatening or bluffing or anything, but it's three o'clock, and we're supposed to conclude by three o'clock. But this is very interesting, and customarily I'm advised by the older hands that sometimes we go over. So we're going to go over.



I have Vice Chairman D'Amato, Commissioner Bartholomew, and Commissioner Teufel-Dreyer, who have asked for recognition. But let's do keep in mind that the experts for the next panel are assembling already, and we do have an interesting and lively session here and looking forward to another one.

Vice Chairman D'Amato.

Vice Chairman D'AMATO. Thank you very much.

I wanted to go back to the 1994 Agreed Framework. That is an agreement that had some salutary effects and had some deficiencies. I think when we go forward here, we're going to have to go forward on the basis of what was it about that agreement that was good and what was bad and what would we do to improve upon it other than being multilateral this time, I think, which would be a very important improvement.

But Ambassador Sherman, you were involved in that. You must have thought a lot about what it was that we did that was right, that was imperfect. Some of the assumptions that the regime would collapse were wrong. Maybe that was an assumption that colored some of the things we did. Partly, I'd like to ask you a question on the partisanship that arose as a result afterwards that helped to debilitate it, I think.

We had experienced partisanship as a result of that from the very beginning before the ink was dry in it, I think, which I think is no way for the United States to conduct foreign policy, and it hurts us. But what lessons do you draw from that experience that you think will be useful for us to internalize now that we go forward?

Ambassador SHERMAN. I did not negotiate that agreement. I had the honor of getting it approved by the United States Congress. I think that one of the fundamental things that we didn't truly understand about the Agreed Framework is that for the United States, the Agreed Framework was a way to end the production of fissile material by North Korea at Yongbyon.

And North Korea thought the Agreed Framework was a way to normalize its relationship with the United States and get the benefits of that normalization.

And from the very beginning, we saw the Agreed Framework as different things. I think some in Congress saw the Agreed Framework as the way to make North Korea stop everything bad it was doing from its abuse of human rights to its lack of religious freedom, its drug trafficking, the end of its missile program, and the end of its nuclear weapons program.

And the Agreed Framework had a very specific purpose in the first instance, and that was to shut down Yongbyon and the fissile material production of plutonium that could be used in nuclear weapons. It was not perfect. It did not achieve all the things we wanted. It certainly didn't achieve all the things North Korea wanted because there was no normalization that came.

But it did do one very, very important thing that we all cannot forget. If the Agreed Framework had not been in place, by now North Korea would have somewhere between 50 and 100 nuclear weapons or enough fissile material for 50 to 100 nuclear weapons. And so forcing them to forgo 50 to 100 nuclear bombs is, in my view, not a bad outcome for on the United States' part a rather

small appropriation even to you former appropriators given that the real cost of constructing the lightwater reactors, which was the return that we had to make, was financed by South Korea and Japan, not the United States.

So the Agreed Framework did play a role. We have to be very clear about what aims are and whether we all have the same aims. None of us should expect an agreement to solve all problems. It is part of a process of normalizing a relationship with a country, and it happens over quite a long period of time.

Vice Chairman D'AMATO. Ambassador Bosworth, I meant to mention that I thought your piece in Foreign Affairs was very interesting. It gave me some ideas about South Korea that I hadn't thought of before, but one of the unknowns here really, I think, is South Korea in many ways.

Obviously the Chinese are cultivating the South Koreans, and there's a relationship of various kinds, I presume, between South and North Korea that perhaps we don't understand or aspirations on the part of the South that we don't understand.

What would you suggest be done that we could improve the contribution that we can make together with South Korea to solve this problem? South Korea obviously has a huge stake in this interest. We tend to forget that, I think, in terms of looking at the North's program. But do the South Koreans have the kind of leverage that could be used to move this forward that we aren't actually taking advantage of?

Ambassador BOSWORTH. I think they are. I think they have, and I think we are talking to them about it. I know we are. South Korean carrots can be turned into sticks by pulling them back and South Korean economic support for the North is significant at the moment, has been over the last few years. The extent to which South Korea can be persuaded to use that as leverage on the larger questions before us, I think it's quite feasible.

The only thing I would urge is that in our so-called consultation with South Korea, it would be more than, as Ambassador Sherman suggested, just letting them know what we're going to do before we tell the rest of the world. No country has more at stake in North Korea, even us, than South Korea, and we have to demonstrate that we are prepared to take those interests into account, to actually change our thinking from time to time in order to demonstrate that this is a mutually satisfactory relationship.

Vice Chairman D'AMATO. Thank you very much.

Co-Chairman ELLSWORTH. Commissioner Bartholomew.

Commissioner BARTHOLOMEW. Yes. Thank you, and I join Commissioner Reinsch in thanking both Ambassador Bosworth and Ambassador Sherman for their service to this country. I can only imagine how frustrating it must be these days to see years of hard work and what's going on.

I also want to thank you both for your clear and thoughtful comments, that you make here, and also publicly. I think it's very important for the debate that our nation really needs to be engaged in. Ambassador Bosworth, I wonder if you could talk a little bit more about the lure of economic incentives?

Two things strike me about that. One is you're talking about economic incentives for a country that has demonstrated, a regime

that has demonstrated its willingness to deprive its own population of the basics of material life for decades, and also it looks around the world and sees that the backbone of our policy towards closed societies has been the principle that economic reform leads to political reforms. I wondered then, are economic incentives really enough of a lure?

Ambassador BOSWORTH. No, by themselves I don't think they are. I think North Korea's primary concern is the survival of its regime. The regime's primary concern is its survival. And I think that above all, even more important than economic benefits will be the question of whether the United States is prepared to make a security commitment or pledge that we are not seeking to destroy the regime.

Now, that's going to be very difficult because quite clearly there are those in this Administration and those in this country more broadly who believe that you can never really solve this problem until you have a new regime in North Korea.

But I think that is the first thing they need. The second thing they need is, as you suggest, economic benefit. I mean if we believe that North Korea will sell nuclear devices and material to other countries, why don't we try to have them sell it to us?

Commissioner BARTHOLOMEW. Ambassador Sherman, would you like to comment on that?

Ambassador SHERMAN. I agree. I think that economic sanctions without a sense that we will allow their regime to survive will not be sufficient. Their fundamental interest is regime survival. And that survival is not only through some kind of a guarantee by the United States, but probably one of the things that they want more than anything is normalization of relationships and an embassy because in their minds it connotes the credibility and the stamp of approval of the one remaining superpower in the world.

Co-Chairman ELLSWORTH. Thank you so much. Ambassador Dreyer.

Commissioner DREYER. Thank you for the promotion. I appreciate that. If I try to listen to the collective wisdom of what you're saying with the ears of someone who doesn't know anything about this, I hear a possible other conclusion to some of the things you're saying, and if, as you and many others agree, the South Korean military is excellent, can handle things, and we the United States are not concerned with North Korean nuclear strike against us, because we know they are afraid of horrific consequences if they do, and the South Koreans say that they're not particularly afraid of a nuclear strike against them, and we've already learned to live, albeit unhappily, with a nuclear India and a nuclear Pakistan, and our options against North Korea are so limited—we can't run in there and bomb because we don't know where everything is—and China, of course, has been consistently unwilling to levy sanctions against North Korea, then why are we getting so upset about this?

Ambassador BOSWORTH. I think there are two reasons if you want to look at it from the perspective—

Commissioner DREYER. Just nuclear Japan? I mean we trust Japan, don't we?

Ambassador BOSWORTH. Well, Japan does not trust North Korea.

Commissioner DREYER. Yes, I've noticed.

Ambassador BOSWORTH. And the combination of missiles, the Nodong missile has Japan well within range. The North Koreans have deployed at least 100 of those. The combination of the Nodong missile and a weaponized nuclear device is one that is Japan's greatest nightmare, and I think that's undeniable.

Commissioner DREYER. Okay. So we're doing this for Japan?

Ambassador BOSWORTH. And we're also, as we've explained today, we are also concerned about the broader effect of a nuclear North Korea on global nonproliferation norms and the possibility that they would make this stuff available to people who would be able to and very eager to hurt the United States directly.

Ambassador SHERMAN. Madam Commissioner, although I am sorry that India and Pakistan are nuclear states, they do operate within the community of nations. They do operate among countries that try to adhere to a set of norms. That is not true for North Korea. So to compare the two is, I believe, not an accurate reflection of the state of the world.

Secondly, I believe very strongly North Korea will if they have five or six or seven nuclear weapons or the fissile material for five or six or seven nuclear weapons, try to sell them, and I believe that because if you look at Iran's missile program or Pakistan's missile program, they are all variants of North Korea's missile program.

And North Korea is a huge purveyor of its missile technology around the world, and that leads me to believe that if they had enough fissile material, they would do so with nuclear technology as well. That is a very, very dangerous situation, and I do agree with the President that as horrific terrorism is, as horrific as 9/11 is, fissile material, nuclear weapons in the hands of terrorists, would make 9/11, as horrible as it was, pale in comparison to what might occur.

So we have to take this seriously. And that is why I believe we seriously need to be at the table.

Commissioner DREYER. And if we do negotiate, if we give North Korea the credibility that our recognition would seem to be desirable to them for, would this bring within the family of nations in terms of making them accept the norms; do you think?

Ambassador SHERMAN. I think we don't know, but we won't know unless we test it, and the only way to test it is to have serious talks, really serious talks, really serious negotiations, where we get more for more, we get more than we give, and we might get them to step back from their nuclear weapons program. We have to try.

Commissioner DREYER. Thank you.

Co-Chairman ELLSWORTH. Thank you so much, Ambassador Bosworth and Ambassador Sherman, and thank you, Commissioners. We'll now have a very short recess and reassemble in just a few minutes. Thank you.

Chairman ROBINSON. Thank you very much. It's been a full day. We apologize to our present panelists for getting a somewhat late start, but for those that were here, you may have witnessed how animated a day we've had.

I'd also like to use this occasion in advance of this last panel of the day to offer a special thanks to the Commission staff, Tina Silverman and others of our team, that pulled together really extraor-

dinary briefing materials for our Commission, and it's made the day a richer one for us.

With that, I would like to turn over the proceedings to a co-chairman of this hearing, and the Vice Chairman of the Commission, Dick D'Amato.

Vice Chairman D'AMATO. Thank you very much, Mr. Chairman, and welcome, everyone. This panel will explore the evolution of Chinese thinking and practice on proliferation with a particular focus on China's proliferation behavior after 9/11. Since the early 1990s, China has taken steps to allay U.S. concerns regarding its proliferation practices through full and partial participation in multilateral and bilateral nonproliferation agreements.

However, China's proliferation practices remain an ongoing issue of contention in U.S.-China relations. China has now promulgated an export control regime after much prodding from the U.S. That said, shortcomings remain. Key to the success of China's export control regime, of course, would be Beijing's commitment to enforcement, which is just beginning, and the development of a regulatory implementation framework.

In addition, the Commission is interested in hearing these experts' views before us today on this panel views on how to improve the existing international and bilateral nonproliferation regimes, closing the loophole, so to speak. The panel will also continue our discussions of the events in North Korea, the role that China needs to play to defuse this dangerous situation, and the contours of an effective resolution, particularly an effective verification and inspection mechanism.

We have this afternoon four distinguished panelists. Dr. Fred Iklé is a Distinguished Scholar at CSIS, and he served as Undersecretary of Defense for Policy during the Reagan Administration. He also serves as Governor of the Smith Richardson Foundation and as Chairman of the U.S. Committee for Human Rights in North Korea.

Next to him, Ambassador Robert Einhorn is a Senior Advisor to the CSIS International Security Program, where he focuses on nonproliferation and arms control. He served as Assistant Secretary for Nonproliferation in the Department of State between 1999 and 2001.

And next to him, Dr. Leonard Spector, Deputy Director of the Center for Nonproliferation Studies at the Monterey Institute of International Studies. Prior to joining CNS, Mr. Spector served as Assistant Deputy Administrator for Arms Control and Nonproliferation for the National Security Administration in the Department of Energy, and I knew him well in an earlier life in the United States Senate when I think he worked for Senator Glenn for many years at that time.

Mr. SPECTOR. That's correct.

Vice Chairman D'AMATO. And next to him is Dr. John Olsen, principal member of the technical staff for the Cooperative Monitoring Center at the Sandia National Laboratories where he specializes in such issues as the U.S.-China technical cooperation in counter-terrorism and cooperative training programs involving Northeast Asian and South Asian countries.

We're delighted to have this distinguished panel. We welcome all of you to this hearing and thank you for your participation, and what we would, I think, do would be to start and go from our left to right starting with Dr. Iklé? and provide sort of a ten-minute summary of your remarks, if you would, and then when all panelists have finished, we'll open it up to questions.

## PANEL II

### STATEMENT OF FRED C. IKLÉ, DISTINGUISHED SCHOLAR THE CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Mr. IKLÉ. Thank you, Mr. Chairman. I'll stay within nine-and-a-half minutes or less, and I'll focus mostly on the Korea question, as it is linked to China, and the questions I got in your letter regarding that link on China.

But let me start closer to home: the U.S. policy on North Korea. You may have seen in yesterday's Washington Post by former Defense Secretary William Perry an article, "It's Either Nukes or Negotiation." I think there could be a third possibility. It could be nukes and negotiation.

It has been pointed out by the previous panel and in the press very frequently that the Administration should be negotiating. If you closely observe what's going on, you'll notice that the Administration is negotiating, not by sitting for weeks on end in Geneva, but they're dealing with North Koreans in New York, they've spoken to them in Beijing, and most importantly both sides have published statements that interact with each other. That is often how the most important negotiations take place prior to the possibility of an agreement.

But as to an agreement, we all know that negotiation is a process, not a solution. And with due respect for William Perry, the excellent Secretary of Defense and a very good scientist, I'm somewhat puzzled that he doesn't address this problem with his scientific understanding. If you have a hypothesis, namely that negotiation is a solution, you'll likely look at some regularities in the past that may give you an indication whether that hypothesis is valid.

The Kim Il Sung/Kim JongIl regime concluded about a dozen agreements, ten to 12, depending how you count them, relating to arms control, or addressing only arms control. The Armistice Agreement in '53 had an important arms control provision and a verification provision. If you don't recall that history, please revisit it.

Then the agreements with the IAEA, agreements with the Soviet Union on nonproliferation, several agreements with the United States, agreements with the ROK, multilateral agreements like the NPT. Of all these ten to 12 agreements, you cannot find not a single one that North Korea has kept, none.

So having this regularity, you would address the prospects of negotiation with a certain degree of caution. My view is that unless the political complexion of North Korea changes, we must expect—you are never certain in foreign affairs—but you must expect with a high probability that the next agreement like the previous eight or 12 will not be kept, or at least you would have to introduce some

good evidence to make it more plausible to believe that the next agreement will be kept more likely than the previous 12.

Now as we negotiate, and there was considerable interesting discussion with the previous witnesses on that point of negotiation, we must also recall how tough and difficult it is to deal with the very cunning North Korean negotiating style.

The Agreed Framework has been praised for halting the plutonium production, the potential building of so many weapons, away for the time being. But, there are some interesting questions to be raised about that agreement. Why did we accept the North Korean request that they needed nuclear reactors? The consensus now, as we look at the North Korean energy problem, is that nuclear reactors do not fit their almost collapsed electrical network. There's even a question whether they could have enough electricity to keep nuclear reactors safely operating.

They would be well served with cheaper, easier to maintain coal-fired power plants for a starter for the next ten, 20 years, till the electric grid is working better. Clearly, they asked for nuclear reactors, but why? For prestige? Or to get nuclear bombs?

The lightwater reactors have been touted as safe reactors often. Well, there's a study by Livermore, you probably know about it, you should know about it, that found that the plutonium produced by the lightwater reactor that we have been trying to build in North Korea, after the first scheduled refueling, for about 15 months, will contain 300 kilograms of near weapons grade plutonium which could be converted to give plutonium adequate to build a dozen or so nuclear bombs.

So why build these reactors and why remain so silent about that flaw the Livermore study has pointed out and which has not been properly contradicted?

Then as we build KEDO and if we continue to build it in particular, the workers are Uzbek workers because the North Koreans wouldn't want to have the political contact of their workers with our managers. That contributed to the delay in the project, which we are now being blamed for, but any rate we also have to train or have started training the operators of the reactors that will be selected North Koreans.

By learning how to operate a nuclear reactor from the American engineers, you learn quite a bit about nuclear technology. Is that what we want to do against proliferation? Well, generally, what you have here, and I want to stay within my time limit, is that the bomb travels in sheep clothing of peaceful nuclear reactors.

That game has been started, alas, by the Eisenhower Administration with the Atoms for Peace Program, the worst project that has ever existed in all the arms control history because we brought reactors to Laos, to the Congo, to South Korea and therefore had the Soviet Union bring a reactor to North Korea, and help to India for their reactors, and so forth.

Ambassador EINHORN. Iran.

Mr. IKLÉ. Iran, exactly. Thank you. The current state of proliferation is largely due to Atoms for Peace. That tells us we want to be a little careful about another agreement.

Also, if a new agreement has to be purchased in exchange for aid, and I think that will be necessary to sign something in Gene-

va, you in a way strengthen the North Korean regime, and if the regime is a large part of the problem of all the broken agreements, that should raise a question, too.

And then you need to be stubborn in negotiations, and that's unpleasant, particularly if you sit in Geneva as the negotiators did for the KEDO agreement, the Agreed Framework agreement. In an interesting report there from Ambassador Gallucci, (a very able ambassador and negotiator), according to The New York Times—the NYT doesn't lie often—Mr. Gallucci said that in 1994, so the New York Times reporter says, “the top priority I, Ambassador Gallucci, was given was to get hold of that spent fuel and get it shipped out of the country, because it represented the biggest risk.”

For some reason or another, Ambassador Gallucci or the State Department—let's assume it was the State Department—it was not insubordination—that top priority was shelved and put aside. And then the top priority became to get an agreement.

A few other points to lead into the next witnesses and give up my time. Should we coordinate with others? Should we have multilateral or bilateral negotiations? I think we can do both. That's not an important question. We ought to coordinate with Japan. We ought to be trying to coordinate with the Republic of Korea but keep in mind that they may not coordinate with us.

They didn't coordinate with us when the former South Korean President spent several hundred million dollars for a bribe to get his summit meeting and his Nobel Peace Prize. They do not coordinate with us, and this may be of interest to you in denying us access to North Korean defectors, senior ones, in Seoul, who they support well, but they're sort of under house arrest. And since we ought to work together on finding a policy toward the North, it would be useful for us to talk to those people. And there are other factors that they are not coordinating.

