

**THE CARNEGIE ENDOWMENT FOR
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AND
HENRY L. STIMSON CENTER**

**“NEXT STEPS ON NORTH KOREA:
OPTIONS BEYOND SANCTIONS”**

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MICHAEL SWAINE: Well, thank you all for coming at a relatively early hour and on such short notice. But I assume you were prompted by recent events, I would imagine.

My name is Michael Swaine and I am a senior associate at the Carnegie Endowment, and it's my pleasure to welcome you today to this discussion that is entitled, "Next steps on North Korea: Options Beyond Sanctions."

As I think we all know, this situation in North Korea testing its nuclear weapons has presented yet another crisis in the international arena. And it really raises certain questions about where to go from here, which is what we really want to concentrate on in this seminar today, not so much rehashing the past and discussing what should or should not have been done, but what can be done from here one.

And in particular, I think the most relevant issues are can the five parties that have been involved in the six-party talks, the United States, Japan, South Korea, Russia, China, can they all agree on a way forward in a way that does certain things, that dissuades other states that might be contemplating the acquisition of nuclear weapons, such as Iran, and in a different sense Japan, South Korea, Taiwan, perhaps, from pursuing their own nuclear programs?

Can they identify beyond mere punishment of North Korea an objective or a set of objectives that is seriously adhered to by all five parties, most importantly, a set of objectives that address the issues of, on the one hand, denuclearization of North Korea, and on the other hand, nonproliferation and the constraining North Korea from being able to proliferate whatever capability it does have.

Third, can they establish an agreed upon viable means for attaining whatever objectives that they identify as necessary. And finally, can they agree on a means that prevents North Korea from escalating this situation even further beyond a single test, let's say, to a series of tests, and thereby complicating the situation even beyond what we see now.

Now, the September 19th statement of last year that came out of the last round of the six-party talks suggests at least that there is some basis for agreement among the six parties, including North Korea on our way forward. Yet obviously, in light of the North Korean nuclear test and its aftermath, there are now a lot of obstacles to trying to move forward on the basis of the September 19th agreement. And I'll just touch on a few of the complexities and problems that we have already been witnessing since the North Korean nuclear test occurred, or what we believe to be a nuclear test occurred.

First, the U.S., in my mind, seems to be sending somewhat mixed signals. It emphasizes in turn the unacceptability of a nuclear North Korea while also seemingly drawing a true red line at proliferation. If you look at the statements by both Christopher

Hill, President Bush's initial formal brief statement about the North Korean tests and then his remarks at much greater length yesterday at the White House in the press interview, it seems to me that there is some degree of need of clarity about exactly what the U.S. position is on all of these issues. Washington seems to be pressing for serious sanctions in an activation of the chapter 7 section of the United Nations charter.

Now, China has rhetorically issued very strong statements of condemnation of the North Korea nuclear tests while reaffirming its long-standing principles and policy stance of caution, reliance on diplomatic efforts, firm opposition to military force, et cetera, and also signaling its apparent resistance to strong sanctions, including any activation of chapter 7 that might suggest an ultimate resort to force as part of a deadline.

South Korea seems to echo to a certain degree the Chinese stance, yet, is apparently contemplating a major dilution, if not elimination of its long-standing sunshine policy for the north, which would have significant implications. Japan has stated its support for strong sanctions and reaffirmed its commitment to its non-nuclear policy unambiguously. But will it settle for a new status quo that in effect tolerates a nuclear non-Korea for at least several years.

And then finally, North Korea has apparently indicated its willingness, perhaps, to return to some type of talks, but has also stated that any use of sanctions will be regarded as an act of war to be met by, quote, "unspecified physical measures," quote, unquote, a phrase that is used before.

Now, to discuss these issues and the question of where we go from here, we have two excellent speakers with us today. On my left is Alan Romberg, who is a senior associate at the Stimson Center, Henry Stimson Center. Before this, Alan worked on Asian issues with the United States government, including 20 years as a U.S. Foreign Service officer, and served as principal deputy secretary – deputy director of the State Department's policy planning staff, deputy spokesman of the department, director of the Office of Japanese Affairs, member of the planning – policy planning staff for East Asia, and staff member at the National Security Council for China.

Randy Schriver, on my right, is a founding partner of Armitage International, and a senior associate at the Center for Strategic and International Studies. Previously, he served as deputy assistant secretary of state for East Asia and Pacific Affairs, and chief of staff to Deputy Secretary of State Richard Armitage. Prior to that work, Randy was an independent consultant and a visiting fellow at the Center for Strategic and International Studies.

Now, how we will proceed today is I'll ask Alan to first make some remarks, and Alan is going to address I think to a great extent the issue of next steps and the U.S. position and how it relates to what has happened. And you can touch on other areas of course as you like. And then I'll ask Randy to make a few brief remarks after that. And then I might make a comment or two, and then we will have question and answer. And if we're lucky, we'll be out of here in an hour-and-a-half.

ALAN ROMBERG: We are not leaving until it's solved, though, right?

MR. SWAINE: That is right. We are going to have the whole thing wrapped up in an hour-and-a-half. So, Alan, why don't you start?

MR. ROMBERG: Okay, thank you very much. And thank all of you for coming out on what obviously had to be pretty short notice. I am very pleased to be here with my two colleagues. I am going to try to focus primarily on sort of where we are going, but I think we also have to look back at least for a brief moment.

President Bush yesterday said diplomacy is a difficult process, and he also asked to give diplomacy a full opportunity to succeed. The problem is that, while the stated U.S. goals have been the right ones—put succinctly CVID, comprehensive, verifiable, irreversible, nuclear disarmament—it has also had as a key element, or supposed to have had—in the Agreed Framework as well even as in the September 19th statement—transformation of the U.S.-DPRK relationship. And I fear U.S. diplomacy has not been structured in a way that could produce that positive outcome. We can talk about that later if you want.

But...I think it would be wrong to blame the administration for the test. North Korea made its decision to do this. But the question is, if the U.S. approach to this has not been successful and has in a certain way led the situation to where we are today, can it adjust its approach in the future to promote a positive outcome?

Now, maybe it's too late with North Korea. Maybe it never was in the cards to get an agreement with North Korea, but we don't know that, and we can't know that unless we make a serious effort. Statements that we have no intention to attack North Korea, however true, statements that we have a vision for a better relationship for North Korea with the world and a better life for North Koreans also, however true, really don't address Pyongyang's fears or its hopes in a credible fashion as viewed from Pyongyang.

Despite quotes in the press that U.S. officials say North Korea is unpredictable, I think in many respects it's quite predictable. I would even venture to say that if – an unprovable proposition – if you had laid out five years ago a scenario that had the U.S. taking many of the positions it has taken since then, it would have not been too hard to come up with a result that would look very much like where we are today.

Okay, where are we? I think, as Michael said, President Bush has made very clear that the priority concern for the United States is proliferation. Very sensible. What may not be as sensible perhaps is the notion that we're going to ramp up PSI, the Proliferation Security Initiative, to the extent of inspecting ships going to and from North Korea – I beg your pardon – to ensure that nothing either could go into the North that would contribute to their weapons capability or come out that would contribute to proliferation. The aim is unexceptionable. But it is not only potentially very dangerous;

it seems to me that it is unlikely to garner broad international support, including a U.N. blessing.

I should note that in the press – and some of you may be more familiar with this than I am – there are indications that Seoul is thinking about perhaps joining in parts of PSI. But I would at least venture to say I don't think that is likely to include high-seas interdiction.

