

**THE BROOKINGS INSTITUTION**  
**CENTER FOR NORTHEAST ASIAN POLICY STUDIES**

**2003 SPRING FORUM**

**TENSIONS ON THE PENINSULA: KOREA, NORTHEAST  
ASIA, AND THE UNITED STATES**

**THE BROOKINGS INSTITUTION**  
**WASHINGTON, D.C.**  
**APRIL 24, 2003**

**SEGMENT 1**  
**PYONGYANG'S PERSPECTIVE**

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*Transcript by:*  
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JAMES STEINBERG: Well, Strobe has really given a terrific introduction to our program for today, and I must say that, for all of us, the issues could not be more timely, and we could not be better served by both the panelists that we have today, but also the audience. And I'm really grateful to all of you as a very distinguished group of observers and analysts and sometimes practitioners on the problems we're going to be discussing. And so I know that not only will we get a lot of enlightenment from our panels, but also from the questions and comments from the floor. So we plan to have plenty of time for that.

I don't think the nature of the first topic needs much explanation. I think that the question on everybody's mind is exactly what is on Pyongyang's mind, and it's one of the more mystifying challenges that we all have, but fortunately we have four people here who, if anybody can help us understand it, they can. So let me not waste more time, but just briefly introduce our panel. I'll do it by distance that they've traveled to get here, which – with the exception of one case, is not very far.

First, Allan Song, who is the program officer for the International Security and Foreign Policy program at the Smith Richardson Foundation, which is a foundation known to all of you as perhaps one of the most focused on the security problems of East Asia and has been a great source of support to all of us over the year. Allan's – in particular – expertise has been a tremendous asset to the work of the foundation, and in addition to his years at Smith Richardson, he also worked as a director of Asia programs at the United Nations Association, and that gives him another interesting perspective on the challenges that we're facing. He has been a frequent commentator and writer in all the major publications that are focused on these issues.

Then the next furthest distance traveled is Don Oberdorfer, who has come from about six buildings away. Don, as you all know, is journalist-in-residence and adjunct professor in international relations at SAIS, as well as a distinguished author and journalist for a long time, and has been a frequent contributor to our sessions here at Brookings, for which we are grateful.

Next closest, from directly across the street, Marcus Noland, who is a senior fellow at the international – the Institute for International Economics, who has written – also written extensively on Japan, Korea and China, and in particular, “Avoiding the Apocalypse: the Future of the two Koreas,” which won the 2000-2001 Ohira Masayoshi Award.

And finally, from five stories up, Michael O'Hanlon, a senior fellow here and a well-known author and commentator on not only the Korean Peninsula, but a number of other issues. Mike is hard at work on his own book on Korea, which is he is going to Mike Mochizuki, an alumnus of Brookings, and we hope to have that out in the not-too-distant future.

So to begin with, we're going to start and look at what's – what are the motivations behind the recent moves by North Korea, what should we expect going forward, what are the prospects for an agreement, and I want to ask Allan to begin the discussion.

ALLAN SONG: Thank you very much, Mr. Steinberg. It is a pleasure and an honor to be here today – an undeserved honor, really, because I'm not really an expert on North Korea, particularly in comparison to my fellow panelists, and in fact, ever since I got a call from you and Mr. Bush to join the panel, I've been scratching my head – gee, I wonder what the reason was for the invitation, until I recalled a conversation I had with a senior person in the foundation business a few years back when I first joined this business, and I said, "You know, I'm not really an expert. How can I be in this business giving out money to all these other fellow experts?" And he said, "Oh, well, don't worry about it. To be a good foundation man, you don't really have to be a true expert; you just have to be a cocktail party expert." (Scattered laughter.) And I said, "What's that?" And he said, "That's an expert who is expert on everything, but only for ten minutes." (Scattered laughter.) And then interestingly I noted that was precisely the time allotment that I had been given. (Laughter.) So in that spirit, for ten minutes I'll pretend to be an expert only if you will pretend to be impressed and not ask – (laughter) – and not ask any questions.

My task – one of the tasks is to kick off the discussion, but to address sort of the critical view on North Korea, the so-called hawkish view or a Republican, if you will. And true, there is this debate going in this country how to handle North Korea, how to assess North Korea, how to make policy toward North Korea. And there – that dichotomy is very real. But it is not a simplistic sort of hawkish versus dovish, or Republican versus Democratic, conservative versus liberal dichotomy or debate, although it is that, no doubt. But underlying that, it is also a debate – a very serious debate, an unresolved and possibly unresolvable debate about means and ends, about our assumptions about North Korea, the way we have analyzed, you know, bits and pieces of clues and evidences we have collected over North Korea. So the point – the first point I wanted to get across is that this is not a simplistic and simpleton's kind of dichotomy about North Korea – hawk versus doves and so forth.

My point of view probably gravitates towards – closer towards the hawkish point of view. I am convinced, as – to get ahead of myself a little bit – that North Korea is not willing to change, and that – sort of where – it's a cyclical proposition rather than an evolutionary or a transformational proposition. But before I lay them out, I wanted to sort of return to what's going on in Beijing because that's a convenient segue to address the issue of North Korean motives and intentions.

In the short term, I think – as most of my panelists will probably agree with me – I think North Korea's motive is to get the U.S. to provide them some sort of security guarantee for the regime. Whether this, in their mind, is concretely sort of a non-aggression pact or guarantee, or something less than that, I don't know. But I think it's

safe to assume that that is one of the most fundamental and overriding motivations on their part.

Second, probably access to economic assistance – not bits and pieces, but a more sustained one; you know, access to the World Bank, international financial institutions and communities, and so forth.

When you branch out into their medium- to long-term motive, it becomes far less certain, and I do have to confess I don't know what their motives are. I think it's safe to rule out – and some might charge that I'm being naïve, but I certainly rule out that their motive is some kind of a military sort of assault on South Korea or Japan or this type of thing. But who knows? They might have – they still might harbor some design to sort of unify the Korean Peninsula on terms that are at least not unfavorable to them, but again – I mean, you know, I'm now getting into sort of speculative terrain.

In terms of the nuclear crisis that they have precipitated – what is motivating them – here again, much of the debate has centered around do they want to go nuclear, is this a bargaining chip – you know, what is motivating them. Again, I don't know. Indeed, you know, there has been a lot of confusion and debate about whether they even have a nuclear program, or was this a confusion of a translation, are they still denying it, is this a threat – so there is a confusion that surrounds this – the nuclear crisis that they have very – obviously very carefully precipitated and have calibrated according to our time clock, particularly in regard to the Iraqi crisis that we had to manage.

But assuming that they are carrying on on this nuclear program, I think whether they are intent on becoming a nuclear power or not is not an either/or proposition; that is, it's not either a bargaining chip or they're intent on becoming a nuclear power. Rather, I think it's a – sort of a all-in-one type of proposition; that is, they carry on with this crisis, and if they can bargain it away for some concessions, they will do so. And if they fail to, then they will always have the option of going nuclear. So it's not – as far as I can see, not so much an either/or proposition, but a sequential proposition that they will sort of adapt to as the situation develops.

