

**The View from Pyongyang:
U.S. Financial Sanctions and the Prospects for
Denuclearization of the Korean Peninsula**

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Thank you very much. I am going to talk about my trip and about the current situation that has developed since the nuclear test, but you know, this issue is being debated now increasingly in partisan terms that relate to the history of what's happened. For example, today's paper – you probably all saw that John McCain – “It's all Bill Clinton's fault.” And so I think that we should all – even though this is a very informed audience, I'm sure an audience with lots of background in all this – I do believe it's necessary to put the history on the table very clearly so we know where we are. Otherwise, we can't talk about the future – the present situation and the future intelligently.

I think we have to start with the fact that it is artificial for Korea to be divided. The Korean Peninsula has maintained a continuous independent political identity within the same boundaries since it was unified in the 7th Century. To be sure, there was interlude of civil war in the first four decades of the 10th Century. The Mongols ruled over the northwest corner of the country in the 13th Century. Japan imposed its colonial rule in the first four decades of the 20th Century. But Korea's national identity goes back 1400 years. By contrast, Germany had been unified for less than a century when it was divided at the end of World War II.

Many Americans forget, but Koreans do not, that the United States and the Soviet Union divided Korea in 1945. We put Syung Man Rhee in power in South Korea. The Russians installed Kim Il Sung in the north. Rhee tried to get us, as you know, to help him conquer North Korea and re-unify. The United States refused. Kim Il Sung also wanted to reunify Korea, and he did get the Russians to back an attack on the south. So, North Korea was the bad guy.

That led, as you know, to the Korean War from 1950 to 1953. Eight hundred thousand Koreans, 115,000 Chinese, and 36,400 Americans lost their lives in that terrible war, and that is the basic background of what is going on right now. When you go to Pyongyang you are constantly reminded that the scars left by the Korean War are particularly deep in the north. The south suffered greatly but not as much as the north. The north used relatively little close air support in its operations south of the 38th parallel.

By contrast, the United States inflicted three years of heaving bombing on the north, in addition to the (inaudible) offensive on the ground. Three years. This has left – you know, the North Koreans went underground. This was a very traumatic period in underground caves in the history of North Korea. It's left a deep-rooted, siege mentality that still dominates the North Korean psyche right now. I think we can properly call it a “permanent siege mentality” that was instilled during the Korean war. Pyongyang was bombed until almost no buildings were left standing. And entirely new capital had to be built after the war.

The North Korean people are of course constantly reminded about all of this, on TV and in other propaganda. Today, 50 years after the Korean War, there is still no peace treaty and the U.S. still maintains enough conventional nuclear forces in and near

Korea to destroy the North Korean regime with a pre-emptive strike. North Koreans are particularly afraid of our air superiority – F16s, F4s (?), and latest in intelligence and command and control. Against their obsolete (inaudible) ... The reason that North Korean keeps forward deployed conventional forces on the DMZ is to deter a U.S. pre-emptive strike, and to make it too costly.

Until 1991 the U.S. had tactical nuclear weapons in South Korea. It's now well established history that the North Koreans started their serious effort to develop nuclear weapons and long-range missiles as a direct response to the deployment of U.S. tactical nuclear weapons in the south for more than three decades. President George H.W. Bush removed those tactical nuclear weapons from the south in 1991, but the U.S. still has tactical nuclear weapons close to North Korea in the Pacific capable of hitting them, and of course George Bush the Younger had announced a new U.S. strategic doctrine saying, "We have the right to stage pre-emptive strike against any country that the U.S. regards as a potential threat." And I might add, that we do not accept the doctrine of "no first use" which China has asked us to accept, India accepts, and interestingly enough in their statement announcing the nuclear test, North Korea for the first time that I'm aware of said explicitly, "We will never be the first to use nuclear weapons first." Iraq persuaded the North Koreans that Bush is serious about regime change. So that his interview with Bob Woodward in the book "Bush's War," the first of the books, in which the President said he loathes Kim Jong Il and would like to topple his regime.

In short, North Korea is developing nuclear weapons as a deterrent against the United States, and a definitive nuclear settlement is not likely until North Korea believes

that the United States has given up its goal of bringing out regime change through military or other means.

Now my view, as some of you may know, is that we can still roll back the North Korea nuclear program. They're not committed. The test does not mean that they are irrevocably going to be a nuclear weapon state or even are irrevocably committed to that in their own policy currently. Many observers, of course, doubt that North Korea will ever give up its nuclear weapons program. There are indeed generals and other hard-liners in Pyongyang – and by the way, I don't think the hard-liners are only in the military, and I don't think all of the military are necessarily hard-liners. It's a difference of point of view. There are indeed generals and other hard-liners in Pyongyang who want to continue the effort to develop militarily operational nuclear weapons which they don't have yet. One test does not make a nuclear arsenal. But there are also moderates and technocrats in Pyongyang. They argue that it would be in the North Korean interest to give up the nuclear weapons in return for full normalization with the U.S. and an end to the Bush regime change policy. In short, there are hawks and doves in Pyongyang. This is something that I think is generally not accepted in the conventional wisdom in which Kim Jong Il is the all-powerful leaders of a monolithic regime.

We hear a lot about the differences within the Bush administration over how to deal with North Korea. Chris Hill vs. Dick Cheney and so forth. We don't hear anything at all about the division within the North Korean system about how to deal with the United States, and that, in my view, is the key to resolving the present crisis. I'm not talking about a power struggle. Kim Jong Il's position is secure. He is needed out in front to legitimate the regime of Pyongyang because he's heir to the mantle of his late

revered father Kim Il Sung. You know, when Kim Il Sung died, I think there really was a bloodless military coup in Pyongyang. I don't mean in the literal sense, but in the figurative sense the military became the strongest force and there was a transition to a situation in which the armed forces are the strongest single force in Pyongyang and Kim Jong Il depends upon his alliance with them. It doesn't mean that they are able to dictate to him, but it certainly does mean that he's not able to dictate to them. He has to be much more of a manipulator and arbitrator, mediator than his father who really did run unchecked, I think.

So what I'm talking about is a policy struggle. There are two camps in North Korea, as I've said, cutting across the institutions. It's simplistic to say that all of the hard-liners are in the armed forces and all the soft-liners are in the foreign ministry. I think it probably is true that most of the economic technocrats are advocates of economic reform and sympathetic with anything that will open up North Korea to the world economically. But I think that when it comes to hard line vs. soft line in the armed forces, there are some generals who are not necessarily pushing for nuclear weapons; there are hard-liners in the party, there are moderates in the party. So it's an ideological struggle, an intellectual struggle, a policy struggle that cuts across conventional definitions of the power groups in the North Korean elite. Kim Jong Il's position we don't really know. Though on the economic front he certainly is on the side of change.