Under Secretary of State Nick Burns yesterday, in New York, speaking at the Council on Foreign Relations, made what I think is probably the most direct statement of what we are doing now, and it was quite an honest statement. He said, first, we want to punish the North. And I don't think that is an unreasonable objective, particularly in light of the message we want Iran to be sure to absorb. But on the other hand, and second, while there is hope of putting pressure on the North – and somehow this will pave the way back to the six-party talks – even, I would argue, if the very tough resolution the U.S. has tabled were to be adopted – and of course it isn't going to be as it now stands, but even if it were, it seems unlikely to me to be able to produce the kind of desired result in and of itself.

One hopes that what the U.S. government—and I would say in particular Mr. Bush—has in mind is agreeing to a proposal that would indeed have some prospect of success, which means to have some meaningful appeal to the North. I would be happy to discuss it further, but, for example, the proper handling of the financial controls issue, commonly known as sanctions, would be one important consideration. Clearly, in the immediate aftermath of the test, this is not the moment to do that. And we may have missed the bubble on that, though it isn't impossible, I think, to return to that issue.

And I don't read the North's actions as rejecting their previous position, however much credibility we may or may not ascribe to the North's statements. But in fact it seems to me we are heading in the other direction, that is, toward tighter restrictions if one judges by the draft Security Council resolution that the U.S. has put out.

On the resolution, let me simply say, I don't blame the administration for tabling a tough measure, but I think it will likely have to accept something which is several steps back from that if we are going to get unanimity, which I think is the crucial thing. Now, many of us in the past, probably many of you in this room, have called for direct U.S.-DPRK talks inside or outside the six-party process. I think that would have been appropriate; I think it still would be, but, number one, it isn't going to happen outside of the six-party process, and I also think that in any event, those that argue for it now, as in the U.N., are barking up the wrong tree. I think we need to come to agreement on a resolution and get it out there for the North and for the world to see.

But if we are going to try to hope that we really can deal with the North through squeezing it until it caves in or fencing it in, I think we are going to be making an enormous error. Now, no one can say that tomorrow Kim Jung Il won't wake up one way or another not in power, and that would obviously change the situation enormously,

but, I would have to say, not necessarily positively, depending on what replaced him. In any case, basing a policy on that kind of assumption I think would be a very unsound leap of faith to make.

The North has consistently shown an enormous, what I call, hunkering down capability. And however angry China is, and however much the ROK government is under pressure, even on some of the basic concepts of the sunshine policy – I don't think we're likely to get the kind of measure approved in New York that will overwhelm that hunkering down capability.

I would only add two things to conclude. Despite the implications of what Under Secretary Burns said – and I didn't see the full text of what he said, but I saw some reporting on it - the implication that we see positive outcomes for some important American interests in the region such as Japanese-Korean relations – I think he is likely correct. And I would add Sino-Japanese relations, and he may have well have addressed that.

There are other indications that we are going to put pressure on Seoul to do things which are perhaps going to cause some tension. One of those, for example, is the U.S. desire to get the South to cut off its investment in the Kaesong industrial project just north of the North-South border. We'll see where that goes, but it's already been a point of contention in the free trade agreement negotiations, and I think it is likely to be in this context as well.

Finally, as I turn this over to Randy, I also want to put at least a small question to him. I am intrigued by a report in Asahi this morning that says 62 percent of Japanese people support sanctions. Why so low? (Laughter.)

MR. SWAINE: With that, Randy, I think Randy is going to be addressing in part the issue of Japan and its role in all of this, as well as some comments based on the experience that you have had on the U.S. position. Randy?

RANDY SCHRIVER: Well, thank you very much for the invitation, and thank you for letting me share the podium with yourself and with a good colleague, Alan Romberg.

I was going to operate on some previous guidance as well and basically divide my brief remarks into three areas: one, talk about the strategic landscape. What are the specific implications of this action from North Korea, to talk about the immediate actions and steps that have already been taken and that we would expect to be taken in the very near term, and then finally talk about policy recommendations and steps for the United States. And I'll focus a little bit on Japan as well, given the work that we are doing at my company on producing a new report on the U.S.-Japan alliance, which will be released fairly soon I believe.

First of all, on the so-called strategic landscape, I think we need to be very precise and very careful about how we talk about what has transpired this week. And I'm going to take a bit of a risk here. What I say next might sound as though I'm sort of downplaying the events that have transpired this week, but let me finish the point before you accuse me of such a view.

This was a very provocative act. It was provocative primarily for the reasons that it follows on the heels of the missile exercises over the summer, despite the fact that they were not entirely successful. And it was certainly provocative because of the chorus of voices expressing concern and urging North Korea not to take this step, including her immediate neighbors, China and South Korea. So this was extremely provocative in light of those two facts.

But I do want to emphasize – and here is where I think we need to be precise – this is not the introduction of a new capability; this is the testing of a capability that if you're sitting in as a U.S. analyst or a U.S. policymaker, that you have assumed that they have had for a decade or more. So the change to the strategic landscape in this case is not a nuclear-armed North Korea; this has been an assumption on the part of policymakers for quite some time.

So what is the change to the strategic landscape that would be most concerning to us? And I think this is the level of analysis we have to go to because this test, while provocative to my mind, doesn't in and of itself do much to the strategic landscape.

What we do need to be wary of, I think, are three things. Number one would be a decision on the part of North Korea to become a much more active proliferator. And I think in the case of a state like North Korea, it would involve state partnership and proactive state efforts; it's not the case of what we have observed in other countries where it's sort of a muddy mix of rogue entities and some state sponsorship. That would not happen in North Korea. This would be a deliberate act in policy on the part of the state. So what could dramatically change the strategic landscape would be a state decision to increase its proliferation activities in a very significant way.

Number two would be if decisions were reached by states who were otherwise not inclined to pursue nuclear weapons, if they, as a result of this action came to a different conclusion – the list that most people spell out here would be Japan, South Korea, maybe in Taiwan. But I want to talk about that list, in fact, a little bit later. So number two is states that would otherwise not be inclined as a result of this action choose to pursue nuclear weapons themselves.

Number three is the effect if not handled properly and if not responded to properly that this action could have on states that are inclined to pursue nuclear weapons probably outside of legal means and treaty obligations. And we think – I think most obviously about Iran.

So these are three things that I would focus on if I were still in government and still advising anybody who might listen rather than the act itself because, again, if U.S. policymakers and others in the region have been paying attention for a decade, in fact they have had this capability for quite some time.

What do I think about the actions to date and the immediate next steps? First of all, I would like to say publicly that I have been extremely impressed with Prime Minister Abe. Three weeks into the job, nobody particularly likes these kinds of tests and challenges while they are still finding their way around the office, and I guess he has been chief cabinet secretary. He probably knows his way around the office. But getting their sea legs so to speak into a new position and to have this challenge thrust upon him.

But I think his diplomacy in the region with Japan's immediate neighbors – very sensible public statements taking off the table Japan's option to pursue nuclear weapons as a public pronouncement immediately, and then pursuing I think very sensible sanctions in the unilateral sense, and then offering assistance in helping the United States and other P5 members come up with a U.N. response was exactly right.

And I might add, this is not entirely a result of just crisis management. Prime Minister Abe and the Japanese foreign ministry had in fact made a decision to focus on the immediate neighborhood, focus on her neighbors prior to these events, perhaps in anticipation of these events or the likelihood of these events, but it is my understanding that this was a deliberate decision by Prime Minister Abe to sort of forego the traditional first trip to Washington, the first trip to consult with the close treaty ally and to visit Beijing first and Seoul first. And I thought that that was a good move given a variety of things going on in the region, but particularly in anticipation of this, I thought it was quite a savvy move.

