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THE HONORABLE CHRISTOPHER HILL

ASSISTANT SECRETARY
FOR EAST ASIAN AND PACIFIC AFFAIRS
U.S. DEPARTMENT OF STATE

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735 8th STREET, S.E.
WASHINGTON, D.C. 20003-2802
(202) 546-6666

PROCEEDINGS

MR. TALBOTT: Ladies and gentlemen, friends, if I could have your attention. First of all, it's great to be back with you. I'm so glad that the conference has been going as well as it has. And that's a huge credit to all of you who have been participating. When I got back to my office last night, I went to my computer and sent my old friend and colleague, Chris Hill, a little bit of a summary on the day's excellent proceedings. And I featured a summary of Jim Kelly's luncheon remarks yesterday, because I thought it would be of some interest to Chris since he was good enough to be willing to be with us today.

Chris, I did not, however, include in the report that I sent you the anecdote that Jim opened up with. It was a story of mistaken identity that took place in a Seoul restaurant. And you're already hearing chuckles around the room, because everybody remembers it.

Jim likes to think that he's a pretty well known figure in Korea and he was in a restaurant and somebody came up to him and said, "You're very famous," and I thought I knew what the punch line was going to be. I thought the punch line was going to be, "You're very famous. You must be Chris Hill." In fact, it was John Bolton he was mistaken for. But it actually would have made a little more sense if it had been Chris Hill.

I don't think there has ever been a match up between an audience and a guest of honor where it would be more appropriate to say that the speaker needs no introduction, but I'm not going to let that stop me from introducing Chris.

And I'm going to basically skip over the early part of his career when he was a junior foreign service officer in Seoul working on economic and business and financial affairs and when his daughter Clara was born in Seoul, and when his daughter Amy learned to speak quite good Korean. I'm going to skip ahead and concentrate on the intervening years, and particularly the 1990s when I worked very closely with Chris on Central and East European issues, and particularly those of the Balkans.

And I would simply assert that Chris is one of the true heroes of that episode of American foreign policy. I got a chance to see and admire the way in which he was able to function at a very, very high level, indeed, as a policy maker, as a diplomat, as a negotiator, as an advisor to presidents and secretaries of state, as a coordinator of humanitarian assistance, and also as the leader of an embassy during a period when it was under great stress and, indeed, under real danger. And I will never forget the way in which Chris managed to protect and keep morale high among his team at Embassy Skopje when the embassy was literally under siege. And there were crowds outside of angry Serbs baying for American blood and Chris Hill's blood in particular.

I don't want to cut into any of the time that he has to speak with us. But I do want to just say this about Chris Hill's career. During the period that I was in the State Department, I developed a suspicion that there is a secret committee that advises the Secretary of State on personnel assignments. And one of the goals that that secret committee has set itself is to see if it can come up with an assignment for Chris Hill that will prove that there are, in fact, limits to his skill, limits to his ability to find solutions to the toughest of problems, limits to his grace under pressure, which is Hemingway's definition of courage, and I might add, limits to his sense of humor.

In any event, that committee has utterly failed to come up with such an assignment. And that is including with respect to his current job and the way he's doing it. And on that subject, having given Jim Kelly the opening line in these remarks, I'll give him the closing line as well.

Chris, when Jim was speaking from this podium yesterday, he complimented you as being able, persistent, and determined. And he also said something to the effect that Pyongyang was not the only capital with which you occasionally had difficulties. I leave it completely up to you on what you want to say about that, or any other subject. But on this I can assure you, you're not just among friends. You're among people who admire you greatly, who admire what you have already accomplished, and count on you to keep showing all of those qualities for many months and many years to come. So thanks for being with us, Chris.

[Applause.]

SECRETARY HILL: Well, thank you very much, Strobe. It's such a pleasure. Oh, these are your notes. I was thinking I could read them.

[Laughter.]

SECRETARY HILL: Strobe, it's a great pleasure to be here with you. One incident--I've got to tell a story about Strobe, if you don't mind.

Strobe came to my embassy in Macedonia. We had a really tough time that week. I think we had something like 80,000 Albanian refugees who had come into town. And Strobe had come in on a Saturday night and taken up the task of negotiating with the prime minister of Macedonia to create some refugee camps to take care of these people. As it turns out, he had to spend the night, unexpectedly. And the next morning he addressed our embassy staff and he had brought no extra clothes with him. So he came the next morning to address the embassy staff and he said, "I feel very close to this embassy." And everyone felt very good when he said that. And he said, "I feel very close because I am wearing Chris Hill's underwear."

[Laughter.]

SECRETARY HILL: And, indeed, in fact, I never got it back. But--

[Laughter.]