Let me end here, Mr. Chairman.

Vice Chairman D'AMATO. Thank you. Ambassador Einhorn.

**STATEMENT OF AMBASSADOR ROBERT J. EINHORN, SENIOR ADVISER  
THE CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES**

Ambassador EINHORN. Thank you, Chairman. I'm going to focus on China, but at the end of the '90s, I was responsible for some of the negotiations with the North Koreans. I'd be happy to deal with North Korean problem in the Q&A.

Mr. Chairman, China has come a long way since the 1960s when its declared policy was to support nuclear proliferation as a way of breaking the hegemony of the nuclear superpowers. During the 1990s, it made substantial progress in adopting international non-proliferation norms, joining various international agreements and controlling exports of sensitive goods and technologies.

Yet, throughout the period, China still had the reputation of being an indiscriminate proliferator, willing to sell about anything to anybody. This was a reputation in my view that the Chinese did not truly deserve, yet it persists to this day. Part of the reason for this image is that China's record of compliance with nonproliferation standards has been so uneven.

The pattern has often been two steps forward, one step back. In the area of multilateral agreements, China adhered to the NPT,



the Chemical and Biological Weapons Conventions, signed the Comprehensive Test Ban Treaty, but it hasn't joined several important multilateral suppliers groups and it's held negotiations on a fissile material cut-off treaty hostage to the U.S. position on missile defenses.

On regional nonproliferation, China's record is also mixed. It's worked closely with the U.S. to reduce tensions between India and Pakistan, but it has provided critical assistance to Pakistan's missile programs. It supported the maintenance of the UN embargo against Iraq, but some Chinese companies sold fiber optic cable that helped upgrade Iraq's air defense system.

It's pressed North Korea hard to give up its nuclear weapons program, but from a Chinese perspective, there are worse things than a nuclear-armed North Korea, among them war on the Korean peninsula and a collapse of the regime in Pyongyang.

Therefore, while China can be expected to play an active role in bringing North Korea to the multilateral negotiating table, it will be very reluctant to join us in coercive measures that could lead to instability or collapse in the North.

It has been in the area of sensitive exports where on the one hand China's progress has been most impressive, but where, on the other hand, remaining deficiencies have caused such controversy.

At U.S. urging, China phased out its civil nuclear cooperation with Iran, pledged not to assist any country in acquiring ballistic missiles capable of delivering nuclear weapons, and put in place for the first time comprehensive controls on the export of nuclear, chemical, biological and missile related goods and technologies. But it's also provided crucial support to nuclear and missile programs in Pakistan and has contributed to Iran's chemical weapons and missile capabilities.

While the legal tools are in place to control exports, enforcement is clearly inadequate. Beijing has failed to take actions against Chinese entities that have made sensitive exports in violation of China's own laws and regulations.

Despite China's mixed record, proliferation issues are no longer a major irritant in U.S.-China bilateral relations. As the relationship has gotten better and broader over the last two years or so, cooperation in such areas as counter terrorism has tended to diminish the salience of the remaining proliferation concerns.

A risk in this situation is that if proliferation issues are no longer seen as an impediment to better relations and are no longer given persistent high level attention in bilateral discussions, the positive trend, I believe we've seen in recent years, will go flat or even go negative.

To avoid backsliding, the U.S. will have to remain fully engaged, but in the area of sensitive exports, the Bush Administration seems to have departed from the tough engagement strategy used throughout the 1990s.

During that period, the U.S. constantly raised troublesome exports with Chinese authorities, sharing intelligence information where necessary and appropriate, pressing for a halt to such transfers, threatening and often imposing sanctions, and offering to waive or end sanctions in exchange for improved performance by China.

It was a contentious process, but it produced real results, often of the two-step forward, one step back variety. Under the current approach, U.S. sanctions laws are invoked quite frequently but instead of using sanctions as a tool to leverage better Chinese behavior, sanctions are simply imposed, sometimes without even explaining to Beijing the specific nature of the infraction, and without pressing China on the steps they need to take to avoid a recurrence.

As the sanctions become more numerous and are invoked in circumstances in which their justification is marginal, the sanctions policy tool becomes routine and it loses its ability to stigmatize irresponsible export behavior. Instead of putting effective pressure on China to enforce its export control commitments, this trivialization of sanctions tends to let the Chinese off the hook.

The Administration should engage directly and frequently on transactions of concern and should employ sanctions not as ends in themselves, but as means of leveraging better Chinese behavior.

In the area of regional proliferation challenges, the Administration should encourage China to assume greater responsibility for heading off an Iranian nuclear weapons capability, for reducing the prospect of an Indo-Pakistani military confrontation, and for persuading North Korea that continuing its nuclear weapons program will only doom the regime, not ensure its survival.

The Administration should also urge China to be a more active and responsible player in the global nonproliferation regime. Part of being a responsible player today, in the post 9/11 world, is ensuring that one's own nuclear and other sensitive facilities and materials are secure against theft, seizure or sabotage.

Yet we have little knowledge today about China's capabilities for preventing WMD related materials on its own territory from falling into the hands of terrorists or hostile regimes. This should be a very high priority in U.S.-Chinese discussions. The two countries should share information about their current practices and the U.S. should be prepared where necessary to help China meet high standards of physical protection. It's in our interest as well as theirs.

Mr. Chairman, the future of the nonproliferation regime will depend in no small degree on whether China is able and willing to play a responsible positive role. That will require not only China putting its own house in better order, especially in terms of adopting a more conscientious approach to export control, but also to China assuming greater responsibility for overcoming proliferation challenges in various regions throughout the world.

The Chinese record has improved slowly but steadily over the last decade, although there clearly have been some very notable lapses. At least part of the evolution in China's performance can be attributed to constant prodding by the United States. If we wish to further improve the Chinese record and wish to avoid recidivism, the U.S. must abandon the somewhat detached posture it's adopted in recent years and instead return to a policy of tough but constructive engagement.

Thank you, Chairman.

[The statement follows:]

**Prepared Statement of Robert J. Einhorn**

Mr. Chairman, thank you for giving me the opportunity to participate in this hearing on China's proliferation policies and practices.

China has come a long way since the 1960s, when its declared policy was to support nuclear proliferation as a means of "breaking the hegemony of the superpowers." It has also come a long way since the 1980s, when it provided direct support to Pakistan's nuclear weapons program and engaged in activities that would have been clear violations of the NPT had China been a party to the NPT at the time.

During the 1990s, China made substantial progress in adopting international nonproliferation norms, joining international agreements, and controlling exports of sensitive goods and technologies. Yet, throughout that period, China still had the reputation of being an indiscriminate proliferator, willing to sell almost anything to anybody. This was a reputation the Chinese did not truly deserve but, nonetheless, it persists to this day. Part of the reason for this image is that China's progress in complying with and enforcing nonproliferation standards over the years has been uneven. The pattern has often been two steps forward, one step back.

In the area of multilateral agreements, China joined the Nonproliferation Treaty (NPT), the Chemical Weapons Convention (CWC), the Biological Weapons Convention (BWC), and it signed the Comprehensive Test-Ban Treaty (CTBT). The CTBT was particularly tough for China because, unlike the other four members of the "permanent five" (P-5), China was the only one with ongoing testing requirements and it decided to give them up to join the CTBT. It also joined the NPT nuclear suppliers' committee (the Zangger Committee), and it is the first of the P-5 countries that took the steps necessary to bring the International Atomic Energy Agency's strengthened safeguards protocol into force in its country. Yet, at the same time, it has held negotiations on a fissile material cutoff treaty hostage to its concerns about U.S. missile defenses, it has not joined the Missile Technology Control Regime (MTCR), and its compliance with the BWC and CWC continues to be in doubt.

Its record on regional nonproliferation is also something of a mixed bag. On South Asia, China was America's closest partner in dealing with the May 1998 nuclear tests by India and Pakistan and has exerted influence on a number of occasions in the last few years to keep India and Pakistan from going over the brink. But, at the same time, it has continued, presumably because of its longstanding strategic relationship with Islamabad, to transfer very important missile equipment and technology to Pakistan's ballistic missile program.

On Iraq, China had a fairly good record of implementing the Security Council embargo during the 1990s. Moreover, it is clear that China would not have vetoed the Council resolution sought by the U.S. on the eve of the recent Iraq war had it been put to a vote. At the same time, its record on technology transfers was not unblemished. It provided fiber optic cable to Iraq, which helped Iraq upgrade its air defense systems. In addition, once the United States abandoned the effort to obtain a Security Council resolution that would have provided stronger international legitimization of military action, China became increasingly negative and called the U.S. military operation "illegal."

On North Korea, China played an important role behind the scenes in achieving the Agreed Framework of 1994, reportedly telling Pyongyang at a crucial moment that, unless it altered its position, China would not use its veto in the Security Council to block sanctions. In the present crisis over North Korea's nuclear program, China has become increasingly energetic in trying to dissuade Pyongyang from pursuing nuclear weapons. Several months ago, it reportedly sent North Korea a tough signal by suspending oil supplies for a few days. In the last few weeks, it sent a Vice Foreign Minister to Pyongyang to deliver a letter from President Hu Jintao and to urge North Korea to attend a second round of talks in Beijing. Clearly, China strongly opposes nuclear weapons on the Korean peninsula.

But it is important to appreciate that, from a Chinese perspective, there are worse developments than a nuclear-armed North Korea—among them a war on the peninsula and a collapse of the North Korean regime that could result in chaos, massive flows of North Korean refugees to China, the sudden reunification of the two Koreas under Seoul's leadership, and U.S. forces stationed in a reunited Korea near China's border. Therefore, while China can be expected to play an active role in bringing North Korea to the negotiating table and trying to facilitate a peaceful solution, it will be very reluctant to join in coercive measures, such as cutoffs of food or fuel supplies, that could lead to widespread instability in the North or the collapse of the regime.

It has been in the area of sensitive exports where, on the one hand, China's progress has been the most impressive but where, on the other hand, remaining shortcomings have caused the greatest controversy. It is useful to look at the record in some detail.

In 1992, China sold M-11 ballistic missiles to Pakistan. In 1994, as part of a deal to end M-11-related sanctions, China pledged not to sell complete ground-to-ground missiles of "MTCR class" (i.e., capable of delivering a 500-kilogram payload to a range of at least 300 kilometers). And in fact, since that time, we have no evidence that China has actually sold complete missiles of that category.

In 1995, a Chinese company sold ring magnets to Pakistan's uranium enrichment program. In 1996, after the United States withheld all Export-Import Bank loans to China for a period of over three months, China pledged not to provide any assistance to unsafeguarded nuclear facilities anywhere in the world, in Pakistan or anywhere else.

In 1997, in the run-up to Chinese President Jiang Zemin's visit to Washington and in exchange for a certification by President Clinton that would enable a U.S.-China peaceful nuclear cooperation agreement to enter into force, China agreed to refrain from any new nuclear cooperation with Iran, to end support for a uranium conversion facility, and to complete two existing, non-sensitive projects in a short period of time. It also agreed to put comprehensive, nuclear-related export controls in place and to join the Zangger Committee. Earlier, it had terminated the sale of two nuclear power reactors to Iran and turned down Iran's request to purchase a research reactor highly suitable for the production of plutonium. Years later, a senior Chinese official told me in private that the reason China was willing to cut off support for Iran was that Chinese intelligence had taken into account the information the U.S. had shared about Iran's plans and intentions and had come to the same conclusion we had—that Iran was in fact seeking nuclear weapons.

In 1997-1998, there were indications that China had become unresponsive even to Pakistan's requests for missile assistance. In particular, China was refusing to fulfill some existing obligations to Pakistan's missile program. However, after the May 1998 India/Pakistan nuclear tests and after some frictions had developed in the U.S.-China relationship, especially over the bombing of China's Belgrade embassy and U.S. arms sales to Taiwan that Beijing found objectionable, there was a resumption of Sino-Pakistani missile-related activity which had slowed down over the past few years. This increased missile export activity led to U.S. threats of new sanctions and during 2000 these threats were accompanied by a U.S. moratorium on the export of satellites to China for launch on Chinese boosters. The U.S. Government undertook lengthy negotiations with the Chinese throughout 2000 and reached an agreement in November 2000 under which China agreed it would not assist any country in any way to acquire MTCR-class ballistic missiles. China also agreed for the first time to put into place comprehensive export controls in the missile field. In exchange for this, the U.S. agreed to waive some pending missile sanctions against China and to resume the processing of licenses for the export of satellites to be launched in China.

Despite this new agreement, evidence soon emerged that China was continuing to engage in missile-related transfers inconsistent with the agreement. New sanctions were imposed in September 2001 for transfers of MTCR-controlled equipment to Pakistan's missile program. But in the summer and early fall of 2002, the Chinese promulgated the comprehensive, missile-related export controls called for in the November 2000 agreement, and also upgraded controls in the chemical and biological field. They also apparently took disciplinary action against the Chinese entity that the U.S. had earlier sanctioned for engaging in missile assistance to Pakistan, the China Metallurgical Equipment Corporation.

Notwithstanding China's strengthened controls, problematic Chinese exports have continued. Sanctions were imposed on Chinese entities in January, May, and July of 2002 and in May and June of 2003, all for transfers to Iran's chemical or missile programs. A total of 35 Chinese entities were sanctioned on those occasions, although the number is somewhat misleading. Given the overlapping nature of several U.S. nonproliferation sanctions laws (e.g., Iran Nonproliferation Act, Iran-Iraq Nonproliferation Act, chemical/biological and missile sanctions laws), several of those Chinese entities were sanctioned more than once for the same transfer. Moreover, since the Iran Nonproliferation Act authorizes the imposition of sanctions for transfers to Iran of dual use items (regardless of their end use), it is possible that some of the sanctioned transfers were not destined for CW, BW, or missile programs (as compared to less sensitive end-uses). It is also not clear how many of the sanctioned transfers were made with the knowledge and approval of Chinese authorities. Indeed, there are solid grounds for believing that Chinese entities, especially in the chemical area, have often sought to circumvent Beijing's laws and regulations. Still,

the continuation of questionable Chinese transfers—most of them surely headed for Iran's CBW or missile programs—suggests both that China's authorities are not exercising sufficient restraint and that they do not yet have an effective export control system in place.

So, the trend line over the past decade—in terms of Chinese adherence to multilateral nonproliferation agreements and norms, China's role in regional proliferation issues, and China's control over sensitive exports—has been positive. But China's transformation from being part of the nonproliferation problem to being part of the nonproliferation solution is far from complete. What accounts for this mixed record?

On the positive side, China has increasingly internalized the view that preventing proliferation of WMD is in China's own national interest. Chinese leaders have come to recognize that the proliferation of these capabilities, especially in their neighborhood, would undermine the stable international environment that they believe is necessary at this stage in China's development.

Reinforcing China's interest in stability is China's interest in being seen as a major and responsible player that abides by the international rules. This desire to be perceived as an upstanding world citizen is one reason why the Chinese have traditionally reacted so strongly to the imposition of U.S. nonproliferation sanctions (even sanctions that have negligible tangible effect) and why the threat of sanctions can often be used to leverage better Chinese behavior.

On the negative side, China's growing stake in nonproliferation can sometimes be outweighed by other Chinese goals—for example, maintaining its strategic relationship with Pakistan, avoiding instability or regime change in North Korea, or demonstrating its opposition to a unipolar world.

Another factor diluting China's commitment to nonproliferation is its tendency to see cooperation with the United States on proliferation issues as a function of the U.S.-China bilateral relationship. When those relations are good, China's cooperation can be forthcoming; but when those relations are bad, or in a state of decline, then its cooperation is much more difficult to obtain. Thus, breakthroughs on nuclear cooperation with Iran came just before President Jiang's 1997 visit to Washington, and China's missile-related exports controls were announced before his visit to Crawford. But the Belgrade embassy bombing and certain U.S. arms sales to Taiwan were followed by dry spells in the nonproliferation area.

A third factor diluting China's commitment to nonproliferation is that, even when Beijing has wanted to restrain its exports, its ability to control exports has been limited, especially in the area of dual-use goods and technologies. Many Chinese firms that engage in potentially sensitive trade are spin-offs from state-owned enterprises and no longer operate under the direct supervision of central authorities. Beijing now has most of the legal and regulatory tools in place to control exports, at least on paper. A key deficiency is in the area of enforcement. China has yet to devote the necessary resources, especially in terms of trained manpower, to implementing its controls and has yet to adopt a proactive approach toward enforcement. Although there are clear indications that Chinese entities are violating Beijing's laws and regulations, there is little evidence that violators are being pursued and penalized.

Despite China's mixed record, proliferation issues are no longer a major irritant in U.S.-Chinese bilateral relations. As the relationship has gotten better and broader over the last two years, cooperation in such areas as counter-terrorism has tended to diminish the significance of remaining proliferation concerns. A risk in such a situation is that, if proliferation issues are no longer seen as a serious impediment to better relations and are not given persistent, high-level attention in bilateral discussions, the positive trend line of the last decade will go flat or even become negative.

A concern in this regard is that the U.S. Government has departed from some of the practices that kept the trend line positive through the 1990s. That period was characterized by intensive and often contentious bilateral engagement on nonproliferation issues. When the U.S. had intelligence about troublesome Chinese transactions with third countries, it usually raised the matter with Chinese officials, pressed them to stop the transfer, threatened and often imposed sanctions, and offered to end or waive sanctions in return for improved Chinese performance. Meetings were held frequently, at both expert and senior levels. It was often a rocky road, but it produced real progress in terms of improvements in Chinese behavior.

The current approach is very different. Only rarely does the U.S. share intelligence information with Chinese authorities about transactions of concern. Partially this is due to a concern about compromising intelligence sources and methods. But it is also the result of strong doubts in the Administration that Chinese authorities would use the information to put a halt to the transfers. Under the current approach, U.S. sanctions laws are frequently invoked. But instead of using them as tools to leverage better Chinese behavior, sanctions are simply imposed, sometimes

without even explaining to Beijing the specific nature of the infraction and without pressing the Chinese on how they can avoid a recurrence. The frequent imposition of sanctions, moreover, has diluted their value as a means of influencing Chinese behavior. Because the economic impact of nonproliferation sanctions on China is usually negligible, their main value as a disincentive is in branding China and Chinese entities publicly as proliferators. But as sanctions become more numerous and are invoked in circumstances in which their justification is marginal at best, the sanctions become routine and lose their ability to stigmatize irresponsible export behavior. Instead of putting effective pressure on China to enforce its export control laws and regulations more rigorously, the trivialization of sanctions tends to let China off the hook.