So I think the Japanese have done quite well. I probably would be a little less critical than Alan – maybe that wouldn't be a surprise to you all – about U.S. response. I would say I was a bit surprised about some of the statements coming out of the United States government prior to the test. And it relates to my very first point. I was a bit – I guess I was a bit confused about “we will not live with, we will not tolerate, we will not...” – when in fact we have been for a decade. And I think also it probably boxed us in a bit and didn't give us the latitude that a diplomat at least would like in the aftermath of an event of this nature to be able to set about solving it or addressing it.

But I think after the test, I think the steps have been quite sensible. There is no indication that we are not offering an off ramp. The U.N. ambassador, Mr. Bolton, has said the invitation for talks, including bilateral talks within the context of six-party talks is still there. Dr. Rice has said that there is still another path that North Koreans can choose, which offers a great deal of incentives and that is what is embedded in the September 19th agreement of last year.

And I think the beginning of developing clarity is – and I think Michael made an excellent point in the opening – is starting to emerge. And this relates to the so-called red

line as it relates to proliferation activities. So I actually would give the administration good marks on the immediate aftermath of this test and the work that is under way as we speak.

Let me say a few things about going forward for the United States and Japan. I think, number one – it's so cliché, but seeking opportunities as a result of this crisis I think is important. And I think number one is the opportunity to—choose your own term of art—I would say reboot the U.S.-South Korea relationship. Now, I have said for a long time it's not as bad as it may appear on the surface. It's like the old “the music of Wagner, not-as-bad-as-it-sounds” line about U.S.-ROK relations.

Nonetheless, there have been difficulties that anybody who watches this relationship would note. And I think we do have a chance to bring our consultations to a higher level of quality with South Korea as a response to this action. We have an opportunity to bring a close trilateral coordination between the U.S., Japan, and South Korea on this matter, and I think we should seize that.

But even more broadly, I was interested in your remarks, Alan, about the FTA. I would hope that the United States government in response to this would show a little greater flexibility on Kaesong and other issues in our trade negotiations because I think getting an FTA with South Korea is more important now than it ever has been. And if the response of U.S. negotiators is to bog down and be more restrictive – net result, not getting an FTA in a timely manner, I think that would be a consequence I wouldn't want to face. So rebooting on the U.S.-South Korea relationship.

Number two, I think the strengthening and deepening of the U.S.-Japan alliance. You know, Mr. Abe, a lot has been said about his agenda, a very robust agenda coming into office. This will I think undoubtedly be a boost in the arm just as the missile test in 1998 was a boost in the arm to missile defenses in Japan. I think as Mr. Abe looks at issues like reinterpreting or changing the constitution, I think reinterpreting is more likely in the near term.

Elevating the JDA from an agency to a ministry, passing legislation that would allow the overseas deployment of military forces rather than doing it on an ad-hoc basis, which I think prior to this was likely to wait till after the upper-house elections – maybe might go forward more quickly now – I think these are things that the United States should and can embrace in a way that can result in a strengthened alliance. I know this is a point of some debate even in the United States, but this is what we will reflect in our upcoming report on the alliance, and I think it's an opportunity that we shouldn't miss.

Number three, I think we should continue to place faith and confidence in China as a partner in this process. Publicly, but certainly behind closed doors I hope we are having a discussion that is very serious and very direct about next steps. I agree with everything my colleagues from the Chinese Embassy and Chinese Foreign Ministry have said about the degree of leverage China has over North Korea, their effectiveness in persuading Kim Jong Il to make certain decisions.

Nonetheless, now is the time to step up the pressure I believe as a show of solidarity with all countries not named North Korea, first and foremost. But I think relating to a previous point, demonstrating to other countries who might either be inclined or not inclined prior to this event, demonstrating to them that there are serious consequences and prices to be paid for this. So I think that is something that the United States should be working on in our relationship with China.

As far as the DPRK directly, and I'll start to close, I think the need for clarity is great. And I think – again, kudos to Michael for the point in the opening remarks – if you're going to draw a red line, I think it's drawn at the appropriate place related to proliferation activities. I would disagree a bit with Alan I guess. I think it is important strengthen the operational aspects of the PSI at this juncture, doing so hopefully in a way that is sustainable with our allies – and maybe there is the challenge – and making sure that the North Koreans understand that certain actions will result in more aggressive and I would say military responses. That would put them on a certain plane of operation that I think will help us start to maneuver out of this.

Number two, I think consensus among the perm five, and among people who have been involved in this process is critical. I would think that a timely U.N. resolution is more important than a perfect U.N. resolution. I would not let the perfect be the enemy of the good on this. I think what North Korea needs to see and others need to see is a very prompt response that reflects consensus of the international community and consensus among the powers who are involved in this.

Number three – I guess this actually goes back to the point about clarity, not only red lines. I think there have been mixed messages on the ultimate goal of the administration. It's not a coincidence. There are mixed views within the administration on this point. But we need to decide and clarify for others: Are we seeking regime change or are we seeking regime behavior change? And I think Dr. Rice has reiterated publicly that our policy is regime behavior change. And I think also helps set the tone for getting us out of this problem we are facing.

Finally, I think the notion of two paths open to North Korea should be on the table. It's embedded in the September 19th agreement. It's something that, in slightly different ways, but in fact at the core is not entirely different that [what] the Clinton administration and the Bush administration both put on the table. Dr. Perry in his review of Korea policy talked about two paths and two choices and what packages would look like; the Bush administration in the support of the September 19th agreement did essentially the same thing – different package, different look to it. But there needs to be an off-ramp in my point of view, for North Korea. And others who are involved in this process need to see that we are making that available to them.

I agree with Secretary of State Baker, I agree with Colin Powell, and Rich Armitage, not surprisingly. I think you get lazy as diplomats if you don't talk to your enemies and you don't talk to people who disagree with you. I think there is certainly a

way that that this could be made available in the context of six parties or otherwise. Perhaps the timing is delicate and needs to be thought through, but I think this should be part of the path of North Korea getting out of this cul-de-sac.

Ultimately, and I guess I'll just conclude here, I don't think danger two is the greatest danger we face. I don't think Japan is inclined to pursue nuclear weapons. I think it would be a huge statement of no confidence in the U.S. alliance. And by the way, I should have included that in U.S. policy reiteration of our support for the alliance, including the nuclear umbrella. I don't think South Korea is inclined, and I think if Taiwan were to see this as an opportunity, I think it would be a grave error on their part. I don't think that is the greatest risk; it's possible. I think the greatest risk is an increase in proliferation on the part of North Korea, and the effect that this may have on Iran and perhaps others if we are not seen as responding with strength, aggressively, but also appropriately along our partners in this process.

MR. SWAINE: Excellent. Thank you very much, Randy.

Well, both sets of remarks have put a lot on the table and there is a lot to discuss here. And I guess, exercising the prerogative of the chair, I'll just make a couple of points by way of reaction and then open it up to question and answer.

Both speakers, both Alan and Randy made comments about the potential collateral benefits that actually could ensue as a result of this crisis in terms of a series of critical bilateral relations. The U.S.-Japan relationship, the U.S.-South Korean relationship, the Sino-Japanese relationship all could potentially benefit in some ways by this crisis.

Of course that raises the big question: What about the U.S.-China relationship? And here I'm not so sure that there is an easy argument that can be made that this crisis will necessarily bring China and the United States closer together. It's certainly possible, but my sense in looking at what we have seen thus far since the test took place, there is significant light between the U.S. and China in terms of reaction to this crisis and how to manage it.

