



Briefing in Berlin, Germany

Christopher R. Hill, Assistant Secretary for East Asian and Pacific Affairs

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AMBASSADOR RICHARD C. HOLBROOKE: I know you're all familiar with the operations of the American Academy, so I won't spend any time on it today except to point out that this is the house on the Wannsee where we conduct most of our events. Today it's the schedule of our speaker that did not permit us to hold the event on the Wannsee, so welcome to the Adlon Hotel.

It's now my pleasure to introduce a close friend and an outstanding American, civil and public servant, Ambassador Christopher Hill, the Assistant Secretary of State for East Asian and Pacific Affairs. Chris joined the Foreign Service in 1977 after a tour as a Peace Corps volunteer in the Cameroons and his career exemplifies the very best in American public service.

I was privileged to have him work with me on the negotiating team in the Balkans that negotiated the Dayton Peace Agreement in November of 1995, he has subsequently been Ambassador to Macedonia, Ambassador to Poland, Ambassador to the Republic of Korea and now is Assistant Secretary of State for East Asian Pacific Affairs, a job that I held in the Carter Administration.

He is in charge of American relations for that vast region that stretches from Burma east into the Pacific and from Australia all the way to Korea. Of course, he's most well known for the fact that he is also the United States' Special Negotiating Envoy in the Six-Party Talks surrounding the problems in North Korea and he is here in Berlin today for reasons he will explain to you in a moment. I'm very pleased to see you here Chris, welcome back to Europe and the floor is yours. I will just say that Chris will make opening comments, somewhere between a statement and a speech and then he will take questions and then he has to return to some urgent business that keeps him here in Berlin. So he will not be available for private Q+A afterwards, as I understand it. So if you have questions he will answer them here in this forum. Chris ...

ASSISTANT SECRETARY HILL: Thank you, thank you very much, Dick, it's really a great pleasure to be back in Berlin. It's been a while since I've been here. It's such a great pleasure to see Dick Holbrooke, with whom indeed I did work during the Balkan times. I remember in Dayton I said to Ambassador Holbrooke, we had to work, our delegation had to work with, or you had to work with President Tudjman, President Izetbegovich and Slobodan Milosevic; the rest of the delegation we had to work with all three of those plus you, (laughter), so it was truly an experience, an unforgettable experience and I must say it was one of the proudest moments I've had to have that opportunity to work with you and to really get something done for our country.

I can see some familiar faces out there, some old friends, but let me just mention, especially, Ambassador John Kornblum, who's sitting here in the front row. John was, at the time he was the Principal Deputy Assistant Secretary in the European Bureau working with Assistant Secretary Holbrooke, and it was actually John Kornblum who brought me into the position of Director for the Balkans, when I think you were in need of a new director, Dick. And I think you turned to John and said I need someone fast, and John actually had just met me on the bus that morning. And so -- how about this guy? So I went up there, and you asked me two questions. I don't recall your listening to the answers, but you asked two questions, you hired me, and off we went so to really one of my great adventures. So this brings back some really nice memories being here.

I must say Berlin brings back some other personal memories. My daughter was born here in Berlin. I served in Poland twice, once recently that Ambassador Holbrooke mentioned, but also in the mid-1980s, and we used to come to Berlin quite often to pick up groceries and in one case to have a baby. So it's great to be back here.

Coming to Berlin this week has been a real opportunity for, I think, for two main reasons. One, I've had the opportunity to brief the German senior officials in the German Ministry of Foreign Affairs on the situation in East Asia. Germany, as you all know has the chairmanship of the European Community this round, so it was very important that I get here and then have this opportunity to talk with German officials about what we are trying to do in Asia. And of course, Germany is also the chairman of the G-8 this year, so a great occasion to come here and to meet with this very, very close, very old ally in Germany and to talk about what we need to do in the months ahead as we tackle some of the difficult problems in Asia.