On one side, hard-liners favor nuclear weapons, believe it's impossible to reconcile with the United States. On the other hand, the pragmatists are ready to give them up if in return North Korea can get normalized relations with the United States and large scale economic assistance. I think Kim Jong Il leans to the pragmatists, but as I

said he's not the absolute ruler his father was. He can't disregard the hard-line view. Any deal that he makes has to be something he can put over with his own hard-liners.

There are many things you cannot find out when you go to North Korea. It's a closed society. The one thing I'm certain about after my ten visits there since 1972 is that there's an ongoing policy struggle, as I've said, and that what we do critically affects whether the good guys or the bad guys win out. When you go there over a period of 34 years, you see some of the same North Korean officials over and over again in Pyongyang and later at the U.N. You gradually develop rapport. You get beyond the propaganda especially at the dinner table with the help of alcohol and good food.

Now I'd like to take you back to 1991 which was a turning point here and very relevant to the debate that's now going to be unfolding if people like John McCain are going to say it's all the fault of the Clinton people.

Two critical events occurred in 1991. First, Russia and China told the North Koreans that they have to pay cash for everything from then on. I mean, the Cold War was ending and Russia and China didn't want North Korea to play them off against each other as they had been doing. Cash on the barrel-head. No more industry loans; no more military aid. Above all, no more free food and oil.

Then on September 27, 1991, as I mentioned earlier, another critical event occurred – President George H. W. Bush withdrew the U.S. tactical nuclear weapons from South Korea. Now, what's the connection between these two events?

Well, the end of the Cold War economic aid meant that North Korea faced an economic crisis. The younger, more pragmatic leaders in the Worker's Party decided they had to get U.S., Japanese and South Korean capital to (inaudible) technology in

order to stay solvent. They recognized that the west would ask them to get rid of their nuclear program as a pre-condition for normal relations. So a big debate ensued in the Worker's Party. It went something like this based on what some of those involved have told me over the last 10 to 15 years in many conversations. I'm piecing together accounts I've received over the years, and the pragmatists in this debate said in effect, "We don't need nuclear weapons after all, now that the Americans have removed theirs from South Korea." The hard-liners have said, "They've only removed them from Korea. They can still hit us from submarines in the Pacific. And anyway, you're very naïve," this argument went. "Even if we give up nuclear weapons, they'll never help us. The dominant groups in U.S. and Japan and South Korea want our collapse and our absorption by South Korea." This was in 1991 that this debate occurred.

And the debate came to a head at a meeting of the Worker's Party Central Committee on December 24, 1991. Kim Il Sung sided with the pragmatists and a compromise was reached. North Korea would test the Americans – test the Americans. They were going to test us to see whether a deal could be made. If the United States would normalize relations and help economically, North Korea would give up its nuclear weapons program. So during the last two years of the first Bush Administration, the pragmatists made preliminary overtures to the United States and go nowhere. At first they got nowhere with the Clinton Administration. Clinton simply told them to stop their nuclear weapons program or else.

As you know, in the spring of 1994, tensions with North Korea almost erupted into a war. I think there would have been a war if Jimmy Carter had not taken matters into his own hands. Carter went to Pyongyang. He got Kim Il Sung to accept a freeze of

his nuclear weapons program starting immediately. At that point, Clinton was still trying to get U.N. sanctions against North Korea. He didn't want Carter to go to North Korea. He was planning to step up the military pressure at the time Carter landed in North Korea. He didn't like what Carter was doing, but Carter announced the freeze on CNN before Clinton could do anything about it. And so – and that very interesting episode is described in my book, “Korean Endgame.” It's described in Leon Segal's book, “Disarming Strangers.” It's described in Don Oberdorfer's book, “The Two Koreas.”

As you know, the U.S. eventually did negotiate a formal nuclear freeze agreement in October 1994.

Now here's what I think should be kept in mind as we hear John McCain and others saying that the problems we're having now are all the result of what happened in 1994. The United States got up front what it wanted from the agreed framework. We stopped a plutonium-based nuclear program that would otherwise have produced 30 nuclear weapons a year. North Korea got only promises, most of them unfulfilled except for shipments of oil. We promised in the agreement to move toward normal relations, but Clinton didn't even take the first step that he had promised toward normalization which was ending economic sanctions. Why? U.S. domestic politics. The agreement was signed on October 21, 1994 and a month later, the Republicans won big in the Congressional election. They bitterly criticized the agreement and Clinton wanted to save his political capital for other battles.

Six years later, in June 2000 Clinton did finally begin to move toward ending sanctions. – that was in the last years of his administration – and toward normalizing relations, but during those six years the political situation inside North Korea did not

stand still, and they've got domestic politics too, as I've said. They've got hawks and they've got doves. The pro-nuclear hawks in Pyongyang who never wanted the agreed framework – they were against it at the time – kept telling Kim Jong Il that he had been conned. He was naïve. He'd been conned. The U.S. was not prepared for friendship. We only understand force, and they had to resume making nuclear weapons and missiles. “What are you getting out of this,” they said, “except a little oil? We're giving up our nuclear weapons program.”

So against that background, when Pakistan offered uranium enrichment technology to North Korea to pay for missiles, there were people in the armed forces in North Korea who wanted to grab it, and who apparently did. Now President Musharraf of Pakistan said last year that A Q Khan – well, you haven't been able to get to A Q Khan, you know, who presided over the nuclear that Pakistan was running – Musharraf said last that A Q Khan gave North Korea 12 sample prototype centrifuges to make uranium, and just a week or two ago, Musharraf's memoirs were published, and he revealed that some of the prototypes of the centrifuges were of the advanced P2 model. But we should bear in mind that these were only samples. To actually make the thousand centrifuges needed to make uranium-based nuclear weapons, North Korea would have to import a variety of sophisticated components and would then have to learn through long trial and error how to make the centrifuges, how to operate them, how to produce high enriched uranium. That takes many years, as the U.S., Russia, Japan, and now Iran have learned.

So when the Clinton administration ended, North Korea was still trying to figure out what to do with the technology it got from Pakistan. The Bush administration comes

into office and it was divided from the start about Korea. Colin Powell said he would “pick up where the Clinton people left off.” But he was quickly slapped down. The President told Bob Woodward that he would like to topple Kim Jong Il and some of his most influential advisors like Vice President Cheney and John Bolton were looking for an excuse to abrogate the 1994 nuclear freeze agreement. First of all it was Clinton’s agreement, so that made it no good to start with. Also they thought it was appeasement because it gave North Korea oil and other aid in exchange for stopping its nuclear program.

