THE BROOKINGS INSTITUTION

Seoul-Washington Forum
May 14-15, 2007

Panel I – Alliance in Transition:
Strengthening Political Trust and Adaptability

Co-hosted by
The Brookings Institution
and
The Sejong Institute

Sponsored by The Korea Foundation

Seoul Plaza Hotel
Seoul, Republic of Korea

[Transcript produced from a tape recording]

Panel I – Alliance in Transition: Strengthening Political Trust and Adaptability

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PROCEEDINGS

HONG SOON-YOUNG: Good morning to all of you again, and welcome to Panel I. The theme of this discussion is Strengthening Political Trust and Adaptability in the alliance. Any alliance, to be viable and effective, should be based on trust and adaptability, and this is why we have this topic before us. After more than half a century of alliance, and particularly at this point of challenges and opportunities, it is most proper to review and talk about the trust and adaptability between the two allies.

We are pleased to have two distinguished professors as presenters. To my left I have Professor Yang Sung-Chul and to my right Professor James Kelly to open the discussion on this topic. Professor Yang and Professor Kelly as so well known to all of us, probably I don't have to bother with an introduction.

But briefly, Professor Yang is a former Ambassador to the United States and currently a professor at Korea University. Formerly he was a member of the Korean National Assembly.

To my right, James Kelly is currently a senior adviser to the Center for Strategic and International Studies. The notable part of his career is that he had been a naval officer for twenty-some years, and of course he was the Assistant Secretary of State for Far Eastern and Pacific Affairs. Under the Reagan administration, he was the Special Assistant for National Security Affairs to President Reagan.

As discussants, we have two distinguished professors again. David Straub, who is currently a visiting scholar at Seoul National University, was formerly the country director for Korean affairs in the State Department.

To my left, next to Professor Yang, is Yim Yong-Soon, who is the former dean of the graduate school of Sungkyunkwan University. The two discussants, I am sure, will make the discussion more lively and meaningful. And now I invite Professor Yang to make his presentation.

YANG SUNG-CHUL: Thank you very much, Chairman Hong Soon-Young. Good morning, ladies and gentlemen. Actually, I tried to read my paper once, and it took about thirty to forty minutes, so I'll skip most of it. My paper is on page 35, so I'll try to summarize what I tried to present to you.

In my presentation, I will focus only on two specific issues. One is North Korea's Highly Enriched Uranium (HEU) question raised by the U.S. State Department during Bush's first term. The other is the Banco Delta Asia (BDA) question, initiated by the U.S. Treasury Department during Bush's second term.

Bush's first term national security and foreign policy team adhered to the policy of "no-buy-no-beg-no-bilateral deals" with North Korea, which was further aggravated by the HEU Incident of October 2002. Even after the First Round of the Six-Party Talks,

which began in August 2003, the U.S. word play of complete, verifiable and irreversible dismantlement (CVID) of North Korea's weapons of mass destruction continued almost like a daily mantra. While I was in Washington, D.C., I, too, joined in such verbal ritual whenever and wherever I had opportunities to speak out. Reversing the time sequence, I will talk about the BDA question first and raise the HEU caper afterwards.

Bush's national security and foreign policy or strategy toward North Korea is a two-track approach, which has become more transparent and concrete after the launching of his second term. The U.S. State Department-led Six-Party Talks is the first track. This track is an "above-the-surface" open forum, which has attracted mass media and public attention.

The U.S. Treasury Department-initiated "below-the-surface" investigation of North Korea's illicit financial activities overseas is the second track. The BDA probing is the case in point (To be accurate, the U.S. policy toward North Korea is the process and/or the result of three, not two federal departments, since Financial Crimes Enforcement Network Director of the Treasury Department is required by the Bank Secrecy Act to consult with the Secretary of State and the Attorney General of the Department of Justice).

Bush's double track approach is consistent with his national security strategy towards two Koreas. I cited here the National Security Strategy of the USA, which was published in March 2006; the U.S. State Department Country Reports on Human Rights Practices, which was published in 2006; and the U.S. State Department Country Reports on State Terrorism, which was published just last month on April 28th. And also I cited the U.S. General B.B. Bell, the commander of the USFK, who testified before the U.S. Senate Armed Services Committee on April 24, 2007.

Let me just quote the summary of what I cited. The Bush administration's image and policy of North Korea as being a part of "axis of evil," "an outpost of tyranny," "a state sponsor of terrorism," and the "key de-stabilizer in Northeast Asia" remain unchanged, which assessment may be right. In the mean time, the Bush administration succeeded in concluding the FTA with South Korea, thereby, strengthening and forging the economic and trade ties of both nations in addition to our military alliance.

Going back to the Six-Party Talks, the first significant agreement was reached at the Joint Statement of the Fourth Round on September 19, 2005. Back then, headline news around the world hailed the Statement as a "breakthrough," much like the media hype for the February 13th Beijing Agreement. On September 15, 2005, four days before the announcement of the Joint Statement, however, the U.S. Treasury Department designated Banco Delta Asia as "primary money laundering concern" under Section 311 of the USA Patriot Act, which was amended on October 21, 2001.

Likewise, on March 14th this year, a little more than a month after the February 13 Beijing Agreement and some 18 months after the designation of the BDA as a financial institution of primary money laundering concern, the U.S. Treasury Department issued a

final rule against BDA pursuant to the authority contained in the U.S. Bank Secrecy Act. This final rule imposed a special measure against BDA, which took effect 30 days later, which was on April 18 this year. It meant that U.S. financial institutions are prohibited from opening or maintaining correspondent accounts for or on behalf of BDA. This action also bars BDA from accessing the U.S. financial system, either directly or indirectly.

Let me skip those U.S. Treasury Department decisions, first designating as primary money laundering concern and then this year, making a final rule, since I will make a summary of that in the later part of this paper. Also I cited here the speech made by Stuart Levey, Under Secretary of Terrorism and Financial Intelligence of the U.S. Treasury Department before the American Enterprise Institute for Public Policy Research on September 8 last year. Let me skip all of it and let me make a couple of my points.

So as you see, the BDA issue once again stalemated the Six-Party Talks. Before I make a few comments on this matter, three disclaimers are in order here. First, I am neither a lawyer nor a financial expert to provide professional opinions and/or analysis on the Treasury Department's final rule on BDA.

Second, I have been out of government service for more than four years now. So, I have no access to information and/or intelligence as to the currently on-going communications and coordination among the Six-Party Talks officials concerning the present BDA question.

Third, I have been critical of Bush's North Korea policy for many years, but I am by no means anti-American, only against Bush's policy approach to North Korea. Nor have I ever been pro-North Korea. To the contrary, as a long-standing student of North Korean politics for all my professional careers as a professor, a politician and a diplomat, I am the first to admit North Korea's tragic atavistic realities—its father-son-succession historical anachronism, one of the last remnants of a totalitarian communist autarchy; and mass public's prolonged suffering stemming from the virtual absence of basic human freedom, let alone the bone-chilling deprivation of the North Korean people due to the severe shortage of food, energy and other life amenities, aggravated by the demise of communism in the Soviet Union and Eastern Europe.

My critique of Bush policy has been not on his assessment of the nature of the present Kim Jong-il regime *per se* but on his misconceived and misdirected approach to resolve the issues such as North Korea's WMD in particular and its reform and opening to the outside world in general. With these caveats in mind, I would like to make the following comments and raise a few questions.