It was also an occasion, a very important occasion that I was able to meet with my counterpart from the DPRK North Korea here in Berlin. This is not the first time he and I have met together and met privately together; this is the first time we've had a meeting outside of Beijing. So it was a -- we had some discussions yesterday, lengthy discussions. I think we talked for over six hours. We anticipate some additional discussions this afternoon and perhaps tomorrow morning before I go on to my more familiar territory, that is in Republic of Korea and Japan and China as well.

The discussion yesterday --and that will continue today -- of course concerns the Six-Party Talks and where we go from here. We had a round at the end of December in which I felt we could have done more, and this was an occasion to talk to the North Koreans and to see what we can do in the next round. So it is part of a process of a continuing effort to engage all our partners in the Six-Party Talks with the ultimate aim of making sure that the Six-Party Talks are successful in the primary mission of achieving a denuclearized Korean peninsula. The Six-Party Talks certainly offer no refuge for those in need of instant gratification. Indeed, the Six-Party Talks have gone on now for some years and I know that there are some people who have a great sense of impatience with the process. But I would say that as difficult as it has been to achieve the primary mission of denuclearizing North Korea, of the Korean peninsula, we have made progress in this process.

And I would say the Six-Party process has also served a broader goal as well. The progress we made of course was noted in September 2005 when we achieved, all Six Parties achieved a joint statement which calls for the denuclearization, the complete denuclearization of the Korean peninsula. That is all weapons, all nuclear weapons, all existing nuclear programs are to be abandoned by the DPRK. So it was the first time we had on record the DPRK, North Korea, of getting rid of all of its nuclear programs. But as with all diplomatic processes, one is the theory of it and the second is the practice that is the implementation. And implementation has not been easy. We've had the Six-Party Talks interrupted by some 13 months in which we did not meet at all, either multilaterally or bilaterally, for any substantive discussions. So I'd say we have a lot of catching up to do.

We worked very hard in the last months of 2006 to try to make sure we could achieve something when we finally met, when we met on the week of December 18th. I met with the North Korean delegation at the end of October and then at the end of November and then again in the Six-Party Talks in the end of December. And frankly we found it disappointing that we hadn't made more progress at that time. But there were some positive conversations, and we felt those positive conversations were worth trying to build on. And, indeed, in the last couple of days I think we've been able to continue that, and we look forward to seeing if we can get the Six-Party process going soon. I look forward to talking to the Chinese hosts who played a very important role in this and to see if we can get it going by the end of January.

If the Six-Party Talks have not yet been successful in their primary mission of denuclearizing the Korean Peninsula, I would say that the ledger has been more positive in another way -- which is that the Six-Party process has brought the countries of Northeast Asia more closely together than ever before. Throughout the difficulty surrounding China's relationship with Japan, China and Japan were able to work very closely in the Six-Party process. I think that is a very good sign of the vitality of the process.

Similarly, Japan has had some difficulties with the Republic of Korea over various bilateral issues and those difficulties have not been transferred into the Six-Party process. On the contrary, there has been very good cooperation within the Six-Party process. And I would say as well that the United States and China, who have worked together over many years -- certainly during those very crucial years that Ambassador Holbrooke was, who was in my position -- that the relationship, our partnership with China has never been stronger than it is today. And we can thank the Six-Party process for being a big part of that.

China and the United States, or I should say China and the United States and all the Six-Party participants, share the goal of a denuclearized Korean Peninsula. We all share the goal of solving this problem diplomatically and of figuring out ways to work together to encourage this positive end. But we also share the goal of seeing whether the Six-Party process can perhaps be a little inspired by integration efforts in other parts of the world -- and notably, I think, Europe. I think Europe really has a lot to inspire us, certainly. We look, the United States looks to the success of European integration, and I think Asia as well looks to the success of European integration as an inspiration to doing more in terms of bringing countries together. It has not been an easy process in Asia. There have been efforts in Southeast Asia which frankly have been more successful in (inaudible).