SECRETARY HILL: Socks too, as I recall.

Anyway, it is truly great, great to see you all here. And I am so pleased to take part in this event. And I really am very, very grateful to Strobe Talbott and also to President Baek for the cooperation between Brookings and the Sejong Institute because I think the U.S.-Korean relationship is an absolutely vital relationship that the United States has on the Asian mainland. And it's gone through a lot of decades.

And throughout those decades, people have said this is a vital relationship. And everyone thinks, well, you know, maybe at some point it won't be a vital relationship. I tell you, it is as vital today as it was some 40, 50 years ago. It is absolutely crucial that we stay close together, because we are, in fact, two countries that I think understand the situation in a very profound way. We don't always agree on every single element of how we address these things, but we do agree that we have to work with each other, listen to each other very carefully, really understand each other and understand where each other, where we are coming from, and where our thinking comes from.

And so I, for one, am absolutely dedicated to this relationship. I was dedicated to it when I first got to Korea in the 1980s. I felt very privileged to have gone back to Korea. To be frank, I was little sad to leave Korea last time because I kind of enjoyed my task there. But I feel a real sense of humility in what I have to deal with today. We have some tough issues ahead of us. But I think if we stay close, we're going to be able to deal with those issues.

I think this relationship is very important for a number of reasons. First of all, we are countries that really have a perspective not only on bilateral issues, but issues outside our borders. Specifically, I think the U.S. and Korea have come to realize that we have a lot to talk about and not just in Asia.

Korea has – and you've heard this before, but it's worth saying again – Korea is the third largest troop contributor in Iraq. I think that's something very important. I think that's important for the relationship with the U.S. But I think it's also very important for Korea's relationship with the world because I can't say how things will unfold in Iraq. As we know, it's an extremely complex story. But I do believe that the world's tenth largest economy, that country needs to be a part of it. And so, I think, we are very pleased,

grateful. And I think Korean people, I hope, will agree that it is entirely appropriate for Korea to be there.

We have talked to Koreans about doing different tasks, about how we can optimize their forces. And Korea has always listened. Korean officials have always listened very carefully and looked for ways to help because the Koreans, I think, understand the importance of getting things right in Iraq and the importance that Korea has.

You know, it was always a great irony for me to come to Korea from some very small countries that I used to be involved with, such as the one Strobe mentioned, Macedonia, with a population of 2.1 million people on a good day. And it was always amusing for me to hear people in ROK say, well, Korea, we're really a small country. Well, you know, Korea is not a small country from where I come from. Korea is a major player.

And I think to some extent, Koreans have not quite understood the degree to which the rest of the world looks at ROK as a major player. And it's a player that is big in an economic sense, but I think increasingly Korea is becoming big in a cultural sense. Korean art and music; in fact, pop music is becoming known throughout the world. And I think Korea is also becoming big in a political and security sense.

And I think one of the ways Korea has done that is to stay close to the U.S. and to keep this very positive relationship, a relationship that requires patience on both our parts sometimes, as we spend a lot of time listening to each other and understanding each other. But I think it is very much in Korea's interest -- and Koreans ultimately have to decide their own interests -- but I think for Korea it has been a good relationship. And I know it has been a good relationship for the U.S.

So I think part of, one of the reasons, one of the signs of this, the importance of the relationship, the vitality, really, of the relationship is the fact that just next month from now we're going to sit down and our negotiators are going to hammer out a free trade agreement.

Now, I used to talk about this when I was in Seoul. And I know there were people who thought I had had too much *soju* when I talked about this. But I felt a free trade agreement between two countries doing some 70, 80 billion dollars in bilateral merchandise trade I think is entirely correct; entirely fitting that we should have this free trade agreement.

It's big and it's complicated. I mean, Lord knows, we know we all have sectors; it's going to be tough in some areas. Already we know that there are people in Korea that are, you know, worried about some of the agricultural sector in Korea. And I can assure

you that there will be people in the U.S. worried about various sectors here. And we've got to figure out a way that we can work on that with the understanding that if we can get through this, this will be the biggest U.S. free trade agreement since NAFTA. This is big. This is really – this will really give some weight.

And in addition to the weight of having this lashed-up economic relationship, it will also give, I think, greater impetus for Korea in Asia. And I think it will make Korea a much stronger player in Asia itself. So I think there's a lot at stake.

And I think we need to work on this together with the understanding that trade negotiations are not always the most fun things in the world. I mean, we used to talk to the European Union about things like bananas. I thought we were going to get into a war over bananas once. So, you know, these small issues can loom very large in a trade negotiation. But when we get through this, this is something that will strengthen both our countries.