When the U.S. Treasury Department designated BDA as a primary money laundering concern on September 15, 2005, the charges involved mainly four items: (1) BDA handles "the bulk of the DPRK's precious metal sales, and helps North Korean agents conduct surreptitious, multi-million dollar cash deposits and withdrawals"; (2) BDA is "working with DPRK officials to accept large deposits of cash, including

counterfeit U.S. currency, and agreeing to place that currency into circulation"; (3) one well-known North Korean front company, a client of BDA for over a decade, "has conducted numerous illegal activities, including distributing counterfeit currency and smuggling counterfeit tobacco products…The front company has also long been suspected of being involved in international drug trafficking"; and (4) BDA has serviced "a multi-million dollar account on behalf of a known international drug trafficker."

After some 18 months of probing by the Treasury Department, the final rule was published on March 14th of this year. I expected a specified amount of North Korea's illicit precious metal sales; that is, exactly how much are "surreptitious, multi-million dollar cash deposits and withdrawals"? The answer is, however, not found in its final rule. Nor did I find the amount of North Korea's counterfeit currency, the amount of counterfeit currency in circulation and/or the cash value of counterfeit tobacco products. Which front company has been involved in international drug trafficking? What is the amount of such drug trafficking? In short, the amount of North Korean money frozen in BDA has been widely publicized in media as somewhere between 24 to 25 million dollars, of which how much is licit and how much is illicit?

Noteworthy in this regard is a news story which I recently read. An independent study by an accounting firm, Ernst and Young, of the transactions of 50 of BDA's North Korea-linked accounts concluded, "From our investigations it is apparent that…the bank did not introduce counterfeit U.S. currency notes into circulation." Hong Kong's *South China Morning Post* said Ernst and Young "uncovered decades of multibillion dollar transactions in cash, trades, term deposits and gold bullion sales, all of which appeared above board."

On May 7 last week, Stanley Au Chong-kit, owner of BDA and the bank's parent corporation, Delta Asia Financial Group, filed a petition with the U.S. Treasury and in the statement by his counsel, Mary Ellen Powers said that "Drastic action that threatens the bank's very existence has been taken [by the U.S. Treasury] without any specific charges being made and without any evidence of wrongdoing on the part of the bank or its owners." The Treasury has "failed to cite a single example of BDA having been used as a vehicle for money laundering by a North Korea-related entity."

Put simply, to persuade and convince ordinary folks like me in Korea, the United States and elsewhere, a set of questions I raised above should be answered by the U.S. Treasury Department. To repeat, the U.S. Treasury Department should reveal to the public conclusive evidence, facts and documents involving North Korea-related BDA's illicit financial transactions.

At a minimum, one side effect of this dragged out probing is the lesson that North Korea must have learned about the United States' dominant global financial and monetary power and clout emanating from the U.S.-led creation and operation of post-World War II Bretton Woods systems such as the International Bank for Reconstruction and Development and the International Monetary Fund and their various auxiliary financial and monetary outfits.

Let me know talk about the HEU caper. In this electronic age of fast moving and constantly shifty inter-personal and inter-state relations, the HEU Incident of October 2002 is already a history. The February 13 Six-Party Talks Beijing Agreement meant the de facto death of the 1994 Geneva Agreed Framework. The principal reason for the framework dissolution was the October Incident of 2002, in which the Bush administration claimed that North Korea admitted to having a highly enriched uranium project, which North Korea denied by asserting that it only meant it was "entitled to have" such a program. The war of words immediately flared up between Bush team's claim of North Korean "admission" of HEU program and North Korea's assertion of its "entitlement."

Unfortunately and even tragically, the October HEU Incident has had far reaching political and economic consequences. It led to the halting of the construction of the two light-water reactors in Kumho, North Korea. It also brought about the dissolution of the Korean Peninsula Energy Development Organization, not to mention the virtually unrecoverable loss of $1.4 billion the ROK alone had poured into the project thus far, as well as the U.S. annual 500,000 tons of heavy oil shipment to North Korea, which was suspended in November 2002 in the wake of the HEU incident.

After the HEU incident, a series of events involving North Korea began to grab world headlines, such as on July 4 and 5, 2006, North Korea launched six Scud and No Dong short and medium-range ballistic missiles, including the Taepodong-2 ICBM, which failed early in flight. The Taepodong-2 missile test ended North Korea's seven-year, publicly announced moratorium on longer-range missile development, which led to the quick passage of the UN Security Council Resolution 1695 on July 15, 2006. On October 9 last year, North Korea proclaimed its first successful underground nuclear test and within five days, on October 14, again the UN Security Council passed its Resolution 1718.

During the Clinton administration under the 1994 Geneva Agreed Framework, a moratorium on North Korean missile test was in effect. Also, the red line, implicit, if not explicit, was enforced. Before the October Incident, North Korea's plutonium nuclear program was under control, but afterwards both plutonium and uranium programs got out of hand. It was an irony par excellence that North Korea's nuclear test of October last year was not of HEU, but of plutonium extracted from the Yongbyon nuclear reprocessing plants, which were reactivated after the HEU Caper.

For the following five reasons, I personally believe that the HEU Caper merits full investigation. First, this incident goes far beyond the simple war of words to determine which side is telling the truth. Its consequences have been too grave and costly to sweep them under the rug.

Second, unlike the Gulf of Tonkin Incident of 1964, which escalated the U.S.-led Vietnam War and the weapons of mass destruction issue which triggered the present U.S.-led Iraq War, the 2002 HEU Incident notwithstanding, the Six-Party Talks have succeeded in creating the present negotiation forum, which is certainly a welcome turn

around. While diplomacy failed both in Vietnam and Iraq, it has prevailed on the Korean Peninsula. Nevertheless, if truth and trust should govern the policy conduct of interstate relations, any lingering doubts and suspicions about the 2002 HEU caper need to be dispelled. Moreover, those officials who have been responsible for this incident should be made accountable.

Third, in the wake of the Beijing Agreement, Bush's second term national intelligence and security team completely reversed his first term's position on, or assessment of, North Korea's HEU program. For the sake of time, I'm not going to regurgitate what I wrote here, except that in the first term I quoted George Tenet, former CIA director; Richard Armitage, former deputy secretary of state; and James Kelly, who is here with me, my friend; and also Condoleezza Rice, the current secretary of state. And then I quoted the new reversal statement by Christopher Hill, assistant secretary of state; again Condoleezza Rice, current secretary of state; and Joseph De Trani, North Korean mission manager for the Director of National Intelligence, who spoke before the U.S. Senate Armed Services Committee.

So let me skip those portions and let me just go on to number four. No one is, of course, absolutely certain about the status of North Korea's nuclear programs. As you know, according to the February 13 Beijing Agreement, North Korea is supposed to provide a complete list of their nuclear programs, so probably by then we will know some of it.

And many questions still remain about the HEU incident. Is the shift in the U.S. position on the assessment of North Korea's HEU program the result of new intelligence findings or that of a new policy or a change in strategy? Or, as U.S. Senator Carl Levin, chairman of the Senate Armed Services Committee, questioned in his letters to both Secretary Rice and Secretary Gates, whether any intelligence assessment on North Korea's nuclear programs had changed since 2002. "If so, when did it change, why did it change and how did it change?" Since a few U.S. officials who were directly involved in this incident are present in this conference, I do hope they will clear up some of these questions I raised as well as the questions raised by Senator Carl Levin.

Finally, supposing that North Korea's HEU program was uncovered by U.S. intelligence in October 2002, was such intelligence information sufficient and justifiable for the Bush administration to dismantle the 1994 Agreed Framework and aggravate and deteriorate the U.S.-North Korea relations to the point of driving North Korea into conducting its first underground nuclear test?