The Administration should not equate the frequent imposition of sanctions with having a sound policy to address the China proliferation challenge. Sanctions are an essential element of a sound policy, but they are not ends in themselves. They should be used not just to punish but also to encourage better behavior. If the U.S. is to get the Chinese to take export controls more seriously, it will need to be more engaged bilaterally than it has been in recent years. It will have to raise transactions of concern with Chinese officials (sharing information where possible), press them hard to practice greater restraint in their licensing decisions, urge them to exercise tighter control over Chinese entities and penalize violators, offer to cooperate with relevant Chinese authorities to strengthen their export control system (especially its enforcement capability), and, where necessary, threaten and even impose sanctions.

The U.S. also needs to stay engaged with China in addressing regional proliferation threats. On North Korea, the U.S. has welcomed the increasingly active role Beijing has played in bringing the North Koreans to the negotiating table. But if a solution is to be reached on the nuclear issue, China will have to go beyond facilitating talks to helping shape the substantive outcome, including by making clear that, if Pyongyang persists in acquiring nuclear weapons, China will have no choice but to join others in the Security Council in adopting punitive measures. On Iraq, China can be helpful, both at the UN and eventually perhaps on the ground in Iraq, in assisting international efforts to reconstruct an Iraq that is free of weapons of mass destruction and not a threat to its neighbors. On Iran, China's position as a friend of Tehran and as a member of the IAEA Board and UN Security Council puts it in a strong position to help persuade Iranian leaders that their interests are best served by abandoning present efforts to obtain nuclear weapons. On South Asia, while avoiding arms and technology transfers that can fuel tensions in the region, China can use its improving relationship with India and its traditional strong ties to Pakistan to promote dialogue and confidence-building steps between the two protagonists.

The U.S. should also encourage China to become a more active participant in the global nonproliferation regime. China, for example, should take the steps necessary to join both the Nuclear Suppliers Group and the Missile Technology Control Regime, and should drop its preconditions for beginning negotiations on a Fissile Material Cutoff Treaty. Beijing should also be urged to join the Proliferation Security Initiative (PSI), currently an 11-nation coalition of the willing exploring the legal and practical issues involved in seeking to interdict air, sea, and ground shipments of WMD and WMD-related materials. Because of PSI's special relevance at the present time to the North Korean case, China may initially be reluctant to associate itself with the effort. But the U.S. can begin now to hold confidential, bilateral discussions on PSI issues with China in the hope of eventually bringing it on board.

Being a responsible member of the international nonproliferation regime today, especially after 9/11, means taking a variety of steps designed to prevent terrorist groups or hostile regimes from getting their hands on the ingredients for WMD. Among those steps are measures to secure and account for sensitive materials, physical protection measures applicable to facilities housing such materials, and effective border controls to interdict illicit trafficking. We have little knowledge of China's current capabilities and practices with respect to protecting its nuclear and other sensitive installations and materials from theft, seizure, or sabotage. This should be a high priority item on the U.S. nonproliferation agenda with China. The two countries should share information with each other on how they protect their WMD-related facilities and materials, and the U.S. should be prepared, where necessary, to assist China in strengthening its capabilities and procedures, especially in the nuclear area.

China eventually should also become a contributor to the G-8 "Global Partnership Against the Spread of Weapons and Materials of Mass Destruction." Established at the June 2002 G-8 summit in Canada, the eight leaders committed their countries to donate \$20 billion over ten years "to prevent terrorists, or those that harbour

them, from acquiring or developing nuclear, chemical, radiological, and biological weapons; missiles; and related materials, equipment, and technology.” The initial focus of the Global Partnership was to prevent proliferation threats arising from Russia and other states of the former Soviet Union, but the G-8 envisioned broadening the focus to threats arising elsewhere. The Eight also expected that non-G-8 countries would participate in the initiative as contributors. Given its expertise, resources, and close ties with countries around the world, China could become an important contributor to the Global Partnership. The U.S. and other G-8 members should discuss the initiative with China and encourage it to become involved.

In conclusion, it is reasonable to believe that the future of the nonproliferation regime will depend in no small degree on the willingness of China to play a major and positive role. That will require Beijing not only to put its own house in better order (in terms of adopting a more conscientious approach to controlling the export of sensitive equipment and technology), but also to assume greater responsibility for addressing proliferation challenges in various regions of the world. The Chinese record over the last decade or so—in the areas of sensitive exports, regional proliferation, and the global nonproliferation regime—has improved slowly but steadily, although there have been notable lapses. At least part of the positive evolution in China’s performance can be attributed to constant prodding by the United States. If we wish to see further improvement and avoid recidivism, the U.S. should abandon the detached posture it has adopted in recent years and return to a policy of tough but constructive engagement.

Vice Chairman D’AMATO. Thank you very much, Mr. Ambassador. We’ll move right on to Mr. Leonard Spector from Monterey.

**STATEMENT OF LEONARD S. SPECTOR, DEPUTY DIRECTOR  
CENTER FOR NONPROLIFERATION STUDIES  
MONTEREY INSTITUTE OF INTERNATIONAL STUDIES**

Mr. SPECTOR. Thank you very much, Mr. Chairman. I’m very pleased to be here and to provide some testimony on behalf of myself and my two colleagues, Jing-Dong Yuan and Dr. Philip Saunders, our specialists on Chinese nonproliferation issues based in Monterey. I’ll just read a few excerpts and elaborate on a few points from my written comments, which you all have. I think you’ll find that much of what we have to say echoes what Dr. Einhorn said and also what we heard earlier in the day regarding the improvement in Chinese behavior over the last decade.

The most egregious exports have stopped—the transfers of complete missile systems, the major sales to unsafeguarded nuclear facilities of nuclear materials and technologies—but unfortunately China has continued to export a range of dual-use equipment, lesser equipment but still quite important, that could be used in weapons of mass destruction and ballistic missile development programs.

Many exports of proliferation concern in recent years have fallen into the gaps between China’s formal commitments under nonproliferation treaties and the more stringent multilateral export control regimes.

For example, China was sanctioned repeatedly for selling dual use chemicals to Iran that are covered by the Australia Group control list, but are not on Chemical Weapons Convention, so it was complying with some of its obligations on the agreements that it signed but not with what are emerging as the international norms.

Because China was not a member of these export control regimes, U.S. officials pressed China to modify its domestic export regulations and control lists to fill these gaps. In addition, the U.S. Government sought to block a number of authorized deals that violated China’s bilateral and treaty commitments, notably continuing

Chinese transfers of missile technology to Pakistan. The U.S. also urged the Chinese government to control unauthorized exports such as the 1995 sale of ring magnets to Pakistan, which could be used in uranium enrichment centrifuges.

Unfortunately, the opaque nature of China's export control system has made it very difficult to get a grip on precisely what is happening in all cases. From 1994 to 1998, China issued a series of laws and regulations governing exports of chemical, nuclear materials, military equipment and dual use technologies. This was in large part due to Robert Einhorn's efforts and is unquestionable progress.

But what we are still seeing is slippage in the actual practices. The high point in terms of the new regulations came in 2002 when missile regulations were finally issued by the Chinese government and were made public in China along with chemical and biological and military products export control regulations and control lists.

This was a very significant step forward. The new regulations close most of the gaps between China's export control systems and the standards of multilateral export control regimes. So again progress is being made. U.S. nonproliferation experts and government officials have praised the new regulations, but they also warn that effectiveness depends on how they are going to be implemented, a problem we sometimes have here as well.

Like any export control system, Chinese export controls allow considerable scope for discretion on the part of regulators and I think this is the area where we do not quite have a fix on how the Chinese are behaving.

Now, in the post 9/11 environment, as we have heard, we have expected more from China. They have been very forthcoming on the antiterrorist front. Our concerns about proliferation have intensified and have focused heavily on the threat of terrorist groups acquiring WMD and on transfers that could help Iran, the former government of Iraq and North Korea develop these capabilities.

The intensification of U.S. efforts to combat WMD has heightened U.S. expectations about Chinese nonproliferation efforts. The United States now wants China to support U.S.-Korea policy by pressuring North Korea to rein in its nuclear weapons program and to engage in multilateral talks about securing the Korean peninsula free of nuclear weapons.

All of this has created heightened expectations as to what China should do to fight proliferation beyond mere compliance with international rules.

One very troubling item which was mentioned in the questions you asked, concerns the NORINCO case. This took place rather recently from what I've heard from U.S. officials. It involves a state company with connections to the Chinese state. We don't know of the precise nature of the offense, but we do know that NORINCO has had a history of improper exports which are either being winked at by the Chinese government or that the export control system is simply too crude to control.

I think many of us believe this is not a pure accident that these exports occur, but the situation is a bit opaque. It's especially disturbing, however, to see this occurring after 9/11 when our relationship with China has improved so much.



We have a number of suggestions at the conclusion of our testimony regarding possible areas for U.S. assistance in enhancing Chinese export controls. The political tensions about these issues has eased up a bit, thus opening the door to greater U.S. assistance of a practical nature.

We can now go back and do what we started to do at an earlier phase of the Clinton Administration, which was to go teach the Chinese about how to control their nuclear materials. For instance, we had a demonstration near Beijing of some of the off-the-shelf equipment and how it can be assembled and used to keep track of nuclear materials.

This type of practical assistance became impossible in the very difficult political environment in the latter part of the 1990s, but I think we can go back to these efforts now, and I think Bob's idea for trying to reinforce cooperation in this area is a good one. Moreover, I think it's something that all sides of the debate would find acceptable.

Similarly, I think we can teach Chinese officials how to build their infrastructure and computerize export controls. We teach this all over the world. How to keep track of licenses, how to work with industry to inculcate the sense that a license is required for certain kinds of sensitive exports. We can encourage the Chinese to increase the number of officials working these issues. This is a vast economy and they have just a handful of export control officials.

I should add that this is the kind of work that is done by the Monterey Institute Center for Nonproliferation Studies, and very much by the U.S. Government, and I think it needs to be reinforced and enlarged.

Let me just say a few words on North Korea. There is another approach, which I'd like to at least identify for addressing the current impasse. I'm not sure that I can articulate it chapter and verse, but, it has to do with loosening the noose around North Korea rather than tightening it. The approach to loosen the controls on refugees and the outward flow of North Korean citizens. I'm looking back toward the end of the Cold War and the end of the Berlin Wall, we recall that this occurred only after it became possible for East Germans to flood out of the country because of changes in Eastern Europe.

In the North Korean context, we could encourage such an exodus, at least at a certain level, from North Korea in order to weaken the regime. If China and Russia were to open their borders, we could make provisions, perhaps through the UN or through bilateral means, for absorbing some of these refugees, either here or in Japan or in South Korea. Or, we could provide relief for them in China to ensure this would not be a deluge that China would have to cope with alone.

I think if this were to occur, we would see the North Korean regime destabilize. I think Ambassador Bosworth raised concerns about regime destabilization, but let's consider the two other basic alternatives—tolerating a nuclear North Korea or perhaps going to war. In the instability that might ensue from this outflow of refugees, it might be possible to work the regime more aggressively and perhaps to bring about change that would enable a more benign regime to take control in Pyongyang. And if the military intervention

becomes a little bit easier to execute with the chaos that might be occurring in the country.

I don't think these are easy issues, and I haven't had a chance to work through all the permutations but I think it's worth identifying this as a different kind of approach that might weaken the North Korean regime without giving them a military target to respond to.

Thank you.

[The statement follows:]

**Prepared Statement of Leonard S. Spector  
on behalf of himself and Jing-dong Yuan, and Phillip C. Saunders**

In assessing China's progress toward meeting international nonproliferation standards and evaluating the remaining problems outlined in the Commission's invitation, it is useful to begin by reviewing the historical evolution of U.S. concerns about China's proliferation potential and U.S. expectations about how China should behave. I will then briefly review factors underlying improvements in China's nonproliferation behavior and examine concerns about ongoing Chinese proliferation activities. My testimony will conclude with suggestions about ways the United States can influence China's nonproliferation policies and behavior in positive directions.

**Evolving U.S. Proliferation Concerns and Expectations**

As China moved towards its first nuclear weapons test in the early 1960s, U.S. security experts feared that a Chinese nuclear weapons capability could have major destabilizing effects on regional and international security. Three concerns were cited: fears that nuclear weapons might stimulate aggressive and irresponsible Chinese actions; the possibility that other countries in the region, such as Japan and India, might respond by developing their own nuclear weapons capability; and the prospect that China might provide nuclear weapons material and technology to many other developing countries. The official statement following China's October 1964 nuclear weapons test declared that the superpower "nuclear monopoly" had been broken. U.S. expectations about prospects for responsible Chinese behavior or U.S. ability to influence China's proliferation behavior were minimal. Indeed, fears about the consequences of a Chinese nuclear weapons capability had led the U.S. Government to develop secret contingency plans for a possible military strike against Chinese nuclear weapons facilities.<sup>1</sup>

As U.S.-China relations improved in the early 1970s, the United States came to see China's nuclear weapons as something that could help balance against Soviet power. China's strategic alignment with the United States eased fears that China might use nuclear weapons irresponsibly or assist countries hostile to the United States in acquiring weapons of mass destruction (WMD). China's planned economy and tight central government controls over the nuclear weapons complex and foreign trade meant that there was little prospect for exports of WMD or WMD technology without government authorization. In the 1970s and early 1980s, U.S. nonproliferation efforts focused mainly on persuading China to join or participate in the formal treaties and institutions that comprise the nonproliferation regime. The emphasis was mainly on moving China from outside the nonproliferation regime to a position inside the regime that would enhance the universality and legitimacy of nonproliferation norms and treaties.

The Chinese economic reforms that began in 1979 loosened controls on exports and reduced government support for China's defense industrial complex. The result was a surge in Chinese proliferation activity, as Chinese defense enterprises took advantage of new opportunities to seek foreign markets for their products, including exports of ballistic missiles, nuclear technology, and precursor chemicals and equipment useful for the production of chemical weapons. Chinese government officials approved many of these deals as a means of funding China's defense modernization efforts (and in some cases Chinese officials probably profited personally). China's most egregious proliferation activities involved sales to U.S. allies. (China provided Pakistan with a nuclear weapons design and weapons-grade uranium in the early 1980s and sold DF-3 (CSS-2) medium-range ballistic missiles to Saudi Arabia in 1988.) The U.S. Government responded with increased efforts to persuade China to

<sup>1</sup>William Burr and Jeffrey T. Richelson, "Whether to 'Strangle the Baby in the Cradle': The United States and the Chinese Nuclear Program, 1960-64," *International Security*, Vol. 25, No. 3 (Winter 2000/01), pp. 54-99.

join the key nonproliferation treaties, calls for China to adhere to international standards restricting exports of technologies that could be used in weapons of mass destruction, and the use of sanctions and incentives to influence China's nonproliferation behavior. The United States also pressured China to cancel specific sales that threatened the stability of key regions such as the Middle East. As a result, China eventually cancelled contracts to sell M-9 ballistic missiles to Syria and a nuclear reactor to Iran.

In the early and mid-1990s, U.S. diplomacy re-emphasized the importance of China joining and adhering to the obligations in international nonproliferation treaties and accepting the standards of multilateral export control arrangements. U.S. nonproliferation efforts focused mainly on blocking Chinese efforts to export ballistic missiles and nuclear reactors to countries in the Middle East and South Asia. During this period China joined key treaties such as the Nonproliferation Treaty and the Chemical Weapons Convention that required strict controls over exports of nuclear materials and technology and chemicals that could be used for chemical weapons. However, China refused to join key multilateral export-control arrangements such as the Nuclear Suppliers Group (NSG), the Australia Group (AG), the Wassenaar Arrangement, and the Missile Technology Control Regime (MTCR), which it regarded as discriminating against developing countries. China agreed in 1991 to abide by the key parameters of the MTCR, but continued to exploit loopholes and ambiguities in its bilateral commitments to the United States to export missile components and missile production technology to countries such as Pakistan and Iran. (China also exported 34 complete M-11 missiles to Pakistan in 1991-92, its last known transfers of complete MTCR Category I-class missile systems.)

By the mid-1990s, China had stopped transfers of complete missile systems and major sales of unsafeguarded nuclear materials and technology, but continued to export a range of dual-use equipment and technology that could contribute to WMD and ballistic missile development programs. Many of the exports of proliferation concern fell into gaps between China's formal commitments under nonproliferation treaties and the tougher standards of multilateral export control regimes. (For example, China was sanctioned repeatedly for selling dual-use chemicals to Iran that are covered by the Australia Group control list but that are not on the Chemical Weapons Convention control list.) Because China was not a member of these export control regimes, U.S. officials pressed China to modify its domestic export control regulations and control lists to fill these gaps. In addition, the U.S. Government sought to block a number of authorized deals that violated China's bilateral and treaty commitments (notably continuing Chinese transfers of missile technology to Pakistan) and urged the Chinese government to control unauthorized exports such as the 1995 sale of ring magnets to Pakistan (which could be used in centrifuges to enrich uranium).

The opaque nature of China's export control system (which included secret lists governing which technologies were controlled) contributed to these problems. U.S. officials emphasized the need for China to implement comprehensive controls over exports of proliferation concerns. From 1994 to 1998, China issued a series of laws and regulations governing exports of chemicals, nuclear materials, military equipment, and dual-use technologies. (See Appendix I for details.) These regulations helped formalize Chinese nonproliferation commitments, but did not formally cover missile technology or plug the gaps between Chinese laws and international standards. In November 2000, the Chinese Foreign Ministry issued a statement promising to issue export control laws covering missile technologies that would include provisions such as license application and review, end-user certifications, and a "catch-all" clause. The missile technology regulations were finally issued in fall 2002 along with revised (and public) chemical, biological, and military products export control regulations and control lists. The new regulations close most of the gaps between China's export control system and the standards of multilateral export control regimes.<sup>2</sup> U.S. nonproliferation experts and government officials have praised the new regulations, but also warn that effective implementation and enforcement will be critical if the regulations are to close proliferation loopholes in practice. Like any export control system, Chinese export controls allow considerable scope for discretion about whether licenses for particular dual-use goods should be granted to particular end-users.