In addition, I think Korea, increasingly, is a country whose people are close to the American people. I think this started out with our wartime commitments, but it's gone well beyond that. I think you find Korean-Americans in all walks of life. Korean-Americans are strong in the economic area, very strong in the cultural area. And I'm pleased they're even helping my baseball team, the Boston Red Sox. So Koreans are strong in many different areas. And we've got to figure out a way to take that Pacific Ocean and make it a little smaller between us.

And so I think the way to do that is to get going on our roadmap toward the visa waiver program. And I know that Ambassador Vershbow and his embassy out in Seoul are working very hard on that. I can assure you that's also very much one of my goals. Because I think if we can have a situation where Korean business and tourists can get on planes and just go and not worry about standing in front of the embassy, as beautiful as it is in downtown Seoul, I think we will be able to enhance the relationship even more.

So I think there's a lot of positive stuff there. There's positive stuff in our security agenda. There's positive stuff in our trade agenda. Positive stuff, you know, in getting our people closer together. And so I think it's quite fitting that we take on some really tough subjects.

And the one I have in mind, of course, is getting DPRK to do the right thing and follow up the September agreement and to agree to get rid of all of their nuclear programs as they promised all five participants they would do.

Now, I know there's a lot of talk about, you know, what are we doing to get North Korea to come back to the talks. Well, the whole nature of that September agreement is really that we all have an interest in seeing that thing implemented. That is, we're not

doing a favor to the DPRK; the DPRK is not doing us a favor by coming to the talks. We all have an interest in making sure this agreement is successful. I think China, for example, has a real interest in making sure this works. China has taken the position as host of the talks; that's not easy. You know, I think they estimated we consumed some 2,000 cups of coffee. Probably about 1,600 of them were consumed by me, personally. So it's not easy just to keep the coffee urns filled.

But, in fact, China worked very hard through successive drafts to try to find where all six parties could agree, and I think did some very good work. So much so that I think China understands that the Beijing agreements from September 2005, that it really has a certain "Made in China" label on it. And I don't think China wants to see something made in China fall apart. So I think China really wants these to succeed.

Now, I'm confident that the Chinese very much are staying on that position. They, whenever we talk to China, one of the first subjects comes up is how we can move ahead, how we work toward getting the September agreement implemented. And, indeed, when President Hu Jintao was here just a couple of weeks ago, he did have discussions with our President on the way ahead in the six-party process. And I would say that both presidents agree very much that the six-party process is the way to solve this issue.

The six-party process, I think, is one that is durable enough that it can go through certain periods when we are not making progress, as we'd like. And the reason is I think all the parties, or at least five of the parties understand the importance. When President Bush was in Korea, in ROK back in November, he sat down with President Roh Moo-hyun and they agreed on the need to really stay firm and stay engaged on the six-party process. So I think the political will is there.

Now, our ability to get the DPRK to have the same political will--you know, at some point the DPRK is going to have to make their own decision. I have no doubt that this is in their interest. By every economic indicator you care to look at, whether you're talking healthcare, whether you're talking steel production or textile production, or whether you're talking high tech or anything you want to talk about, the DPRK is falling behind. And it is a very sad thing. And no one should be pleased to see a country that is not succeeding.

And so it's my hope that these facts – and they are resounding and loud facts – that these facts will be understood in Pyongyang. And that the DPRK will see that if it wants to create a better relationship in the world, if it wants to create a better relationship in particular with the U.S., the route for that better relationship lies through the Diaoyutai Guest House in Beijing. It's a guest house that's actually a conference center. And that is how the DPRK can improve its relationship.

Now, I know there's a lot of discussion about the fact that, you know, the U.S. has taken some measures against illicit activities. We made it very clear that throughout this process, we would take measures, as we do in any part of the world, to deal with banks that are engaged in money laundering. For this reason, we took measures against a bank in the Macau district of China, Banco Delta Asia, where we announced a warning to American banks about doing business with that bank.

But that, frankly, that issue in Macau was done in respect of what we felt or we believe the DPRK is doing. But there are other banks in other parts of the world where we're also doing this and this has nothing to do with the DPRK. Our government is charged with fulfilling the laws, with following the law. And we have a duty to the American people to protect against financial irregularities of the kind that we believe were being engaged in, in Macau. And we will continue these activities.

And so I know there is some concern about this. But at the same time, I think people need to understand that just as the DPRK, even after September, continued to run their Yongbyon reactor, continued to produce plutonium, they need to understand that nothing is agreed until all is agreed.

We have agreed that in the process of implementing the six-party process accords, we can sit down with the DPRK bilaterally to discuss outstanding bilateral issues. They know that. And they also know the best way to get there is to get back to the six-party process.

