



Morning Walkthrough and Joint Remarks at Six-Party Talks

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ASSISTANT SECRETARY HILL: Good morning everyone.

QUESTION: Morning.

ASSISTANT SECRETARY HILL: Stand up here, Danny. Well we've been busy, and we're very pleased that we've been able to reach an understanding with the DPRK on the full return of funds as soon as possible. So, I'm going to introduce my colleague and friend Danny Glaser here - who's been traveling the Pacific and watching all those movies on those airplanes - to tell you what exactly has happened. And we can take some of your questions. Danny?

DEPUTY ASSISTANT SECRETARY GLASER: Thanks, Ambassador Hill. I do have a prepared statement to read, and I am going to read it. But before I start I do want to just thank Ambassador Hill for all the support that he's given us. He's really - he's been pretty involved and has provided us very, very important guidance and advice and support on the diplomatic end of this. I really do think that in the future when people look back on this, they will look at this as a model for the way the Treasury Department and the State Department can work together in addressing very, very important issues in the international financial sector. So I just wanted to thank Ambassador Hill for that.

Let me read the prepared statement that I have for you all, and then I'll be happy to take some questions. And we are going to be releasing the following prepared statement on the Treasury Department web site:

"The United States and North Korean Governments have reached an understanding on the disposition of DPRK-related funds frozen at Banco Delta Asia.

"The DPRK has proposed the transfer of the roughly \$25 million frozen in BDA into an account held by North Korea's Foreign Trade Bank at the Bank of China in Beijing.

"North Korea has pledged, within the framework of the Six-Party Talks, that these funds will be used solely for the betterment of the North Korean people, including for humanitarian and educational purposes. We believe this resolves the issue of the DPRK-related frozen funds.

"The disposition of the frozen assets has always been and remains a decision by the Macanese authorities to be taken in accordance with Macanese law. North Korea will need to work out the legal and technical intricacies of the arrangement with the Macanese. The Treasury has communicated to both the Macanese and Chinese Governments the United States' support of this arrangement.

"Separately, the final rule against Banco Delta Asia, issued by the Treasury Department under Section 311 of the USA PATRIOT Act, remains in place. The Treasury will continue to cooperate with the Macanese on this and other anti-money laundering issues.

"The events of the past 18 months demonstrate our lack of tolerance for illicit activity conducted in the global financial system. Financial institutions that facilitate weapons proliferation, terrorist financing, narcotics trafficking, and other illicit financial activity should be on notice of the significant consequences they face."

That concludes the prepared statement, and, again, we'd be happy to take questions.

QUESTION: Ambassador Hill, could you explain why it was so difficult to reach this agreement and why we had to wait for the - for a finalization of the agreement between the U.S. and North Korea?

ASSISTANT SECRETARY HILL: What makes you say it was difficult? (Laughter)

QUESTION: It's taken a number of days to get to -

ASSISTANT SECRETARY HILL: Well, I mean, the problem was, first of all, we needed to brief the various concerned parties on this. So as soon as the rule was published, Danny got on an airplane and got out to Macao within a day or two. He's here in Beijing to talk as well to the Chinese. And as soon as the North Koreans were able to pull together their team, I was able to brief them - I believe it was on Saturday. So it just took a couple of extra days.

QUESTION: So does this mean that all the money is being released? Does this mean none of the money was involved in illegal activities?

ASSISTANT SECRETARY HILL: What this means is the North Koreans, the DPRK, understood our concerns and are prepared to cooperate with us to make sure this money is used appropriately.

QUESTION: Mr. Glaser, do you not have any concerns that this might send the wrong message, saying that all the money was involved in illicit activities?

DEPUTY ASSISTANT SECRETARY GLASER: No, I think the message at this time is, as I said in the prepared statement, first of all, the broad message that I think it sends, is that we will not be tolerating illicit conduct by financial institutions in the international financial system. With respect to the actual disposition of the funds, I think it's important to look where we were eighteen months ago and look where we're going now. Eighteen months ago, these funds were in a bank that did not have adequate anti-money laundering protections and that was facilitating illicit activity. There was very little being done about it. Eighteen months later, the bank is under responsible management, and we have received assurances that the funds are going to be transferred to an account in Beijing that can allow them to be used for humanitarian purposes, for educational purposes.