We also have a transpacific organization known as APEC, but I think what is really needed is to take the area of Northeast Asia, an area still very much a prisoner of its history, and to break out of that history and move to I think a much brighter future. Northeast Asia is economically one of the most dynamic parts of the world. Its export performance is extraordinary. And yet it has not been able to realize this potential due primarily to the inability of countries as yet to work together and work together in a multilateral framework. So as we move ahead in the Six-Party process and as we try to deal with I think a very difficult problem -- that is, North Korea's aspirations for nuclear weapons -- we are guided by an effort not only to solve that, but an effort to build structures for the future, structures that can exist well into the future, beyond a resolution of the North Korea issue.

And as for North Korea, I think it is very important that the North Koreans understand that they really have come to a crossroads. They really have come to a point where they have to decide, do they want nuclear weapons or do they want a future in the international community? Because the international community I think since October 2006, since the day that North Korea exploded a nuclear device, has made very clear that nuclear weapons in the hands -- that a North Korean nuclear weapons program is simply unacceptable. And by unacceptable I mean we simply will not learn to live with a nuclear North Korea.

What we are prepared to do is to work with North Korea through the Six-Party process, encourage it to do away with these programs, and then -- I think most importantly -- encourage it to get onto this other road of integration with the rest of the international community. The United States has made very clear, we have no intention of attacking North Korea, attacking or invading North Korea. In fact, we look forward to having a good relationship with a denuclearized North Korea.

If North Korea considers nuclear weapons somehow a means for security it should think again, because in fact there are many other better ways that North Korea can safeguard its security besides nuclear weapons. So part of the process of the Six-Party Talks has been to sit together with the North Koreans and make sure they understand very clearly what we are intending to do, what our intentions are. We have no animosity towards the North Korean people. We look forward to doing all we can; we look forward really to establishing, consistent with our obligations under the September '05 Agreement, to establishing a normal relationship with North Korea. Obviously this is via a bilateral process which will take some time. But we are prepared to go on that road and to really offer North Korea a hand as it moves along that road.

So it has not been easy. We certainly have had to deal with the fact that each participant in the Six-Party process has a different way of looking at this issue.

For Japan there is a great deal of concern about what North Korea's military developments -- its missile programs, its nuclear programs -- could mean for Japanese security. And in this regard it has been very important for us to work very closely with Japan to strengthen our already very strong alliance with Japan and to ensure that the Japanese people know that the US alliance is very solid and very meaningful. But for Japan also there has been a difficult past with North Korea; there is a difficult problem of accounting for people who were abducted in the past from Japan to North Korea. It is not an easy problem for the Japanese people. So we all need to be respectful of people's feelings there.

Similarly, or as you look around the participants of the Six-Party process, we see that other countries also have different views of the problem. For the people of South Korea to see the 38th parallel, this scar across the center of Korea, to see that Korean people were divided during a terrible century for them and to see that families remain divided, that they still have to try to work out family unification or family visits through the Red Cross -- here we are in the 21st century and people are still facing the legacy of, I think, the darkest moments of the mid-20th century.

So for South Korea especially it is a very, very emotional experience to deal with this whole issue of North Korea, and I think for China as well. China is a neighbor of North Korea. China took part in the Korean War on the other side, and certainly many Chinese remember that. It's not easy for China as they confront this problem. No one in China wants to see North Korea develop nuclear weapons. At the same time it has been an effort with the Chinese to fashion a policy within which it could aim to put together a set of incentives and efforts to encourage North Korea to get out of these weapons programs.

So, difficult problems for China and for Russia, as well. And yet we are all working together on this. And it's my hope that if we do succeed with North Korea, we will succeed in a way that goes far beyond the problem with North Korea and even beyond the problem of the Korean peninsula, but toward a much more integrated North East Asia -- an area that will not only be the producer of goods and services, but also a producer of security as well. So with those comments maybe I can go to some questions.

QUESTION: I wonder if you could give us a bit more substance of what issues and specifics you talked about with your North Korean counterpart, and I'm interested in particular in the question of North Korean assets that have been frozen in Macau. It was mentioned in December that that was an obstacle to continuing. Did that come up today? I mean yesterday. Do you expect it to come up, and is there progress on that that might sort of help to smooth the way?

