



Center for a
New American
Security

STRIKING A BALANCE: A NEW AMERICAN SECURITY

SESSION FOUR: NO ILLUSIONS: REGAINING STRATEGIC INITIATIVE WITH NORTH KOREA

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AMB. WENDY SHERMAN: Good afternoon everyone. It's terrific to have you all here. I know it's been a long day for lots of you, and running at a panel at 3:30 in the afternoon is not always the easiest thing to do, so if you nod out I won't take it personally. Make sure you get yourself some Coke outside, cup of coffee, whatever.

My name is Wendy Sherman and I'm chairing this panel which is extraordinarily timely as CNAS always is because there is probably not a more present problem in the national security arena than us dealing with a set of very difficult circumstances in terms of peace and stability in Northeast Asia led by the actions and inaction of North Korea.

As some of you probably know, I'm currently a principal of the Albright Group and Albright Capital Management and I was the counselor of the Department of State when Secretary Madeline Albright was secretary and had responsibility for North Korea as the presidential advisor and worked with some of the people on this panel.

Let me briefly introduce who's going to join us in this discussion, how we're going to proceed. Then I'm going to make a couple of introductory comments, and after I make some introductory comments we are going to hear from the authors of a terrific CNAS report which you all should have copies of. We're going to hear some terrific commentary on that report. And then we're going to leave time for questions and comments from those of you in the audience, so we hope you will be participants, not just audience.

The colleagues that are with me today, to my left, Abraham Denmark, who is a fellow with CNAS – the Center for New American Security. He directs the Contested Commons project and works on the Asia Initiative '09 project and a lot of defense and strategy projects. He was previously the country director for China Affairs in the Office of the Secretary of Defense, and is one of the co-authors of the CNAS report.

Next to him is Nirav Patel, who is the Bacevich fellow at the Center for New American Security and oversees the center's Asia '09 initiative. Prior to working at the center he was a research analyst at the Center for Strategy and International Studies, looking at global proliferation, of which there is unfortunately a great deal, and he has written extensively on the subject.

Next to Nirav is Ambassador Tom Hubbard, who is a former colleague of mine and someone who knows North Korea quite well. He's currently senior director at McLarty Associates in Washington, D.C., where he focuses on Asian affairs. He was ambassador to the Republic of Korea. He was ambassador to the Philippines. He was one of the senior and chief negotiators for the 1994 Agreed Framework with North Korea. He was actually the person when Secretary Albright her – (indiscernible) – trip that we sent in to North Korea to sort of be the ambassador – I'm sure it's a position he'd love to return to – for two or three weeks to get us set up since we didn't have a mission there.

And next to Tom is Dennis Wilder, who's a fellow at the Brookings Institution at the John L. Thornton China Center in Foreign Policy at Brookings. He was previously

special assistant to the president and senior director for East Asian affairs at the National Security Council from 2005 to 2009.

So there are tremendous experts here, so I'm going to keep my opening comments short so we can hear about the center's report and get reaction to it.

We are at a moment unlike all of the other moments that have come before. It is not that we have not seen North Korea behave badly in the past. We have. It is not that we haven't heard North Korea make bellicose and belligerent statements in the past. We have. It's not as if we have not had times where we have seemed completely stuck and couldn't imagine how we were going to move forward. We have often seen that moment. But what we have here is really in many ways a critical inflection point that I hope does not become a tipping point.

And I think the real struggle for us this afternoon is how to calibrate the response to a very difficult situation in a way that is effective, that preserves an opportunity to return to dialogue and negotiation at the right moment, that makes North Korea have to attend to the consequences for the actions they have taken, without accidentally – because I'm sure it would be an accident – tipping over into a catastrophic situation, and that catastrophic situation could be any number of occurrences.

The reason this is a different moment than all the previous ones is that I believe, and I think most analysts would agree, that much of what North Korea is doing has much more to do with their internal affairs than their external vision, and that the issue of succession and stability internally is much more important than international acceptance at this moment. And Kim Jong-Il is not only trying to project power and force and strength to us and to the others who are part of the six-party talks, but he is probably more importantly trying to project power and strength internally inside of North Korea. And until that succession has cemented itself in some way, and we can talk about the ways that might happen, I believe we all have to be extremely well calibrated, we have to be very patient, we have to ensure as I believe the Security Council is about to do to make sure that North Korea has a united international response, that they cannot act with impunity when it comes to launching missiles and testing nuclear weapons.

The last point I want to make, and then I'm going to stop for now, and I'm happy to say plenty later as we get into discussion, is that there are a lot of forces, and I don't mean armed forces in the first instance, that are aligning themselves to talk and act very tough. The U.S. government is for some appropriate reasons. The South Korean government certainly is. We have China and Russia joining unanimously in the Security Council resolution I suspect. And all of this tough talk is not inappropriate, but can lead unwittingly to an escalation that can easily get out of control. So I am for toughness. I am for understanding this is a moment like any other, but I am also for great care and calibration in how we proceed, because when push comes to shove people will really have to decide if they are ready for the consequences of all of our actions as we move forward in a very difficult and potentially dangerous situation.

So with that, I'm going to turn to Abe and to Nirav to lay out their approach, what they call strategic management of this crisis. Then we'll hear from Tom and Dennis. I'll have a couple of comments. And we will then open it up to all of you.

Nirav?

MR. ABRAHAM DENMARK: Thank you, Ambassador.

Before discussing the report, I'd like to thank the panelists for taking time out of their busy schedules to join us today. I've long admired the writings and exploits of the people on this panel and I'm very much humbled to be on the same stage with these individuals.

I'd especially like to thank Ambassador Sherman for her support and dedication to CNAS and our Asia program. She has had a distinguished career as a senior diplomat and troubleshooter on some of those complex and challenging issues of our day. And her perspective makes her unique and ideal to provide us with exceptional comments and overview of our report today. So thank you very much for coming.

I'd also like to acknowledge and thank my colleagues and coauthors on this report. Lindsey Ford, Zach Hosford and Michael Zubrow down there. This report is theirs as much as it is ours.

I don't think we need to explain why we decided to write a North Korea report. I think that's fairly obvious. In fact, the Senate Foreign Relations Committee is holding a hearing at this time, at this very moment, on North Korea. So it'll be interesting to see which the newspapers cover. (Laughter.)