Now, I know a lot of people are saying, how can you say this is totally unrelated to the six-party process? After all, you have these activities--actions against illicit activities here, and then you have nuclear talks over there. How can you tell us they're not related?

Well, let me explain the interrelationship of those. That is, there are a number of countries in the world, unfortunately, that engage in illicit activities. And sometimes they're caught and sometimes they're not. But I'm telling you, if your country engaged in illicit activities, engaged in counterfeiting of U.S. currency, for example, it's a serious matter, if you're engaged in various money laundering with third country banks – also a pretty serious matter – if you're engaged in these things plus you're producing nuclear materials, you should not be surprised that maybe your external financial accounting is going to be looked at. Because we need to be concerned about proliferation questions. We need to be concerned about what countries are doing when they engage in illicit activity and also produce nuclear materials.

So for the DPRK to complain about this action is really to want to do everything except come to the six-party process and deal with the root cause. We are prepared to sit down and go through all of the issues that are envisioned in the six-party--that are in the

six-party statement of principles, the Beijing agreement in September, we're prepared to resolve all of these issues in connection with the implementation of the principles. But we are not prepared to try to just sit outside the six-party process and allow North Korea, allow the DPRK to boycott the process and look for favors in order to bring them back. After all, they are the ones staying out of the process, a process which should be in their interest as much as it is in the interest of the other participants.

And for them to stay out and expect something from the other participants in order to join in, is to say that the six-party process is in everyone's interest except the DPRK. I would say they have at least--and I would even argue they have more than one sixth of the interest in coming back and making the process work. So I hope they'll think this through. I do hope they'll think this through.

I think if they do come back to the six-party process they will find us prepared and willing to do all we can to find a solution here. I think they'll find--I don't want to make this about me, but I'll be there and I will be looking for every, any and every way we can move forward in Beijing. I will be looking for ideas, ideas on how they can, for example, propose what type the list of their nuclear programs, how we can make sure that we can verify the dismantlement of those programs. I can work on the various other aspects that would begin to get them into contact with and eventually into various international economic organizations.

Ultimately, this is a very fundamental issue right now. And the fundamental issue is does the DPRK want to get out of this illicit nuclear business in order to be part of the international community? I cannot answer that question. They need to answer that question.

And I think the answer which we would like to see is that it is important for them to get into the international community. And they know they need to do it through the six-party process. This is a very broad, very strong platform for them to stage their return to the international community.

I'll say one other thing, because they have been talking about the $20 million or so of accounts that are currently frozen while various bank examiners go through the various underlying documentations in Macau. We estimate, and this is an estimation that we have, but also the Republic of Korea has, that if they went to an implementation of this six party agreement, just the energy provisions alone in the six party agreement, in the Beijing agreement would amount to about $20 million a week. So for every four weeks they delay, they lose $80 million. And you can do the math from there.

So the question is, “Why are they standing aside, losing so much money from only the energy agreement, over getting the Macau bank completed and the money returned to depositors where it is now frozen?” They have to answer that question. I

can't answer it, except to say that it does make me concerned about their commitment to implementing the six-party agreement.

So I want to close where really I began. I do believe this is the best mechanism for dealing with the issue. You know, the United States has a lot of differences with China. And one area where we really have worked together with the Chinese, as no time before, is on the diplomatic solution in the six-party process.

The six-party process has allowed the U.S. and China to work very well together. It has even allowed China and Japan to work well together. In fact, when I was in Tokyo just about three weeks ago, the Japanese and the Chinese were working together to try to get the DPRK to accept a new date for getting back to the talks.

So the six-party process is one that, I think, can really help all of us and can make a much stronger region in Northeast Asia. And really, as I've said, it has a very strong foundation. And we can build more structures on this in the future. But we've got to get the DPRK to see their future, as we can see our own, and to come back.

So I hope they come back. I hope they come back soon. We're not going to ask where they were. We're not going to ask, you know--this is not--we're not looking to singularize them or to cause more problems for them. But we want them to come back so we can get back to work.

And I think I will close there and maybe go to your questions. Thank you.

[Applause.]

MR. TALBOTT: Thank you very much for that clear statement of policy, not only toward the DPRK, but also the ROK.

Ambassador Hill, as he indicated, is graciously willing to entertain a few questions. I ask that you identify yourself and where you're from, and wait for the mike.

SECRETARY HILL: I don't remember being gracious. I thought you kind of twisted my arm. But anyway, I'll take a few questions.

MR. TALBOTT: Okay. I'll let you field the questions yourself.

SECRETARY HILL: Okay. Sure.

