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NORTH KOREA: PROGRESS AFTER PERRY

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CONTENTS

	Page
Kramer, Hon. Franklin D., Assistant Secretary of Defense for International Security, Department of Defense, Washington, DC	11
Prepared statement	12
Sherman, Ambassador Wendy R., Counselor of the Department of State, Washington, DC	2
Prepared statement	6

NORTH KOREA: PROGRESS AFTER PERRY

TUESDAY, MARCH 21, 2000

U.S. SENATE,
SUBCOMMITTEE ON EAST ASIAN AND PACIFIC AFFAIRS,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room SD–419, Dirksen Senate Office Building, Hon. Craig Thomas (chairman of the subcommittee) presiding.

Present: Senators Thomas, Chafee, Biden, and Kerry.

Senator THOMAS. I think we will go ahead and call the committee to order. Good morning. We have Wendy Sherman here, Counselor of the Department of State, and I think Assistant Secretary for Defense Franklin Kramer will be here momentarily, so we will go ahead and begin.

Today the Subcommittee on East Asian and Pacific Affairs meets to examine what progress is being made by the administration in implementing the recommendations contained in the Perry report on North Korea.

Pursuant to Public Law 105–227, last year the President appointed Dr. Perry as his North Korea Policy Coordinator. On the surface, it sounded as if Dr. Perry's mission would be pretty simple: conduct a review of our current policies regarding North Korea and make recommendations to the President and to the Congress regarding any changes that should be made. In my opinion, however, this was not an enviable position to assume. Some 20 countries are within the jurisdiction of this subcommittee, and North Korea, I believe, is, hands-down, one of the most difficult and frustrating at the present time to deal with.

The Perry report was publicly released last October, and on October 12, this subcommittee held its first congressional hearing to examine the findings and the recommendations. In short, the report recommended the United States move away from its policy of total isolation with North Korea and pursue instead a policy more in line with that of South Korea. Toward that end, the administration contemporaneously announced a loosening of U.S. trade and other restrictions on North Korea.

At the October meeting, I noted that while I am generally supportive of the concept of engagement, there were some caveats to that support as the process moves along. First, I have stressed repeatedly to both Dr. Perry and Assistant Secretary Roth any action which we take must and should be preceded by close consultations with our South Korean and Japanese allies.

Second, we should avoid even the appearance that we are engaging in a "tit-for-tat" reward system with the North. In my view, over time such a system simply encourages a country like North Korea to turn to blackmail, increasing the chances for the kinds of action—missile firings, nuclear developments and so on—that we are trying to discourage.

Third, we must continue to be vigilant in terms of verifying that the North is living up to its end of the deal. They have shown in the past a disturbing willingness to renege on their promises. I see no reason to assume that they will change that propensity. As President Reagan said, "Trust, but verify." Finally, we should not be reticent to jettison this policy if it becomes apparent that the results are not what we want.

Since that hearing, we have been through several recesses and other pressing domestic and foreign relations topics have taken front stage, so the purpose of today's hearing is essentially threefold: To examine where we are now in the process of implementing the recommendations of the Perry report, to examine how North Korea is responding, and indeed to determine whether this policy is yielding what it was intended to yield. So that is the purpose of it. I think it is timely that we do take a look. Certainly, this is one of the most important areas of our concern, and as I said, we have been sort of taking observations in other places recently, so I think it is important that we continue to monitor this, so we are very pleased to have Wendy Sherman here today with us. And if you care to begin, please.

STATEMENT OF AMBASSADOR WENDY R. SHERMAN, COUNSELOR OF THE DEPARTMENT OF STATE, WASHINGTON, DC

Ambassador SHERMAN. Mr. Chairman, thank you very much for this opportunity to discuss the administration's North Korea policy. And I know that my colleague, Assistant Secretary Kramer, will get here as soon as the weather allows him to come over the river. I have submitted a fuller version, a written version of my testimony for the record, but wanted to try to summarize some of that for the committee and make sure there was time for questions that you might have.

As you noted, just in the fall of this last year, Dr. Perry presented the findings and recommendations resulting from his 10-month review of our policy toward North Korea. I was very privileged to be part of the policy review team as the senior government official who worked most closely with Dr. Perry. I chair an interagency working group implementing the report's recommendations.

Mr. Chairman, as you noted, the Korean Peninsula remains one of the most volatile areas in the world. Our overarching goal there is simple but difficult to achieve, achieving lasting peace and stability. Since 1994, the Agreed Framework has been at the center of our Democratic People's Republic of Korea [DPRK] policy and key to our success in achieving our goal. Two events in 1998, however, called that policy into question. That summer, we found ourselves in protracted negotiations with the DPRK to gain access to a site at Kumchang-ni that we suspected might be the future site of a nuclear reactor. If confirmed, the existence of such activity

would have violated the Agreed Framework and jeopardized its continued viability.

A visit to the site last May, demonstrated that it was not involved in such activities, and we have just affirmed with the North that we will revisit this site this spring. The experience, nonetheless, demonstrated the need for a mechanism to address similar concerns, should they appear in the future, at least until such time as North Korea comes into full compliance with its IAEA obligations under the terms of the Agreed Framework.

Separately, in 1998, North Korea fired a long-range missile over Japan in an apparently failed attempt to launch a satellite. Even though missile controls are not part of the Agreed Framework, this test firing rightly provoked a storm of protest in both the United States and Japan, and led to calls in both countries to end support for the Agreed Framework. There is no doubt in my mind or in Dr. Perry's, however, that had we aborted the Agreed Framework, the DPRK would have responded by reopening its nuclear facility at Yongbyon. This would have placed the DPRK in a position to resume production of weapons grade plutonium and eventually to arm those very missiles with nuclear warheads, the worst of all possible worlds.

During that period in 1998, the Congress called for review of policy toward the DPRK. President Clinton and Secretary Albright agreed and asked Dr. William J. Perry to assemble a policy review team. Over the course of 10 months, we met with experts inside and outside of the U.S. Government, including many Members of Congress, including the chairmen, and their staff, including virtually everybody on the dais behind you. We traveled several times to East Asia to consult with our allies in the Republic of Korea and Japan and with China's leaders.

We also exchanged views with the EU, Russia, Australia, and other interested countries. We visited Pyongyang to share our views with members of the DPRK leadership. Through many long sessions with our South Korean and Japanese allies, we discussed how best to pursue our common goals of peace and stability while taking into account our respective interests.

After many months, we reached a common understanding. The Perry report is the result of that understanding.

The comprehensive approach recommended by Dr. Perry and supported and approved by the President and the Secretary of State and developed in very close coordination with our two allies gave highest priority to our security concerns over DPRK nuclear weapons and missile-related programs. The strategy Dr. Perry recommended envisioned two paths. On the first path, the United States would be willing to move step by step in a reciprocal fashion toward comprehensive normalization if the DPRK was willing to forgo its nuclear weapons and long-range missile programs. Alternatively, if North Korea did not demonstrate its willingness by its actions to remove these threats, the United States would seek to contain them by strengthening our already strong deterrent posture. Because the second path is both dangerous and expensive, we and our allies all strongly prefer the first alternative.

As I have indicated, coordination among the three allies has been stronger than at any time in the past. This is largely the result of

the newly instituted Trilateral Coordination and Oversight Group [TCOG]—not one of the world's greatest acronyms, but nonetheless created nearly 1 year ago to ensure more frequent close consultation among the United States, South Korea and Japan at the subcabinet level. We have met nine times trilaterally over the past year, including a meeting of Foreign Ministers and a summit meeting and had our most recent TCOG in Seoul in January.

Allied support for the U.S. approach is strong in part because the Perry report is, in essence, a joint project. In January, I visited Seoul and Tokyo. I met with President Kim Dae-jung, participated as head of the U.S. delegation in a TCOG meeting, and met with Japanese leaders. During our discussions, President Kim again expressed his full support for our policy as complementary to his own policy of engagement. We, in turn, fully concur with his view that North-South dialog remains the key to ultimate peace on the Peninsula. We hope the DPRK leadership will have the foresight to take advantage of the opportunities before it to address issues of mutual concern and to move its relationship with the United States and the Republic of Korea [ROK] and Japan more rapidly down the path toward normalization.

There are increasing signs that other members of the international community would be prepared to increase their contacts with the DPRK as the DPRK addresses the international community's legitimate concerns. Italy has established diplomatic relations with the DPRK, and last night I had dinner with Foreign Minister Dini, who is on his way via China to a visit at the end of this month in Pyongyang. The Australians and French both recently sent delegations to Pyongyang. Canada received an unofficial DPRK delegation, the Philippines is considering establishing relations and Japan, as you know, is moving ahead with normalization talks publicly in April. We are consulting closely with our friends and allies in North Korean policy to assure that our approaches are coordinated.

Guided by the Perry recommendations, U.S. policy is already making progress in a step-by-step reciprocal process recommended by the Perry report. In September, the DPRK announced its intentions to refrain from long-range missile tests of any kind while high-level discussions were underway to improve relations. This was a small but very important step in dealing with our proliferation concerns.

In September, we announced our intention to ease economic sanctions against the DPRK, those within the President's purview. More recently, the North accepted Dr. Perry's invitation for a reciprocal visit to Washington by high-level DPRK visitors. From March 7 to March 15 in New York, Ambassador Charles Kartman and Vice Foreign Minister Kim Gye Gwan held their third round of preparatory talks for the high-level visit. Further preparatory talks will be needed before the visit occurs.

The DPRK also agreed in New York to recommence talks related to our concerns about the DPRK's missile program and to begin a new negotiation on implementation of the Agreed Framework. As you know, as part of the positive path outlined in the report, Dr. Perry proposed talks to deal with our continuing concern about DPRK missile-related and nuclear weapons-related activities.

Finally, the DPRK reconfirmed its agreement for another U.S. visit to Kumchang-ni in May of this year. The negotiations leading to the DPRK high-level visit have been difficult and will probably continue to be difficult, as are all negotiations with the DPRK. Nonetheless, we and our allies remain convinced that the visit would advance our interests. We view the visit as an opportunity for both sides to demonstrate their intention to proceed in the direction of a fundamentally new relationship. It would be an important, but modest step and would make clear to the DPRK, that as it moves to address our security concerns, we are prepared to reciprocate by taking other steps to improve ties with the DPRK.