We titled this report "No Illusions" for a number of reasons. One being – the primary reason of course being that in our analysis there are some hard truths that we need to recognize, and it was our determination to look these hard truths square in the face and try to develop strategies and policies to address them instead of trying to work around them or ignore them. So our report attempts to establish a framework for the United States to what we call seize the strategic initiative vis-à-vis North Korea in order to over time reshape the status quo with a mix of positive and negative incentives, using sanctions and what we call on-ramps to both improve U.S. leverage and also induce the – or compel the North Koreans to return to the negotiating table. We call this approach strategic management, and what it is, it's a short to medium-term strategy to strengthen the U.S. commitment to its allies, to sway, deter and restrain North Korean proliferation activities and prevent North Korea provocations from escalating into a broader regional conflict.

Also, this strategy is intended to provide a bridge to our longer-term objective, namely, the denuclearization of North Korea. Obviously North Korea's recent nuclear test and missile tests and its oft stated decrees of war against the United States and the international community pose several risks to international stability. The most obvious of course, that these provocations may run the risk of escalating into a broader regional conflict, but also, as Secretary Clinton recently said, North Korea's provocations could catalyze a nuclear arms race in Northeast Asia. This is in part driven by concerns in some circles, in Seoul and Tokyo, about the U.S. commitment to their defense. And this is an issue that we're going to attempt to address in our strategy.

I'd like to now summarize some of the key principles and findings that shaped the formation of this report. The first being an endorsement of the current administration's stated long-term objective being the eventual denuclearization of North Korea and the determination to never accept a nuclear North Korea. We agree that this is the long-term goal.

But we also – one of our findings is that the U.S. really does not have any good options at this point in order to achieve that objective over the long term. Military strikes are not terribly viable. They cannot guarantee the destruction of North Korea's nuclear capability, and there is the high risk that it could escalate into a devastating nuclear confrontation, or at least conventional military confrontation.

Two, another option, regime change, is also difficult to endorse. There's no regional support for such a strategy and it would very well trigger an unprecedented humanitarian and reconstruction project that would be difficult for us and the reason to tackle.

A third finding of ours is that negotiation, however flawed, because of the 15 years that we've experienced in forward and back negotiations with little progress towards denuclearization remains the most viable course. But we need to make that it's the right – that we – our negotiations are done correctly, that we don't overemphasize the importance of negotiations. I'll get into all of this later. There's a lot of frustration in the administration right now. I think President Obama discussed this frustration, but also Secretary Gates did when he said he's tired of buying the same horse twice. And I think that very well summarizes some frustration right now. So while negotiation, however, flawed, it's our recommendation and our finding that the United States needs to recognize that we have several short to medium-term interests vis-à-vis North Korea in addition to denuclearization and we should not just focus on tactics to get North Korea back to the negotiating table.

And it's our assessment that at times past administrations, both the Clinton administration and Bush administration at various times, overly focused on tactics to get North Korea back to the negotiating table and at times have sacrificed some of our other interests in the region in order to achieve that objective. An example of that being the decision to take North Korea off the States Sponsors of Terrorism list which damaged our relationship with Japan but in the end did not get us far substantively towards North Korea's denuclearization.

One of the themes of our report, one of the findings that we decided was key, was that the United States needs to take a leading role in the international approach to North Korea. In the past various administrations have seated leadership of the international system – of the international response to North Korea to other bodies, the IAEA or China, giving those bodies leadership, and we have not seen good results from that. We have not made – been able to get real results that we wanted from that. So it's our determination the United States needs to take a leading role in this approach.

Which brings me to my sixth and final principle of our approach, which is the role of China, and I think this is going to probably be one of the more controversial assessments of ours. We completely recognize that China is going to play a very important role, no

matter the U.S. approach to North Korea. Roughly 80 percent of North Korean trade is with China. They obviously play an important diplomatic role. They have a strong relationship – historically with North Korea. So obviously North Korea's going to play – obviously China's going to play an important role. However, the success of U.S. short to medium-term strategy towards North Korea, in our determination, should not hinge on – (indiscernible) – acquiescence, and it's our concern that at times it has, and it's something that we want to try to prevent as much as we can.

So now I'll briefly discuss our strategy, some of the short to medium-term interests that we've identified for the current administration to pursue in its North Korea strategy. And I'll – once I'm done I'll turn it over to Nirav who will discuss some of the policy initiatives that we will use to achieve these objectives – that we suggest to achieve these objectives.

The first primary interest is strength U.S. commitment to our Northeast Asian allies. They are crucial to the U.S. approach not only to North Korea but to the region in general. They are also, however, the two countries most directly threatened by North Korean belligerence and provocations, so we need to strengthen our relationship with them.

Second primary interest is to dissuade, deter and restrain North Korean proliferation activities. Both Presidents Bush and Obama have declared very clearly that the threat of nuclear proliferation to state and non-state actors is one of the gravest threats to national and international security. And past North Korean behavior, both to Syria and to Iran, demonstrate that North Korea remains a threat to the international nonproliferation system which demands a robust international response.

The third interest we identified is to prevent North Korean provocation from escalating into a regional conflict. Obviously it's a distinct possibility based on North Korean provocations and some of the analysis that we've seen, both private – both public and classified, that demonstrate that a large scale of conflict over this crisis could result in a devastating conflict that would be very difficult to overcome for generations.

The fourth and final interest that we would like – that we identified is the need to compel North Korea's return to the negotiating table, and this is our bridge to the longer-term interest and the longer-term strategy. Based on our determination, that negotiation, however flawed in the past, remains our only viable path towards North Korea's eventual denuclearization.

With that, I'd like to hand it over to my colleague, Nirav Patel, to detail the specific initiatives to achieve these objectives.

MR. NIRAV PATEL: Thanks, Abe. And I'd like to also thank Ambassador Sherman, Ambassador Hubbard and Dennis for taking time out of their schedules to come here.

I know it's the end of the day, and my colleague, Andrew Axom (ph), asked me to do my entire presentation in the Kim Jong-Il voice from Team America, but I figure that could complicate things a little so I won't do that. (Laughter.)

MR. : Just sing I'm So Lonely for –

MR. PATEL: Abe has laid out a very concise description of the short-term strategic objectives for the Obama administration. The strategic management approach articulated in our paper suggests that President Obama and his team undertake a nuanced, balanced, and carrot-and-stick approach towards dealing with the North Koreans. I'll highlight four top-level initiatives that are fundamental for America to regain the strategic initiative, each of which are mutually supporting and parallel processes, which I think is probably the most important thing to recognize as we go through each of the recommendations.