Yes? No, not you, Chris. We don't start with Chris Nelson questions.

QUESTION: Eric McVadon, from the Institute of Foreign Policy Analysis.

Chris, I remember you complaining, as I recall it anyway, a few months ago that you had moved from the Ambassador to Korea to the Assistant Secretary for North Korea. Have you had a chance to expand beyond that now? And if so, would you talk about some of the other issues that you're dealing with for the region?

SECRETARY HILL: Oh, sure. There are a lot of them actually. It could have been that the DPRK heard my complaints, and that's why they haven't been taking up too much of my time in the six-party talks.

First of all, there is a lot going on in Southeast Asia. And it is a very complex and pretty inspiring picture on the whole. Indonesia is really making a lot of progress. I've been there a couple of times. I was there with Secretary Rice. And we're very pleased at the direction that very important country is going, -- 240 million people, that's a serious place. So we're very pleased with what has happened with the government there.

President Yudhoyono has put together a great team. They're making it a place that they're getting the economy going in very sustaining terms. Indonesia, I think, is assuming again its place in the region. They're very active diplomatically. So we're very, very heartened by Indonesia and their continuing reforms of their military, a lot of good news there.

Vietnam is a country where our President will be there in November. Vietnam, 80 million people, another very serious big place, has made the strategic decision on its economy. They are moving toward a market economy. I think everyone understands that. Everyone feels that. They have a lot of political reforms ahead of them. But they clearly are, I would say, the next Asian country to be taxiing out to the runway. So I think there's a lot of good news there.

There are some small countries in Southeast Asia that I've also spent some time on; Cambodia is one of them. Cambodia, not surprising for a country where so many millions of people, an enormous percentage of the population, was murdered just 25, 30 years ago, they're also trying to make some of the right decisions. It hasn't been easy, but there have been some good signs in the last--I was there in January. And Deputy Assistant Secretary Eric John is there today. So we're trying to, you know, it's important not to just look at big places, because sometimes problems start in the small places.

China, needless to say, takes up an awful lot of time. And how China comes out will be very important, not only for the region, but for the world. And so it's appropriate that we have a very broad, very deep relationship with China. Don't always agree on things, but we, we--every single issue is an issue we have sat down and discussed with them. I spent some time on cross-Strait issues, obviously.

And, of course, Japan. In fact, this is Golden Week. So there are a lot of Japanese politicians in Washington just this week. But as you heard just yesterday, there was an agreement on the realignment of U.S. Forces Japan, a very important agreement – I think historical agreement is fair to say – and that's taken up, obviously, a lot of time, and time well worth it.

So there are a lot of issues out there. And I think Asia is, you know, people have been predicting this is the century of Asia for a couple of centuries now. Well, I think it really is upon us. So there's a lot to do.

I would like to solve this North Korea nuclear issue. And I'd like to solve it, because if you look at Northeast Asia, it is just the most dynamic place on the globe today. And then you look in the center of Northeast Asia and you see this sort of hole in the heart of Northeast Asia. And I think if we could find a way to solve this and get the people in the DPRK to see their futures, not only will their lives be better, but I think the whole region will play the role that it can play. It should be an exporter of so many different things, not just material goods, but stability, culture, other things. And we've just got to get through this.

And I'm convinced we've got the right formula. I'm convinced we've got the right people involved in it. I'm very pleased with my counterparts. ROK always produces some really top notch diplomats. Let's see if we can get it done.

QUESTION: There are a lot, as you said, a lot of security issues even in Northeast Asia other than the North Korea nuclear issue. When you were in Tokyo two weeks ago, you were at the Northeast Asia Cooperation Dialogue, a track one and a half regional security organization.

I want to ask you your views about establishing a governmental Northeast Asia security forum of some kind, and particularly whether you think this idea, which many of the six-party participants have talked about, whether it can be pursued in parallel with the six-party talks or whether it has to wait until there is some kind of an outcome for the six-party talks.

SECRETARY HILL: To establish a six nation—

QUESTION: Some kind of Northeast Asian security forum.

SECRETARY HILL: Well, I think we do, you know, I think those ideas have a lot of merit. My only caution would be I believe it should be six and not five. And so to get to six, we have to get some traction, some progress in what we're doing now. I think the DPRK needs to understand it cannot have business as usual while it's proudly

producing nuclear material and missiles. And so I think we, as a practical matter, I think we need to get--make progress on the nuclear issue.

