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THE PRESIDENT'S TRIP TO THE G8 SUMMIT

**WELCOME:
H. ANDREW SCHWARTZ,
VICE PRESIDENT FOR EXTERNAL RELATIONS,
CSIS**

**SPEAKERS:
MICHAEL GREEN,
CSIS SENIOR ADVISOR, JAPAN CHAIR**

**REGINALD DALE,
CSIS EUROPE PROGRAM SENIOR FELLOW**

**JULIANNE SMITH,
CSIS EUROPE PROGRAM DIRECTOR**

**JON WOLFSTHAL,
CSIS SENIOR FELLOW**

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H. ANDREW SCHWARTZ: Good morning and welcome to the Center for Strategic and International Studies. We have such a crowded lineup today that I am pushed over into the dugout, but that's a good thing. There's a lot of news today and so we'll get right to it. In addition to talking about the G8 today, we're also going to talk about the recent developments in North Korea. We have two of the world's foremost experts on that issue here, Jon Wolfsthal and Dr. Mike Green. With that, I'll turn it over to my colleague, Mike Green.

MICHAEL GREEN: Thank you for coming. We want to help provide some background for everybody as you look at the G8 meetings, the series of meetings coming up July 7 to 9 in Hokkaido, Japan, the northern-most island in the Toyoko resort area. This G8 is noteworthy, of course, because it's President Bush's last. It's also a G8 with a lot of political leaders who are pretty weak.

I just took a look at some of the opinion polls. President Bush, as you know, has 28 to 30 percent in most polls. Prime Minister Fukuda just got a bump up to 25 percent. Canada's Steve Harper got a bump up to 39 percent. The Labor Party in Britain is at 25 percent. Sarkozy of France got a bump up to 37 percent. Medvedev is the strongest of them with 41 percent in Russia, but 62 percent of Russians say they like Putin better.

Ironically, in this G8, the strongest political figure in the mix is the Italian prime minister, Berlusconi. (Laughter.) So it's a bit of man-bites-dog G8 in the political context. For Fukuda in Japan, this is a big, big deal. The Japanese political system is poised, waiting for major political realignment because the opposition Democratic Party of Japan last summer won the upper house, where they have been able to block most legislation. The ruling coalition can push things through the lower house with their majority, but it's hard to do.

So it's an untenable situation and everyone in Japan is poised waiting for some kind of political realignment, for somebody to take out Fukuda. And this G8 summit is a big deal for him because it allows him to show his statesmanship on the world stage and the same is probably true for most of the other political leaders attending, all of whom have a pretty unstable situation at home in terms of their own politics.

For Fukuda and, indeed, I think, for most of the leaders, the big issue is climate change. Prime Minister Fukuda would like to come out of the G8 with an agreement on 50 percent reductions by 2050. This first day of the three-day meetings will feature the very first summit of the 16 heads of state from the MEMs, the major emitting or major economic meeting. I don't remember if it's emitting or economy, but MEM – it's emitting – economies meeting, thank you, yeah.

And proposed by President Bush last September, this is the first time that the heads of state will meet. There are two things Fukuda would like. He would like for the main news on climate change to be in the G8, but, in fact, it will probably come out of this MEM, major economies meeting, which will most likely be chaired by President Bush. But I think Fukuda can live with that.

The other thing he would like, of course, is to have all of the 16 members agree to 50 percent reductions. It does not appear that the U.S., China, or India – who are all in – will agree to that. The Japanese are also pushing for a sectoral approach, in other words, looking at power generation or cars or different sectors of the economy and then trying to find targets for those, which would help Japan because they've actually done a pretty good job at environmental policy, at controlling emissions. And there are certain sectors where they have work, but they don't want an overall national challenge put on them. So that will be a big focus and I think you'll hear more about it from the other panelists.

A second major focus for all of the leaders and Japan, too, will be the commodities challenge: the price of oil, food, and also the sub-prime mess. To some extent, I think the Saudi-sponsored summit took a little bit of the pressure off the G8 on this, on the oil side. Japan has agreed on the food side to sell some of its rice stock reserves to the Philippines and to Sri Lanka and other developing countries. So maybe a little bit of pressure is off of them on the food issue, but it will be a major theme.