Now, this is still in the early goings for sure. And both positions, both countries are taking positions that they really need to take that are congruent with their past positions and their interests. But nonetheless, they have already indicated to my mind that there is a lack of willingness on the part of the Chinese government to go as far in invoking sanctions or other types of pressure or punishment on North Korea as the United States would perhaps like to see.

And this leads me to believe in part – and I would stick my neck out here to some degree in saying this I guess – but I believe that what we will see over the next month, if not years, will be in effect the emergence of a de facto acceptance of the existence of a nuclear North Korea. That is not to say that any country will discard the objective of denuclearization of the peninsula. I don't think that will happen.

But I think you are – neither will you get agreement of a kind that would allow either a course of action with a goal-oriented strategy that employs carrots and sticks, that is designed either to reach an agreement on a non-nuclear North Korea in return for certain benefits to North Korea, or on the other hand, the application of severe sanctions and isolation designed in effect to throttle North Korea and force it to relent, or to seal it off from proliferation attempts. I think both of these options are going to be difficult to implement.

And so you're going to get, it seems to me, a somewhat lesser order outcome that could end up being quite messy. And it will be – seems to me a minimum level of agreement which will place most emphasis on punishment for this initial action that is limited in nature, a return to some kind of dialogue through the six-party talks most likely with continuing desire to go toward denuclearization but little progress in that direction for the foreseeable future, and greater emphasis among the five parties of trying to reach agreement on deterring North Korea from conducting future tests and preventing proliferation, which is really the critical bottom-line consensus that I think the parties can agree upon. And that is where I think the operative focus of much of the activities could likely end up being in terms of actual results, as opposed to actual reports towards denuclearization per se. And then the implications of that I think are many and over time we will have to see what they mean, but at least that is my initial take on the situation.

And with that, I think we should throw it open to question and answer. I don't know if Randy is going to be returning or not. I should tell you all that Randy was – came and very graciously agreed to appear today because he was really on call. His wife is about to give birth. (Laughter.) She just went into labor and I am sure you can all understand he had to leave. (Laughter.) So that is unfortunate. But I was aware of this all along, but it was very, very nice of him to come in any event, and I really appreciated him doing so, and we did get to hear his point of view. But now we can of course attack it without him able to defend himself.

Alan, I wondered if you have a couple of comments in reaction to anything else that has said before we do actually open it up.

MR. ROMBERG: Just two quick things. One, on Randy's point about Kaesong, I agree with him, but I think that there is – at least as anybody I talk to who is connected with the Congress says zero prospect that the Congress would approve an agreement that has Kaesong products, however defined, rules of origin or anything else included in it. And I think that is really unfortunate, but I think we at least ought to be aware of that possibility.

Second, on your comments on China, I guess I – I think your bottom-line description of where you think we are going to be going, at least, I would argue, for the next two years, is, if you had to bet, where I would put my money. But I think that it isn't inevitable. It depends, as I said in my opening comments, whether the Bush administration – once we have gone ahead with some kind of sanctions, resolution,

particularly with unanimity - would be willing to in fact be persuaded to do some things that would be sufficiently attractive to North Korea to get them to come back and begin a process, which will not at the beginning inevitably lead to success, but there is a dynamic that gets created. And one could hope about that.

I mean, China has been frustrated with the U.S. position – let's go before the test – as it has been frustrated with North Korea's position. They think the North has been too stubborn. And so I think that China still has a lot of not only faith but stake in the six-party process and I think will continue to push it, and therefore will want the United States to do more. But it will also – it is – all of you that have spoken with Chinese friends, and some of you here I think are probably from China – Beijing is really angry. And I think that punishment is not out of the Chinese scope of action, but it will not likely be the kind of thing that some of the more robust American statements are talking about.

I guess the fundamental point I would make is I don't see this at this point becoming an issue over which the United States and China will split in any fundamental sense. We may have different approaches to this; we may be in a tug of war over what to do with this specifically, but I don't think this is going – given sort of the blatant nature of what North Korea has done, I think we are going to work very hard – the two governments will work very hard to cooperate to the maximum extent they can.

MR. SWAINE: Excellent. Thank you, Alan.

Well, with that, why don't we open it up to questions, comments? We have another 50 minutes nearly for this. And when you speak, please identify who you are. And I think – do we have microphones? We do have microphones. So please wait for the microphone, identify yourself, and try to keep it relatively brief.

Up here in the front – one and then the other.

Q: My name is Bill Root. I have been following export controls for 42 years. I find it strange that we do not see pushing the U.N. punishment as unreasonable. Of course it's unreasonable to expect that we could avoid showing punishment of some sort from a political standpoint, but if we really expect to resolve this through diplomatic means, how in the world does that favor a diplomatic outcome?

We lifted the total embargo of North Korea with the Clinton administration. It would appear that logically we would be re-imposing it now. On top of that, simultaneously we are about to increase controls on China. Does that make sense at this point? I just don't see how, with the president saying the first goal is nonproliferation, Mr. Burns can simultaneously say the first goal is punishment.

MR. ROMBERG: I think in terms of the effectiveness of it, you are quite right. In terms of the – sort of the – it's not just the political in the domestic sense, but the overall broad political, including, as I said, and as Randy said, message to others, it isn't

– there is no pure answer. That is, you are going to pay some cost, and I think is a logical part of any – and not only American, but I would say international response to this.

Others will have a less robust version of what punishment might look like, and that lesser degree of robustness may help with the diplomacy because we won't get one that includes implicit authorization for later use of military force, et cetera, et cetera. So I understand the logic of what you are saying, but I think it is inevitable and not necessarily unhelpful in the overall picture to have some element of toughness in this.

I think that, you know, when the North says “any adoption of sanctions will be a declaration of war and we'll respond in kind,” that kind of nonsense also needs to be sort of knocked back I think. But I did notice that, in one interview a North Korean official gave – I think it was on background – to a Japanese correspondent, and he said, well – and they were talking about Japanese measures, and if Japan adopts sanctions, “yeah, we'll take – we'll respond with physical force and so on, or physical measures.” And the correspondent pushed and said, “well, what kind of sanctions would trigger that?” And this North Korean said, “well, something, like, for example, a blockade of North Korea.” Now that gets us back to PSI, or certain aspects of PSI.

Anyway, I don't think it is... I understand your point and I think it probably makes diplomacy much harder. And if that becomes the central feature of what we're doing, we are not going to get anywhere with this. But I don't think it is. I think that as I read what we're doing, it's going to be a more mixed bag. You get back to Michael's point that to the extent that we are not going to do things which make it easy or easier or attractive to North Korea to even think about negotiation, we are not going to get a solution between now and the time there is a change.

Q: I meant on the China – (inaudible).

MR. ROMBERG: I don't know enough about what we're doing. I mean—I guess my comment would be back in a North Korean context, if I may – that is, the self-defeating aspects of doing some things, on one hand, to what you're trying to do in perhaps a more important aspect, on the other. I would say, personally, that the announcement of the Treasury actions against the Macau bank right at the time of the September 19th joint statement was shooting ourselves in the foot. There was a legitimate concern about money laundering, about counterfeiting, and all the rest of that. But it had been a longstanding concern. Now, maybe there was something that was discovered that made it particularly appropriate to do it at that moment. But the government as a whole had to consider the impact of that on what I consider to be a rather larger issue. And so, I don't know the specifics of the Chinese case, but I think the same principle may apply. But I don't think we overlook problems. We just have to handle them in the right way.