ASSISTANT SECRETARY HILL: Well look, first of all, I don't want to go into the specifics of what I talked about with Minister Kim Gye-gwan. Those are private discussions. It's in the framework of efforts to engage our partners bilaterally in the process of the six parties. I'll be going to the ROK, to Seoul, I think tomorrow, I'll be going to Tokyo and Beijing as well, and we'll be having those discussions, and our aim -- the aim of all of these bilateral meetings -- is to make sure that when we convene again in the six parties that we can make real progress. We had hopes for progress at the end of December. There were some hopeful conversations at the end of December, and we'll follow those up.

With regard to the issue of the funds in the Banco Delta Asia (BDA) and Macau, for those of you who don't follow this every day, the rest of us refer to BDA several times a day actually. We have an ongoing process with the DPRK, with North Korea, to have a bilateral effort to discuss the issues, discuss the problems that led to this, and, actually, to seek a resolution. So this is a process led on the U.S. side by the Treasury Department. Certainly the Treasury Department keeps us very well informed, and we work very closely together. But it's a separate process from denuclearization and the Six-Party Talks. We do expect that after two meetings that took place on December 20th, I believe, 20th and 21st or 19th and 20th, we expect another set of meetings to begin on January - the week of January 22nd, which is next week. And we'll determine where the meetings take place, whether it's in Beijing or in New York. My understanding from my Treasury colleagues is that these were very good and substantive discussions. There have been some additional questions that the U.S. side asked of the DPRK side, and they look forward on following up on some of those when they meet again next week.

QUESTION: I come from South Korea, and I work for (inaudible) broadcast systems. First question is did you invite North Korean delegation to Berlin or did they ask you to come here, and second question beside financial sanction what issue were you discussed in this Berlin?

ASSISTANT SECRETARY HILL: Ok. First of all, you know, I remember so well Ambassador Holbrooke when we were doing Bosnia, and I'd have some policy idea and I'd sit down and he would just wave me off and say, Chris, let's first talk logistics. Let's first talk where and how we're going to do this. So, actually the meeting with the North Koreans, let me answer to you with logistics. I was coming this way; it was first of all an opportunity to speak here at the American Academy and to speak with the German government, and I had an opportunity to meet with my DPRK counterpart. They have a rather large embassy here. Kim Gye-gwan is responsible for this

embassy, and I think what he has told the press is that he was visiting this embassy as he does from time to time. So it was a very good opportunity to meet.

I want to stress that the issue of bilateral contacts which has, as I know, been a big issue for some time. We now have an adequate bilateral mechanism within the Six-Party Talks to exchange our views with the North Koreans. We do not lack for a mechanism to discuss with them the outstanding issues. We want to, however, maintain the Six-Party process as the means to address the nuclear issue. We think it is very important that people understand that the problem of nuclear weapons on the Korean Peninsula is not an American problem. It is a problem that we have, to be sure, but it is a problem that everybody has. And it's a problem, especially, that the countries of the region have. So the idea that this problem should be negotiated bilaterally and that after we have bilateral negotiations South Korean diplomats should meet me at the airport and find out what happened to an area of central concern to their country, those days are over. South Korea needs to be at the table. When there was this opportunity to meet Mr. Kim Gye-gwan, I did have conversations well in advance to discuss this with my South Korean counterpart, Mr. Chung Young-woo and also with my Japanese counterpart, Mr. Kenichiro Sasae.

So we had an opportunity to discuss directly in Washington about the prospects for the next round of Six-Party Talks and what we needed to see from the North Koreans. It is very important, I would say it is vitally important that Japan, South Korea, and the U.S. work together. It's not only that in the six-parties we are the three countries who play baseball, also that we are, I think, we are three allies, we are three strong democracies, and we need to work very closely together.

Let me get some geographic distribution. Aren't you from Washington? So what are you doing here?