I think what you'll hear from the U.S. government as major themes will be an emphasis on accountability. This is President Bush's last G8 summit. And the U.S. government will want to make sure that previous commitments such as the 2007 commitments for health – assistance for health initiatives in Africa are fully met. There will be an emphasis on the part of the U.S. on the importance of openness, of not overreacting to the sub-prime or to things like sovereign wealth funds with too much regulation.

And the U.S. always in the G8 will push hard for some political statements from the leaders. Key issues this year, I think, will be Burma, Afghanistan, the Middle East peace process, and terrorism. But with the news today, a particularly big one, since this is in Japan and this is in East Asia, will be North Korea. And I'll end with just a few comments – which we can come back to, if you like, about the announcement today that North Korea will blow up the cooling tower at their main plutonium facility at Yongbyon. They are selling admission, Jon tells me. I hope I'm allowed to – they're still working on the actual demolition. Apparently, an early test sent chunks of concrete flying into the reviewing stands. (Laughter.)

MR. : (Off mike.)

MR. GREEN: The tickets may be now cheaper. (Laughter.)

MR. : You at least have to pay in advance.

MR. GREEN: Or Christiane Amanpour may be, you know, selling them, scalping them to other news networks rather than sit in the front row. But that's a quite dramatic development. And the other piece of it, of course, is that they have turned over to the Chinese the so-called declaration giving details about their nuclear weapons and nuclear programs, which is a necessary first stage towards inspecting, disabling, dismantling their overall nuclear program.

It's pretty good theater. It constitutes progress because Yongbyong is the main source and has been the main source for – as far as we know, the only source – for plutonium for North Korea's weapons arsenal. There is some debate about whether the Yongbyong reactor was really worth very much anymore; it was in bad repair. But it is important that, at least, this disablement process has some content to it.

There are, however, also some big, big holes in this, which are going to attract criticism, inevitably. I think – I would suspect from both political candidates for president and from many commentators. The agreement is supposed to implement an earlier agreement among the six parties reached in September 2005 and then with details added in February 2007. And that agreement basically said that North Korea would get everything it's now getting: lifting of the Trading with the Enemy Act sanctions, lifting of the terrorism-related sanctions, a million tons of heavy fuel oil, and so forth, normalization process – would get all of these things in exchange for a declaration of all of its nuclear weapons and nuclear programs and disablement of all of its nuclear weapons and nuclear programs.

And over the subsequent year or two, the North Koreans have pretty successfully whittled the rest of us down so that the expectation is and the reports are, the disablement is only Yongbyong, the plutonium piece, and the declaration is only on plutonium. And what that leaves out is nuclear weapons, the highly enriched uranium program, which is significant. Secretary Rice on Wednesday acknowledged that we have new evidence about HEU programs. I don't know if this is true, but the reports are that the 19,000 pages of documents turned over by the North Koreans were glowing with HEU. It's not the first time the North Koreans have turned over things that were supposed to be about plutonium that were glowing with highly enriched uranium.

And then the proliferation problem, the transfer of nuclear technology of the assistance for Syria's reactor complex that was blown up in September by Israel. About HEU, about proliferation – it's essentially just an IOU, North Korea acknowledging our concerns. So we have been whittled down to just one now segment of the North Korean program and, in exchange, we are implementing everything that we had pledged for our part.

That's not great, but the administration has, I think, successfully stated in Rice's speech and in the president's statement today that, though it's a narrower slice, we're going to be pretty tough about verification, which is good. And both Rice and the president said that we have notified the Congress of our – of a U.S. intention to lift sanctions in 45 days, but that will depend on whether or not the verification is in place.

And Secretary Rice, State Department folks, persons, have talked about pretty specific things like samples from the core interviews and things like that.

So we'll see. If they hold to that, then it will be a more credible agreement, but it will still, I think, come under criticism because of all of the things that were supposed to be in it that have now been deferred. This is an area that Jon knows very well also and probably better than I do so we may want to come back to it, but I'll end with that.

