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THE NORTH KOREAN NUCLEAR CALCULUS: BEYOND THE SIX-POWER TALKS

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BEFORE THE

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THE NORTH KOREA NUCLEAR CALCULUS: BEYOND THE SIX-POWER TALKS

TUESDAY, MARCH 2, 2004

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The committee met at 4:10 p.m., in room SH–216, Hart Senate Office Building, Hon. Richard G. Lugar, chairman of the committee, presiding.

Present: Senators Lugar, Hagel, and Feingold.

OPENING STATEMENT OF SENATOR RICHARD G. LUGAR, CHAIRMAN

The CHAIRMAN. This hearing of the Senate Foreign Relations Committee is called to order.

Today the Foreign Relations Committee again turns its attention toward North Korea. We are pleased to welcome Assistant Secretary of State James Kelly. We look forward to his timely update on the six-party talks in Beijing, from which he has most recently returned.

The North Korean regime's drive to build nuclear weapons and other weapons of mass destruction poses a grave threat to American national security. All of us remain concerned about the potential for miscalculation that could lead to a deadly incident or broader conflict. We are also concerned about the transfer of North Korean weapons, materials, and technology to other nations or terrorist groups.

The administration and our allies understand the importance of the six-party talks for regional stability and global security. The United States has consulted closely with other countries in the region in an effort to make these talks productive. The goal of United States policy must be to stop and to ultimately dismantle the North Korean nuclear weapons program. To achieve this objective, we cannot rule out any options.

Even as we attempt to achieve our objectives through the six-party talks, the United States must continue to refine its analysis and its options related to North Korea. Previously I outlined four factors that I believe we should keep in mind as this analysis occurs. First, the central interest of the North Korean regime is its own survival. Second, given their lack of friends and their dysfunctional economy, the North Korean leaders increasingly perceive that their backs are to the wall. Third, recent events, including the ousters of Saddam Hussein and the Taliban and even the voluntary opening of Libya's nuclear program, have pressurized the geopolitical environment for North Korean leaders, who may believe

they face the threat of United States military action. Fourth, although there is still ambiguity surrounding the precise configuration of North Korea's nuclear program, the North Korean regime sees the program as the primary means through which it can protect and perpetuate itself. It will not give up its nuclear ambitions easily and these realities combine to create a dangerous situation that requires focused attention by the United States and our allies.

Any satisfactory agreement with North Koreans on permanently ending their nuclear program must ensure absolute verification. There is no method that achieves a higher degree of verifiability than United States sponsorship and implementation of the dismantlement operations. The Pentagon has built a record of success in such operations through programs such as the Nunn-Lugar Cooperative Threat Reduction program in the former Soviet Union. And Congress recently authorized the administration to use $50 million in Nunn-Lugar funds outside the former Soviet Union for nonproliferation operations such as those that might present themselves in North Korea. As talks continue, we must begin to think about how a negotiated settlement to the North Korea nuclear question could be effectively implemented.

In addition to our examination of security issues, this hearing will also consider North Korean economic and human rights issues. The regime keeps its grip on power by repressing political dissent with a vast gulag system of cruel prisons and labor camps. This committee has devoted considerable time and energy to oversight of policies related to the conditions within North Korea, and we will continue to do so today.

After Secretary Kelly has testified, we will hear from a second panel of expert witnesses. Terence Taylor is President and Executive Director of the United States Office of the International Institute for Strategic Studies. Mr. Taylor will provide his perspective on nuclear issues, including an appropriate verification model related to North Korea's nuclear program. Dr. Victor Cha is Associate Professor of Government of the School of Foreign Service of Georgetown University. He will share his perspective on North Korea's economic situation. Mr. Tom Malinowski is Advocacy Director of Human Rights Watch. He will testify regarding human rights conditions in North Korea.

We welcome all of our witnesses. We look forward to their insights and their analysis. And I would express to all of them my appreciation for their patience. We are only an hour late in beginning the hearing, but better late than never, and we are at least at a point in the Senate's schedule where the last rollcall vote has been cast for the day. Therefore, we will not be interrupted again.

Secretary Kelly, we have appreciated so much your coming to the committee frequently throughout the talks and negotiations with North Korea. Certainly your appearance today is timely. We know you may be weary after long travels, as well as your work there in Beijing last week, but we deeply appreciate your coming. We look forward to your testimony. Take the time that you wish. Your entire statement will be made a part of the record.

Secretary Kelly.

STATEMENT OF HON. JAMES A. KELLY, ASSISTANT SECRETARY OF STATE FOR EAST ASIAN AND PACIFIC AFFAIRS

Mr. KELLY. Thank you, Mr. Chairman. I do not have a formal statement, but I do have some opening remarks that we have provided to the committee, and I will try to be brief.

Thank you, Mr. Chairman, for this opportunity to review our efforts to deal with the threat that North Korea's nuclear programs pose to regional peace and security and to the global nonproliferation regime. Having just returned from the six-party talks in Beijing, I am grateful to have the chance to discuss with you and your colleagues our work, together with like-minded countries at the talks, toward a nuclear-free Korean Peninsula.

The multilateral process is off to a very good start. The false notion that North Korean nuclear weapons are the unique concern of the United States is all but gone. Our goal, complete, verifiable, irreversible dismantlement of North Korean nuclear programs, has been dubbed by the South Koreans CVID, and that acronym and the important goal it represents has been accepted by all at the six-party talks except the North Koreans. And with each of the countries having large and direct interest in the issue, the process is unusually well-focused.

The first round of six-party talks, in August of last year, provided the opportunity to governments directly concerned with the Korean Peninsula and the nuclear issue in particular to state their positions authoritatively before all of the other parties. This created a solid baseline from which we are working together to bring about a diplomatic solution to the problem.

We began the second round last Wednesday, February 25, with hope for concrete progress that would lay the basis to continue moving forward. I am pleased to report that the talks are working to our benefit and are moving a serious process forward. The parties agreed to regularize the six-party talks, to convene a third round of talks before June, and to establish a working group to continue our efforts in the interim.

This is a good foundation on which we can build in future rounds. Key, substantive differences do remain that will need to be addressed in further rounds of discussions. However, we worked closely with our partners in the talks and were pleased with the high degree of cooperation among us. Most importantly, we kept the talks focused on our objective, the complete, verifiable, and irreversible dismantlement of North Korea's nuclear programs, by which we mean plutonium and uranium enrichment-based programs. It was clear by the conclusion of the talks that this is now very much on the table.

The onus is on the DPRK to demonstrate its commitment to abandoning its nuclear programs by being forthcoming about the entirety of its efforts, including uranium enrichment. The other five parties are all in full agreement on this fundamental idea. North Korea heard what it needs to do in sessions with all the parties represented and it heard it from us in direct encounters on the margins of the formal sessions. By the way, after these encounters, I was quick to brief the other parties. Transparency is an important part of the six-party talks and essential to its core premises.

These accomplishments are evidence of a very different and promising atmosphere at this round. All parties came prepared to be blunt about their positions, but also ready and willing to take on board the concerns of the other parties. The North Koreans came to the table denying a uranium enrichment program and complaining about the inflexibility of the U.S. position, but they have gone along with the institutionalization of the process.

The achievements from the talks are in no small part due to the extensive efforts of the Chinese. They have worked as intermediaries to bring about and host a second round, and we are grateful for the hard work they have been doing. More importantly, China has been active as a participant and makes clear that it will not accept nuclear weapons on the Korean Peninsula. The Republic of Korea has also made a valuable commitment. It would offer fuel relief to the North if there were a halt or a freeze of the nuclear programs. But South Korea has made clear that any such freeze is to be but a temporary measure toward the larger goal and will have to be complete and verifiable.

We will continue working side by side with the Chinese, the Russians and our Japanese and South Korean allies to reach the result we seek. We have already begun to discuss next steps and will be actively consulting with China, the Republic of North Korea, Japan, and Russia in preparation for the next round in the intercessional working group.

The process of transforming the situation on the Korean Peninsula in the interest of all these parties must begin with a fundamental decision by the DPRK. The DPRK needs to make a strategic choice for transformed relations with the United States and the world, as other countries have done, including quite recently, to abandon all of its nuclear programs. We also made clear that there are other issues that, as the nuclear issue begins to unfold, can be discussed with the U.S. Missiles, conventional forces, and serious human rights concerns could be discussed and progress could lead to full normalization.

There is also something else important that is beginning with the six-party talks. As the committee knows, the numerous and intensive security dialogs of Europe are not matched in East Asia where the only comparable institution is the annual and slow-growing ASEAN Regional Forum, the ARF. Northeast Asia has had no such event. But the chemistry of articulating interests in a direct but respectful way, on an equal footing, is developing at the six-party talks in a way that I anticipate will some day pass well beyond the DPRK nuclear issue.

In his February 11 remarks to the National Defense University, President Bush called on other governments engaged in covert nuclear arms programs to follow the affirmative example of Libya. The Libyan case demonstrates, as President Bush has said, that leaders who abandon the pursuit of weapons of mass destruction and their delivery means will find an open path to better relations with the United States and other free nations. When leaders make the wise and responsible choice, they serve the interest of their own people and they add to the security of all nations.

We discussed Libya's example with our North Korean counterparts and we hope they understand its significance. Once North

Korea's nuclear issue is resolved, discussions would be possible on a wide range of issues that could lead to an improvement or normalization in relations.

Thank you, Mr. Chairman, for this opportunity to meet with the committee today. We remain convinced that our multilateral diplomatic approach is correct and will bear fruit, though we know that more work is ahead. The President is committed to the six-party talks. We are offering North Korea a chance to choose a path toward international responsibility. We hope we and our partners in the six-party talks can bring North Korea to understand it is in its own interest to take the opportunity. And we will continue to work closely with this committee as we proceed.

I will be happy to take any questions, sir.

The CHAIRMAN. Thank you very much, Secretary Kelly. We will have an 8-minute limit for the first round of questioning, and we will have more questions if those are required.

Secretary Kelly, you mentioned once again the uranium program, in addition to the plutonium program. There is ambiguity in terms of North Korean statements about this, as I recall—at least there were press accounts that North Koreans said this is a peaceful project in which we are going to go into power or something of this variety. It is not headed down the trail toward weaponization.

How are we likely to see resolution, first of all, of what the program is, where it is, its extent? How are we to have a reasonable discussion in these negotiations? Perhaps you visited with other parties at the talks who have ideas, in addition to your own. This appears to be a factor. Even if we came to conclusions of destruction of the Yongbyon facility and the plutonium situation, sort of root and branch, out here now is still this issue that was raised in your encounter last fall with North Koreans. Can you amplify further where that is headed?

Mr. KELLY. I would be pleased to, Mr. Chairman.

First of all, in meetings last week and, as far as I know, elsewhere, the North Koreans have not tried to claim that a uranium enrichment project is part of a peaceful program. Now, they have insisted, and did so last week, on exempting some undefined peaceful nuclear program, except that all of the nuclear programs that North Korea has, of which we are aware, are all committed in one fashion or another, at least primarily, toward weapons usages.

With respect to highly enriched uranium, Mr. Chairman, they would not give us any satisfaction and continued a denial, although not so prominently.

The recent disclosures and publicity, however, of Mr. Khan of Pakistan, of the Libyan situation—there have been disclosures in the German courts of attempted shipments of aluminum tubes for use as centrifuges, precisely the kind that are most efficient for separating and enriching uranium. All of this evidence is starting to pile up publicly, and we did not find any of our other partners involved in the denials or even expressly stating that they do not know whether this is the case.

So this remains a serious problem. We believe it is one that has to be included in the solution. I would put it most charitably that North Korea is going to have to analyze this for a little longer, and

maybe they will find a way to include this in the eventual solution because it has to be there.

The CHAIRMAN. Clearly, as you just pointed out, from the time you had these initial talks with the North Koreans last fall, much has happened in the world, including Libyan renunciation of weapons of mass destruction. Coincident with this or as a part of this, we have witnessed these revelations of A.Q. Khan and all of the transactions that apparently involved North Korea, Libya, Iran, and Iraq, as well as a number of situations. Maybe more will be forthcoming. This does add a good bit more texture to the whole business.

As you point out, you have arrived at a situation where another round may occur in June. Other talks amongst some of the parties will be occurring fairly continuously. You have suggested, at the end of the day, that North Korea must come to a conclusion as to what kind of a relationship it wants to have with us, with China, with the other parties. You have just suggested that they have not quite come to that conclusion at this point. You have stated—and I think this is important—that the road map of how to get there has been laid out, and that clearly the other five parties had direct conversations. It was not one on one, or somebody rushing out of the room in protest, but apparently sort of a full-scale exploration of what will be required in the relationship. Is that a fair summation of what you saw?

Mr. KELLY. Yes, sir, I think that is a very fair summation. The fact is I was asked personally by the North Korean delegate. He said, why do you not give us the proof about our uranium enrichment, and I just said, Mr. Kim, Mr. Vice Minister, the reason that countries often enter into uranium enrichment programs is because they are more easily concealed than plutonium programs, and if I were to give you all that information, it might make it easier for you to conceal it. It was that kind of a direct exchange of information that we will just have to continue.

But uranium enrichment is a serious problem. It was a problem when I went there in October 2002. And it is the violation of the Agreed Framework and several other agreements that has led us to where we are now, and it is going to have to be addressed in one form or another.

The CHAIRMAN. I was intrigued that in your direct testimony today you said you have also made it clear that there were other issues that can be discussed as the nuclear issue begins to unfold. Missiles, conventional forces, serious human rights concerns could be discussed. Progress could lead to full normalization. That final possibility, it seems to me, may be new in terms of our diplomacy, or maybe not so. Please say something more about that.

The thought in the past was that here is a regime that was odious, and we have described how we think they are. You are suggesting a number of things along this road map that we ought to discuss long before we get to it. At the end of the trail, maybe, we will reach full normalization of relationships.