One sort of last cluster of views and arguments that I wanted to end my 10-minute presentation on was what I see to be sort of the core of our ongoing debate – “our” meaning U.S. debate about North Korea and the efficacy of our policy towards North Korea, and it appears to me that at the core of all of our debates is this question of whether North Korea can change or not. If you weigh – strip away sort of all the attendant arguments and implications, at the core is whether North Korea is willing to change or not, and even if it's willing to change, whether they're capable of change or not. For example, not so much the agreed framework, but certainly the so-called Perry process, I think, was premised on this kind of conceptualization of the policy process and very much, in my judgment, the Perry process probably answered those questions in the affirmative; that is, North Korea may not want to change, but certainly could be induced to change by a very judicious application of carrot and stick so that the metaphor that I have in mind in sort of reeling in a fish once you catch it; you know, you reel it in, give it

a little slack, reel it in, and gradually sort of engineer a North Korean sort of – you know, the phrase that was popular at the time was “soft landing.” And we need to examine these assumptions. If North Korea is willing to change, if Kim Jong Il is willing to change, what is the price that he is willing to pay? What is the amount of change that he is willing to tolerate and pursue? And what is the direction of the change that he is willing to entertain? None of these sort of sub-questions, in my mind, has been very crisply analyzed in our ongoing debate about North Korea.

And then what is even less addressed and, as far as I can see, even more detrimentally to our policy process, is the second component of that question; that is, even if Kim Jong Il wants to change, can he change; that is, does he have the capability of change?

My personal view is that the answer to those two questions is no. I don't think – this is my personal view – I don't think Kim Jong Il wants to change, or more precisely and to quote my good friend, Scott Snyder of the Asia Foundation, he may want to change, but he ain't willing to pay the price. And I would take that a step further and would submit to you that he may or may not want to change – I don't know – but even if he does, my position is that he cannot change. North Korea is incapable of the kind of change that we would want to see.

I base that judgment on sort of three general issues. I don't want to generalize too much from, you know, grand historical generalizations, but the first reason that makes me deeply pessimistic that North Korea can change is sort of the historical lessons. I don't know of a single case in which a totalitarian regime voluntarily sort of devolved into a less repressive and more moderate regime, and I just don't see any evidence why North Korea would be the first exception to that rule.

The second reason why I am persuaded that Kim Jong Il is not going to change is his behavior during the past few years, but especially during and following the historical summit between him and Kim Dae Jung. I can understand why Kim Jong Il might be hesitant to make dramatic and drastic changes, but he had many opportunities – if not with us in Japan and South Korea, then with other far less sort of involved and threatening possible players such as Nordic countries, Canada, Australia, many of whom were reaching out to him, and yet beyond sort of superficial sending, you know, sending student delegations to study this or study that, Kim Jong Il never made any attempt to sort of reach out to these people for figuring a way out of the current morass that North Korea is in. I'm not necessarily even only talking about politics and security, but purely on sort of an economic dimension.

And the third reason – and this now relates to the issue of capability – is North Korea capable of change – the reason why I conclude or I'm pessimistic that they are incapable of change is his leadership. And here sort of the two – evidence that persuades me that he really doesn't have what it takes to sort of take North Korea out of its current path is just pure sort of competence issue. The two examples I would submit to you is he is sort of farcical – you know, special economic zone initiative in Sinuiju, which turned

into a great embarrassment. Obviously this was not a well-thought-out or well-conceived plan. But even more convincing to me is the way he handled the Japanese adoptee issue. Now that, in any other country, would have been a call for impeachment – the way he handled that, and not only was he so crass and callous about that, but that he was thoroughly unable to sort of adapt and cope with the fallout with Japan – all these things lead to me – lead me to believe that Kim Jong Il or his clique is not really suited to navigate the type of policy choices to get out of the current impasse. And I'll end it there.

MR. STEINBERG: Before I turn to Don, let me just push you a little bit on that last point. One of the things that has been striking about the last two kind of big developments in North Korea's relations with outside partners is the one that you mentioned, the Koizumi-Kim Jong Il summit and the revelation about the abductees, and then, in effect, confessing, admitting to the past and then in a very parallel way, the same thing with Kelly when confronted on the nuclear issue.

What do you think was behind the decision to come clean on the abductees and to admit the – or at least apparently admit the HEU program?

MR. SONG: You mean what was behind Kim Jong Il's calculations?

MR. STEINBERG: Yes.

MR. SONG: Again, this – I'm just piecing these all together from media reports and interviews and that kind of thing. I don't have any first-hand information.

My sense is that he was convinced by the Japanese gaimasho (ph), in particular, this fellow this fellow named Tanaka who is a bright guy, and he's into this kind of activist foreign policy – may have been told, look, all you have to do is own up to it and it will be all right. So in some way he's paying the price for Koizumi and Tanaka's miscalculations as much as his own. But the overriding impulse to own up to this obviously was access to Japanese money. Without normalization with Japan, he wasn't going to have billions in compensation package that was being negotiated. And you know, with Koizumi in Pyongyang, there was no way that Kim Jong Il was going to say abduction, what abduction? I mean, that wasn't just going to work anymore.

So the underlying motivation was to access the Japanese money. The immediate motivation must have been, look, all you have to do is own up to the abduction, show some warm bodies, and that will be the end.

MR. STEINBERG: And on Kelly and the HEU?

MR. SONG: Again, I'm speculating. But he probably felt that, well, look you know, we got caught, and rather than denying, turn it into a negotiating advantage – it will be one more card that we can use – would be my best guess.

MR. STEINBERG: Don, you've told us before that you thought the key decision had been made by Pyongyang, that they were going for nuclear status. What do you see their game plan for these talks – how did that decision effect how they're going to move forward through the negotiations?

DON OBERDORFER: Well first I have a little disclaimer. I don't know what North Korea is thinking -- (laughter) -- and I don't pretend to know what North Korea is thinking. I was there in November, I guess Ambassador Gregg and I were the last two Americans to have talks with the senior level of their Foreign Ministry and military. But I became persuaded in November that there was at least a good chance that they would give up the highly enriched uranium program that the United States had found out about, and Secretary Kelly confronted them with in October – just one month before we were there – in a negotiated arrangement with the United States.

What do they want, what did they want then, what do they want now – again, I'm not in their head, but I think it's fairly clear to me that their principle objective is regime survival, and that is not something that is easily done in North Korea's circumstances. As I'm sure Marcus will tell you, their economy – if you want to call it that – is in horrible shape and they've got lots of problems.

They told us that they would “clear the concerns of the United States” regarding the highly enriched uranium program if the U.S. would do three things. One is recognize their sovereignty, whatever that means. The second was not interfere with their economic programs, they weren't asking for money or any resources, just don't sanction us, don't keep us from doing the things that we want to do. And the third was a non-aggression treaty. Having known the North Koreans for a couple of decades now, my impression – and I can't prove this – is that they would have settled for a good deal less than that.

They knew they had been caught, as Allan said. They knew they had the program. They knew because Kelly told them that the United States had found out about their program. So we came back and we met with the White House and State Department at rather high levels and told them what we had heard, and suggested they should get in touch with North Korea and see what could be worked out. Obviously, anything that's going to be worked out then or now, or in the future, is going to have to have a very important verification context to it. This just goes beyond any possibility of making an agreement with North Korea, which has broken already some agreements without a high verification content.

Instead, the administration did the opposite, they decided that they were going to pressure North Korea into given up the highly enriched uranium program. They cut off the heavy fuel oil and North Korea did what I think was fairly predictable: they escalated. And they then announced in mid-December that they were restarting the reactor, which had been shut down since 1994 at Yongbyon under the Agreed Framework. And then progressively they took steps to break the seals on the spent fuel pond, to cover the cameras, to kick out the U.N. inspectors. The next step was to announce they have left

the treaty against the proliferation of nuclear weapons, and to announce that they were restarting their factory. In early March, the second week of March, they notified the United States through some private channel that they were prepared to fire another missile into the Pacific over Japan, and to begin reprocessing their materials -- a statement very similar to the one that was so confusing about a week ago. Then they stopped. They haven't done anything since then, as far as we know. Why?