MS. : Can I interrupt quickly?

MR. GREEN: Sure.

MS. : Can everybody either disable their wirelesses or their Blackberrys? We can hear it and it interferes with the audio so it ends up ruining the audio for us. So that would be very helpful, if you could just disable your Blackberrys. Thank you.

MR. SCHWARTZ: Great. We're going to go next to Julie Smith, who is going to talk about the G8, but I also want to let everybody know that Jon Wolfsthal is here. He is one of the few Americans who has actually been to Yongbyong. And he will be following up on some of Mike's comments. Reggie Dale, who I also did not introduce in the beginning of this, has probably covered more G8s than just about anybody; I think it's 13, Reggie said, as a reporter and as an expert. So we're going to get to him as well. But right now, we're going to go to Julie Smith.

JULIANNE SMITH: Thanks, Andrew. Well, I just wanted to add a couple of remarks to what Mike said a minute ago. I mean, this agenda, just like the NATO summit agenda earlier this spring, definitely has an air of déjà vu to it in my mind in part because it takes the three baskets that Merkel had at the G8 summit last year in Germany and just continues on with those same three baskets of economic issues, aid in Africa, and climate change.

But, this time around, all three of those baskets are haunted – (chuckles) – in one way or another. On the economic side, there – certainly, as Mike said – and Reggie can talk about this in more detail – I mean, the food security issue and the energy issues that are hitting the headlines are definitely casting a bit of a shadow on that basket. On the aid in Africa, you're probably aware that this ONE campaign just recently launched this report. I guess it's the data report 2008. And what they did is they tracked the commitments that were made at the Glen Eagle summit, \$22 billion that had been allocated for aid in Africa, and that was supposed to be wrapped up by 2010.

And what they found in this report was that 14 percent of the commitments have been delivered on. So we're about halfway to our goal and nowhere close to halfway to meeting our commitments. So the rumors are there that the leaders are going to put forward another something like \$2.6 billion, but the folks over at the ONE campaign said it would have to be triple that in order to get things back on track. So that's a little bit of a shadow, again, in the aid-to-Africa basket.

On climate, I think what's happened is Merkel, when she went in with the Germany lead with the G8 last year, she went in with this very ambitious agenda. She basically said that at the summit, they would somehow manage to create some sort of post-Kyoto framework. And she clearly went head-to-head with the Bush administration on climate issues, found that the Bush administration was, in fact, not prepared to sign on to binding targets, and had a real complaint and that was that this forum isn't the right forum to be addressing these issues because China and India are not sitting at the table, and other major economies.

So I think what's happened is the Japanese took some lessons from that, and said let's scale back some of our ambitions a little bit and let's look at long-term goals. So as Mike said, the long-term goal is we'll get everybody to sign on the dotted line so that by 2050 we'll all agree to reduce emissions by 50 percent. The question is what about the medium-term goals and I think the answer that's been put forward is well, let's leave that to Copenhagen. Copenhagen will be next year, at the end of 2009. We'll have a new U.S. president in office; the expectation is that either McCain or Obama would be a little bit more forward-leaning and we could make some more headway.

So essentially what we've done is we've kind of kicked the can down the road. There are a couple of other interesting initiatives that have been put on the table, but there are also some real benign things like this cool Earth day that will be officially declared on July 7th. Everyone can agree to that; that's very easy and no binding targets. So, you know, I don't want to be too gloomy. I mean, I think there's some important things that will come out of it. But I do want to point out that all of the three baskets certainly have their challenges and issues.

Now, just a quick word on Afghanistan: This is an issue where, I think, all of the leaders can agree that, you know, the ship is essentially leaking on both ends. And by that, I mean that we lack the troop commitments we need on the ground in Afghanistan and we also clearly lack the reconstruction and development assistance that we need as well. And Bush recently went to Europe; he asked for some additional troops. He did not garner too much additional support, although Germany did announce this week it would send an additional 1,000 troops to the north, not to the south as we'd like to see them do.