As we move forward in our relations with North Korea, the Agreed Framework will remain central to the policy. The turnkey contract for light-water reactor construction was signed on December 15, 1999 and became effective on February 3. This means that, as soon as winter is over, construction can begin in earnest. As you know, the ROK and Japan are committed, respectively, to providing 70 percent of the actual costs in the case of ROK and the yen equivalent of $1 billion in the case of Japan based on the current estimated cost of $4.6 billion. Since the turnkey contract became effective, South Korea has disbursed nearly $120 million and Japan over $51 million to KEPCO, the prime contractor for the project. We believe that the Framework continues to be our best means of capping and eventually eliminating the threat of DPRK nuclear weapons by replacing the now dangerous and now frozen graphite-moderated reactors with proliferation-resistant light-water reactors.

Faithful implementation of the Agreed Framework by all sides is absolutely essential to keeping the DPRK's nuclear activities at Yongbyon and Taechon frozen and to the maintenance of stability on the Peninsula. We thank the Congress for its support and ask for continued congressional support in order to continue to live up to our side of the bargain by helping to provide heavy fuel oil, even as oil prices, Mr. Chairman, are painfully high and make this, a difficult task, even more difficult.

In doing so we will, of course, continue to hold the DPRK strictly to its own obligations and commitments under the Agreed Framework, including the rapid conclusion of spent fuel canning and resumption of the North-South dialog. While we are striving to advance our nonproliferation goals, we remain committed to addressing other issues of concern with the DPRK. We will do all we can to improve the monitoring of food aid and other international assistance provided to North Korea.

We will continue to monitor, condemn, and work multilaterally to gain improvement in the DPRK's dismal human rights record, and we will support UNHCR's efforts to address the plight of North Korean refugees. As suggested in the Perry report, we will pursue our serious concerns about the DPRK's chemical and biological weapons program multilaterally.

We will also continue to seek information on alleged drug trafficking and other illegal activities, as I am sure we will also hear in more detail from Assistant Secretary Kramer. I am also personally committed to ensuring that we resolve as fully as possible the status of the American soldiers who remain unaccounted for from

the Korean war. The DPRK has been cooperative on this issue in the past, but the recent severe lack of progress is a serious disappointment. In this 50th anniversary year it is a very important issue for veterans and families of those still missing and for all Americans, and we have an obligation to continue to press the DPRK to work with us on this very crucial humanitarian issues.

In concluding, let me stress that we are attempting to pursue a constructive dialog with the DPRK that addresses central security concerns and leads us more rapidly toward a path of full normalization. The cold war still exists on the Korean Peninsula. We hope that our dialog will be a crucial step toward ending it.

We are under no illusions that it will be an easy path. We recognize that everything we and our allies do in our diplomacy requires the maintenance of strong allied defensive posture. This is fundamental. In fact, the Perry report stresses that there be no change in our conventional forces. Congress' support of our forces in the region remains essential. The presence of 37,000 U.S. troops in South Korea, 47,000 troops in Japan demonstrates our commitment to stand with our allies against any threat of aggression. With our South Korean and Japanese allies, however, we believe that this comprehensive two-path strategy recommended by Dr. Perry offers the best opportunity to change the stalemate situation of the Korean Peninsula in a fundamental and positive way. Through these efforts, we hope to lead the Korean Peninsula working with our allies to a stable, peaceful and prosperous future.

In closing, I would like to cite a senior American military leader on the Korean Peninsula who told me during my most recent trip there, "When I came here 18 months ago, I thought I would have to fight a war. Thanks to the efforts of your team, I see this as an increasingly remote possibility."

Making war an increasingly remote possibility, working to address our concerns about weapons of mass destruction, and addressing pressing human needs, these are challenging, very hard to achieve objectives. It will take time, lots of time, to accomplish them. I know, however, working with my colleagues such as Assistant Secretary Kramer, that we share these goals with Congress and working together, I believe we can and will succeed in this mission. I thank you, Mr. Chairman. And I am glad to have my partner here with me. Thank you.

[The prepared statement of Ambassador Sherman follows:]

PREPARED STATEMENT OF AMBASSADOR WENDY R. SHERMAN

INTRODUCTION

Mr. Chairman, thank you for this opportunity to appear before you and other Members of the Committee to discuss with you the Administration's policy toward the Democratic People's Republic of Korea.

As you know, last September, Dr. William Perry sent to the President a classified report of findings and recommendations resulting from his ten month-long review of U.S. policy toward the DPRK. This report was presented to the Hill at about the same time. An unclassified version of the report was also circulated widely. I was privileged to be a part of the policy review team. I am the government official who worked most closely with Dr. Perry, and I chair an interagency working group that is responsible for government-wide implementation of the Perry report recommendations.

CONTEXT

Mr. Chairman, I think we agree that the Korean Peninsula remains one of the most volatile areas in the world. On the Peninsula, the Cold War still endures. There is no peace, but an armed truce. North Korea maintains an army of one million forward deployed at the DMZ. We have been thoroughly engaged with our allies in the region, the Republic of Korea and Japan, as we address the challenges posed by the continued division of the Peninsula. For more than 45 years, we, standing together with our ROK allies, have helped maintain peace and security on the Peninsula, often in difficult and unpredictable circumstances. We remain committed to achieving lasting peace and stability on the Peninsula and the presence of 37,000 U.S. troops in the South is a tangible demonstration of that commitment.

THE AGREED FRAMEWORK AND ITS CHALLENGES

Six years ago, you will recall, the DPRK's pursuit of a nuclear weapons program dangerously raised tensions, with U.N. sanctions a likely outcome that the DPRK said would be tantamount to war. Fortunately, the conclusion of the Agreed Framework in 1994 provided a means to address our concerns about the North's nuclear activities at Yongbyon and Taechon. These facilities would have provided the DPRK the surest and quickest path to an established nuclear weapons capability. In exchange for DPRK agreement to freeze those facilities under international monitoring, we agreed to arrange for the provision of two proliferation-resistant light-water nuclear reactors to the DPRK and of heavy fuel oil (HFO) to meet the North's energy needs until the first of these reactors is finished. The facilities at Yongbyon and Taechon have remained frozen since that time and will eventually be dismantled. The spent fuel containing enough plutonium for perhaps a half-dozen nuclear weapons is under seal and IAEA monitoring. It will eventually be removed from the DPRK. Canning and securing the spent fuel is virtually complete. Had we not had frozen the DPRK plutonium production, today the DPRK would be well on its way to having a nuclear program capable of producing dozens of nuclear weapons. Preserving the accomplishments of the Agreed Framework is strongly in the U.S. national interest and remains a cornerstone of stability on the Peninsula.

In 1998, however, we found ourselves again in protracted negotiations with the DPRK to gain access to a site at Kumchang-ni that we suspected might be involved in nuclear weapons-related activities. If confirmed, the existence of such activities would have violated the Agreed Framework and jeopardized its continued viability. A visit to the site last May demonstrated that it was not involved in such activities, and we shall send a team back to Kumchang-ni this spring to assure this is still the case. The experience nonetheless demonstrated the need for a mechanism to address similar concerns—should they appear in the future—at least until such time as the DPRK comes into full IAEA compliance under the terms of the Agreed Framework.

Separately in 1998, North Korea fired a Taepo Dong I missile over Japan in an apparent failed attempt to launch a satellite. Even though missile controls are not part of the Agreed Framework, this test firing, rightly so, provoked a storm of protest in both the United States and Japan, and led to calls in both countries to end support for the Agreed Framework. There is no doubt in my mind, however, that had we aborted the Agreed Framework, the DPRK would have responded by reopening its nuclear facility at Yongbyon. This would have placed it in a position to resume production of weapons-grade plutonium and, eventually, to arm its missiles with nuclear warheads—the worst of all possible worlds.

THE PERRY REVIEW AND ITS CONCLUSIONS

During that tense and dangerous period in 1998, the Congress called for a review of U.S. policy toward the DPRK. President Clinton also believed that a thorough policy review was in order and asked Dr. Perry to assemble a team to conduct one. Over the course of ten months of study and consultation, we met with experts inside and outside the United States Government. We traveled to the Capitol to give regular status reports to Congress, and we benefited from comments and insights received from Members of Congress and staff as we developed our ideas. We traveled several times to East Asia to consult with our allies in the Republic of Korea and Japan, and with China's leaders. We also exchanged views with the EU, Australia, and other interested countries. We visited Pyongyang to share our views with members of the DPRK leadership. As a result of these consultations and efforts, Dr. Perry reached four key conclusions (among others) that essentially drove the recommendations that were made, and which he presented to the President and to the Congress last September:

- First, the military correlation of forces on the Korean Peninsula strongly favors the allied forces, even more than during the 1994 crisis. And, most importantly, this is understood by the government of the DPRK. Therefore, deterrence is strong. But that deterrence could be undermined by the introduction of nuclear weapons, especially nuclear weapons on ballistic missiles.
- Second, there has been no production of fissile material at Yongbyon since the Agreed Framework came into force. But production at this site could restart in a few months if the Agreed Framework were aborted. Ending the freeze at Yongbyon remains the surest and quickest path for North Korea to obtain nuclear weapons.
- Third, a security strategy based on the Agreed Framework has worked well these past five years. But this strategy is unsustainable in the face of continued DPRK firings of long-range missiles, since the firing of these missiles undermines the necessary support for the Agreed Framework.
- Finally, economic hardship has caused great privation to the common people of North Korea, but is unlikely to weaken the regime. Consequently, we must deal with the DPRK as it is, not as we might wish it to be.