Here comes to me what is the ray of hope in this whole situation -- let me just step back one step. I think what happened was that they realized they were not going to get anywhere diplomatically, there was no chance of a diplomatic solution to this problem because the United States basically took the position, we won't talk to you until you first get rid of the program. And there, I think, the military in North Korea and others of like mind persuaded their leadership, there's only one way we're going to assure our survival and our security, and that is to go for nuclear weapons as rapidly as possible. Why did they stop in March, so far? Well, there's a lot of speculation that maybe it was because of what they saw happening in Iraq starting the 20<sup>th</sup> of March, when the U.S. engaged militarily in Iraq. That may be a factor. There is speculation they ran into some problems with their factory that could produce plutonium -- separate nuclear materials into plutonium, who knows.

But I think the most important factor, and the one that gives me hope, was the intervention of the Chinese. Secretary Powell saw the Chinese foreign minister in New York, there were other kinds of diplomatic discussions. The Chinese sent a very high level emissary to Pyongyang to talk to them. I think the Chinese have told them that if North Korea proceeds down the path that they seem to be on, there was going to be a great deal of difficulty for North Korea, and that China unfortunately would not be able to protect them from the consequences, and maybe they were even stronger. I do know that, as a result of the Chinese intervention -- at least that's my interpretation of the reason, the principle reason -- they have not taken any further physical steps since March, for about a month now. They have agreed to change their positions on several diplomatic things. As you know, they insisted on bilateral direct talks with the United States. They fell off of that and agreed to meet in this trilateral forum, which we now have in Beijing. They fell off of their demand for a treaty with the United States of non-aggression, although I think what they still probably want as their irreducible demand or the thing that they want most, is some kind of credible assurance to them that the United States will not attack.

Having said all that, let me just say a couple things about the talks and the prospects as I see them for the talks. I don't know what is going on in the Diaoyutai Guesthouse any more than any of you do, but to me there are several interesting things about it. The first thing is that the outcome of these talks depends on two people, two different participants. One is North Korea, which we have talked about. They have sent Li Gun, who was the deputy ambassador in New York for several years, an imaginative diplomat but one of rather low level for such an important meeting. I think by selecting him they selected a person who has a lot of experience -- he was involved in the Four-Party Talks, for example -- but who does not carry the kind of level of authority you

would necessarily expect, and this may be a sign that they feel that, we have got to have these talks because the Chinese have told us we got to have them but we're not very enthusiastic about them.

On the other side, on the American side, I read in today's Post that Kelly can't even agree to continue the talks without coming back and getting some further agreement from the administration. I don't know how much authority Jim Kelly has to do anything except state what the U.S. position is. As you know, the administration is completely divided about North Korea and has had a hard time making up its mind about anything having to do with North Korea.

To me, for a variety of reasons, the intervention of the Chinese is very, very important. You think down the road, suppose these talks don't work out, what happens then? North Korea begins to produce plutonium, what happens then? The only force that I could see that could be applied, without an absolutely incredible danger of war on the Korean Peninsula, which would be a disaster, is China. If China believes that the United States has negotiated or sought to negotiate in good faith, and that the North Koreans have not, and that they are moving into very dangerous territory, I think China has ways of exerting pressure that North Korea would find very difficult to ignore.

I'm not predicting this will happen; I hope it won't happen. I hope these negotiations start a process that will lead over time to a discussion involving the United States, the DPRK, and obviously has to involve at an early stage the Republic of Korea and Japan at least, and probably Russia. I hope that's what happens. But if it doesn't happen, then you're left with having to live with North Korean production of plutonium, and the only force that I could see that could intervene to credibly pressure the North Koreans about what they do then is China. I don't know where the talks are going to go. I'm hopeful, but not optimistic.

As far as Allan's point about, can they change? It depends on what you mean by change. I would submit that North Korea has changed a lot in the last several years. It hasn't changed the regime, but if you compare the North Korean behavior since 1999, of seeking a controlled opening with their neighbors, including most dramatically South Korea, and with Japan, though it didn't work out, and with the United States, sending Marshal Joh Myun Rok here, inviting President Clinton, working close to having an agreement to stop ballistic missile sales and limit the production of ballistic missiles, their implementation of what clearly seems like a failed attempt to monetize their economy in the summer of last year. They've done a lot of things, I think, all aimed at survival. They have not changed the basic nature of the regime, and I find it unlikely that they will. Most countries don't, except over a long period of time. China is a pretty good example; Vietnam is another.

So, yes, I think North Korea is capable of making accommodations, making moves, doing things to bring themselves more in line with the international community, and I think that represents change. If you expect them to turn into liberal democrats, that's not going to happen.

In South Korea, it took from the mid-1950s until 1987 for South Korea to become a real democracy, although they had parts of democracy up until then. So I think that's not a question to me that is fundamental, as far as – I mean, I think Perry had it right, Perry, after studying – former Secretary of Defense William Perry – after studying the whole thing, after talking to the Koreans, South Koreans – who, by the way, have a very important role in this, and a very tricky role because of the change of government there, because of the generational change and the political change – but after talking to the Koreans, the Chinese, the Russians and the Japanese, Perry finally concluded that we have to deal with North Korea as it is, not as we might wish it to be.

And I think that is the practical issue. If North Korea is willing to talk, is willing to work out something that will reduce the danger on the Korean Peninsula, I think the United States should take the opportunity to do that. I think that's what is being tried now, in at least a small way, in Beijing. I hope it works.

MR. STEINBERG: Marcus, Don in some ways has introduced your topic nicely. We saw what appeared to be some kind of movement, a change on the economic front. From all indications, it doesn't look like it worked out too well. What was the motivation there for the change and what are the consequences of what has happened?

MARCUS NOLAND: Well, like Don, I would remind you that my training is in economics, not in psychiatry. And so, take my speculations about motivations with the appropriate disclaimer.

Why do politicians anywhere in the world change economic policy? They change economic policy because they believe that by making policy changes they will in some way improve their political position. In the case of North Korea, I would put forward the following argument -- and I'm not sure I am convinced of it myself but I think it's worth reflecting on in this context. If you accept Allan's proposition that North Korea doesn't really have any conventional aggressive intent towards South Korea or Japan – it's not going to invade, it's not going to try to occupy and unify the Peninsula militarily – then the possession of nuclear weapons by North Korea could be regarded as a simple defensive deterrent and a way of ensuring their political and military survival.

Now, if that's the case, if they basically want nuclear weapons for this kind of deterrent purpose, then this million-man army is redundant, it's just an albatross around the economy's neck. And indeed, at the end of the summer, beginning of the fall, the North Koreans began floating several trial balloons that they were interested in conventional forces demobilization, numbers up to half a million troops – which, interestingly enough, would have reduced the size of the North Korean army to the size of the South Korean army. Now, if you're going to demobilize half a million troops, you have to have somewhere for them to go, and that's where economic reform would fit in. You would be generating employment through reform, and that's how you would move the people out of the army, and then you would get rich in the process. I don't know if that's their motivation or not, but I think that there is a way of thinking about these

various things they have done, which, from their standpoint, whether it's persuasive or not – from their standpoint would be coherent and rational.