MR. SWAINE: See, the problem of Randy leaving is that see I agree too much with Alan, so you're going to get too much of this. We need to have somebody who disagrees more on this. I would just simply add that the basic challenge here that the U.S. faces – look at it in the larger context. There is an example here of a clear violation of

commitments by a country that had once been a signatory to the non-proliferation treaty, which apparently in its behavior, given the timeline of its development of its program had been violating that when it was a member. And it's done so now by testing in a way that I think requires the international community to have a response. That response is not simply going to be "let's try to entice you to behave better by giving you things," because the example that sets is not good. It has to be a combination of pressure that is designed to show that the international community is opposed to this kind of action, that actually has consequences for North Korea, while not going so far that you completely undermine your ability to attain certain other objectives, which have to do with either de-nuclearization or non-proliferation. And that's the challenge we face here is getting that balance right.

Q: I'm tempted to thank India.

MR. SWAINE: Well, India and North Korea, I would say, are slightly different countries in terms of their willingness to abide by certain agreements. Yes, sir, we'll go to you and then we'll go further in back.

Q: C.L. Datta, Foreign Policy Association. My question pertains to the clarification on the clarity part of the statement. Imposition of Section 7 under U.N. Charter involves war against North Korea, and which they said that this is going to be taken as active war. And to issue a statement in response that U.S. will not attack, it is anomalous to the prevailing situation warranting imposition of Section 7. Will U.S. use its option of pre-emptive action?

MR. SWAINE: You want to start here?

MR. ROMBERG: I saw that one of our colleagues around town speaking about this yesterday said pre-emption should be back on the table. I don't quite take the same position. Number one, let's set aside for one moment a case in which North Korea is actively proliferating, because I do believe that's a separate issue. Short of that, I think the answer to your question – and I can't speak for the U.S. government; I can only make a judgment – but I think the answer is no, the U.S. is not going to preemptively attack. I don't think it looks at Article 7 and citation of Article 7 as an act of war. I don't think the U.N. does either. And indeed, there is one provision, which China would like to cite in Article 7, which is explicitly seen by everybody as not authorizing use of force. There is going to be a tug-of-war about this. But Article 7 is the one that allows action. And I think that that is particularly why it is being cited, and there may be an implicit message.

In the case of proliferation, I have said for a long time, and I continue to believe that if North Korea is found to be actively proliferating, all bets are off. Military action, I think, is a quite lively option.

MR. SWAINE: I would just say that in regard to that last point that Alan just made – and this has come out in some recent commentary by people in the press about this, including former Secretary of Defense Bill Perry – there would need to be, it seems,

a greater level of effort – and concerted effort, not just by the United States, but by other powers – on improving the capability to identify the source of such an attack, if one were to occur through the proliferation of nuclear weapons or weapons material from North Korea. In other words, a forensics-based examination that really could be reliable, that all countries would agree upon, that would therefore be reasonably transparent that you would be able to be believed if you say this came from North Korea.

Because it would be a momentous act, of course, to attack North Korea for having allegedly proliferated nuclear weapons or nuclear weapons technology to another state or to a terrorist actor, and then treat North Korea as having attacked whomever that terrorist state or non-state actor attacks. I mean, that's a chain, a link that you want to have very, very clearly identified before the United States would commit to attacking North Korea in response, I think. But it certainly is not impossible. It's exactly what people say needs to be done as part of the next step.

MR. ROMBERG: I agree with that.

MR. SWAINE: Other comments, questions?

Q: Mary Goodman from Moore Capital. Question regarding the response of South Korea. As Randy Schriver said, if an analyst has been following this situation for a decade and expects that this has been a capacity for a decade, presumably the government of South Korea has presumed that there were scenarios that involved this type of test for a decade. And so, it was perhaps somewhat surprising to see the evolution of the response to the tests from the initial statements on the day after to where that response seems to be going now. You talked about the reconsideration of the sunshine policy going forward, and maybe you could just talk a little bit further about how you think this will affect the politics in South Korea and the opinions of the people in that country towards that policy?

MR. ROMBERG: I think I'll stay away from the question of politics, if I might. But I think that there are a couple things. First of all, there has been – at least among a certain segment of South Korean opinion – a view that North Korea was never going to attack South Korea. And I think that may not necessarily have changed. And I don't actually think that it is likely, except in a scenario where North Korea is about to go down or thinks it's about to go down. Because they way I put it – rather harshly, but nonetheless, I think, realistically – if North Korean starts the war, we're going to end it. And I think they know that. I mean, a lot of people here – and I've had some opportunity to talk to North Koreans – they're not unaware of the balance of forces. So I don't think that's the case. But I think in the course of that, a lot of South Koreans had convinced themselves that therefore the North would not adopt policies that would seem to be threatening. And I think this now is seen to be threatening. And that's why I think you get a lot of turmoil.

There also has been a fairly basic division in South Korea in terms of how they should deal with the North. I think engagement of North Korea is very broadly supported

in South Korea. But how to engage it is another matter, and there, there has been a fairly strong debate, as you know. So how this will play out in South Korean politics, we'll have to see. But the South Korean government, President Roh, and his senior officials have made clear for some time that if the North proceeded to test a nuclear weapon, they would have to review the bidding. I don't think it's going to lead to an abandonment of a desire for some level of engagement – although I think there will be a curtailment, which we've certainly seen – and certainly an avoidance of things, which will precipitate conflict, if they can get away with doing it that way. And I think that there's a pretty good prospect that in fact will succeed.

But there is a political issue of both the message and the effectiveness of being – going back to Randy's point too – of being together with everybody else on this, and I think that we see a lot of consideration of this going on right now. I do see that South Korea has indicated maybe they would send a presidential envoy to North Korea. There's also been some criticism of that proposal. And I think that's going to be both a matter for internal South Korean consideration, but it's also probably going to be a matter – it should be a matter, as far as I'm concerned – of discussion among the various other parties, including the United States.

MR. SWAINE: An interesting aspect of this, of course, is the convergence or lack thereof between South Korea's position on this and China's position on this. If indeed there emerges some significant differences between the U.S. and the Chinese position on this, South Korea's position, I think, could be of some significance in concerning what the U.S. thinks it can and cannot do in terms of pressuring China if it wants to take that path.

Now, I don't disagree with Alan that what you said earlier that the U.S. and China are likely not to really come to loggerheads on this issue. I think that's probably on balance not likely. There is going to be restraint exercised on both sides that I think we'll end up with the kind of middle ground – the sort of messy middle ground that I alluded to in my remarks earlier – but I think I'm just saying South Korea could play a role in that process. As the U.S. calculates how far to push China or not in terms of what it does.

Let's go over to this side of the room. Way in the back there, yes, sir.

Q: Thank you. Jack Mendelsohn. I have two questions – or maybe one question and a comment. The first question is – I may have missed this but – why did North Korea test? If indeed they had a nuclear weapon – or we believe they had one for a dozen years – and if they certainly knew that the test was going to provoke a negative reaction, what are they trying to signal or what are they trying to do? I missed this if you addressed it, and I'm kind of curious why the test.

The second point may not be a question so much as an observation. You mentioned Bill Perry's idea that we need more forensics so that we could trace back the origin of a test. This was also Ted Koppel's idea, sort of the Godfather option. I wonder if you could talk about how wise this kind of policy might be, because what comes to

mind is the old concern we had about catalytic war when we were in the Cold War that a third country might have an incentive to set off a nuclear device in this case, and have it attributed to another country in order to bring an attack down on that other country. Blaming any nuclear explosion on proliferators like Iran or North Korea is a little reminiscent of the hostage policy of the Nazis in World War II, and I'm not sure the U.S. wants to get into that position. Thank you.