But now the question is what other reconstruction and development packages can be put forward. What came out of Japan this morning is in the foreign ministers' meeting. They did agree to set aside an additional \$4 billion, specifically for the border region with Pakistan, which everyone agrees is probably at the top of our list in terms of major challenges on the ground right now. We also had this conference in France recently, where all of the leaders that – I mean, many, many countries came to this conference in France and they committed an extra \$20 billion in assistance. So what the G8 will try and do is follow up on that and make some additional resources available, again, for the softer side of the equation, which is so critical in bringing long-term stability to Afghanistan.

So I think I'll leave it there, at that, and we can get into some of the other issues in the Q&A. Thank you.

JON WOLFSTHAL: Good morning. You will see a lot of familiar language – it's off – on nonproliferation and security issues. In fact, this is one of the benefits of the G8, is you can go back to last year's documents and you'll see a lot of the same language in this year's documents. On Iran, which will clearly be a high priority for the Bush administration and for France, and for several other of the G8 members, you will see statements of concern that Iran is still not complying with the U.N. Security Council resolutions. You will see a statement calling on Iran to suspend its enrichment program, as is required by the United Nations.

And there will also be an effort, which has been led by the United States but by several European countries as well, to try and push additional sanctions on the banking sector so that Iran can no longer gain access with its major banks to the international monetary market. It's something that the United States has invested heavily in. Some European countries are more enthusiastic about this approach than others. Japan also has some reservations about acting outside the U.N. process. But this will largely be another political step and I think there would be a – even with Russia attending, at the very least you will see some commitment to the U.N. Security Council resolution process. Russia's been a little less enthusiastic about sanctions. They believe that engagement is a more productive pathway and it's one of the reasons that the sanctions have not been as biting as the Bush administration and the United States would like.

Obviously, given the developments, today North Korea will be high on the priority list, particularly because this is in Japan, where there is a tremendous concern about North Korea's nuclear weapons program, their ballistic missile program. And I think you will see a statement of support for the progress that has been made in the six-party process. Most of the six party members are members of the G8, and all will be attending the summit in some capacity. And so I would expect, at the very least in the nonproliferation statement, some commendation of the progress that has been made, although there will be a strong emphasis on the need to verify. And as the president has said, action for action, step for step; as we know, trust is not a word we apply to North Korea ever, so this will be a don't trust – don't trust and verify kind of agreement. I'll talk a little bit about North Korea in a second.

The other point that I think will significant or at least different in this G8 is something that the Japanese government has made a priority, and this is the link between nonproliferation, nuclear power, and climate change. For the last year – well, since Japan began planning for the G8 process – they wanted to talk about the promotion of nuclear energy, which is a major priority for the Japanese government and Japanese industry as a way for dealing with climate change issues. And they have put forward the concept known as the three S's to promote the benefits of nuclear power internationally. The G8 partners should commit to a set of priorities on safety, security, and safeguards; safeguards in the concept of the International Atomic Energy Agency verification

safeguards. And that the G8 should adopt these – I hesitate to call them conditions, but these standards for decisions that they make on engaging states as they consider their nuclear power options.

We have seen a lot of discussion, particularly in the Middle East, about interest in nuclear power in Saudi Arabia, in Bahrain, and the UAE and Jordan and Egypt. And there is some concern that many of these states who have a legitimate need for nuclear power and are in full compliance with their nuclear commitments, their nonproliferation commitments, aren't in a position to exploit nuclear power. They don't have atomic energy agencies, they don't have training; they don't have an engineering base, an education population that's able to take these on. And Japan and the United States, and many other countries that believe nuclear power should be part of the mix in the future, believe that if countries are going to engage in this activity they need to be prepared for it. And this is a way of ensuring that the push to develop nuclear energy is done in a serious way, in a protected way, and in a legitimate way. And so I think this will get some broad support within the G8.

What will be interesting in a bureaucratic sense is, should this be in the nonproliferation statement, Japan has been pushing for this to be in the main summit statement itself – which surprisingly, more people read than just the nonproliferation statement, but I guess there's more interest in those issues. So there will be some debate about exactly how they should coin this issue, but my sense is that this has been a priority for the Japanese and will be a highlight for them at the summit.