In the post-9/11 environment, U.S. concerns about proliferation have intensified and have focused heavily on the threat of terrorist groups acquiring WMD and on transfers that could help Iran, Iraq, and North Korea develop WMD or WMD deliv-

<sup>2</sup>For an assessment of the new Chinese regulations, see Phillip C. Saunders, Jing-dong Yuan and Stephanie Lieggi, "Recent Developments in China's Export Controls: New Regulations and New Challenges," *The Nonproliferation Review*, Vol. 9, No. 3 (Fall-Winter 2002), pp. 153-167.

ery systems. The U.S. National Security Strategy issued in September 2002 declared that the United States would be willing to use pre-emptive attacks against countries whose possession of WMD posed an imminent threat, a doctrine that has now been put into practice in Iraq.<sup>3</sup> The intensification of U.S. efforts to combat WMD has heightened U.S. expectations about Chinese nonproliferation efforts. The United States now wants China to support U.S. Korea policy by pressuring North Korea to rein in its nuclear weapons program and to engage in multilateral talks about securing a Korean peninsula free of nuclear weapons. U.S. officials also expect China to enforce its new export control regulations effectively and to use catch-all clauses in export controls to block any transfers that could potentially aid Iranian or North Korean WMD or missile programs, regardless of the proliferation significance of the items or whether they are covered by international control lists. These heightened expectations of what China should do to fight proliferation move beyond compliance with international standards to encompass new demands that China interpret and enforce its domestic regulations and shape parts of its foreign policy to accommodate specific U.S. security interests.

The Administration's focus on China's actual proliferation behavior (rather than on China's laws and procedures) is the right standard. However efforts to set thresholds for imposition of sanctions that are stricter than the relevant international standards and to demand that China accommodate U.S. security interests are likely to generate resentment and resistance. For China, the trend for U.S. nonproliferation policy to target specific countries raises important concerns about national sovereignty, differing U.S. and Chinese security interests, and reciprocity. China is concerned about what it views as the increasingly discriminatory nature of U.S. nonproliferation policy, as evident in U.S. willingness to accept India as a nuclear weapons state. The more the United States pushes China to act on the basis of specific U.S. security concerns rather than international nonproliferation norms and rules, the more likely China is to push the United States to accommodate its own security concerns on issues, such as those regarding Taiwan.

#### **China's Changing Nonproliferation Policy**

These increasing U.S. expectations come against a background of significant improvements in Chinese nonproliferation policy and behavior in the 1990s. During this decade, Chinese proliferation activities narrowed in terms of both their scope and character. Chinese transfers moved away from sales of complete missile systems to exports of largely dual-use nuclear, chemical, and missile components and technologies. At the same time, the number of recipient countries has declined significantly. Iran, Pakistan, and North Korea are among the few remaining recipients of Chinese nuclear, chemical, and missile related technologies. Beijing signed major international nonproliferation treaties such as the NPT, CWC, and Comprehensive Test Ban Treaty (CTBT); made a series of commitments through bilateral arrangements with the United States on both nuclear and ballistic missile transfers; and gradually developed a domestic export control system. These changes were the product of Chinese efforts to remove a major irritant in Sino-U.S. relations, a growing recognition that WMD proliferation could pose a threat to China's own security, and a desire to maintain and improve China's image as a responsible global power.

One critical factor in China's changing nonproliferation policy is Sino-U.S. relations. The Bush Administration came into office with a skeptical view of China, with key Bush Administration officials regarding China as a long-term strategic competitor. Washington sought to consolidate alliances with its major East Asian allies, elevate the level of unofficial contacts with Taiwan, and became more willing to provide Taipei with advanced weapons. The September 11 terrorist attacks on the United States and U.S. war on terrorism raised the profile of WMD proliferation in Washington's security policy and provided an opportunity for Beijing to improve relations with the United States. China has supported the new U.S. emphasis on international cooperation against terrorism and sought to make cooperation on nonproliferation issues a positive aspect of bilateral relations. Beijing seized the opportunity to join the U.S.-led campaign against terrorism, even though some aspects of the war on terrorism contravene Beijing's long-held principles of sovereignty and non-interference in the internal affairs of other countries. Beijing clearly recognizes that maintaining a stable relationship with the world's sole superpower is imperative, especially given China's growing economic ties with the United States. China's efforts to enhance its nonproliferation export controls should be understood as an effort to smooth out a contentious issue in bilateral relations.

<sup>3</sup> *The National Security Strategy of the United States of America*, September 17, 2002, <<http://www.whitehouse.gov/nsc/nssall.html>>.

A second important factor is a significant shift in Chinese views about the potential for WMD proliferation to have a negative impact on regional stability and on China's own security, either through the direct impact of proliferation of WMD and delivery systems or the reactions of other countries to emerging WMD capabilities. This shift in perceptions was evident in the Chinese response to the Indian and Pakistani nuclear tests in May 1998 and is also clear in China's response to the current North Korean nuclear crisis. The stakes for China in Korea are very high. A nuclear North Korea could trigger a proliferation domino effect, with South Korea, Japan, and even Taiwan following suit. Similarly, a North Korean resumption of ballistic missile tests could cause regional instability and accelerate deployments of ballistic missile defenses in Northeast Asia.

Beijing's initial approach to the Korean nuclear crisis was rather low-key given the stakes. Chinese statements emphasized three points: (1) peace and stability on the Korean peninsula should be preserved; (2) the peninsula should remain nuclear-free; and (3) the dispute should be resolved through diplomatic and political methods. These positions have continued to form the core of Chinese approach to the Korean nuclear crisis. Beijing will support efforts that it believes contribute to peace and stability on the Korean peninsula, but will be reluctant to take actions that might lead to military conflict or the dissolution of the North Korean regime. At the same time, China is wary of North Korea's reckless behavior and concerned that the nuclear crisis might spin out of control. Beijing believes that Pyongyang's nuclear gamble stems from its acute sense of vulnerability and insecurity and that any resolution must address this issue. China's continued support for North Korea is no longer driven by the need to prop up an ideological bedfellow, but rather by China's long-term strategic interests.

Beijing worries that hard-line positions maintained by both Pyongyang and Washington will produce a stalemate that could push North Korea to take even riskier steps and possibly precipitate a devastating military confrontation. Fears of the security consequences of negative outcomes have prompted China to take a more proactive diplomatic approach to broker a solution to the nuclear crisis, an effort that included hosting the trilateral talks between China, North Korea, and the United States in Beijing in late April. China has been willing to apply diplomatic (and to a lesser extent economic) pressure to get North Korea to come to the negotiating table. China's concern has been to prevent the crisis from escalating into a military confrontation and to try to broker an acceptable diplomatic solution. China is open to the possibility of multilateral talks that include South Korea and Japan (and possibly Russia). However it views the United States and North Korea as the critical actors in the crisis.

A third factor behind improvements in China's nonproliferation behavior has been a desire to be viewed as a responsible member of the international community. Despite an emphasis on the importance of national sovereignty, Beijing is actually sensitive to international opinion and wary about being isolated in international settings. China does not want to be viewed as violating established international norms by proliferating weapons of mass destruction. The most significant progress in China's proliferation behavior has come in areas such as nuclear technology where international norms are firmly established. Conversely, one of the most problematic areas has been ballistic missiles and missile technology, where no formal nonproliferation treaty exists and international norms are weak.

### **Continuing Concerns and Controversies**

Despite these generally positive developments, some serious concerns remain about China's proliferation policy and activities. The record of Chinese proliferation activities over the past decade remains mixed and contentious. Continued Chinese transfers of dual-use equipment that can be used in WMD programs draw attention to the gap between Beijing's public pronouncements on nonproliferation and its reported proliferation activities, raising questions about China's commitment to nonproliferation. U.S. intelligence reports continue to identify China as one of the few major suppliers of WMD-related items and technologies to countries of proliferation concerns such as Pakistan, Iran, and North Korea. The Bush Administration has already imposed sanctions on Chinese individuals and companies seven times over the past two and half years, compared to a total of two during the Clinton Administration's entire eight years.

One issue contributing to tensions with the United States is Beijing's general approach to nonproliferation. On the one hand, China has acceded to most international treaties and conventions that are broadly based with universal membership (e.g., NPT, CWC) and has largely complied with their norms and rules. On the other hand, China remains critical of the key multilateral export-control arrangements, which it regards as discriminating against developing countries. While supporting

the general principle of nonproliferation, China has emphasized the need for a balance between nonproliferation obligations and legitimate peaceful use of nuclear, chemical, and space technologies. China also regards conventionally armed ballistic missiles as useful military weapons. Beijing may simply view many of the controversial transfers as legitimate commercial transactions allowed by international treaties. At the same time, economic reforms have encouraged domestic defense enterprises to seek overseas markets for their products to compensate for declining military procurement. Commercial interests and a different perspective on nonproliferation may explain why Beijing has interpreted some of its treaty obligations narrowly and in ways that allow continued transfers of dual-use equipment and technologies that alarm Washington.

Another issue limiting Chinese commitment to tough export controls is growing Chinese concerns over what they view as Washington's increasing use of WMD proliferation as a pretext for domestic inference in states of proliferation concern and efforts to promote regime change through international pressure and military operations. Indeed, U.S. military campaigns against terrorism and its shifting military doctrine of preemption deeply worry China. Although China raised few concerns about U.S. intervention in Afghanistan, Beijing is concerned about whether the U.S. military presence in Central Asian countries along China's border will be permanent. China did not support U.S. military intervention in Iraq, which it regards as a dangerous and worrisome precedent. U.S. efforts to confront Iran over its alleged nuclear weapons program and to isolate North Korea are regarded as confrontational policies that may provoke a military crisis rather than resolve proliferation concerns. Although China has declined to directly confront the United States, Washington's willingness to act unilaterally is a matter of great concern in Beijing. U.S. counterproliferation initiatives such as the new Proliferation Security Initiative that attempt to target particular countries and that are not grounded in international treaties are unlikely to win support from Beijing, although Chinese opposition will likely be muted unless Beijing sees direct threats to its own security interests.

The limits on Chinese cooperation with the United States in the Korean nuclear crisis illustrate these concerns. Although Beijing could potentially affect Pyongyang's behavior due to China's position as a key supplier of energy and food assistance, China has been reluctant to use this leverage to pressure North Korea to abandon its nuclear weapons program. Beijing believes outside pressure is unlikely to force North Korea to change its nuclear policies and that it could even be counterproductive by driving Pyongyang to desperate measures or by causing the regime to collapse. While Beijing cut off its oil supplies to Pyongyang for a few days in February 2003 to encourage North Korea to accept trilateral talks, China is unlikely to support U.S. efforts to use economic sanctions or pressure to promote regime change. Chinese and Russian efforts to block a UN Security Council resolution on North Korea are a clear indication of the limits of Chinese cooperation. While both China and the U.S. share a common interest in a nuclear-free Korean peninsula, their desired endgames for North Korea are quite different. Beijing wants a reformist North Korean regime without nuclear weapons, while many in Washington view regime change as the only means of assuring that North Korea's nuclear weapons potential is eliminated.

A third issue is the underdeveloped nature of China's domestic export control system and the inability of the central government to fully monitor, much less control, the activities of Chinese companies engaged in proliferation. Over the last decade, Chinese exports have increased dramatically, outstripping the government's ability to monitor the behavior of Chinese companies driven by market opportunities rather than government plans. During this period, China has established and developed a domestic export control system in order to comply with international treaty provisions and meet its nonproliferation commitments. The promulgation of the 2002 export control regulations and control lists is a significant step forward, but the Chinese export control system has a number of weaknesses including lack of resources and training for those administering the effort, ambiguous inter-agency coordination procedures, and conflicts over the relative priority of nonproliferation and commercial interests. (The United States export control system suffers from some of the same problems, albeit to a lesser degree.) The Chinese government's capacity and willingness to implement and enforce its export control regulations is a critical factor in determining their effectiveness. Factors such as the transition to WTO membership, the decentralization and diversification of export-oriented companies, trade in dual-use technology, and increasing globalization all add to the challenge. Lack of central government capacity to enforce export controls probably explains a significant portion of Chinese proliferation transfers, although it is impossible to determine precisely how much by relying solely on open sources.

### **How Can the United States Shape Chinese Nonproliferation Behavior?**

In many respects, U.S. long-term efforts to shape Chinese nonproliferation in positive directions have been remarkably successful. Although serious concerns remain, Chinese proliferation behavior has improved significantly over the last decade. As the first section suggested, U.S. expectations of what China should do in the realm of nonproliferation policy have increased significantly in the aftermath of the 9/11 terrorist attacks. As the United States pushes China to move beyond compliance with international standards to accommodate specific U.S. security interests, tensions with China over nonproliferation issues are likely to increase.

Sanctions remain a useful nonproliferation policy tool, albeit one that must be used carefully. It is unrealistic to expect economic sanctions to force China to act in ways counter to its fundamental security interests. However sanctions are still useful as a way to illustrate U.S. concerns about proliferation and as leverage to push China to block specific proliferation transfers. They probably also ensure closer Chinese government scrutiny of proposed deals to countries of proliferation concern. Sanctions can also have a useful “shaming” impact if persuasive evidence is presented that Chinese proliferation activities have violated China’s international treaty commitments. The most recent U.S. sanctions against China have been based on executive orders and U.S. domestic legislation rather than on China’s formal nonproliferation commitments. Although the Bush Administration has not publicly specified what goods were transferred, the sanctions appear to be for transfers of dual-use goods that are not specifically included on international control lists.

Lack of information makes it difficult to evaluate the significance of the Chinese activities that prompted the most recent sanctions. Sanctioned transfers that made major contributions to WMD and missile programs, that continued despite China’s new export control regulations and improved bilateral cooperation since September 11th, or that received formal government approval by the issuance of export licenses would be of greatest proliferation concern. Sanctioned transfers that involved dual-use goods of marginal proliferation value, that predate the new regulations, or that do not require the issuance of export licenses would be of lower concern.

Another critical question is the Chinese government’s capacity to implement effective export controls. U.S. Government officials have urged China to issue comprehensive export controls for the past decade. The new Chinese regulations largely meet international standards, but resources and political will are necessary for effective implementation. Rather than adopting a “wait and see” attitude, the United States should actively assist China in efforts to implement its new export control regulations. U.S. Government assistance could play a major role in improving China’s capacity to turn its new regulations into an effective, functioning export control regime. U.S. cooperative threat reduction programs have played a valuable role in helping Russia and other countries in the former Soviet Union to establish and improve their export control systems. Political obstacles have inhibited government-to-government nonproliferation cooperation between the United States and China in the past, but the post 9/11 security environment and recent improvements in bilateral relations have provided a new opportunity for the two countries to cooperate in fighting the proliferation of weapons of mass destruction. Appendix II suggests a number of areas where U.S. assistance could help improve the effectiveness of the Chinese export control system.

All export control systems require officials to interpret regulations and make judgment calls about the proliferation risks of specific exports. Although the new Chinese regulations contain “catch-all” clauses, the Chinese government must be willing to use these clauses to restrict Chinese companies from supplying goods and technologies to WMD and missile programs in other countries. Beijing currently uses different criteria to weigh effective nonproliferation export controls against promotion of what it regards as normal, peaceful trade. Strategic dialogue and regular discussions about nonproliferation issues can help create more common ground between the United States and China about proliferation risks and raise the priority of nonproliferation in Chinese decision-making. Nonproliferation training and education can also help inculcate greater awareness of proliferation risks among Chinese government officials, which will shape future decisions about nonproliferation policies and specific transfers. Increasing acceptance of the argument that proliferation works against China’s own security interests is likely to be the most effective and lasting way of changing China’s proliferation behavior. (It is instructive to note that Professor Shi Yinong, one of the most prominent critics of the Chinese government’s Korea policy, participated in a nonproliferation training program hosted by the Monterey Institute’s Center for Nonproliferation Studies in 2000.)

Despite considerable progress, nonproliferation remains a divisive issue in Sino-U.S. relations. The U.S. Government should continue efforts to shape Beijing’s perspectives on nonproliferation by engaging China in strategic dialogue. At a more

technical level, the real test is the extent to which export control regulations are implemented and enforced. Effective implementation will depend on the resources China's central government is willing to put into improving and strengthening its export control infrastructure through personnel training, dissemination of export control regulations, corporate compliance education, interagency review and approval processes streamlining, and the establishment of a viable post-shipment end user/use verification system. The United States could play an important role in facilitating the accomplishment of these goals, with implementation and capacity building as the key short-term targets.

#### Appendix I: Evolution of China's Export Control System since the 1990s<sup>4</sup>

SECTORS	LAWS AND REGULATIONS
General	<ul style="list-style-type: none"> <li>• <i>Foreign Trade Law</i>, 1994</li> </ul>
Chemical & Dual-Use	<ul style="list-style-type: none"> <li>• <i>Regulations on Chemical Export Controls</i>, December 1995</li> <li>• <i>Supplement to the December 1995 regulations</i>, March 1997</li> <li>• <i>A ministerial circular (executive decree) on strengthening chemical export control</i>, August 1997</li> <li>• <i>Decree No. 1 of the State Petroleum and Chemical Industry Administration (regarding chemical export controls)</i>, June 1998 (Note: These regulations have expanded the coverage of China's chemical export controls to include dual-use chemicals covered by the Australia Group)</li> <li>• <i>Measures on Export Control of Certain Chemicals and Related Equipment and Technologies</i> and <i>Certain Chemicals and Related Equipment and Technologies Export Control List</i>, issued on 19 October 2002</li> </ul>
Biological & Dual-Use	<ul style="list-style-type: none"> <li>• <i>Regulations of the People's Republic of China on Export Control of Dual-Use Biological Agents and Related Equipment and Technologies</i> and <i>Dual-Use Biological Agents and Related Equipment and Technologies Export Control List</i>, issued 14 October 2002</li> </ul>
Nuclear & Dual-Use	<ul style="list-style-type: none"> <li>• <i>Circular on Strict Implementation of China's Nuclear Export Policy</i>, May 1997</li> <li>• <i>Regulations on Nuclear Export Control</i>, September 1997 (Note: The control list included in the 1997 regulations is identical to that used by the Nuclear Suppliers Group, to which China is not a member)</li> <li>• <i>Regulations on Export Control of Dual-Use Nuclear Goods and Related Technologies</i>, June 1998</li> <li>• <i>Nuclear export control list</i> as amended, 28 June 2001</li> </ul>
Military & Dual-Use	<ul style="list-style-type: none"> <li>• <i>Regulations on Export Control of Military Items</i>, October 1997</li> <li>• <i>The Procedures for the Management of Restricted Technology Export</i>, November 1998 (Note: The new regulations cover 183 dual-use technologies, including some on the Wassenaar Arrangement's "core list" of dual-use technologies)</li> <li>• China's Ministry of Foreign Trade and Economics Cooperation (MOFTEC) released a Catalogue of Technologies which are Restricted or Banned in China, presumably also in late 1998</li> <li>• <i>Decision of the State Council and the Central Military Commission on Amending the PRC Regulations on Control of Military Products Export</i>, issued on 15 October 2002</li> </ul>
Missile Systems & Components	<ul style="list-style-type: none"> <li>• Chinese government gave verbal assurance of its intention to adhere to MTCR, November 1991, followed by written commitment, February 1992</li> <li>• U.S. and Chinese governments issued a joint statement on missile proliferation, October 1994. Beijing agreed to ban all MTCR-class missiles and to the "inherent capability" principle in defining MTCR-class missile systems.</li> <li>• The Chinese government issued a statement in November 2000 promising for the first time to promulgate missile export control regulations and to issue a control list.</li> <li>• China announced the promulgation of the <i>Regulations on Export Control of Missiles and Missile-related Items and Technologies</i> and the <i>Control List</i> in August 2002.</li> </ul>



## **Appendix II: Potential Areas for U.S. Assistance in Enhancing Chinese Export Controls<sup>5</sup>**

Just as it has done in the former Soviet states, the United States could help China develop the capacity to implement its export control regulations effectively. This appendix outlines areas where U.S. assistance might be useful.