QUESTION: (Inaudible). You mentioned this is the first time that you met with Mr. Kim Gye-gwan outside of Beijing. And in the past you would always meet with them in Beijing, and there was China as a mediator. It gives me an impression that you are dealing with North Korea in a more engaged way, you are more engaged with North Korea now. What makes this change?

ASSISTANT SECRETARY HILL: Well, I am not sure I can accept the premise of that. I've talked to the North Koreans many times. I grant you it was in Beijing. There was one occasion last February when we had hoped to meet with the North Koreans in Tokyo because they were attending a seminar in Tokyo. But at the time North Korea was refusing to attend the Six-Party Talks, and so we did not want to have bilateral meetings with the North Koreans while they are boycotting the Six-Party Talks. So, bilateral meetings while they are engaged in the Six-Party Talks are fine. It's a thing we've done many times.

As for our policy, our policy is to achieve the denuclearization of the Korean Peninsula, and we are absolutely dedicated to it. I have put on a lot of miles, worn out a lot of shoes, worn out a lot of airplane seats trying to accomplish this. This is a very high priority. I know my President has spoken many times about this, Secretary Rice has spoken many times about this, and indeed I look forward to seeing her here today when she arrives in Berlin to talk to the German Government about this and many other issues she is facing. So, we are really dedicated to finding a solution to this. We have a lot of options we're dealing with, but we don't have the option of walking away from it. This is a problem that needs to be solved. So I think we are of the view that whatever it takes we'll look for a way to solve this.

Yes.

QUESTION: Chris Burns, Bloomberg News.

ASSISTANT SECRETARY HILL: Good to see you again, Chris. I last saw you in a refugee camp in Macedonia.

QUESTION: That's right.

ASSISTANT SECRETARY HILL: I mean, you weren't a refugee, but you were there covering a different ...

QUESTION: Different menu. What I meant to ask: You met for more than six hours with your North Korean counterpart. Is there any more that you can say at least characterizing this meeting. It must have been more than logistics?

ASSISTANT SECRETARY HILL: Frustrating, isn't it. Look. These are private discussions. We went through, essentially, there is something called the September '05 statement. It's two-and-a-half pages, very well written pages -- well actually not so very well written, because it represents compromised formulas of six delegations. So it's a document put together by the proverbial committee. It's not easy to go from the pages of that three page paper to the actual ground, to what's going on in North Korea. So we have discussed a number of the elements of that paper to try to get going on implementing it. And we want to take a first tranche and get moving to implement the September '05 statement.

So, as we have gotten ready for the next round of Six-Party Talks we have wanted to discuss what we can accomplish at the next round. So we looked at a lot of these elements to see what can be done on the part of the North Koreans and what can be done on our part. When I talk to the South Koreans we will be talking about what can be done by them what can be done by us. We will be having a pretty full discussion about it. So it is all about the task of implementing the joint statement. And so, you know, six hours does seem like a long time. I remember Ambassador Holbrooke used to spend ten hours with Slobodan Milosevic, and he'd come out and say we had a good discussion, and the journalists would all say, well, what did you do in ten hours, and somehow they filled the time. These are complex issues, and I'm sorry, I just can't get into the details of this.

QUESTION: Was it a positive conversation?

ASSISTANT SECRETARY HILL: Well, I mean, I think you can assume when you have six hours of conversation and you are going to have some more this afternoon and probably tomorrow morning you can certainly characterize them as useful discussions.

Yes.

We had no Scotch, though. It wasn't like the Balkan days, no Scotch.

QUESTION: Hans Mars from German public radio. Obviously some progress could be achieved and there are some confidence building measures. Is your statement concerning the normalization of relationship with North Korea you say is possible, is that to be seen in this regard, and could a loosening of financial sanctions be another confidence building measure, and what could you ask in return from North Korea?

ASSISTANT SECRETARY HILL: You are getting right into the heart of the negotiation. But let me say it is envisioned in the September statement, which is somewhat of a Bible for us. We look at it very carefully. It is envisioned in the September statement that all sides would achieve normalized relations at the end of this process. We made very clear we cannot normalize relations with a country that's producing nuclear weapons, and so we have to get through denuclearization. But we've also made very clear that we will follow up all of our undertakings as laid out in the September statement. So, it is envisioned that there would be a process where the U.S. and the DPRK would sit down and resolve our bilateral issues. And at the end of this process, with the achievement of denuclearization of the Korean Peninsula we would follow up on our obligations to achieve normalized relations.