The first component of this, as Abe has discussed, is reassuring our allies. The second is a more procedural or mechanical process, which is a five-party dialogue, a formal institution. The third is more robust interdiction and sanctions. And the fourth are the on-ramps or getting back on track as Ambassador Sherman spoke about earlier. And I also think that the way Ambassador Sherman described in terms of taking a calibrated and careful approach are easily part of how we would should look at the North Korean process because I think that there are a lot of challenges that we have to be careful and deft in terms of responding to.

The first process, reassuring allies. It's become almost a code word of sorts, and it seems as if many in Seoul and Tokyo really have not taken into account a lot of the challenges that the Americans face in terms of our strategic preoccupations in the Middle East. This morning I think really clearly demonstrated the level of commitment the United States has. However, as a result of that, I think there's also growing awareness, particularly in the Obama administration that the U.S. really has to be more engaged in Northeast Asia and Southeast Asia, so when we're thinking about reassuring our allies I think it's important to recognize the commitments that we have around the world, and including the domestic challenges we face here.

However, short and long-term success will start and end with America's allies, Japan and South Korea. The U.S. has common values and strategic interests with nations, and we have highly integrated economic, military and diplomatic relationships. Strong relationships will help coordinate American policies and also make it more difficult for the DPRK to pit the U.S. against its allies. I think Ambassador Sherman and Ambassador Hubbard can speak to this more eloquently, but the gamesmanship we've read about and that we've heard about is extremely interesting in the ways that the North Koreans try to pit the U.S. against the Koreans, the Koreans against the Japanese, and it's our assessment that unified front amongst the allies can really help allay that type of action.

Critical to this will be constant consultation, coordination, collaboration and engagement with our allies. It's our assessment that the necessary level of consultation that would be required to help allay some of these anxieties did not occur as well as it should have in the past three years, and it's our belief that the Obama administration should really make sure that we consult and engage in prior consultation with our key allies in the region.

Now, essential to prevent the escalation of all the challenges that Abe laid out in terms of the regional dynamics will be Washington's ability to reassure its allies about its extended deterrent, both in terms of its conventional capabilities and its nuclear deterrent. This is particularly important given the rise of conservative, though minority voices in both

countries about a need to pursue a more indigenous nuclear deterrent, or in terms of Japan a more normalized identity as a defense power. Furthermore on the defense side, it's our belief that the Obama administration should continue to encourage the deployment, including supporting Japanese and Korean efforts, of theater missile defense systems as well as supporting efforts to harden and better prepare Seoul's civil defenses against potential North Korean artillery attacks.

Many also accurately contend, and I think this is one of Abe's points, that if you only focus on your allies you've kind of left the China track out to dry. Now, the way the paper attempts to deal with this has two particular elements in terms of the U.S.-China relationships and North Korea negotiations. As Abe indicated, China has significant relationships with Pyongyang. Dennis has written and discussed this in the past in terms of the PLA's connection to the North Korean generals. However, China has historically been less than willing to use its leverage to get North Korea to change its policies, to alter its behavior or to be a more responsible player in the region. Even though there are signs that Beijing is increasingly displeased with Kim Jong-Il, something that we saw in the United Nations Security Council resolution that was passed, the Communist party is still forced to reconcile their strategic concerns about a potential North Korean collapse or potential for a unification on the Korean peninsula that erases a strategic buffer that it's had for the past 50 years in terms of keeping the United States off of its direct borders.

So it is clearly in the U.S.'s interest to get China on board, but as Abe discussed, we should not hinge our policies on Beijing's acquiesces. Therefore, the report calls on the U.S. to regain its strategic initiative in North Korea policy by undertaking more robust sanctions, interdiction efforts and heightened diplomatic engagement to compel Pyongyang's return. Vital to this will be messages, both private and public, that seek to persuade China that it is no longer in their strategic interest to be North Korea's avenue for survival. If China wants to be a responsible international stakeholder, they should begin a fundamental reassessment of how they engage North Korea and what steps they're willing to take to hold North Korea accountable. I think deep down this is an accountability issues, and we're under no illusions that it's going to be difficult to get movement. We've seen some encouraging signs from the Chinese, but I think at the end of the day in terms of managing the short-term strategic objectives that Abe laid out, it's more in line with U.S. interest to take the lead on a variety of these fronts to prevent greater escalation.

Now, the second part of the initiatives that we lay out is a five-party dialogue, an institutionalized mechanism. North Korea has publicly stated its withdrawal and opposition in the six-party process. They may have even declared war against the organization. Now, there's a growing convergence of views amongst the Asia policy community that the six-party process itself had a very important element to it, which is that it really fostered confidence and collaboration against many of the partners in the region. It's been an important mechanism, a form of regional security architecture, that I think has had some successes that are worth noting about, and the paper dives into those in greater detail. A mechanism like this helps foster dialogue that can prevent anxieties that are really rooted in historical issues from becoming particularly caustic or for escalating into larger issues. It's important to try to bring those actors together in a manner that allays different types of anxieties.

The five-party process will also be a primary means for coordination and execution of policy toward North Korea. A five-party process would also help coordinate unified messages through a unified regional voice and help manage potential flare-ups in the region. It would also have the effect of further diplomatically isolating North Korea in the short term, which could aid in compelling Pyongyang's return to the table.

The third component is something that I think the newspapers have been reporting on in great detail and something that we think the Obama administration and the international community seem to be doing, which is a more robust sanctions and interdiction effort. The Obama administration has suggested a need for more robust and targeted financial sanctions, and we have David Asher (ph) here who can speak about this in greater detail.

Now, the report suggests a term of using effect-based sanctions. And this initiative really seeks to alter the regime's strategic calculations and livelihood by denying them access to desired luxury goods and important revenue streams. And we saw the success of this in terms of preventing Kim Jong-Il from getting a creative 1953 Chateau Margot or square lemons or pork fat, which we clearly have recognized has not helped him in terms of his health.

Kim Jong-Il's regime has been supported by a complex network of money from around the world. Targeting these sources of money, including North Korean counterfeiting and narcotic trafficking operations, will be necessary to curtail the regime's ability to also finance its military modernization programs. The sanctions against Banco Delta Asia, for example, really helped freeze North Korean assets that eventually compelled Kim Jong-Il and his regime to return to negotiations. And it's in our calculations as the succession process unfolds that as the dear leader attempts to secure his son's succession it is likely that disposable cash will be important to pay off reluctant voices. Exploiting these fissures could also help compel the regime to return to negotiations by exerting a new form of targeted and direct pressure.