Mr. KELLY. During 2002, Mr. Chairman, when I was scheduled to go and then finally did, the President had directed us to enter into what was called a bold approach of negotiations, and I in fact

presented this to the North Koreans when I was there in October 2002.

There are serious differences in many areas between the U.S. and the DPRK, but we are ready to address these in discussions with them, the items you listed and others as well. The problem, of course, was that in the summer of 2002, we received the information of this alternate nuclear weapons program and that was such a violation of the Agreed Framework, that we had to make clear that we had to have the process of resolving the nuclear issue well underway before the rest of this could begin.

The CHAIRMAN. I appreciate your mentioning that this talk occurred in 2002. When I previously mentioned last fall, the years seemed to flood together, but in fact it was not 2003. It was the fall of 2002 when you had this initial important conversation, and when you had the revelation by the North Koreans about the uranium program, which has floated over this situation ever since.

Mr. KELLY. But we did not say, Mr. Chairman, that every last part of the dismantlement of the nuclear program must be complete before there can be any progress on other measures, but it is very important that we begin the progress and we see the commitment of the DPRK toward ending nuclear weapons. And they have said that they do not believe that the Korean Peninsula should include nuclear weapons, that this is just a deterrence of some vague threat from the U.S.A. President Bush has talked about security assurances that can be documented, but we need to start work on the nuclear program and then many other things can begin to happen.

The CHAIRMAN. You made a very important comment that China has made a decision that it is unacceptable to have nuclear weapons on the Korean Peninsula, and that they have adopted that as a part of their negotiating posture.

Mr. KELLY. Yes, sir. The CVID, complete, verifiable, irreversible dismantlement, of the nuclear weapons programs of whatever origin is necessary and all of the countries participating in the six-party talks agree to that, except of course the DPRK.

The CHAIRMAN. Senator Hagel.

Senator HAGEL. Mr. Chairman, thank you.

Secretary Kelly, welcome. Thank you for your good work.

Mr. Secretary, how would you assess the intelligence on North Korea that has been provided by the American intelligence community over the last 2 or 3 years, certainly since you have had the responsibility that you have today? Has it been good, bad, what?

Mr. KELLY. I think it is very solid, Senator Hagel. I was out of government for 12 years before I came back, and it was my impression, when I was working on North Korea at both the White House and the Pentagon in the 1980s during the Reagan administration, I was very much struck with how little concrete information, other than technical information, that we really had about North Korea. There has been a lot of work over that time and I think this is pretty solid, and the information we got in the summer of 2002 about uranium enrichment is an example.

Senator HAGEL. So overall, you would rate it as improved from where it was.

Mr. KELLY. Yes, sir, I would. This is a very difficult target. There is no more closed society in the entire world, and getting human information especially is excruciatingly difficult. But it is not impossible. North Korea is isolated, in many respects a self-isolation, but it does need things from outside. It needs the key elements for its nuclear programs. It needs money. It needs, for that matter, food and fuel. It is also engaged in illicit activities of drugs and counterfeit currency outside of its borders, and these two provide opportunities and vulnerabilities. So I would say the intelligence is much better, and I think the dedication of the community is really quite laudable.

Senator HAGEL. Secretary Kelly, you may have noted this in your statement, and I apologize. I walked in in the middle of it. But staying on, to some extent, the theme of intelligence, can you bring us up to date on what you know about the 8,000 nuclear rods? Were they reprocessed? Were they there when you had been told they would be, or where did they go? Just give us a status, as much as you can, in an open hearing.

Mr. KELLY. The answer, Senator Hagel, is we do not know what has happened to the 8,017 fuel rods. We know from the visitors in January that they are not in the pool in which they once resided. It is possible that some or all of them have been reprocessed into plutonium, but I do not think there is firm information. After all, since the international monitors from the IAEA left in the beginning of January 2003, we really have not had the kind of firsthand information that is necessary for something of that detail. There is probably more that you could learn in a closed hearing filling in the details, but the fact is it is quite possible that they have reprocessed all of that.

Senator HAGEL. Are you concerned about not knowing? Obviously, as much information as we can get is important, but how much of a concern is that to you?

Mr. KELLY. Well, it is a concern that that matter has been taken and that if they have been reprocessed, there would be fissionable plutonium that could certainly be turned into a significant number of nuclear weapons. That is very much our concern and why we are determined to work on this problem, and we are not going to give up on it.

Senator HAGEL. Do we have any idea today what might be in the North Korean inventory in the way of nuclear weapons?

Mr. KELLY. I believe the testimony has been that we are of the opinion that there are one or two nuclear weapons. That was based on plutonium that was obtained more than 12 years ago. I am not aware of any assessment based on what may or may not have been reprocessed recently.

Senator HAGEL. Do you think then it is likely or not likely that North Korea would possess more than two nuclear weapons if the numbers that we were last aware of were a few years ago and we are uncertain about 8,000 nuclear fuel rods and other uncertainties?

Mr. KELLY. It is certainly possible, Senator Hagel, and if it has not occurred, it certainly has not been for lack of trying. It is obvious that North Korea is trying to generate nuclear weapons in many ways and vigorously develop them.

Senator HAGEL. Would you also give us your assessment of the dynamic between the South and the North, the people, the attitudes, the texture of that? I noted in your statement and in response also to Chairman Lugar's question about the Chinese. What about the South? How do they view this?

Mr. KELLY. South Korea views this in a very complex way and one that is different from what it was 10 years ago because now there is a multiplicity of contacts, literally scores if not hundreds of contacts, including at least a couple times a year meetings at the ministerial level. Two transportation corridors have been opened north of Seoul and near the east coast. There is a tourist arrangement, the development of the railroad link north of Seoul, and the possibility of the Kaesong Industrial Zone development.

That said, though, the Government of the Republic of Korea has made clear, in so many words and in their actions as well, that nuclear weapons on the part of North Korea is not to be tolerated, that it is an intolerable development, and that it will impede their relations. The ROK was very forthright and strong about that in our meetings.

That said, South Korea has a vibrant economy. It has a neighbor nearby whose instability and threats affect, for example, financial ratings and the ability of some South Korean companies to borrow money at the rates that they might wish to do so. So it is not surprising that there often is a sense of wishing that somebody would "take care of these guys" or a wish that we could all just forget about them, but we cannot and they cannot. After much discussion in its democracy, the ROK always does the right thing in my experience.

Senator HAGEL. Do you believe the current South Korean Government is as committed to the United States' position on North Korea as past South Koreans governments have been?

Mr. KELLY. It is absolutely committed to the complete, verifiable, and irreversible end of the nuclear weapons program, and it is an alliance that has developed very firmly. We saw some of that today. The new Foreign Minister of the Republic of Korea called on President Bush. President Bush has had recent conversations with President Roh of South Korea, and the relationship is in excellent shape.

The Republic of Korea has recently, through its national assembly, committed to sending some 3,000 of its military forces to Iraq to help stabilize that very important and dangerous situation. This is an alliance that is working very well.

Senator HAGEL. So your answer is this administration in South Korea today is just as committed and in just as much alignment with U.S. policy toward North Korea as past South Korean governments.

Mr. KELLY. Yes, sir. In fact, I would say it is possible they may even be more committed than perhaps some South Korean governments at some time have been.

Senator HAGEL. Thank you. Mr. Chairman, thank you.

The CHAIRMAN. Thank you, Senator Hagel.

Mr. Secretary, when Sid Hecker came before our committee following his visit with four other distinguished Americans, including Keith Luse, who is in our hearing room today, he gave a tutorial

to the committee on this whole process. It was very helpful to all of us. Even having listened to testimony for many years, many of us found it very instructive to learn what a rod is, and, if there are 8,000 of these, what happens when you lift them all out of a reactor and begin stripping plutonium, a very tedious process. People work very hard at this, take the plutonium off, accumulate bits and pieces and ounces and finally maybe pounds. Then we make a calculation of how many pounds might conceivably make a crude weapon of some sort in some form.

As Sid Hecker then pointed out to us, the envelope closed when things got interesting in terms of his questioning. In other words, the rods are out. The plutonium is being extracted. You can make the calculations and do the math if in fact all of this happens day by day, month by month. But at the point where we can see what the residue is—is it in a blob called a bomb or a weapon of some sort? That was out of sight.

And then, as he pointed out to us, there is the very important aspect of the delivery mechanism. Even if you did have a mass of this plutonium in some form that excited other particles, there remains the question of how you ever get it to some place. Although the North Koreans have demonstrated extraordinary rocketry, missilery and so forth, and terrorized the Japanese surrounding both sides of Japan on one occasion, the fact is that the machining, the refinement of this process to get to the type of warhead that might fit on one of these situations is an extraordinary achievement.

We do not rule any of this out because a lot of information was going on back and forth for 20 years, as we know with the A.Q. Khan correspondence or missions or so forth. So it is not necessary that each nation discover it all on their own. You might leapfrog ahead to get bits and pieces of something that is helpful.

On the other hand, it also illustrates the other side of this. That is that the President's speech at the National Defense University outlined the fact that for us the greatest danger is probably proliferation. By this I mean the trade by the North Koreans themselves, the bits and pieces of their program, as opposed to the actual construction of a bomb in some crude form or some crude delivery mechanism that may or may not ever exist. The fact is that nations that are curious about developing these things may find some stock and trade.

Our dilemma in the war against terrorism, as the President was pointing out, is less one of a nation state that has a return address, that has responsibility against which deterrence might work, than that posed by subgroups unknown to us or not very well known to us who may create trouble or a horrible disaster. We have already had that inflicted upon us on 9/11 by people who obviously are not a nation state and who had been almost unknown to us. We initially lacked very good after-the-fact intelligence of who they were and where they came from.

It seems to me that the President's point likewise is the one you have made today. It is an important one, this proposition that it does not pay to build weapons of mass destruction, and that if you are thinking about doing it, forget it, because this is going to lead to bad results.

On the other hand, if you already have made the mistake, even if you have been making it for years, as in the case of Libya, there can be extraordinary outcomes in a fairly short period of time. We had a hearing on Libya last week and someone from the State Department came over and pointed out five sanctions had been lifted that very day by the President of the United States, including travel of Americans to the country and liberation of a good number of business interests. All of this came in a very, very short period of time following the cooperation, following 55,000 pounds of nuclear material and/or machines or plans to Oak Ridge, Tennessee from Libya, with more still to come.

So you have made the point in all of these hearings. Unhappily knowledge does not flow back and forth from the leadership of North Korea to the rest of the world all that readily. There would be no reason for the North Koreans to be following breathlessly on newscasts night by night what was happening in Libya. Yet the fact that you were able to sit down with six countries and discuss these things for a few days and few hours is in itself newsworthy, maybe for the North Koreans. It might begin to implant an idea which, as you point out, may not take hold instantly, particularly with a good number of naysayers and those who are wedded to the thought that this is North Korea, this program. Without it, there might not be a regime; there might not be a future.

That will take dramatic diplomacy on our part, to be able to sketch out a vision for tomorrow for the North Korean leadership, but that is what you are about, and I admire that. In fact, the process is continuing, as opposed to everybody walking away in a huff. The world finds it encouraging. That is why most of the accounts of the talks were optimistic. Something is going to continue given the basis you already have.

It appears to me that the general proposition of the President on proliferation is a very important one. North Korea is not the only case in point. As the A.Q. Khan story goes, and we take a look at where all of this goes, we have different types of negotiations in different places, but all with the same thought that it is not useful ultimately if a nation-state wants to develop its economy, its politics, its relationship with us and with others to pursue this route. Perhaps South Africa and Brazil, to name two, came to that conclusion some time ago, and profitably so.

The other thing that I just wanted to comment on was that you have a paragraph here that is tremendously important. You suggest, for instance, that the ASEAN countries are not NATO, that they are not a group of countries that can normally come together in heavy lifting in diplomacy. One of the byproducts, or maybe one of the good results of the conference of the six that is going on, may be that you all are visiting with each other. The fact is that there could be a much stronger diplomatic initiative here with regard to a whole host of problems that either are there in the area or might be down the trail. That is highly encouraging. That would make it worthwhile to continue these talks indefinitely, even if there was some discouragement with North Korea.

As a veteran diplomat, you could perhaps amplify on that. I would simply comment that I appreciated your putting that in your testimony, in addition to an update on North Korea. That is the fu-

ture of multilateral diplomacy in Asia. Ties that have been forged because of this very difficult problem. Do you have any supplementary comment you would like to make on any of that?

Mr. KELLY. Well, thank you, Mr. Chairman. The main comment I think I would make on the future of the northeast Asia security dialog, as exemplified by the six-party process, is I was really struck last week that this is only the second go-round and the way and the manner and the directness with which these diplomatic and security interests were being exchanged by all the parties and especially by Japan, by the Republic of Korea, China, and Russia, and ourselves gives some promise. We have never had anything remotely like this process.

But the focus now is on the nuclear weapons and the fear of proliferation, and to use this multilateral process to convince, if convincing is needed, the DPRK that we are not demanding that they commit suicide. We are asking that they take steps, make a choice that is more than ultimately—that can be quite rapidly in their own interest.

The CHAIRMAN. Senator Hagel.

Senator HAGEL. Mr. Chairman, thank you.

Secretary Kelly, what do you know about North Korea's support of terrorist groups now, al-Qaeda, other groups that we are aware of?

Mr. KELLY. I am not aware of any links of the DPRK to al-Qaeda or, for that matter, other terrorist organizations. There is a bad history, of course, going back to the 1980s of blown-up airliners, the bombing of the South Korean cabinet in 1983, incursions that even went through into the 1990s in South Korea. The abductions of Japanese, the abductions of South Koreans are a problem. But there is not recent evidence, of which I am aware, of terrorist acts being directly supported by the DPRK. But this is another matter on which, if we can start making some progress on nuclear weapons, that we would be prepared to engage the North Koreans.