But I think as we make progress--and, you know, I continue to believe that it makes sense to make progress, it makes sense for all six. So as we continue to make progress, I think we can look for ways to gradually bring the DPRK into these other fora. And ultimately, one would like to see in Asia greater, a lot stronger multilateralism. It's been there in the past. We have ASEAN; that's doing well. We have APEC. But I think there's room for a lot more multilateralism. So I'd like to see more of that and I'd like to see it in Northeast Asia in particular. And I think it would be important in solving some of the other issues, such as some of the issues that Japan has with some of its neighbors.

I didn't know you were a Korea expert, Michael, but go ahead.

QUESTION: Thank you, Mr. Secretary.

I wanted to ask about regional issues and the use of military bases in the region. And the question that Koreans often pose to us about whether we want to use bases in Korea in a more regional context. And it's probably a comment, probably a question. But I wonder if your European experience is part of the answer we need to provide to our friends in Korea, in the sense that we know our European allies make their decisions on a case-by-case basis about how much military help to provide in a given situation. And that really has to be the answer in Korea too. There's no way we can have a carte blanche in advance, especially in regard to Taiwan Strait issues.

But you well know, better than most of us, better than--certainly better than I, that in Europe, even when countries don't agree, they may say, okay, you can pull your forces off our territory—

SECRETARY HILL: Michael, tell these guys that, because I agree with everything you're saying.

QUESTION: I'm sorry to go on. But the German example in Operation Iraqi Freedom is particularly telling. The Germans said, we're not going to fight with you. And, you know, we're not real close to Iraq. We're certainly not going to let you use our air fields for combat missions. You can pull your forces out of Germany as fast as you want. We're not going to get in the way. And there's a whole range and set of options. We don't have to decide in advance. Isn't that right?

[Laughter.]

SECRETARY HILL: Yes. And I'm serious; that is, you've made some very important points. I've tried to make those points as well.

You know, I think--what I don't like to do is to come to Asia and say, hey, you should see what we're doing in Europe. That will solve all your problems in Asia. Because, frankly, Asia is different from Europe. And I think we have to respect the fact that it's different.

But I have no doubt that the, I think what you're getting at is the so-called strategic flexibility issue, the command relationships, and I think I completely agree with you; all of these issues, all of these issues are quite, quite solvable.
Yes?

QUESTION: I am Haksoon Paik, Executive Director of Seoul-Washington Forum. Thank you, Mr. Secretary, for coming to the Forum and thank you for understanding--thank you for helping us better understand this policy, the North Korean position.

I understand your hope that North Korea will come back and sit down and negotiate, solve the problem. But the simple fact of the matter is that North Korea has not come back to the negotiation table. And they are not, they do not appear to be prepared to come back.

And do we have to wait and see what happens when North Korea, you know, is still in the process of reprocessing their fissile material, their plutonium and accumulate the plutonium? Do you not think that we have to change our policy in order to keep some incentives for North Korea to come back and, you know, reciprocate our favors? What do you think?

SECRETARY HILL: Look, I think, first of all, we believe – I've said this many times; I think I said it a few minutes ago – we believe the six-party process is the best way to deal with this issue. We believe that when commitments are made, they are made in the context of six nations. So when there are commitments of the type that I think are very, very important in that September agreement, they're made to all. So I think it's very much in everyone's interest. It's also in the interest of the DPRK.

And so for us to get into a situation where they withdraw their support for the process pending the receipt of some other favor, I think it's not a very productive dynamic because today it could be something, and then tomorrow it could be something else, and the day after, still something else.

So I think we have to--you know, it's strange for an American to stay this, but we have to be a little patient. It's very strange for an American to say that to someone from Asia. But we do have to be a little patient. First of all, we have to take some sense of optimism from the fact that this is the right process. I mean, this is really the right way to

go. I think everyone that has looked at this issue and looked at other ways of solving it agree that it's the right way to go. It's a big platform, the six-party process. We can have plenty of dialogue, bilateral dialogue. I know there are a lot of people enamored with bilateral dialogue. I mean, I was able to talk to everyone bilaterally, I was able to talk to myself.

So there's no problem with how many ways we can have dialogue in the six-party process. But there is a problem when people boycott it and say we won't be part of it. What they're essentially saying is that we think this process is more interesting for you than it is for us.

And, yet, when you look at what we're talking about, what the nature of that September agreement is, this is an entire--the September agreement can be looked at as an entire roadmap to bring the DPRK back into the mainstream of the international community.

So the real issue is: do they want that? And if they don't want that, well, we have a problem. And I'm not sure what we can offer them if they don't want that. So, you know, I hope they'll think this through.

I know there's a lot of issues of, you know, they feel like a small country and the other countries are bigger. Again, compared to some of the places I worked in the Balkans, they look pretty big -- 22 million people, pretty big.

SECRETARY HILL: So I just don't think we should get so concerned that somehow it's our fault that they're not big. They have to take some responsibility for the process.