Complementing sanctions will be interdiction efforts such as PSI, and a variety of other proliferation interdiction programs that target air and land routes that the North Koreans have exploited in the past and should also be supplemented by possible UNSC resolutions.

Now, the initiatives laid out this far are meant to ratchet up pressure on North Korea. Unlike past attempts where the U.S. decreased pressure while we increased engagement, this report recommends that the Obama administration maintain pressure while continuously testing North Korea through a series of constant engagements on a variety of non-military issues such as food security and other humanitarian issues. It is our recommendation that the Obama administration therefore create a portfolio of symbolic and reversible carrots that could cajole North Korea back to the table.

The strategy laid out in this paper is meant to contain regional tensions from escalating, preventing North Korean proliferation and compelling the regime to return to nuclear negotiations. As discussed thus far, we're under no illusions that this is going to be an easy task, but if we start from these objectives and try to manage them it's our hope that

the U.S. can at least get the necessary credibility to result – to lead towards long-term denuclearization negotiations.

Thank you.

AMB. SHERMAN: Thank you very much, Abe and Nirav, for a very good summary of the report.

I'm going to turn to Tom and to Dennis. I would just turn our attention to a few topics that I hope they may comment on and as well as be part of the discussion. What should the Obama administration be doing that addresses the specific crisis versus what actions it should take to send signals on what is acceptable or non-acceptable on global nonproliferation terms. Where do the two cross over and where are the two separate, or can they be separate. Secondly, where does the fate of the two young journalists fit into this process. None of us have addressed that and we should because although Secretary Clinton has said quite clearly that these are separate issues, that the two should not be connected, from our perspective they are not, nor should they be. The two journalists should be released. From North Korea's point of view they are connected whether we want them to be or not.

Third, is the five-party the right mechanism or should we continue the six-party talks and simply keep a seat warm letting North Korea know that we will proceed without them but that there is always a seat ready for them whenever they want to return.

And fourth, obviously, a lot of discussion here about the role of China going forward, which I think will probably be a subject to some discussion and was one of the original subjects for this panel which got changed by events.

So Tom?

AMB. THOMAS HUBBARD: Thank you very much, Wendy.

I'd like to congratulate CNAS and the authors of this report for a very good piece of work. And based on that, I think my comments can be fairly brief.

But I did want to underscore what Ambassador said at the outset, that I do think we face a very different situation in North Korea than we have faced during other phases of our 15, 16-year negotiating process with the North Koreans. I think in the early stages both when Arnie Cantor (ph) met with North Korean representatives at the end of the Bush administration, when Bob Gallucci and I and others met with their delegations early in the Clinton administration and maybe up till a couple of years ago, I think we were talking based in part on a North Korean decision that a good relationship with the United States was in its strategic interest. They were obviously hedging on their nuclear capability, trying to maintain that as long as they could, but I think they still thought that they could get closer to the United States and thus establish the kind of situation in Northeast Asia which would enable them to preserve the regime and stay in power.

I think that premise is up to question right now for a number of reasons, one of which is obviously the succession process that is going on. And I agree that much of what we see now is directed more internally than externally.

But I think another factor is in fact, although none of their missiles have worked quite right or gone far enough, their nuclear explosions have been fairly – have been small or even partially unsuccessful, I think they're beginning to believe themselves that this nuclear card is something valuable, that they've stopped seeing it as a – something to be kind of traded off in the short run for – for security assurances and financial benefits from the world, but now are beginning to see it as a genuine card that they have and want to hold on at least for a while, and certainly for Kim Jong-Il as he proceeds on this transition. I think he sees it as a legacy and as something he can sort of bequeath to his son and heirs as they go forward. So we are dealing with a different situation, at least temporarily. We've long puzzled over this question, is North Korea really willing to give up that nuclear card. We never really proved that one or another. I think there were indications that they – they were prepared to trade it. Right now they seem to want to hang on to it and that creates a very different situation.

So we have think very seriously about how to proceed in these talks and to – and to manage the situation as we go along. And I very much like the term you have chosen for this. I like management rather than containment. Because that brings me to another point that we have long debated, is in pursuing our approach and pursuing our objectives with the North Koreans, is it better to try to isolate them or to try to engage them? And I've long been a proponent of engagement. It seems to me that isolation is what Kim Jong-Il and his father, Kim-Il-Sung, wanted up to that point where they started engaging the United States, and it seems to me wrong to try to further isolate – counterproductive to try to further isolate a regime that is already one of the most isolated in the world. What we need to do is find ways of drawing them out into the world and bringing them into civilization. And we've tried that through bilateral negotiations, multilateral negotiations, using the Chinese, using the IAEA, and so far we have not succeeded, but I think we need to keep trying.

I think your basic sort of principles and objectives here are well stated. We clearly do want to strengthen our ally defenses and reassure Tokyo and Seoul of our deterrent commitments, and I think that is a real challenge in the current situation. I think a trick we need to pull off is to somehow manage a temporary, perhaps extended period in which North Korea has this nuclear capability, and we probably have to accept that for the time being, but we can never recognize it or acknowledge it because that undermines the confidence of our relations with Seoul and Tokyo and carries the danger of a further arms race in the region.

I think we do need to increase regional security cooperation with our partners, the other five in the six-party talks, and certainly we should hope that we can get North Korea back to the six-party table. But I guess I'm not absolutely convinced either that some institutionalizing a five-party system or proceeding with a six-party minus one empty chair is either feasible, and maybe Dennis will have more to say about it – I'll leave the Chinese attitudes to Dennis – but – or perhaps even necessary.

I am moving to your second point – third point. I think I am very impressed with the resolution that they've come up with in the U.N. Security Council. I think it is much

stronger than I would have thought the Chinese would go along with or that the Russians would go along with. But we managed to get that resolution through kind of informal five-party talks, meeting with each of them separately and some of them together and all of that, and maybe that kind of five-party procedure not institutionalized but very active and taking advantage of our partners' increased willingness to talk to each other, including Japan and Korea talking to each other, is a potential way to go and not to be sneezed at.