I think that's a great success. It's all part of an ongoing process to work with North Korea on trying to address what we've said before are a lot of the fundamental underlying concerns of the international financial community.

QUESTION: How do you guarantee those funds will be used for humanitarian purposes?

DEPUTY ASSISTANT SECRETARY GLASER: Well, there are no guarantees in this life, but this is an important step in our working through this problem. The North Koreans have given us assurances that it will be used for humanitarian purposes, for educational purposes, and we'll see if we can work this out. We've been meeting them in our bilateral financial working group. We're going to continue to meet with them in that group. This is part of an ongoing process of working with North Korea and explaining to North Korea what the issues are - what the concerns of the international financial community are - and trying to resolve those concerns.

QUESTION: Sir, you said as soon as possible. How - what is your timeframe on the return of the funds?

ASSISTANT SECRETARY HILL: (to Mr. Glaser):What's the timeframe?

DEPUTY ASSISTANT SECRETARY GLASER: The timeframe for the return of the funds?

QUESTION: Yes.

DEPUTY ASSISTANT SECRETARY GLASER: Well, it's going to have to be conducted under Macanese law and in conformity with Macanese procedures and regulations. So that's going to be something for the North Koreans and the Macanese to work out. It's not going to happen overnight. There are going to be steps that are going to have to be taken.

QUESTION: And the fact -

ASSISTANT SECRETARY HILL: But I want to make clear: from the U.S. perspective, we want it to happen as soon as possible

QUESTION: The fact that these are going into a Bank of China account - does that suggest that China will have some responsibility in ensuring that the funds are used appropriately?

ASSISTANT SECRETARY HILL: I think any regulator has certain responsibilities, and I would put the Chinese in that category, as would any regulator of any bank account anywhere.

QUESTION: After saying that it was totally up to the Macanese authorities how to hand over the money, why is the U.S. announcing this?

DEPUTY ASSISTANT SECRETARY GLASER: We had - I was in Macau just on Saturday, and we discussed a number of things with the Macanese authorities. It was an opportunity for us to present the results of the investigation that we had conducted into BDA, and we did that. It was an opportunity to discuss the finalization of the Section 311 rule, and it was an opportunity to discuss the overarching mechanisms that could be used with respect to bringing a resolution to the funds transfer issue. Now this is a North Korean proposal, and both we and the Macanese thought that it was a very promising proposal. So I don't think this is about anyone imposing anything on Macau. I think this works very well for Macau, and I think that they found it to be a promising proposal. It will have to be accomplished in conformity with their laws, and I'm sure it will be.

QUESTION: But it is not only North Korean Government but also the 50 account holders. All of them agree with this agreement? I mean, you know, the money to be used for the humanitarian assistance? Because the bank holders are not only North Korean government, right?

DEPUTY ASSISTANT SECRETARY GLASER: That's right. There are non-North Korean Government account holders, and again, this will have to be conducted within Macanese law. And I'm sure the Macanese and the North Koreans - I'm sure the Macanese will discuss it with the North Koreans and explain to them exactly what needs to be done to accomplish this.

ASSISTANT SECRETARY HILL: We're not here to explain Macanese laws and procedures. What we're here to do is explain our role, and the fact that we've concluded our role.

QUESTION: Who are the people that are in charge of the humanitarian funds? Is it the North Korean Government, or --

DEPUTY ASSISTANT SECRETARY GLASER: I'm sorry?

QUESTION: Who's going to be in charge of the humanitarian funds?

DEPUTY ASSISTANT SECRETARY GLASER: I think the specific modalities of this have yet to be worked out, but it will be probably deposited into a foreign trade bank account at the Bank of China in Beijing. And as we said, we have assurances that it will be used for these purposes - humanitarian purposes. And this is going to be - and these assurances have been made in the context of an ongoing process, an ongoing dialogue. And we are going to use that to make sure that our concerns are addressed and that commitments are lived up to.