PERRY REPORT RECOMMENDATIONS

After considering a number of policy alternatives, and in close consultation with our ROK and Japanese allies, Dr. Perry recommended a strategy that focused on U.S. security concerns over DPRK nuclear weapons- and missile-related activities as our highest priority. We of course recognize that other issues also warrant our serious attention, and plan to address these matters as well as relations between our two countries improve. The strategy recommended by Dr. Perry envisioned two paths. On the first path, the U.S. would be willing to move step-by-step toward comprehensive normalization of relations if the DPRK was willing to forgo its nuclear weapons and long-range missile programs. Alternatively, however, if North Korea did not demonstrate its willingness—by its actions—to remove these threats, the U.S. would take action to contain them. Our already strong deterrent posture would have to be further strengthened.

We recognize that successful execution of either strategy requires the full participation of our ROK and Japanese allies. Because the second path is both dangerous and expensive, the first alternative is obviously preferred by both us and our allies.

Here, let me underline a central conclusion of our review: the importance of close coordination with our allies.

I am pleased to say that coordination among the three allies is stronger than at any time in the past, and I believe this has been one of the most important achievements of the Administration's policy toward North Korea. This accomplishment is largely the result of the newly instituted Trilateral Coordination and Oversight Group, or TCOG, created nearly one year ago to ensure more frequent, close consultation among the United States, South Korea and Japan at the sub-cabinet level. Allied support for the U.S. approach remains strong, in part because the Perry report is in essence a joint project. We have met nine times trilaterally with the ROK and Japan in the past year, including a meeting of foreign ministers and a summit meeting. We plan to meet again soon. In late January, I visited Seoul and Tokyo, during which I met with President Kim Dae-jung, participated in a TCOG meeting and met with Japanese leaders. During our discussions, President Kim again expressed his full support for our policy as complementary to his own policy of engagement. We, in turn, fully concur with President Kim's view that North-South dialogue remains the key to ultimate peace on the Peninsula. Similarly, in the context of this coordinated trilateral approach, Japan in recent months has reengaged with the North. As always, none of us are under any illusions, and we pursue all of these efforts on a solid foundation of deterrence. Deterrence is fundamental to our diplomatic approach to the DPRK.

There are increasing signs that other members of the international community are prepared to increase their contacts with the DPRK as the DPRK addresses the international community's legitimate concerns. Italy has established diplomatic relations with the DPRK; the Australians and the French both recently sent delegations to Pyongyang; the Philippines is considering establishing relations; and Japan is moving ahead. We are consulting closely with our friends and allies on North Korea policy to ensure that our approaches are coordinated.

However, it takes two to tango. Therefore, the success of Dr. Perry's first path depends on full cooperation from both sides. North Korea needs to understand and demonstrate its acceptance of the opportunities before it.

Following the death of Kim Il Sung in 1994, the DPRK went through what some observers surmised was a period of political uncertainty. The structural flaws of its

economic system were exacerbated by several years of natural disasters and the economy has continued to falter. Nonetheless, Kim Il Sung's son and successor, Kim Jong Il remains firmly in control. We only hope that the DPRK under his leadership will seize the opportunities before it to address issues of mutual concern and to move its relationship with the U.S., the ROK, and Japan more rapidly down the path toward normalization.

RECENT DEVELOPMENTS

Since Dr. Perry appeared before your committee last October, there have been significant developments in our relationship with the DPRK. Last September, as you recall, the DPRK announced its intention to refrain from long-range missile tests of any kind while high-level discussions were underway to improve relations between our two countries.

This was a small but important first step in dealing with our proliferation concerns. On September 17, President Clinton announced his intention to ease sanctions on the import and export of non-strategic commercial and consumer goods; allow direct personal and commercial financial transactions between U.S. and DPRK persons; ease restrictions on investments; and allow U.S. ships and aircraft carrying U.S. goods to call on DPRK ports. The Administration is well along in the bureaucratic process of revising the relevant regulations to implement this Presidential decision. More recently, the North also indicated its intention to accept the invitation extended by Dr. Perry during his May 1999 visit to Pyongyang for a reciprocal visit to Washington by a high-level DPRK visitor.

In November, and again in January, Ambassador Charles Kartman met in Berlin with his DPRK counterpart to pursue discussions aimed at realizing this high-level visit. From March 7 to March 15 in New York, Ambassador Kartman and Vice Foreign Minister Kim Gye Gwan held their third round of preparatory talks for the high-level visit. They did not complete their work, and the DPRK has agreed to schedule further preparatory talks. The DPRK also agreed in New York to recommence talks related to our concerns on the DPRK's missile program and to begin a new negotiation on implementation of the Agreed Framework. As you know, as part of the positive path outlined in his report, Dr. Perry proposed two sets of talks to deal with our continuing concerns about DPRK missile-related and nuclear weapons-related activities. Finally, the DPRK reconfirmed its agreement for another U.S. visit to Kumchang-ni.

In our talks, we have discussed our concerns about the DPRK's association with international terrorism, which warranted its inclusion on our list of state sponsors of terrorism. Confronting terrorism, on a worldwide basis, remains a high priority for the Administration. We have begun to reengage the DPRK in a serious way in negotiations aimed at stipulating the DPRK actions required for its removal from the terrorism list. Just as in our other dealings with the DPRK, we are under no illusions of speedy progress, but believe progress is possible with cooperation on both sides.

THE HIGH-LEVEL VISIT

Negotiations leading to the DPRK high-level visit have been difficult—as are all negotiations with the DPRK—and they continue. Nonetheless, we and our allies remain convinced that the visit would advance our interests. We view the visit as an opportunity for both sides to demonstrate their intention to proceed in the direction of a fundamentally new relationship. It would be an important, but modest, step; and we would make clear to the DPRK that, as it moves to address our security concerns, we are prepared to reciprocate by taking other steps to improve ties with the DPRK.

Let me emphasize that the DPRK's September expression of restraint in testing long-range missiles was only a single step. Our continuing talks will give us the venue to address our broader agenda of concerns.

CONTINUING RELEVANCE OF THE AGREED FRAMEWORK, FOUR PARTY TALKS

As we move forward in our relations with North Korea, the Agreed Framework will remain central to our policy toward the DPRK. As I stressed before, the Framework continues to be our best means of capping and eventually eliminating the threat of DPRK nuclear weapons.

KEDO is now ready to move forward with actual construction of the two proliferation-resistant, light-water nuclear reactors. As you know, South Korea and Japan are shouldering the major burden for this ambitious project. Last December KEDO and KEPCO, the South Korean prime contractor, concluded the Turnkey Contract for the project. More recently, South Korea and Japan separately concluded all ar-

rangements necessary to finance the project. South Korea and Japan are committed, respectively, to providing 70 percent of the actual costs and the yen-equivalent of $1 billion, based on a current estimated cost of $4.6 billion. Since the Turnkey Contract became effective, South Korea has disbursed nearly $120 million, and Japan over $51 million, to KEPCO, the prime contractor for the project. Disbursements will reach close to 450 million dollars by the end of the first construction year. As I indicated earlier, faithful implementation of the Agreed Framework—by all sides—is critical to keeping the DPRK's nuclear activities at Yongbyon and Taechon frozen, and to the maintenance of stability on the Peninsula. The Administration is doing its best to fulfill its Agreed Framework commitment to help provide heavy fuel oil (HFO).

Congress's enduring support for the Agreed Framework remains essential if we are to be able to live up to our side of the bargain. In doing so, we will of course continue to hold the DPRK to its own obligations and commitments under the Agreed Framework, including the rapid completion of spent fuel canning, and resumption of North-South dialogue. As I said earlier, we fully recognize the centrality of the North-South role in resolving issues of peace and stability on the Peninsula.

In that same regard, we remain committed to the Four Party Talks as the primary venue for discussing the replacement of the armistice with a permanent peace regime. We have pressed the DPRK to resume the Four Party Talks in the near future.

THE FOOD SITUATION IN THE DPRK

The food situation in the DPRK remains grim and malnutrition remains a chronic problem. As you know, the United States committed last year to provide 400,000 metric tons of food aid to the DPRK in response to an appeal from the World Food Program (WFP). This assistance is targeted on the most vulnerable population in the DPRK, including its women and children, and the elderly. This assistance is provided only in response to demonstrated need and is monitored by the WFP's resident monitors through its network of offices. The U.S. government also donated an additional 100,000 tons through a new program called "the potato project." In this project, U.S. PVOs, under an agreement with the North Korean Flood Damage Reconstruction Committee, conducted a seed potato multiplication project and distributed and monitored the humanitarian food aid the U.S. government provided. We are satisfied that there is no significant diversion of food assistance to non-target populations in either program. Indeed, there is ample evidence to confirm that U.S. humanitarian assistance to North Korea continues to reach those for whom it was intended.

We understand that the harvest this past fall may have been only marginally better than the previous year's, and that the DPRK will continue to have a food shortfall in the range of 1.2 million tons. The international community will be called on again to cover a large part of this shortfall in order that the food situation not be pushed back into crisis. As in the past, we will consult with international organizations such as the WFP and with our allies, and will make any decision on additional humanitarian assistance based on demonstrated need and subject to strict monitoring. At the same time, we will continue to urge the DPRK to carry out the kinds of agricultural and economic reforms that could lead it toward improvement of its ability to feed itself.

OTHER AREAS OF CONCERN

We remain committed to addressing other issues of concern with the DPRK. We will urge improvement in the DPRK's dismal human rights record, and we will support UNHCR's efforts to address the plight of North Korean refugees. We will pursue our serious concerns about the DPRK's chemical and biological weapons programs as well as alleged North Korean drug trafficking and other illegal activities.

I am also personally committed to ensuring that we resolve as fully as possible the status of the American soldiers who remain unaccounted-for from the Korean War. The DPRK has been cooperative on this issue in the past, but the current lack of progress is a severe disappointment. This is a very important issue for veterans and the families of those still missing, as well as the American people, and we have an obligation to continue to press the DPRK to work with us on this humanitarian issue.