The door is open, chairs available. We're ready, again, in whatever format within the six party process. I have many, many bilateral meetings, bilateral meals, whatever. We're prepared to deal with it. But we've got to be (inaudible) six party process.--

QUESTION: Alan Romberg. You talked about a certain level of progress that's necessary in the nuclear talks before one could think about (inaudible) I'm going to ask about progress in the talks related to something else. Last November President Roh and President Bush agreed that after a certain degree of progress in the nuclear talks then we could begin permanent peace talks. (Inaudible) My question is whether you can expand on that a little bit. How much progress? What will be -- conceptually, what are we talking about, and how would we envisage such a process and the outcome it leads to?

SECRETARY HILL: Alan, we have done some thinking on that. As you recall, we had some discussions about it, and you've done a lot of thinking on that. At this

point., I'm not sure that I'm in a position really to share the thinking, except to say that we understand that -- it's there on page three of the September agreement -- that we will negotiate a peace mechanism at an appropriate place with the appropriate players. I don't think it needs to await the conclusion of everything else, as your question implies; there might be something we want to look at earlier. But at this point I'm not sure I can offer any fresh thinking about it. I think it's important right now that we all stay focused on this nuclear elephant in the room. And if we pretend that the elephant isn't in the room and we can, you know, talk about peace mechanisms while one country is operating a graphite moderated reactor producing plutonium for the sole purpose of making bombs, I think it's going to be difficult to really to do that with much credibility.

So I think what's important for everybody to understand is, every single word in that agreement is there for a reason. And we-- you know, I know my delegation is prepared to negotiate every single element of that, and negotiate positively every single element. And some of those elements are there because the DPRK very much wanted them to be there. And some of them are there because we very much wanted them to be there. And some are there because the Japanese wanted them or the Chinese. That's why it was six party and that's why it took a lot of time to do. But at the end of the day, we're prepared to negotiate all of them.

But at this point, I don't really, I can't or I don't want to share fresh thinking on how we might proceed with the other element, except to say that it was in the six-party agreement for a reason.

What do you think, guys, should I call on Chris Nelson? Give me a vote.

[Laughter.]

SECRETARY HILL: All right. Go ahead, Chris. I know I'll regret this.

MR. NELSON: It is very gracious for you to take questions. And I do appreciate it. See, I was exercising patience so I was taking your advice.

Secretary Kelly yesterday several times indicated his personal concern at what he saw as something of some handcuffs put on you in terms of bilateral meetings, speaking rhetorically, metaphorically. You said a minute ago that you do have bilateral meetings. But especially in—

SECRETARY HILL: Within the six-party process.

MR. NELSON: Right. My question is, at the recent Tokyo meetings, which to those on the outside looked like they were at least six-party related, it seemed as though you were not allowed to have bilateral meetings.

Do you see this as a problem? Were Secretary Kelly's concerns yesterday, which he repeated several times, perhaps not really what's on your mind? How can those of us on the outside deal with this problem of when we're meeting, but not meeting? Does it really matter here?

SECRETARY HILL: Well, look, Chris, I do the best I can as a negotiator. And sometimes I try to take kind of a soft line and try to be, you know, close to my negotiating partner. And sometimes I feel it's important to be a little tough.

And with respect to being in Tokyo, had the DPRK been willing to come back, and there were some signs that it was, and there were some signs that it wasn't willing. And I guess those latter signs proved more accurate, although both of them were in your column. I felt, I laid out a position that I would be happy to meet them bilaterally if they're not boycotting the six-party process.

But I just felt that I needed to lay down some ground rules, which is I went to Tokyo to talk to six-party participants. They're not in the six-party process right now. They're boycotting it. So that was my call. It was my call. I mean, I thought it's the right call. I thought it was the right call then and I think it was the right call now.

I mean, I, you know, I don't think it is up to us to get them to come back to the talks. I think it's up to them. And I'm not going to give them a hard time. I don't want to make it difficult for them to come back. But I just want to be very clear with them that I'll talk to them insofar as they're a member of the six-party process.

And what worries me a little is this issue of bilateral context comes up all the time, all the time, to the point where it's not about communication. We've had plenty of chances to talk. And, indeed, when I went up to Beijing in January, I saw them, I saw them with the Chinese, plenty of time to talk. In fact, we invited a whole delegation of them to New York to hear about the illicit measures and all that. You know, lots of opportunity to talk.

So you have to ask yourself the question, why is it that they want the bilateral talks? Is it about communications? Is it something we're not able to get across? I don't think so. I mean, I had nothing new to tell them last month than what I told them in Beijing the month before. And nothing new to tell them beyond what we had told them in New York. So I kind of think it's something else.