Now, they found their excuse to abrogate when some new intelligence came in during 2002 showing that North Korea had imported what looked like components for uranium enrichment. The administration has yet to reveal much about the new intelligence, but they decided to use it as a rationale for abrogating the agreed framework. They accused North Korea of operating a secret weapons grade enrichment program, as you know. Specifically – and this is the part to remember – the CIA told Congress that North Korea might be able to produce two uranium-based nuclear weapons a year by “mid-decade.” That was in November 2002. And since North Korea had cheated, the administration said the agreed framework was dead as far as we’re concerned. The U.S. stopped the oil shipments to North Korea. In December 2002 Pyongyang predictably retaliated by resuming the re-processing of plutonium that had been frozen since 1994, and by ousting the international inspectors. In other words, we threw the baby out with the bath water. We brought the present crisis with North Korea on ourselves. Since the summer of 2002, North Korea has been free to re-process the fuel rods in that reactor and the result is the nuclear test last week.

I've argued in the January 2005 issue of "Foreign Affairs" that the administration had exaggerated the danger of the weapons grade uranium program as part of its policy of confrontation and regime change. As I mentioned, they warned of two or more uranium-based weapons per year by mid-decade. Well, it's 2006 – past mid-decade. We've heard nothing since then about those two weapons a year. In fact, the administration has presented no evidence at all to back up its claim that North Korea has a program in place to enrich uranium to weapons grade, and as you know, the Director of South Korean intelligence a year ago made a statement to the National Assembly in South Korea, that the National Intelligence Service of South Korea does not believe that North Korea has a weapons grade uranium enrichment program because it hasn't been able to import the necessary components to have one.

China has been very skeptical as to what extent there's anything more than a pilot program. In other words, there's no basis for saying that North Korea cheated on the agreed framework. They honored the operative provisions of that agreement under IAEA and U.S. inspections and no plutonium was produced while the freeze was in place. All that can be said is that they wanted to have the uranium option so they imported equipment, it appears, in amounts that might have been for an experimental pilot project. There is no evidence that they actually have any uranium enrichment facilities, or even started to make them. So the bottom is that we can advance U.S. interestes – we can advance U.S. interestes by negotiating with North Korea. The basic administration argument is that there's no point in negotiating with these people because they cheat and don't live up to their agreements. Remember, no plutonium was produced from 1994 to

2002. We brought the present crisis on ourselves basically for political and ideological reasons.

Now I'm going to fast-forward to September 19, 2005. As you know, North Korea signed the de-nuclearization agreement with the six parties in Beijing, and in Article I Pyongyang pledged to "abandon all nuclear weapons and existing nuclear programs." And the reason they did that is because in Article II, the United States agreed that the U.S. and North Korea would "respect each other's sovereignty, exist peacefully together, and take steps to normalize their relations."

Now, four days later, on September 23, 2005, the U.S. Treasury Department imposed sweeping financial sanctions against North Korea designed to cut off the country's access to the international banking system, granting it a criminal state guilty of counterfeiting, money laundering, trafficking in weapons of mass destruction.

Now, the administration says that was just a coincidence – four days after the signing. You could perhaps say the left hand didn't know what the right hand was doing. I don't even think that's accurate. I think the left hand, if we want to make Chris Hill the left hand, knew what was going on – either didn't realize the impact this was going to have, or just couldn't do anything about it. But in any case, I found on my recent trip to Pyongyang that there's no question that North Korean leaders viewed the financial sanctions very seriously as the cutting edge or calculated effort by the dominant elements in the administration to undercut the September 19 accord, squeeze the Kim Jong Il regime, eventually forcing its collapse. This was mentioned over and over again. And my conversations made absolutely clear – this was September 19 to 23 – that North

Korea's missile tests in July and now the nuclear test explosion were directly provoked by the U.S. sanctions.

I couldn't get anybody in North Korea to say in so many words that there was going to be a nuclear test or to deny in so many words that there would be a nuclear test. They were playing it in a very cozy way at that time. But the general thrust of many things that I – everything I heard made me prepared for the nuclear test. For example, I saw General R (inaudible), their representative at the DMZ and he first said – as everybody else said, “I know nothing about this, but you should recognize that we already have a functioning nuclear deterrent, so we don't need nuclear tests. And anyway, we don't have the open spaces that you do and Russia does to conduct above ground nuclear tests, and it would be risky to conduct an underground nuclear test in terms of radioactivity.”

So when I confronted Kim Gye Guan at the Foreign Office about that statement, and I said, “Does he speak for the government?” He said, “Well, that's his personal opinion.” So I felt pretty clear in my own mind that they weren't going to be conducting a test.

So I think it's important to understand that the nuclear test – we can't say it was caused only by the financial sanctions. We can certainly say that it was precipitated by the financial sanctions and there are a lot of other reasons why the people who advocated it within the North Korean system wanted it.

In general, we've learned over and over again in the couple of decades that when you apply pressure on North Korea, you get a bad response. You get more pressure. So whatever you think about the justice of applying more sanctions now or finding some

other way to punish them and show them they're bad boys, if you look at experience, there's no reason to believe that pressure will produce anything but more negative results. So I think it's time to keep our cool and look very carefully at what can be done. And I think in order to do that we should look at the fact that the administration is really deeply divided over what to do with North Korea. This has all been in the paper every day, but I think it's really the essence of, on the one hand, that the September 19 agreement itself was very controversial within the administration. When Chris Hill went to Beijing, his own delegation had a lot of people in it who didn't like anything he was doing. He decided that he had to have bilateral negotiations with North Korea. He had insisted that any bilateral negotiations had to be in conjunction with the six-party talks. So that's why he's proposing now separate bilateral negotiations as a precursor to the six-party talks. In this case, in September of 2005, he said, "Okay, we're going to have the six-party talks in a week. We'll use the week before the talks to talk to them, rather than doing it as a whole while the actual negotiations are going on." So he started the six-party talks very intensively, and I'm convinced from everything I know that it was really his initiative with the approval of Condoleezza Rice, but over the dead bodies of the people who didn't like the thrust of this whole thing at all. They feared that something like the September 19 agreement would emerge in which we would get committed to normalized relations. So he held a dinner in Beijing for Kim Gye Guan during these bilaterals, and Victor Cha, the NSC whom many of you may know, a good scholar from Georgetown, and Richard Lawless of the Pentagon – they wouldn't attend his dinner and after the draft agreement was signed, it was them saying to a lot of the members of the delegation, particularly those two, and they came over – flying back and forth to Washington, to try to get the

White House to stop the U.S. from actually signing this agreement which had been drafted largely in very close consultation with China. We talk about China's role a lot. China did have a very key role in drafting the actual text of the September 19 agreement. And they made it clear, the Chinese made clear that as far as they were concerned, that was it. They were not going to back down from that text.