CONCLUDING REMARKS

Let me stress that we are attempting to pursue a constructive dialogue with the DPRK that addresses our central security concerns and leads us more rapidly down the path toward full normalization. The Cold War still exists on the Korean Penin-

sula—we hope that our dialogue will be the first step toward ending it. We are under no illusions that it will be an easy path. We recognize fully that everything we and our allies do in our diplomacy requires the maintenance of strong allied deterrent posture. This is fundamental. Congress's support of our forces in the region remains essential. The presence of 37,000 U.S. troops in South Korea and 47,000 in Japan demonstrates our commitment to stand with our allies against any threat of aggression. With our South Korean and Japanese allies, however, we believe that this comprehensive, two-path strategy recommended by Dr. Perry offers the best opportunity to change the stalemated situation on the Korean Peninsula in a fundamental and positive way. Through these efforts, we hope to lead the Korean Peninsula to a stable, peaceful and prosperous future.

In closing, I would like to cite a senior American military leader on the Korean Peninsula who told me during my most recent trip there that, "When I came here 18 months ago, I thought I would have to fight a war. Thanks to the efforts of your team, I see this as an increasingly remote possibility." Making war an increasingly remote possibility, working to address our concerns about weapons of mass destruction, and addressing pressing human needs—these are challenging, hard to achieve objectives. It will take time to accomplish them. I know, however, that we share these goals and, working together, I believe we can and will succeed in this mission.

Senator THOMAS. Thank you, Madam Ambassador.

Mr. Secretary, welcome. Nice to see you.

STATEMENT OF HON. FRANKLIN D. KRAMER, ASSISTANT SECRETARY OF DEFENSE FOR INTERNATIONAL SECURITY AFFAIRS, DEPARTMENT OF DEFENSE, WASHINGTON, DC

Mr. KRAMER. Thank you. I apologize for being late. Two matters came up just as I was leaving, and then we ran into a little weather, but I am delighted to be here. My prepared testimony is in the record, so I thought I would just give you a few points and then we could come to the questions which I know is the heart of the issue.

The key issue for us, I think, both for the U.S. Government and certainly for the Department of Defense, is to ensure that we maintain deterrence on the Peninsula. That is the fundamental of our whole approach and, of course, if necessary, that we be able to prevail in a conflict. We have that problem because despite the fact that there have been some numbers of years in which there have been degradation of the North Korean military, they have a very formidable capability, and that is particularly true in the areas of artillery, special forces, missiles. You probably have heard about their recent training activities, so-called winter training cycle, summer training cycle. So they keep up quite a capability, and they have a force of roughly a million persons.

The elements of deterrence from our side depend on a very close combined U.S.-ROK military posture. We, of course, have 37,000 forward U.S. forces, and we have an ability to reinforce, and this is one of the theaters that we think about on our so-called major theater war strategy. The ROK has 650,000 active forces. We do have a combined command that keeps us working together in as close a fashion as I think is possible, and I have been working on that issue since about 1979, if I recall, when I was in the government of another administration when that was established, and this is really an incredibly effective operation and command.

We do combined exercises. It allows us to ensure that both we and the Republic of Korea can do the job that we have to do, that we can reinforce from the United States, and we do a combination of field exercises, computer-assisted exercises, command post exer-

cises that allow us to maintain the deterrent capability of which the overall strategy is maintained. And as Ambassador Sherman said, one of the fundamentals of Dr. Perry's review was that we maintain our presence on the Peninsula. We undertake on both sides, that is to say the U.S. side and the Republic of Korea side, to maintain the capability.

In recent years, we have enhanced in our own forces. We have put in attack helicopters. We put in rapid fighting vehicles. We have enhanced our target capabilities with GPS. Same on the ROK side. They have new tanks. They have new APC's, and we continued to work with them to maintain their defense budget for a few years in an environment that was very difficult, and now an environment which they have recovered somewhat and are able to continue to modernize.

One of the key issues, of course, on the Peninsula, is the issue of weapons of mass destruction. From the war fighters' point of view, our forces work very hard to be able to operate, if necessary, in that environment and more broadly, we face the overall issue of having to deal with weapons of mass destruction and the means of delivery.

As Ambassador Sherman said, we strongly support the Agreed Framework. We think it has been very effective. We think the missile moratorium is, of course, of great value. As you know, Mr. Chairman, one of the fundamental bases for the analysis that has been made in connection with the national missile defense for the United States has been North Korean threats, so this is a threat that we take seriously, and having a missile moratorium is very useful.

The last issue that I will mention, but I do not simply want to mention in passing, is the POW-MIA issue. That office in the Pentagon reports directly to me. We take this very seriously. We have had some success in the recent past with joint operations, and now we are at an impasse in terms of negotiations with the North. We hope to overcome that, but we do not want to overcome it by in any way undercutting either the U.N. command or some of the key issues that we have to deal with with North Korea. So we hope to get that started. We have talked to the families groups and veterans groups with respect to our positions and I think we have good support on that. With that, let me stop, and I would be delighted to answer your questions.

[The prepared statement of Assistant Secretary Kramer follows:]

PREPARED STATEMENT OF HON. FRANKLIN D. KRAMER

Mr. Chairman, thank you for this opportunity to appear before you and other Members of the Committee to discuss security aspects of the Administration's policy toward the Korean Peninsula.

CONTEXT

U.S. efforts to steer North Korea toward more acceptable and responsible behavior have accomplished some notable successes over the past several years but have also left much more to be done. The North Korea policy review conducted by Dr. William Perry grew from an awareness that security and political circumstances have been evolving on the Peninsula and that we must constantly reassess the premises and objectives of our overall policy approach to ensure that they meet our bottom-line security needs. Dr. Perry's review placed in bold relief the importance of pursuing

with renewed vigor U.S. concerns over DPRK programs possibly related to nuclear-weapons acquisition and ongoing missile activities.

Regardless of the refinements of our policy toward the DPRK, the one unalterable starting point of the U.S. security calculus on the Korean Peninsula is the importance of maintaining a close alliance relationship with the Republic of Korea. This relationship, based on shared interests and common values, is unshakable and manifests itself in the integrated U.S.-ROK command structure, the robust U.S.-ROK combined exercise program, and the presence of 37,000 U.S. service members in South Korea. All these elements of our deterrence posture in Korea help to ensure the security of the ROK and stability on the Peninsula and in Asia. In this regard, U.S. security ties to the ROK are the reality on which the hopes of our diplomacy are founded.

NORTH KOREA POLICY

U.S. policy toward North Korea is informed by a central dilemma: at present, the DPRK is too reprehensible to fully embrace but too dangerous to completely ignore. Therefore, over the past six years, the U.S. has sought to identify its most pressing security concerns with the North and then find some basis for addressing these issues, primarily through bilateral channels but also in multilateral fora. The most important agreement reached to date has been the October 1994 Agreed Framework, which still serves as the foundation for our dealings with North Korea. The Agreed Framework froze the North's nuclear facilities at Yongbyon and Taechon under international monitoring and provided for their ultimate dismantlement. In exchange, the North received heavy fuel oil and the pledge of two proliferation-resistant light water nuclear reactors, to be constructed by an international consortium founded by the U.S., the ROK, and Japan. The Agreed Framework remains an essential guarantee of peace and stability on the Peninsula today and an important barrier against the outbreak of a renewed crisis. Such a crisis could quickly result in a direct conflict given the concentration of forces at the DMZ, the minimal decision time available to assess threatening military moves, and the inherent paranoia of the North Korean regime.

Therefore, the Department of Defense sees great value in the maintenance of a properly functioning, strictly-enforced Agreed Framework. U.S. determination to ensure that the DPRK adheres to its obligations under the Framework was demonstrated in our insistence that the North grant us access to a suspect site at Kumchang-Ni that we believed might be connected to an underground nuclear program. While we found nothing nuclear-related at the site, we could not determine its true purpose definitively and so we will continue to monitor its development through various methods, including a follow-up site visit this year.

However, the Agreed Framework has not been sufficient to address the array of concerns and issues that make our relations with the North so potentially volatile. This was underscored with alarming effect at the end of August 1998 when the DPRK launched a Taepo Dong 1 missile, with a satellite payload attached, over Japan. In light of the North's record of destabilizing behavior and its persistent threats against the ROK and Japan, this step by the North was extremely disturbing and provocative and served to spur stepped-up diplomatic and security consultations with our allies in Northeast Asia. The missile launch also catalyzed trilateral planning for coordinated responses across the range of policy instruments, political, economic, and security-related.

Against this backdrop, Dr. Perry began a thoroughgoing review of U.S. policy toward North Korea in the fall of 1998. Ten months later, after much study and close consultations with Congress and our ROK and Japanese allies, he recommended a strategy focusing on U.S. security concerns over DPRK nuclear weapons- and missile-related activities as our highest priority. Dr. Perry's approach envisioned two paths. On the first path, the U.S. would be willing to move incrementally toward normalized relations with the North in exchange for the DPRK's cooperation in eliminating critical security threats to the U.S. and its allies. These threats certainly encompass suspected nuclear and missile activities, but also ultimately cover the broader range of concerns related to all weapons of mass destruction, an offensively-postured DPRK conventional force arrayed near the DMZ, and the North's refusal to pursue meaningful inter-Korean tension-reduction through direct contact with the ROK government.

If the North rejected our offer to improve relations and eliminate sources of hostility, then the U.S., in close coordination with its allies, would have to take additional steps to ensure the containment of the DPRK threat. The U.S. and its allies would have to take measured but firm steps with the aim of persuading the DPRK

that it should return to the first path and avoid destabilizing the security situation in the region.

COORDINATION WITH OUR ALLIES

As General Schwartz, the new Commander of U.S. Forces on the Peninsula in Korea, has indicated in his recent appearances before congressional committees, the U.S.-ROK alliance remains one of the linchpins of our influence in the region and lends weight and credibility to our policy initiatives on the Peninsula. To these ends, the U.S.-ROK alliance has never been stronger. The ongoing extensive DPRK winter military training cycle this year and Pyongyang's continued investment in military assets even as North Korea as a whole suffers under great hardship provides telling confirmation of the need for this strong alliance relationship.

Understandably, our overriding focus on the Peninsula is sustaining deterrence and being prepared to respond in the event of provocation or attack from the North. I can assure you that U.S.-ROK combined forces are better equipped and more ready now than at any time in the history of the alliance. The U.S. has in recent years been engaged in ongoing efforts to modernize its Peninsula forces with the latest military equipment, including AH-64 helicopters, Bradley Fighting vehicles, Global Positioning System receivers, frequency hopping radios, and a pre-positioned heavy brigade set. These measures have been complemented by ROK efforts to outfit its military with the most modern tanks, personnel carriers, and self-propelled howitzers. The ROK commitment of resources to defense has been notable given the economic hardships that have burdened the country in recent years.