Again, I quoted here two nuclear specialists, David Albright as well as Jeremy Bernstein, [and their] comments on North Korea's uranium program, they think it's not an HEU program but some attempt to develop an HEU program. So in view of these two expert assessments as well as the aforementioned other conflicting revelations regarding the status of North Korea's HEU program, should not the U.S. policymakers who were involved in the October incident take responsibility for the opportunity cost as well as the "squandering of recent progress" in inter-Korean relations?

I believe that the conduct of foreign policy is neither a rubber band to be stretched or shrunk at will, nor a fruit to be spit out if bitter or chewed if sweet. If no legacy is as rich as honesty either in interpersonal or inter-state relations, and if the intentional falsehood deserves condemnation, the HEU caper indeed requires a full investigation sooner than later.

Let me wrap up and conclude. This year marks the 57th year of the Korean division by the external powers in the virtual power vacuum of internal political forces. The road to a reunited Korea is neither a highway nor a high-speed railway. It has been and will be bumpy, full of expected and unexpected obstacles and barriers, both internal and external.

The recently concluded ROK-U.S. FTA is a welcome progress for solidifying both nations' military alliance and closer economic and trade integration, with a proviso that this new pact impedes neither the pace of inter-Korean integration process nor that of closer constructive cooperation among ROK, Japan, China and Russia.

Specifically, as of this writing, the BDA issue has once again stalled the implementation of the February 13 Beijing Agreement, as it did the Six-Party Talks Joint Statement of September 19, 2005. With some exaggeration, the current stalemate between North Korea and the U.S. reminds me of the eyeball to eyeball situation, the phrase Dean Rusk, U.S. Secretary of State, used during the 1962 Cuban Missile Crisis. Instead of an eyeball to eyeball confrontation, however, a more reasonable solution seems to be that either U.S. Treasury Department provides the conclusive evidence, facts, and figures of North Korea-related illicit BDA financial transactions to the public or does not allow its final rule to become a booby trap for the implementation of the Six-Party Talks Beijing Agreement.

About the HEU caper, while I was not present at the scene of the 2002 October Incident, a few participants here today were there in Pyongyang with Kang Suk-ju. So, I hope that they will either clarify the issues I raised here or set the record straight on the HEU caper.

As to the ROK-U.S. Free Trade Agreement and the Six-Party Talks, the former has been like one bird in hand, while the Six-Party Talks agenda, including the denuclearization question of the Korean Peninsula, is like ten birds in wood.

In conclusion, the alliance of the ROK-U.S. has endured for over half a century, despite occasional wrong policy directions and blunders of sheer ignorance or deliberate arrogance with ulterior objectives by two nations' particular administrations. In the short run, might in real world affairs often prevails over right, as moon shiners make money in the dark temporarily. I know personally because I used to live in Kentucky. Perhaps, too, if Bush's national security and foreign policy team's aim, from the outset, was to slow down or to play a role of putting a cart before the horse toward inter-Korean integration process by whatever means at hand, it certainly has succeeded.

But in history right is might, as justice is not the sole and exclusive prerogative of the stronger. I do sincerely hope that Bush's national security and foreign policy team will not lose sight of its global moral leadership in the process of pursuing their own myopic and Manichaean moral clarity. Thank you very much.

MR. HONG: I thank Professor Yang for his well-prepared and elaborate presentation on the question of trust between the two allies. He posed certain doubts and questions in connection with the Banco Delta Asia question and the Highly Enriched Uranium program of North Korea. Professor Yang in his presentation wondered aloud about whether these questions were raised initially as a matter of facts or as a matter of policies. I guess Professor Yang raised these issues in the big context of trust between the two allies. And these questions I hope will be further discussed during the discussion time. I hope Professor Kelly would not respond to it immediately. Now it's time to turn to my next presenter, Professor James Kelly.

JAMES KELLY: Thank you, Chairman Hong. I very much appreciate this chance to make a presentation to this very distinguished conference, and as you suggest, I'll refrain from offering my comments on Ambassador Yang's paper until after I've had a chance to read it more carefully. I'll leave that task to the discussants. In my case, I seem to be more constrained by the conference agenda, in which this Panel I is really about the alliance in transition, so what I've tried to do in my paper is to talk about the U.S.-Republic of Korea alliance, and how and where it is going and where I think it might go.

In my presentation I'm simply going to summarize some of the remarks from my paper. I think most of you have that paper and are welcome to read it and make suggestions on the precise wording. I will try to follow the general outline of the text, which is to take an overview of this alliance.

Alliances in the modern world, at least those with the United States, go, in my view, well beyond security and military matters. There is a special closeness, if I can respectfully differ slightly with Dr. Park's earlier notion, I don't believe that very many new alliances are being formed at this time. I think these are a residue that can either shrivel up or be enhanced. The relationships, there are very important new partnerships being formed—the Sino-Russian partnership, U.S. and India cooperation, the SCO—there are many others. These, I think in my view, fall way short of the commitments, the broader emotional kind of commitment that the alliance that the U.S. and Korea have describes. What we have is a broad partnership, and it has—these in the general sense have—a sense of equality, and I would argue that that is very much the direction we're moving here, and they have benefits that are mutual but not necessarily symmetrical. Both sides have to benefit from the proper kind of an alliance partnership that we have had.

The changing U.S.-Republic of Korea alliance has been honed over fifty-some years, with good and bad experiences. In particular, of course the experience of 1950, which brought the interest in a serious and committed way to the Korean peninsula for

really the first time, has set the tone for where we are now. It is also a question from the Korean side of how Koreans see their own identity. And I don't think that Korea is any kind of "shrimp among whales" anymore. Korea has become a country with significant global trade and energy interests. It is still part of a very difficult, challenging part of the world in Northeast Asia. But Korea's accomplishments are honored everywhere, in technology, in sport, in culture, in Internet work and all kinds of areas. Korea is, for the first time in its existence, a global player, and that I think needs to be understood.

I think you also, in discussing this, need to understand the current environment in Washington, in which the economy is strong but there is very much gloom, most of course over Iraq and problems in the Middle East, but there's also regrets and uncertainty about globalization. There's a sense of vulnerability among many Americans. The 9/11 attacks are old history in most parts outside the U.S., but they have changed American attitudes in a way; after all, we went all through World War II with only one serious attack—and that on the distant-from-the-continent Hawaii. But 9/11/2001 did change views, and there is a sense among many Americans of a kind of vulnerability to danger.

We have problems with Russia, we have problems in our relationships with Europe, we have difficulties in Latin America. The environment and global warming is now broadly accepted as a reality, but we're far from a consensus on any effective actions to be taken in that direction. Energy questions, high oil and gasoline prices bother Americans, and of course it's in a political year. I'll leave it to Korean friends and colleagues here to assess the atmosphere here in Seoul. Obviously it's a political year. The questions that will be resolved and considered by Koreans are really up to you, and I'll be interested in visiting this week to get a better sense of what these are.

We do, of course, in updating and upgrading our alliance, have certain challenges, not least of which are the contrasting views of the DPRK. These are not just policies but profound personal views. For Koreans, understandably this is a central condition, a central fact of your existence, never far from one's mind. I think there have been changes in feelings, which I try to outline in the paper, and now perhaps there's more of a sense of sympathy. Unification is still a strong desire, but the right time and conditions for that are certainly necessary.