Senator HAGEL. Thank you.

What is your assessment of the stability of Kim Jong-il's government, his personal position in North Korea?

Mr. KELLY. I do not think I know, and I do not know that there are any Americans that have a very good view of that question. By the normal logic, the economy of a country, the ability to feed itself, the ability to produce the goods that it needs I think most would believe that North Korea would have collapsed a long time ago. But it has not. It has a security process that obviously works a lot better than the rest of it. But it is very hard to judge what the pressures, the internal pressures especially, may be on Mr. Kim Jong-il.

Senator HAGEL. Do you believe that North Korea is now facing or possibly could be facing a humanitarian crisis, food crisis?

Mr. KELLY. Yes, sir. The World Food Program has made that very clear. They sent us two letters in December about the developing food crisis. The reports out of the country are a little bit mixed, but there is a structural food problem and there has been that for years. And the ability of the international community to make donations has been reduced a bit. It is not possible for North Korea under any conditions to grow the food it needs and its econ-

omy is obviously not well enough to pay for it. So there have been serious cases of starvation and many, many thousands, perhaps hundreds of thousands of lives that have been lost to starvation in the past, and we hope that that is not the case. The World Food Program is working. Humanitarian efforts proceed but this is not a good situation for at least some of the people of North Korea.

Senator HAGEL. You mentioned economic consequences in North Korea's economy. Do you see any shifts, any changes in the prospects for North Korea's economy?

Mr. KELLY. There have been some measures taken that may not be easily reversible. There are these reports of some markets, particularly in Pyongyang. There has been a shift from rather than simply providing food and shelter at no cost to providing some wages for people and then setting a price. This is so basic that it is just beginning, and it is obvious that some imbalances are occurring because whether you put it in Euros or dollars, the inflation rates, to the extent they are measurable at all, have risen very, very fast. So we have a situation I think in which many North Koreans who have never had to carry foreign money around in the past are having to do so now.

It appears that some people, particularly in the capital, are doing a lot better. I have a feeling that this is not a universal situation, but once again, Senator Hagel, information is most sketchy and incomplete and you hear quite varying anecdotes from people who visit.

Senator HAGEL. What do we know about North Korea's role in continuing to provide, prescribe weapons technology, production, assistance to Iran, the past Iraqi regime under Saddam Hussein, other nations? Chairman Lugar touched upon this a bit in his remarks about Pakistan. Any enhancement of the Pakistan issue as well. Are they still doing business on missile technology? And anything that you could give us to address that general area we would appreciate.

Mr. KELLY. In an open hearing, Senator, I think there is probably not a lot that I can say in any authoritative way about that. It is my understanding that there are no military transactions of any kind going on now with Pakistan, but that has certainly not always been the case.

Senator HAGEL. As to Iran?

Mr. KELLY. Iran I am frankly not as up to date as I should be, and frankly, sir, I do not know the line between sensitive information and other information. There has been a military supply relationship with the Iranians of some sort in the past, and I am frankly not able to go beyond that, sir, but I will be glad to provide you with a briefing either by myself or others.

Senator HAGEL. Thank you, Secretary Kelly, and we will set that up.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, thank you, Senator Hagel.

Secretary Kelly, we appreciate very much your testimony and your thoughtful and well-informed answers to our questions. We look forward to visiting with you again as you progress along this trail, which we are hopeful will lead to success.

Mr. KELLY. Thank you, Mr. Chairman, very much.

The CHAIRMAN. Thank you for coming.

The Chair would like now to call to the witness table Mr. Terence Taylor, president and executive officer, U.S. Office of the International Institute for Strategic Studies; Mr. Victor Cha, associate professor of Government, School of Foreign Service, Georgetown University; Mr. Tom Malinowski, advocacy director of Human Rights Watch. Gentlemen, we welcome you.

As I mentioned to Secretary Kelly, your full statements will be made a part of the record. We would ask you to summarize those so we could proceed to questions. Please take the time you need to make your points, but if you could summarize within a 7- to 10-minute period of time, that would be helpful.

I will call upon you in the order that I announced your presence, first of all, Mr. Taylor, then Dr. Cha, and then Mr. Malinowski. Mr. Taylor, would you proceed.

STATEMENT OF TERENCE TAYLOR, PRESIDENT AND EXECUTIVE OFFICER, U.S. OFFICE, INTERNATIONAL INSTITUTE FOR STRATEGIC STUDIES

Mr. TAYLOR. Thank you very much, Mr. Chairman. I am most grateful for the opportunity to appear before you.

I come at this subject as a former inspector in a number of different countries in formal and informal inspection systems. So the ideas I put forward are my personal views but they are very much informed by the International Institute for Strategic Studies' book that has been published on North Korea's weapons programs, which has been provided to your staff. So some of the data and technical detail is in this book, which you have.

Secretary Kelly I think accurately referred to the political context and I would perhaps summarize it very briefly that a successful and convincing disarmament process by a country requires at least two important conditions. Firstly, of course, the obvious one, a genuine leadership decision to disarm, which of course, may be subject to certain conditions, and also genuine and credible cooperation. Inspection has to be two-sided. It is not one-sided. So the disarming country has to comply with whatever compliance mechanism is being applied.

I think a genuine decision to disarm is credible and convincing in itself, and I was very struck by the challenge you put in your introductory remarks. You used the term "absolute verification" in your remarks. As a former inspector, I find that very challenging.

But if there is an obvious decision to disarm, a kind of verification system and the detail that you would need is rather different than if you are engaged in a very elaborately choreographed dance with a country that has not decided fully to disarm. And we have witnessed that in the case of Iraq as a classic example, and of course, over the past 20 years or so with North Korea since it acceded to the Nuclear Non-Proliferation Treaty in 1985. It took 7 years before they accepted the safeguards agreement in that particular case.

If we were to look at South Africa, there was not an elaborate verification system. The international community was convinced. They ended their program and they gave up their weapons. There were visits by individual countries and governments. Some assur-

ance was sought. The International Atomic Energy Agency was involved, but it was not an elaborate process. And you and Secretary Kelly referred to Libya and the process that is going on there, without elaborate international protocols. So I think it is well worth having that in the back of our minds as we think about this issue.

Disarmament is obvious. You can see it. I think that is a very important point. If it not obvious, there is usually a problem.

I will just make a few remarks about what needs to be verified, and I say convincingly verified, probably by a combination of the International Atomic Energy Agency or whatever mechanism might be set up—I am looking ahead as an optimist—or some possible agreement.

First, in plutonium-related activities, obviously there needs to be a precise accounting of the production of plutonium prior to 1992. It requires an examination of records, analysis of waste disposal sites, and so on, and other related activities.

The claims about reprocessing the 8,000—and I now know 8,017—spent fuel rods will need to be verified. If the North Korean claims are true, over time this could result in an increase in the number of weapons that could be manufactured. It is very hard to assess that, but it could be in the range of two to five, if they really reprocessed all those rods over time. I do not mean these weapons already exist, of course.

Given North Korea's record, confidence that a program will not be restarted cannot be assured without removing from the country all the spent fuel and separated plutonium. That has to be part of the process, and this will require logistic support being provided most appropriately by one or more of the participants in the six-party talks.

The Yongbyon 5 megawatt reactor and related facilities—we must not forget the related facilities that fabricate fuel—would have to be decommissioned under international supervision. The IAEA could take a leading role in that to make sure it is done safely and effectively. This could be done either by removal of the components or with destruction onsite, and that may actually even be the safest way.

The construction work on the other reactors, although work has stopped, the 50 megawatt reactor and the 200 megawatt power stations, would have to end and an assessment made as to whether critical components should be removed or destroyed.

Given the admissions—and we have heard more today from Secretary Kelly about the uranium enrichment program. That has to be part and parcel of the process. We have had admissions and then denials of a clandestine uranium enrichment program, and there is a distinct lack of information; I suspect not only in the public domain but also in the government domain too.

The minimum steps required in this context, as I see it are as follows. As Pakistan was the most likely source of supply for the gas centrifuge design and components, a full disclosure of the exchanges between North Korea and those in Pakistan and, of course, Abdul Qadeer Khan and his colleagues and others in Pakistan, is required from both countries. Given the transfer of the technology and possibly equipment might have only taken place in the late 1990s, the industrial effort required to construct and operate a pro-

duction plant, if you take account of that, it is unlikely that North Korea is yet in a position to produce weapons-grade HEU, highly enriched uranium. Nevertheless, given that North Korea may well have most of the materials in country, unchecked it could conceivably have a capability to produce perhaps up to 75 kilograms of HEU per year. That is enough for two or three simple implosion type devices. The calculations for this you can find in our IISS book.

There is less certainty that fissile material was exchanged between North Korea and Pakistan, either HEU or plutonium. And a judgment on this is only possible with full disclosure on the nature of the exchanges. And the lead on this really has to come from Pakistan.

If it is determined there is a uranium enrichment program in North Korea, then the sites would have to be declared, inspected, and dismantled. Confidence in this step could only be reasonably assured by an agreement to allow whatever inspection commission is set up to visit all suspect sites. However, this would only work if North Korea volunteered accurate information on the status and location of enrichment facilities. We would not want this inspection commission to play "catch as catch can," recalling the words of Dr. Hans Blix, when he was talking about the Iraqis, even in the late stages of the inspections by the U.N. inspectors in Iraq.

As part of a verification process, one would have to deal with the weapons and delivery means. It is not just a question of the enriched uranium and the plutonium. As we have heard earlier in this hearing, North Korea might have produced enough plutonium to make at least two nuclear weapons. That is the common assessment. And if reprocessing of spent fuel has, indeed, taken place—we do not know for sure, of course, that has happened—then if it got underway early, what we need to do is to find a way of dealing with that particular aspect. Probably the most promising aspects of a verification process are those related to the production of fissile material. Convincing evidence of the absence of operational nuclear weapons has to be a necessary part, but proving a negative is an extraordinary challenge. And it would be of particular interest to know whether or not North Korea has the design for a weapon to fit a missile warhead such as the No-dong. The challenge here once again is proving a negative, and the exchanges with Pakistan are particularly relevant in this context.

Just a few points on the oversight of the disarmament process. There are probably three models. One could be one like the process taking place, or similar to the process taking place, in Libya, with the United States taking the lead, with assistance from the IAEA, and neighboring countries.

Another would be a U.N. inspection commission of some kind.

And a third would be an oversight body drawn from the five countries most intimately concerned, the four neighbors of North Korea and the United States, with the IAEA as an integral part of the process, but a commission of some kind that is overseeing it altogether. I think that one seems to me to be the most appealing. It is difficult enough as it is to climb this mountain ahead of them in the six-party talks without setting up a commission, but I think there is little alternative to this.

Also, perhaps a Libya model in the case of North Korea, that is a more informal process, given the arraignment of the forces, 17,000 artillery pieces within range of Seoul, the capital of South Korea, for example—I think there has to be a more formal process. There is no question about it. Perhaps involving five of the six parties.

Sequencing, coordination of the benefits of cooperation are the key to making it work. I have said little about that and I will not say a lot about that. I think others might want to speak about that. Appropriate responses in the form of security assurances, normalization, diplomatic relations, economic assistance, energy assistance and special measures might be required. But given the poor track record on the part of North Korea in fulfilling disarmament accords, it would seem reasonable to require a disarmament process be front-loaded and demonstrated through verification and dismantlement before substantive rewards are given.

The trap for the United States and North Korea's neighbors engaged in the six-party talks is to avoid being drawn into a lengthy procedural process while, for example, a clandestine uranium enrichment program continues, enabling enough fissile material to be produced to equip a small arsenal. That is the real danger that we face now, and that requires elaborate choreographing to get around that particular difficulty.

It would be important, Mr. Chairman, for a verification process to demonstrate early a genuine commitment to disarm. We know disarmament when we see it. It is obvious. One way to achieve this is to provide the opportunity for North Korea to demonstrate its intentions through a concurrent process of revelations on both plutonium and highly enriched uranium, those two routes to nuclear weapons. And a key to progress in this regard is full disclosure from Pakistan. That must not be forgotten. As we found in dealing with Iraq, much of our information came from other countries. We are dealing with a network. So there are actions required outside the country itself.

It is vital to know what technology was transferred. Did it go beyond gas centrifuge technology and material to weapon and missile warhead design? A very important question to be answered. As things stand, it seems there is a good chance that technology in both respects was transferred, in which case it is not just a case of monitoring dismantlement, but also of maintaining confidence that prohibited programs will not be restarted, and this will require some form of planning for continuous monitoring of compliance with any agreement.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Taylor follows:]

PREPARED STATEMENT OF TERENCE TAYLOR

If there were an agreement with North Korea what kind of verification would be required?

What is the significance of the links with Pakistan?

POLITICAL CONTEXT

A successful and convincing disarmament process by a country requires at least two important conditions. First, a genuine leadership decision to disarm, which may be subject to certain conditions in a staged process; secondly genuine and credible

cooperation by the disarming country with whatever compliance mechanism is being applied. A genuine decision to disarm can be credible and convincing if these conditions are met. One well-known example is South Africa when it divested itself of its nuclear weapons in 1992. While it is too early to make a definitive judgment it appears this may also be the case with Libya. Once a government is convinced that the benefits of disarmament outweigh the benefits of continuing, or at least retaining the capability to develop, an illegal weapons programme, the verification process becomes less challenging. North Korea is a state that has yet to fulfill these two conditions as the record over nearly two decades clearly shows. I make these points to make clear that with regard to these difficult cases there is no standard inspection system, with technical equipment and particular procedures that can assure the international community that a disarmament process is genuinely underway, that can be effective independently of the political context.

WHAT NEEDS TO BE VERIFIED?