Very briefly on North Korea: I agree entirely with Mike that this is not as good an agreement as we would have liked to have seen. The North Koreans have successfully pushed back against what was originally agreed to in the six-party process. And the Bush administration and the other members, for a number of reasons, have decided to take what they could get at this interim juncture. There is, obviously, still a process to try to nail down the HEU program, which we remain concerned about. There is an effort underway to try and nail down the proliferation activities to Syria and potentially others, which we remain legitimately concerned about.

But I think given where we are, and the difficulties we have seen over the past decade and longer, getting our process moving again and trying to get our arms around the weapons that North Korea already has is a significant step. I don't believe, as the administration has laid out, that we're going to verify this in 45 days. We'll be lucky to get the procedures on how to verify this, agree to in 45 days, so there will be some additional tough decisions to be made for the Bush administration. But the most I can hope for, I think, out of this process is that the North Koreans have learned their lesson that if they try to cheat, we will catch them. This is what North Korea should have taken away from everything we have done over the last 15 to 20 years, whether it was prior to 1994, the declaration they made to the IAEA – they were caught cheating, that led to a standoff in 1994 – whether it was documentation they've handed over, which has traces of HEU, the origins of which are in question.

So if North Korea has finally learned their lesson and we're able to get this process started again, the most I'm hoping for is something that the next administration can actually pick up off on. And I think both the McCain campaign and the Obama campaign has indicated they would at least like something in place when they get there. They don't want to inherit a deadlock. And so this baby step, while it has limits, I think still has value. I'll leave it at that.

REGINALD DALE: Thank you. Now, I'm sure Japanese people here can confirm whether this is true or not, but I just read that the first day of the summit is the traditional Tanabata Star Festival. And the leaders will be asked to write down their wishes on a strip of paper and display them on bamboo branches. I don't know what the record of this working is, but – (laughter) – let's hope it does.

A small trip down memory lane, although before my time, the first – I just looked at the communiqué of the first World Economic Summit in Rambouillet outside Paris in 1975, where there were only six countries. And it was very small and there were only about half-a-dozen journalists. And they called in their communiqué; they said they were determined to overcome high unemployment, continuing inflation, and serious energy problems. Now, that's another bit of the communiqué that might perhaps be lifted by this time.

That was a very small group. Since then, the G8 has developed into this huge expanding multi-ring circus, which keeps adding tents to house all the extra hoopla that surrounds it. This year in Japan, there will be a total of 23 countries represented which is the highest ever. For the past three years or so, the G8 has been joined by this group that's called the Outreach 5 – that's China, India, Mexico, Brazil, and South Africa. Then, they're adding in this year South Korea, Indonesia, and Australia, who will be there for the merger economies meeting to talk about climate change. And then, there are the seven African leaders who will be there to talk about the Africa-related issues.

This is still, I mean, an organization that has no secretariat, no permanent institutions, no enforcement mechanisms like the WTO or the EU, which goes out of its way to say we're not really taking decisions because we're not a world government. But there's this huge apparatus that has grown up around it. In the past few months, there have been – I mean, there are so many meeting attached to the G8 I could not possibly go through them all but there's a J8, that's a G8 of young people who come to Hokkaido; there's an alternative summit in Sapporo. There's an NGO forum with 120 participants; there's a Hokkaido people's forum. There have been meetings and people's weeks throughout Hokkaido since mid-June, since a few weeks ago. They received proposals from a hundred of the world's biggest companies, from Catholic leaders, from scientists, from the Indigenous People's Summit, which was held in Sapporo. And quite apart from all this activity, there have been formal G8 meetings in Japan of ministers of foreign affairs, science and technology, finance, justice and home affairs, energy, environment, labor and development.

I just go through that to give you an idea of the huge – this enormous creature that it's become, a huge octopus-like – I was going to say monster, but that's not a good word – animal at the heart of all this global discussion.