The U.S., as always, is far away. The Korean nuclear issue, important as it is, is, I am afraid to say, way down the list of problems that are perceived in Washington. The memories of the Korean issue are what dominate public attitudes; they are periodically reminded by such actions as the recent nuclear test.

In the DPRK itself, of course, we have significant and interesting and unpredictable realities. There is a kind of economic reform, yet it has been halting and constrained. Starvation apparently persists, or at least is feared to raise its ugly head again this year. This is a condition unique in all of East Asia, though not unique in other parts of the world. The *songun* or "military first" policy as an impedance to economic reform, or the effectiveness of the economic reform, remains a strong reality, and clearly the objective is for the regime to survive if not prosper.

Nuclear weapons raise the regional and domestic dangers in a way that has not been seen before, and I'll comment about that in a short time. For China, this is also an important and interesting political question. There is deep political unhappiness in China with the nuclear test and the missile tests of the DPRK. Just how serious this is, is of course very uncertain, because as always China has stood fast for stability. China has also become an economic Jupiter, as I sort of see it. This great planet Jupiter exercises a powerful, sometimes overwhelming gravitational pull on those moons and even the other planets in the solar system. China's economy, in a new way, is a kind of a Jupiter of world economies, at least especially for those who are close by, and none may be more affected than the DPRK, although the effects and how and why and when this will happen are indeed most uncertain.

In Korea, at this time, the contacts that have been worked at so hard over so long by the Republic of Korea and the DPRK remain important, probably more important than ever before. Now there is a special sense of responsibility for the outcome of this question, yet denuclearization, as difficult as it is, is still an important part of this. I think on the U.S. side, it is important to note that there is a certain patience with this issue, but that the nuclear realities of North Korea may have note taken of them, take note of these realities, but the acceptance of this, in the sense that perhaps India's nuclear weapons may be accepted, is not one that I expect any American administration, at least in the few years to come, to accept. And what this does is, is it puts some risks that, although small, are worth mentioning because they are so potentially significant. They're a new element in the ROK-U.S. relationship.

Nuclear weapons, in a way, intensely raise the danger of violent conflict on this peninsula, which may have been somewhat diminished, perhaps largely diminished in a conventional war sense. What we have now is a very incomplete and undefined fully deterrence model, that really only goes back to the Cold War days between two very different countries, the Soviet Union and the United States. Therefore this risk is small but serious in the event that some terrorists were successful in exploding a nuclear weapon in the U.S., which would lead to all kinds of unpredictable and potentially extremely serious effects.

There are military issues, of course, between the U.S. and the ROK. My view, in recent years, these have been very well handled. We're going to have serious and substantial returns of property to the Republic of Korea. The relocation of the Yongsan Garrison may be a costly and difficult process, but I think it's an extremely important one in the development of our alliance, to move from this location wrought with history to some more appropriate place within our relationship.

Force reductions have taken place in the American troops. We see the impendency of these command line changes; these are all very important, but the key to it, and what we have been doing, is the mutual cooperation in making these changes. Essentially any kind of a reduction, in my view, can be handled if it is discussed and understood very clearly by both sides, including the public.

I conclude my paper with discussing some of the current issues very briefly. The trade KORUS FTA is a significant achievement that has the potential of filling out the alliance. It goes through, though, a very difficult process now, its acceptance by the National Assembly of Korea and its acceptance in the Congress of the United States. Last Friday in Washington, there was a very important development, which is the agreement of the administration and the Democratic leadership of Congress, and under the U.S. Constitution the primary responsibility for trade does remain with the U.S. Congress. In that sense, this has, in my view, left me cautiously optimistic about the progress of the KORUS FTA. The administration seems to be handling it very well, and we have chairmen of the key committees in the Congress who are definitely dedicated to a legacy rather than to simply satisfying constituents. But there are still many aspects to this that need to be taken care of.

And then on visitors, I touch on this issue. So many Koreans visit the U.S., and an increasing number of Americans are visiting Korea. It's very easy for Americans to come to Korea, but it's much more difficult for Koreans to visit America, and I very much hope that this visa issue can be solved in the months, if not years, to come.

So I'll end my remarks in summary of my paper with that. I would just offer one final point, though, in response to Professor Yang, who calls for clarification of the uranium enrichment issue. I think that clarification is not going to be obtained in this conference; I think it's going to have to await full resolution of the DPRK nuclear issue, and probably some other things as well. But I will say that the information that was available to the U.S. administration in the summer of 2002 was significant information, unchallenged to this time, which could not be ignored by any kind of U.S. administration and is not going to be. Thank you.

MR. HONG: I thank Professor Kelly for his well-prepared and very thoughtful presentation on the present and future of the alliance. While Professor Yang raised some specific issues, I feel that Professor Kelly tried to cover the whole range of the alliance between our two allies. I read carefully also the recommendations at the end of your presentation paper, and I highly appreciate what you have done, as an example of a product of very widespread perspectives.

There are some differences in approaches to the question of trust and adaptability in the alliance, but I note that the two presentations stand on the same premise: that the alliance remains viable and resilient, but should be further upgraded, looking beyond the present into the future.

Now it is time to turn to two distinguished discussants. I invite David Straub to comment on the presentations made by the two presenters.

DAVID STRAUB: Thank you, Mr. Minister. Ambassador Yang's and Mr. Kelly's presentations were insightful and stimulating, even provocative, and they've given us plenty of grist to discuss strengthening political trust and vitality in our U.S.-Korea alliance. I will focus on just a few of the many important points that they have

raised, but in a couple of cases I will talk about points that I think are important that they did not raise. Mr. Kelly has argued that the U.S.-ROK alliance is in the fundamental interest of both countries for the foreseeable future. I enthusiastically agree…

[TAPE CHANGE]

My impression is that most South Koreans feel that the U.S. alliance could be vitally helpful, but also that it could be fundamentally harmful to their national interest. To them, it all depends on U.S. behavior. South Koreans are especially concerned about how the U.S. will deal with the challenges posed by North Korea, and how the U.S. will deal with a rising China, including the role of the U.S.-Japan alliance in that regard. Only a small, but nevertheless significant, minority of South Koreans has written off the alliance.

But some South Koreans are concerned, at least to some extent, that the U.S. might make decisions that could actually threaten their nation's vital interest. The U.S. will have to do much more, not only in word but also in deed, to reassure South Koreans about this.

For example, I agree with Mr. Kelly that the U.S. under President Bush did not seek, and does not seek, war with North Korea. But earlier U.S. statements that "all options are on the table," quite naturally, were understood by South Koreans as leaving open the possibility of a U.S. military attack on North Korea, and perhaps even increasing the likelihood of hostilities given Pyongyang's psychology.

Such U.S. statements have had a terribly corrosive effect on U.S.-Korean relations. Americans themselves would never embrace an alliance in which their partner threatened to take unilateral action now to preempt a limited potential future threat, when such action risked exposing Washington, DC and New York City to massive retaliation.

Now I should add that it's not just the Bush administration or Republicans who bear some responsibility for this misunderstanding. It became a problem under the Clinton administration, and as recently as last year, some prominent Democrats were advocating a preemptive strike on North Korean nuclear and missile facilities. I should also add that that is a distinctively minority view in both parties.

Similarly, I agree with Mr. Kelly that President Bush did not have a policy of regime change toward North Korea. It's one of the most persistent and profound misunderstandings of the Bush approach to North Korea. But statements by some senior officials in the Bush administration could be, and were, naturally interpreted by many observers, not only in Korea but also in the United States, as indicating that the U.S. did have a policy of regime change. It was indeed only loose talk, as Mr. Kelly writes in his paper—not a policy, not a plan—but it had very harmful consequences for U.S.-South Korean relations.