At a minimum the following key elements need to be convincingly verified by a combination of the IAEA and, probably most appropriately, an international commission:

Plutonium related activities

- There needs to be a precise accounting of the production of plutonium prior to 1992. This will require examination of records, analysis at waste disposal sites. And other related activities. A task that the IAEA is well suited to conduct.
- The claims about reprocessing the 8,000 spent fuel rods will need to be verified. If the North Korean claims are true, over time, this could result in an increase in the number of weapons that could be manufactured; it is hard to estimate precisely the number of additional weapons but it would be in the range of two to five.
- Given North Korea's record, confidence that a programme will not be restarted cannot be assured without removing from the country all spent fuel and separated plutonium. This would require logistic support provided, most appropriately by one or more of the participants in the six-party talks.
- The Yongbyon 5 MW(e) reactor and related facilities to fabricate fuel would have to be decommissioned under international supervision with, most appropriately, the IAEA taking the lead to ensure it is being done safely and effectively. Removal or destruction on site of the components would be essential.
- Construction work on the 50 MW(e) and 200 MW(e) power stations would have to end and an assessment made as to whether critical components related to the construction of these reactors should be removed from the country or destroyed.

URANIUM ENRICHMENT PROGRAMME

Given the admissions and then denials of the possession of a clandestine uranium enrichment programme, and the lack of information, this would be the most challenging aspect of any verification activities. As experience in Iraq shows, if the nature of the regime does not change, proving a negative by an inspection process is a near impossible task.

The minimum steps required in this context are:

- As Pakistan was the most likely source of supply for the gas centrifuge design and components, a full disclosure of the exchanges between North Korea and Abdul Qadeer Khan and his colleagues and others in Pakistan is required from both countries. Given that the transfer of the technology (and possibly equipment) might have only taken place in the late 1990s, and the industrial effort required to construct and operate a production plant, it is unlikely that North Korea is yet in a position to produce weapons-grade HEU. Nevertheless, given that North Korea may well have most of the materials in country, unchecked it could conceivably have a capability to produce perhaps up to 75 kgs of HEU per year (enough for two to three simple implosion-type weapons) in about five to seven years time.
- There is less certainty that fissile material (perhaps plutonium as well as HEU) was exchanged between Pakistan and North Korea. A judgment on this is only possible with full disclosure on the nature of the exchanges—the lead on this should come from Pakistan.
- If it is determined that there is a uranium enrichment programme in North Korea then the sites would have to be declared, inspected and dismantled. Con-

fidence in this step could only be reasonably assured by an agreement to allow whatever inspection commission is set up to visit all suspect sites. However, this would work only if North Korea volunteered accurate information on the location and status and location of the enrichment facilities.

WEAPONS AND DELIVERY MEANS

As is well known intelligence reports indicate that North Korea might have produced enough plutonium to make at least two nuclear weapons. If reprocessing of spent fuel rods has indeed taken place there could in time be more. The North Koreans have at least once claimed to have already made a nuclear weapon—later this had been modified to being "on the way to producing a nuclear deterrent." While the most promising aspects of a verification process getting underway early are those related to the production of fissile material, convincing evidence of the absence of operational nuclear weapons would seem to be a necessary part of the process. Of particular interest would be to know whether or not North Korea has the design for a weapon to fit a missile warhead such as the No-dong. The challenge here, once again, is that of proving a negative.

OVERSIGHT OF A VERIFICATION PROCESS

There are three possible models for oversight of the disarmament to assure obligations are being met:

- One could be an ad hoc process with the U.S. taking the lead with assistance from the IAEA and neighbouring countries as needed. This is more in line with the approach in Libya;
- Another could be the setting up of a UN inspection commission by a UN Security Council mandate;
- A third is to set up an oversight body drawn from the five countries most intimately concerned, that is to say those involved in the six-party talks. It would be important to also have the IAEA as an integral part of this process.

The last of these three options seems to be the most appealing as the oversight of a disarmament process would have to be sequenced and coordinated with other aspects of a comprehensive process. This is more likely to be achieved, difficult enough as it is, within the forum of the six-party talks than in the wider UN Security Council setting. In any case it is probably wise to distance the UN Security Council from the day to day compliance oversight in the event that a serious setback in the process with broader international security consequences occurs. Given the arraignment of forces (conventional and others) along the border between North and South Korea and the nature of the regime in the North, there is no prospect for an ad hoc process to succeed.

SEQUENCING AND COORDINATION WITH THE BENEFITS OF COOPERATION

I have said little about the sequencing and coordination of these verification activities with appropriate responses in the form of security assurances, normalisation of diplomatic relations and energy and economic assistance. Given the poor track record on the part of North Korea in fulfilling disarmament accords it would seem reasonable to require that the disarmament process be front-loaded and demonstrated through verification and dismantlement, before substantive rewards are given. The trap for the U.S. and North Korea's neighbours engaged in the six-party talks to avoid is to be drawn into a lengthy procedural process while, for example, a clandestine uranium enrichment process continues enabling enough fissile material to be produced to equip a small arsenal of nuclear weapons.

It would be important for a verification process to demonstrate early a genuine commitment to disarm. One way to achieve this is to provide the opportunity for North Korea to demonstrate its intentions through a concurrent process of revelations on both the plutonium and HEU routes to nuclear weapons. A key to progress in this regard is full disclosure from Pakistan. It is vital to know what technology was transferred. Did it go beyond gas centrifuge technology and material to weapon and missile warhead design? As things stand it seems that there is a good chance that the technology in both respects was transferred. In which case it is not just a case of monitoring dismantlement but also of maintaining confidence that prohibited programmes will not be restarted; this will require some form of continuous monitoring of compliance with any agreement.

The CHAIRMAN. Well, thank you very much, Mr. Taylor. I am aware that you must leave at 6 p.m. and perhaps that will be true

of all of us. I wanted to be reassuring that I know of that. We appreciate the time that you have already devoted prior to coming to the table. We appreciate your testimony.

Dr. Cha, would you proceed.

STATEMENT OF DR. VICTOR D. CHA, ASSOCIATE PROFESSOR OF GOVERNMENT, SCHOOL OF FOREIGN SERVICE, GEORGETOWN UNIVERSITY

Dr. CHA. Well, thank you. Senator Lugar, thank you. It is a pleasure to have the opportunity to testify again before your committee.

I have been asked to speak on the status of North Korea's economy and I am going to do that in three ways: very briefly, overview what the economic reforms are, assess their meaning, and then talk about how they relate to the security equation.

In terms of an overview of the North Korean economic reforms, the July 2002 market liberalization reforms generally have four parts to them. The first was a basic monetization of the economy, which meant lifting price controls and allowing supply and demand to determine prices. Second, the government abandoned the artificially high value of the North Korean won, depreciating the currency to try to induce foreign investment. Third, the government decentralized economic decisionmaking, including cutting government subsidies and allowing farmers' markets to operate, transplanting managerial decisions to the local industries. And then fourth, the government pressed forward with the special administrative and industrial zones to try to induce foreign investment.

There is no denying the significance of these July 2002 reforms. They represent the first attempt in the regime's history at widescale economic change. They have tried to encourage competition with these reforms, and visitors to North Korea talk about a new spirit of entrepreneurship, albeit limited.

But the fact that these reforms are significant does not, however, make them successful. The obstacles to success are many. First, one should not interpret these measures as the equivalent of North Korea's religious conversion to capitalism. Many of the reforms are situationally rather than dispositionally motivated, and what I mean by that is they are reforms that are coping mechanisms to deal with problems in the economy immediately more than they are a longer-term decision to convert to capitalism.

Second, the economic reforms will test the government's ability to deal with these three problems have emerged as a result of the reforms. That is high inflation, economic losers, and urban poor. Low supply and low output have led to massive increases in price and further devaluation of the currency. Just by comparison, in 1979, China's initial price reforms drove up the price of rice by 25 percent. In North Korea, it is estimated now that the price of rice has gone up by at least 600 percent, if not more, and the North Korean currency has depreciated exponentially.

Finally, there is fragmentary evidence that even in those sectors of the labor force favored with the largest wage hikes, these groups are still discontented. Defectors coming across the Chinese border complain that the promise of higher wages has not been kept with workers receiving only about 800 won and then nothing after Octo-

ber 2003. So the upshot here is that money illusion is quickly wearing off in North Korea, giving way to a new class of urban poor and economic losers, potentially numbering in the millions that could be difficult to control.

Third, the ultimate success of these reforms rests on the North's capacity to secure international food supplies, to secure loans, and to obtain technical training in a variety of different areas. As we all know very well, the likelihood of the North Koreans getting any of this without a complete and verifiable resolution of the North Korean nuclear problem—I think the chances of that are very slim.

Let me just make three quick points in terms of linking these economic issues to the security questions.

The first is this whole question of the extent to which North Korea's economic reforms really are its ticket out of its current problem. I mean, is this the way that they get out of their current problem, their current box, if you will? And I think the answer there is no, and my pessimism does not stem so much from the flawed nature of the economic reforms, flawed as they are, but from the larger political lessons that history has taught us about closed regimes like North Korea that attempt reform. And that is simply Kim Jong-il needs to open up to survive, but in the process of opening up, he unleashes the forces that lead to his demise. Can he hold things together as he opens up? History's waste bin has been littered with former dictators that have tried to do that and have not been successful.

Second, do these economic reforms really mean that North Korea has changed? Does it really mean that the North Korean regime is seeking to turn over a new leaf? The reason I raise this question is I think the common assumption is that they look at the economic reforms that are taking place in North Korea and they immediately assume that that means that the North Korean security preferences have changed. While that theoretically could be possible, there is no logical connection between the economic reforms and the security intentions. In other words, just because they are making economic reforms, does not necessarily mean they want to trade all of their nuclear weapons away for the economic goodies. In fact, it could be the case that North Korea wants both. They want food, fuel, and security as part of the economic reform plan, but in the end, they also want to keep some of their capabilities. And that goes along with North Korea's sort of ideology of rich nation, strong army.

The final point I would like to make and one that has already been made in different ways earlier is that the Libya example is a very interesting example to look at in terms of this, and I know that for many, when you raise this question, they talk immediately about the differences between the North Korean and the Libyan case. And granted, there are many differences, but there are also a lot of similarities. In both cases you are talking about countries with very hostile relations with the United States. Both sought nuclear weapons not for the purposes of trading them away, but for the purposes of keeping them. Both suffered from international sanctions and pariah status for years. Libya was a more active supporter of terrorism more recently than North Korea, and the

United States actually attacked Libya, which it has not done with North Korea.

So given these comparisons, arguably Libya's turnaround is actually a harder case than North Korea's, and I think that is something that we often do not think about. The fact that North Korea may already have nuclear weapons—this is always the argument that you hear about the differences between the two. The fact that North Korea may already have nuclear weapons I think is immaterial to the comparison because, as you said yourself, Senator, earlier on, the whole purpose of this exercise is to get the North Koreans to understand that moving in the direction of nuclear weapons does not make the regime more secure. It makes the regime less secure. And that was a compellent exercise that looks as though it has succeeded with Libya, and I think that is our challenge with North Korea.

Thank you very much.

[The prepared statement of Dr. Cha follows:]

PREPARED STATEMENT OF DR. VICTOR D. CHA

NORTH KOREA'S ECONOMIC REFORMS AND SECURITY INTENTIONS

Senator Lugar and distinguished committee members, I thank you for the opportunity to testify again before your committee. I have been asked to comment on the status of North Korea's economy. I do this not as an economist but as a political scientist, and therefore may be ill-equipped to answer specific microeconomic questions about the North's reforms. Nevertheless, I hope I can offer some political judgments about the likely success of these reforms. In particular, I will try to shed light on complex relationship between these economic reforms and the path toward a peaceful resolution of the nuclear weapons dispute with Pyongyang. My brief remarks here summarize written testimony that I respectfully request be submitted for the record.

Overview of North Korea's Economic Reforms

The July 2002 market liberalization reforms undertaken by North Korea are generally associated with four measures. The first is a basic monetization of the economy. The government abolished the coupon system for food rations, relaxed price controls, thereby allowing supply and demand to determine prices. In order to meet the rise in prices, the government also hiked wage levels—for some sectors by as much as 20-fold [110 won/month to 2000 won/month, and for other "special" wage sectors by as much as 60-fold (government officials, soldiers, miners, farmers)]. Small-scale markets have sprouted up all over North Korea and the public distribution system has broken down.

Second, the government abandoned the artificially high value of the North Korean won, depreciating their currency from 2.2 won to $1 US to 150 won to $1 US. This measure was aimed at inducing foreign investment and providing export incentives for domestic Firms. The "unofficial" value of the currency has depreciated further since the reforms some estimate 700 won or even lower).

Third, the government decentralized economic decisions. Measures entailed cutting government subsidies, allowing farmers markets to operate, and transplanting managerial decisions for industry and agriculture from the central government into the hands of local productions units. Enterprises have to cover their own costs. Managers have to meet hard budget constraints.

Fourth, the government pressed forward with special administrative and industrial zones to induce foreign investment. The Sinuiju Special Administrative District is a proposal for an open economic zone for foreign businesses designed to exist completely outside DPRK regular legal strictures. The Kaesong Industrial District is another project designed in particular to attract small and medium-sized South Korean businesses, and the Kumgang Mountain site provides hard currency from tourism. All three projects sought to avoid the mistakes and failures of the first Rajin-Sonbong project attempted by the North in 1991, although these projects are still hampered by the lack of adequate infrastructure among other problems.

Significance

There is no denying the significance of the July 2002 reforms. They represent the first attempt in the regime's history at widescale economic change. In addition, while DPRK propaganda still maintains anti-capitalist rhetoric and spurns market economic principles (unlike the cases of China and Vietnam), the regime now admits flaws in the socialist style economy as the source of the problem rather than blaming its economic woes on outside actors.