So Chris Hill had some pretty strong ammunition in winning this fight, but took three or four days. Everybody just sat there until the word came back – “Okay. Condoleezza Rice has persuaded the White House that this agreement should go through.” So the September 19 agreement was controversial from the start. And the North Koreans were well aware of it.

And then comes the financial sanctions. So the word used by Kim Gye Guan at one point was that “We consider your administration dysfunctional. We like to use the phrase because Americans say (inaudible) - you know, in effect he kept saying, “Get your act together and we can do business.”

Here's what he said once, “How can you expect us to return to negotiations when it's clear your administration is paralyzed by division between those who hate us and those who want to negotiate seriously. At the very time when we were engaged in such a long dialogue last year, your side was planning for sanctions, (inaudible) did this to prevent further dialogue that would lead to peaceful co-existence. So many of your leaders, even the President talked about regime change and we have concluded that your administration is dysfunctional.”

Well, at one point in the farewell dinner that I had with him – I had six hours with him, both in his office – combined in the office and over the dinner table – he leaned

forward – Kim Gye Guan, and he made a very pointed comment that also made me realize they were headed for a test sooner or later. He said, “We really want to co-exist with the United States peacefully but you must learn to co-exist with a North Korea that has nuclear weapons. You have learned to live with other nuclear powers so why not us?” I said to him, “That doesn’t sound like you’re really committed to denuclearization.” And he said, “No, no. Don’t misunderstand me. We’re definitely prepared to carry out the September 19 agreement step by step, but we won’t completely and finally dismantle our nuclear weapons program until our relations with the U.S. are fully normalized. That will take some time and until we reach that target, we should find a way to co-exist.”

I think we should understand that these financial sanctions are not just some technical unimportant thing. They’re very serious, very severe. We’ve in effect asked all banks in the world not to touch North Korea or to handle any transactions involving the country’s – you know if European company wants to do business with them – a joint venture in Pyongyang to make widgets. Or in the case of the British American Tobacco, which does make cigarettes in Pyongyang and sells them there – their money is tied up in this Banco-Delta-Asia - \$3 million of the \$24 million is British American Tobacco money – nothing to do with money laundering or counterfeiting or anything. So we’ve got a serious set of sanctions in place which really reflect an attitude that you can’t do anything ... too rough with North Korea because they’re bad guys. And I quoted in my Washington Post piece the statement that was made by someone in the State Department who was talking to Treasury Department official, Stewart Levy who’s in charge of all this, and he was making the argument – he was saying, “Well, you know, we should be

distinguishing between those cases where they are counterfeiting our money, which we should do something about.” And it doesn’t seem to amount to more than about \$35 million over 10 years. For this we’re going to let the nuclear negotiations go astray! We should distinguish between things where they really are carrying on illicit activity in violation of our laws, and legitimate transactions where they’re importing things or exporting things that have nothing to do with nuclear weapons or counterfeiting. And according to – I heard the gossip going around that the State Department, Mr. Levy said to the State Department official concerned, “Well, you know, the President loves this stuff.” Now, I thought that was a very revealing quotation because the problem here is that we have a President who really does loathe Kim Jong Il and has a very emotional attitude toward this problem, but I think we’re getting to a stage where it’s pretty dangerous to let emotions guide our policies. We’re dealing with a potential transfer of illicit nuclear material and dealing with North Korea which is not dangerous to us yet, but which could become dangerous over a period of years if this present type of approach to North Korea, refusing to talk to them bilaterally, continues. And I did find that they have a very clear scenario in mind about negotiating. They say, “Look, we do want to go back to the six-party talks. After all, we would be the ones to benefit the most. We know that. We would get good things from the six-party talks – from the September 19 agreement. But we don’t believe you’re ready to talk about those things now because you’ve imposed these financial sanctions which are going in the opposite direction. So we have to have a bilateral dialogue with you first to get this financial sanctions issue out of the way, and then we’ll go to the six-party talks. We have to find some way to compromise

acceptable to both of us. And we should put everything on the table,” he said. “You can put on the table the things you want us to do.”

Now after the test, I’m sure one of the things we’d want them to do would be to suspend any further nuclear tests, any missile tests while negotiations on normalized relations are proceeding, which is what happened from 1998 until now. I mean in 1998 we agreed with them – it was agreed to suspend – they declared a moratorium on missile testing which was linked to continued negotiations on normalization. And when Bush came in we stopped negotiations on normalization. They still didn’t break the moratorium. They had pledged it to Madeleine Albright and to the EU and other people and they didn’t want to break. But as things got worse and worse and the financial sanctions were the last straw, they did break the missile testing moratorium. So certainly if there were negotiations, we’d have to go back to them and say, “Look, we will move toward normalized relations and we’ll start with certain steps now, but you’ve got to commit yourself now to no further nuclear testing or missile testing while negotiations on normalization are in place.” Secondly, they’ve been ready for a long time to have another freeze on their plutonium program. We say freezes aren’t good. You’ve got to dismantle them all at once.

So there are things we could accomplish in negotiations that would be very important to us, and they – as long as they can make more plutonium, there it is -- it can be transferred to somebody else. We say we’re worried about terrorism, but when it comes to realistic policies to deal with such stress, we’re not doing anything.

So they would want us to do things – we’d have to find a way to distinguish between the financial sanctions that really – any abuses that they are committing with

respect to our currency – to separate that from all these other things that we’re applying financial sanctions for, and make sure that legitimate North Korean trade and investment is not hampered. After all, we say we’re opening up North Korea to the outside world. We’re now in the business of closing it off from the outside world. Everything’s just gone crazy and backwards, and rationality would indicate bilateral negotiations. One of the things we would – should insist upon is a time-down commitment to return to the six-party talks. I think the six-party talks are a very sound idea, but they don’t preclude bilateral talks and as former Secretary of State Jim Baker said last week, it’s “not appeasement to talk with your enemy”.

So I think that his scenario for negotiations – Kim Gye Guan’s scenario – all of which I conveyed to all the different agencies in the U.S. Government who called me to get the picture of what’s happened – you know – the financial sanctions issue is dear to the hearts of the hard-liners in Washington and it would very hard to get it changed. I have no illusions that it’s going to be changed. But I felt it’s important to lay on the table the way things are, how they see it in Pyongyang. While I’m describing how they see it in Pyongyang and what the effects of our policies are in Pyongyang, it doesn’t mean that I like what Pyongyang is doing. When I go there, most of the time I spend telling them “Don’t have a nuclear test.” I’ve told everybody I talk to – “You shouldn’t test. This would be a great mistake. It would set back everything you are trying to do – say you are trying to do. It would be very unwise. Don’t do it.” So I think that they don’t act in their own best interest a good bit of the time. But that doesn’t alter the necessity to see why they’re doing it. What in this world do they have, and I gave you the history because if you don’t think about history and the permanent siege mentality rooted in the Korean

War, aggravated by all the things since, the things that have happened, except for this interlude during the Clinton period – you can't understand why they act in what I think is not in their best interest.