Now, the finance ministers, when they met earlier this month in Japan, it was noted that the oil price has doubled since they met in Germany last year before the Heiligendamm summit, and the world food prices are 50 percent higher. They agreed, somewhat unsurprisingly, that this presents a serious challenge to stable growth worldwide. But I think we'll see in a moment a slight switch of emphasis from concerns about growth to concerns about inflation. And they also said that this would increase global inflationary pressure in that communiqué, and that it made life more complicated for them. They said in a great piece of G8-ese (ph), which you could repeat almost any time, we will remain vigilant and we'll continue to take appropriate actions.

And that is part of the problem with the G8, that it's easier to make these sort of statements and communiqués than it is actually to agree on common action or even to agree on the analysis of the problem. On the oil prices, there's not agreement on whether – or even on how far the cause, by speculation, demand or supply, or by the decline of the dollar – or whether the answer is more investment in production, as Japan has said, or whether you should work more on the demand, conservation, efficiency, alternative-energy side, which I think – well, there's no reason why you shouldn't do both.

On the dollar, people will be talking about it in the corridors, but I very much doubt anyone will say anything specific. There is some relief in the other countries; the dollar's exchange rate has stabilized somewhat in the last few weeks. And the administration now – I think Paulson and Ben Bernanke are trying to talk the dollar into not falling any further, particularly because of their concerns on inflation. And given that, the U.S. growth figures that came out today were not quite that bad – were not at recession level.

Now, they'll be talking about international finances. There will also be a certain difference of emphasis that you find. Chancellor Merkel, for example, is becoming concerned at the way the Anglo-Saxon countries have been dominating the financial system. And she feels that there should be more continental European influence, perhaps a European ratings agency like Moody's or Standard and Poor's, and more regulation along European lines and try and get some of the elements of risk out of the system. Now, that's not going to probably figure in a clash at the summit, but that's the background that we – again, there are these differences of approach, regulation to free markets. And I think that, on the whole in the economic section, you'll find that the leaders will sort of fumble forward while trying to look as if they're more in control than they actually are.

On the food side, yes, there are quite a lot of plans on the table for short-term, increasing food aid, sending more fertilizers and seeds to Third-World knowhow, veterinary services, that sort of thing. They might call for a reduction in export bans on food and for more investment in agriculture. I mean, these are things which are sort of

trying to deal with the immediate consequences. I think anything that takes the pressure of food prices themselves is going to be much longer term. And they don't like people subsidizing food, the price. Of course, the U.S. and EU subsidize production.

Climate change, I think everyone's being dealt with. But of course, I would just mention that this – the major economic – economies meeting is going to be there. And as Julie said, that's where the United States wants the decisions taken. And why the United States wants the decisions taken there is because China and India are in it, and they're not going to be in the full meeting of the G8. The point is that what the United States does not want to replicate Kyoto in which a group of industrialized countries agreed to targets and the rest of the world didn't. So that's the point of this MEM meeting.

And there is still some hope among the others that they will be able to edge President Bush along to a slightly more constrictive target in the longer term. And one of the political reasons for doing that would be that if the next administration were to go further in that direction, that next administration could say to conservative opponents in the United States, well, President Bush took a step in this direction so you shouldn't be criticizing us so much.

I think that's all I'll say for now. We can talk about anything in the questions.

MR. SCHWARTZ: Great, let's open it up for questions. And for those of you who are seated at the table, please identify yourselves and the news organization you're with. Let's go with Ken first.

Q: (Inaudible, off mike.)

MR. GREEN: Well, the other leaders know there is an election in November. And they are looking very, very closely at the positions that Senators McCain and Obama are taking on issues like climate change, non-proliferation, North Korea, Iran, and so forth. But I don't think that the president's potential leadership role or stature is as diminished as you might expect in this forum, in part because he knows them all quite well. They have a working relationship. They have a common interest in demonstrating that this forum can do something. So there is a lot there for the president to work with. And I think you'll see that.

The one area where the other leaders may game the American president a bit and look beyond this term is probably climate change, which is, of course, the big issue. But on most of the issues in the G8, I think that actually the U.S. position is not going to be as diminished as you might expect because of the last term of the administration.

Q: Hi, Sheryl Stolberg from The New York Times. I want to ask Ken's question in a slightly different way. Put yourself in President Bush's shoes. You are going into this G8; it's your last G8. What do you want to get out of this? What does President Bush want out of this meeting and will he get it?