> . . . the socialist economic management method is still immature and not perfect. . . . If we stick to this hackneyed and outdated method, which is not applicable to the realities of today, then we will be unable to develop our economy.[1]

By decentralizing decisions, and separating the local economy from the central economy, local governments and counties can set their own production levels and prices, which encourages competition. State-owned enterprises have incentives now to meet government production targets and then sell surplus on the open market for profit.[2] Visitors to North Korea note a new, albeit limited, spirit of entrepreneurship. Caritas and other international relief organizations report makeshift small-scale markets with kiosks selling drinks, cigarettes, and cookies as the public distribution system has basically broken down.[3]

Dangers

The fact that these reforms are significant does not, however, make them successful. The obstacles to success are many; allow me to delineate three of the more prominent ones. First, one should not interpret the July 2002 measures as the equivalent of North Korea's religious "conversion" to capitalism. Neither the language nor the nature of these initial reforms appear to have the same conviction of those seen in China or Vietnam. Moreover, many of the reforms arguably are situationally—rather than dispositionally-motivated—i.e., they constituted coping mechanisms to deal with immediate problems rather than a wholesale, prescient shift in economic ideology. Pyongyang authorized monetization of the economy and authorization of farmers markets to buy and sell goods, for example, largely because the public distribution system had broken down. Similarly, local managers were given more leeway not because the central government "trusted" their entrepreneurial capabilities, but because plunging outputs and high absentee rates for workers required some drastic measures.

Second, the economic reforms will test the government's ability to deal with the triple horns of inflation, economic losers, and urban poor created by the monetization of the economy. Low supply and low output have led to massive increases in prices and further devaluation of the won. By comparison, in 1979 China's initial price reforms drove up the price of rice by 25 percent. In North Korea, the price has gone up by at least 600 percent, and the won has depreciated from 150 won (to $1 US) to at least 700 won.[4] The reforms probably enabled Kim Jong-il to gain control of the economy by hurting those black marketers who held large amounts of won before the currency devaluation, but fixed income workers have been badly hit by the rise in prices. In addition, there are many workers being laid off by companies forced to cut costs. Finally, there is fragmentary evidence that even those sectors of the labor force favored with the largest wage hikes (6000 won) are discontented. Defectors coming across the Chinese border complain that the promise of higher wages has not been kept, with workers receiving only 800 won and then nothing after October 2003.[5] The upshot is that "money illusion" is quickly wearing off in North Korea, giving way to a new class of urban poor, potentially numbering in the millions that could be difficult to control.

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[1] Editorial Comment, *Rodong Shinmun,* November 21, 2001.

[2] Marcus Noland, "West-Bound Tram Leaving the Station: Pyongyang on the Reform Track" October 14-15, 2002 *http://www.iie.com/publications/papers/noland1002.htm* accessed February 25, 2004.

[3] "NK Embarks on Initial Phase of Market Economy," *Korea Update* Vol. 14, No. 10 (September 30, 2003).

[4] Oh Seung-yul, "Changes in the North Korean Economy: New Policies and Limitations," in *Korea's Economy 2003,* Korea Economic Institute, Washington DC, 2003, pp. 74-76; *Transition Newsletter* World Bank at *www.worldbank.org/transitionnewsletter/janfebmar03/pgs1-6htm* accessed February 25, 2004. For more extreme estimates as high as 50,000 won to $1 US, see *Asia Times* October 22, 2003 (Jamie Miyazaki, "Adam Smith Comes to North Korea") *http://www.atimes.com/atimes/Korea/EJ22Dg01.html* accessed February 25, 2004.

[5] *Transition Newsletter* World Bank at *www.worldbank.org/transitionnewsletter/janfebmar03/pgs1-6htm* accessed Feb. 25, 2004.

Third, the ultimate success of the reforms rests on the North's capacity 1) to secure international food supplies until the reforms start to increase agricultural output domestically; 2) to secure loans to finance shortages in cash-flow for managerial enterprises; and 3) to obtain technical training in accounting, fiscal policy, finance and other requisite skills.[6] The North's ability to secure this magnitude of help will depend on a satisfactory resolution of the nuclear crisis (the relationship between the economic reforms and North Korea intentions on the nuclear program is discussed below). In the interim, however, Pyongyang has been able to muddle through with the help of aid from China and South Korea. North Korea needs to meet the upward pressure on prices created by the reforms with either increased production (not feasible yet) or increased imports. The growth in North Korean imports over the past two years has largely been financed by aid inflows from Seoul and Beijing. As Nicholas Eberstadt argues, Chinese aid goes beyond what is publicly reported, with the best indicator probably being the trade deficit between the two countries: "The DPRK's seemingly permanent merchandise trade deficit with China actually constitutes a broader and perhaps more accurate measure of Beijing's true aid levels for Pyongyang (insofar as neither party seems to think the sums accumulated in that imbalance will ever be corrected or repaid)."[7] In addition to Chinese aid, the North has received easily over $1 billion in aid from South Korea, over 1 million tons of food from Japan, and over $1 billion in aid from the United States since the mid-1990s. Indeed, these aid "revenues" have probably constituted the most successful part of its economy today.

Perhaps the most interesting discussions about North Korea's economic reforms are the political questions and judgments they instigate rather than the success of the reforms themselves.

Rich Nation, Strong Army?

First, do these economic reforms constitute North Korea's primary path out of its current decrepit state? In other words, do the nature of these reforms—on a grander scale—promise the Kim Jong-Il regime its stated goal of "kangsong taeguk" or rich nation/strong army? I answer this question not as an economist but as a political scientist when I say that I do not believe such a goal is achievable. My pessimism stems not so much from the flawed nature of the reforms (flawed as they are), but from the larger political lessons that history has taught us about closed regimes that attempt such reforms. Kim Jong-Il, like many totalitarian leaders before him, faces a fundamental and almost inescapable reform dilemma—he needs to open up to survive, but in the process of opening up, he unleashes the forces that lead to the regime's demise. Resisting the system in North Korea today is virtually impossible because the society is so closed. The masses are preoccupied with basic subsistence. And the elite seek only to ensure their relative share of the sparse gains that could be had from the system rather than contemplating a change of it. Any opening begins to generate a spiral of expectations and inexorable forces for change—the overturning of systems like North Korea occur not when things are at their absolute worst, but when they begin to get better.

Arguably, the first step in this direction was taken with the July 2002 price reforms. These reforms have affected a much wider swath of society (in terms of inflation, currency value, etc.) than a closed off special economic zone. Hence, what is good economically for North Korea may be bad for the Kim Jong-il regime. Could the DPRK leader hold things together as he seeks economic reform? History's wastebin is littered with other similarly-intentioned dictators.

Time on Whose Side?

Another question raised by the DPRK's economic reforms—in combination with international relief aid—is whether they suffice in providing the regime enough resources to continue muddling through. The public policy debate on North Korea implicitly refers to this as the "time is on whose side?" question. Some believe time is on the side of the United States and allies as it can simply wait out the DPRK regime, applying constrictive measures like the proliferation security initiative, thereby slowly allowing the regime to collapse of its own weight. Indeed, some estimates put the DPRK's revenues from missile sales and illicit activities at nearly one-tenth their former value as a result of PSI measures. Others believe time is on the side of the North Koreans as Pyongyang feels no pressure (diplomatic or other-

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[6] Ruediger Frank, "North Korea: Gigantic Change and a Gigantic Chance Nautilus Policy Forum Online, May 9, 2003 *http://www.nautilus.org/fora/security/0331—Frank.html* accessed February 25, 2004.

[7] Nicholas Eberstadt, "North Korea's Survival Game," unpub. paper, presented at the AEI-*Chosun Ilbo* meeting, February 12-13, 2004, Washington, DC.

wise) to stop building their nuclear weapons programs while they continue to subsist on international goodwill and contributions to their "aid-based economy." Proponents of the former view implicitly believe that the U.S. objective is regime change. Proponents of the latter view believe the North Korean objective is to become the newest nuclear weapons state.

The answer to this question, in my opinion, is somewhere between these two extremes and is entirely dependent on tactics (rather than the goals of the U.S. and DPRK). Whose side time is on depends not on the success of Pyongyang's economic reforms but on the unreported aid that continues to flow from South Korea and China to the North. North Korea can continue to muddle through in the face of international donor fatigue, the complete cessation of humanitarian aid from Japan, and other aid sources as long as Seoul and Beijing continue to aid North Korea. Reliable numbers on South Korea's unreported aid are difficult to come by. Since 1995, the ROK Unification Ministry estimates that $2.4 billion in aid has been provided to North Korea by Japan, the U.S., South Korea, the EU, and the UN (food, fertilizer, medicine, and fuel oil). But one suspects that there is another story behind the official statistics. As one long-time international aid worker very familiar with North Korea put it figuratively, "North Korea has its own '911' number—access to state-of-the-art health care, agricultural support, and aid . . . and that number rings in Seoul."[8] In the case of China, it has been reported that Beijing provides some $470 million in aid annually to North Korea, amounting to 70-90 percent of fuel imports and 30 percent of grain imports.[9] China has reportedly increased shipments of corn and wheat in early 2003; and last fall during the visit of Wu Bangguo reportedly offered $50 million in aid. Japanese media reported that the aid was nominally for a glassworks plant, but Pyongyang could spend the aid at their discretion.[10] China has also increased trade in 2003 with NK by nearly 40 percent according to the Korean International Trade Association. North Korean fuel imports from China rose 53.2 percent to $187 million reflecting the end of U.S. shipments of HFO. If these aid inflows were to cease or constrict in any way, North Korea would feel significantly more pressure in the status quo than they do now despite the activities of the PSI.

Economic Intentions, Security Preferences?

The economic reforms, regardless of their ultimate success, are significant for the political debate over North Korea. Many argue that the unprecedented and far-reaching nature of the reforms demonstrate North Korean intentions to seek integration into the international community, to receiving engagement by the U.S. and allies, and to trade their nuclear programs for help from the outside world. The danger of fixating on the economic reforms, however, is that we may be attributing much more to North Korean security preferences than exist in fact. There is no logical link between DPRK desires to reform on the economic front and a change in their security intentions. To seek economic reforms and pursue a ramping up of national power through nuclear weapons and ballistic missiles is not only plausible, but also fully consistent with the concept of "rich nation, strong army." This is not to deny that there could be economic arguments for pursuing WMD programs to augment/replace their conventional military. But the point is that the DPRK could divorce its economic intentions from its security preferences. Economic reform does not necessarily mean they are equally interested in trading away their nuclear weapons—a common and mistaken assumption made by many analyses of the economic reforms. Pyongyang could, in fact, want to have its cake and eat it.

The Stakes for North Korea and the "Libya model"

Perhaps the most important lesson of studying North Korea's economic reforms is the simple and most parsimonious one—the stakes are not only high, but the survival of the regime hinges on their success. In this sense, the stakes for North Korea in terms of potential gains are arguably even higher than those experienced by Libya. Libyan leader Gaddafi's announcement to allow unconditional international inspections and disarmament of the country's nuclear programs in return for the promise of international support has elicited many observations of how different the North Korea and North African cases are. Gaddafi's ear was had by a group of open-minded reformists (including his son). Secret negotiations through the British—and

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[8] Off-the-record comments by international relief worker.

[9] Pan, Philip P. "China Treads Carefully Around North Korea," *Washington Post,* January 10, 2003, p. A14.

[10] Chambers, "Managing a Truculent Ally: China and North Korea, 2003," unpub. Manuscript, Fairbank Institute, Harvard University, February 23, 2004; "China's Top Legislator Meets DPRK premier," Beijing Xinhua, October 30, 2003; "China to Provide Grant-in-aid to DPRK," Pyongyang KCNA, October 30, 2003; International Herald Tribune, Jan. 12, 2004.

outside any interagency process—took place for years before an agreement. And as North Koreans are fond of saying, Libya did not yet have nuclear weapons when it agreed to dismantlement.

Despite these differences, there are a number of striking similarities between the two cases. Both countries had very hostile relations with the United States. Both initially sought nuclear weapons, not for the purpose of trading them away, but for the purpose of keeping them. Both suffered from international sanctions and pariah status for years. Moreover, Libya was an active supporter of terrorism more recently than North Korea. And the United States actually attacked Libya, followed by a period of UN sanctions, neither of which have occurred yet in the North Korea case. Given these comparisons, arguably Libya's turnaround was a harder case than that of North Korea. The fact that North Korea may already have nuclear weapons (i.e., compared with Libya's potential capabilities) is immaterial to the comparison. As noted, both countries pursue WMD for the purpose of keeping them initially. It was only after a period of compellent sanctions that Tripoli made the critical calculation that moving in the direction of nuclear weapons made the regime less, not more secure. This is the same compellent challenge I believe we face with North Korea.

The CHAIRMAN. Thank you very much, Dr. Cha.

Mr. Malinowski.

STATEMENT OF TOM MALINOWSKI, WASHINGTON ADVOCACY DIRECTOR, HUMAN RIGHTS WATCH

Mr. MALINOWSKI. Thank you, Mr. Chairman, Senator Hagel. Thank you for inviting me and for keeping the human rights side of this as part of the picture throughout your examination of North Korea.

My job here is to argue that there are really two reasons why we ought to be losing sleep over this country: first of all, the nuclear issue which threatens our security, but also political repression so complete that it should seriously challenge our conscience. Some day when this country does open up, I predict we are going to be truly horrified by what we see and find there, and we are going to ask ourselves whether we could have, whether we should have said or done more today to address those issues.

Now, it is a closed society. Human rights groups cannot go there. There is a lot that we do not know, just as there is a lot that we do not know about the nuclear issue and everything else. But as people began to come out of North Korea during the famine, we did gain witnesses who could speak to their experiences, and now there is a great deal we do know.

We know, of course, that this is a government in North Korea that attempts to control every aspect of people's lives, including their private lives. There is no free press, no civil society, no freedom to worship even privately.