I don't think the sanctions at this time are bringing down the regime. They've hurt it. They're slowing down economic growth. They're interfering with our goal of opening up North Korea to the outside world by blocking foreign joint ventures that are – they're making it harder to carry on economic reform because they're creating a climate of economic stringency and scarcity. And it is a changing economic environment which is more important – it's really one of the most important things happening in Pyongyang. I mean, there's more economic activity there than I've ever seen – more cars than bicycles, better dressed people, more restaurants, more small mom-and-pop stores. Above all, more interest in making money. You know when I first started going there in 1972 and I was trying to see whether there were any economic incentives being built into their economic policy at the cooperatives, the factories, people would say, "We work for the dear leader. We don't need incentives." Now, everybody is after "my money" and looking for ways to make a buck for themselves. And it's respectable to be looking for a handle, looking for ways to make money. That's a very different climate.

So it's most unfortunate that just when the economic reforms are beginning to move – maybe not in a way that the good economists in Washington would like to see it carried out, but in the way that the divided North Korean body politic is capable of carrying them out—just at that time, we're going in the other direction. I mean, the biggest thing going on in Pyongyang now, I would say, is the fact that state enterprises which used to be subsidized by the state – if you lost money – they covered the loss, and

if you made money, they took all the money for the central government. Now, everything is focused on – it's a much looser system. Everything is still formally owned by the state, but enterprises are leased to managers who pay less to the state than they used to and can keep much more money if they make a profit. Of course, Pyongyang is not the countryside. Any of you from humanitarian aid organizations – there's no question that in contrast to Pyongyang to the countryside is stagnant, impoverished in many areas. But I don't think this has affected the political stability of the regime, and therefore I think that if the sanctions are being carried out with the serious intention of bringing down the regime, they're not going to work. And if their purpose is to get them to do something on the nuclear issue it's just going to make matters worse.

Well, there are many things that I could talk about. I think at this point I will stop and take questions, and we can have some dialogue.

(END OF SIDE A – SIDE B CONTINUES)

DR. KIM: Use the microphone in the back, please.

QUESTION: On the sanctions, acknowledged they did counterfeit –

HARRISON: I'm sorry. Say that again.

QUESTION: On the sanctions,

HARRISON: They've never proved it. The administration never proved it, but I'm prepared to say that if they could prove it, then we have to do something.

QUESTION: Okay, so my question then is, what would you do that wouldn't have the “You shouldn't be counterfeiting. You shouldn't be doing this. But we don't want ...” How would you separate the

HARRISON: I would do it mostly by restoring – by changing the policy that goes beyond anything to do with counterfeiting, which is – the actual way you deal with the counterfeiting and with the Banco Delta Asia case which is a very complicated case for many reasons is something I would have to know more about the details, which they don't give you, to really answer. But it's quite clear to me that telling banks all over the world – “You shouldn't deal with any transaction that involves North Korea in any way,” I think that has to be reversed. I think the burden should be on – if there's clear evidence that Transaction X is very nuclear weapons, or involves money laundering, then review it. But that isn't our policy. We're saying – Actually Stuart Levy (??) said at one time that – referring to the invisible line between licit and illicit money – there's an invisible – in other words, you can't – there is no difference between licit and illicit money. Not because North Korea is a criminal state, and therefore by its nature, everything they do is suspect. Now, that is simply not consistent with the facts. When I was in Pyongyang I saw businessmen, foreign businessmen – you know, the British, the Swedes, the Germans are there – a number of southeastern Asian countries are there, joint ventures – I mentioned British-American Tobacco just because it's a rather amusing example that involves cigarettes. But there are a lot of joint ventures beginning. There's at least a climate where people are looking for joint ventures. The North Koreans are looking for partners because they have incentive to start an enterprise – they never used to. And all that's being blocked. It's very difficult. They have to set up a front company in China which then goes and does the business in the world. We're kind of encouraging them to do things in a sneaky way. And so I think what we should do is reverse – clarify is the way I would do it politically. I mean, if I were Chris Hill talking to Treasury, I would say

“Please clarify. make clear that you don’t really mean that legitimate North Korean commerce with the rest of the world should be blocked, and that banks – the burden should be on banks to make sure that they’re punishing the criminals if there’s a crime.” Instead of the other way around. And now we don’t even let the criminal prove his innocence. We just say, “You do it.” So that’s what I would do. How you would resolve the counterfeiting issue itself, I don’t know. The people at Treasury who handle this say, “Well, just tell them to show us where the counterfeiting factory is.” Well the fact is, all we know about the counterfeiting – and I’ve looked at this pretty closely – we really have no proof that’s very solid that I’m aware of. We have found that there’s one company in the world that makes the kind of ink – it’s in Switzerland – that makes the kind of ink that we use on our supernotes (?), our dollar bills, hundred dollar bills, and we have found evidence that that same ink is in their money. Now maybe that’s good forensic evidence. I don’t know. But in any case, there are so many facts about this counterfeiting that are kept secret for intelligence reasons – they say, “Look, we can’t tell you anything more because it’s all – we’d give away our intelligence sources.” Which of course, you hear when you’re trying to find out almost anything. So I don’t know the answer to your question in detail. That’s something that would have to be negotiated, but I do know that there should be a distinction between the counterfeiting side of the deal and the clear need to re-open North Korean banking with the world.

MODERATOR: Thank you. Michael?

QUESTION: (inaudible) I’d like to ask you the same question I asked Daryl Kimball earlier in the day which is that you made a very strong case, and I agree that this was brought on by U.S. action. But the question is, in fact, it’s not a failed policy, but in

fact that's the intention of the policy, and I brought it up in the context of the hearing earlier this morning here in this building where Judge (inaudible) had a hearing on the October surprise – Is the U.S. preparing an attack on Iran? (inaudible) And the point that's being made is that this is a foreign policy that is already being handed the Koreans and it comes in that context. So the question is, in fact, is this not precisely the intention of the U.S. policy (inaudible) to provoke exactly this reaction that can then be used for moving toward war – not necessarily against Korea at this point (inaudible) further justify this (inaudible) policy?

HARRISON: I don't know. I don't know. I'll leave that for you to judge.

QUESTION: It seems to me that we're approaching the same situation that we were in the Spring 1994 where basically both sides have painted themselves into a corner with the United States moving full-fledged toward sanctions and North Korea declaring that sanctions would lead to war. In '94, it took Carter's visit to essentially stop that spiral. What would it take now? I mean, is there anyone in the position to do the same thing that Carter did? Or, you know, basically, how can you stop this?