Now, the specifics of the economic reform basically had four components. The first was a marketization of the economy, which most people agreed is a good thing in principle. I think most people have been disappointed in the progress that has been delivered on that front. People who follow this more closely than I do say that the behavior, for instance, of enterprise managers doesn't seem to have changed a whole lot in the industrial sector. In the agricultural sector, since the reforms weren't announced until the end of the summer, the real decision point comes around now with the spring planting decision, so one can say that perhaps the jury is still out on the reforms though. I think that the consensus is they have not delivered as hoped for.

The second component was this creation of an enormous increase in the domestic price level which, although technically it's not inflation, for the purpose of this discussion let's call it inflation. There are several hypotheses about why the government did this. To me, the most persuasive one was that this was politics. This was an attempt by Kim Jong Il to reward his friends and punish his enemies. Essentially, by flooding the market with newly printed North Korean won, you destroy the value of existing holdings of won. Who holds won? People who can't get a hold of foreign currencies, people who are engaged in economic activities outside the control of the state. So by doing this, you have effectively destroyed the working capital of people who are engaged in trading activities or black market activities. So rather than being a liberalizing reform, this could be regarded as an attempt to actually re-assert state control over the economy.

Now, the personality types in North Korea that are engaged in economic activity outside the control of the state are people who – they may not have MBAs but they have a certain amount of street smarts, and when this policy was announced, as one would have expected, the value of the North Korean won on the black market collapsed. People immediately began trying to get dollar, yen, yuan, anything other than North Korean won – getting goods as a store of value just because they knew that the value of the domestic currency was going to decline. As a footnote to all of this, the government later then demanded that everybody turn in their dollars for euros. I don't think anybody believed that this was really about anti-American politics; this was an attempt to just extract foreign exchange from the economy.

And then more recently, the government has begun issuing what they're calling bonds, but my understanding from a technical standpoint is that they're trying to – they're not actually bonds. They're a very peculiar financial instrument, but they appear to be actually closer to a lottery ticket. (Chuckles.) Frankly, when I wrote down the mathematics of these instruments it looked like it had been designed by somebody who managed a pachinko parlor -- (chuckles) – which I suspect, in fact, was the case. But anyway, the government now is trying to extract more resources out of the populace through that means, and there is now a mass political campaign in every farm, factory, village, county and town to encourage people to buy these new “bonds.”

The third component was the establishment of this failed special economic zone in Sinuiji that AI had mentioned, which was a fiasco. And I think that, if anything, it points to the fact that the North Koreans are being pushed outside of their comfort zone. They're beginning to make decisions on things that they have never had to make decisions on, and they're making mistakes, and I think this is a good example.

The final component was the reaching out to Japan, because with diplomatic normalizations there is the expectation that there would be a large capital inflow, a large capital transfer from Japan; the newspaper number is \$10 billion. So, if you were doing the reforms and you thought there was going to be dislocation in the economy during a transitional period, that capital inflow could be quite useful because you could keep goods on the shelves and keep the population pacified. And, as we know, for political reasons that has stalled and the incoming monies have not been forthcoming.

So the situation North Korea faces now is that basically this reform program has – either it has failed or it is failing, depending on which verb tense you prefer. And I would argue that economic distress may be one of the motivations for why they're engaging in the Beijing talks. I don't believe that South Korea, China or Japan have the stomach for pressuring North Korea in the way that the Bush administration would like to see. They have indicated they're not interested in economic embargoes, they're not interested in economic sanctions. So if the North Koreans negotiate with the United States, show that they have made an effort and so on, I think that it will improve the political environment from their standpoint and increase the likelihood that South Korea and China will continue to give them economic lifelines, given the apparent failure of the reforms that they have initiated themselves.

MR. STEINBERG: How dire is the current situation – I guess it was yesterday the Financial Times suggested that, while we weren't headed towards the kind of catastrophic starvation of the mid-'90s, that we were slowly creeping in that direction.

MR. NOLAND: The situation is very complicated for the following reason. I would argue that there are people within the North Korean elite for whom life has actually improved in the last 10 years. Their standard of livings have actually increased. One other aspect of the system fraying that has gone on is that if you can get your hands on dollars, there is a wider range of consumer goods available. You can buy a VCR if you have the dollars to do it, you can get "The Lion King" dubbed in Korean. So for people in the elite, or people whose jobs put them into position to get a hold of foreign exchange, one could argue that in some ways their lives have improved. For the mass of the population, that is not the case – and indeed, the food situation in North Korea remains precarious.

The way I would summarize it would be to say that this is a society – it's always been hierarchical, but this is a society that is now showing increased social differentiation. With system fraying, there is a kind of implicit marketization of the economy, but it is marketization without any institutions. And so what is happening is the creation of an increasingly gangsterish sort of economy and society which, if you are

not part of the gang, then your livelihood and your life in fact is in a fairly precarious situation.

MR. STEINBERG: There's certainly a fair amount of evidence that the Chinese have sought to advise/influence North Korea on the economic side. Are they listening, are they indifferent? What's the dynamic there?

MR. NOLAND: Yeah, I would like to – that and something Don said about China and Vietnam. It is certainly the case that, from the standpoint of receiving policy advice, the group of people who the North Koreans will most intensively interact with are former socialist economies, or the Chinese. But from an economic standpoint, North Korea is not China. Let me give two basic reasons.

First of all, when China and Vietnam began their reforms, both of those economies had more than 70 percent of their labor force in the agricultural sector. Those are essentially agricultural-led reforms, and without going into all the details, there are reasons to believe that that reform path is more likely to be politically sustainable because essentially you can design it so that, in essence, everybody is made better off, then a reform path of a much more industrialized centrally planned economy. In economic terms, in terms of the composition of output, the composition of the labor force and so on, North Korea looks more like Romania or Belarus than it looks like China or Vietnam. So I'm sure they get a lot of advice from the Chinese, and given the state of North Korea, almost any advice they get from anyone would be an improvement over the status quo. But I think that you should not think that somehow or another North Korea is going to adopt, quote, "the China model" and start growing at 10 percent a year. It's fundamentally a different economy; it looks more like Eastern Europe.

The second reason, of course, is that it's a dynastic regime. Vietnam had a civil war, one side won. They became the monopolist definers of what it meant to be Vietnamese and what Vietnamese national ideology was. China, right, we have Taiwan, but nobody I think would claim that Taipei presents a fundamental ideological challenge to Beijing. So when Deng Xiaoping started doing those reforms, the ideologues could come up with slogans about black cats and white cats, and they could get on with it and reinterpret marketization as what Marx and Mao really had in mind.

In the case of North Korea, the divided-country nature of the Peninsula and the dynastic nature of the North Korean regime makes the political trick of reinterpreting Juche as meaning not self-reliance but globalization and increasing ties with South Korea, your richer and more powerful cousins – a much more difficult political task than what the Vietnamese or Chinese reformers faced. So I think that while I'm sure they get a lot of advice from the Chinese, and I'm sure it's good advice, I don't think anybody should think that this is necessarily going to be an easy thing for the North Koreans to pull off.

MR. STEINBERG: Mike, Marcus' suggestion that the North Koreans were looking to downsize the military and hitching the economical reforms, for example,

sounds awful like the O'Hanlon proposal for saving the North Korean economy and bringing peace to the Peninsula. (Chuckles.) How likely -- what are the challenges that they would face to do it and how does the military fit into this equation?