We know that the government divides all North Korean citizens into three classes, core, wavering, and hostile, upon which everything from your access to food, medicine, education, employment depends, and that these classifications pass on from generation to generation.

We know that people who run afoul of this system are punished severely, often in the system that you mentioned, Chairman Lugar, of penal labor colonies that are reminiscent of the Soviet gulag, where it has been estimated that up to 200,000 prisoners are now held, worked, tortured, starved often to death.

We also know, of course, that the North Korean Government has sought to isolate its people completely from the outside world, indeed, from all knowledge of the outside world. Reading foreign pub-

lications or listening to foreign broadcasts is a crime. Leaving the country is also a crime.

Now, most repressive regimes that we are familiar with try to deny their people the right to demand an alternative way of life. The North Korean Government has attempted to deny people the ability to even imagine an alternative way of life.

And what is particularly unique about this country is that people have endured this system of total control for over 50 years, which means that the vast majority of North Koreans do not even remember living in a different kind of country. There is no precedent for this. This is not East Germany. This is not China. This is not Vietnam. It is a country that we need to use the word "Orwellian" to describe because we really have to turn to literature to find the vocabulary to describe the situation.

Now, there has been some change over the last decade, brought about in part by this famine as people started escaping north to China, bringing their stories with them. Unfortunately, in China the migrants have also faced terrible abuses, including the risk of being forced back to North Korea where they are detained, interrogated, and punished by their government for the crime of having left.

Now, the question we all face is what can we do, if anything, from the outside about these horrors, and in facing that question, the first conclusion I come to is that further isolation of North Korea is not going to help. Now, it is tempting to hope that squeezing this country further might bring about some kind of destabilization or collapse, but for that to happen, someone inside the country is going to have to act, and unfortunately there is political opposition in North Korea, no civil society from which an opposition could emerge, and little awareness of the very idea that opposition is even possible.

As for hunger, well, no totalitarian government has ever been brought down by a famine. In fact, these kinds of governments often use hunger to keep their people docile and dependent on the state. So it works the other way around.

The state of war between North Korea and the United States also does not help because it enables the government to keep mobilizing people to work for the state and to mobilize this sense of hatred of the outside world.

So the bottom line for me is this. The North Korean Government has imposed this isolation on itself. It is a deliberate defense mechanism against a political awakening by its people. It has turned North Korea, in effect, into a cage, but a cage in which there are a few tiny holes in which virtually everyone in the country is desperately trying to peer through. And our human rights agenda, I think, has got to be to widen those holes as much as possible, at least to begin with so that more light can shine through.

Now, how do we do that? Information is key. There are proposals to expand foreign broadcasting to North Korea, which ought to be pursued as people begin to bring radios in clandestinely. We should seek every chance to get humanitarian organizations, human rights organizations into the country and, of course, to press the North Koreans to give them better access and freedom of movement. That kind of contact could help create among North Koreans at least the

consciousness that a different existence is possible, and it could also help expose the horrors that they face more to the outside world, which would place, in turn, more pressure on the government to stop denying them and to start gradually doing something about them.

Now, obviously, North Koreans are going to try to control, manipulate all of these contacts. So I do not think we can simply pursue engagement entirely on North Korea's terms. And then the question is, how do we set the right terms and should setting the right terms be part of the current dialog with North Korea on the security issue? That is the key challenge.

Now, I am not going to argue that human rights issues by themselves should stand in the way of a nonproliferation agreement because obviously even from just a human rights perspective, that is an imperative, to prevent the use or spread of a nuclear weapon. But if we are going to be talking about an agreement that begins to provide the North Koreans with significant economic benefits, particularly significant outside foreign investments, then I believe the human rights issues and humanitarian issues do need to be placed on the table, even if the demands are modest, greater access by U.N. human rights experts, greater transparency in humanitarian distribution, for example. I think the North Korean Government does need to understand now that these are important international concerns.

We can also, of course, approach North Korea's neighbors, the Chinese, to stop pushing refugees back, the South Koreans to be a little bit less silent about these problems, and to also coordinate with the EU nations which have their own dialog with North Korea that could be usefully employed.

I think, in conclusion, I would just say that figuring out how to deal with this regime is obviously a strategic imperative. It is also a moral imperative of the highest order, and I would say that the two are linked in ways that we ought to remember. I think it is the lesson that we learned from having dealt with the Soviet Union during the cold war, that it is possible, in fact, it is sometimes imperative, to deal with regimes like this on arms control for the sake of our security, even as they continue to repress their people. It is possible to manage insecurity in this way, but we do not banish insecurity that way. As we learned in those days, we did not eliminate the underlying security problems in Europe until there was change on the other side of the Iron Curtain, and I believe in the long run, the same will be true in Korea and that ought to be one of our goals.

Thank you.

[The prepared statement of Mr. Malinowski follows:]

PREPARED STATEMENT OF TOM MALINOWSKI

Thank you Mr. Chairman for giving me the opportunity to testify today, and for ensuring that North Korea's appalling human rights record remains part of the picture as we consider the way forward with Pyongyang.

All of us here agree that North Korea is a country over which we should be losing sleep. I would argue that there are two reasons for that, not merely one—certainly the nuclear program, which threatens our security, but also political repression so complete that it should seriously disturb our conscience. Some day, when North Korea does open up, and we see with our own eyes the conditions we can now only glean from refugee accounts, we will be horrified. And I predict we will ask our-

selves whether we should have said and done more today, just as people wonder whether they should have said and done more to defend the victims of persecution when Stalin ruled the Soviet Union or during the Cultural Revolution in China. North Korea is to our time what those experiments in negative utopia were to their time.

I should stress that we do not have perfect knowledge of what is going on in North Korea, no matter what the issue, including human rights. North Korea is so closed that human rights organizations cannot go there and conduct the thorough, well documented and corroborated research that we do in most other countries around the world.

But since the North Korean famine in the 1990's when thousands of North Koreans began fleeing their country to China, with a few managing to make it to South Korea, we have been able to gather increasingly reliable accounts from people who have experienced North Korean repression first hand. My organization, Human Rights Watch, issued a report two years ago on the plight of North Korean asylum seekers in China, a report that also included many refugee accounts of conditions inside North Korea. Last year, the U.S. Committee for Human Rights in North Korea issued a report, also based on refugee accounts, exposing North Korea's extensive system of prison camps. The stories gathered from North Koreans who have escaped do not yet allow us to paint a complete and comprehensive picture of life inside their country. But they are largely credible and consistent. There is a great deal we do now know.

We know that North Korean government seeks to control virtually every aspect of its people's political, economic and private lives. All citizens are required to demonstrate loyalty to the government and its ruling ideology; no criticism of any kind is permitted. There is no free press and no civil society. There is no freedom of religion—even private, independent worship is prohibited. No organizations of any kind are allowed to exist independent of the state.

We know that the government divides all North Koreans into three classes "core," "wavering" and "hostile," depending on their loyalty to the state and social background. Those belonging to the "core" class get preferential access to food, medicine, education and employment; those at the bottom of this class system suffer permanent discrimination and the most intense persecution, a fate that is passed from generation to generation.

We know that those who run afoul of the state are punished severely, often in a system of penal labor colonies that are reminiscent of the old Soviet Gulag. It has been estimated that up to 200,000 political prisoners toil in these prison camps in North Korea. They are often tortured, starved, and forced to perform slave labor in mining, logging and farming enterprises. For many, imprisonment is a death sentence.

Those sentenced to such camps include not only people accused of crimes but their parents, children, siblings or other relatives. Likewise, people may be punished or blacklisted in North Korea not just for their own political opinions or actions but for the imputed opinions or actions of relatives, even long-dead ancestors. People whose parents or grandparents were suspected of collaborating with the Japanese during Japan's occupation of Korea or those who went south during the Korean War, for example, are often assigned to the worst schools, jobs and localities, and sometimes wind up in labor camps.

We also know that the North Korean government has sought to isolate its people completely from the outside world, indeed from all knowledge of the outside world. All televisions and radios are fixed so they can transmit only state channels. Reading foreign publications or listening to foreign broadcasts—or tampering with TV's or radios for this purpose—is a crime. Leaving the country is also a crime.

Most repressive governments deny people the right to demand an alternative way of life. The North Korean government has attempted to deny people the ability even to imagine an alternative way of life. It has attempted to create a society in which everything that is not required of its citizens is forbidden to them; a society in which freedom of choice does not exist, even in day to day life. Many people have described this as "Orwellian." And it is telling that only in literature can we find the vocabulary to describe what we know of North Korean society. It is a society like no other in the world today. And one of its most historically unique, and troubling, features is that the people of North Korea have endured this system of total control and isolation for over 50 years—for multiple generations—which means that the vast majority of North Koreans have no memory of living in a different kind of country.

The greatest change North Korea has experienced in the last decade was brought about by the famine that began in the 1990's—for the first time, large numbers of North Koreans began fleeing the country. Tens of thousands of North Koreans now live in hiding in China (the estimates range from 10,000 to 300,000), mainly in the

province of Jilin, mixed among Chinese citizens of Korean ethnicity. To reach China they have defied their government's criminal prohibition on illegal exit and China's rigorous border controls. They are inaccessible except to a handful of intrepid journalists and activists, and barely acknowledged by China, which maintains a policy of immediate expulsion to maintain good relations with North Korea and to deter further migration.

Once in China, these migrants face a range of abuses, from extortion to rape to forced prostitution and trafficking to torture in prison. They are unable to call on the Chinese government for protection. China is a party to the 1951 UN Convention on the Status of Refugees and its 1967 Protocol (the Refugee Convention), which forbids states to push back migrants "to the frontiers of territories where [their] life or freedom would be threatened on account of . . . race, religion, nationality, membership of a particular social group or political opinion." But China refuses to protect North Koreans, regardless of their reason for leaving, and regardless of the likelihood they will be persecuted on return.

In fact, even if they did not leave for political reasons, North Koreans who are forced back to their country face a high likelihood of persecution, if only because the act of leaving North Korea made them criminals in the eyes of their government. North Korean authorities detain and interrogate returned migrants about their activities and experiences in China. Many are imprisoned for up to several months in a string of detention facilities along North Korea's border with China. Those suspected of more serious offenses, including repeated border crossings, contact while in China with South Koreans or foreign missionaries or aid workers or journalists, as well as marriage, pregnancy or other evidence of a sexual liaison while in China, are subject to greater punishment, including being sent to a labor camp and, in some cases, reportedly, execution. There are also reports that women who were pregnant when they were returned to North Korea have been subjected to forced abortions, or had their babies killed immediately after birth.

As we learn of these horrors, Mr. Chairman, the question we face is what can be done about them from the outside?

We can begin by approaching North Korea's neighbors. China should be pressed to stop forcibly returning North Korean migrants to their country, to grant all North Korean migrants an indefinite humanitarian status that would protect them from harassment, extortion and exploitation, and to give the U.N. High Commissioner for Refugees a presence on the North Korean border and a role in screening asylum seekers. These issues should be part of any discussions the United States conducts with China on North Korea. South Korea should also be challenged to be less silent about the plight of North Koreans. At the very least, South Korea should support the resolution on North Korea that the U.N. Human Rights Commission will be considering in the next few weeks, instead of remaining completely on the sidelines as it did last year.

But the most difficult challenge lies in deciding whether more direct efforts can be made to ease repression inside North Korea itself.

In facing this challenge, the first conclusion I come to is that further isolation of North Korea will not help.

Some may hold out hope that squeezing North Korea will destabilize its government or even bring it down, leading inevitably to a better, freer life for its people. But it is hard to see how such a strategy would actually work. Just who will act inside North Korea to bring such change about, and how? There is no political opposition in North Korea, no civil society from which an opposition could emerge, and little awareness of the very idea that opposition is possible. As for hunger—it might lead North Koreans to despair, even to anger, but history teaches that it rarely drives people to revolt. The North Korean government has presided securely over many periods of economic distress. Its leadership and elite supporters have been well taken care of. Its failed economic policies are not necessarily a threat to its political control; after all, their primary purpose has been to help maintain political control.

The formal state of war that has existed between North Korea and the United States and its allies also has arguably helped the government maintain its grip. It has enabled the government to stoke fear and even hatred of the outside world among its people, to distract them from their daily sacrifices, to mobilize them for labor and service to the state. Once again, all we have to do is to dig up our old copies of Orwell's 1984 to see how this phenomenon works.

The bottom line is this: North Korea's isolation has been self-imposed. It is a deliberate defense mechanism against a political awakening among the North Korean people and against political change. Those who seek change should therefore work to ease that isolation, on the right terms. Our human rights agenda for North Korea

should begin with bringing this nation out of solitary confinement. It should be to shed the light of day on its people so that a better day can come.

We should be working to increase the amount of information trickling into North Korea from the outside world. As more North Koreans obtain radios clandestinely, more foreign broadcasting, as Senator Brownback has proposed, will be essential. We also should be seeking every opportunity to get humanitarian and human rights organizations into North Korea, including representatives from the U.N. High Commissioner for Human Rights, and pressing the North Korean government at every turn to give them greater access and freedom of movement.

In short, the more outsiders we can get into North Korea, whether aid workers, human rights monitors, journalists or diplomats, and the more we can get for them the ability to move around the country, to see beyond what the government wants them to see in the Potemkin capital of Pyongyang, the better.

Such contact could help break through the wall of isolation and disinformation the North Korean government has built between its people and the world. It could help to create among North Koreans a consciousness that a different existence is possible. This is the essential first step if there is to be any internal pressure for change in the country.

Already, there are some very limited possibilities of change in North Korea that can be directly attributed to the limited contacts that now exist with the outside world. Many residents in border towns are aware of the reality of life outside North Korea either because they have been to China or because they have watched Chinese TV despite the risk of arrest and imprisonment. A relatively small number of North Koreans also have been increasingly exposed to visitors—mostly tourists from South Korea—in two resort areas where they are allowed to sell food and interact with the tourists. Although they are loyalists hand-picked by the state, one cannot ignore the "word-of-mouth" effect their interaction with South Koreans could have.