HARRISON: The problem is that most of the people who could conduct missions like Jimmy Carter don't want to do it if the administration doesn't want them to do it. This power structure in Washington is a very cozy little thing, and I've been trying to see what could be done in this area and that's what I've encountered. So I think there are any number of people who come to mind. The one that Donald Gregg has proposed is former President Bush I. I think it would have to be – I think a mission to North Korea by someone who commands bipartisan respect could be very helpful at this time but the important thing is whether the person conducting the mission – what approach to the

problem such a person has because, you know, Jimmy Carter went to Pyongyang – I went to Pyongyang the week before Jimmy Carter and I had been advocating a nuclear freeze agreement for two or three years in Washington. The North Koreans knew that, and they wanted – they encouraged me to come to Pyongyang and they made it clear I'd be able to see Kim Il Sung. And so when I went to see Kim Il Sung, I had the concept of the freeze and I spelled it out, and I got him to accept this concept in public, a week before Jimmy Carter came there. And Jimmy Carter, when he came, did something that hadn't occurred to me which was – he got Kim Il Sung to agree to initiate the freeze then and there. I had in mind negotiations that North Korea and the U.S. would agree to. He said in effect to Kim Il Sung, "If you don't get the inspectors back and freeze your program before I leave Pyongyang, no American president will negotiate with you with a gun at his head." This was the logic of a politician like Jimmy Carter who understood what Clinton faced and so Kim Il Sung did that. It was quite remarkable. When you look at what's going on in Iran now, it's an interesting precedent. Kim Il Sung declared a unilateral freeze of the North Korean nuclear program. He let the inspectors back because he wanted to settle with the United States, and he recognized that Jimmy Carter was right – that politically Clinton wouldn't do it if he didn't do that. It worked. And as I said, Carter got this on – that he had done this – on CNN before this White House meeting that was going on at that very time could foul everything up. And so they were confronted with a *fait accompli*. It took them two weeks to really accept it. And finally they had some meetings at the White House. They invited a bunch of us outsiders to come in and, particularly I'd just been there and so – and they were all very uncomfortable. They couldn't figure out what to do but they finally concluded that – Al

Gore is supposed to have said at this White House meeting, “Well, let see if we can’t make lemonade out of this lemon.” And so, you know, Carter maneuvered Clinton into having to make peace with North Korea. Carter knew what he wanted to do. If an emissary goes now, the question is whether he knows what he wants to do and has any kind of realistic understanding of what might work. So I don’t think it’s just a question of sending some big name to Pyongyang. If there’s somebody around who has a sensible approach to it and has the right stature, he could play a great role.

QUESTION: I first want to thank you for the message. We hope that we can still roll it back. But is it still possible to roll North Korea back to which point on the North Korean nuclear program development should we do or can we do? (inaudible) That’s my first question. The second question is – suppose (inaudible) North Korea has a different level of negotiation (inaudible) rated from 1 to 10, from low to high, where do you think the nuclear (inaudible) is ranked, and if it’s ranked around 10, what (inaudible) next step (inaudible) North Korea in achieving (inaudible)?

HARRISON: Well, you’ve asked a very good couple of questions, of course. I think North Korea – the next step – the first step in rolling back that they’ve prepared to take is to simply stop plutonium production. Not only the (inaudible) reactor which is a little place, 5 megawatts, but this big one, T (inaudible), which would be 50 megawatts, if they actually build it. So I think they are prepared if we give them a good price. You know, it’s just a question of what we’re prepared to do to make it worth their while. If we are prepared to provide large scale energy assistance, if we are prepared – in return for a freeze – if we’re prepared to resolve the financial sanctions issue, which is the main issue now, I think – and if we’re prepared to take off the terrorist list – I would say those

are the first steps. Exactly the deal you would make, I don't know, but the freeze is the first thing they will give up. Then it gets harder from then on, and it depends on how the whole relationship is moving. I think perhaps during the Bush administration the most we can get is a freeze. But if we could get a freeze now and a commitment not to conduct further nuclear tests, missile tests, while negotiations on normalization are in progress, then maybe the next administration wouldn't have so much suspicion in Pyongyang and maybe it'll move further. I think it's going to be a question of tit-for-tat. I did a report – I had a task force on U.S. Korea policy, and in that report, we outlined Step 1, Step 2, Step 3. And if you would see that report, it was called “Ending the North Korean Nuclear Crisis” published by the Center for International Policy. You'd probably have to get it on the web now. That – you know, tit-for-tat, and it would take time, as Kim Gye Guan said correctly – I think he's quite right – I can't see North Korea giving it all up. Letting us find out for sure that they haven't got a pilot uranium project tucked away somewhere. I think that all of that is going to take time and so I think he hit the nail on the head when he said that co-existence with a nuclear North Korea is the decision that we have to decide whether we're prepared to take. But I think the answer to your question is – I think we can get rid of the whole thing, but it's a question of how far we go in becoming friends. As far as they're concerned, they are prepared to go very far. It's really – I guess the word I should use is – they're opportunists – which isn't always a bad thing in this life to be capable of taking an opportunity when you see it. The word “opportunism” is usually regarded as unprincipled. But they're – you know, China is sitting next to them. Russia is sitting next to them. Japan is sitting next to them. My view is that South Korea, just like North Korea, sees the United States as an offset to the

neighboring powers, and it's just classical geopolitics. You get the far away power involved to balance the near powers. And so I think they're prepared to go very far with us. I can imagine under some circumstances, military and intelligence relationships with North Korea if we've reached the point where we have diplomatic recognition, lots of investment there, and the whole nuclear problem is wound down. There is the opportunity – if their interest would be served, they're prepared for very close relations with us. The problem – so Chris Hill says – “Well, we've told them we're prepared to be very close friends. Why don't they shape up and just come to the six-party talks?” But the problem is the distrust that has now been built up because of the (inaudible) policy in Iraq, and if you look at – they say to you, “Look, you've been willing” – one of them said to me, “Look, you've been willing to sacrifice 20,000 wounded young Americans in Iraq. You've been willing to sacrifice 4,000 dead American soldiers in Iraq. So we believe you when you talk about regime change and the axis of evil. We think you might do something here. So we've got to prepare for it.” So the distrust is such that in this climate, they're not about to listen to Chris Hill and say, “Okay, we trust you. We'll come back to the six-party talks and start making a deal. Keep your financial sanctions on and we'll start making concessions.” It just isn't going to happen.

QUESTION: I'd be interested – I think you nailed (inaudible) the distrust on both sides. I think there's also – at least from our perspective – a misunderstanding or a lack of appreciation of what's going on in the North. I'd be interested in hearing a bit more on these subjects, based on your experience – 1) what is happening with the economic reform, and how can that be a positive force, and 2) what really does North Korea want? You started to get into this, but what does it want when it talks about normalization

(inaudible)? As you know, politically, thinking about it – it would seem very difficult for a democratic American regime, regardless of who's at the top, to become very close friends perhaps with a former enemy, but particularly this kind of regime that's currently in place. How do they expect to bridge that – distrust and history and the (inaudible) with the current political (inaudible) in place in both countries?