**Shaping China's perspectives on proliferation and seeking Chinese membership in multilateral export control regimes.** Supply-side control measures can only be effective if all major supplier states share broadly similar foreign policy preferences in specific issue areas. If key suppliers remain outside the export control arrangements, nonproliferation efforts will be less effective in achieving their stated objectives. The United States should encourage China to join the key multilateral export control regimes. As long as China remains outside these organizations, problems in harmonizing export control policies among key technology suppliers will continue to exist. U.S.-China dialogue on proliferation should not focus only on U.S. concerns over specific Chinese proliferation activities, but also on the potential threats that WMD proliferation can pose to China's own security. One issue regarding China's membership in multilateral export control regimes remains under debate: whether Beijing and other prospective member states need to meet existing regime standards for admission, or whether they should be admitted with the expectation that they will gradually adapt to regime standards.

The U.S. Government has accumulated invaluable experience over the years in drawing Russia and the former Soviet republics into the multilateral export control regimes. These efforts have slowed the proliferation of nuclear materials and have enjoyed bipartisan support in Congress. The attention and resources devoted through intensive and sustained efforts, such as the Nunn-Lugar Initiative, have helped the newly independent states develop export control systems and prevented the former Soviet Union from becoming an international nuclear bazaar. Similar efforts have not been applied elsewhere because of insufficient attention, lack of interest, a dearth of resources, and (in China's case) concerns about congressional willingness to fund cooperation with the Chinese government. Limited U.S.-Japan efforts to promote export control awareness in East Asia stand as a partial exception. A global effort is necessary. Resources invested in helping China improve implementation of its new export controls would be a wise investment.

**Developing a legal framework in China for export controls.** Compared to the United States and other major Western countries, China's export control practice remains largely administrative rather than firmly grounded in detailed legislation. The most recent regulations, which include openly published control lists, are a significant step forward. However, the large scope for discretion in interpreting administrative rules impedes reliable enforcement and predictability. Development of a comprehensive legal framework for export controls would remove arbitrariness and enhance transparency, in particular for companies involved in relevant areas of trade. It could also contribute to the development of an independent judicial system that could effectively adjudicate potential violations and disputes. This objective is particularly important in order to hold companies with important political connections accountable.

**Capacity Building and Infrastructure Development.** Capacity building is an urgent and critical task. At the moment, Chinese agencies responsible for implementing the new export controls have very few qualified personnel devoted to export control licensing review and approval procedures. For instance, the Export Control Division of the Science and Technology Department of the Ministry of Foreign Trade and Economic Cooperation (MOFTEC), the lead agency in the export control review process, has no more than ten officers conducting case-by-case license reviews. This situation is no better for chemical weapons controls, where the National CWC Implementation Office has fewer than ten people. Training qualified personnel over the coming years will be a major challenge (and a necessary investment) if China is to implement its new regulations. Education and training of export control personnel should be a relatively uncontroversial area where concrete and immediate work can take place. This undertaking could involve seminars, workshops, and site visits to demonstrate methods for handling paperwork, shipment inspections and records,

<sup>4</sup>Adapted from China Profiles database compiled by the East Asia Nonproliferation Program, Center for Nonproliferation Studies, Monterey Institute of International Studies. <<http://www.nti.org/db/china/index.html>>.

<sup>5</sup>This appendix is adapted from Saunders, Yuan and Lieggi, "Recent Developments in China's Export Controls: New Regulations and New Challenges."

and other training. The critical need is to develop standardized operating procedures to streamline the review process and reduce unnecessary delays. The United States and Japan have held a series of export control seminars for East Asian countries; this practice should continue. In addition, the U.S. Government could assist China in the development of a national data bank to store information on license applications and applicants, compliance records, and approval/rejection ratios. Companies that comply with end-use provisions and have clean records could be given preference in terms of license review, freeing enforcement resources to focus on problem companies or to tackle new developments.

**Encouraging government-business cooperation on export controls.** Although in the past the Chinese government could use its centralized planning system to discipline companies, economic reforms have made it harder for the government to enforce laws. China could encourage greater government-business cooperation on export controls by supporting training workshops and developing incentives for businesses to comply with export regulations. There is a need to educate industries on the importance of compliance with existing export regulations. The U.S. experience suggests that control measures must be crafted with clearly defined scope, purpose, and enforcement measures in place, and implemented with streamlined license reviewing and granting procedures. Industry concerns over lost sales and market share due to delays in license review and approval are not unreasonable and will be increasingly important following China's accession to the World Trade Organization.

**Providing technical advice on interagency coordination on export control procedures.** The United States has extensive experience to share given its long history of export controls. One area deserving particular attention is the license review and approval process. Confusion over responsibility has sometimes caused the U.S. system to run less smoothly; China could learn to avoid similar mistakes. Efforts may involve interagency consultation and coordination and establishment of effective and enforceable post-shipment verification to monitor end use. In addition, there should be regular exchanges of information and intelligence among exporters and importers. China cannot rely on the goodwill of recipient states to ensure proper use; it must begin developing its own post-shipment verification to track and monitor its exported dual-use items.

Additional areas where cooperation between the United States and China might be productive include:

- Comparing the U.S. and Chinese export control systems, with an eye toward identifying common problems and "best practices" that could be adopted by both sides.
- Developing benchmarks for assessing the effectiveness of Chinese export controls, including a tracking system for export licenses.
- Helping China to prioritize proliferation risks and focus enforcement efforts on high-priority items.
- Training in use of open-source information to evaluate potential end users (possibly in cooperation with the IAEA).
- Organizing training workshops for Chinese customs officials and border guards to improve their ability to detect smuggled nuclear materials and to identify problems with export licenses, possibly providing both training and detection equipment.

Vice Chairman D'AMATO. Thank you very much, Mr. Spector. We'll move to Mr. Olsen who is speaking in his personal capacity.

#### **STATEMENT OF JOHN OLSEN, SANDIA NATIONAL LABORATORIES**

Mr. OLSEN. Thank you, Mr. Chairman, and Members of the Commission. Thank you for this opportunity. While the U.S. Government attention focuses on returning the DPRK to frozen status and dismantling the apparent dual breakout strategy in plutonium and highly enriched uranium, there is also a need to plan for verification of a nuclear weapons free Korean peninsula.

The current impasse may end in a broad agreement, a grand bargain, with the DPRK that addresses nuclear weapon, missile, and conventional force issues, and offers the North security guarantees and economic aid in exchange. This strategy for arriving at a grand

bargain is not the subject of my discussion. Rather this paper will emphasize the institutional requirements for effective verification of the bargain.

A new multilateral approach to verification may be required for several reasons. First of all, the verification tasks in the DPRK could include certain nuclear weapon issues, missiles and conventional forces that are outside of the scope of the IAEA mission.

Second, a security guarantee to North Korea will necessarily involve several countries, suggesting a multilateral approach again. And finally, the previous bilateral arrangements have failed due to the pressures from external events and so a multilateral agreement that includes all eventualities inside of it may be more robust.

My goal is to suggest an institutional framework for verification of the terms of this bargain. Without knowing exactly how we will find our way through this difficult time, we know that certain verification needs are bound to arise. Assuming that the DPRK does agree to verifiably dismantle its nuclear weapons, I suggest that a regionally managed verification regime, staffed and sustained by all interested parties, could be an effective and durable solution.

This would include the Russian Federation, China, Japan, South Korea, and the U.S., but it also needs to include, in my opinion, the IAEA, because of its prime responsibilities, and eventually it has to include the DPRK.

This regime's charter could be verification of all present and future nuclear agreements for both North and South Korea. The initial task of the regime would be verification of the elimination of the North Korean weapons program.

Following that phase, the regime could be charged with monitoring of routine international safeguards in cooperation with the IAEA and with monitoring compliance with provisions for a non-nuclear Korean peninsula similar to those provisions included in the 1992 North-South Denuclearization Agreement.

These latter tasks would involve inspectors from North Korea as full partners in the regime. In addition, the grand bargain may require verification of missile and conventional force terms. A role might even be envisioned for biological and chemical weapons terms in the future.

These topics should all be handled within the framework of the regional verification regime in order to maximize the leverage of the security assurances and at the same time minimize the opportunity for external pressures to upset the denuclearization process.

For a sustainable solution, the regional verification regime would be embodied within a dedicated institution that should be located conveniently close to but not on the Korean peninsula.

Two competing options might be considered in Vladivostok, Russia or Shenyang, China. Both locations have air connections to both Koreas. If this new institution is located in Vladivostok, a Russian Federation nuclear laboratory might manage it effectively. This would benefit from the extensive U.S.-Russian Federation cooperation through the Cooperative Threat Reduction Program over the last decade and would feature Russian technical expertise.

Additionally, Russian leadership and basing might qualify this regime for financial support from Japan.

China's Shenyang is also close at hand and has a U.S. consulate. A city of eight million, it has good air conditions and is about four hours by road from the North Korean border. While China is typically reluctant to take a leadership role, perhaps a multilateral format may be more attractive. In case Japan offers financial support for a strong Russian participation, a joint Chinese-Russian leadership may evolve where the China leads in logistics and Russia leads in the technical verification.

The U.S. will still need to maintain confidence that this institution satisfies its nonproliferation and security goals, whether it is located in Russia or China. That requirement will probably be addressed in the form of the governance established for the institution.

The size of the regional institution would be relatively small. However, considering the difficulties of inspecting inside the DPRK and also the breadth of the nuclear industry in South Korea, we might estimate that it would require a permanent Russian or Chinese management staff of about ten supported by about 20 secretarial or clerical staff.

We also could estimate that roughly 25 to 30 inspectors would be needed for the combined nuclear industries of North and South Korea. These might be drawn equally from the partners, China, South Korea, Russia, Japan, the U.S., and eventually the DPRK. The IAEA's Tokyo center could also assign say half a dozen inspectors.

The initial phase of the regime will require careful transition, recognizing that the IAEA already has the prime role in returning North Korea to compliance with the nonproliferation treaty. Therefore, when the IAEA returns to the DPRK to clarify the past history of the Yongbyon radiochemistry facility, the new facility would merely assist the IAEA. Furthermore, during the initial phase if nuclear weapons must be dismantled, a team of weapons specialists from the P-5 countries would be carrying out those elimination duties.

While these initial efforts might be heavily dependent upon the IAEA and P-5 leadership, the verification regime might initially concentrate on other elements of the security bargain, for example, missiles, conventional forces or chem-bio issues.

Once the new institution was fully staffed and carrying out long-term duties, a technical support staff and laboratories would be needed to support them. A fully mature institution could carry out safeguards inspections with the IAEA as a partner and with the responsibility to determine and report NPT compliance in both Koreas to the IAEA.

I should also address some explicit topics posed by this Commission, one of which is what role should we expect of China? We should be cautious not to overestimate Chinese influence on the North Korean leadership as other speakers have already mentioned. Doing so might put prospective Chinese partners in an untenable position and discourage them from cooperating if our expressions of faith in their influence are too emphatic.

Therefore, while recognizing that China has applied pressure to the North, let us be cautious in hoping for a Chinese-led breakthrough.

Finally, we come to the important question of “What U.S. or multilateral policies are most likely to affect Chinese behavior in a more positive direction?” Foremost has to be consideration that their primary goal is to maintain a peaceful periphery as a basis for economic growth and that this economic growth is essential to the Chinese regime stability.

We have found post-9/11 that China would side with the U.S. and make unprecedented concessions like—agreeing to an FBI office in Beijing—when we acknowledge their core interest in a peaceful border region with the central Asia states. Similarly, in the North Korean crisis, we should recognize how volatile the situation looks from their close proximity and solicit their thorough involvement in a solution.

A regional verification regime with a strong Chinese partnership could be one step in that direction.

Thank you.

[The statement follows:]

#### **Prepared Statement of John Olsen**

##### **The Issue**

The unfrozen and unsafeguarded nuclear weapons program in the Democratic People’s Republic of Korea (DPRK) is the most serious issue confronting the international community in East Asia. While U.S. Government attention focuses on returning the DPRK to “frozen” status and dismantling the apparent dual-breakout strategy in plutonium production and high-enriched uranium (HEU), there is also a need to plan for verification of a nuclear-weapons-free Korean peninsula. The current impasse may end in a broad agreement, a “grand bargain,” with the DPRK that addresses nuclear weapon, missile, and conventional force issues, and offers the North security guarantees and substantial economic aid in exchange. The strategy for arriving at a “grand bargain” and the tradeoffs that might be included are not the subject of this discussion. Those issues properly are the concern of elected officials and their appointees at the highest levels. Rather, this paper will emphasize the requirements for effective verification of the nuclear aspects of the bargain, leaving verification of the other elements to further development within the same general framework.

A new approach to verification will be required for several reasons: First, verification tasks in the DPRK would include certain nuclear weapon issues that are outside the scope of the IAEA mission and would require direct involvement of the nuclear weapons states. Second, the new agreement may involve increased aid from the international community, and contributing countries will insist on assurances that the DPRK is complying with its agreements. Third, a security guarantee to North Korea will necessarily involve several East Asian nations, suggesting a multilateral approach to verification. Finally, a new approach would be needed to avoid the pitfalls of previous bilateral (U.S.–DPRK, IAEA–DPRK, and ROK–DPRK) agreements, all of which have failed to weather the vicissitudes of regional volatility.

As a scientist who studies the situation in Northeast Asia, my goal is to suggest a broad framework for verification of the terms of this as-yet-determined bargain. Even without knowing exactly how we will find our way through this difficult time, we know that certain verification needs are bound to arise. Moreover, this presentation does not attempt to list the verification requirements in detail. A comprehensive catalogue of requirements is available through the International Atomic Energy Agency (IAEA), as one competent authority. In addition, other experts are compiling verification lists for each aspect of the suspected DPRK nuclear weapons program.

##### **Regional Verification: A Possible Approach**

Assuming that the DPRK agrees to verifiably dismantle its nuclear weapons and freeze its long-range missile programs, we suggest that a regionally managed verification regime, staffed and sustained by all interested parties (Russia, China, ROK, DPRK, Japan, IAEA, and the U.S.) could be an effective and durable solution. This regime’s charter could be verification of all present and future nuclear agreements for both North and South Korea: The initial task of the regime would be verification of the elimination of the North Korean weapons program. Following that phase, the regime could be charged with monitoring of routine international safe-

guards in cooperation with the IAEA and monitoring compliance with provisions for a non-nuclear Korean peninsula, similar to those contained in the 1992 North-South Denuclearization Agreement. These latter tasks would involve inspectors from the DPRK as partners in the regime.

In addition, the “grand bargain” may require verification of missile and conventional force terms. In order to contribute to a lasting and broadening reduction of inter-Korean tensions, a role in monitoring agreements on biological or chemical weapons could be considered for the future. These topics should be handled within the framework of the regional regime in order to maximize the leverage of the security guarantee contained in the bargain and, at the same time, minimize the opportunity for external pressures to upset the denuclearization process.

#### **Interests of the Stakeholders**

China, Russia, Japan, South Korea and the U.S. all have strong interests in a peaceful, nuclear-weapons-free peninsula and all have called on the DPRK to return to compliance with the Nonproliferation Treaty (NPT). In addition to supporting global nonproliferation regimes, these countries also have strong national interests:

- Russia’s President Putin is pursuing an ambitious plan to expand economic growth in the Far East using the Trans-Siberian Railway to connect through North Korea to South Korea. Russia’s Far East would be more secure without the instability that would be caused by a continuing North Korean nuclear weapons program.
- China is concerned that a nuclear threat from the DPRK could overturn the Japanese commitment to strong limits on its military forces and renunciation of nuclear weapons, swiftly threatening the Asian balance of power. As Shambaugh<sup>1</sup> points out:

China may favor the status quo over regime collapse, but China’s preferred future for the DPRK is regime reform. China does not believe that the current situation on the peninsula or in the DPRK is stable or conducive either to regional stability or China’s own national security, economic growth or other national interests.

Therefore, China seeks to avert inflamed relations between North and South Korea, especially those that could provoke U.S. military actions.

- Japan faces the prospect of a nuclear threat from a nuclear-weapon-armed North and remembers the Taepodong missile test of 1998 that overflew Japan. Japanese policymakers realize that Japan may be a target in a confrontation resulting from DPRK nuclear adventurism. Developing a more active defense posture to face an aggressive, nuclear-armed and missile-wielding Korean neighbor would be very unpopular with the Japanese public.
- The Republic of Korea is most threatened, if not by the nuclear weapons themselves, then by the souring effect that North Korea’s nuclear program has had on North-South relations and on the ROK economy. The political split concerning responses to the proliferation policies in the North is having a corrosive effect on ROK society and on the U.S.–ROK Alliance. President Roh Moo-hyun is currently taking some steps to close ranks with the U.S. and to strengthen our bilateral relations.
- The U.S., as guarantor of the ROK’s and Japan’s security and foremost advocate of nonproliferation, faces an adversary who is determined to convert every issue into a bilateral confrontation. The U.S. needs a comprehensive solution that leverages the shared interests of all regional parties, while effectively and verifiably eliminating the threat.

For its part, the DPRK is primarily concerned with regime survival and may exchange verifiable denuclearization for a multilaterally guaranteed security pact. If such a grand bargain can be made at the highest levels, the DPRK may accept multilateral participation in future assurances of security on the peninsula. Verification is essential because it is possible that North Korea intends to negotiate over its overt nuclear program but keep a covert effort. This verification regime might be more acceptable because it would include the traditional DPRK allies, China and Russia.

#### **Roles of the Potential Partners**

Each country plays a role and brings special assets to a regional verification regime:

<sup>1</sup>David Shambaugh, “China and the Korean Peninsula: Playing for the Long-Term,” *Washington Quarterly*, Spring 2003, pp. 43–56. See also NAPSNet at [http://www.nautilus.org/pub/ftp/napsnet/special\\_reports/shambaugh.pdf](http://www.nautilus.org/pub/ftp/napsnet/special_reports/shambaugh.pdf).