MICHAEL O'HANLON: Thanks chairman, it's an honor to be on this panel. And I will second you in saying great things about Marcus Noland's book, as well as Don's, that we learned a great deal from in doing our project on economic reform prospects in North Korea.

I guess I wanted to, in answering your question, look at three military issues. One is, what is the basic military balance and to what extent does North Korea have any threat we have to worry about? And secondly, do we have a preemption option against Yongbyon and the nuclear facilities? And then finally, do we have a preemption option against the regime in North Korea, should it come to that? And so I'll be speaking on those latter points, less about reform and diplomacy than what we might do if those things failed.

On the issue -- first of all, it's worth -- I'm not going to go into a lot of facts and figures on the nature of the North Korean military -- I think most of you are familiar with the basic facts -- but a couple are worth reemphasizing. In addition to the 11,000 artillery tubes and 500 long-range artillery tubes that could hit Seoul even from where they are today, and chemical weapons capabilities that are quite substantial, it's worth saying two additional things. One, North Korea spends by far the highest percentage of its GDP on its military of any country in the world, which ties into the issue of economic reform. Certainly there are a lot of reasons why economic reform would be hard in North Korea, but there's also this big huge burden that, if we could ever convince them to gradually lift or reduce, it's just an enormous burden right now compared to any other country in the world -- 25 percent, roughly, of their GDP. And secondly, related to that, they have by far a higher percentage of their population in their military than any other country in the world: one million out of 22 million. It's just a staggeringly huge burden. So these are additional numbers to keep in mind.

Now when you ask, does this huge military give North Korea anything, does it buy it an offensive option? We've tended to dismiss that. It was only three or four or five years ago the U.S. military worried a great deal still about a North Korean -- (audio break, tape change) -- and continued to build this two-war capability, largely around the prospect of defending against such an effort. And Pentagon doctrine officially said they considered North Korea to have a plausible invasion option, at least against the South Korean military plus limited U.S. forces that are in place day-to-day.

I think we are seeing a consensus emerge in the United States and in the Pentagon as well that the North Korean invasion option is drying up or going away. Donald Rumsfeld would not be talking about repositioning U.S. forces well below the DMZ if that were not the case, and whether or not Rumsfeld's idea is smart diplomacy I'll leave to a broader discussion later. But I think it's a perfectly sound military consideration, or perfectly sound military strategizing, that we do have the option, in their own military

terms, of reducing our forward deployed presence up north without reducing allied capability to defend the Peninsula.

Just think, we have an overwhelmingly strong defensive capability based largely, if not primarily, on the Republic of Korea's excellent military, which I think is now one of our 10 best allied militaries in the world, the ROK military -- very, very good. A lot of systemic weaknesses remain but it has come a long way, and if I had to pick five or six allies that we were going to be left with and we had to choose which five or six to keep out of our current 50 or 60, I would probably put North Korea -- excuse me, South Korea -- (laughter) -- getting ahead of myself -- I would put South Korea on that list.

So what this means in policy terms is North Korea does not have an invasion option, and I think they may even know it. And it also means we have arms control options, that we do not have to insist that the only kind of conventional arms control plausible on the Korean Peninsula is an option in which North Korea cuts a lot and we leave our forces unchanged. North Korea should make larger cuts if there is to be a conventional arms control proposal of any kind, and they do have the larger force; they do have 70 percent deployed near the DMZ, they are the ones who devote way too much of their national economy to defense, and they still have a deterrent against invasion by virtue of their ability to damage Seoul very seriously. So they should make the larger cuts, but they don't have to make the only cuts. And in fact, I believe allied forces could make proportionate cuts, equal in percentage terms, in any kind of a conventional arms deal. And this will be further elaborated in the book that Mochizuki and I are doing. So that's the conventional arms piece: does North Korea have an invasion option, how much do we have to worry about it?

The second issue, what about our preemption option against Yongbyon? And this is an issue that we have thought about now for 10 years pretty carefully in the Pentagon, and Bill Perry has spoken publicly here and written publicly in the last few months about some of the options that were looked into in 1993 and '4. And to sum things up, we do actually have some militarily interesting preemption options against Yongbyon, but there are a lot of caveats to that. The most obvious caveats -- well, there are a few obvious caveats. One, we have no idea where North Korea's potentially existing nuclear arsenal is today, the one or two weapons they may have. They're certainly, or almost certainly, not at Yongbyon, and even if they were they would presumably be in one of these famous deep underground facilities that would be difficult to reach by any kind of a conventional weapon in the U.S. inventory. So I don't think we can assume we can hit those one or two weapons.

Secondly, we have no idea where the uranium enrichment program is. So even though it's not yet to the point of producing a bomb's worth of material and it might take another year or two or three to get to that point, we do not have the ability to destroy it -- we should not assume we have the ability to destroy it with a preemptive attack against North Korea.

Third point, if North Korea is able to sustain or retain two or three or four nuclear weapons and a gradually growing arsenal over time, even after we have destroyed Yongbyon, what are they going to do with those two or three or four weapons? I get more nervous about a North Korea that has been provoked that way. I don't think they would necessarily start launching wars or threatening attacks against allied interests, but you have to start to worry, maybe the gloves would come off a little more on their willingness to sell those weapons if indeed they had been pushed into a state of quasi-active hostilities by the United States after that kind of a preemption strike. So it may be an option we have to consider.

But of course there is the fourth and final caveat, which is they could do something directly to South Korea with their conventional forces. And they could say, okay, you attack Yongbyon, we're going to launch a thousand artillery rounds at Seoul -- not all-out war. You start all-out war, that's your business and your responsibility, but you cannot attack a sovereign capability, a national asset of North Korea, one that we have every right to have because you have nuclear weapons yourselves; why shouldn't we be able to develop our own nuclear capability? And by the way, it's not even necessarily for nuclear weapons; it's first and foremost for energy. You know the whole spiel they would use, and if we're going to attack that, they would say in response, we have a right to respond -- we have to respond to remind you that we are a country to be taken seriously, a country that you cannot simply use force against with impunity. So I think you would have to assume some kind of at least a limited North Korean strike against Seoul in response.

And to my mind, that may be something that we have to accept as a potential risk if the North Koreans keep going ahead with their nuclear program, provided that Seoul itself is willing to accept that risk. I don't think we have a political or moral right to require Seoul to essentially bear the brunt of the likely counterattack without South Korea being aboard the basic strategy we use in advance. And that means trying diplomacy in a much more serious way before we would ever get to this kind of a last resort preemption attack against Yongbyon. So that's my second point on Yongbyon. You could attack the facilities; the radioactive fallout would be limited according to these Pentagon studies. The main danger would not be the direct downsides of the attack so much as the fact that you could not eliminate the existing North Korean nuclear capability and you could not prevent them from responding in some way against Seoul, and possibly even selling what nuclear materials they would still retain.