MR. ROMBERG: I'll start. Okay, first on why did they test? Excellent question – we don't know obviously. I would offer some factors that I think entered into this. The first one is, why not? That is, I think that their expectation of the six-party process, of where the United States was going, et cetera, for at least the next two years, was such that perhaps they calculated, number one, that by the time – they're not forgoing anything. There's no opportunity cost in that sense. Number two – that by the time you get a new administration of whichever party, that a lot of water will have flowed under the bridge. So I think that there probably was pressure within the North Korean system from the military to test to make sure that they could do this. And as we've seen recently, we're not sure whether that turned out the way they anticipated it.

Second, I would argue there is a possibility that they convinced themselves anyway that this could help level the playing field to some extent, that they could afford themselves to be, perhaps, somewhat more flexible in at least the notion of coming back to the six-party table because now they've shown themselves to be a nuclear power. The U.S. can't just sort of bully them and so on. I mean, as we've known for a long time, from having talked to North Korea for well over a decade, first, after the First Gulf War and then later, "we're not Iraq" is the statement you frequently heard from North Koreans. And by golly, now they've proven it.

So I would argue those are at least two of the considerations. Certainly, one hopes that as they were calculating this, they had some notion of what was going to be coming at them in terms of anger and reaction. And I would argue that their calculation had to be especially acute, let us say, about China. I mean, I think all of us would have predicted that China's reaction would be one of fury, and it is. But on the other hand, China is making very clear they don't want the use of military force. I don't think they're going to go for sanctions which would starve out North Korea. I don't think the U.S. has put a proposal on the table that would do that either. But there are other things that I think they are counting on China to be consistent about, such as not wanting a collapse, which would lead to chaos.

MR. SWAINE: I would just add that – it reinforces one of Alan's points – that I think the North Koreans saw the actions taken over the summer in reaction to their missile, their failed missile tests in the United States Security Council. The statement that was made by China that China signed onto – didn't abstain. It was supportive of a statement condemning the North Koreans for this action. It was a very important public statement by the Chinese. It was a slap in the face of the North Koreans. And I think that reinforced the sense within North Korea that they weren't going to get a whole lot of backing from the Chinese in the process, that they may well be looking at a process of

one versus five, and that they needed to up the ante by increasing their leverage in some way, and that they could do this without pushing it over the line. They were obviously taking a risk assessment on this, and I think there was internal pressure for testing, as Alan says, but we don't know that for sure. And I certainly agree that there's probably a conclusion that by doing this, in some way, they have gained for themselves some degree of greater leverage, if you will, if they return to the negotiating table.

MR. ROMBERG: Let me add one – I'm sorry, were you done?

MR. SWAINE: No, I'm done.

MR. ROMBERG: On your second point, I guess I've always conceived of the issue being one of catching them actually transferring something, which is not easy. But if we did that – and I think that the issue that Michael raised before of being really sure – we've had some unfortunate instances in the past of being really sure about things that didn't quite turn out that way. But if you're going to go launch an attack, it might be useful to be really sure. I think that's critical.

But I just think that the dynamic is such that proliferation – obviously, either directly or indirectly – to a terrorist is a matter of national survival or homeland security for the United States. It's not just some international problem. It's really – existential might be too strong a term here - but it's much more important and much more urgent, I think, than sort of other issues, which is why I think we've all said that the president and the administration are concentrating on that aspect rather than on others.

MR. SWAINE: Thank you, Alan. Chris?

Q: Thanks. Chris Nelson, Nelson Report. Great discussion. I don't think we've talked about why would they proliferate. One, to get back at us because they don't like us. Two, to make money. Maybe that's why they're – well, we know that's why they're counterfeiting and apparently counterfeit Viagra and all kinds of other outrages to the Western world. Three, because they're crazy. So you know, you could make a list. But I think we need to talk about that because if you don't have any clear sense of why they might do it, then how can you construct either punishments or incentives in advance to have them come back to negotiations or to have them understand what the red line is and that sort of thing. So I'd like to hear you guys have at it for a couple of minutes on based on what you've seen and observed of them over the last ten or fifteen years, why would they proliferate at this point. And second, then of course, to whom might they proliferate. Because speaking as a resident of Washington, I don't give a damn if we can find out after the fact that they did it, because I won't be around to enjoy it. So let's see if we can figure out a way to prevent that proliferation.

MR. SWAINE: Well, I mean, these are obviously critical issues. I guess the question of – and there is a difference of opinion about this, there is no question about it. Some people believe very strongly that North Korea would be inclined to proliferate nuclear weapons or nuclear weapons-related technology, because it has shown little

compunction about proliferating missile technology, which is also regarded as WMD-related in some people's views. The North Koreans have sold missiles, and would sell missiles again, many people believe, if they could. There are strong economic incentives to do so. It creates political influence with the recipient, and potentially support.

The question there becomes what is the distinction between the missile and the nuclear technology. Some people argue there is no clear precedent that the North Koreans have or would proliferate nuclear weapons of any kind or nuclear weapons technology. And then when you add to it the strong disincentive that would be placed on it by the international community and by the U.S. in particular if these problems that we've already talked about could be resolved, it makes you question it.

Nonetheless, despite all of that, North Korea is a country that has had real contacts with non-state actors, terrorists. It is a country that has engaged in all kinds of nefarious behavior of various types that many people in the West would regard as completely unacceptable –

Q: (Off mike.)

MR. SWAINE: Of course, Pakistan becomes another issue. If we want to get into a North Korea-Pakistan connection here, some people can make the argument the incentive there also exists that would provide North Korea with a greater incentive. Because of the issue in Pakistan – although there's a question now as to whether Pakistan would still be in that position and be willing and desirous of having that kind of contact with North Korea, given what's happened in Pakistan for the last several years –

Q: (Off mike.)

MR. SWAINE: I know, but AQ is not exactly in power any longer. He's not exactly still up to his same business that he's been in before. So you can't assume that Pakistan's role in this would be the same as it was under AQ Khan when he was acting on his own, apparently doing his thing. So there are issues here that obviously are questions of judgment. But I think the bottom line for prudence sake, given this whole record, has to be for the United States and other countries in the international community that North Korea is potentially capable of doing this. And so you have to guard against – because the consequences of if you assume that it's not are so significant – I mean, from my perspective, as I read it, for the majority of individuals who look at this problem seriously, both in and out of the U.S. government, are more concerned about the proliferation issue than they are about the possession by North Korea of nuclear weapons. Now that's good news and that's bad news. It's bad news if it leads to a complacent attitude about the possession of nuclear weapons that has an impact on the non-proliferation regime.

And it also is bad if it is complacency that leads the North Koreans to believe that they can make calculations based on their possession of nuclear weapons and take risks that are clearly unacceptable. So there is a danger in being acquiescent about that, which

is why I said I don't think any major power is going to acknowledge that North Korea should have or could have nuclear weapons and sort of treat it as a passive kind of possession of nuclear weapons. But nonetheless, I think the proliferation issue is of the most vital concern in dealing with that by Western countries, and I think that whether or not they can make the argument convincingly that North Korea would proliferate, they have to assume it could, and therefore it might.

Q: You've got to figure out why they might in advance.

MR. ROMBERG: Let me just – I don't know that you can anticipate all the circumstances under which theoretically that might happen, right? And so I don't think you necessarily have to have answers to those questions, good as they are. Just to underscore Michael's point on this – I was in a conversation maybe some others of you were – I can't see everybody who is here – maybe it was about two years ago – and there was an exchange between a former senior government official and somebody else. And the former senior government official was saying, "Well, we have to worry about proliferation," and the other person interrupted to say, "Well, but North Korea doesn't do that. It's different from missiles. It's different from other things." And the former official said, "Wait a minute. Let's pretend I'm the national security adviser to the sitting president. I'm supposed to go in and say, don't worry, Mr. President. They don't do that." That probably is not a strategy that is going to be appealing to anybody. I think Michael's point is you have to be – it doesn't mean – I don't hear anything other than prudence being discussed.