I find that South Koreans are also very anxious, both about the rise of China and Japan's response to it. They hope that the U.S. will preserve a balance of power and thus peace in the region. But many are concerned that the U.S. is trying to contain China and, to that end, encouraging Japan to become a "normal" state in its military aspect before most South Koreans are at all comfortable with such a Japan.

Of course, I've only referred to issues on the U.S. side of the alliance; there are a number of issues I think on the South Korean side of the alliance that need to be addressed, and Mr. Kelly has discussed some of those in his paper.

To me, the bottom line is that the peoples and leaders, especially the leaders of both countries, have to learn more about the other, imagine themselves in the other's shoes, and make compromises, on both sides, to ensure that the alliance actually benefits the fundamental interests of both. If even just one of the two parties does not do that, the alliance cannot be effective now, nor will it endure for very long.

Ambassador Yang focused on two issues damaging trust between the U.S. and the Republic of Korea. As I understand his argument, the Bush administration cynically used the HEU and BDA issues, including by exaggerating the facts of the matters, to pursue a North Korea policy at odds with that of the government of its South Korean ally. I have no doubt that the Bush administration did use these issues to justify pursuit of a very different North Korea policy than that of the current and immediately previous South Korean governments.

But it is not irrelevant to note that President Bush and his most influential advisers during his first term sincerely believed that North Korea posed a much more serious threat than the South Korean government believed. They, that is, the Bush administration top leadership, thus felt that the South Korean leadership was seriously misguided in its approach toward North Korea.

In other words, U.S. leaders in the Bush administration were as convinced of the correctness of their point of view as the South Korean government was of its. And I regret to say that I believe that neither top leadership was prepared to sit down together with the other, genuinely to debate and possibly reconsider major elements of their North Korea policy, even though both leaderships had to have known that by not doing so, they guaranteed that neither policy toward North Korea had any hope of succeeding.

As for the U.S. government exaggerating the facts about HEU and BDA, let me discuss the HEU issue first. Ambassador Yang seems to be conflating two issues regarding HEU: what the North Koreans told the U.S. privately in October 2002 about the HEU program, and thereafter, whether the Bush administration publicly exaggerated how advanced the HEU program was.

As for what First Vice Foreign Minister Kang Suk-ju told us—I was one of the members of the U.S. delegation to Pyongyang—all of the U.S. officials attending the meeting independently understood him to have acknowledged the existence of the HEU

program. That is so, even though the personal views about North Korea and North Korea policy among the Americans in the delegation ran the gamut from far right to, well, moderate. There was also no issue of interpretation, since we listened to both Kang's interpreter and had our own professional interpreter with whom to check.

Kang's argument was diplomatically put, but clear. Essentially, it was, "Alright, you've got us on the HEU program; we're willing to address your concerns, but only after you address ours."

Now Ambassador Yang's other charge is that U.S. officials exaggerated how far along the North Korean uranium enrichment program was. He cites apparently conflicting statements by U.S. officials then and now. I recognize that different U.S. officials used different formulations over time, but I think that such conflicts are probably more apparent than real. I soften that because I've not been in the U.S. government for the past year, and so I do not have firsthand knowledge of the thinking of U.S. officials or the state of intelligence at this point.

Let me offer, though, my perspective on the HEU issue. First, there should be no doubt now, based on publicly available information resulting from the A.Q. Khan interviews, that North Korea was indeed pursuing a uranium enrichment program since at least the late 1990s. Second, whatever the exact scale of the program then, top Bush administration officials genuinely regarded, that is, the program rather than what Kang Suk-ju said to us, as a most serious problem. As one then very senior U.S. official later reportedly said privately, when asked if he saw the HEU program as an opportunity to kill the Agreed Framework, he responded, "No, not as an opportunity. As an obligation."

In other words, I think that the issue of exactly how advanced the HEU program was at the time was of secondary importance in the minds of the top Bush administration policy makers. It was primarily the *fact* that North Korea was pursuing an HEU program, not its stage of development that motivated the Bush administration. And we can disagree with them in terms of their policy, but that was genuinely the way they regarded it. And indeed, it is, I believe, far from a trivial matter that North Korea initiated and continued to pursue such a program even as the Clinton administration was reaching out its hand to North Korea to the extent of planning a presidential visit there.

I agree however with Ambassador Yang on what I regard to be a much more important criticism: that the Bush administration leadership bears a very heavy responsibility for taking an approach toward North Korea, and toward the HEU program specifically, that it should have understood would make matters much worse. That it evidently did not understand this deserves severe criticism. In that sense, it is unfortunately of a piece with the Bush administration's Iraq policy, and President Bush and Vice President Cheney bear direct personal responsibility not only for their own attitudes but for empowering ideologues in the uppermost reaches of their administration who made it impossible for other U.S. officials to effectively present different views to the president.

Regarding BDA, I will just say that there is no doubt, in my mind at least, that the North Korean government has long engaged in all manner of illicit activities. It's public information, and I'm not talking so much about BDA at this point. Over many years, decades, North Korean diplomats have been caught carrying counterfeit money, carrying large bundles of cash, trading in rare species, etc., including drugs. Now the U.S. government had every right to respond, for example, to North Korean counterfeiting of U.S. currency, and there is absolutely no doubt that that has and probably still is going on. Again, however, the Bush administration's ideological approach skewed the policy discussions about these problems, with the result that the de facto global financial sanctions policy that the second Bush administration pursued against North Korea was patently inconsistent with its own focus on the Six-Party Talks.

In conclusion, let me add that I agree with Ambassador Yang that the FTA should strengthen relations between our two countries. I agree with all of Mr. Kelly's fine recommendations for strengthening bilateral relations; I also agree with him that the changes to U.S. Forces Korea should strengthen the alliance over the long run. It is unfortunate that many friends of the United States and South Korea so misunderstood these changes and did not see how they would actually help the relationship.

I would note only that all of these measures together, while important in their own right, will not save the U.S.-ROK alliance if our leaders do not cooperate more on North Korea policy and over the long term, adopt policies toward China seen in Seoul as appropriate and non-threatening to ROK national interest. Thank you.

MR. HONG: I thank Mr. David Straub for your good comments and opinions. Now may I turn to Professor Yim Yong-soon for your comments?

YIM YONG-SOON: Thank you, Mr. Chairman. Being the last person of this panel, I think one disadvantage is the fact that everybody already said something that I'm supposed to say, so I don't have much to add. The good thing is that I'm the last person and a wonderful lunch is waiting, so I don't have to say too much.

However, I'm deeply honored to be here, and I'd like to express my sincere gratitude to the Sejong Institute and its chairman, Lim Dong-won. I'm supposed to make some comments on Secretary James Kelly's paper, and I received his paper ahead of time, which I've carefully read and enjoyed reading very much. And I'm hoping that all of you go back home and read this paper.

In my case probably I will make a few comments here and there, where Secretary Kelly did not mention. However, let me first join with him at the beginning of his summary, [in which] he suggests that Korea has become a more equal partner and also suggests that the Korean-American alliance should continue and broaden its function. Then he suggests that dealing with North Korean missiles and the nuclear development, I think we have to have more mutual cooperation and patience. And he also concludes that the restructuring of American forces, or the KORUS FTA, or visa issue, very much

technical, one of these days will be resolved, and then we will move forward to the future. I completely agree with his assessment.