*Russia*

Russia has relatively good relations with the DPRK, and a long history of engagement in the military and nuclear arenas, although its influence may be overstated. In addition, Russia has extensive experience in nuclear disarmament and nuclear monitoring borne of U.S.–RF cooperation over the past decade. The RF nuclear weapons program has many capable experts in nuclear material control, protection and accounting (MPC&A). For example, the Institute of Automatics (VNIIA) in Moscow possesses the necessary technical expertise.

*China*

China, as the DPRK's largest aid supplier and closest ally, would represent an important presence in a verification regime. China could influence DPRK compliance within a regional regime, mitigating the North's tendency to make every dispute a bilateral issue with either the U.S. or the IAEA. Although China is a nuclear weapon state, it has joined the other recognized nuclear weapons states in submitting civilian facilities to international safeguards. Moreover, it pledges to observe export controls, and has participated in IAEA safeguards training. Thus, in recent years China has accepted and internalized the importance of international cooperation in stemming nuclear proliferation, going so far as to host regional training under the auspices of the IAEA.<sup>2</sup> Cooperation of this type may provide a foundation for strong Chinese participation in a regional verification regime for the Korean peninsula.

*Japan*

Japan could play a major role in funding a regional verification regime, especially if part of it is cast as a conversion of Russian technical skills to peaceful ends. Since 1993 Japan has allocated substantial funds to support nuclear disarmament activities in the Russian Federation.<sup>3</sup> Application of RF technical skills to the problem of dismantling North Korean nuclear weapons and verification of a denuclearized Korean peninsula might qualify for funding within this established Japanese policy. Moreover, Japanese and ROK nuclear materials inspections institutions, the NMCC and TCNC, respectively, have been engaged in cordial cooperative exchanges since 1996. This cooperation may enable Japan to play a direct role in nuclear inspections.

*ROK*

A regional verification regime would involve the ROK to a greater degree than the Agreed Framework did, and would establish a relationship with the North that is better suited to the ruling party's engagement policy. The ROK might take the lead in training the DPRK inspectors who would participate. Within the regional regime the ROK could achieve the aims of the 1992 Denuclearization Agreement, which would provide a significant political success. The ROK is in relatively good position to participate in a regional regime: In the mid-90s it trained inspectors for North-South nuclear inspections and also made significant investments in capabilities for arms control monitoring and inspections since founding the Korea Arms Verification Agency (KAVA) in the early 1990s.

*IAEA*

The IAEA is charged with monitoring DPRK obligations under the NPT. The IAEA must retain prime responsibility for inspections that return the DPRK to compliance with their NPT-mandated safeguards obligations. The primacy of the IAEA role would continue in cooperation with the other parties of the regime. However, if nuclear weapons are to be dismantled, the nuclear weapon states in the regime, perhaps including all of the Permanent Five on the United Nations Security Council, must take the lead and place the nuclear material from the weapons under international control. Once weapons material is reduced to non-weapons form, that material can be turned over to international safeguards under the IAEA as part of the regional regime activity. Precedents exist for the IAEA control of weapons material, such as in the dismantlement of the South African nuclear program. In the fu-

<sup>2</sup>Sandia National Laboratories conducted an IAEA-sponsored regional training course on physical protection of nuclear facilities and materials in Beijing and Daya Bay, December 4–18, 2002. The 32 students included 20 from China and two each from the ROK and DPRK. China Atomic Energy Authority (CAEA) and China Institute of Atomic Energy (CIAE) officials indicated interest in continuing and expanding this form of U.S.–China nonproliferation cooperation.

<sup>3</sup>Japan and the Russia Federation are close to a final agreement on dismantling 41 nuclear submarines in the RF Far East at a cost of approximately 15 billion Yen (about \$127 M), as reported May 6, 2003 in *Japan Digest*.

ture it is expected that IAEA will safeguard defense nuclear material at the Mayak facility in Russia. The IAEA also has experience in cooperating with other regional nonproliferation regimes: EURATOM carries out material safeguards in Europe and reports to the IAEA. In South America, ABACC has become a partner with the IAEA in monitoring compliance with the NPT in Argentina and Brazil. IAEA partnership with a regional regime might be a desirable way to achieve verification without placing new burdens on the IAEA. Moreover, working within the regional regime and drawing on the linked security agreements, the IAEA might be able to operate with a strengthened hand as they seek to bring the DPRK into safeguards compliance.

#### *United States*

The U.S. would retain the lead responsibility in striking the grand bargain that addresses security and comprehensive nonproliferation.<sup>4</sup> The U.S. would play a major role in setting demanding goals for the verification regime and coordinating establishment of the regional regime. Government-to-government agreements probably would be needed between the U.S. and all parties to enable appropriate institutional cooperation in the verification regime.

#### *DPRK*

The DPRK needs to be drawn into the regional verification process as a full partner. However, full cooperation in returning to compliance with the NPT and in elimination of its nuclear weapons program would be a prerequisite. As the weapons elimination phase of the verification regime is passed, the DPRK could join the regional regime as a full partner in guaranteeing security and nonproliferation on the peninsula. The DPRK may evolve gradually to a more "normal" nation as their participation in the verification regime assures them of a secure environment.

#### **A Regional Verification Regime: Practical Issues**

A regional verification regime could have the following responsibilities:

*Monitor refreezing/dismantling the DPRK nuclear weapons facilities and removal of fissile material*

##### *Verify Compliance with NPT*

- Resolving the past history of the Yongbyon radiochemistry plant, the IAEA retaining the lead responsibility in this.
- Administering and conducting all normal safeguards activities on the peninsula.
- Implementing Strengthened Safeguards agreements on the peninsula.

##### *Verify Dismantlement and Reduction Terms*

- Receiving, dismantling and safeguarding any nuclear weapon components that DPRK possesses. Weapon state members of the regional regime, and potentially all Permanent Members of the United Nations Security Council (the P-5), must take the lead in this until the materials can be placed under normal safeguards.
- Verifying freeze on the facilities for developing and producing long range missiles.

##### *Verify provisions similar to the 1992 North-South Denuclearization Agreement*

- Subsuming roles envisioned for the Joint Nuclear Control Commission (JNCC) under the 1992 Denuclearization Declaration for North-South mutual inspections and including IAEA presence.
- Inspecting and freezing the HEU program and safeguarding or removing any products.
- Instituting comparable verification of non-enrichment and non-reprocessing compliance in the ROK.

##### *Verification of mutual reductions or redeployment of conventional forces and other elements of the overall bargain*

Specific verification requirements are too numerous to list here. As one example, Fred McGoldrick<sup>5</sup> lists a number of requirements for the verifying a freeze and dismantlement of the highly enriched uranium program. It is clear that the scope of

<sup>4</sup> Several observers have attempted to envision the route to a grand bargain and the multilateral process involved. See for example, former U.S. Ambassador to South Korea James T. Laney and Jason T. Shaplen, "How to Deal with North Korea," *Foreign Affairs*, March/April 2003, pp. 16-30, and especially pages 25-28 therein.

<sup>5</sup> Fred McGoldrick, "The DPRK Enrichment Program: A Freeze and Beyond," Nautilus Institute NAPSNet essay, January 10, 2003.



the verification effort will be dependent upon the degree of cooperation and veracity of the North Korean authorities.

For a sustainable solution, the regional verification regime would be embodied within a dedicated institution. The institution as a formal entity should be located conveniently close to, but not on the Korean peninsula. Two competing options might be considered in Vladivostok, Russia or Shenyang, China. Both locations have air connections to both Koreas. Location outside the Korean peninsula would avoid the appearance of bias that might be associated with basing in one or the other of the inspected parties. If the new institution is located in Vladivostok, a RF nuclear laboratory might manage it conveniently. This would benefit from extensive U.S.–RF cooperation on nuclear security in the last decade and feature Russian technical expertise. Additionally, Russian leadership and basing might qualify for financial support from Japan, along the lines of the recent Japanese decision to fund dismantlement of 41 nuclear submarines in the Russian Far East.

China's Shenyang is also close at hand and has a U.S. consulate, in fact. A city of 8 million, it has good air connections and is about four hours by road from the North Korean border. While China is typically reluctant to take a leadership role, perhaps a multilateral format may be more attractive. In case Japan offers financial support for strong Russian participation, a joint Chinese-Russian leadership may evolve, where China leads in logistics and institutional development and Russia leads in technical verification.

The U.S. will need to maintain confidence that this institution satisfies its non-proliferation and security goals, whether located in Russia or China. That requirement will probably be addressed in the form of governance established for the institution. The U.S., as the prime mover in the nonproliferation effort, will lead in determining the composition and responsibility of the institution's governing body.

An informal critique of this paper by a well-known academic in China, offered that an institution in Shenyang "is very interesting" because "it helps strengthen U.S.-China cooperation." This scholar, who unofficially represents Chinese opinion in many nongovernmental fora, hopes that this proposal "receives attention from these two countries, so that everyone will be both a stakeholder and a contributor."

Another reviewer of the proposal, writing from a U.S. think tank, questioned whether Russia brought very much to such a regional organization. He suggested that "China was far and away the most important." That might suggest a U.S.-China joint effort to establish a regional verification regime might be more effective.

The size of a regional institution would be relatively small. Considering the difficulties of inspecting inside the DPRK, and also the breadth of nuclear industry in the ROK, we might estimate<sup>6</sup> that a permanent Russian or Chinese management staff of about ten would be sufficient, supported by about 20 secretarial and clerical staff. Roughly 25–30 inspectors would be needed for combined industries of North and South Korea; these could be drawn from 3–5 inspection experts each from China, ROK, RF, Japan, DPRK and the U.S. The IAEA's Tokyo center could also assign 6 inspectors.

The initial phase of the regime will require a careful transition, recognizing that the IAEA has the prime role in returning North Korea to compliance with the NPT. Therefore, when the IAEA returns to the DPRK to clarify the past history of the Yongbyon radiochemistry facility, the new regime would merely assist the IAEA. Furthermore during the initial phase, if nuclear weapons must be dismantled, a team of weapon specialists from the P-5 countries would be carrying out elimination duties, perhaps independently from the regional regime. While these initial efforts will be heavily dependent upon IAEA and P-5 leadership, the verification regime might concentrate on other elements of the security bargain, for example, missiles, conventional forces, and chemical/biological weapons issues.

Once the new institution was fully staffed and carrying out long-term duties, a technical support staff (about 20) would be needed to provide communications, database capabilities, reporting to the IAEA, calibration of instruments, and laboratory testing of samples. If in Vladivostok, most of these staff would be assigned from a RF institution, perhaps supplemented by DPRK and ROK technicians. If in Shenyang, the support staff would be assigned from Chinese institutions, supplemented by DPRK and ROK technicians. Establishing a new institution in Vladivostok or Shenyang, training regional inspectors, and transferring appropriate inspection responsibilities from IAEA-Tokyo would be the initial tasks of the organiza-

<sup>6</sup>Roughly based on precedents: (a) ABACC with 9 people including secretaries for 2 countries, 4 reactors and 3 enrichment plants or (b) Japan with 60 inspectors for 52 power reactors, reprocessing, enrichment and fuel fabrication plants, or (c) Japan's Rokkasho projected to need 20 inspectors. We scale these to the situation of the ROK and DPRK, which would have 19 power reactors and frozen reprocessing and enrichment facilities.

tion. Once the organization was functional, it would be able to progressively assume more routine international safeguards duties, especially as the IAEA concludes its responsibilities for the Yongbyon inspections. The fully mature institution would carry out safeguards inspections, with the IAEA as a partner, and with the responsibility to determine and report NPT compliance in both Koreas to the IAEA.

### Conclusion

The first and foremost goal is to eliminate North Korea's nuclear weapons program. Preventing a nuclear arms race in Northeast Asia would be a significant success for the U.S. and the international community. A regional verification regime for a non-nuclear Korean peninsula could be a new, positive aspect of future U.S. relations with China, Russia, South Korea and Japan. It could address critical ROK, Japanese, Chinese and U.S. security concerns, and return the U.S.-ROK alliance to smooth cooperation. Furthermore, a Russian-based institution would also cement ties that have developed between the U.S. and the RF over the last decade of cooperation. All of these are substantial gains toward U.S. policy goals.

Although the verification regime would initially focus on the nuclear issues, the charter of the overarching agreement should include missiles and conventional forces. We might conclude from the KEDO/Agreed Framework experience that a narrow charter is efficient in carrying out a well-defined goal, but brittle when subjected to stresses from a new direction. That is, while the KEDO organization effectively solved many construction problems in the nuclear power area, each new adventure by the DPRK outside of the nuclear area, spy subs against the ROK or drug-running against Japan, would threaten support for KEDO in the affected countries. Cooperation with North Korea might be more stable if more of these areas of volatility were explicitly linked in an all encompassing package, rather than available for separate exploitation. Therefore, verification of cessation of long-range missile programs and defensive deployment of conventional forces may have to be linked to the nuclear issue in a comprehensive regime. Moreover, multilateral security guarantees and economic assistance may be more robust and credible when offered within the multilateral framework.

In closing I should also address some explicit topics posed by this Commission. One of these is "What role should we expect of China?" The following is purely my own personal opinion: We should be cautious not to overestimate Chinese influence on the North Korean leadership. Doing so might put prospective Chinese partners in an untenable position wherein we implicitly expect more than they can deliver, or more than they can guarantee to deliver. In fact, we could discourage them from cooperating if our expressions of faith in their influence are too strong. Writers such as Joseph Kahn<sup>7</sup> caution us that China has steadily lost influence with the North as Beijing has emphasized economic growth and rapid development of relations with South Korea. Despite supplying vital aid to the North, Beijing reaps no benefit of gratitude. According to DPRK history, the North defeated the U.S. in the Korean War all by itself.<sup>8</sup> To the North Korean masses there is no mention of massive Chinese intervention. Therefore, while recognizing that China has applied pressure on the North, let us be cautious in hoping for a Chinese-led breakthrough.

Finally, we come to the important question of "U.S. or multilateral policies that are most likely to affect Chinese behavior in a more positive direction?" Foremost, in my personal opinion again, has to be considering their primary goal of a peaceful periphery as a basis for economic growth—the economic growth, in fact, that is essential to their regime stability. We found in the War on Terrorism that China would side with the U.S. and make unprecedented concessions, like agreeing to an FBI office in Beijing, when we acknowledged their core interest in a peaceful border with the Central Asian states.<sup>9</sup> Similarly, in the North Korean crisis we should recognize how volatile the situation looks from their close proximity<sup>10</sup> and solicit their thorough involvement in a solution. A regional verification regime with a strong Chinese partnership could be one step in that direction.

In closing, I would like to acknowledge constructive comments from colleagues at Sandia Laboratories and by experts at nongovernmental think tanks in South Korea and China, as well as in the U.S. However, I take personal responsibility for the

<sup>7</sup>Joseph Kahn, "To China, North Korea Looks Radioactive," *The New York Times*, February 2, 2003.

<sup>8</sup>Personal communication by former U.S. official.

<sup>9</sup>This took the form of adding a separatist movement, the East Turkestan Islamic Movement in China's Xinjiang province, to the U.S. list of terrorist organizations, August 2002.

<sup>10</sup>Taechon (the site of a graphite-moderated reactor that was under construction prior to the implementation of the Agreed Framework, which froze the construction) is only 60 km from the Yalu River; Yongbyon (the primary nuclear site) is only 100 km. The China-DPRK border is lightly guarded—a refugee flood in case of war would be a true crisis for China.

opinions expressed here and hope that they may contribute to developing a useful dialogue on these issues.

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Vice Chairman D'AMATO. Thank you all for your testimony. We'll go to questions now. Chairman Robinson.

### **Panel II: Discussion, Questions and Answers**

Chairman ROBINSON. Thank you, Mr. Vice Chairman. I'd like to direct a question to Dr. Iklé, if I might. In the course of the last panel and our luncheon today with former Secretary of State Madeleine Albright, we heard a fair amount of praise for the '94 Framework Agreement that included such statements as the fact that it retarded the development of some 50 to 100 nuclear weapons by North Korea that might have otherwise eventuated and that it basically was a useful instrument in forestalling this problem.

But given some of the facts that you outlined in your testimony, particularly the Lawrence Livermore study and other items, is it your view that, in fact, the '94 agreement was fundamentally flawed and ill-conceived as a stop-gap accord or how do you see it?

Mr. IKLÉ. What we have here in this argument is you compare only two alternatives: to do nothing at all in 1994 or to have this agreement. The third alternative is to have worked hard and pressed for a better agreement, a better agreement without the reactors, which would by now, if North Korea let us, give them electricity; or a better agreement where the fuel would be taken out instead of leaving that priority unmet, as Ambassador Gallucci, according to The New York Times, has said.

The problem, as I mentioned before, with negotiations you get into when you sit for weeks in Geneva is that you want to come back with an agreement, and you may lose some of the essentials on the way.

Chairman ROBINSON. And do you view a nuclearized North Korea with some eight to 12 nuclear weapons or more an acceptable scenario from a U.S. national security perspective?

Mr. IKLÉ. Well, it's not something we should be quiescent about. We have to do as much as we can to avert that or to reverse it. Now whether that's possible, there are a lot of things which are not acceptable in a sense in the world that we are unable to change or change right away. Nuclear development in Iran may be a case in point. The nuclear build-up in the Soviet Union, another example. You can't stop everything that's bad, but we should try obviously.

Chairman ROBINSON. And finally, China, as you know, has an extraordinary degree of leverage that it could bring to bear in helping defuse this crisis including some 88 to 100 percent of the fuel supplies of North Korea and some 40 percent of its food supplies. Is it your view that China will be inclined to use that leverage in a timely and effective manner to curtail what is reportedly an ongoing North Korea reprocessing effort?

Mr. IKLÉ. I believe it is possible for the U.S. policy to make it not only interesting to China, but compelling, to use its influence

in North Korea to bring about a modification of the regime, not collapse that's been talked about, modification of the regime so that one can work with it to open up, that will use economic aid for gradual development, sort of a Deng version of North Korea after the Mao version of China, the Deng Xiaoping change, that would make things much more secure for China. Because somebody referred to—maybe it was the previous session—correctly to the enormous risks that China is looking forward to by doing nothing, because as a number of Chinese scholars who have worked for the Chinese government have publicly said, that regime is bad for them, China should have a different regime.