And it seems to be that they want to, somehow, reduce the six-party process to some sort of front or some sort of not-real process while the real talks go on bilaterally. And frankly, that's not what we want to do because, you know, we've done bilateral mechanisms before. But, just Koreas--ROK alone, I mean, ROK is a huge, huge player

in this. Any settlement in the six-party process is going to involve huge undertakings from ROK, electricity, for example.

So the idea that ROK is reduced to waiting outside the door while I talk to the DPRK, and then we brief the ROK. Or as it used to be, the ROK diplomats would come out to, you know, the airport while our people came in and told them what was going on. No. The ROK needs to be at the table. So I think there are a lot of reasons for being a little firm on this.

Again, Chris, I'm even open with you. I mean, I'm open with everybody and with the DPRK. They know where I stand on this. So for them to continue on and on about this bilateral issue like it's some sort of slight and because they feel slighted they won't come to the six-party process, I mean, the six-party process is about their entire future. And as I said, they should not mortgage their entire future because of $20 million in a Macau bank or mortgage their entire future because of a bilateral contact.

So is someone impeding me from having bilateral contacts? The answer is, yes, and it's the DPRK. Okay.

[Applause.]

SECRETARY HILL: Last one. I know that's a mistake, but I'll go ahead with a last question.

QUESTION: Let me start with good news. Before lunch, Lee Sigal and I were talking about the fact that the Red Sox got Doug Mirabelli back just in time to catch.

SECRETARY HILL: He had a police escort from Logan Airport to Fenway Park in 12 minutes.

QUESTION: In 12 minutes.

SECRETARY HILL: A police escort, and his batting average is .182. Can you imagine if he could hit .300?

QUESTION: But moving onto bad news, we seem to be stuck in this six-party process. And part of the reason seems to be the DPRK regards the financial regulatory actions against BDA accounts as yet another evidence of sort of hostile policy toward Pyongyang by the United States. And although there are illicit activities connected with the money laundering, and so on, connected to these accounts, there also are legitimate business transactions, it seems to me, connected to some of the other accounts. In fact, the Treasury Department announcement--Department of Treasury announcement for their

financial regulatory actions mentions that proceeds from precious metals trade actually wound up in some of these accounts.

So my question to you is, is there any willingness on the part of the Administration to look into the possibility of unfreezing some of these accounts that might have more to do with legitimate transactions rather than illicit activities?

SECRETARY HILL: Well, I think we've made clear our target here of illicit activities. We're not intending to target legal ongoing activities. I think the Treasury Department has made that very clear in their notices.

But I think we are prepared to resolve our bilateral issues. And if the DPRK is back in the talks, we'll certainly, you know, sit down and have an exchange. I thought we had a useful exchange in New York. So we're prepared to do that.

But we're not prepared to say to the DPRK that somehow it's okay for you to counterfeit some dollars, as long as it's not too many dollars. It's okay for you to engage in money laundering, as long as it's not too much money laundering. We're not in a position to do that.

So I think the DPRK needs to understand that the shortest way to get to the bottom of all this is to come back to the talks, sit down. We can work through these issues and we can solve that and many, many other things.

So, again, I go back to, I'm not sure what they're thinking right now, you know, what they are--what is the result that they're trying to produce. The only result I can see is that the six-party process, which should be so important to them, doesn't seem to be their priority right now.

QUESTION: My point was that unfreezing of some of these accounts that have more to do with legitimate transactions would be interpreted by them as a shift in policy.

SECRETARY HILL: Yeah. I think the freezing, this freezing issue has to do with an ongoing bank examiner issue. It is so far removed from the hands of a simple diplomat like me. It's in the hands of bank examiners who wear these kind of green eye shades and thick glasses. And they're, you know, going through this with adding machines. And I can't say to you when, you know, what could be unfrozen and what remains frozen. But, I mean, generally speaking, the DPRK needs to understand that it can't go on like this.

And I'm kind of amazed that you haven't asked a human rights question, but I put that in a similar venue. They cannot join the international community and believe that

they should have their own human rights standards that are different from everyone else. And so sooner or later, they've got to understand that that's just the price of the ticket.

So rather than complain about it and pretend that they're victims or something, they should just kind of get on with things. And we can work through this.

Thank you very much.

[Applause.]

MR. TALBOTT: Thank you very much. I think you've proved you're anything but a simple diplomat. We really appreciate your contribution to our luncheon and to our conference.

The conference will resume at 2:20. Please don't leave. We have another interesting session to go. And we'll rejoin in about ten minutes.

Thank you very much.

[End of taped luncheon session.]