Third issue -- and I'll stop here after making this point. Do we have a preemption option against the regime itself? So, let's say I'm Donald Rumsfeld and now I'm the king of the world; I've just won these two big wars -- (chuckles) -- and I have inherited this wonderful military that Ronald Reagan and Bill Clinton built for me, and I figured out a clever way to use it in a way that even they hadn't quite figured out, using Special Forces more and using reconnaissance. And there are some people who want to assume that these capabilities are ones that Rumsfeld himself has established -- actually he is using the military he inherited, but he's using it very creatively and very effectively, and he's just done a nice job in Iraq. Okay, could that Donald Rumsfeld, with this excellent

military built up over the last two decades in the United States, could that military do things that we just haven't thought of, we haven't been creative enough to assume? There might be some way to overthrow the North Korean regime without losing a million people in the process, which are the sorts of numerical estimates you get from the U.S. command in Korea when they war game the possible conflict. Is there some way to be clever, some way to be creative and use this dominant American military capability to avoid the sorts of tragic consequences that people fear on a lesser scale, at least, in Iraq? We thought there would be oil wells set on fire, Israel attacked, so on and so forth – these things didn't happen in Iraq. Maybe Rumsfeld's clever enough to figure out how he could avoid them in Korea while overthrowing the regime.

Well, I do give Rumsfeld a lot of credit for cleverness, but I don't think he has the ability to limit the carnage in a future Korean war to anything less than may tens of thousands of deaths. That would be a dramatic improvement over some of the scenarios and some of the war game results, but I will tell you a few reasons why, and then I will stop.

First of all, we had, in the Iraqi military, a force that had been battered for 20 years, and that really only had 75 (thousand) to 100,000 elite forces that were believed to be likely of fighting hard. Anybody who had studied the Iraqi military knew the distinction between the Republican Guard on the one hand and the conscript army on the other; and we also had some access to the conscript army. Iraq is a more open society. Even under Saddam Hussein it was a more open society than North Korea. We had some ability to reinforce the message to the Iraqi conscript army, we really don't want to fight with you. And we had air supremacy and other kinds of access into that country to spread this message. So we ultimately had to worry about 75,000 or 100,000 relatively hard-line, hardcore fighters on Saddam's side.

In the case of North Korea, in addition to the tenacity that North Korean fighters showed in the Korean War, we have every reason to think they are still fully indoctrinated by the North Korean regime to the point of fearing Americans and hating Americans so much that any invasion would be fiercely resisted. Now, if a war happens, I would of course love to be proven wrong, and I don't claim I can prove this, but I do think that, given the nature of North Korean society and the propaganda machine and the very, very limited contacts with the outside world, we have to assume that Kim would be capable of continuing the control of most of the thought processes of his military – of his troops.

Secondly, the terrain in North Korea is so difficult. We could not do these rapid armored thrusts towards Pyongyang. Sure, you could try to use Marine amphibious forces, try to use the 101<sup>st</sup> air assault, try to go around the DMZ, try to avoid that 70, 75 percent of North Korean military capability near the DMZ and march directly on the regime. You would probably try to do that. In fact, that would be smart tactics, I think, in a future war. But you're still going to have to go through relatively narrow approaches to the capital city, you're going to have to go through areas where roads are relatively few, where driving off-road is harder than it is in the desert, where there's a much more

built-up infrastructure in the approach to Pyongyang than in many areas in the approach to Iraq.

And it just strikes me that, on balance, you combine those geographical facts with the size of the North Korean military, with the presumed dedication and loyalty of the North Korean military to the existing regime, and you're in for a tough fight. And while you're marching on Pyongyang, they're going to be shelling Seoul. Now, while they're shelling Seoul, we're going to be trying to take out the long-range artillery, and this is probably a more even competition than some people assume. We actually know where a lot of it is, and if we are allowed to choose the time and place at the beginning of the war – which may or may not be the case, I mean, you know – I think it's more likely that we would take this kind of an action in response to a North Korean attack as opposed to out of the blue.

But if we can determine some of the specifics on the day, time, weather of these attacks, we can use laser-guided bombs and probably destroy a certain percentage of those 500 long-range artillery tubes. So I actually think there is a hope for limiting the damage to Seoul to maybe several thousand artillery rounds or maybe a couple tens of thousands of artillery rounds. This would not be 10,000 tubes firing for days and weeks on end at a rate of several rounds per minute. The North Koreans can't do that, I don't believe. I think we have an ability to limit the carnage, but they do have dozens of short-range missiles, they do have chemical weapons, they do have these 500 tubes, they do have their special forces that they are probably willing to send down just to cause damage even if there's no plausible war-winning capability.

And I think you would make a big mistake to assume anything less than, again, tens of thousands of dead Koreans in the course of this kind of a war, and probably several thousand dead Americans. That would be a very optimistic scenario. That would be equivalent to the sort of optimistic outcome we got in Iraq. If you were establishing a range of plausible outcomes for a future Korean war, that would be the plausible best case, and we win the war within a few weeks. Of course we have to build up this big force -- you have to ask, when are we going to have the opportunity to build up this big force, and are the Koreans really going to let us do this before they initiate some hostilities on their own? So timing is a big issue as well.

You add it all up -- and I'm sorry to go on at some length -- but you add it all up, we do have some preemption options in regard to North Korea but they're mostly -- well, they're entirely last resort sorts of options. They may be preferable to seeing North Korea develop a full-fledged nuclear arsenal, and I would consider a preemptive attack against Yongbyon preferable to a North Korean nuclear arsenal that they acquired dozens of weapons and had the ability to export. However, the risks are so great that you would only do this as a last resort and only do this once you had developed a strategy that Seoul, in particular, would go along with, and we are certainly not there yet.

MR. STEINBERG: Well, it's a good setup because we will get a chance to hear some of the answers to that question on our next panel, but now let's turn to the audience

and take questions from you all. I think we have mikes, yes, so if you could wait until the mike comes and identify yourself, and ask your question. We will start with Alan.

Q: Thanks. Alan Romberg, The Stimson Center. I want to go back to the exchange between Al Song and Don Oberdorfer on the issue of change in behavior, or change. It seems to me there is a way of squaring the circle between you two, because I think I heard Al talking about change, primarily domestically, which he thought was impossible, and I think Don was saying, yeah, and that isn't what we want to change. And if I understood both of you correctly, I agree with that.

The problem I have with the administration's policy at the moment is that the more-for-more deal does, or at least did, encompass domestic change of various sorts. And it seems to me that makes it mission impossible, and I wondered if you would comment on that.

MR. OBERDORFER: I think you – I agree with you. Maybe not mission impossible, but mission very difficult. They're not going to become democrats, they're not going to become human rights advocates, they're not going to open the gulags, they're not going to let free people who they consider their enemies domestically. Those things, I think, are at the far range, in my mind, of inconceivable. But what is our principal problem here, what is our principal objective? You know, I have known a lot of oppressed peoples in my life, and I feel for them a lot, but I don't think we can remake North Korea. I think our objective at the moment should be to reduce the chances of war, to reduce the chances of a full-fledged North Korean nuclear breakout in Northeastern Asia, which would have immense consequences.

Therefore, while all those things – human rights, other kinds of things that the United States might ask for; a big reduction in the conventional forces right off the bat – would be desirable, I think that starting off with a big package, if those are real preconditions, is just a way to see that these negotiations won't work.

MR. STEINBERG: Allan, do you –

MR. SONG: Well, in terms of the change, I don't expect North Korea to become sort of a liberal democratic society. And so by change, you know, I don't expect North Koreans to be watching "Oprah" and worrying about their SUVs and cholesterol and that kind of thing – (laughter) -- I'm not – you know, I just want to make sure what my bar is.

But, I mean, at least shutting down some of the gulags, I think that's perfectly within our rights to demand of North Korea. After all, they're receiving aid from us, food. This is a country that's demanding recognition. Do we really want to accord diplomatic recognition to a country that has sort of, you know, gulags in which people are killed and tortured? Apart from the moral issue, just on sort of national security level, I think the answer really should be no.