QUESTION: Mr. Glaser, you been acting under the strict laws of the Patriot Act, or whatever the law is. How do you respond to the argument that the whole disagreement is motivated by political purposes?

DEPUTY ASSISTANT SECRETARY GLASER: We've laid our case out publicly; we laid our case out when we issued the notice for proposed rule-making. I think it's a fairly straightforward one. This was a bank that did not have adequate anti-money laundering controls. In spite of that it was soliciting high-risk clients. It was not only soliciting those high-risk clients but was providing them with a facilitative environment to engage in deceptive financial practices. This wasn't a very difficult case for us.

QUESTION: How do you verify the money will be used properly for humanitarian and educational purposes? How will the United States verify?

DEPUTY ASSISTANT SECRETARY GLASER: As I said, there are no guarantees in this, and we're embarking into this in the spirit of an ongoing process. We have received assurances. We're expecting that the assurances will be lived up to. We will be engaged in an ongoing dialogue, and we're going to have to take it from there. If North Korea wants to have access to the international financial system, they're going to have to start getting used to working productively with other members of the international financial system. Hopefully this is something that's going to be beneficial for everybody. We're going to continue to work with them. The funds are [to be deposited] in a Chinese bank, as Ambassador Hill said, regulated by Chinese regulators. We expect that people will live up to their obligations.

QUESTION: What's your plan for the counterfeiting issue?

DEPUTY ASSISTANT SECRETARY GLASER: What's the plan for the counterfeiting issues? Well counterfeiting issues are, I suppose, related to this in a tangential way. I don't want to speak for the U.S. Secret Service, but the U.S. Secret Service takes very seriously the counterfeiting of the U.S. currency. At the last bilateral working group that we had with the North Koreans, I had two senior Secret Service investigators with me to discuss with the North Koreans those concerns. The Secret Service is going to continue to pursue their law enforcement investigations, and it continues to be an issue that we're going to raise -- because it's not acceptable for us to have our currency counterfeited.

QUESTION: So are your dealings with the North Koreans now done or are you going to continue your working group with the North Koreans, work on financial issues?

DEPUTY ASSISTANT SECRETARY GLASER: Yes, I hope we continue the group. I think it's important -- because resolving the Banco Delta Asia issue was one of the purposes of the group, but it was not the only purpose of the group. And frankly, I don't even think it was the fundamental underlying purpose of the group. The fundamental underlying purpose of the group was to explain to North Korea -- to try to work with North Korea on addressing the broad range of concerns that the international financial community has with respect to their conduct and to try to work with them to change that conduct and to put them in a position where they can be reintegrated into the international financial system. We still have work to do on that, and we hope to be able to take advantage of this group in order to continue to raise these concerns and to continue to try to address them.

QUESTION: So it's your hope, but there's no plan, no specific date?

DEPUTY ASSISTANT SECRETARY GLASER: I don't have a specific date. There's not one scheduled, but I anticipate that we'll meet again.

ASSISTANT SECRETARY HILL: Our point is if the DPRK is interested in continuing these working groups with respect to the financial sector and how they might integrate themselves, we're prepared to do that. But it really is up to them. If they find it useful to continue, we're prepared to do that.

QUESTION: You said you were taking the North Korean proposal as is. This is a North Korean proposal that you have accepted, that the United States had no part in this proposal whatsoever. By doing that are you accepting that this was a problem - an issue with the bank - and that the bank is to blame for this issue, or does North Korea share some of the problem in this whole issue?

DEPUTY ASSISTANT SECRETARY GLASER: This was a North Korean proposal. It was actually put to us in the bilateral working group that we had with them. So yes, it's a North Korean proposal. With respect for who's to blame, I think there's a lot of blame to go around. There were problems with the bank that we've articulated, and we've also articulated problems with many of the account holders. I think that there's a lot of blame to go around.