In short, there has not been, and never will be, any complacency or dropping of our guard on the Peninsula. Gen. Schwartz and his staff are constantly working with their ROK colleagues to strengthen our combined deterrent. The tight coordination between U.S. and ROK military establishments, from fighting positions along the DMZ to policy offices in Washington and Seoul, ensures that readiness will not be compromised. The bedrock of peace is, and will remain, vigilance. And in maintaining that peace, the U.S. and ROK will insist that the Armistice Agreement that suspended hostilities in 1953 remain in effect until a new peace regime is concluded between South and North Korea.

The imperative of close coordination extends, to U.S. and ROK security discussions with Japan also. I have personally worked very hard to build a structure for trilateral consultations and coordinated security steps that will strengthen our deterrence posture in addressing crises on the Peninsula. Trilateral coordination reduces the potential for DPRK adventurism by casting U.S., ROK, and Japanese security efforts as a synchronized response and ensuring an optimal, synergistic use of our respective defense assets. Our purpose is not to unduly provoke the DPRK, but to take advantage of the natural intersection of security objectives among the three countries and ensure that our combined strength dissuades the North from ever resorting to military means without understanding that the cost for Pyongyang will be high.

ACCOUNTING FOR THOSE STILL MISSING IN KOREA

The Department of Defense, with its focus on deterrence, has had little direct contact with its counterpart organization in North Korea, the Korean People's Army. But one area where we have pursued exchanges and direct contacts with the KPA is in providing the fullest possible accounting of those still missing from the Korean War. While the DPRK has cooperated on this issue in the past in arranging joint recovery operations in the North, its current intransigence on this issue is a severe disappointment. We have an obligation to the veterans and the families of those still missing to make it clear that progress on accounting for those missing from the Korean War is of central importance in our bilateral relationship with the DPRK. We will continue to pursue arrangements for joint recoveries operations on terms that are acceptable to us and that honor the memory and sacrifice of those service members who never returned from Korea.

CONCLUSION

While the North Korean willingness to engage with us under the terms spelled out in the Perry approach is still not entirely clear, our diplomatic efforts to date have yielded noteworthy security benefits. Aside from the freeze on North Korean nuclear facilities at Yongbyon and Taechon under the Agreed Framework, the DPRK commitment last fall to suspend long-range missile tests while talks on improving bilateral relations with the U.S. continued was a significant step. These accomplishments are a foundation on which to build and call for intensified efforts to draw the North into a deeper diplomatic process that will address continuing con-

cerns about destabilizing programs and activities of the North. Efforts to curtail all the destructive aspects of North Korean behavior will be a long-term enterprise and will demand great patience, but they are absolutely worth the effort as long as they are coupled with a strong deterrent posture and remain true to our long-term objectives on the Peninsula. From a security standpoint, the alternative could very well be direct conflict with the North, which would take a devastating toll in lives and resources. For this reason, it is important for the U.S. to adhere to the Agreed Framework and to continue pursuing the objectives of the Perry process for the foreseeable future.

Senator THOMAS. Thank you very much, Mr. Secretary. I appreciate it. Obviously, this is one of the most important areas to us. On the other hand, when did we start this DMZ, 37,000 troops being deployed there?

Mr. KRAMER. DMZ, as you know, started in 1953. I cannot remember when we went to 37,000.

Senator THOMAS. Well, substantial numbers we have had there since 1953.

Mr. KRAMER. Long time. Yes, sir.

Senator THOMAS. Nearly 50 years.

Mr. KRAMER. I was there last year, and I have to tell you that I get a sense that things hadn't changed very much.

Senator THOMAS. Will it go on another 50 years this way? How do we do that?

Ambassador SHERMAN. I think, Mr. Chairman, you really have put your finger on the situation on the Peninsula. This is the place where there is an armistice, not a peace, and it is an armistice that has been in place for nearly 50 years, and it is the one last bastion of the cold war. And what the United States is trying to do in its policy working with South Korea and Japan—and really with a hats off to President Kim Dae-jung, who has worked very well in the alliance and trilaterally with us and Japan to try to move this forward—looking for a way to have dialog and engage the North that would ultimately lead to at least peaceful coexistence, if not reunification on the Peninsula so that we can end the cold war.

I think that North Korea has some fundamental decisions to make. It seems to be sending some signals both in its diplomacy with us and its diplomacy with everyone from China and Russia to the EU, Italy and the Philippines and others that it wants to reach out to the world and end its isolation, which is key, I think, to being able to address our concerns about weapons of mass destruction. But I cannot emphasize strongly enough that this will be a, still, a long, tough, difficult process, but I would cite, as Assistant Secretary Kramer did, that our approach has frozen fissile material production at Yongbyon and Taechon, has gotten a moratorium of testing of long-range missiles, any type of long-range missiles, which is quite crucial because it is very hard to continue to develop a missile program when you cannot test your missiles. It has allowed us to have site visits to Kumchang-ni, and really a template for addressing concerns that we had. The United States has been just extraordinary in its humanitarian efforts to feed a starving population, and we have worked very hard to try to move toward a North-South dialog, which is absolutely essential to finally getting peace on the Peninsula.

Senator THOMAS. Let me go on. You know, I have been hearing this for a very long time. I am not critical, necessarily, but I guess

what I am saying is when you go 50 years and things have not changed substantially, it seems like maybe you have to change what you are doing. And hopefully, we are.

Mr. KRAMER. I understand what you mean, Mr. Chairman, about things have not changed. But I would like to point out some things that have changed. And most fundamentally, the situation in the Republic of Korea has changed. We ought to be very proud as a country, and I have some small part in this, as many people in this room did and you yourself did. That country has moved a great deal. It is a full-fledged democracy.

It is a very prosperous country. I remember in a different context seeing statistics, and I won't get the numbers right but in 1957, they had a per capita of, say, $500—less than a thousand. Now it is much, much higher. So we have had a policy that has had great success.

What we have not done, of course, is change the attitude of the North. I understand that is what you are focusing on but I do not think we ought to forget that there have been very fundamental positive aspects in the Republic of Korea itself and its ability to take its place as an important country in the region.

Senator THOMAS. If that is the case, why has not our ratio of troops changed?

Mr. KRAMER. Are you talking about the forces?

Senator THOMAS. No. They have somewhat increased, which I agree with you. And I am very proud, too, of what we are doing, but we still have the same amount of troops there to take our position than the country that is substantially stronger.

Mr. KRAMER. Yes. And I think the answer to that is that the North poses a serious threat, and it is a very good use of the forces that we do have, which is just a little under 40,000, to deter the threat. The loss, the loss on the other side, that is to say the downside of having a war start, which we could win, would be incredible, and so it is worth the cost of deterrence to ensure that the war does not start.

Senator THOMAS. I want to make it clear when we talk a little bit about questions and alternatives that I certainly share as fully as you do the result, but it does—you know, we keep talking about high-level meetings now. Does this mean that the State Department is going to go to a higher level of officials dealing with North Korea?

Ambassador SHERMAN. There are a couple of things that are going to go on, Mr. Chairman. Out of the New York talks that Ambassador Kartman just finished we expect to shortly have dates for an Agreed Framework implementation negotiation which Ambassador Kartman will head up, reintensified missile negotiation, which Assistant Secretary Einhorn will head up, and I believe that at some point we will indeed have a high-level visit in Washington, and I will lead our delegation with Dr. Perry for that high-level visit.

Senator THOMAS. So our level of negotiators will remain the same?

Ambassador SHERMAN. Our level of negotiators in terms of the specific negotiating tracks will remain the same. The high-level visit will provide an opportunity to raise in a more macro sense the

concerns that we have and hopefully to establish a framework for proceeding in a new relationship with North Korea, but I think this will still take a little bit of time to get in place.

Senator THOMAS. So we will still see Mr. Kartman being the chief negotiator?

Ambassador SHERMAN. Yes.

Senator THOMAS. Even though we were talking about it being a higher level.

Ambassador SHERMAN. Yes. We will see him as still our primary negotiator along with Assistant Secretary Einhorn. In addition, we recommenced terrorism talks in New York. This is an issue of great concern to the United States and I know to the Congress. It is one of the greatest threats facing Americans in the new century, and so we would very much like to ensure that North Korea is not a state sponsor of terrorism and ends any of its terrorism activities. And Ambassador Sheehan, who heads up the counterterrorism office at the State Department, is leading those negotiations and that dialog, and I would expect those talk to continue in the future as well.

Senator THOMAS. South Korea's Minister is urging that we remove North Korea from the list of countries supporting terrorism. What are the four conditions that have been laid out?

Ambassador SHERMAN. Well, the legislation has some very specific requirements in terms of ending state sponsorship of terrorism, making sure that you do not harbor any terrorist groups and take a variety of other actions. And Ambassador Sheehan laid out to the DPRK in New York the kind of things we are looking for. I would rather not get into specifics in a public hearing, Mr. Chairman, because that really is a tactical negotiation, but I would be glad to have someone come up and fully brief members and the staff on the specific requirements that we are asking for.

Senator THOMAS. We have been joined by the leader of the minority. We are very delighted to have you here.

Senator BIDEN. I love the euphemism of being the ranking member, which translates in everyday language where I am from, it means you have no power.

Senator THOMAS. That is why I tried to avoid that.

Senator BIDEN. And you did it very tactfully, Mr. Chairman, and because I have no power, I'll refrain from asking all but one question, if I may.

I recently had an opportunity to speak to a group of scientists and nuclear scientists and arms control folks, combination of both, members of the Rumsfeld Commission, as well as old time arms controllers about the question of our national defense and what we were likely to do, what we should do. Dr. Perry put on a conference and spoke and participated. There was a consensus among the 25 participants, and I think you would know every one of them, that the temporary refraining from testing on the part of the North Koreans of their longer range missile, Taepo Dong, was something that we should not take such a great solace from. There was a split among our group as to how optimistic we should be about the possibility of them shelving that program, and there were talks about upcoming talks. You have been discussing that, I assume, and I guess what I wanted to ask you is this.