Whereas I like your word "management," I'm not sure I like the word "compel" that you use here with regard to the DPRK's return to the negotiating table. I agree that we have to put on pressure, that we have to have a combination of pressure and on-ramps. I think that is a very good idea. But I don't think we should sort of fool ourselves that we can compel North Korea's return to the talks any more than we can compel China to take the steps we would like to see them take with the North Koreans.

I agree with what everybody has said, that we need to play a lead role. We are the ones that the North Koreans are worried about. We are the ones they see as an impediment to their regime survival and security. And I think we have to be actively engaged both bilaterally and multilaterally. I agree also that we shouldn't pay again for the same horse. And for that reason, I think it is very important that we stay in contact with the North Koreans in any way we can. I applaud the Obama administration for saying we are open to serious dialogue in pretty much any manner you are ready for, because I think the best way to keep from having to pay a third time for the same horse is to stay in contact and never let the dialogue even fully end.

Let me conclude by saying a couple of words indirectly about the two journalists, in part because I was cited in the report with regard to my visit to North Korea to rescue the American helicopter pilot or to negotiate the release of the American helicopter pilot in 1994. That was the first time I went to North Korea on very short notice, and the second time when they sent me on one night's notice I think to work on Madeline Albright's visit. But I think it's very clear that then we did make clear to the North Koreans that we saw this as an issue that was quite separate from our nuclear negotiations we'd had.

We had a very different situation with North Korea at that time because we had – this happened just a couple of months after we had signed the agreed framework. At that time the foreign ministry and others in North Korea were making very clear that they wanted a good relationship with the United States, and so I was able to go in and tell the North Koreans that maintaining – continuing to hold this helicopter pilot was beginning to look like a hostage situation. That was the kind of thing that Iran did. And that North Korea wanted to have that close relationship with the United States, should recognize that the two were incompatible. Actually, partly at my advice we used some of the same kinds of phrases with the Chinese after the EP3 incident in 2001.

I'm not sure whether we have the kind of relationship with North Korea now that will lead them to think it's in their interest to make a gesture in favor of ties with the United States by releasing these two women on humanitarian grounds. Certainly it is a humanitarian issue. We have contributed over the years a tremendous amount of humanitarian assistance to the North Koreans. They must recognize that. And certainly my hope would be that we can deal with this on humanitarian grounds. And certainly we should be willing to give the North Koreans the face of having someone go to in effect

rescue them as we did in '94 when they had our helicopter pilot. But of course they were looking for that then, and the circumstances may be quite different now.

I think I've said enough.

AMB. SHERMAN: Thank you, Tom.

Dennis.

MR. DENNIS WILDER: Okay. First of all, let me thank CNAS for inviting me today and for holding a terrific session. I have to tell you, I was their second choice, but Dick Cheney said he just couldn't come today. (Laughter.)

This is a very timely paper, and thought-provoking paper, and let me try and stretch the envelope a little with my remarks.

First of all, I agree fully with the title of the paper and the premise, which is that we need to regain the initiative. The implication of that is we have lost the initiative on North Korea. And I think we have to be honest that we did lose the initiative on North Korea, and that at this moment we have been reacting to the North Korean leader and we've been reacting to his actions ever since he returned from his illness and began the series of brinkmanship activities. And really, the U.N. Security Council resolution that hopefully will get passed tomorrow or very soon is only a first step to regain the initiative in this situation. It's a good start, but it's only a start.

I think we also have to say that the policies that were produced – pursued in the Clinton administration, in the Bush administration and in successive iterations of the Chinese government have failed to stop Kim Jong-Il. We have failed to stop him from building his nuclear program, and very worrisome situation that we have to keep reminding ourselves of, we failed to stop him from exporting nuclear capabilities to another country.

Our failure is a result of hoping that Kim would trade his nuclear capabilities. That was what we were testing. And we were constantly in the Bush administration reminding ourselves that this was a test of that proposition, that we didn't know whether this man was willing to give up his nuclear capabilities. Well, at this point the judgment has to be that he isn't.

But I would argue to you today that Kim has overplayed his hand this time. Because he has taken away the ambiguity of this situation he has given us some freedom to use some new tools in this process, and let me put a couple of them out there as test cases. For example, I think that we are now free to do much more than this paper says with our South Korean and Japanese counterparts. Because of his action, and frankly, to some degree, because of China's inaction, this may be at a point where we should start thinking about not just building up the defensive capabilities of these nations but also allowing them a little more freedom to do things that we haven't been willing to do in the past.

For example, the South Korean parliament has talked about the need perhaps for long-range missiles. Now, right now South Korea is constrained. We got them to agree to

the MTCR. And they only build missiles, I understand, with about an 180 kilometer range. And the question I would ask is, why are we constraining them at this point?

Second thing is, and I was part of this decision, when the Japanese came to us and asked for the F22 raptor we said no. Why are we doing that today? Maybe it's time to give the Japanese a very fine high-performance aircraft. Maybe this situation has changed sufficiently that we need to reconsider some of the restrictions we have put on our own allies in East Asia.

The third thing I would sort of talk about is that with the Chinese – and I am going to take issue with this paper as they expected on the Chinese side. But with the Chinese, I think we really need a whole new dialogue. If some of you looked at The New York Times last week, Dr. Henry Kissinger wrote an op ed in which he said, we need a new concept for the political evolution of Northeast Asia, and we need to work with the Chinese on this new concept. Jim Steinberg, deputy secretary of state, went to Beijing last week. He had some initial discussions that were useful, but I think this is a dialogue that is urgent. Because the fact of the matter is, China has voted for the Kim family. They have voted for the Kim family to continue in power by the fact that they haven't restrained this man or even tried to restrain this man in the last six months. China needs to think about that question because right now what he is doing is creating a whole new security situation in Northeast Asia. And as I just indicated, our friends in East Asia are thinking about very different kinds of military capabilities which are not in China's interest. And so I think we need a serious discussion with the Chinese about which they prefer, a fundamentally altered and destabilized situation in Northeast Asia because of the Kim Jong-Il family or something new.

This paper sort of implies that we have outsourced our North Korea policy to China, and I have to say nothing can be further from the truth. We in the Bush administration and the Clinton administration before us, yes, we wanted China in the game. And in our administration and the Bush administration we felt very much that the road to a solution leads through Beijing, and I continue to believe that. That doesn't mean you abdicate your responsibility, and we never did abdicate our responsibility. Look at the frequent flier mills that Chris Hill chalked up in the Bush administration. We weren't sitting back waiting for the Chinese to do this. And I think the paper kind of makes that little bit of the wrong point there.