More contacts could also help expose to the world the horrors North Koreans endure. I believe that this kind of exposure would at least place some pressure on the North Korean government to ease its repression. The concerns of the outside world may not be paramount for North Korea's leadership. But the government does seem to care, somewhat about its reputation—enough to deny that labor camps and torture and deprivation exist, enough to put on elaborate shows for visiting foreigners to convince them its people are happy, well fed, and free. As more outsiders have access to North Korea, and as North Koreans have more access to them, it will be harder for the North Korean government to deny reality. Instead, it may feel increasingly compelled to alter it.

At the same time, we should not assume that diplomatic dialogue and economic engagement with the North will by itself produce the kind of contact with the world that encourages greater respect for human rights. The North Korean government will of course do everything it can to prevent foreigners from interacting with ordinary people and to manipulate what they see and hear. It will seek to ensure that foreign investors deal only with the state and try to retain an iron grip over the lives of workers in enterprises foreigners invest in. It will try to keep information and ideas out even as money and aid flow in. Engagement and interaction with the outside world should not, therefore, be pursued on North Korea's terms alone.

How can we ensure that the terms of engagement with North Korea at least favor change? Should we press human rights and humanitarian issues as part of the current U.S. dialogue with the North Korean leadership, even as the nuclear issue remains unresolved?

I am not going to argue that these issues should stand in the way of a non-proliferation agreement with North Korea. The use of a nuclear weapon by North Korea or by a terrorist group that obtains such a weapon from Pyongyang would be a horrific tragedy. Preventing it is also a paramount human rights imperative.

But if we are talking about an agreement that transforms the North Korean government's relationship with the international community, an agreement that provides it with significant economic benefits, an agreement that opens the door to significant foreign investment in North Korea, then human rights and humanitarian issues should be on the table. Even if the demands are modest—greater access to North Korea by U.N. human rights experts, for example, or greater transparency in humanitarian aid distribution—the North Korean government needs to understand now that these are important international concerns.

Outsiders who go to North Korea as it opens will also carry an extraordinary set of responsibilities, and should not assume that their mere presence in the country is enough to encourage change. Aid workers will have to struggle hard to fulfill their humanitarian obligations while reporting to the world what they see, and, to the best of their ability, preventing aid from being stolen or manipulated to serve the North Korean elite. Foreign investors who do business with North Korean state en-

terprises will have to avoid becoming complicit in horrific practices like slave labor. Indeed, I believe that that governments and the private sector should work together to develop a specific code of conduct for companies that plan to do business in North Korea, one that addresses the challenges responsible investors will face there as in no other place in the world.

In sum, we should do everything we can now to ease the suffering of the North Korean people, because that is the right thing to do, and because we will want to have something to say to future generations who ask of us "what did you do when you learned of the horrors North Koreans endure?" But addressing the human rights tragedy in North Korea is more than a moral imperative—it is, ultimately, part of the larger challenge of building a more secure Korean Peninsula.

We just need to remember the lessons of dealing with the Soviet Union during the Cold War. We learned then that in the short run, it is possible and often necessary to strike agreements with repressive governments that diminish the threat of nuclear war. We learned that it is possible to manage insecurity through arms control. But we could not banish insecurity in this way. The underlying tensions that might have led to war between the Soviet Union and the West did not disappear until people behind the Iron Curtain won their freedom and their basic human rights. I believe the same will be true in Korea. I believe that is one of the paramount goals we should be working for, right now, for the sake of the North Korean people, and the security of all people.

The CHAIRMAN. Thank you very much for your testimony. Let me just say that I appreciate your mentioning, Mr. Malinowski, that our hearing was constructed to hear from Secretary Kelly about developments on the current negotiations for which he is a point man for our country, along with his associates. We also wished to try to think through, if Mr. Kelly is successful, or the six powers to be more accurate are successful, how we physically go about the disarmament process. What kind of an economy is there now? What sort of economic ramifications will there be? Obviously we also care about the status of human rights of the people, and how this might progress.

There are a good number of people from whom we have heard during these hearings on North Korea over the course of the last couple of years who obviously have one theme to stress that is greater than another. For instance, to pick up your first point, should we have done more? Should we let our consciences be our guide? Many would say yes. As a matter of fact, one way of doing that is to strike North Korea and remove the regime and get on with it. In other words, why are you waiting? Here are people who are suffering.

Before we get very far down that trail, South Koreans and others who are in South Korea, 30,000 American soldiers, 100,000 missionaries, business people, and so forth, say well, what about us? We are in harm's way even while you are busy liberating North Koreans.

I have made, not to be provocative, suggestions in hearings in which Mr. Kelly has been involved, that we might adopt as a conscious procedure one of encouraging refugees to come to the United States from North Korea. Now, we have visited, I am sure, through diplomatic channels with the Chinese, but they are very reticent to allow the first North Korean to come across the border. As a matter of fact, perhaps until these current negotiations, some of their policies have been guided by the need to maintain this regime, however odious it might be, if in fact the problem could be contained within the borders of North Korea, as opposed to spreading

to China. The South Koreans have often felt the same way, despite futuristic thoughts of a united peninsula.

My suggestion did not really go anywhere. Not a whole lot of refugees have been accepted. Not a whole lot have been encouraged, even though it does at least begin to open up for some of us a different kind of conversation with people who might come out, who might have something to say, or maybe even still have some communication, difficult as that may be, with their kinfolk in the country.

I am encouraged by what we heard today. As opposed to the previous round of negotiations or the bilaterals that have preceded, there does seem to be much more of a common understanding that the nuclear program must go. We need much more conversation among the parties, as Secretary Kelly mentioned and as I commended. Diplomacy may be starting up in that part of the world more seriously, with people talking to each other.

Our own relations with the Chinese have improved materially, I would argue, during this period of time, because we are visiting about North Korea. We have had some reason for a good number of Americans to be talking seriously about strategic issues, about issues of war and peace and negotiations. That probably has been healthy for us, as well as maybe for others.

It has been reassuring to the South Koreans that diplomacy has proceeded this far, as opposed to there being fears that somehow or other a military strike might come unexpectedly for them and despite their strenuous objections, so that they might thereby be forced to come into this.

I have never been clear about the role of the Russians in all of this. I want to learn more about that, maybe in future briefings.

It appears to me that what Dr. Cha has to say about the economy is interesting, but also disquieting. Namely, there are reforms going on here, but as he points out, they are unlikely to be tremendously successful. If, in fact, the regime did pursue these reforms with a great deal more vigor and sophistication, it might be the end of the regime. You keep getting back again to the nuclear business, and the longevity of the regime, and how all this is interrelated.

As Mr. Kelly says, we are going to have talks with some of the parties. We are going to be in touch all the time during this period of time for a formal attempt to come together, as the six powers, again in June. What should be the agenda for what we have to say to the Chinese or to the Japanese or to the South Koreans or to the Russians?

In other words, given the status that Mr. Kelly describes of where we are now, how do we put into play each of the objectives that you have discussed, in addition to ones that he has? What should we concentrate on? How do we communicate this to the American people? What should be communicated to us, and therefore, to the world, so that there will be some understanding of what we are about here? This is a unique negotiation.

The Iranian business is very different from that, although that still is in a situation of diplomacy. Very clearly we are not making much headway with Syria, but we might. From time to time we had hearings about that. Likewise, as regards the Indian-Pakistani

situation, we are developing relations there. That is interrelated with what you are talking about here today.

Given just the six powers situation, as it has developed, what advice and counsel would any of you have? Mr. Taylor, do you have some thoughts about that?

Mr. TAYLOR. Well, I will concentrate on the disarmament side. I think, Senator, that what I would be looking for, if I was part of this process and I would be persuading the other parties in the talks, is that there ought to be a requirement for an early demonstration of a commitment to a disarmament process. That would have to come soon within a specified timeframe, and perhaps ideally to avoid a staged process, one after the other, being protracted over many years, two things that are concurrent.

My suggestion in the final part of my remarks was something on the plutonium side, perhaps allowing the IAEA access to be able to assess and be given sufficient information to assess the past production of plutonium before 1992; on the other hand, at the same time, to be given information on the highly enriched uranium. That would be a challenge for North Korea, but I think the circumstances demand a challenge.

And if North Korea was to respond in a positive way, I think that would be a very important signal. You have alluded and others have to the behavior of Libya. Their actions demonstrated an early commitment. That is what we should try to achieve with North Korea.

I think North Korea is more of a challenge. I disagree a little bit with Professor Cha on that. I think it is nearly 1.5 million personnel under arms, the 17,000 artillery pieces—it is the conventional capabilities arraigned alongside of the border which makes it, I think, dramatically different to the case in Libya. So it is more difficult to handle.

But that is what I would recommend.

The CHAIRMAN. Well, what about the 17,000 pieces? For instance, the IAEA was in North Korea, so they have had some experience with that. Your advice to the negotiators might then be to, once again, suggest that these people return, and that they are sort of an international validation of what has gone on historically.

Meanwhile, what do we do with regard to the 17,000 artillery pieces that are still menacing South Korea in the process?

Mr. TAYLOR. Well, in a comprehensive agreement—and clearly there has to be a package—it would have to include confidence building measures in relation to the deployment of conventional forces, which are deployed predominantly toward the Demilitarized Zone. So the North Korean concentration of that nearly 1.5 million troops and the artillery and so on is very close to the border. So as part of a package, there ought to be an agreement at some point for some demonstration of withdrawal, of movement, and so on. But that is very, very hard to do. My recommendation, with some reluctance, will be to have two elements related to the nuclear program.

The CHAIRMAN. So you have some sequence of this.

Mr. TAYLOR. There would have to be some sequence, but be careful not to be drawn into a 25-phase process that takes 10 years.

The CHAIRMAN. Dr. Cha, what would you advise our negotiators?

Dr. CHA. Well, a couple of observations, the first with regard to Secretary Kelly's testimony. The same paragraph that you picked up on struck me as well, which was the point about multilateralism in Asia. I think in particular, as someone who looks at this in scholarly circles, one of the big challenges in Asian multilateralism is that you could never set up these institutions in advance to deal with problems. I mean, the institutions would arise as a result of problems. I think you saw that with the U.S.-Japan-Korea coordination in 1994 over the North Korean nuclear problem, and we are seeing another version of it today.

I would agree with Secretary Kelly that there is the potential for something like this growing into a larger multilateral institution in Asia. An issue-based multilateralism is what we have seen in Asia.

In terms of how to talk to each of these parties as we run up to June or working levels before that, I think with regard to Japan, the message is basically that they need to stay the course. They have been very strong in terms of where they feel the North Koreans need to be on this problem and that they should basically stay the course and continue to pass this legislation that would enable them to put pressure on the regime if they needed to do so.

For South Korea, there has to be a willingness to show that there is a red line with regard to where this sunshine policy or engagement policy is with North Korea. If they do not state where that red line is, the North Koreans will be able to continue to muddle through for as long as they would like. The key context here is that the July 2002 economic reforms have really put pressure on the entire country, and they have been able to muddle through largely because of aid they have been receiving from China and South Korea.

With regard to China, as you stated, the Chinese are opposed to the idea of pressing on refugees or pressing North Korea overall because they are worried about regime instability. I think the main thing we have to remember there is there are costs that come with possibly destabilizing a regime. There are also costs that come with keeping hands off and allowing North Korea to become a full-fledged nuclear weapons state. And I would argue that those costs, since I am mandated to speak from the economic perspective today, are economic. They are not just security-wise because, again as Secretary Kelly said, it is going to have an effect on the entire region, financial ratings, investment confidence, if North Korea becomes a nuclear weapons state.

Finally, for North Korea, again, it is the commitment to dismantlement that is absolutely key and acknowledging that there is this second program. To not acknowledge the second program is frankly ridiculous. It is like allowing a robber to sell back to you stuff he stole from your house without even admitting that he stole it. It is ludicrous.

With regard to the Libya model, I do not think North Korea is an easy case, not at all. I am just trying to make the point that there is a tendency to immediately discount the possibility of moving along the lines of a Libya model because everybody starts from the premise that the two cases are so, so different. My only point was to acknowledge those differences but also say there are a lot

of similarities there. So we should not write off the Libya model right away.

The CHAIRMAN. Just from an economic standpoint, Mr. Malinowski has made the point that if in fact millions of North Koreans are starving, are extremely poor and continue to be, this might not be of consequence to a regime that was thinking of its own longevity. To what extent is some degree of economic success important to the regime? In other words, if you discount, say, four-fifths of the population as inconsequential in this, whether they live or die, what has to happen in this world for at least enough economic sustenance to occur that the regime, with its military force and whatever other trappings it has to stay there, can continue?

Dr. CHA. I think the regime is able to continue as it is continuing now because it has been receiving help from the outside world.

I think the interesting dilemma that is posed by the question you raise, Mr. Chairman, is that it really is a double-edge sword for North Korea because, on the one hand, it is absolutely true that regimes will not collapse as a result of famine. You are right. Hunger is used as a weapon. But at the same time, the regime needs to reform, needs to bring in some economic goodies to make side payments to the military, to sort of keep cohesion of the regime, but anything that moves beyond simply getting cash in hand from the outside that they can then distribute, anything that moves in the direction of real economic reform then creates the spiral of expectations, which, as we know, historically revolutions do not occur when things are at their absolute worse; they occur when things are at their worst and they start to get better.

So I think in many ways, this is the dilemma that the North Korean regime faces. It needs to reform and it needs help, but that process of getting help is a very delicate walk for them, and it could mean regime stability or regime coherence in the short term, but in the longer-term, it could mean collapse.