I would add that it is also envisioned in this process that Japan and the DPRK would also meet together and address their own issues and arrive at the end at a normalized relationship. So if you look at this statement, in a sense it goes beyond some of the issues just related to nuclear weapons on the Peninsula. It also addresses some of the historical issues that got Northeast Asia into the position it's in. I think a key aspect in the September statement is the reference in the last section of the statement to eventually achieving a peace mechanism on the Korean Peninsula. Do you realize since 1953 we've only had an armistice, a sort of elaborate cease-fire,

we've not had a peace treaty, a peace process? So that's also, I think, a very important undertaking that if achieved would be of historic significance for the way forward.

QUESTION: Elizabeth Pond, free-lance journalist and author in Berlin. I'll try asking the question another way. Did you gain the impression that your willingness to talk so intensively with the North Korean negotiator for six hours at this point may have increased the willingness of the North Koreans to move forward constructively in the six-party talks?

ASSISTANT SECRETARY HILL: Well, we -- I'm trying to think how many hours we spent when we last did this in Beijing. We had certainly more than six hours alone with the DPRK during the Six-Party Talks and in December. At the end of November I seem to recall two days which must have been -- it was more than six hours. So I just want to emphasize, six hours is not unusual in these discussions. You know, I think it's useful to exchange views. It's useful to explain how we are going to implement our obligations in the September statement. It is useful to hear how they foresee implementing theirs.

You know, as for whether they are more willing or less willing, I think you are going to have to ask them. But certainly, as I said earlier, I think these were useful discussions, and we are continuing to have them. And probably when I leave here we'll go back and have some more. Again, I, part of me tells me I'd just like to give you a minute by minute account of what we did for six hours, but then I think to myself, would that make my job easier or harder? And I have to conclude it would make my job impossible; so I'm not going to do it. So I'll just have to disappoint you on that.

Yes.

QUESTION: Debra Cole from AFP. You've raised doubts in the past as to the extent to which Mr. Kim is even in a position to make a deal, and I was wondering what your take on that is now, whether he has the authority even to make a deal with you?

ASSISTANT SECRETARY HILL: First of all, we are not making a deal here. We're having an exchange of opinions, and the deal will be made in the Six-Party process. Again, very important that any negotiating or deal making needs to be done in the Six-Party process. By having an exchange of views with the North Koreans it is not our intention to reduce the other four participants to bystanders. That's where the deal making will be, in the six-parties. I think the key will be whether Mr. Kim comes to the Six-Party meeting, and we hope we can get them going in January. I think the key will be whether he comes with sufficient instructions.

Now, I must say, I always recall Ambassador Holbrooke's comment to me back in Bosnia, saying the only thing worse than not having instructions is to have instructions. In short, we have to see what these instructions are. But certainly we would hope when we meet again and have real negotiations in the six parties, Mr. Kim will bring adequate instructions. I like to believe that the North Koreans would not stay with this process unless they had the intention of fulfilling their obligations. Again, these are not obligations -- The September '05 statement is so important because they are not obligations to the U.S. government, they are obligations to the U.S., they are obligations to China, and I can tell you the Chinese are very very aware that the obligations in the September '05 statement are also obligations to China. They are obligations to Japan, Russia, and South Korea as well. So I hope that he will come prepared to discuss. I know we are.

Ok, who am I supposed to call on?

QUESTION: I have a very quick question. Emily Harris with NPR. Where are you meeting in Berlin?

ASSISTANT SECRETARY HILL: Yesterday we met at the American Embassy, and today we'll meet at the North Korean Embassy. It's a format we've done in the past, for example the financial talks in Beijing, the first day was in the U.S. Embassy, the second day was in the North Korean Embassy. Pretty standard.