The Chinese have the leverage that we just don't have on this guy, and I have seen the Chinese use it at different points in time to great effect. After the nuclear test in 2006, the Chinese were fuming. Why? Because they had basically an understanding with the North that the North would never do such a thing, and Chinese leaders dressed down North Korean leaders. But more importantly, the Chinese began to take steps to limit the banking opportunities of the North Koreans. What we need now with this new resolution is to get the Chinese to do exactly that again. That's where the leverage is, because as our friend David Asher (ph) has written, this is a mafia family, and if Kim can't pay off the rest of mafia he's not going to be done for very long, and if his son can't pay off the rest of the mafia, he's not going to be around for very long. And there are nodes that are available to us in Europe, in China, throughout the world, where you can put some pressure on that family. And again, we are not trying to hit the North Korean people. In fact, we've stayed away from that deliberately. We offered food aid and we sent them some food aid last year

until Kim stopped us again. But we want to do is make that mafia family uncomfortable, very uncomfortable, and make them take a different strategic decision.

What I'm saying to you is I think our goal is not to influence Kim Jong-Il. I think he's made his decisions. I think he has crossed the Rubicon. But he is a frail and dying leader. And what we are trying to influence is the next leader of North Korea, whoever that may be. So I do think we have tools. I think you have to remember that this is a country with no real industry, barely an economy, a population one bad crop away from starvation, a conventional military that is rusting in place today. So my conclusion is, shame on us if we can't figure out how to deal with these guys.

AMB. SHERMAN: Well, you have heard a great series of thoughts. (Applause.) And I think all the panelists.

Now, everybody up here has something I'm sure they want to say but they're going to have to wait till we hear what you have to say, both questions and comments that you want to make. I know there are some roving microphones. And again, I know it's been a long day for you all, but I'm sure amongst this group there are a few comments that people would like to make.

First, back there. Yeah, you. Here comes one over there. And would you please introduce yourself and your affiliation if you have one.

Q: Thank you very much.

AMB. SHERMAN: Yeah, we heard it.

Q: Oh, sorry. I can hear myself now.

AMB. SHERMAN: That's okay.

Q: My name is Damian Tompkins (ph). I'm a student at American University and an intern at the – (indiscernible) – Council. My question basically is to anybody on the panel. It's – the North Korean regime is extremely brittle, from what I understand, and of course one of the fears for China is regime collapse. And I'm just wondering what measures do you think the United States in conjunction with others are taking looking towards the possibility of dealing with regime collapse within North Korea? Thank you.

AMB. SHERMAN: Okay. What I'd like to do is actually take two or three questions and then let the panelists make some comments.

So we have another. Yes, sir, right here up front. So first is brittle regime, how are we doing with collapse. Okay, sir?

Q: Samar Chartegy (ph) from Safe Foundation. I would have to say, Mr. Wilder, Mr. Dennis Wilder, you did a better job than Dick Cheney. Even though you were the second choice –

MR. WILDER: Don't let him know that.

Q: – you were better than him. (Laugh.) But anyway, and I appreciated Ambassador Thomas Hubbard’s comments. You didn’t really propose a solution but you commented on the paper.

Let me ask you this. I mean there was I think you said a framework agreement during Clinton area with North Korea, which, of course, our great leaders, Mr. Bush and Mr. Cheney, unilaterally abrogated, and I guess this last eight years theater with North Korea that we have seen and it still continues is kind of an aftermath of that. So I have a feeling that if we take Mr. Wilder’s approach probably the theater would continue further.

So I think Mr. Hubbard, you did make some indication that some incentives should be given, and maybe that should be the way to bring these guys in. And I’m sure if the right offer was made, as Clinton administration did and Bush administration found it so undesirable of course when they came in office, so they did catch the bait, North Korea. So maybe a new set of baits would – from Mr. Obama might work.

AMB. SHERMAN: Okay. We’ll take two more comments. The young woman in the back.

Q: Hi. I’m Heather Warner (ph). I really just want to hear from the rest of the panel specifically on Mr. Wilder’s point on the idea of the F22 to Japan, this idea of utilizing a bit more of our allies’ connections and facilitating their military capability both in terms of what you expect the North Korean response to be and also what you think that effect would have on our relations and the general regional relations with China.

AMB. SHERMAN: Okay. And one last one. Graham. And then we’ll try to get to another round, but just trying to get a lot of questions on the table.

Q: Thank you. Graham Allison (ph) from Harvard University. Excellent panel.

Let me go back to Wendy’s introduction because my impression watching where we are now is that things are more dangerous than the report conveys and maybe the conversation, and that therefore the council of caution and calibration as we think about how much worse things could get is appropriate.

So my question is about how much worse could things get? And one way to think about that is to think about nightmares that North Korea is capable of creating for us, either deliberately or accidentally. And the one that worries me the most, could Kim Jong-II imagine he could sell a nuclear bomb to Osama bin Laden and get away with it? And if that seems incredible, which it is, I would ask could Kim Jong-II imagine he could sell a plutonium-producing – (indiscernible) – style reactor and build it in Syria for two years and essentially get away with it except when the Israelis discovered it?

AMB. SHERMAN: Okay. So we have four provocative questions on the table. I’m going to give everybody a chance to take no more than two minutes to address any or all of them, but if you address all of them it’s only 30 seconds a question (laughter.) And the four issues are: how brittle is this regime, are we going to face collapse, do we want to induce – I’m going to expand these a little bit – do we want to induce collapse and what

does that mean? Second was sort of the Bush administration had it wrong, the framework agreement was bait that had it right. I don't think we want to get back into past partisan debates about where we were, but I think the underlying question is are there incentives that should be put on the table? We've talked a lot about the disincentives and the sanctions we should put on the table. Are there incentives we can put on the table?

The third is the F22, do you subscribe to that and what impact will it have regionally and with our allies and partners, and fourth, how much worse can it get.

So we'll start at the opposite end. You get to go first, Dennis. You have –

MR. WILDER: Oh, wow.

AMB. SHERMAN: – two minutes.

MR. WILDER: Okay. Real fast –

AMB. SHERMAN: And I'm watching.