We seem to all have adopted as fact the notion that nuclear deterrence is of little consequence when it comes to North Korea; that we are dealing with a regime that will not attempt—if they have the capacity to strike the United States—not unilaterally launch a strike. But rather, the North will use it as leverage on being able to move on South Korea, and that we will be frozen because we will be threatened with annihilation of an American city. The North Koreans will be psychologically impervious to the concern that we would be able to obliterated them in a matter of about 28 minutes.

Now, I wonder whether or not you can give me a sense, and you do not have to respond, either one of you, if you do not want to. I know from my staff you have spoken about deterrence today relative to our conventional forces and South Korean conventional forces in the region. But which side of the argument do you buy into? Is North Korea susceptible to the rational view that if they strike us with a missile, we will make North Korea a giant crater in the ground; the view in which there is no question in anybody's mind about the relative strength of the capabilities and our ability to literally, not figuratively, annihilate every single square inch of North Korea.

Now, do you really think that North Korea's political establishment sits there and says: We do not have to worry about that. We know the United States would never do that, and so the United States will yield to threats on our part of being able to strike. Talk to me about that.

Ambassador SHERMAN. You ask a very important question, and recently, Senator, I went to Brussels to meet with Secretary General Robertson and with the NAC to have this very discussion about North Korea, what we were doing in our policy and what it meant in terms of the national missile defense decision that the President is undertaking. I do not think—to put it on the positively, I think we all believe that deterrence does work, conventional traditional deterrence does work on the Korean Peninsula, but there are some buts to that and the buts go something like this. I think North Korea, although it fully accepts that it would be obliterated, I think they know that in any war, in any conflict, that we would ultimately win. But I also think they are a closed Stalinist regime that at the end of the day may feel that their very survival forces them to take these kind of risks that other people who work in our paradigm might not take.

Second, I think they believe that they might have some leverage with these weapons of mass destruction over the United States coming to the defense of our allies in a regional conflict and that we might think twice. And so, therefore, I think it has led many in Congress and the President obviously, Secretary Cohen, Secretary Albright, to think carefully about whether we need to add to our arsenal of deterrence a defensive system that would protect us from such a threat and such a sense of leverage that North Korea might have. And third, we have a timing problem.

We certainly hope that our diplomacy moves from this oral missile moratorium on test launching and I agree with you. Just because we have stopped the testing of long-range missiles, which is a very important step, it is still only a step, and it is a long way to North Korea getting rid of its indigenous missile programs, stop-

ping its exports, et cetera. That is a tough road to go and it will take a long time. And in order to deploy the first phase of the national missile defense, one gets to that time line a heck of a lot sooner than you probably get to the end of a successful diplomatic process. So as the President considers the threat, the cost, the technical feasibility, the strategic and foreign policy interests for the United States in making the decision about deploying phase one of the national missile defense, we are faced with a problem of the timeframes not being the same and having to have an advanced lead time to put things into place. I am sure my colleague has some things he wants to add to this.

Mr. KRAMER. I think those points are well said. Let me add a couple of points. One, we have never thought that defense and deterrence are incompatible. For example, in the ABM Treaty itself it allows for limited defense, and so as we set up, if you will, the structures of the cold war deterrent capabilities, we did allow for some limited defense. Second, the issue is not usually thought about in terms of both, but what happens when you have the most difficult and intense kinds of circumstances where the regime may, in fact, be thinking that it may lose its capability to continue to rule, and so it has to make the decision of the least worst approach for itself.

We had a non-nuclear situation recently in which you would have thought deterrents would have worked. On the conventional side, I understand that is different. And that is the situation in Kosovo. After all, Milosevic faced 19 NATO nations and by any measure was not going to win the war, but he nonetheless undertook actions to start it. By any measure Ambassador Sherman says we will win the war, but what we do not want to have happen would be a situation where the North Koreans could somehow make a calculus that under their calculus the least worst decision was to utilize a weapon of mass destruction.

Senator BIDEN. Just for the record, I think you are all crazy. I cannot think of any time in human history where the most desperate and the most radical, the most irrational persons has made that kind of calculation. I cannot think of an example of that calculation. But it amazes me that you all are buying into this, and I must be the one that is wrong. I find myself being one of the few people up here who thinks that that calculus is wrong. You would fail my calculus course. I cannot fathom how you reach the conclusion that there is a circumstance in which the regime would believe it could survive as a consequence of testing our resolve by threatening us with a nuclear strike. I find that just mind-boggling.

And I think the analogy to Kosovo is fundamentally different. There was never a risk of Milosevic losing his power because we all stated at the outset we weren't going to take him out. We weren't going after him. So it was a very different calculus. That is something I do know a lot about, that policy. And there was never at the NAC the decision to go after Milosevic. We would not send ground forces in. He had already lost Kosovo anyway, in his view, because he was going to have to maintain a presence there that was not sustainable. I think it's a very different circumstances.

So what I am trying to get at is this. If tomorrow the Lord Almighty came down and sat where the stenographer is sitting and said I want to guarantee you all one thing, there is no longer a missile program in North Korea. There would be no rationale for the timetable we have now on our national missile defense policy. None. Zero. No rational person, no planner—and I met with chiefs and I met with all of them—none of them would choose to have to make these decisions in the short timeframe that we have telescoped it out of necessity because of North Korea.

So the premise upon which we are generating this is this fundamental notion that this is the one place in the world where deterrence is not, cannot be counted on to work, and there is a need for a defensive capability that can take care of these systems.

And my next question and my concluding question is this. And by the way, again, I want to make it clear I think you represent clearly the majority point of view, I am really the odd man out on this. It does not calculate to me. I do not know how we get there. We heard the same things about how irrational the Soviets were all the time, and they never were. We go down the list of all the irrational nations around the world and what they are going to do. We heard that about China.

I think to myself, OK, we deal with this possible threat. If as a result of having to deal with it we have to abandon ABM, the result is that China will go from at least 18 to 200 to as many as 1,000 ICBM's. Are we safer? I think that is a crazy calculus myself. If they go to that number, would Japan be able to sit there and reportedly be non-nuclear for the next three or four decades? Do I want a nuclear Japan? Not on your life.

And so I sit and look at a missile defense that 10 years down the road may defend us with 95 percent accuracy. We only could get about 85 percent now. If North Korea has 10 missiles, that means two get through anyway at 85 percent. And at 95 percent, one gets through. We used to have in my generation when I was in undergraduate school a bumper sticker: "One Nuclear Bomb Can Ruin Your Whole Day." We used to be able to think. And so I wonder whether or not we are gaining if in exchange for a 95 percent surety against a nation who supposedly is not susceptible to a deterrent threat, we have a China that no longer has only 18 nuclear weapons but has 2,000 ICBM's, an India which will respond in kind, and a Pakistan who would respond to that, and a Russia with a MIRV system in place and Japan going nuclear. I wonder whether or not in terms of overall strategic balance my grandchildren are better off. I know which world I'll pick. I'll take the chance of deterrence against five to eight missiles and not have the rest of that happen.

But I hope we get into a dialog here about North Korea and the consequences of our actions. Again my question, Mr. Chairman, is this. Where, give me your assessment, and if you have done this already, please refrain, and I'll check into the record and ask staff, but what is the state of play? How would you characterize relations between Beijing and North Korea? Not on any one issue, but how would you characterize the state of relations?

Ambassador SHERMAN. I would say in a word improving. North Korea and China had obviously a historical relationship. The Chi-

nese came to be part of a tremendously difficult, costly and bloody conflict. But ironically, when Dr. Perry and I and our team began work on this process, we went to China as part of our consultations, and were, I think, a little bit surprised at how few high-level contacts there had been between China and North Korea, though China is seen by the world as North Korea's only reliable ally, and China provides oil and food and assistance to North Korea. This was in part I think because of the death of Kim Il-sung, and the time it took his son to gain control of the country and feel confident in what he is doing. But over the last couple of years, I would say that North Korea has reached out to try to improve its relationship with China and China for its part welcomes that connection, but I think it welcomes that connection not just to the assistance of North Korea, but I think for its own purposes, it shares the objectives that the United States has on the Korean Peninsula.

The Chinese, Senator Biden, for some of the reasons that you yourself elaborated a moment ago, do not want a Korean Peninsula that has nuclear weapons and China does not want an arms race on the Korean Peninsula. China worries about Taiwan and about Japan, and it really does not want to exacerbate that situation so although China is not going to coordinate with the United States in the same way that South Korea or Japan would, we know in fact that China has encouraged the North and asked the North not to test long-range missiles because it creates the potential for an arms race in the Peninsula, which is not in China's interest.

Just now the Foreign Minister of North Korea is in China or has just left China. Some people speculate that that is a prelude to Kim Jong Il making a visit to China. I think no one knows whether that is in fact going to happen, but Kim Jong Il is trying to assess some signals because he made a foray to the Chinese Embassy in Pyongyang, which we might not think is a big deal, but was a significant event for him to make that visit. What the significance is, we have tea leaf readers who have tried to make out what that means, but I do not think any of us know for sure.

I say it is improving because I think the contacts between the two countries are increasing. I think China wants to maintain and rebuild its relationship with North Korea to keep it from being a player in an arms race and or from provoking a nuclear crisis on the Peninsula.

I think it is also important to note that the ROK under President Kim Dae-jung's leadership I think has taken a very good series of steps to build its relationship with China, and I think China feels its relationship with the ROK is also increasingly important in maintaining a balance on the Peninsula, and I think one of the reasons North Korea has now reached out to China is because North Korea is concerned about China's growing relationship with the ROK, and so I think the calculus has changed somewhat. And I think what is very important for the United States is that we continue in consultation with the Chinese, which we do on a regular basis, and I would note, Mr. Chairman, Senator Biden, and other members, that when we accidentally bombed the Chinese Embassy, this was one area in which we continued to consult with China. The week after the accidental bombing, Ambassador Lee was in my

office to continue our dialog on North Korea because of the shared objectives in this instance.