Let me just amplify that point. Even though there are some Mark Twain rumors of demise of the U.S.-ROK alliance, highly exaggerated and so forth, I'm sure that there are some who are concerned or unhappy, disenchanted with this alliance in Washington or in the United States. By the same token, we have a few who strongly suggest that American troops must be withdrawn from the Korean peninsula and so forth. But they are relatively a minority, even though Professor Straub expressed some apprehension and concern on this matter. I have been teaching at university so long, but I haven't had such a notion that large numbers of Koreans desire to see American troops withdraw.

At this point, the U.S. and South Korea have become almost like a community. Not perhaps an equal relationship, but tremendous transactions are still going on. My university is a very old university that follows Confucian teachings. But our university has a TESOL program with Georgetown University; we have an MBA program run together with the Sloan School of MIT. There are fifty Americans who teach in various fields at our university. There are a hundred thousand Americans who make a living in the city of Seoul alone, and two million Koreans who make their home in the United States. If you look around, one of your relatives is bound to have been in America at some time. So I think the future relationship or fundamental Korean-American relationships are good. However, as my colleague Professor Yang Sung-chul suggests, here and there some express such a concern, but certainly they are not anti-American.

Having said so, let me just go back to Secretary Kelly's paper. He points to the fact that South Korea has been striving tremendously. Of course, we rank number eleven in terms of GDP worldwide, and we are number eleven in terms of international trade; however, we still feel that we are small fish or shrimp among whales. I think my friend here Ambassador Yang Sung-chul, a long time ago when he and I were relatively young scholars, coined the word "big power syndrome." I think that word was coined by Professor Yang, which I have quoted many times.

In spite of all these achievements, we still have that complex in a way. So the candlelight demonstrations or some of the anti-American demonstrations are not exactly geared per se as they don't like or hate Americans. It is something stemming from the complex that we have had for so many years, and on the other hand, that America disregards what we feel and so on.

At the same time, there are pessimists in America on this matter as well. I think one of the famous cases, Douglas Bundle, a few years back came to this city and told us that it is high time to say a friendly goodbye or something like that. But certainly Douglas Bundle should be one of the [small] minorities. Also we have now overcome the inferiority complex, even though some problems do exist.

Secretary Kelly suggests that for Korea, retaining a special relationship with a distant United States is good, considering that we still have a big power in China, Japan,

Russia, and so on. Of course if you read the classical literature of Sun Tzu from 2500 years ago, he already told us that you have to watch your neighbor very carefully and build your friendship alliance from afar. So we know this, and if you look at the vision structure, political system, cultural transaction, religion, and so forth, I'm sure there should be mutual benefit for Korea as well. And even America in the long run will very much benefit from retaining such a historical relationship.

Now, however, that doesn't necessarily mean we don't have a problem; we do have numerous problems. The most serious problem is how to deal with North Korea. Of course, the United States worries about the possibility of North Korean nuclear technology and materials going to terrorist hands, which eventually in return the terrorists will use to bomb New York City, L.A., or some place.

But let me also be a little bit of a devil's advocate. If you look at the North Korean point of view, North Korea was utterly destroyed during the Korean War by American bombing. As Professor Yang suggests, you should make it clear for the BDA case or HEU, and at the same time, George Bush even openly said that [North Korea] is part of the axis of evil.

My experience a few years back when I went to the United States, I went to a store in L.A. with my children and bought some stuff for my wife, I gave my credit card, and one tall gentleman who stood behind me asked, "What country are you from?" So I said, "I am from Korea." And then he said, "Are you from North Korea or South Korea?" So I said, "You kidding? North Koreans are so poor, they cannot come to visit the United States." And then he immediately said, "Well, but North Korea still has a nuclear weapon," in a really cynical way.

And then on one occasion I saw a cartoon of Kim Jong Il, Chairman Kim Jong Il with a big face, spectacles, small body, saying "I have a nuke." And then George Bush, pointing at him and turning around the other side, "What the heck is he talking about?" This is the kind of perception that a large number of Americans share, and of course newspapers pick it up and exaggerate, then eventually people end up believing that that is true. From the North Korean point of view, this kind of American mentality or public statement of American leaders really makes them believe that the United States will attempt to demise the North Korean regime and eventually destroy the thing that they have cherished most. So North Korea uses nuclear weapons.

I'm not so sure how many of you know, but North Koreans have read the novel called "Sanguoji," or "Romance of the Three Kingdoms" in English. It goes back almost 2,000 years. A very famous prime minister, Zhuge Liang, was constantly attacking a four-times more powerful country, and he attacked the country six times and failed. We often wonder why he did such a thing. Of course Chinese scholars argue that he tried to center or focus in terms of the combat where they could fight well. Another thing is that Zhuge Liang, by attacking so on and so on, tried to find opportunity, whatever it may be. Of course he failed.

North Korea, as Secretary Kelly has pointed out, is insecure and troublesome; what can a small country surrounded by big ones [do]? Even considering South Korea with a GDP many times larger and even conventional military strategy, there is no assurance that North Korea can beat South Korea. If North Korea didn't have a nuclear program, who is going to pay attention? Certainly the U.S. doesn't pay attention. North Korea now has a nuclear weapon; now, everybody pays attention, the six parties get together and try to persuade North Korea to give up this weapon. In this sense, North Korea has been rather successful, and in a way, that's the only alternative it can go on.

Now Secretary Kelly suggests that North Korea has made a strategic choice to give up its nuclear weapons. I think he's right in a way. But my point is that since North Korea has only one card—namely nuclear weapons—before North Korea can give it up, North Korea has to have the security of its regime, and at the same time economic compensation to rebuild North Korea.

So what I would probably suggest is that it is high time right now that the United States and South Korea, through this type of conference or a secret meeting between government and government, we have to have some sort of consensual model—how much the United States and Korea, to what extent and what scope and what limit, we can afford to North Korea. Now North Korea has made the strategic choice to give up nuclear weapons, but we need to set up a certain model that North Korea could clearly see, so some sort of model between the United States and Korea.

Of course we're going to guarantee security, we're going to give substantial economic assistance, but we have said it so far in very ambiguous terms. We haven't done any concrete proposal. So perhaps it is high time that we make a concrete proposal on the table and give it to North Korea. Of course North Korea will make a big fuss here and there. But then we have to account for that. So in that sense this is really the time that the U.S. and Korea will have to propose something concrete to North Korea.

For that, [Secretary Kelly] has written so many papers; my time is up. Of course, military restructuring, or the FTA, or the visa issue, those are technical things. But here, he recommends several things. I agree that the alternatives to the six-party process are poor; yes, we have to pursue it. And he suggests we do not accept North Korea as a nuclear power. Of course I agree. Very often the U.S. says that somehow South Koreans think that the nuclear issue is not against South Korea, and therefore South Koreans are not concerned or do not care that much. That is a totally wrong perception.

Suppose North Korea has a nuclear weapon, where is it going to use it? It cannot use it against the United States. It is a long way; it will be shot down. So where is North Korea going to use it? So we are more concerned, more serious, about this nuclear issue. Therefore, a third proposition [should be] made—in order to tackle this matter, perhaps it is time to set up or make some sort of a model.

At the ending of this paper let me raise a few nut-and-bolt questions to Secretary Kelly. Number one, I am sure we have every evidence that North Korea, should every

condition be met, is willing to give up its nuclear weapons. However, if North Korea cannot or does not comply within a certain time frame, how is the Bush administration going to react? We are assuming, but what will the South Korean government have to do?