But they do not want collapse, as correctly said by Ambassador Einhorn, because of a number of things. I can elaborate if we have more time on that. But we give nothing in between or we should give something in between, and I think we can, and while nothing is certain, I think that's about the only road for progress.

Chairman ROBINSON. Thank you. And Mr. Spector, in my less than two minutes remaining, do you know of any Chinese shipments of components or chemicals relevant to North Korea's nuclear program or reprocessing effort over the past couple of years, or a more recent timeframe?

Mr. SPECTOR. Well, I believe there was an episode that I read about in the press, and I just don't quite remember the time frame. I'm not sure if it was after 9/11 or before, but it involved tributyl phosphate. This is a material that has some industrial uses but also one use is in reprocessing facilities and it's been identified as the types of things that we'd like to see countries like China just block completely.

But I don't know. I haven't heard about other cases of that kind. There is a sense, however, that North Korea will need a lot of equipment if it wants its enrichment program, for example, to move ahead.

Chairman ROBINSON. And is it your professional judgment that a shipment of that kind for the nuclear reprocessing effort, which is arguably the most sensitive issue we face today, could take place without Chinese government concurrence or knowledge?

Mr. SPECTOR. I think I attempted in my testimony to be clear that we don't quite know what goes on in this particular realm. That particular commodity might very well be one, however, which might slip through the cracks because it does have other standard industrial uses I think in plastics manufacture or some of the other areas.

So that one maybe could indeed have slipped through, but there may be others that I'm not privy to where you'd have much more suspicion that China was knowingly allowing the export.

Chairman ROBINSON. Thank you.

Vice Chairman D'AMATO. Thank you, Mr. Chairman. Commissioner Mulloy.

Commissioner MULLOY. I wanted to ask the question and I hope that each of the panelists would go down and respond to, beginning with Dr. Iklé. Ambassador Sherman, who was here earlier, said that the United States cannot tolerate a nuclear North Korea because they sell everything and that they would sell such weaponry

to non-state terrorist groups even, and that that's an unacceptable situation for the United States.

So I want each of you to think. Tell me, and she implied therefore that we would have to, if we couldn't get a multilateral effort to get rid of that problem, that we would have to consider a unilateral action.

I want to ask each of you, tell me whether you agree with her on that point; two, what would be the Chinese reaction to a unilateral U.S. attack on a nuclear North Korea; and three, in the long-run, would such action, if we took it, make us more or less secure as a nation?

Mr. IKLÉ. You have to break this down a bit. Unilateral action that really assures the North will not sell weapons after you attacked Yongbyon, using some things they have hidden away in tunnels or using their highly enriched uranium a couple of years later, you really would have to wage war with a finality of our war against Iraq, namely, fight the regime until it's gone or defeated.

That would be a massive, costly military operation with deep and painful repercussions in our relations with China. As in 1950, China might—would probably enter that war, cross the Yalu again, trying to protect its interests in the North. I think when we hear so much of this in the press and here in town, this fallacy of excluding the interesting middle, namely, working with China in a way so that they can protect their political and security interests in North Korea that they have there, get a much better relationship.

Their relationship with North Korea is miserable. They are being dissed. They are being insulted by the North Koreans. They're angry at them. But find a way where that particular aspect of the regime in the North is removed and you can do what you need do, namely, make the unacceptable go away, the nuclear North Korea, and you don't have a new war with China.

Ambassador EINHORN. On the possibility that North Korea would sell nuclear stuff versus missile stuff, I was the U.S. negotiator with the North Koreans on missiles for a number of years, and on missile technology sales, and we were trying to get them to stop their missile exports, they would say, "What is unlawful about missile exports? There is nothing unlawful."

"We know you guys have this club, the MTCR, but that's voluntary. There's no international law against selling missiles, and by the way, you guys are the biggest arms salesmen in the world, and what's the difference between strike aircraft and missiles and so forth?" We had that kind of discussion.

In their view, there was nothing uniquely bad about missile sales. We never in that discussion talked about nuclear sales. I don't know whether the North Koreans would feel more inhibited about selling nuclear materials, but there are restrictions, there are international prohibitions against nuclear sales that don't exist for missiles.

I'm not predicting that they wouldn't sell nuclear materials. I think you have to worry about that, but it's not necessarily true.

Commissioner MULLOY. I don't have a lot of time. So please give me a quick response to the question that was asked—that would be very helpful to me—about whether you would—

Ambassador EINHORN. China would oppose. China would strongly oppose a U.S. strike against North Korean military or nuclear facilities. I don't think they would get involved. I don't think they would cross the Yalu, but they would strongly oppose it, in my view.

Mr. SPECTOR. I guess I have concerns about a possible sale of nuclear materials because it appears that North Korea is involved in the purchase of something roughly equivalent which is to say uranium enrichment technology, the ability to manufacture some of these materials. So it seems as if it has adopted a view that anything is fair in this area, and they will maximize what they can import, and I would imagine that when they feel that way about what they get from Pakistan or wherever, they're not going to be too restrained on what they might export.

Commissioner MULLOY. You're in favor of unilateral action then?

Mr. SPECTOR. Oh, unfortunately I don't take it to the next step because I fear some of the consequences that have been described. There is one strategy which has been articulated which it's strike and deter. You hit some of these locations and then you say if there is an attack against Seoul of any magnitude, we will then come in, guns blazing, but I think then that invites all of the kind of consequences we've been so nervous about, and that's why I tried to introduce this other idea of trying to weaken the regime by opening a little bit and letting people flow out as another option to put some pressure on it.

Commissioner MULLOY. Thank you. Dr. Iklé.

Mr. IKLÉ. The very interesting point Leonard Spector made about refugees, that's the experience we had in East Germany, that it accelerated the change in regime. We have had the opposite experience in the case of Cuba, with the people who felt like dissidents opposed to the regime leaving, so the regime of Fidel Castro was consolidated.

Commissioner MULLOY. Thanks.

Vice Chairman D'AMATO. Thank you. Commissioner Bryen.

Commissioner BRYEN. Thank you, Mr. Chairman. Dr. Iklé, first of all, I think your testimony was right on. I share your concern about agreements that failed rather than agreements that succeeded. One factor that's changed a bit over the years is the South Korean attitude toward all this, and you began to talk about it, and you ran out of time, and I would like you to elaborate more for us, because it seems as if the path that, the solution that we might visualize is at variance with the solution they might visualize in terms of North Korea. So I'd like to get your view on that and does that make it extraordinarily difficult for us to negotiate anything at this point?

Mr. IKLÉ. We have to do justice to the complexity of the rather young democracy in the Republic of Korea. And there are crosscurrents.

There are movements of young people who demonstrated against U.S., American presence in South Korea, who are now organized to try to do something about the atrocious human rights violations in the North, and we can work with them and support them, of course.

There are, on the other hand, business enterprises whose chief executives have publicly stated that they look forward to benefiting from the cheap labor, prison labor, Gulag labor, in the North. And they tend to be more powerful than these youth movements, and it seems—it's hard to be exact on that—it seems they have a certain influence on the tendency of the government in Seoul, which is still getting organized making it nothing that would bring about major instability in the North.

It is not just the misinterpretation, to keep repeating, about the West German/East German experience, which is nonsense in the case of Korea, because you would do it differently than Helmut Kohl did. You wouldn't start with a common currency and other things. That argument is an excuse for doing nothing about unification.

Commissioner BRYEN. What about on the issue of the—I mean our view of the nuclearized North Korea is to see that as a great danger, but I sense that South Korea has much different view than we on the subject, and is far less concerned about it, partly because proliferation elsewhere is perhaps not their problem, but also because to a certain degree, they don't believe that there is a threat, an imminent threat from the North?

Mr. IKLÉ. I think that's correct. They may even look at a Korean nuclear capability with some pride and feel when unification comes 20 years hence there will be a unified nuclear state of Korea. And I think, if we guess about this, a nuclear attack on South Korea is less likely than the thing that we all fear most, the sales to terrorist organizations.

Commissioner BRYEN. Exactly. Thank you, Mr. Chairman. Thank you.

Vice Chairman D'AMATO. Thank you, Commissioner Bryen. Commissioner Ellsworth.

Co-Chairman ELLSWORTH. Thank you, Mr. Chairman. Over the last couple or three days and more, intensely today, we heard various expressions of how painful it would be, how difficult it would be to countenance a nuclear North Korea. Some people have said it would be unacceptable and worth going to war to prevent. Others have said other things short of that, but we've heard a lot about how terrible it would be for our national interests.

I can't imagine anybody would think it would be very good for our national interests, but in any case, the logic of what has been said is that we must do everything possible to prevent it. And one of the things that have been proposed is this multilateral negotiation, which evidently is already underway, pretty much behind the scenes.

And then one of the proposals is in various forms again that once the negotiations start, and while they're underway, and they will take a long time, that there should be a freeze on the North Korean nuclear weapons program, whatever it is at the moment.

My question, and I would like to ask all four of you this quickly, what is the time line between where you think the North Koreans are now, if you will, the technical industrial time line between where they are now, or where you think they are now, and their actual possession of eight to 12 weapons? I ask that question of all four of you, starting with Fred Iklé.

If you have any views on it, or, if you haven't thought about it, you could perhaps get back to us.

Mr. IKLÉ. My thought is sort of diagonal to the question. We can guess there is some intelligence about those guesses and so on, when they will have two, five, ten weapons. We may exaggerate the importance of that question because it's clear, or fairly clear, they are moving towards the capability of having highly enriched uranium and processed plutonium. They might make weapons. They may never want to give their weapons away. They might sell the highly enriched uranium that a clever terrorist organization could fashion into a simple nuclear bomb.

So there are many facets to it. It's a richer question than whether there are two or six or ten weapons. But I'm not able to give you an answer how soon they will have how many.

Co-Chairman ELLSWORTH. But your comment is very helpful and interesting.

Ambassador EINHORN. This is just a guess, Ambassador Ellsworth, but to extract the plutonium from the 8,000 spent fuel rods and then fabricate weapons from that plutonium, perhaps six to 12 months, something like that, but—

Co-Chairman ELLSWORTH. To use up all the 8,000?

Ambassador EINHORN. Yes. To fully separate the plutonium from those 8,000 and maybe to fabricate devices, depending on how many skilled personnel they have and so forth.

Co-Chairman ELLSWORTH. But during that period of time, would they have maybe two or three or eight or six or seven or nine or something before they got to the full 12?

Ambassador EINHORN. The best estimate is they probably have one or two now.

Co-Chairman ELLSWORTH. Already.

Ambassador EINHORN. And the 8,000 yields them maybe five or six additional. And whether they do it in series or I don't know what their manufacturing processes would be, whether they would build incrementally. They probably would do one-at-a-time manufacturing.

But let me just go back to the point about whether this is intolerable, that you started your question with. Everyone says it's intolerable. Everybody. Every government, but no one is behaving as if it were really intolerable. We've ruled out the military option as too risky. Negotiations have certain down sides also, so we're not quick to get into negotiations.

So where we're kind of drifting is into tolerating this capability, not just one or two, but a larger number, and I think, in the minds of some, it's okay to tolerate in the near term because we can deter and we can contain and we can pressure, because this regime may be resilient but it's not immortal, and some day we can get to zero through the collapse of the regime and its absorption into the South and the South Koreans doing the right thing.

I think that's the theory. But it's a risky theory, because the period between now and collapse may be a long, long time, and the North Koreans can do some nasty things between now and then.

Co-Chairman ELLSWORTH. Thank you. Mr. Spector.

Mr. SPECTOR. I will just comment on your introductory remark about the need to try to have a freeze while we have a negotiation.



I would only say the acid test for the Agreed Framework is to ask the question are we better off July 2003 or were we better off in July 2002 when the Agreed Framework was in place and we had a freeze on the parts of the program that we knew about, notwithstanding the long-term dangers that Dr. Iklé raised.

My impression was it's a matter of months before they could get the next one or two weapons, reprocessing the plutonium, and then it would go on from there.

Mr. OLSEN. I'd like to answer a little bit obliquely also. You're right in assuming that negotiations for some bargain would probably be rather lengthy, and the freeze would involve a dangerous period of time. But I don't think that it would be difficult to verify a freeze in a temporary mode.

One of the reasons why the freeze was a big deal in 1994 was that the IAEA was seeking to maintain some continuity of knowledge. That's all been lost now anyway. If the IAEA can just find the 8,000 rods or an equivalent amount of plutonium, then they can put up a temporary safeguards system on those objects during the time of this freeze. I think that the freeze itself could be verified.

Mr. SPECTOR. That's just the freeze of the plutonium, and you still have the HEU problem so this is tricky.

Co-Chairman ELLSWORTH. Thank you. Very interesting. Mr. Vice Chairman.

Vice Chairman D'AMATO. Commissioner Bartholomew.

Commissioner BARTHOLOMEW. Thanks very much, and I'd like to thank all of our panelists for sharing their experience and their scientific expertise. I actually want to make a particular thanks to Dr. Olsen who comes from my home State of New Mexico, the State that is in the unique position of having a Governor who actually has expertise on North Korea. He's on the TV all the time.

Mr. OLSEN. Thank you.

Commissioner BARTHOLOMEW. Ambassador Einhorn, I was particularly interested in your comments that you believe that more attention was paid to China's proliferation activities during the 1990s. We, of course, here are tasked with advising Congress on action, and during the 1990s, it was Congress' period of most activity in terms of the U.S.-China relationship with the annual MFN debate, which provided, of course, some sort of benchmark. It forced the Administration to come up year in and year out and say "this is what we're doing to address proliferation concerns. This is what needs to be done."

The past is over. I understand that. I'd like to ask all of our panelists, though, what do you think needs to be done in order to get more attention paid to China's continuing proliferation activities?

Ambassador EINHORN. Both Administrations, the Clinton Administration and the Bush Administration have been focused on the China proliferation problem, but in somewhat different ways. In my testimony, I suggested that the Bush Administration is relying a bit too much on the sanctions mechanism. In the Clinton Administration, there were a lot of sanctions against China, but sanctions were used as a lever.

They were an opportunity to go to the Chinese constantly and say, what about this transaction, what can you tell us about it? Did

you know the end-user? Why don't you stop this? What are you going to do next time to prevent this entity from making this sale and so forth?

But we were in their face all the time, and, as I said, it was a very contentious process, but I think it shook up the Chinese bureaucracy a bit. They knew it was important to us and I think they reacted. Again, two steps forward, one step back. But I think we saw some steady progress.

I think unless you're in their face constantly, using the sanctions policy tool as a lever, we can see some backsliding, and that's what I would advise the Bush Administration. Go back to the Chinese constantly, but share intelligence where you need to. That's tricky because you don't want to blow sources and methods.

But, when it's going to do some good, share that intelligence and press the Chinese hard. I think the current Administration has adopted too aloof an approach to China proliferation problems recently.

Commissioner BARTHOLOMEW. Anybody else on the panel with thoughts on that?

Mr. IKLÉ. I think these are very good points that Robert Einhorn made and it shows that it's a constant labor of intense effort and focus to dissuade a government that isn't fully with us on non-proliferation to abide by it, at least partially, and it means you have some failures and some things slip through, and some of the things that slip through can be very, very bad, like—I'm not sure whether it's totally a fact or alleged fact—the help Pakistan gave to North Korea on enriching uranium. Then it's a very bad disaster.

Commissioner BARTHOLOMEW. Thank you.

Vice Chairman D'AMATO. Commissioner Reinsch.

Commissioner REINSCH. Thank you. Commissioner Bartholomew touched on one of the points I was going to raise, and I'm very glad she did, because I think it was a good point and a good question. I want to pursue the discussion of China just a little bit, particularly with our two witnesses in the middle, partly because they had so much involvement in it.

Ambassador Einhorn, you made an excellent point about the way the last Administration pursued this issue and you in particular should be commended for your relentlessness in pursuing this issue with the Chinese. I was involved in some of that, and I know the difficulty of the task. I also know how effective you were at it, and both the reputation and the nickname you acquired when you were doing it. I wish that we were still doing that.

But I'm glad we were able to get that point on the record, because I think it's a very important one, and I'm glad you touched on it in your testimony.

Mr. Spector, I thought your testimony was particularly useful because it went into great detail about the Chinese attitude, evolving attitude, if you will, toward proliferation, and I thought it—I largely agreed with it as I mentioned to you earlier. You also performed a very useful service in your appendix by laying out areas for cooperation or some things that could be done to further enhance Chinese progress.

My impression, and here's where I would like you to comment, is that many of those things at least were underway in the last Administration or were proposed at various stages. I'm not sure how far they've gotten, but they're not new ideas. You didn't represent them as such, which is fine. But I'm wondering if you could just, first of all, maybe get it out here as part of the oral statement, mention a few of those ideas, but then comment a little bit on how much of that stuff is actually happening right now.

Mr. SPECTOR. Well, it's my impression that—I mean the basic idea that we're trying to do is help China build its own export control system on the assumption that at some level it will operate in good faith. I mean it has issued the regulations and it is exercising export control system. It doesn't have as much equipment as it needs. It doesn't have enough licensing officials and monitoring at the borders.

And there is a whole sort of series of steps that a fully-fledged export control system requires, and I think we can help them build this up. It's a cooperative kind of program. We're doing it all over the world. By we, I mean the United States Government, this Administration, and I'd say what has changed since the Clinton years is this area is getting quite a bit of money.

So that the State Department has I think a budget of 30 or \$40 million for export control cooperation, so I think this is a very good area and it's one that is not controversial with the Chinese, I wouldn't imagine, because it is a facilitation of something they are already committed to in principle.

Now, like the Russians, you don't know what they're going to do when it comes to issuing a particular license, so you never know what that outcome will be. But at least we can help them shore up the mechanisms for controlling these exports.

Commissioner REINSCH. Ambassador Einhorn.

Ambassador EINHORN. Yes, Commissioner Reinsch, thank you for your very kind remarks. On the question of where we and the Chinese could cooperate, I think Sandy Spector's statement mentions a number of very good ones, and the area of customs and border security are very important. Cooperating with the Chinese to strengthen their system of export control; enforcement where they are still quite weak would be very valuable.

These efforts were started in the last Administration. Initial discussions were held, but more of this needs to be done. An area that I think is of great importance, especially after 9/11, and hopefully something this Commission will make a recommendation on, is the area of nuclear security. That is the physical protection of nuclear installations, the accountancy and security of nuclear and biological materials and so forth.

It's in our interest for China to be able to account for and secure its dangerous, sensitive materials effectively. There were some discussions of this in the last Administration, but they were cut off, and it's no secret why they were cut off. After the Cox Report, basically the laboratory-to-laboratory discussions in this area became impossible for either side to sustain.