Mr. KRAMER. I would agree with that. I do not think I really have much to say other than to say from our perspective, also, the Chinese have been what I would call modestly helpful in things like party talks and the like. And they talked to us a lot not only about—they had spoken about a nuclear freeness for a number of years. A few years ago in talks at high levels, they added the notion of a chemical-free Peninsula, and we have discussed that with—Secretary Cohen has—on a number of occasions. Their overall stated objective, putting aside precisely what they do accomplish, is not just a nuclear-free Peninsula, but actually a WMD-free Peninsula. They have helped us again modestly with respect to the missile programs.

Senator BIDEN. I think in the end it is always best to take a chance on self-interest prevailing, assessments of one's own self-interest prevailing, and projections of conduct. And it seems to me that you have it right, that there is a rationale for the Chinese, to have a confluence of interests with us in seeing to it that the Peninsula is damped down and not heated up. But I appreciate your answer. I appreciate your time and I thank you, Mr. Chairman, for allowing me a question.

Senator THOMAS. Thank you, sir. Let me ask one, and then I'll turn to Senator Kerry. Back to the question of terrorism. Try to get away from that listing and so on and a couple of parts to it. Is kidnapping an important part of terrorism, considered so? If so, can you confirm that the South Korean Government has said that they hold more than 400 kidnapped South Koreans and then more specifically in the last 3 weeks another South Korean was kidnapped?

Ambassador SHERMAN. What I can best say in open forum about that, which is clearly a very serious issue, is that before Ambassador Sheehan began this round of terrorism talks in New York, we had bilateral consultations with the South Koreans and Japanese to make sure that we went into these talks knowing what were issues of concern to each of those governments. So we reviewed the whole range of concerns that we thought they might have. And so I think that their views and their concerns are represented and again, I would be glad to have someone come up and brief you in detail about those specifics.

Senator THOMAS. Glad to be joined by the ranking member on the subcommittee. Senator.

Senator KERRY. Thank you, Mr. Chairman. I apologize. I have too many hearings today. It is good to be with you. Thank you very much.

Madam Secretary, thank you for the great communication that you and Dr. Perry have had with us and the efforts you have been making. And I think your initiative and his initiative have been really well-taken, and my sense is it has helped us. It has helped us to understand. It has helped them to make progress, and I know with the bilateral talks coming up, our hope is obviously that we can make some more progress.

Help me understand a couple of things, if you will. With respect to the missile situation, is the focus of the talks limitations on the Taepo Dong–II, or is it any kind of missile program at all?

Ambassador SHERMAN. The missile negotiations which Assistant Secretary Einhorn will head up deal with the development, deployment, testing and export of long-range missiles beyond the MTCR guidelines and that includes the No Dong missile as well as what is known as the Taepo Dong–I and Taepo Dong–II, as well as some versions of the scuds that fall out of the MTCR range. And so that is our goal, and to have a verifiable cessation of any missile program that goes beyond the MTCR guidelines. This is going to be very difficult and time-consuming to achieve, but that is the objective.

Senator KERRY. Understanding that, then, the suspension of their tests which they agreed to pending our discussions, I assume there is nothing else that they have engaged in with respect to the missile program that at this point indicates anything other than the potential for us holding out hope that we are still on the track where those talks could produce something?

Ambassador SHERMAN. I would say that in terms of this forum, and again we would be glad to have further briefings in a classified setting, but I think there have been public reports of engine testing. I would suspect that as we go forward in this process, when they want us to be particularly nervous about whether we are making progress when they wanted to try to leverage some positive response by us, they probably will take actions that our satellite imagery will pick up just to sort of yank our chain and make us nervous that, in fact, they are going to proceed ahead. We have to take that seriously, and we will have to with the intelligence community and with the Defense Department analyze what they are in fact doing and decide whether we need to take any specific actions.

But I think it is fair to say that their suspension of long-range testing is an important step, indicates that they want to stay on positive trajectory, but I would still be very cautious about that, and I think we have to remain vigilant because until we get down to the hard negotiations of their indigenous missile program and the exports which are a very, very serious threat, not only in the region, but quite frankly in other regions of the world, particularly in the Middle East, we really will not have done the job that we need to do here. Assistant Secretary Kramer may have a perspective from the Defense Department.

Senator KERRY. Do you want to add anything?

Mr. KRAMER. I think that is a fair statement. We have achieved the moratorium. We have not achieved the total goal.

Senator KERRY. I understand that. I was just trying to get your sense of the plight. Now, they have permitted the inspection and have reiterated that they are willing to have us go back and reinspect? That is still on the table?

Ambassador SHERMAN. Yes. That has been reaffirmed in the talks in New York with Ambassador Kartman. That is on schedule and still on the table.

Senator KERRY. How are we interpreting the session in Pyongyang with the Chinese Ambassador? People have sort of said wow, 4 hours. They do not usually meet with foreigners. Is this reasonable? Is there any way to look at it and say anything at all?

Ambassador SHERMAN. I think we have some of our analysts who believe, Senator, that this was a significant event maybe fore-

shadowing a visit to Beijing. Some believe this was meant to send a signal because the Chinese Defense Minister had recently visited the ROK, and so this was a signal to say we have a special relationship with the Chinese as well. I think no one is quite sure what the meaning of it was, and I am sure there are several other interpretations in addition to those. And I think we will just have to see how all of these pieces fit together, including the Foreign Minister's visit to Beijing, which just concluded. I always get mixed up on the timeframes, is a prelude to a visit by Kim Jong Il, and whether there is a significant change that is going to occur here. We honestly do not quite know for sure.

Senator KERRY. Italy now having established diplomatic relations, Japan apparently engaging in talks on the abductees, in addition to that a delegation going to China to view economic systems, it seems that there are stirrings in a way that may in fact bring a potential for more fruits from the Perry initiative and so forth. Would you not say that that is kind of in the air?

Ambassador SHERMAN. I agree with you completely, Senator. That is in the air. There is a lot going on. They have reached out for a lot of diplomatic relations. As I mentioned to the chairman, I had dinner with Foreign Minister Dini last night, who is going to visit Pyongyang. We have tried to stay in touch with and talk with everyone who is engaging in diplomacy with North Korea, not to threaten nor to provoke, but so they will all have a coordinated approach that will best help end the DPRK's isolation and address the international community's concerns about weapons of mass destruction and other issues that we have.

I think these are stirrings. I think we all have to be careful that North Korea is not just doing, as we say in State Department lingo, forum shopping, looking for the best partner to get the most out of the relationship and then leveraging that relationship against all the other countries that you might be dealing with, and I think that is why the trilateral consultation we have with the ROK and Japan and the growing consultation coordination we have had with other countries of interest is quite critical.

Japan expects to begin their normalization talks in early April, and I think that one of the things that we all have to keep in mind and I think is the point you were making, Senator, is that each of these bilateral forays is really in the aggregate a testament to the framework set out by the Perry process that was developed in consultation with the Congress.

Senator KERRY. The visit to Washington would be when?

Ambassador SHERMAN. I'll take out my crystal ball and my guess will probably be as good as anyone's. I think that most of us assumed wrongly, that the North Koreans visiting Washington in reciprocation for our visit to Pyongyang was not a difficult thing. But in fact, I think it is quite a difficult thing for the North. It would really be a statement that they had made a fundamental decision to move down a positive path in a pretty profound way. I think they have had some concerns about whether they are ready to take that step, whether they have moved far enough along, and I think what is most important is not the sequencing of negotiations, but reaching the objectives of our negotiation, which is to end their long-range missile program and their exports and to make sure

that they do not have a nuclear weapons program, and so if in fact Agreed Framework implementation negotiation, missile negotiation gets started before we ever have a high-level visit, I think again the sequencing is not what matters here, it is getting to the objectives and I think there is a variety of ways to do that. I still expect and anticipate there will be a high-level visit. At exactly what point I think is a little less clear, but those discussions between Ambassador Kartman and Vice Foreign Minister Kim Gye Gwan will continue.

Senator KERRY. And the missile talks and nuclear talks are separate tracks?

Ambassador SHERMAN. They are separate tracks that are coordinated in overall interagency efforts, but they are separate negotiating tracks, but we try with our allies and do so in terms of the Japanese talks and any South Korean, North Korean talks both in the private channels and in the public channels to coordinate our efforts so that all of the carrots and all of the sticks as we all talk about, we are all deploying in a conscious effort together.

Senator KERRY. From our perspective, is there any virtue to any kind of additional high-level visits to North Korea?

Ambassador SHERMAN. I think that is certainly always an option that we have in front of us as to continuing to look at how we proceed. There is nothing planned today.

Senator KERRY. I appreciate it. Obviously, we would all be elated if we could bear fruit on this effort. This has been one of the great puzzles in the region for a long time, and it would be wonderful, particularly with the current question marks about China and Taiwan, to diffuse this one a little bit. Thank you, Mr. Chairman. I appreciate it.

Mr. KRAMER. Senator, could I make—one point worth picking up is borne fruit. I think the trilateral cooperation which existed to some extent, but really was developed in connection with the Perry process with Ambassador Sherman, is an extremely important element and positive both on the diplomatic side and the defense side, so I think—I know we have not gotten to that kind of fruit yet, but we really have had some really positive achievements here we should recognize.

Senator KERRY. I think I did recognize that in my original statements. I am not—there is big fruit and there is little fruit and ripe fruit and there is not so ripe fruit.

Mr. KRAMER. Fair enough.

Senator KERRY. I am looking for the big break.

Senator THOMAS. Thank you. I have a few more questions. We can do it briefly. I'll try and stay away from—you have not answered most of my questions because you say it is for security reasons. I understand North Korea is pressing the Clinton administration to replace the U.N. food program with the unilateral program? What is your response to that?