And secondly, there is very good chances that—I know you are a Republican—however, that a Democrat may win the election next year. With your own experience, should a Democrat win, how many months, or how long would the new administration take to set a new tone and delineate a policy posture toward the Korean peninsula and specifically to North Korea? That's a simple question I'd like to ask.

But let me conclude by saying that my two sons serve the U.S. government, one in Treasury, the other as a captain of the U.S. Air Force. So in a way, the United States is their country. But Korea is my country. And our purpose is somehow to peacefully unify our country. So Secretary Kelly suggests that everybody goes after his own interest. However, we can find that congruency of going together and for that reason; we try to understand the other party first instead of just acting unilaterally with our own perception. So let's be more mature in the future and tackle Korean issues. Thank you.

MR. HONG: I thank Professor Yim Yong-soon for his good comments and very thoughtful questions. Probably at this point it is proper for me to invite the two presenters to make some responses to the questions raised by the discussants. Professor Kelly?

MR. KELLY: I'll be very brief. As always, David Straub's comments are elegant and beautifully put together and mostly right, so I don't have any particular dispute. I thank Professor Yim for his comments. He asked me two questions: One, how does the Bush administration, of which I'm certainly no longer a member, react if, as I understood it, North Korea's timeline on resolving the nuclear issue is too long? Really the answer is patience and determination, which seems to be being followed now.

His other question was how long will it be, if one of the Democrat candidates wins the election and takes office in January of 2009, before policy will be reviewed? First of all, any and all American administrations, through the nature of the appointment process and the time between the election and the inauguration, have a very difficult and very slow time in getting their appointees in. But that said, from what I hear from most of the Democrats, they're very supportive of what's going on in the Six-Party Talks, so I would expect there would be no particular interruptions.

But what's important I think for us to note is that if you look at it from an American sense, nuclear weapons are a vehicle for the DPRK to avoid having to deal with the Republic of Korea. Nuclear weapons generate the American interest of a particular sort, complete with the kind of misunderstanding that Professor Yim experienced in a Los Angeles store. It uniquely puts that in a deterrence context as I tried to outline in my remarks, and is really a permanently divisive issue in our alliance, which

can be helped up to a certain point by working together. But that's going to be the case whether Republicans come in or whether Democrats come in.

We shouldn't worry so much about preemption to the extent that that element has raised its head in American strategy. It seems to be in eclipse and I think will be there for some considerable period of time. But retaliation, should there be some serious nuclear explosion, has got to be a real worry for people who are close to North Korea. Thank you.

MR. HONG: Anybody to take the floor at this point? Then probably I can open the forum to the floor for some minutes…So now I open the forum to the floor, and in case you put your question to any one specific gentleman on the board, you can name the person you want to raise the question to. Ambassador Sun?

SUN JOUN-YUNG: Thank you, Mr. Chairman. First of all, I'd like to express my thanks to our two distinguished presenters, Ambassador Yang and Secretary Kelly, and the discussants. We have discussed several important issues like the Banco Delta Asia issue and then the February 13 [agreement]. But the nuclear test conducted by North Korea in October last year, whether we recognize its success or failure, has already started to give a dangerous, very important impact on inter-Korean relations, inter alia.

The first thing is that the agreement of February 13 may be one of the outcomes of the nuclear test conducted by North Korea. The important issue involved in Banco Delta Asia is that the U.S. government has changed its position. The U.S. government has been insistent that this was absolutely a legal issue, nothing to do with the Six-Party Talks, but later on they changed, and in a sense they de-legalized, I mean politicized the legal nature of such an issue. If you de-legalize such an issue, then you may be prepared to face danger, because the other side may come forward with similar actions, for example in the form of postponement of the process of the Six-Party Talks.

The second point I would like to make is that North Korea is already behaving as a nuclear power, and that means that North Korea is downgrading South Korea and upgrading itself because North Korea has finally started to deal with the United States bilaterally, on an equal footing. So this is very important. Such upgrading of North Korea's position has been and is supported, and vindicated, by South Korea. For example, by the fact that many politicians keep going to North Korea and come back without transparency. What they have really talked about with North Koreans we never know. Whether any of the politicians who have visited North Korea have ever raised the most serious issue, North Korea's nuclear issue, I doubt it.

So I would like to stop here by raising one question to Secretary Kelly. If I recall correctly, I think two months ago when Michael Hayden came to Korea, immediately after meeting with the defense minister of South Korea he said, clearly, that the U.S. government cannot recognize North Korea as a nuclear power because the October 9th test was a failure. And I think General Bell made similar comments weeks before. So my question is, is there any intentional and deliberate "toyification"—this is my own English, toyification—of the nuclear weapons possessed by North Korea? That means, if

the U.S. government is determined to resolve the North Korean nuclear issue through negotiations, then they must be prepared to come up with a final settlement of the issue, even with North Korea's "toy" nuclear weapons intact. Thank you.

MR. KELLY: It's my opinion that no U.S. government in the foreseeable future is ready to accept the DPRK as a nuclear weapons power, and so until the denuclearization part is realized, there is not going to be a success from the U.S. viewpoint in resolving this issue. Now, you can get into technical questions of counter-proliferation—the term I used, "taking note" of North Korean nuclear capabilities. And I would not be one to denigrate their nuclear test; I am sure that North Korea has some kind of workable nuclear weapons. So the fact is the U.S. and I think future U.S. governments, no matter how long it takes, and it could take a very long time, are going to insist on the denuclearization as a goal to fulfill their objectives with North Korea.

JOSEPH WINDER: I'm Joe Winder, past president of KEI. I have a question for Ambassador Yang, and this concerns the linkage between the U.S.-Korea alliance and Japan. I think many scholars have written that Japan relies very heavily on the U.S.-Korea alliance for its own security—security against an assertive North Korea, against a rising China—and I think Japan is now, as we see evidence, losing confidence in the partnership between Seoul and Washington, and that's raising questions in Japan about the stability and durability of the alliance, particularly while the threat from North Korea is growing. So my question to you is, how do you see the U.S.-Korea alliance in terms of Japan's security, and how important is it to maintain a strong U.S.-Korea alliance in order not to unleash uncertainties in Japan that could have unknown repercussions?

MR. YANG: Well that's a tough question that I didn't raise in my paper, but let me answer you anyway to the extent that I know. About the U.S. military alliance, as you know, we had the most recent defense ministers' conference in Washington, DC, and as far as the wartime operational control question is concerned, it is resolved so far, because they have a specific date, that is July 14, 2012, or something like that. And also we are going through quite smoothly, even though in the beginning we had some problems, the relocation of U.S. headquarters from Yongsan to Pyongtaek area. So I am very optimistic because it's a mutually reinforcing national interest of two countries. I am talking about the strong readjustment to the current situation in Northeast Asia as well as to the world. This reformulated and readjusted alliance between the ROK and U.S. is very strong and highly recommended, and personally I am for it.

About Japan, as you know I am not an expert on Japan, but as far as Japan is concerned, somehow Japan has been the slave of the past. They just couldn't rid of the historical past. I wish that they were like Germany, that somehow they got out of it and led the EU. Because in the long run, I think we need common prosperity and progress among Northeast Asian countries like Korea, hopefully a united Korea; Japan; Russia and China. So I am on the side of optimism, not pessimism. I hope I answered your question.