MR. WOLF: I think it will be issue by issue. I mean, obviously, every administration, as they enter their last year, last major meetings, have a legacy that they want to build on. We saw that in the U.S.-Russia Sochi Summit statement. It was as much a historical document as it was a sort of looking-ahead document. I don't, as some do, believe that the Bush administration is trying to lock in or constrain the next administration in some way, shape, or form, at least not in the G8, because as Reggie said, it doesn't have an implementation arm. It's a political organization and decisions made can be undone or redone.

But I think that President Bush correctly, as we've seen on North Korea, as we're seeing on Iran, recognizes that there are issues you simply can't let drift. There have been a number of very, I think, valuable contributions by people recognizing that this transition that the U.S. is approaching is unique. We're fighting two wars. We have at least two major nuclear crises in Iran and North Korea. We have an economic crisis. We have a food crisis. And we simply can't wait for the last six months of the Bush administration and the first six months of the Obama administration to sort of get a team in place. And so I think that the president recognizes this and I think his administration recognizes this. And they're trying to keep moving the ball down the field on as many issues as they can.

MR. GREEN: Let me – oh, sorry, Julie.

MS. SMITH: Go ahead. Go ahead.

MR. GREEN: I think one other subtext – I don't know how explicit the White House or the State Department will be on this – but I think one subtext will be that the U.S. has pretty good relations with all these countries in spite of the frequently quoted loss of American reputation of the world and loss of soft power and these other things you tend to hear. He's going to Japan. Japanese opinion about the U.S. today is higher than it was before the Iraq war. Chinese opinion about the U.S. is higher than it was before the Iraq war, so is Korean. Indian – Manmohan Singh will be there – Indian opinion about the U.S. is high, very high. The African opinion polls about the U.S. are quite high. And the transatlantic relationship has recovered pretty well and Sarkozy, Merkel are both pretty pro-U.S.

And so I think one subtext you might look for as the president heads for the exit is that despite a lot of the press and the spin one tends to hear, our relationships with the major powers are pretty good, and in many cases better than when he came into office.

Q: Isn't he just undoing the damage he did on Iraq?

MR. GREEN: Well, you know, that's certainly not the case in East Asia. I think in the transatlantic relationship, which Julie can do better than I can, there's a certain amount of recovery operation underway. But it ends up, I think, in a not bad place when you look at Sarkozy rejoining the military command in NATO and things like that. But you're the European.

MS. SMITH: Well, yeah, I mean, we have seen actually a slight uptick in the favorability ratings for the United States in Europe. And I think Mike is right to say that the relationship with the Europeans has improved steadily since about 2005. But I would say that's at one level. I think his relationship with the political elites and the leaders in those countries has advanced, has been strengthened. But I think we still have work to do at the public level. I mean, again, the polling that's been done, we've seen an ever-so-slight uptick. But we've got work to do. And that will come with whoever wins the next administration – I mean, the next election.

So in terms of what Bush's concrete agenda is, I mean, he is not going to this G8 summit like he did for the NATO summit. The NATO summit, he had very specific things he wanted to achieve. We needed more troops on the ground in Afghanistan. We needed Ukraine and Georgia to be folded into MAP. He wanted to advance a missile defense agenda. This time is different. I mean, he has goals. But it's not as concrete, again, as it was or it has been at other events.

I think one thing Bush can say to the other G8 leaders is, look, the data that's out in terms of compliance, with the commitments that were made at the last – you know, they always check countries' compliance with the commitments that are made at the last summit. And the U.S. is really at the top of the list if you look at that data. And so, I think President Bush can come to the summit and say, I'd like to see other countries increase their compliance with the commitments, whether it's aid to Africa or other economic commitments we've made. And so, the U.S. is in a pretty good position when it comes to that side of the coin.