Now, I shouldn't say that... If PSI becomes high seas interdiction, becomes part of the U.S. policy, I think in any event, it's going to likely be quite provocative and it's not going to get approval of a lot of people. It isn't my first choice. But I think one has to pay attention to the fact that this issue is really one which is very dangerous if it were to come about even if we don't know to whom or exactly what the motivation is. I don't assume they're going to proliferate, but I don't want to assume they're not.

Q: Apologies. That isn't what I was asking about. If the premise is that proliferation is the single most horrible and dangerous thing they could do, therefore, our entire discussion has to be not simply how to prevent it or certainly God knows how to react to it by which time it is too late potentially, but what discussion do you need to have to get them to understand they can't do it? It gets us back to this business of special envoys. It gets us back to the six-party and all that. Nobody is disagreeing with you that it's not the most important issue. The most valuable part of your whole discussion has been to get us to see why for the next little while – the next few days, the next week – we have to focus on robust negative incentives – U.N. and all that kind of stuff. But once we've had that debate and once we've got something that we agree with the Chinese on and the ROK and all that, then we have to start thinking about the positive stuff. And if we're still stuck in this debate of you can't reward bad behavior or we don't negotiate with evil or yeah, I'll talk to you but my precondition is you do what I want you to do, then we've accomplished nothing. And I think that's what we're all worried about.

MR. SWAINE: Well, I think your point, Chris – and then we should move to another question – is that you’re addressing issues that relate to the whole question of the strategy of dealing with North Korea. And proliferation is kind of a byproduct of dealing with those questions. And here – and I don’t think there’s a lot of disagreement between Alan and myself on this; we’ve coauthored an article about this in the past – I do believe that there needs to be an approach that does indeed more effectively assess the balance between carrots and sticks in dealing with North Korea, and that addresses North Korea’s incentives or disincentives for proliferating nuclear weapons in ways that are not just solely based on if you do it, this will destroy your country. That gets into the question of can you affect their calculus by offering them certain incentives. And you’re assuming there that, in part, nuclear proliferation serves an economic interest, let’s say, that they wouldn’t need to confront if they had economic benefits coming out of an agreement with the five powers. And so that’s – sure, that would be a kind of element of that, I think.

But that lacking – in the absence of that, I think the fundamental – and knowing that as I understand it, it is impossible at least currently to seal off North Korea entirely, even under a very strict PSI type of regimen – from the impression I’ve received from talking to people – you can’t guarantee that nothing would get out of North Korea, and so you can’t guarantee also what would and would not motivate North Korea to proliferate under any conditions. So the best bottom line sort of catch-all position is to be very clear to North Korea that the consequences of having done this that would lead to an attack on the United States would be devastating to North Korea. And that gets back to our question about having confirmatory evidence of that very clear.

But I think the commitment to make that kind of a threat, if you will, from the United States government – and perhaps by other governments – is certainly there. And the desire to do that is seen as necessary, absent solving all these other issues. Mike?

Q: Mike McDevitt from CNA. I want to link two issues, the issue of proliferation and the issue of why test. I think the test has made the prospect of proliferation more dangerous, because one of the rationales that you did not specifically address for why test is North Korea improves its deterrent capability. Now, it lends credibility to it’s said it has nuclear weapons; everybody has assumed they’ve had it. Now, they credibly have a nuclear weapon. And while it can’t reach the United States, it can certainly reach South Korea. Their missiles will reach South Korea. They may not be able to reach Japan or the U.S. yet, but we know they’ll reach South Korea.

MR. SWAINE: Although the weapon is by no means confirmed as –

Q: I understand that it’s not. A truck will reach South Korea. But the point is, in terms of a deterrent capability, South Korea is in the crosshairs right now. And so, if we’re talking about wiping North Korea off the map if they proliferate, it seems to me this deterrent raises the threshold for the U.S. and makes it more difficult for us to credibly make that argument that we will destroy you if you proliferate because in the process, they can retaliate and put a great big hurt on our close ally, the South Koreans,

which will cause us to pause perhaps in that. So in effect, that also makes it potentially easier for them to proliferate and get away with it.

MR. ROMBERG: Two things: One, I was trying to address the deterrent issue when I said North Koreans have said we're not Iraq. That's exactly the point. My understanding, Mike, is that over the years we have been quite convinced that while we could defeat North Korea in a war, they could kill a lot of people – hundreds of thousands, potentially, in Seoul.

Q: Now they can do more.

MR. ROMBERG: But the problem has always been there that if we attacked or if for whatever reason, there were a war on the peninsula, they could kill a lot of people and wreak a lot of havoc. I'm not sure, and I've heard – you're a retired military guy – but I've heard a lot of military folks say North Korea having – at the time, it was one or two nuclear weapons – didn't change their problem basically. It was still a problem to deter, and the same task existed. So acknowledging that nuclear weapons could do a lot more damage if they are deliverable, I think that if we get into a war situation with North Korea, the possibility of just massive devastation and killing is there anyway. So this complicates it, but it doesn't – I don't think it changes the fundamental nature of this.

Q: That's a good point, but a different point. The point I was making has to do with the threat of retaliation to proliferation. The issue there is – you're right – if we wanted to go preemptively attack them, people have been looking at this for a very long time and everybody has concluded it's just not practical for a large number of reasons. But if we were to actually say – and therefore, we have dismissed it publicly as not a very credible option, but we have argued that we would react if they do proliferate. I'm arguing that the North Koreans have raised the deterrent barrier to our action and the specific case in which the president has said we would react. And it will make it even more difficult for the U.S. to act because of all the other reasons.

MR. ROMBERG: I think it will make it more difficult. I don't think it vitiates the points we're making though.

MR. SWAINE: The gentleman here, and then we'll go in the back.

Q: My name is Alex Lennon. I'm the editor of the Washington Quarterly from CSIS. I wanted to sort of tie together the why test and why proliferate questions, and actually focus on the financial sanctions. Alan, I don't mean to pick on what you said before, because I know this wasn't meant to be a complete description of why the September agreement fell apart, but in addition to the timing of the financial actions on the counterfeiting, there was also the disagreement about the timing of the light water reactor. North Korea came out and said it's coming first or there's no disarmament. The United States said there is no light water reactors unless the disarmament process is underway. So it's not necessarily the fault of the financial sanctions. I didn't want

people in the audience to think that either that's what you meant or that's what the accusation is, although if that is what you meant, please correct me on that.

There was a lot of research done; there was an article that was published by a PhD candidate at Harvard named Mike Horowitz that was looking at ways to add sticks on North Korea. How can you leverage North Korea? He talked to Nick Eberstadt over at AEI and a number of other people and they were looking at about four or five sources of income. Chris mentioned some of them were arms sales. Counterfeiting was a major one of them. And that may or may not have led to some of the thinking within the administration about the sanctions, the counterfeit agreements, and may have led to the timing by coincidence around the time the September agreement came together. If you are in favor of any number of approaches toward North Korea, I think the financial sanctions might make sense.