HARRISON: Well, they're not sure we can. That's why they're developing nuclear weapons.

QUESTION: But that's their goal – normalization, so how they are expecting to achieve that?

HARRISON: Well, I mean, they thought they were moving that way when Bill Clinton was in office, and we were moving very constructively in that direction. And we were headed for a missile agreement and distrust was ending, although they were afraid of us, they felt vulnerable but the forces in North Korea who felt you could do business with us were encouraged. So I think that they hope that they can get back on a track where there's a gradual thaw and Kim Gye Guan said that when the discussions were going on about Chris Hill coming to Pyongyang, which was shot down mainly here I think – they said – Hill wanted to bring along Jay Lefkowitz, the Human Rights guy in the State Department, and they said, "Okay." Now that was extraordinary. I hadn't known that. He made a point of telling me that. He said, "We told him he could bring Mr. Lefkowitz and we would talk to him." So they understand that human rights issues are important in the United States. What they would do to satisfy Lefkowitz I don't know, because they think that most of the human rights are really regime change groups. But I would say that the answer to your question is – that they're basically in a hunkered

down mood. Going into a (inaudible) phase, maybe. I thought today maybe a turtle pulling into its shell is a good analogy – I don't know. So they – again, this gets back to who you're talking about in Pyongyang. There's the people who really believe in the possibility of normalizing with the United States. They have all kinds of ideas of ways to do it, including lots of encouraging all second track contacts, encouraging humanitarian aid contacts. The hard-liner is resisting all that, because they distrust the implications of any foreign influence, particularly American, on their power structure. And one of the things I might say at this point is that – as in any society, there's a lot of vested interest in North Korea, in the power structure – people who are making money. One of the things that – through import/export activities, control of their own (inaudible), and this is probably the one source of real instability in North Korea. Once you begin to get some people getting rich in the power structure, other people get jealous and so that is a – there is a risk of instability in North Korea for that reason; not for the reasons that are often attributed to (inaudible) such as we put on the pressure and they crumble. Because of their own way – because of the economic reforms and the fact that some people are getting rich and others aren't, you're getting tension – social tension in North Korea. But the reforms which you asked about – I'm not an economist, and to judge wisdom of the way you're going about this, and I'm not saying that their overall growth, macro-economic growth is necessarily healthy given all the many factors involved, but the fact is that you have had China buying lots of their raw materials – their mineral resources, gold, ore, iron ore, (inaudible) copper, all kinds of things. They've had a solvent economy because of that trade. So it isn't just aid – if people say, “If China cuts off the aid, they'll go down the tubes.” Well, there are different things China's doing in North

Korea. There's a whole – triads are active in North Korea. There are Chinese gangsters and smugglers bringing all kinds of stuff into North Korea, being sold in the markets there and they're in league with a lot of rich North Koreans who are emerging now and the reforms are producing some, a little group of buccaneers at the top like the days of Andrew Carnegie and so forth in the U.S., and then a kind of – “middle class” is not the right word, but a class of people who are getting to – people at the mom-and-pop store level who see an opportunity to make a better life than they've had. And it's an uneven reform process, but the process of change is clear when you go there.

QUESTION: (inaudible)

HARRISON: Both sides will have different calculations three months, six months, nine months from now. I don't know what the sanctions are going to look like, so I really wouldn't comment on that until I see what they are. Some – certainly – this is to be implored. I tried – as I said – I talked with the North Koreans endlessly, urging them not to pursue this test. At many levels. Non-proliferation level in terms of the consequences. I was against the test. They know it very well. I sent messages after I returned through the U.N. mission – “Please tell your colleague – do not conduct this test.” So I think it was a great mistake and a very unfortunate thing, and it will strengthen the nuclear hawks in Japan. Some – the international community is correct to deploy this and make clear that it regards it very seriously, but I think – so they don't know what the sanctions are going to be. They don't know whether they are likely to risk escalation and the test (inaudible) to me would be: are they sanctions that are likely to risk escalation to military conflict? Because I think that that's possible. Many of the things that are being discussed could lead to escalation. I am against any sanctions that carry a significant risk

of military escalation because I think the potential for another war in that area is very real and so I think that – to answer your question, I’m not against all sanctions. But I think we should recognize that they are counter-productive. After we’ve made clear our displeasure and we have to recognize that whatever we do to express our displeasure isn’t going to get us to begin the process of rolling back North Korea’s nuclear program – it’s really to make ourselves feel good and to feel justified that we have made clear that we disapprove of what they have done. But we have to be careful to do things that will lead to the right result. We don’t want military conflict. We do want to roll back their nuclear program. The goal of our policies from now on should be to roll back their nuclear program while it is still in its very early stage and it’s still in its very early stages. So roll-back is realistic because it’s in its very early stages. Sanctions, if they are going to provoke military escalation, if the character of the sanctions are such that they’re going to provoke – that they carry a significant risk of provoking military escalation, I am against them.

QUESTION: (inaudible)

HARRISON: They’ve already been enduring winters in North Korea without any lights, without any heat for the last 10 years. And so they’re hurting already, and I can’t predict what the breaking point would be. But I do know that the North Korean people are persuaded that the outside world is to blame for their trouble, and my reason for going over this history and going over the sanctions – emphasizing the sanctions policy – is that including more sanctions will just enable the regime to reinforce its use of this country’s danger – I don’t see any sign of the people of North Korea – we’re talking after all about 23 million people – blaming the government – will blame the government for any

privations they face. So I think it's important to register the international disapproval of any steps toward nuclear proliferation. I would like to see international disapproval of the increases in the U.S. nuclear capabilities that are taking place now. You know, if we get into the things we'd like to be disapproved, there are quite a few things we should disapprove, and this is one of them. This is an unfortunate step. But it should be a result – we should test our future policies in terms of what are the likely results to be. So I don't know. I think that the interception of ships on international waters – certainly we should be careful [not] to get into anything that's a naval blockade, which would be a violation of international law. How much effect it would have to do what they're talking about doing, I don't know. The most serious problem we face is the danger of fissile material being transferred to others. You stop a ship with plutonium – you could put in a thimble – that's enough plutonium to do quite a lot of damage. So I wouldn't want to be the inspectors trying to find a (inaudible) of plutonium on a ship that's seized on the high seas. Maybe you'll find some amphetamines. Okay – when I was a Washington Post correspondent in Tokyo in the late 1960s and early 1970s, one of the best stories I had was about cooperation between the Japanese Yakusa and the South Korean Yakusa – smuggling amphetamines from Japan into South Korea. They made them in South Korea cheap and sold them in the Japanese market, and this was a phenomenon at that stage of South Korea's economic development. Big time illicit transfer of amphetamines from South Korea to Japan in the 1960s and early 1970s, some of which got into the Diet (inaudible) in Japan and so forth. So – you know, I think North Korea is probably engaging in a lot of illicit amphetamines trade which fits their stage of development. It doesn't excuse it, but I suppose you could stop that by stopping boats in the middle of the

ocean. But finding plutonium in the middle of the ocean, in a boat, it seems to me is rather far-fetched.