I'm not suggesting that we have to replicate the lab-to-lab format, but we should be able to find a way to cooperate with China in a nuclear security area in a way that isn't a conduit for espio-

nage, which was the concern, but we can do this, and it's in the interest of both countries.

Commissioner REINSCH. Would it be your view that, assuming we could structure it in such a way as to deal with the concerns of the Cox Committee, the Chinese would welcome that kind of cooperation and the kind of additional resources we would put into it? Mr. Einhorn first and then Mr. Olsen.

Ambassador EINHORN. I know Mr. Olsen has interesting things to say on this. I've had discussions with Chinese government officials and laboratory officials. They are anxious to resume this discussion. They believe it is in their interest. They would like to work with their American counterparts, but it's so sensitive politically that they need a go-ahead at the highest political levels.

Commissioner REINSCH. Mr. Olsen.

Mr. OLSEN. Physical protection of nuclear materials and facilities is something that falls under a cooperation that can be done under the auspices of the IAEA, and that makes it very easy for the U.S. and China to cooperate. U.S. DOE laboratories have actually done training in China on physical protection. The last workshop, conducted by Sandia Labs was in December. Twenty Chinese nuclear engineers were trained along with two North Koreans and two South Koreans in a regional training format. This is a topic that we can cooperate on, and the nuclear energy institutions in China want to continue this cooperation and, in fact, enlarge it.

Commissioner REINSCH. Thank you. Mr. Chairman, I hope the staff has taken a note or two. It seems to me these are some useful recommendations that we ought to keep in mind for when we issue whatever it is we're going to issue next.

Thank you.

Vice Chairman D'AMATO. Thank you very much. I agree that we can move forward on a number of the recommendations made by the panel. I just want to say to Mr. Spector, your testimony has been very useful for us in these very considerable recommendations. I think it would be interesting also to pursue your recommendation on development and how we might incorporate that that in our discussions with China.

I'm wondering whether or not there is anything that can be married up with their activities on the WTO in that respect? Some kind of issue on export control that will deal with their obligations under the WTO.

Mr. SPECTOR. Yes. I don't have a good background on that issue, but it's something we could certainly look into and send you a letter on.

Vice Chairman D'AMATO. Thank you. And Ambassador Ellsworth had a follow-up.

Co-Chairman ELLSWORTH. My question was answered by Mr. Olsen addressing Bill Reinsch's question.

Vice Chairman D'AMATO. In terms of the NORINCO sanctions, I'm particularly interested in your view, Professor Einhorn, in this case, we have broken rather new ground. It's one thing in cases like Mr. Chen, who is not particularly worried about being sanctioned for the 19th time or so when he doesn't have any business in the United States.

Its an entirely different thing when a company like NORINCO would lose hundreds of millions of dollars worth of exports to the U.S. Do you have an impression of the Chinese reaction internally to the NORINCO sanctions? Is there a lesson for us here?

Ambassador EINHORN. I haven't had direct contact with Chinese officials on the NORINCO sanctions. I think it was very worthwhile doing. NORINCO is a serial offender. I think Paula DeSutter may have made this point this morning. There are a number of Chinese serial offenders, and we have to do something to make it painful for the Chinese government, and I think the NORINCO sanctions have some teeth because it will affect trade between the U.S. and China.

There have been other sanctions that have similarly had some effect on preventing the licensing of satellite exports to China. The Chinese lost a lot there. During the ring-magnet episode of 1995-96, we actually withheld Export-Import Bank loans to all of China for over three months, and that had some effect.

So some of these sanctions can have an effect, but often they're toothless tigers. We don't do any trade with the sanctioned entity. So it's a tree falling in the forest.

Vice Chairman D'AMATO. This Commission in its last report gave what we called the apples for oranges recommendation—that if we hear about behavior in proliferation and they, of course, take our economic relationship very seriously and do not want to jeopardize it, that we use economic sticks as a quid pro quo for bad behavior in the proliferation area. Take the example of Mr. Chen—being protected by government authorities, which is a pretty good assumption. Then would you think it would be useful to try to marry up his behavior with economic transactions that may not be directly related to his activities, but are of importance to the Chinese state?

Ambassador EINHORN. I think the Chinese government needs to see some costs to China for these serial offenses, and Q.C. Chen, would be a perfect example. He's obviously got some high level protection but something has to be done to stop his activities.

Commissioner REINSCH. If I may, can I just add one thing? I have to say some of the sanctions that Mr. Einhorn just referred to I think impose greater cost on the American side than they did on the Chinese side. And I don't think that should be forgotten particularly in satellites.

Vice Chairman D'AMATO. Chairman Robinson.

Chairman ROBINSON. And I was just going to follow up on that to say that it's quite rare that import controls are used as a sanction. They are on the very robust side of the sanctions spectrum. I think Dr. Iklé remembers well when we faced another drama when Soviet troops were massing on the Polish border and we were in a circumstance where we felt we needed to impose U.S. import controls against certain firms that were supplying various types of oil and gas equipment to the Soviet Union.

Leave it to say that it's the kind of club in the closet, if you will, that when pulled out tends to catalyze a genuine modification in behavior. It's not going to be applicable in all cases. I think that the use of import controls was very well conceived in the

NORINCO case. And it did harken back to earlier years and in that connection, just a quick personal note.

I would like to thank Dr. Iklé for playing no small role in plucking me out of the Chase Manhattan Bank and bringing me to the National Security Council and a rather long public policy career. We were in the trenches together on this kind of issue, as was Commissioner Bryen and others, and I think it's important to return to these policy options in the proper circumstances, particularly for serial offenders. Closing the U.S. market is about as serious as it gets in the economic arena.

Thank you.

Vice Chairman D'AMATO. Thank you, Mr. Chairman. One other matter. I had earlier given Mr. Olsen my copy of the letter that the IAEA faxed last night as a contribution to our view of the IAEA role in North Korea.<sup>2</sup> It might be useful to hear your opinion and your reaction to the IAEA position.

Mr. OLSEN. Yes. This letter emphasizes that the IAEA still needs to get back into North Korea to verify the initial declarations that were made ten years ago, as well as to bring North Korea back into compliance with the NPT. Furthermore, they want to implement strengthened safeguards process in North Korea so that they would have the capability to detect undeclared nuclear facilities and activities.

I think this is all consistent with U.S. policy and aims. The thing that I would like to highlight in this letter is that they strongly urge that the IAEA should have a place at the table as people are negotiating a bargain on what the future is going to be like, Their feeling is that verification requirements might otherwise be underestimated. As we saw when the IAEA announced that it would take three to four years to return North Korea to compliance with the NPT before the reactor components could be delivered, misunderstanding of verification timelines might have led to a surprise in the past.

Because the IAEA did not participate in the original Agreed Framework negotiation, perhaps their advice was not taken into account. As we go into a new bargain in the future, IAEA probably need to be included in an integral way.

Vice Chairman D'AMATO. Yes. It looks to me like the IAEA is interested, since they generated that response in about 12 hours. They sound like they're ready to go. Mr. Chairman.

Chairman ROBINSON. Well, with that, I would like to yield back five or so minutes which for this Commission is quite an accomplishment. This was an especially helpful panel. We are very grateful to all of you for your time and testimony, not to mention the very thoughtful answers you provided.

This hearing is going to advance our work in a very substantive way. We've come away with a number of hard recommendations and that we will want to explore further. It's definitely advanced our work program on what many of you may concur is our highest priority issue in our legislative mandate.

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<sup>2</sup>See page 116 for July 23, 2003 letter from Mr. David Waller, Acting Director General of the International Atomic Energy Agency, responding to Vice Chairman D'Amato's inquiry into the IAEA's views on the verification of nuclear disarmament and nonproliferation in the DPRK.

And I would further like to express the hope that this hearing has contributed some new thinking and some options and analyses that may be helpful to the executive branch and the Congress as they seek to come to grips with a very serious problem that most of us at the Commission believe to be a crisis.

And I would finally like to applaud the very steady and intense efforts of our hearing co-chairmen today, Vice Chairman of the Commission Dick D'Amato and Commissioner and Ambassador Robert Ellsworth, for pulling together a highly productive day of discussions. I would also again like to thank our staff for a terrific job on backstopping this hearing.

So with that, we'll declare the hearing adjourned.

[Whereupon, at 4:55 p.m., the proceedings were adjourned.]

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## United States Senate

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July 23, 2003

The President  
 The White House  
 Washington, D.C. 20500

Dear Mr. President:

Recent news accounts indicate that the government of the United States may be contemplating new diplomatic initiatives to resolve the international security threat posed by North Korea's pursuit of nuclear weapons.

I hope these accounts are accurate. I believe that the expansion of North Korea's nuclear weapons program constitutes a crisis in the national security interests of the United States, and I urge that all necessary steps be taken to diffuse this threat through diplomacy. The United States should act without delay to seek the complete and verifiable elimination of North Korea's nuclear weapons program, to stop the proliferation of long range ballistic missiles from North Korea, and to prevent the potential proliferation of nuclear material from North Korea.

While I understand and support the Administration's insistence that North Korea's neighbors, including China, South Korea, and Japan, must be involved in negotiating a solution to this crisis, I believe that the United States must take the lead in developing and implementing a negotiating strategy. Bilateral discussions should not be ruled out if they can help to precipitate a broader international agreement.

Because of the magnitude of the North Korean threat, and the importance of gaining the support of the American people for any diplomatic resolution, I also believe it is imperative that Congress be consulted and engaged in the negotiating process. Moreover, any agreement that the United States intends to enter into with the government of North Korea should be subject to the treaty advice and consent provision in Article II, Section 2, clause 2 of the Constitution.

All of the ingredients that would be required for a new, comprehensive agreement with North Korea appear to meet the criteria traditionally used to determine whether the form of an agreement rises to the level of a treaty requiring Senate approval. These criteria include the extent to which the agreement involves commitments or risks affecting the nation as a whole; whether subsequent legislation will need to be enacted by Congress to implement the agreement; past U.S. practice as to similar agreements; and the proposed duration of the agreement.



The President  
July 23, 2003  
Page 2

There can be no question that a nuclear weapons pact with North Korea will involve a substantial degree of commitment, and possibly risk, for our nation as well as our Asian allies. It will clearly be of long duration and is likely to require the obligation of appropriated federal funds to support U.S. obligations under the agreement.

Treaties have traditionally played an important role in the shaping of U.S. foreign policy in the post World War II era, including the foundation of our alliance networks. On June 25, 1969, the Senate adopted the National Commitments Resolution (S. Res. 85), which expressed the sense that a national commitment "results only from affirmative action taken by the executive and legislative branches of the U.S. Government by means of a treaty, statute, or concurrent resolution of both Houses of Congress specifically providing for such commitment."

Furthermore, on September 8, 1978, the Senate passed S. Res. 536, the "International Agreements Consultation Resolution", stating the sense of the Senate that, "in determining whether a particular international agreement should be submitted as a treaty, the President should have the timely advice of the Committee on Foreign Relations through agreed procedures established with the Secretary of State." This resolution formalized a procedure which was negotiated by the committee with the Secretary earlier that year.

The practice has been to consult with the Senate on the form an agreement should take based on the importance of the agreement to the Congress and the political importance of the country or countries that will be asked to sign the agreement. When there is any uncertainty over the question of whether an agreement should be concluded as a treaty or executive agreement, State Department formal procedures (Circular 175) mandate that consultations "be held with congressional leaders and committees as may be appropriate."

Again, Mr. President, I encourage you to aggressively pursue a diplomatic solution to the looming crisis in North Korea, and I urge you to ensure that the Senate is fully engaged in the negotiating process so that any agreement reached by your Administration will have the support and consent of the United States Senate and the American people.

With warm regards, I am

Sincerely yours,  
  
Robert C. Byrd

RCB:bb



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23 July 2003

Dear Mr. D'Amato,

Thank you for your telephone enquiry of 22 July 2003, about the IAEA's views on the verification of nuclear disarmament and non-proliferation in the Democratic People's Republic of Korea (DPRK) as part of an international resolution of the situation there. Let me first apologize for the fact that our response in time for the Commission's hearing tomorrow cannot be complete; but we stand ready to assist if you have follow-up queries.

You will be aware that the IAEA's limited presence in the DPRK – monitoring the “freeze” on certain facilities as part of the 1994 Agreed Framework – was terminated in December 2002; the Agency is therefore not in a position to conclude that nuclear material in the DPRK has not been diverted. You may also be aware that the Director General has, in public remarks since then, urged the parties to any negotiations for a resolution of the situation to involve the IAEA in discussion of verification aspects – so that a greater degree of international confidence about the nature of the DPRK's nuclear programme would be attainable than was the case under the Agreed Framework. I therefore welcome your invitation to comment.

International safeguards provide assurance as to the exclusively peaceful nature of a country's nuclear activities. The credibility of that assurance is in direct relation to the intrusiveness of the measures applied and the national government's commitment to transparency. The DPRK is a complex situation for the implementation of safeguards, given the number and sophistication of the facilities in question, including reprocessing and possibly enrichment and weaponization.

The IAEA's experiences elsewhere have led to a range of verification approaches. First, the IAEA applies in most of the world the measures available under “classical safeguards” (pursuant to INFCIRC/153), which are most effective in confirming the non-diversion to weapons purposes of declared nuclear material and facilities. Second, since 1997, and drawing on the lessons learned by the IAEA in the aftermath of the first Gulf war, the “strengthened” standard for safeguards (especially in countries with significant nuclear activities) is the Additional Protocol (INFCIRC/540), which facilitates the drawing of conclusions about the absence of undeclared nuclear activities. This is, for example, the standard we are now seeking to apply in Iran. Third, there are the particularly intrusive measures we have applied in Iraq under UN Security Council Resolution 687 and subsequent resolutions. Such measures are only workable with the consent and co-operation of the government concerned and may presuppose a special international agreement or a Security Council resolution.

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Related to the potential situation in the DPRK is the IAEA's experience in South Africa, where a nuclear weapons programme that included weaponization was neutralized through the application of safeguards augmented by intrusive measures, with the full commitment and co-operation of the South African authorities. Only when we have full information about or unfettered access to the DPRK's nuclear programmes will we be able to tailor a national approach and facility approaches that will deliver the necessary credible assurance that any weapons-related activities have ceased.

For the present, the IAEA has worked on developing the safeguards approaches we had prepared under our Comprehensive Safeguards Agreement with the DPRK, to be available in the event of our being able to apply them in full at all known facilities and locations in the DPRK. The approaches remain hypothetical so long as neither the scope of access nor the breadth of our potential authority is defined. As an indication, however, I could mention that potential approaches could include: a new initial declaration by the DPRK of all nuclear material and facilities in the country; a comprehensive accounting by the DPRK for past production of nuclear material; a continuous inspection regime, including short-notice inspections; neutron and gamma radiation monitoring; aerial, video and radiation surveillance; nuclear material inventory verification and flow measurement; continuing plant design verification; sample-taking for destructive analysis and non-destructive assay; and interviews with DPRK personnel. A high level of assurance for the international community regarding the completeness and correctness of the DPRK's declaration would require a flexible, transparent, and co-operative approach on the DPRK's part, to facilitate the IAEA's mission.

I trust this provides some preliminary indication of how we could envisage nuclear verification being undertaken in the DPRK. The IAEA will of course be happy to work with any of the parties to negotiations about the DPRK's nuclear programmes, to maximize the credibility of the assurance that should result.

Yours sincerely,



David B. Waller  
Acting Director General

**STATUTORY MANDATE OF THE U.S.-CHINA ECONOMIC AND SECURITY  
REVIEW COMMISSION**

Pursuant to Public Law 108-7, Division P, enacted February 20, 2003

**RESPONSIBILITIES OF THE COMMISSION.**—The United States-China Commission shall focus, in lieu of any other areas of work or study, on the following:

**PROLIFERATION PRACTICES.**—The Commission shall analyze and assess the Chinese role in the proliferation of weapons of mass destruction and other weapons (including dual use technologies) to terrorist-sponsoring states, and suggest possible steps which the United States might take, including economic sanctions, to encourage the Chinese to stop such practices.

**ECONOMIC REFORMS AND UNITED STATES ECONOMIC TRANSFERS.**—The Commission shall analyze and assess the qualitative and quantitative nature of the shift of United States production activities to China, including the relocation of high-technology, manufacturing, and R&D facilities; the impact of these transfers on United States national security, including political influence by the Chinese Government over American firms, dependence of the United States national security industrial base on Chinese imports, the adequacy of United States export control laws, and the effect of these transfers on United States economic security, employment, and the standard of living of the American people; analyze China's national budget and assess China's fiscal strength to address internal instability problems and assess the likelihood of externalization of such problems.

**ENERGY.**—The Commission shall evaluate and assess how China's large and growing economy will impact upon world energy supplies and the role the United States can play, including joint R&D efforts and technological assistance, in influencing China's energy policy.

**UNITED STATES CAPITAL MARKETS.**—The Commission shall evaluate the extent of Chinese access to, and use of United States capital markets, and whether the existing disclosure and transparency rules are adequate to identify Chinese companies which are active in United States markets and are also engaged in proliferation activities or other activities harmful to United States security interests.

**CORPORATE REPORTING.**—The Commission shall assess United States trade and investment relationship with China, including the need for corporate reporting on United States investments in China and incentives that China may be offering to United States corporations to relocate production and R&D to China.

**REGIONAL ECONOMIC AND SECURITY IMPACTS.**—The Commission shall assess the extent of China’s “hollowing-out” of Asian manufacturing economies, and the impact on United States economic and security interests in the region; review the triangular economic and security relationship among the United States, Taipei and Beijing, including Beijing’s military modernization and force deployments aimed at Taipei, and the adequacy of United States executive branch coordination and consultation with Congress on United States arms sales and defense relationship with Taipei.

**UNITED STATES-CHINA BILATERAL PROGRAMS.**—The Commission shall assess science and technology programs to evaluate if the United States is developing an adequate coordinating mechanism with appropriate review by the intelligence community with Congress; assess the degree of non-compliance by China and [with] United States-China agreements on prison labor imports and intellectual property rights; evaluate United States enforcement policies; and recommend what new measures the United States Government might take to strengthen our laws and enforcement activities and to encourage compliance by the Chinese.

**WORLD TRADE ORGANIZATION COMPLIANCE.**—The Commission shall review China’s record of compliance to date with its accession agreement to the WTO, and explore what incentives and policy initiatives should be pursued to promote further compliance by China.

**MEDIA CONTROL.**—The Commission shall evaluate Chinese government efforts to influence and control perceptions of the United States and its policies through the internet, the Chinese print and electronic media, and Chinese internal propaganda.



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