If you are in favor of engaging the North Korean regime, one way to get around the loopholes that allow the North Korean regime to hunker down is to cut off the counterfeiting, force them to come out, force them to engage in Kaesong, force them to find other sources of income. If you are someone who looks to starve the regime out, to look for regime change by financial measures; that's a way of doing it, the more hard-line approach toward North Korea. If you are in favor of getting North Korea to understand that the rules of the international community are going to be enforced, putting the financial measures in place is one way of teaching that leverage. And if you are looking a way of having leverage on non-proliferation, you can impose this stick to release it later as a carrot for the United States. So whether you're in favor of the hard line or the soft line, these financial actions may make sense.

I honestly haven't thought about the financial actions much beyond sort of sitting here, but my question to you is twofold. One, what is China saying about the financial actions now? Do they want us to release them? Do they want us to keep them? What are you hearing in the context of the U.N. Security Council resolution? And two, would you advise the U.S. government to keep them in place now?

MR. ROMBERG: Two things – first on your point on the September 19th agreement and what let it fall apart – I, of course, agree with you on the light water reactor factor – but the way you said it was, in fact, in terms of timing backwards. It was the United States, which first said that an appropriate time to talk about a light water reactor is when they've rejoined the NPT and the IAEA, et cetera, which of course is logical. And then, North Korea came out with its statement. And I don't think that was inconsequential, that sequencing. And we said that because that was part of the deal that Secretary Rice insisted upon. I would argue that the one flaw I see in the September 19th Agreement was inclusion of specific reference to the light water reactor. Now, I'm sure the Chinese who were negotiating this and had to do the yeoman work on this would say well, we couldn't get it without that. I'm sorry, I think that was probably a basic flaw. It was the only flaw. I mean, you could improve this or that. And I think that U.S. terms for accepting it in terms of the statement – you want to talk about predictability, it was predictable that North Korea would reject that and we'd get into a box.

I don't hear a lot about that as a current obstacle to getting back. I don't hear anything about that. It's all on financial sanctions.

So okay, what is China saying now? I don't know what they're saying now in the course of the debate. Their position has been that they don't like what the North has done either, and particularly in their banks that are now part of the People's Republic of China. But they're position has been essentially – finish your audit; isolate the accounts which are bad accounts, involved in money laundering, et cetera; lift the holds or the freeze or whatever the technical term would be on the other accounts. And the basic reason is to signal North Korea you're not trying to squeeze them to death and cut out all their financial transactions around the world. Well, I think in fact the people who first came up with the sanctions really kind of liked the effect, which is that it got the North Koreans' attention. And it's not about \$24 million in Macau as some officials keep on saying, it's about the entire international system where banks don't want to deal with North Korea because they're afraid of what the United States will do to them. So I don't know. I doubt very much that China has changed its position on that, again, as angry as they are at North Korea.

What should the U.S. do? I think Michael said timing is a critical issue here. I think it is. I think right now is not the time to be looking like you're making concessions. I think right now is the time for the international community to be unified in a statement, which states its view in opposition to this and what North Korea needs to do, which is to come back to the six-party talks without precondition, et cetera.

But I do think that in terms of the diplomacy – and I think that's my answer going back to Chris Nelson – the answer is, we want to have diplomacy. The president says diplomacy is a difficult process. Well, yeah, but you've got to engage in it to really do something with it. And I think that part of that diplomacy has got to include consideration not of just lifting the sanctions. I mean there are some accounts, which are deserving of being frozen or isolated, whatever. But I don't think it can be off the table.

MR. SWAINE: I can't but agree with him. I would just say that I have no evidence to back this up, but I would not be surprised if this specific issue of financial sanctions is one of the critical discussions that the Chinese and the Americans are undergoing right now, and that there is not an immediate agreement on the part of the Chinese to go forward with a much more full, robust sanction, a sanction on financial transactions. And that the Americans could very well be saying, look, this is sort of the minimum acceptable of what we have to do here. We can relent on certain other trade sanctions, certain other types of food sanctions, energy sanctions, but this sanction has a lot of bite to it. It doesn't threaten the livelihood of the average North Korean, but it really gets at the regime where it hurts. And that could very well be a focus of the tussling that is going on, I imagine, between the U.S. and China about this.

Let's go to the back, yes, the lady in white.

Q: Thank you. Sharon Squassoni from the Congressional Research Service. I have a question and a comment. Back to Chris Nelson, your question about the further proliferation, I have a slightly different question, which is does this test make it any more likely that North Korea would further proliferate? And I would argue no, if only because from a technical perspective, that nuclear test did not demonstrate a capability for at least an implosion device. If I were a terrorist – and I'm not –

MR. ROMBERG: Let the record show.

Q: Let the record show. I would look to Pakistan sooner than to North Korea for demonstrated nuclear capability. Now, of course, this doesn't mean that you wouldn't go to North Korea for plutonium, but we already knew that they had plutonium possibly for sale before this test.

My comment was related to PSI. There is a lot of faith placed in the ability of PSI. And I would just urge a little caution. For one, according to the State Department, it doesn't cover government-owned ships, planes, et cetera. So when, for example, Pakistan reportedly landed a C-130 in North Korea, PSI is not going to cover that kind of thing. So you have to ask yourself if North Korea is truly going to proliferate to some terrorist organization, is it going to use its own vehicles or is it going to go commercial? And the second thing, I think there is a recently released GAO report, which is highly critical of PSI.

MR. SWAINE: I'll just use the chair's prerogative to have Mike McDevitt put a two finger up, which I think is specifically on your question about transport.

Q: On the issue of PSI, I think your observation about it not necessarily being the appropriate tool, it would be a mistake to try to burden it with some sort of a proactive long-term maritime activity off of Korea. But people are using it, I think, as a conceptual shorthand. The notion in fact is that the things that we are doing in the Mediterranean – have been doing for the past five years – that we're doing in the northern Arabian Sea and the southern Persian Gulf, they're call maritime interception ops in which you have an international coalition of ships and NATO ships, Australian, Japanese ships, et cetera, et cetera involved in trying to intercept and inspect ships associated with trying to find terrorists. That model is the more appropriate one that I can see being applied to some sort of an anti-proliferation regime specifically targeted at North Korea.

MR. ROMBERG: On your first question, I think that the way it turned out, perhaps in fact it isn't likely to enhance the proliferation prospects for North Korea, if they were thinking about doing that. But the fact that they have – if it is determined that they did not detonate a nuclear device, and so far no sniffers have come up with anything that suggests they have, so we have to see where we go – but if people generally conclude they have, then I think prudence will dictate that we make our position clear about the consequences about proliferation, not that we're going to do something today, but that we need to reinforce that concern. I don't think I see the harm to doing that, and I think I would see some harm in not being sufficiently clear, although as Michael and others of

you have said, there are other concerns about North Korea's nuclear weapons, such as the continuing possession of them, which obviously requires attention.

MR. SWAINE: Of course, one downside consideration that you should ponder about the possibility that what they've just exploded is not a fully successful nuclear test is that they'll test again. They will want to test until they get it right.

MR. ROMBERG: Some people suggest a dozen tests would be really great, basically the whole inventory.

MR. SWAINE: A dozen tests would solve our problem for a time at least. But I think that is a concern, because I think there is a – there seems to be a growing consensus here that what they exploded was not exactly overwhelming. It probably was a failed test in terms of their objective. So you could make the argument that they certainly would want to test again in order to resolve this deterrence uncertainty. And what should the international community and the five powers in particular do in order to prevent them from testing again, because I think it would make a difference if they were to test again.

You know, I think we've – have we reached – we have. We've reached the witching hour here. So it's 11:30, and if you have other questions, please ask us after the session. But thank you all for coming, and please join me in thanking the absent Randy Schriver and Alan Romberg.

(Applause.)

(END)