Couple more? Ok. Do you have a microphone on this side? Ok, go ahead.

QUESTION: Thank you. Paolo Valentino, Corriere della Sera. Pending the Chinese agreement, do you have a provisional date?

ASSISTANT SECRETARY HILL: For the resumption of the talks? Right. We have to talk to the Chinese. China has a very busy diplomatic calendar every day of the week, but you know this is a priority. So we hope we can do this by the end of January. But we have to talk to the Chinese because they are the hosts in the process.

ASSISTANT SECRETARY HILL: Yes, let me take this lady here.

FINANCIAL TIMES DEUTSCHLAND: I have a question on how some external and internal developments in North Korea might change the situation also for the negotiations.

One is first of all I'd like to have your view on how the financial sanctions that have been imposed on Korea overall have been working or are working at this moment and on the other hand I have a question regarding after the recent death of Foreign Minister Kim Young Nam. Do you think that this might end up in a shift in policy making in North Korea and can you feel that in your talks?

ASSISTANT SECRETARY HILL: I think with respect to the passing of the former Foreign Minister, I don't anticipate it having a policy impact. He was in declining health for some time. With the respect to the issue of the financial sanctions let me just disaggregate that a little. There was the effort in Macau which dealt with what we felt to be, a bank that we, that was not exercising proper scrutiny of the types of accounts that were coming in, and the U.S. role on that was pretty much limited to warning U.S. banks of our concerns about that.

To be sure though, I think other banks saw what happened in Macau with the Banco Delta Asia being designated or being identified by the U.S. Treasury Department as a money-laundering concern. I think other banks have been careful, perhaps more vigilant in accepting various accounts, and I think it has had some impact on North Korean financing practices around the world. It's never been our intention to affect, to have an impact on legitimate trade and finance.

Our concern has been the financing of these various banned programs including and especially the nuclear program. The U.S. is also of course implementing resolution 1718, which in a sense goes after the same sorts of nexus of issues, addresses the ability of North Korea to gain the technology and gain the financing for these programs. And this UN Security Council resolution is still in the process of being implemented. There is also a ban on luxury goods that the European Union is implementing as well as other countries, and I think it's still too early to tell at this point how it is directly affecting -- I mean I'm not an expert on these issues, on the impact of these things on the economy. I will say that the North Korean economy is not in good shape and certainly needs an infusion of foreign capital, but most importantly it needs a real clear direction within North Korea about the need for reform.

I know the Chinese have worked very hard to convince the North Koreans of the need to change their policies and to move toward reform. We know that there have been some efforts in North Korea, but often those efforts have not been enough to be sustained. So I think this is an issue the North Koreans need to address. And I would suggest to them they try to address it without nuclear weapons, because clearly, the possession of nuclear weapons is very much, they're paying very heavily for those programs, both in the impact on their financing worldwide, but also on the impact of their economy. So, thank you very much.

AMBASSADOR HOLBROOKE: One last question:

ASSISTANT SECRETARY HILL: Oh, one last question. Whose question? Anyone? Yes sir...

WALL STREET JOURNAL: North Korea is involved in proliferation, but it also a cog in a proliferation network in which it cooperates with other countries. Was this also

part of your discussion?

ASSISTANT SECRETARY HILL: Well, certainly we have had -- my discussion yesterday was limited to an exchange of views on the issue of getting the Six-Party Talks going and implementing the joint statement. To be sure, however, what you're referring to is the issue of proliferation matters and we have made abundantly clear, directly and indirectly, our strong view that North Korea needs to cease and desist in these areas. So there was little I could add to our view on this.

But I must say part of what we have done in pursuance of the UN Security Council Resolution 1718 has been to strengthen our work with other countries to address the concerns about proliferation. The Proliferation Security Initiative has been a big part of this and we've worked with allies and partners throughout the world, but I would say very strongly in Asia on these issues. But these issues really are directed toward creating an architecture for proliferation detection, and they go beyond the question just of North Korea.

Thank you very much.

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