ASSISTANT SECRETARY HILL: I think as Mr. Glaser has pointed out, the cooperation of the Macanese authorities has been very good, and I think it's continued throughout the 18-month investigation. We feel this has really helped the Macanese reputation internationally. We were very pleased with the cooperation.

QUESTION: Ambassador Hill, are you confident the North Koreans will not raise this issue again in the Six Party Talks or in bilateral meetings?

ASSISTANT SECRETARY HILL: As Mr. Glaser said, this was a proposal they made, and it's a proposal we've accepted. It's a proposal that takes into account our concerns. It's a proposal that derives from a number of these bilateral discussions that Mr. Glaser held with the DPRK financial officials. We feel this is the basis of the solution. We met our 30-day requirement by announcing the rule. We then followed that up with intense consultations, as Mr. Glaser has been doing.

And so we feel this matter has been resolved and now we can move on to the next problem, of which there are many. And we continue to work hard; in fact today we have our first Six-Party meeting. We're going to evaluate all five of the working groups and evaluate how we're doing in terms of the 60-day set of actions and then the next phase as well. So we have a lot of work to do and we're very pleased that due to the hard work - and especially the hard work of the Treasury Department by Danny Glaser and his very strong team and also the team back in Washington with Stuart Levey and others - we feel that we're ready to move on.

QUESTION: Mr. Hill, with the BDA issue put aside, people are talking about the next milestone. When do you expect the next one is coming?

ASSISTANT SECRETARY HILL: Milestones in what sense, I'm sorry?

QUESTION: Such as the shutdown?

ASSISTANT SECRETARY HILL: We have had some 30-day actions, and one of them has been to resolve the BDA issue. That's been done, and I think it's been done to mutual satisfaction. And then we've also looked at the completion of the working groups in the 30-day time frame, and we've been able to get that done.

And so now we're going to look at 60-day requirements. There are a number of those. First of all, I think the DPRK has gotten off to a good start with the IAEA, with Mr. ElBaradei's visit to Pyongyang. And we would look forward to that process continuing in the next 30 days so that we will have the shutdown of the Yongbyon facility, the sealing of it, and the monitoring of it by IAEA personnel. We would also look forward to making sure the first shipment of fuel oil - which is called for in the February agreement - reaches the DPRK within the 60-day time frame. And then looking beyond for the additional fuel oil and the additional milestones and denuclearization, we'll need to synchronize those steps. They involve some very important steps, including the disablement of the North Korean nuclear program as well as the issuing of a full declaration in return for considerable amounts of fuel oil and economic assistance. I think we'll continue on that, and for that reason we have a lot of work to do in the next couple of days with this meeting.

Also - I want to emphasize the importance of this - at the end of the 60 days we're looking forward to having a Six-Party ministerial, also called for in the February agreement, where Dr. Rice and all her colleagues, including the DPRK minister, will get together and begin to chart the course ahead.

So a lot of work to do.

QUESTION: About shutting down, we heard that North Korea actually sought temporary extension for shutting down their Yongbyon facility?

ASSISTANT SECRETARY HILL: Well, we're at day - I don't know - day 33, day 34. I don't see any reason we need to talk about that. I think they understand they've got some obligations in 60 days; we have some obligations in 60 days. And we'll get to work very hard and get that all done.

QUESTION: Do you have a schedule for you bilateral with the North Koreans?

ASSISTANT SECRETARY HILL: No, I think we'll all be out at the very familiar Diaoyutai. We look forward to having bilats with a number of delegations. I'm sure we'll be meeting with the DPRK delegation as well.

QUESTION: And Secretary Glaser, what is your schedule for the afternoon?

DEPUTY ASSISTANT SECRETARY GLASER: I plan on having some consultations with Chinese counterparts. I don't have anything locked down yet, but as the day evolves we'll see what my schedule is. But I will be having consultations with Chinese.

QUESTION: And you'll be staying in Beijing how long?

DEPUTY ASSISTANT SECRETARY GLASER: I'll be staying in Beijing today and leaving tomorrow.

ASSISTANT SECRETARY HILL: Thank you very much.

QUESTION: Thank you.

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