MR. WILDER: Real fast, I do believe in on-ramps. Don't get me wrong. I want the next leader of North Korea to take an on-ramp. But to get to an on-ramp there are going to have to be some disincentives as well as incentives. We know what the incentives are: a normalized relationship with the United States, economic assistance to North Korea. I mean, we've had those incentives on the table. They're there for the taking, honestly, but you've got to have a leader in North Korea who wants to do this. And I don't think Kim's the one. I think it's going to be whenever comes next.

Secondly, on how much worse could it get, I agree completely with Allison. I worry every day about what if a nuclear bomb goes off somewhere in the world and it came from North Korea. This is a very real fear. And I think the – the answer therefore is we've got to hang tough with these guys, even though it's going to get scary for a while, he's going to try brinkmanship on us, he's going to try and scare us, the South Koreans, the Japanese, we just – but we cannot afford to let this guy get away with selling nuclear materials. And it was a shock to every single one of us when we saw that Syrian reactor. It just – it shook your confidence in understanding what the calculation was in North Korea.

AMB. SHERMAN: Thank you. Well done, Dennis.

MR. WILDER: Thank you. (Laughter.)

AMB. SHERMAN: Okay.

AMB. HUBBARD: I agree with everything Dennis said in this segment. (Laughter.) And I don't advocate new bait for North Korea.

I had the distinct experience of working on North Korea under both the Clinton administration and as an ambassador to South Korea in the Bush administration. And I think actually we have been prepared to offer a lot of bait, a bold approach. When Jim Kelly went to North Korea in 2002, he had a bold approach to present to the North Koreans

and they pretty much cut him off before he had a chance to do that. I still think at some point we need to go broader, come up with a big bang, have a very broad package, but it does have, as Dennis said, has to be presented at a time when the North Koreans are willing to buy into that package, and I don't think we're there now. So I think we're left with engagement combined with pressure at this point as a way of managing, as you said.

I do not agree with Dennis on the idea at this stage of providing F22s to Japan or sort of allowing the South Koreans to go beyond the MTCR limits. I think that is playing with fire. I think we are in a very dangerous situation. I think the South Koreans will lose confidence in us. Their confidence will be shaken if we let the Japanese have the F22. The Japanese confidence in us will be shaken if agree that the Koreans should have long-range missiles. There are a lot of factors there besides just North Korea, and you got China as well. So I think this is not a time to play those cards.

And yeah, I think I've addressed the whole point.

AMB. SHERMAN: Perfect. Okay. Nirav.

MR. PATEL: I'll discuss the regime collapse issue really quickly. It's been taboo it seems in the Asia policy community to discuss potential for a dialogue with regional parties on the what-if scenario. What if North Korea collapses? Everyone shudders at this. They don't want it to be a public discussion. It shouldn't be a public discussion. But I do think that the intent of the question is right, that I do think that there is a greater need, perhaps at a track two level, perhaps at a track 1.5 level, where we begin a socialization process that allows us to think strategically and constructively about how to deal with this.

In terms of the integration of East and West Germany after the collapse of the Berlin Wall, if you look at that ratio and compare to the North and South, it's a tremendous amount that the South Korean economy will have to absorb and the repercussions to that could be tremendous. So I do think that it's an appropriate time to start that process in a very quiet manner.

In the terms of the F22 sales, I won't discuss that but I'll discuss another issue that's related to that. I agree with Ambassador Hubbard that it's not appropriate to change some of the regulations in terms of sales of particular weapon systems to both Japan and South Korea. But one thing that's kind of hanging in the balance right now is the transfer of operational control in South Korea for wartime missions. It's a very fragile political environment in South Korea. And a key way to reassure the confidence of South Korea is really ensuring that we listen to the concerns they have about all the milestones that have to be met during this very delicate forced transformation process. This is a very big issue. And my fear is that during the denuclearization discussions we'll kind of lose track of some of those internal dynamics that are at play that have fundamental repercussions for how the U.S. – (indiscernible) – aligns, at least on a military-to-military level proceeds in the coming years.

AMB. SHERMAN: Okay. Abe.

MR. DENMARK: Before I answer I want to just thank all of the other panelists for their comments. I think they were fantastic. I wish we had another two hours to discuss all of them.

Very quickly though, I'd like to discuss some of the comments made about providing more bait towards the North Koreans. One of the things in our strategy – one of our findings has been that North Korea seems to respond best when presented with a mix of negative and positive reinforcements and incentives, so I think that's kind of the ideal mix you need to present there.

Dennis's comment that Kim has made up his mind, he's going to keep the nukes and we need to focus on the next guy, a few comments. One, I think that it's pretty well understood that Kim has changed his mind at one point on that, that at one point he seemed to be willing to give it away, and now he probably doesn't. My very quick analysis would be that over time – he's changed his mind before, it's conceivable that he could change it again before he dies. It seems logical.

But the broader point, one of the points of our strategy, is that we recognize – one of the illusions we wanted to get rid of, one of the hard truths we wanted to focus on, is that negotiations are going to be hard. In the report we call them rinse-and-repeat negotiations. It's a lot of forward and back, a lot of advance and retreat. One of the objectives of our strategy is to address some of other interests so that as those negotiations go forward and back over time the status quo is slowly changing. The United States is slowly gaining more leverage and the United States over time is slowly in a better position, so that as North Korea stalls and goes in and comes out it's hopefully in a worse and worse position. So this both puts in the United States in a better position, but it also puts pressure on the North Koreans to make a deal while they still are in a position of some strength.

AMB. SHERMAN: Very well-behaved panel. I'm going to leave two minutes for myself at the very end of this, so let's have one more round of quick questions, one more round of quick answers. I'll make some final comments and then you'll get to go drink. (Laughter.)

Okay. How about you in uniform, sir? I'll come back to you, sir.

Q: Thank you very much. Major Aaron O'Connell (sp) from the Strategic Initiatives Group.

Could anyone on the panel please comment on South Korea's decision to join the Proliferation Security Initiative? Can this really control proliferation? How will China react? Can it actually stop a bomb from coming to our borders?

AMB. SHERMAN: Okay. Another comment. Right here, sir, since I really called on him and then I changed my mind.

Q: Thank you very much. Dominick Donald (ph) from Aegis.

The North Koreans have a long track record in engaging in sort of coercive military measures primarily against South Korea but also against the United States. At the same

time, the United States has in the past managed to exercise a considerable amount of control over its allies to make sure that the responses to those coercive measures are sort of kept at a sort of moderate level.