Ambassador SHERMAN. We think that it is quite critical to respond to the World Food Program's appeal for food, and the reason we do is, first, because there is a coordinated effort to meet a humanitarian need which is the underlying basis for the United States providing food. More importantly, however, the World Food Program can monitor the provision of that food and few countries

have that capacity on a bilateral basis, and I think it is very important that we be able to tell the American people that the food that we are providing is, in fact, reaching the most vulnerable. Although the food monitoring is not perfect by the World Food Program, it has increased tremendously. Since 1995, there has been an appointment of an American as the North Korean director, which is important for our provision of food. They have gone from 3 to 486 internal staff, from one to six offices now in 162 out of 211 counties, and they have doubled to 400 the number of monitoring visits undertaken each month, and people who have visited on a regular basis have in fact seen physically with their own eyes a change.

Senator THOMAS. Are you interested in replacing the United Nations with a unilateral program?

Ambassador SHERMAN. No. We are not. We think the fundamental provision of food should be through the World Food Program. The North is very interested and has raised with us getting Public Law 480 bilateral food assistance, but in order for them to do that and as you know, Senator, it is a very small program, so it won't provide very much food aid, but they would have to get off the U.S. terrorism list in order to be eligible to meet the requirements which have creditworthy requirements and several other requirements to get bilateral food assistance. We are a long way from that, and that is not how we think fundamentally our food should be provided.

Senator THOMAS. You have spoken that the basic direction is nuclear missiles. Almost every other country we have dealt with, China and all others, we are talking about internal reform. Why do we not talk about them here?

Ambassador SHERMAN. I think we do talk about internal reforms, and you are right to point them out. North Korea is a despicable regime. They treat their people terribly. While they do not have enough arable land to feed their population, they could undertake agricultural reform.

A decision was made in the Perry process that we had to set some priorities, and the first priority ought to be the security of the United States and the citizens of the United States and the security of the region and the world. And so that is why that is our first focus. But you are quite right to point out, and we do in our ongoing dialog with them continue to point out all of these other areas, but our first priority, we believe, needs to be the security concerns.

Senator THOMAS. You mentioned, both of you, that the basis of what we are doing is basically the Agreed Framework. When was that put into place? When did we have an Agreed Framework?

Ambassador SHERMAN. We negotiated the Agreed Framework in 1994, and the point of the Agreed Framework—and Dr. Perry when he testified in front of you in October when the report came out eloquently said that this was the point in his tenure as Secretary of Defense that we came closest to a potential, very serious conflict and it was a true crisis. We were on our way to the U.N. to get sanctions, and we really were looking at moving our forces forward in anticipation of a very serious conflict, if not a war.

But Ambassador Bob Galucci and with the assistance of a visit by President Carter, who was in Pyongyang and met directly with Kim Il-sung, we did get agreement that they would freeze their

graphite-moderated reactors at Taechon and Yongbyon, and the United States would provide heavy fuel oil while financing of the construction of light-water reactors was put in place.

Mr. KRAMER. Can I just go to the premise of the question? What you said was that there were several elements of our policy, and they include the Agreed Framework, they include conventional deterrents, they include missile moratorium, the trilateral diplomacy, the effort we are doing in national missile defense and overall diplomacy, including working with the South Koreans' sunshine policy, so I think it is important to look at all of these elements.

Senator THOMAS. My point is, though, and I think it is fair to say in the Perry report they said we based it on the Agreed Framework?

Ambassador SHERMAN. We are building on the framework.

Senator THOMAS. That has been 6 years. What is the status of the light-water reactor?

Ambassador SHERMAN. We will begin construction as soon as winter is over. The financing has gotten through the legislatures in both Korea and Japan. They have begun disbursements. We have signed the turnkey contract, which went into effect in February. I think we are on track. The light-water reactors will not be in place as soon as we anticipated for a whole variety of reasons on many sides, but I do think we are on the track to move forward with construction which is critical and as you know, North Korea will have to come into full compliance with all IAEA safeguards before key components are shipped to North Korea.

Senator THOMAS. Is that the reason it has taken 6 years before it has ever begun?

Ambassador SHERMAN. Well, I think it has taken a long time because we had to get financing in place, the administrative mechanism in place. The world has never tried multilaterally to do such a project before. It is quite complicated. There need to be a lot of safeguards in place for it to go forward, so I share your frustration that it has not yet gone forward and as Assistant Secretary Kramer has helpfully pointed out, the financial crisis in Asia probably created another point of slowdown in this process, but I give both Korea and Japan credit for having overcome that and following through.

Senator THOMAS. We agreed to 500 tons of oil, $35 million. What is it going to cost this year?

Ambassador SHERMAN. I cannot give you that answer today, Mr. Chairman. We appreciate the Congress' support in our appropriation, leaving us waiver authority, reprogramming authority. We need to decide to use additional dollars. The heavy price of oil right now is complicating the needs that we will have, but one of the things that I am determined to do and have asked the folks at the State Department to re-energize, is seeking other donors around the world. Part of my visit to Brussels was not just to talk to the NAC, but was also to talk to Chris Patten and to the EU about increasing its dollars, and there is not a meeting I have with a leader of another country here or abroad where we do not appeal for additional KEDO funding, and I think we have to redouble our efforts to get donors around the world to ante up to this very critical security effort.

Senator THOMAS. I understand. I understand the crisis is something you cannot control. The Philippines, however, took care of their own severe shortage in about 2 years. This seems like it has been pretty drawn out sort of a situation.

Let me—sort of a question on the side here. When the President goes to places like India, where does he get $200 million everywhere he goes?

Ambassador SHERMAN. Not being the Under Secretary of Management, I probably cannot give you a very specific answer, but Presidents of every administration have traveled the world. This is something that we as the last remaining superpower have an even greater responsibility.

Senator THOMAS. That is not my point. Where does the money come from? I presume that the State Department has a budget that designates where this money goes, but for some reason or other, wherever he goes, he is able to disburse hundreds of millions of dollars. I am asked that all the time and I have not the faintest idea.

Ambassador SHERMAN. In terms of foreign assistance?

Senator THOMAS. In terms of whatever he did last week in India.

Ambassador SHERMAN. Right. When he travels and when his Secretary travels for that matter, it is sometimes an opportunity to try to move a program or an effort forward, and that program funding comes out of the regular appropriations that the Congress authorizes and appropriates every year.

Senator THOMAS. Would you get me a little more information and tell me what was reduced in order to increase this?

Ambassador SHERMAN. Sure. And I am not sure that anything was increased or reduced, Senator, but we will find out for you whether this is part of the development assistance program.

Senator THOMAS. You have hundreds of millions of dollars of extra money in the State Department?

Ambassador SHERMAN. I do not think it is extra money at all, sir. We will get it for you.

[At the time of publication a response had not been received.]

Senator THOMAS. You are shaking your heads in the first row. People ask about it. It is always in the news. I think it is an obligation to say where that came from.

One final. As you mentioned, in 1992 Secretary Perry was indicating that the crisis that was there pretty much also indicated that in the meantime, North Korea's economic stability and strength has diminished, as well as their military strength. Is that your point of view?

Ambassador SHERMAN. I think it is our sense that although they might be slightly more stable than they were a year or two ago when famine was at its highest, they are nonetheless a declining economy, not a strengthening economy.

Mr. KRAMER. With respect to the military, it is something I have tried to highlight in the testimony, some of their areas of increase. They spend a lot of time on their artillery. Special forces have obviously been talking about that continuously. They have tried to give themselves the capability to move more quickly. They have a great number of underground facilities they continue to develop. There are other aspects because they do not have all the resources that they used to. But as to what Secretary Perry said, I think that

what we think is that in the overall, they have a very dangerous capability because they have the great preponderance of their forces within about 100 miles of the DMZ, and so they could cause a great deal of havoc even if they couldn't prevail and, in fact, they wouldn't prevail.

Senator THOMAS. I am sure that is true. Again, and I understand, but it seems like we are moving toward a military that is more deployable, and in fact we are concerned about the number of troops that are deployed overseas, and that can be a difficult thing for the military. It can be very expensive. I am told much of the strength, if we had to use it, would be comfortable.

I am confused again. As things changed in terms of military deployments we seem to say the statements around the DMZ. Why is that?

Mr. KRAMER. We go through the war planning process greatly, and the general who left the command in chief left extensive analysis of the war plan. In order to ensure that we prevail, we do not plan to have a fair fight. We plan to win as promptly as we possibly can with the least possible casualties to us and to the Koreans. We use all the analytic and judgmental factors that are in our ability to decide what we need, and I can in private go through those, but I can assure you that it is the military judgment that based on what the capabilities of the North Koreans are, the posture that we have now is designed to effectively, quickly, and very decisively defeat them, but it does require a substantial overthrow.

Senator THOMAS. Finally, I think James Rubin indicated that on the agenda of a high-level visit would be steps to formally end the Korean war. Is that correct, and what items would be involved there?

Ambassador SHERMAN. I am not familiar with that specific quote, Mr. Chairman. I think that on the agenda for a high-level visit would be the whole range of concerns that we have, and our ultimate goal to in fact replace an armistice with a peace agreement, but I want to be quite clear that any such peace agreement or peace treaty is something that has to happen in the context, not just by America or standing alone. We are working this with our allies. We do not anticipate in a high-level visit renegotiating the end of the Korean war in one high-level visit to Washington, DC.

Senator THOMAS. That was a statement by Mr. Rubin on the 1st of January, this year.

Ambassador SHERMAN. I will look at it. I think he meant wanting to end a hostile relationship between the United States and North Korea is on our agenda. We do want to do that.

Senator THOMAS. Do you perceive that the South Korean notion, of course, it changed a little bit in terms of what they call sunshine through engagement. The reunification is not used now as much as some sort of a relationship, is that not true?

Ambassador SHERMAN. That is correct. President Kim Dae-jung talks about peaceful coexistence more than reunification. He does talk about the importance of dialog to ultimately decide what happens on the Peninsula, which we agree with. This is really something that has to be determined by the Korean people, what they think their vision of their future ought to be.

Senator THOMAS. Thank you both very much. I think it is important that we try to revisit this issue so that we are as informed as possible. So if any others have questions, we will submit them to you. In the meantime, thank you very much for being here. The committee is adjourned.

[Whereupon, at 11:25 a.m., the hearing was adjourned.]