Second, obviously there's a limit to how much they can change and therefore how much we should expect them to change. Again, the regime is not going to evolve into a more moderate type with some kind of a CCP-style election and so forth. But this sort of unalloyed repressive totalitarian regime needs to change. Now, whether it is an effective position for our administration to take in terms of policy matter, that's another question because then we're getting to the efficacy of the policy. But as a conceptual matter, I think that's perfectly within our right to think.

Q: Bob Hathaway, Woodrow Wilson Center. Four good presentations, and congratulations to all four of you. I'm struck by a discussion of the perspective from Pyongyang which had so little to say about North Korean perceptions of an outside threat, security threat primarily. And I'm certainly not referring simply to the rhetoric or the actions or the policies of this administration because I think we all recognize that the HEU program was started under the previous administration. And in fact, North Korea has had -- almost certainly had security fears for many, many years.

But I would be interested in comments from one or several of the panelists as to the extent to which you believe -- even if we disagree with their analysis, you believe that North Korean actions can be explained by genuine security fears, and therefore the implications, if you in fact believe that they are motivated in part by their perception of U.S. or other actions, what this means for the policies, particularly of the United States.

MR. STEINBERG: Don, we were talking about this a little last night. What do you think the U.S. could do if in fact the North Koreans feel that this kind of sense of threat from the United States that would be adequate to address their insecurity?

MR. SONG: I don't know, and if they fear the U.S. in sort of a non-paranoid way but in a healthy way, good -- I mean, I'm glad, that would get their attention and our diplomacy and negotiation, bargaining, whatever you want to call it, probably gives it a little more focus. Now, if they are, sort of to use Mark's phrase, you know, clinically paranoid about the outside world, particularly the U.S., I don't know if there's anything we can do short of giving them, you know, everything they want. And even then they might say, oh, you're duping us, type of thing. So I'm not sure whether it's, again, a resolvable type of question.

Now, returning to a question that Bob raised -- and Mr. Oberdorfer and others, certainly in the audience, might differ, but for them the train has left the station. You know, before the Bush and so-called hawkish -- and certainly now the hawkish crowd, post-Iraq, have come in -- they had plenty of chance, they were dealing with a relatively moderate administration in Bill Clinton -- certainly after Kim Dae Jung, you know, went to Pyongyang and extended his hand, and poured billions of dollars and so forth, and all the Nordic countries were falling over themselves, you know, recognizing North Korea -- there was a good window of two, two and a half years and they didn't seize on this in any significant way. And now for them to say, oh, we are besieged and they're going to, you know, drop these 2,000-pound JDAMS on my head one morning -- they had a chance and they blew it.

MR. OBERDROFER: Could I just address Bob Hathaway's question more directly, to the extent – you asked, to what extent are they legitimately – are they motivated by concern about their security fears for their security? I think they are motivated in part by that but I think that that is not their only motivation. This is a militarized state; it has been since Kim Il-Sung was planted there by the Soviet Union, and he relied principally on the army to ensure his rule. What has happened more recently is that, in the past few months, it has become even more of a militarized state, and part of it may be insecurity, but I think as things close in on the regime economically and military and otherwise, the military rule in North Korea – “military first,” which is their slogan – becomes even more important.

They had, a couple months ago, an absolutely remarkable two-page, two full pages in Rodong Sinmun, the official organ, about military first. And that, to some serious Korea watchers, was an absolute important moment. And since then they have really gone, I think, on pretty much of a wartime footing in North Korea. There are reports of all kinds of air raid drills and other things there. They're expecting to have to fight. Part of it is their insecurity, but I think part of it is built into the system, and that part of it, I don't see how it can be easily shifted or changed.

Q: My name is Ko Gyun Cha (ph) from Korea Economic Daily. I didn't hear anybody mention about the role of South Korean government in resolving this nuclear issue. President – new government has reasserted that they want to – do play a leading role in solving this problem, but after Beijing talks turned out with the trilateral meetings there are more and more criticism against South Korean government in South Korea. So I would like to know, any one of the panelists think there is any room for South Korean government to do – to get involved in resolving this problem, and in these Beijing talks? Or any one of you think South Korean government should do some kind of role in these Beijing talks?

MR. STEINBERG: I'm going to modify the question just slightly because we're going to have the South Korean perspective in the second panel. But what I would like to get an answer -- which will partially answer your question -- is what do you think the North Koreans' objectives are here? Are there – are they going to work hard to keep the South Koreans out? Do they expect ultimately that they will have to accept the South Koreans, or will they want the South Koreans to be part of these talks? Don or Allan, do you –

MR. OBERDORFER: Well, the reports are that it is North Korea which has objected to the presence of the South Koreans. I mean, I don't know that for certain, but that's – all the reports that you read – I don't think they want South Korea involved in these particular talks, but inescapably South Korea has an important role, both positive and negative. I won't go into it because you're going to have a panel on the whole thing. And I think the talks cannot proceed over a lengthy period of time without the involvement of South Korea. It would be a huge mistake on the part of the United States,

and I don't think it would be practical. South Korea has too important a role and position in all of this to be left out -- as it was pretty much left out in 1994.

MR. STEINBERG: I think –

MR. OBERDORFER: Can I continue this?

MR. STEINBERG: Yeah.

MR. OBERDORFER: In the long run, South Korea and Japan have to be on the table for there to be a solution. But in the short run, the North Koreans have initiated these cabinet-level talks with the South Koreans, and it seems the reasonable hypothesis – that this is designed to play the United States and South Korea off against each other, especially since South Korea is on record as not supporting the sort of coercive measures the Bush administration is talking about. So I think, you know, if I had to guess I think that's the North Korean game plan, at least in the short run.

MR. SONG: In terms of South Korean, and even Japan's involvement, I fully agree with Mr. Oberdorfer and Mark's plan. They should be involved, just for our, sort of, the prudent in terms of our diplomacy. In terms of North Korean view of South Korea, I think – my sense, or my sort of analyst sense is that they have been written off by North Korea. I mean, South Korea is really a non-player, and why should they be seriously concerned about South Korea?

During the second half of the Kim Dae Jung administration, and certainly in the first few days, during the campaign phase of the Noh Moo Hyun administration, they've been supine to the point of being laughable. And basically, South Korea has been turned into a huge ATM machine and they have given North Korea the PIN number. (Laughter.) If they intrude into their waters and your soldiers get killed and, you know, the South Korean president is busy, sort of, you know, defending this outcome – if I were Kim Jong Il I really don't see any reason why I should take this, sort of, my counterpart seriously.

MR. STEINBERG: We will let the government have equal time on the next panel. (Laughter.) In the back.

Q: Rupert Hammond-Chambers with the U.S.-Taiwan Business Council. A quick question for Marcus Noland. I wonder if you looked at all at the impact on the U.S. economy that a Korean conflict may have, specific to the disruption of supply chains, U.S.-Korea-China, U.S.-Taiwan-China? Anyway –

MR. NOLAND: No. (Laughter.)

Q: Mark Jarvis with Emerging Markets Management. I have a question for Mr. O'Hanlon. You know, recently with Gulf War II we were treated to even more of a high-tech weaponry – the military, it was more like a Super Mario 2. I have a couple of

related questions with regard to repositioning the military in Korea. Has the nature of warfare changed such that it no longer makes sense to have troops forward deployed like that, either for technological reasons or just the military thinking? And related to that, why do you think Donald Rumsfeld, in this sort of charged environment, chose to suggest that possibility – I think you alluded to that a little bit in your remarks about whether it made sense diplomatically or not.