The CHAIRMAN. The irony of all this was illustrated for me. I had a meeting with 10 of the ASEAN Ambassadors last week to visit and catch up on things that they were most interested in. What is a common theme of most, if not all, is that China is importing from each of them huge amounts of raw materials and valuable metals and minerals and whatever they have. Sort of the great sucking sound that Ross Perot used to talk about really is happening as all this goes in. So they are developing very large balance of trade surpluses vis-à-vis the Chinese. Of course, in our politics we are always visiting the other side of this issue, as are some European countries, of huge deficits as all this is processed in China, or much of it at least, and exported in various ways.

It is an unusual relationship. The dynamism of the Chinese economy, a huge movement of people from the rural areas to the cities, the loans, imprudent or not, of a banking system that may be headed toward a bubble, all of this is creating enormous economic excitement in the region. Here next door is North Korea, in which obviously that kind of excitement is not occurring. It is not really clear right away, I suppose, whether it would. It is not clear how the Chinese become engaged in this in a different way, rather than

continuing with the exclusion that is keeping everybody in North Korea and providing these resources to the regime.

Even though the Chinese may have changed their minds about the vigor with which they want to pursue the nuclear weapons, there is no evidence yet that they have changed their minds about the support of the country. As you are suggesting, that gives some sustenance to this regime, maybe to the exclusion of most of the people, but at least it keeps those folks alive. Trying to move on all of these tracks simultaneously, of course, is very important. That is what our hearing is designed to try to illustrate. I think this will require much more dialog with the Chinese.

In any event, Mr. Malinowski, having heard all of this, please give us your counsel now on what the negotiators ought to be talking about.

Mr. MALINOWSKI. Sure. For my part, I would begin with China, obviously, and I think we have to stress the refugee issue, as difficult as it is for China to hear from us about that, as much as they fear a massive exodus of North Korea across that border. Sending people back to labor camps is a pretty bad thing, and it is a total violation of China's obligations under the Refugee Convention and we cannot ignore that. We have to keep raising that with the Chinese to persuade them not to do that, to engage with the U.N. High Commissioner for Refugees, and also to persuade the U.N. to be a little bit more aggressive in pressing the Chinese on that.

Again, it is an important humanitarian concern, but as you mentioned, it is more than that because this movement of people across the border has been profoundly important in a political sense, both in bringing to light conditions inside North Korea, and as they move back, particularly if they can move back on their own and not to a labor camp, they bring with them word of mouth knowledge of the outside world, and that is profoundly important in the North Korean context.

In terms of negotiations directly with North Korea, there I think at the appropriate time we need to focus in particular on the access issues. I would start modest since I think our goal has got to be to pry this country open as much as possible. To look at the problems that humanitarian groups have had in doing their work inside the country, not being able to hire Korean speakers, not being able to travel freely, to examine where the aid is going and who is getting it, trying to get people with more of a human rights focus into the country from the U.N. which is a bit less threatening potentially. I would focus on those issues at the appropriate moment in the dialog with the North Koreans.

Others have proposed more ambitious ideas, for example, the notion of a Helsinki type agreement modeled on the Helsinki Accords with the former Soviet Union perhaps in exchange for security guarantees. That may be a bridge too far. On the other hand, we have seen that sometimes it is possible to get Communist regimes to make entirely insincere commitments on human rights and that then those insincere commitments can be used in the long run to try to press for change. And I think we do need to be thinking along those creative lines and at least testing these ideas as the dialog moves forward.

The CHAIRMAN. Now, with your experience in human rights leadership, are we missing any techniques of having more information arrive in North Korea? We always describe this, I am sure correctly, as a very closed society, as a regime that works very hard to maintain no information that might upset the situation. Yet, here we live in a world in which, obviously, this is a strange exception. All kinds of authoritarian regimes, maybe even some that verge on totalitarianism, do not necessarily have internet service and antennae on top of the roofs, but on the other hand, it is extraordinary how information spreads in this world. We talk frequently about how small it is.

Why is North Korea immune from the information revolution or any part of it?

Mr. MALINOWSKI. Well, one of the points I suggested in my testimony, in terms of what makes them unique, is that they have been at this for 50 years. If you think about the worst years of Stalin's terror, we are talking about maybe 15 years.

The CHAIRMAN. There is no frame of reference, in other words, no memory.

Mr. MALINOWSKI. Yes. It is three generations. Think of what you can do in three generations if you run a successful totalitarian model and you can shut down a country and literally cut people off. No other government has been able to do this I think in historical memory. So it is a unique situation.

How can we break through it? I do not believe in air-dropping radios, for example. I think we have to be a little bit careful, keeping in mind that North Koreans can be killed and are, in fact, executed for listening to information from the outside world. But I think we can be increasing foreign broadcasting, as North Koreans on their own decide to take the risk of bringing in means of receiving that information.

And I think we need to be looking at all the little ways of getting people in there, even if their fundamental task may not be to spread information. The fact that you have a humanitarian worker going into the countryside is a means of spreading information indirectly. Having a diplomatic mission there, for example—I would not be against normalization. I am a little more concerned about the investment and the economic aid than I am about normalization because I think having a U.S. diplomatic mission in Pyongyang would actually be helpful for this point of view. I would try to start modestly with all of these little things that exist everywhere else in the world but do not exist in North Korea.

The CHAIRMAN. Mr. Kelly did today mention normalization. It is down the list after you sort of work through an arduous agenda, but at least that is contemplated as a possibility.

Mr. MALINOWSKI. I am not sure if I would make it the final carrot.

The CHAIRMAN. You would move it up.

Mr. MALINOWSKI. I am more concerned about, for example, large amounts of foreign investment, particularly if you have, say, South Korean or Chinese companies going in as partners with the North Korean Government in a situation where there is even the prospect of slave labor being used. I think that is more dangerous from the point of view of caring about the human rights of the North Korean

people as against diplomatic recognition, which I think gives them only symbolic benefits while actually helping us open the place up.

The CHAIRMAN. At the risk this afternoon of a blatant advertisement of the Nunn-Lugar program, which has already occurred, but will reoccur now in this question, what happened when we finally did come to grips with people in Russia who were constructive about the situation is that they did not have very much money. In fact, they had no money for this type of disarmament that both sides felt was in their benefit. They had very large deficits in terms of technical resources, of people who could physically dismantle things, organize things. They had many people that were very brilliant in various ways but not necessarily in moving down the hill.

After the IAEA comes in, let us say hypothetically, and they inventory what all is there, quite apart from the history, and get into that so that we have a feeling, root and branch, that we know where it all is, there will come the moment of truth as to who does what. Physically, who moves something? In the case of Libya, for example, quickly we came to the conclusion the United States could fly an airplane into Libya and load it up. Oak Ridge, Tennessee was receptive to taking it all. Now, that does not always work. And sometimes negotiations with Governors of our States or with Russians who are not necessarily wanting to be in the place where all this reposes require at least some more diplomacy. It may be too optimistic to think down the trail to the point at which we actually come to the hardware.

What are your suggestions? Should we try to fashion some multilateral removal process, in which we all verify what happens at the same time? If so, should we divvy up the rent as to who does what and who pays for it, who sends people in? Mr. Taylor, you have thought about these things, I know. Do you have any suggestions?

Mr. TAYLOR. I think the process that offers the best promise, as I mentioned in my remarks, is the six-party process, so that the five other parties, other than North Korea, should be involved in what I would describe as a front-loaded disarmament process, which brings quick rewards, because time is not on our side. For example, if we do not understand and stop the HEU program, we know that in a few years there will be a significant nuclear arsenal. Then we are into a different strategic dimension if we end up in 5, 6, 7 years time with a North Korea with——

The CHAIRMAN. Is it reasonable that five parties all decide that they are on the same page with regard to this immediate work?

Mr. TAYLOR. I appreciate the difficulties. But I was very struck by Secretary Kelly's explanation of the process and very encouraged by the process, and he was indicating that, if not exactly on the same sheet of music, they were very much together on the importance of demonstrable disarmament early. And I think that is what one needs to go for.

As I was suggesting, not just one thing, a thing not to go for is an elaborate, long process, but multi activities going on at the same time to give North Korea the opportunity to demonstrate it has taken the key decision such as we have seen in Libya and that is obviously demonstrated. I think equipment leaving the country—I think, Mr. Chairman, you mentioned that—I think that is one of the important stages in dismantling the 5 megawatt reactor and

the fuel rods and so on and having them taken away. That is a very good early step that could be taken. It is visible. It is demonstrable. There is no doubt about it. It has to be that kind of step I think fairly early on.

The CHAIRMAN. While we are all talking, that is, among the five at least, is it conceivable that parallel programs could be conjured up by these negotiators? As they think toward the next round, who loans money to the regime and who provides food? In other words, who provides humanitarian input to relieve the suffering at the same time that there is at least some visible means of there being a change in the economy? After all, we would still have the same regime there even after we have dismantled and carted out all of this, but the regime may be interested in what the parallel programs are. There is some evidence that they certainly are.

The question you have raised is, is there hope that somehow they simply work out a situation in which they finally retain a portion of whatever was in the arms, but they also get the loans, and they get a certain amount of humanitarian work that does not really inform the public or stir things up any more? I am curious as to how far any of this may move because this is the purpose of our hearing today. We are here to examine the parallels and the simultaneous action. How do these things happen for the relief and the progress of the people, in addition to the safety of the world, with the nuclear arms?

Dr. Cha, do you have a comment?

Dr. CHA. I would agree with the point about early and immediate moves by the North Koreans. Their proposal of a freeze on one program and not admitting to the other was basically the same sheet of music that we have seen in the past, and that is certainly not the direction I think in which the United States wants to go in this. So there really need to be immediate and unprecedented steps by the North Koreans that we have not seen before to get any sense of confidence that they really are committed to dismantlement. Once we get those sorts of steps accomplished, this is where the multilateral process really is an asset because you can coordinate among the parties what sort of things each party will provide to North Korea in return.

The CHAIRMAN. Mr. Malinowski, do you have any final thought about all this?

Mr. MALINOWSKI. Well, not much to add to what my colleagues here have said. To the extent we are thinking about this in multilateral terms, I think that is also important on the human rights and humanitarian side.

The CHAIRMAN. At least you have a group. Even they do not act simultaneously, but they are still together for a variety of reasons.

Mr. MALINOWSKI. I think they are related substantively in the long run. The question is the sequencing and at what point do our negotiators begin to raise these issues. I think raise them now, and then at what point do you actually establish linkages to things that the North Koreans want? And I think there is a point down the road where that comes as well.

Another sort of big question I have is to what extent do the North Koreans really care about what we think about these horrors and their reputation. My sense is that to some extent they must,

otherwise why would they deny that the labor camps exist and why would they take foreigners, as you well know, on these sort of Potemkin Village shows to prove that their people are happy and well-fed and free if they did not, to some extent, want people to believe these things? I think, again, to the extent that we begin to pull back the curtain, I think it is going to be harder and harder for them to protect their reputation through pure denial, and they will be more encouraged to try to protect their reputation by beginning to take at least small steps forward.

The CHAIRMAN. Hard-nosed as they may be, still with people dying and total depravation, there clearly is a sense of guilt and responsibility.

Mr. MALINOWSKI. They do not want us to know this. There must be something to that.

The CHAIRMAN. Well, I thank all three of you very much for your excellent testimony, and for your thoughtful answers to our questions. With this, the hearing is adjourned.

[Whereupon, at 6:02 p.m., the committee adjourned, to reconvene subject to the call of the Chair.]

ADDITIONAL STATEMENT SUBMITTED FOR THE RECORD

PREPARED STATEMENT OF SENATOR RUSSELL D. FEINGOLD

I thank Chairman Lugar and Senator Biden for holding this important hearing, and I thank Assistant Secretary Kelly and all of the private witnesses for being here today.

Last week, another round of six-party talks came to a close in Beijing. According to press reports, the Chinese Foreign Minister closed the session by noting that "the road is long and bumpy. But time is on the side of peace."

I would like to believe this sentiment, but I am not so sure. Time does not appear to be on our side here. As time passes, North Korea has increasing opportunities to develop its nuclear weapons program, and potentially to provide nuclear know-how or technology to others. Yet, as time passes, it is not at all clear that the U.S. gains any particular negotiating leverage.

North Korea's nuclear defiance is an urgent national security issue. But for well over a year, it has not been clear whether or not the administration has a plan to get from where we are today to where we want to be.

RESPONSES TO ADDITIONAL QUESTIONS FOR THE RECORD

RESPONSES OF HON. JAMES A. KELLY TO ADDITIONAL QUESTIONS FOR THE RECORD SUBMITTED BY SENATOR RUSSELL D. FEINGOLD

Question 1. Are you confident that North Korea cannot transfer nuclear capacity or know-how to other actors while we wait for the next round of talks? On what do you base this confidence?

Answer. North Korea's proliferation activities are of deep concern. By strengthening export control systems worldwide and implementing initiatives such as the Proliferation Security Initiative (PSI), we aim to stem not only North Korean but worldwide proliferation activities.

We have made very clear to North Korea that transfer of nuclear capacity or know-how would be a most serious matter. We are using the multilateral diplomacy of the six-party talks to underline that message and to offer North Korea the prospect of enjoying the benefits of being a member in good standing of the international community by completely, verifiably, and irreversibly dismantling its nuclear weapons programs.

Question 2. Some press reports suggest that the parties to the talks may meet in working groups before the next formal session. What would these working groups

be working on? Is this a notional idea or a firm plan? What, specifically, do we hope to accomplish within these groups?

Answer. The parties to the talks agreed to the establishment of a working group or groups, and further agreed that terms of reference would be discussed among the parties through diplomatic channels. Those diplomatic exchanges are now beginning. In general terms, we would expect the working group or groups to carry out instructions from the plenary and to develop, in a more detailed manner, understandings reached at plenary sessions, in order to achieve our long-term goal of the complete, verifiable, and irreversible dismantlement of the DPRK's nuclear programs.