QUESTION: The (inaudible) history about the South and North Korea (inaudible) Goal is to be unified. But does America realize that any kind of plan (inaudible)? To me, all this nuclear program and all the things they do, to me, their ultimate goal is to unify Korea as one country. And as you know the history of Asia, (inaudible) under China's pressure ... So I believe the (inaudible) of North Korea still have a lot of (inaudible) and what they did in 1930. So does the United States look at South and [North] Korea in that way? Or do they have any kind of plan to face those facts of history?

HARRISON: So it is your view that North Korea still wants to unify the Korean Peninsula under its control – is that what you're saying?

QUESTION: Yes. Over the long term. Yeah. To me that's their ultimate goal.

HARRISON: Well, I think that that is a correct assessment of what their goal was 20 years ago. But I think as they have seen South Korea grow economically, I have seen a big change in their perceptions of South Korea, and their perceptions of what they can do. So I don't agree with you that at the present time, North Korea's goal is to unify the Korean Peninsula by force. I can agree with you that some of them may think that nuclear weapons have many advantages besides deterrence against the U.S. They're cheaper than having a big conventional force that they can't afford. They strengthen their prestige in the eyes of many South Koreans because they're standing up to the United States and they're showing that Koreans can do this, even though South Korea's very unhappy, uneasy about the nuclear weapons. I think the South Korean attitudes are very

ambivalent toward North Korea's nuclear program. So I think they see – they think it may strengthen their position in the inter-Korean relationship. However, I believe that they are definitely prepared for a gradual peaceful reunification, so long as they don't lose their jobs. The generals in North Korea, the bureaucrats in North Korea don't want to lose their jobs, just like people in the South Korean power structure. So that's why neither side is any hurry to have a sudden unification. Also South Korea doesn't want an expensive collapse of North Korea that would cost them money like Germany did. But I don't agree with you that North harbors the belief that it can unify the Korean Peninsula under force using the threat of nuclear power. I think that they want to preserve their own jobs. Kim Jong Il – all of them have perks, privileges, and it's an elite and authoritarian system which is living it up, and I don't think they want to lose that. So they want to keep North Korea – the regime – they want the survival of the regime, and they see the U.S. as trying to take it away. But – so I think that they are ready for a confederation. I think when Kim Dae Jung went there and they talked to Kim Jong Il about a confederation, they were serious in saying that “these two ideas, yours and ours, are not too far apart. We can work something out.” And what a confederation will do is not disturb the system. Confederation is a way of postponing unification but keeping the dream alive. So we'd have a flag up at Panmunjom, and you'd have an annual meeting and you'd have a much more organized process of cooperation than you do now, and gradually it would accelerate all the contacts and gradually move them toward real unification. But in the meanwhile, nobody would lose his job. That's what confederation means, and I think it's very much alive. When I was there, I talked to the Vice Chairman, Mr. Kim Yong Da, about this. He's their No. 1 policy-maker on unification – on

relations with the South, and I said, “Why is it that you aren’t talking about confederation these days?” He said, “Because we know that our friends in the South in the government have opponents, in the opposition, who aren’t ready to talk about confederation.

Therefore, we don’t want to embarrass our friends in the government in the South.

They’re not ready to talk about it.” I think that’s very true – a very realistic analysis, but I think that – so I don’t agree with you that – 20 years ago they thought they could reunify the Peninsula under their leadership. Now they know that they can’t, and what they’re trying to do is save their jobs.

QUESTION: Do you have a sense of where the dividing line is in terms of sanctions between ones that would lead to a war and ones that wouldn’t?

HARRISON: Not really. I think that the most dangerous thing would be to go into North Korean territorial waters in pursuit of ships that we think are carrying something dangerous. That would be very risky. I don’t hear any talk of that. I think that’s recognized. I think this administration probably has so much on its plate in Iraq that they’re not looking for military conflict in North Korea. I’m not sure they’re as worried about the nuclear potential of North Korea as many people are. Colin Powell said at the end of the “Meet the Press” interview in December of 2002 or 2003 that – “What does it matter to us if North Korea has one or two more nuclear weapons?” Of course now we’re talking about 10 or 12. A little different than that. But I think there’s a kind of feeling that “We’re the big cheese. We have all these Tomahawks in the Pacific. We have all these nuclear subs. If they really give us a hard time in any serious way, we will take them out.” And we’d love an excuse to take them out. So I don’t think that – therefore, I’d be surprised if this administration takes military action that is really risky,

like going into North Korean territorial waters. I hope not. It's certainly possible, but I'm very concerned that if John McCain becomes president, his whole record is one of saber-rattling against North Korea at every opportunity. He has been extremely – he's made many very dangerous recommendations over the years about bombing North Korea and so I'd be very concerned about what would happen with respect to North Korea if John McCain becomes the president.

QUESTION: You mentioned the domestic events with the Clinton administration to move toward North Korea, but what kind of domestic event do you see that will motivate the Bush administration to (inaudible)?

HARRISON: I think you misunderstood me. What I said was that Clinton made the agreed framework, and then domestic pressures prevented him from carrying it out in full. That's what I said. Do you understand? The Clinton administration, like the Bush administration, was divided between some people who felt it was possible to deal with North Korea; other people who felt that they're going to collapse, so there's no harm in working (inaudible) because they'll collapse anyway, and this will buy time. So the Clinton administration was divided – both administrations are – but I don't think it had anything – I don't think you could say – I didn't say that domestic pressures led them to seek accommodation with North Korea. Domestic pressures slowed it down. People like Perry and Gallucci were pushing things in the right direction.

QUESTION: You haven't really said much about what you think the impact is in South Korea on the Sunshine policy and the sanctions.

HARRISON: Well, it's clearly going to be very important. I mean, you know, the Grand National Party is going to certainly exploit this and it's going to be very

difficult for No Moo Hyung to carry out many of things that he wanted to carry out with respect to North Korea. I would be surprised if it affected the Kae Song project, but I'm sure it'll lead to changes. What they're going to be is being debated in Seoul now, and I can't predict it.

MODERATOR: Well, ladies and gentlemen, thank you very much.

END OF MEETING