QUESTION [in Korean]: As someone who studies unification, I have a brief question for Mr. Kelly on American policy. American policy has harped on the

denuclearization of the Korean peninsula, both before and after the nuclear test. This is American policy, which has been consistent, for example with Libya, Ukraine, and the Cuban missile crisis in 1962. "Give up nuclear weapons; we will guarantee the security of your regime." Now the U.S. is applying this to North Korea, but this is nonsense. North Korea is part of a divided country.

MR. KELLY: To the extent I understood the questioner's point, there are some references to Cuba in 1962. As I say in my paper, I strongly favor solid and reciprocally-based relations, improvements between the DPRK and the Republic of Korea. That is the only way that this question will be solved, and that has been my view for many, many years. The nuclear weapons are a potentially divisive issue, and certainly as long as conditions are as they are in North Korea, the U.S. is going to be very fearful about the presence of these nuclear weapons and the possibility in a situation that is so un-transparent and so hidden, that somehow nuclear weapons might endanger the U.S. continent directly through leakage to terrorists.

The North Koreans have asserted, I thought quite credibly, that this is strictly for their own interest and that they have no intent to do that otherwise, but this is such a serious problem that it is very difficult to do that. Time can change many views, and perhaps over many, many years American views will somehow change, particularly if a nonproliferation regime completely collapses and many countries throughout the world obtain nuclear weapons. But if so many countries obtain these nuclear weapons, I'm afraid it will not be long before some of them use these weapons to resolve disputes, and the impacts of that are going to be terrible indeed.

QUESTION [in Korean]: The topic of this panel is the alliance in transition, strengthening political trust and adaptability, but I believe we must reconsider what and whom it is for. So I have a question for Mr. James Kelly. The currently changing alliance is part of America's strategic flexibility in East Asia. For whom and what is this strategic flexibility? On the Korean peninsula, will it help to restore trust in U.S.-ROK relations?

I also have a question for Mr. Yang Sung-chul. It seems that the Status of Forces Agreement, SOFA, has some problems concerning unilateralism, which will hinder efforts to rebuild trust. What is your opinion on the necessity of revising the negative aspects of SOFA in order to restore mutual trust between the U.S. and Korea?

MR. KELLY: The questioner asked who benefits from this. Well, in international relationships, it is impossible to separate the notion of the self-interest of either party and the mutual interest. The idea is that for two countries, especially those as large as Korea and the United States, we're never going to have exactly the same interests on every issue. But if there is an overlap of interest, sufficient in the judgment of both sides, to be truly mutually beneficial, then I think we are going to have that relationship. And when we do not have it, or when one side perceives that that is not the case, then that relationship is one that is going to fail. So our objective here is to try to explain and understand and set the policies in a way that the interests of the Republic of Korea, and its own welfare and

prosperity and future, and the interests of the USA, and its own welfare and prosperity and future, sufficiently overlap so that they can be mutually beneficial to both sides. It's really as simple as that.

MR. YANG: Again, your question is beyond my presentation today, but let me answer you. The ROK-U.S. formal military alliance is now 54 years old this year, and it has been one of the most enduring and lasting, perhaps a model example of a bilateral alliance. To the U.S., there are several military alliances like us, like the ROK. But for us, the ROK-USA military alliance is the only formal ally; that is, the United States has been our only formal ally.

As far as SOFA is concerned, I don't know the specifics. But it has been amended as need arises. And as you remember, during the Kim Dae-jung government, we had a major amendment on SOFA. So I'm sure that both countries, if they realize there's a need for amendment to strengthen our alliance, I am sure they will do so.

KURT ACHIN: My name is Kurt Achin; I'm a correspondent here in Seoul for VOA. Just two very short ones, mainly for Mr. Kelly but for anybody. South Korea stays relatively quiet in official terms about a lot of unpleasant things in North Korea because it perceives the diplomatic cost as too high. I wonder, could it be that with the BDA episode, maybe Washington could have taken a page from Seoul's book? Not sat on it, but not perhaps put it in the forefront, just to let diplomacy work. In retrospect, was the diplomatic price of BDA too high?

And if I could just get Mr. Kelly's response to the assumption that a lot of scholars, especially here in Korea, hold, that North Korea's later nuclear development, especially the test, was provoked by the United States?

MR. KELLY: There's no way I think that anyone can conclude what exactly motivated the DPRK to have the missile test and then the nuclear test. I always felt that a nuclear test would be redundant, since I was so certain that North Korea had nuclear weapons. It's probable that it's not so much a provocation as a desire to be accepted at a different, and North Korea would perceive higher, level. And it certainly incurred certain costs with China over that. But I don't think there's any way to be certain about that.

LEE SANG-HYUN: My name is Sang-hyun Lee, research fellow at the Sejong Institute. Thank you, Professor Yang and Mr. Kelly for the excellent presentations. Listening to the presentations I have thought about the title of today's forum, particularly the words "renewed trust and vitality," and it sounds to me the Korea-U.S. alliance today is suffering a little bit from weakened trust and vitality; that's why the organizers put this title for this forum. Having said that let me raise two questions to Mr. Kelly.

The first thing is about some of the practical steps to cure the sort of perception problem between Washington and Seoul. In the paper you wrote that many issues in military alliance adjustments are much more sensitive to how they are presented and perceived than what is actually done. I absolutely agree with that, and I also think what's

troubling the alliance is not the difference itself but how this difference is being discussed and communicated between the two sides. So could you elaborate a little more on some of the practical steps to enhance communicating capacities between the two sides?

My second question is, what is the exact position of the Bush administration regarding North Korea's nuclear status? It seems to me signals from Washington are very confusing these days. For example, you mentioned that most Americans' views of North Korea have changed little, but somehow many people here feel that the Bush administration's position has changed significantly, particularly toward the North Korean nuclear issue. Part of the concerns that Washington may recognize North Korea as a de facto nuclear power as long as North Korea does not cross over a red line, which is the transferring of nuclear material to other parties, I think that's one of the unacceptable options for South Korea. Also, already somebody mentioned that CIA Director Michael Hayden, who recently visited Korea, he claimed that the North Korean nuclear test was a failure. And if that was a failure, why is the Bush administration so concerned about North Korea's nuclear capability that may not virtually exist?

MR. KELLY: Practical steps in terms of the military alliance, I think what we've seen have been a series of practical steps, and we need to follow these through. I think they were well organized and negotiated; it's significant that this, for all the alleged basic differences, turned out to be considerably easier than working with the Japanese in more modest kinds of adjustments.

Yes, Washington is certainly always confusing. So many people are saying so many things. Certainly stylistic approaches and various of these surrounding points have changed with respect to the DPRK. But I think as long as the DPRK remains the opaque and untransparent reality that it is, then whatever assurances, as long as it has nuclear weapons, of not crossing the red line will always be subject to much questioning and considerable doubt in the U.S. I'm not aware of the details of the analyses of the nuclear explosion. But I just personally have a lot of confidence in Korean engineers, whether they're North Koreans or South Koreans, and North Korea has had the necessary materials for making nuclear weapons for at least 18 years. This is not Libya, and if you turn professional Korean engineers loose with all the necessary materials for 18 years, I think they're going to come up with something that works. Maybe the first time it didn't completely work as well as some wanted, but I wouldn't take any comfort in that.

MR. HONG: So I guess it is time to close now. I will not try to draw a conclusion out of this panel discussion right away. I will leave the discussion where it stands now. I will sleep on it, and probably by tomorrow afternoon's wrapping up session I will come up with some sort of broad, summing-up paper. I thank again the presenters and discussants for your very active contributions to the discussions and also to all the participants for your active participation in the discussions. So this panel is closed; thank you very much again.

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