I'd be interested if the panel could comment on whether there are any actions that the North Koreans might think of as kind of mainstream coercive measures that lie within their regular range of options that would precipitate the kind of reaction from, say South Korea, or conceivably Japan, that would move outside the United States' ability to control that response and thus might precipitate an escalation. Thank you.

AMB. SHERMAN: Lovely thought. Okay. (Laughter.) I'm looking for a girl. Yes, ma'am.

Q: Luckily for me I don't need a microphone.

AMB. SHERMAN: But you're going to get one. Actually, it's being – it would be helpful if you used it.

Q: Okay.

AMB. SHERMAN: Thank you.

Q: We hear a lot about China and what we're going to do with China. You hear, oh, well, we'll include the talks or no, we won't. There's a lot of questions there. I haven't really heard any of the panelists present a good option of how we're going to move forward with China on the North Korea issue, exactly how are we going to treat China, are we going to say, hey, you need to get on board with this or else, or are we going to say, we'd really like you to, for example. So I was just wondering what your specific thoughts were on that.

AMB. SHERMAN: Okay. And one more. The young man right here.

Q: Robin Walker with the Truman National Security Project.

My understanding is that one reason that China is reluctant is they fear that if they start to get tough with North Korea and really tighten the screws, they fear the refugee flood across the border. What can we do either alone or with our allies to kind of head off that humanitarian crisis?

AMB. SHERMAN: Okay. So here are the four questions. Again, they're each going to get two well-behaved minutes, to first talk about whether the South Koreans joining PSI can have an effect and will it, and does PSI work, can you really stop nukes? Second, are there coercive military measures to which there might be a response that would come outside of the U.S. zone of control and create one more catastrophic situation? Third, how are we going to deal with China? How are we going to move forward with China? What's the approach going to be? And fourth, is there anything we can do to stave off a potential refugee flood if that is one of the anxieties that we should be engaged in now?

And I'm going to mix it up. Nirav, you get to get first. Then I'll – then no one will know who they get to be second. (Laughter.)

MR. PATEL: On the PSI question I do think South Korea's involvement in formal accession to it is important, both on a symbolic level and both in terms of the technical capacity that South Korea has the ability to add on to the organization.

I do think, to answer Graham's question earlier, that interdiction efforts are important, but they can't just be based on sea issues. We have some folks on ground and air routes. The North Koreans have had very interesting exchanges in terms of overflights through Pakistan, through Pakistan International Airways, and it's important for us to try to at least create a more comprehensive interdiction effort that has the ability to stop proliferation through the various regions.

This also brings us to a different point altogether which kind of touches on the Cina question. But it's actually also related – (indiscernible) – Graham's questions about nuclear proliferation and Osama bin Laden, which is getting China to be more proactive on the Afghanistan/Pakistan side of things. There's a porous land border. There's internal security issues associated with that. So if you want to get to the heart of some of the challenges that Graham has laid out, you probably also have to start a dialogue that's very constructive and that's going to be very difficult with the Chinese in terms of trying to get them to understand the security challenges that they face in that region. And if you do that, you'll probably get a closer way of dealing with some of the issues that Professor Allison raised earlier on.

AMB. SHERMAN: Okay. Thanks. Dennis.

MR. WILDER: Okay. Little tutorial real fast on China and North Korea. It is not true that China's relationship with North Korea has been static. It has changed dramatically over the course of the last ten years. It used to be a fraternal party-to-party relationship.

The other day the foreign ministry spokesman was asked this question and he said it's a normal relationship. That is an enormous change in Communist Party thinking. It used to be a special relationship like the American relationship with the U.K. special. It is no more. That is gone, never to come back. So we have moved the Chinese away, and the North Koreans have helped us, frankly, to move the Chinese away from the close-as-lips-and-teeth relationship that used to be there.

Secondly, you just have to look at what's happening right now in Chinese-North Korean relations. A Chinese senior official just canceled a visit to North Korea because they don't know what to say to them anymore. They don't know what to do with this relationship anymore. They know they have failed to control this situation in a positive way. And now the Chinese leadership is in a huge internal debate over what the next step is, and it's tough for them because they're not sure they want to be with us. They're not sure they want those refugees. But the point here is, it has changed over time and it can continue to change.

AMB. SHERMAN: Thank you. Abe. And Tom, you're going to get the last word before me.

MR. DENMARK: Okay. Very quickly, I find myself agreeing with Dennis Wilder, which is very unusual for me. (Laughter.) So I'm going to quibble with one thing that he said, that we've moved the Chinese away from North Korea. I would say that the North Koreans have moved themselves away from China with their behavior. I would point to an article last week, I think it was last week, in the English language Global Times newspaper which discussed what I think is one of the views going on Beijing right now, that the recognition slowly that North Korea itself is a destabilizing force in the region, not just because of the potential for regime flows that was mentioned earlier, but just by their provocative nature. I think that's what the discussion right now is on. It's not so much the nature of the North Korean regime but what can you do about it. They still have that regime problem and they still have the concern that tough sanctions could cause its collapse and thus harm China's internal stability.

Sir, the question about what North Korean course of military measures could they do beyond their control, I think it's a fantastic question. I don't want to give Kim Jong-Il any good ideas so I'm going to politely decline to answer.

But I think that how to move forward on China, I think that the role of China is a very important issue. It might be the central issue of this approach. I think the role of China is really going to be up to the Chinese. Ideally the United States I imagine would want the Chinese to be as active a role as they can be in holding North Korea responsible for its actions. That not only means voting for U.N. Security Council measures when North Korea does something bad, but it means enforcing them a month, two months, a year, two years later, as North Korea continues to act badly. That's been the concern lately. As Dennis said earlier, signing this resolution is not the end, it's the beginning.

AMB. SHERMAN: Okay. Ambassador Hubbard, two minutes, and then I'm going to take two minutes and we'll wrap it up.

AMB. HUBBARD: Okay. Beginning with South Korea and PSI, I think it's very important symbolically that South Korea has joined PSI. It probably enhances our intelligence capability, operational intelligence capability, and I think that's all to the good.

I wanted to repeat here today something that someone said at another event yesterday, that if you look at the U.N. Security Council resolution, the draft resolution, basically it has the effect of institutionalizing PSI and making it part of the general U.N. approach to the problem. So I think PSI has been – will be strengthened by this.

On your second question about any action that –

(Recording ends.)

(END)