MR. O'HANLON: On the issue of, has warfare changed radically in general nature, I'm less persuaded by that than by the fact that the South Koreans have kept getting better while the North Koreans have gotten worse, and I do think that there is a robust capability for defense now, essentially by the ROK, with very limited American support. I'm not in any way encouraging a reduced U.S. commitment to ROK security; I think we need to be there to reaffirm deterrence and to be involved in any counteroffensive to minimize the damage of any war that happened. But in terms of preventing the invasion from working, I think the ROK is in very good shape, and so I would support Mr. Rumsfeld's thinking, not because we're in some 21<sup>st</sup> century era of new high-tech warfare – by the way, I think Army fighting in the streets of Baghdad, it was as impressive as anything else in this last war, using things like Abrams tanks and riflemen, so I wouldn't push that argument too far. But in the Korean context, our ally has done an extremely good job of improving its forces while our potential enemy has continued to atrophy. I think that's the fundamental strategic fact.

And in terms – Jim may want to comment on this as well – I think what's going on now is Rumsfeld says, you know, the guy is obviously very creative and very entrepreneurial in many ways, whether you like all of his diplomatic forays or not. And he says, listen, we are at a point where we have got a quarter-million people in the Persian Gulf. We are going to wind up redeploying a lot of our military, at least in that region, over the next year or two, and what better opportunity to rethink our entire global military presence? And of course you're seeing this debate happen now in regard to U.S. forces in Germany. You're seeing the debate in regard to the U.S. forces in Korea. The collaboration with the Philippines, I think, has echoes of this kind of strategic thinking behind it as well, even if it's a very preliminary and limited sort of discussion and U.S. presence, and I think personally it's fine. I think there are worries about, with Rumsfeld being so antagonistic in some of his comments towards allies that this looks like payback time for friendly governments he doesn't like, and that part I regret.

But I actually think that, on the other hand, you have a moment here where we are going to be rethinking our global military presence, and it's actually appropriate to rethink, especially, the U.S. military headquarters inside of Seoul. We are just gobbling up way too much urban space in a very densely populated East Asian city, and we owe it to the South Koreans to get out of there.

As for the redeployment from the DMZ to points further south, I'm not sure there's any big hurry about that, but I do think that militarily you have the option of considering that now because the balance has improved so much in our favor.

MR. : I think that it's inescapable to look at the diplomatic and public diplomacy side of this. I mean, it is – for all the reasons Mike said, these decisions may make a lot of sense. But timing is everything when it comes to relations with allies, and I think it's no accident that within two to three weeks of each other, the administration of Rumsfeld announced redeployments out of Germany and in South Korea. It can't be seen in any other light but sending a signal that says, things have changed. We're no longer going to worry as much about how this appears to your publics; we're going to do what makes sense to us. There's no serious consultation about this. We certainly heard from the new South Korean ambassador to the United States about the views of the South Korean government, about how this decision was taken, and the same was true vis-à-vis Germany.

Yes, these things are going to have to happen, but in a moment when there is a serious question about how the United States is seeing its alliances and its commitments, to make these announcements right now, I mean, even insensitivity I don't think would account for those kinds of decisions.

MR. STEINBERG: One more question and then we will go to the next panel. Harry?

Q: Thank you. I'm Harry Harding of George Washington University. I have two very simple questions for whoever wants to answer them. Number one, can we solve or even well manage the security and humanitarian issues raised by the situation in North Korea without regime change in North Korea, by which I simply mean a significant reorientation of the domestic and foreign policies of that country? I would say that the emergence of Deng Xiaoping in China was regime change, if you have a sense of what I mean by this. And number two, if it does require regime change so defined, are there alternative ways of getting that regime change in addition to the military option that Mike has laid out?

MR. STEINBERG: Allan?

MR. SONG: My answer is no, that without regime change the objectives that you raised, Professor Harding, probably would not be possible. Now, when I use the word regime change, it has a certain connotation – oh, you mean dropping, you know, more – (unintelligible) – on Pyongyang, and all that kind of thing. Clearly, as you know, Mike said, if it absolutely has to come to that it will come to that. But hopefully it won't, because the consequences will be too dire. But there are other ways of getting at this regime so that it will either go away or will change enough – although I doubt it, but at least conceptually it's possible – change enough so that it's moderate enough so that there is some kind of meaningful interaction going on.

I mean, for example, let me give you one good illustration. The food assistance, it, you know, ebbs and flows, but the U.N. world food program has insisted that -- you know, it's getting to the needy; the military's not siphoning off and so forth. And when you sort of critically examine what their methodology in claiming that is, it's very shaky.

I mean, this is not an unfettered World Food Program staff member going and visiting civilian houses and, you know, this kind of thing. You know, where is that food going, where is the material assistance going? And unless we can rely in some comfortable degree with the regime, I don't think this is a plausible proposition.

MR. OBERDORFER: Could I just add -- Harry, you posed a question: can we manage it; can the United States manage? Well, the United States, it definitely cannot because of -- the gentleman here raised -- South Korea. Nobody has a greater claim to important consideration and decision about the Korean Peninsula than the people of South Korea. They don't have it exclusively; the U.S. has some international aspects of things, and China and Japan for that matter, to say nothing of Russia. I don't think the United States is in a position to make decisions and make them stick in any way, about the regime -- domestic situation in South Korea, nor do I think it's legitimate for the United States to do so, with all of our other considerations, unless there is some absolute threat to the United States or the international community. So I don't think we can do that. The world community as a whole, I think it would be very hard -- this is the most isolated country on Earth already, so to isolate them further, I think, is not going to, I think, have a major effect.

MR. O'HANLON: The short answer I would give you is the same answer I gave that fellow, which is no. The longer answer to your question is that SARS will have more of an impact than some punitive war in the future. But no, I mean, you can't resolve this in any fundamental way without regime change. The one thing I would add, pointing at your second question, is think about what would happen if, god forbid, tonight Kim Jong Il choked on a chicken bone. This is a political system in which the Korean Workers' Party is basically, as far as I can tell, withered away as a government institution. It's increasingly reliant on the army. The bureaucracy increasingly seems to be unable to formulate and implement policies in any coherent way. One of the reasons these economic reforms were half-baked is that they couldn't get anything out of the traditional governmental organs, and this was cooked up by an extremely small group of people around Kim Jong Il.

They have -- if you believe everything you read in the newspaper, he's attempting to now groom, not Mr. Tokyo Disneyland, but the younger son, to be, you know, the next in this dynastic succession. This is a country that, in certain -- is a very strange place. On the one hand, we're talking about nuclear programs and missiles. On the other hand, it has real characteristics of a failed state. And so it may not be a matter of management. I mean, a heart attack may make some of these issues, you know, put in play -- not anything that people like us are going to think about, sitting around in, you know, Brookings Institution.

MR. STEINBERG: Michael, any last thoughts? Well, we've gone a bit over, but I think you will all agree with me that the insight of the panel made it well worthwhile. And so let me ask you to join me in thanking them. And we will try to take a short break, for 10 minutes.

(Applause.)

RICHARD BUSH : Thank you Jim; thanks to the panel. We will take a break for about 10 minutes. Coffee and eats are right out here; the restrooms are straight back.

(End of Segment 1.)