On personalities, I mean, it is interesting, as Mike said in his opening remarks, to note that this is a very interesting – I mean, the atmospherics are very curious. I mean, you do have President Bush transitioning out of office. But you also have a couple of European leaders, as he said, that have low approval ratings right now. You've got a couple of folks, this is their first G8 summit. For Gordon Brown, it's his first summit. For Medvedev, it's his first summit. On the Japanese side, with Fukuda, it's his first summit as well. I mean, I think Medvedev is breathing a sigh of relief. There was some rumors that maybe Putin would show up as a surprise, which would be –

MR. : It could still happen.

MS. SMITH: Which it could still happen. You know, you never know. But I think a lot of these leaders are in difficult situations. Merkel is already thinking about the election in 2009, clamping down, focusing on issues close to home. So it's not just President Bush that brings an interesting dynamic here; it's all of these leaders. And for Berlusconi, it's repeat performance. You know, he was at the G8. He's back as the head of Italy once again. So the whole collection of personalities are at play here, which adds a really interesting atmospheric.

MR. DALE: Just a brief word because I agree with just about all of that, I think the others have shown very clearly that they do want to get on with business now and not wait for the next administration, apart from maybe on the climate change where they think – but they'd still like to push President Bush a bit further if they can. And there's not – it's not as if they're going to sit around the table in some sort of poker game with a lot of confrontation because most of what the G8 does is endorse communiqués, which have been worked out for months in advance by finance ministers and energy ministers and so on. So you can get a pretty idea of what's going to happen by looking at the advance preparations.

And as for Bush's legacy, I think his recent tour of Europe showed very clearly that what he's trying to establish in international opinion now is that he's basically a decent guy whose heart is in the right place. That was very much what he was trying to tell Europeans. And insofar as he gets a chance to do that in Hokkaido, I think he'll try to do that too.

Q: Well, I was going to ask about Putin and Medvedev, but I'll go onto something else. Given this deal today, will President Bush have some uncomfortable moments on the bilateral relationship with Japan, with the abduction issue still out there and some of the statements they've had about this deal?

MR. GREEN: Yes. The State Department in 2003 in its annual report on terrorism had a line on North Korea saying that sanctions will not be lifted on terrorism until there is progress on this issue. I was in government at the time. Rich Armitage was deputy secretary of State and personally supervised that language. And the message to Japan was political commitment, that we're not going to lift sanctions until there is progress.

That has never been a legal commitment or treaty obligation, but it was a sort of political commitment. And it's been effectively de-linked. Or put another way, the administration has resorted to the legal interpretation, not the political commitment to Japan. And there is great consternation in Japan about this. I don't think Prime Minister Fukuda will try to block or object to this development. In some ways, his position politically is too untenable to begin with. And if he objects and the U.S. goes ahead anyway, that's terminal for him, I think, politically.

He's also always been somewhat more progressive or open-minded or flexible about North Korea issues within the Japanese political context. But even – and the president called him yesterday to try to explain that the U.S. would not forget this issue. But even if Fukuda, you know, accepts the president's personal assurances – and the president did meet with the families of the abductees. And I think that I was there for some of this; it was quite emotionally invested in a resolution.

But even with all of that, the Fukuda government will take some real hits domestically. I met with some politicians this morning from his own party who were saying he's going to really get beaten up in the Diet. So this is a difficult one. And it's

not just an emotional issue – an understandably emotional issue – it gets tied up with the larger question of whether or not the U.S., is serious about the nuclear umbrella. And I think our credibility in Japan is very strong. But we have to be careful about that. We have to make sure that the Japanese public is confident in our commitments.

So this is one aspect of this current agreement that is going to leave a legacy for the administration that is problematic, I'm afraid. And more can be done – and the president certainly set the right tone today – but it's hanging out there. And in spite of Fukuda's – I think it's unlikely he'll pose it; but I think it's going to be an issue definitely.

MR. WOLF: Mike is our Japan chair. And so this is proof that fools rush in where angels fear to tread. I agree with what Mike has said. I think it's interesting though to note that in the last two weeks, you have seen the Japanese themselves agree to lift some sanctions against North Korea. The North Koreans have said that they are prepared to take another look at the issue of the abductees.

Remember, previously, North Korea, again, had tried to pull a fast one by handing over what they claimed were remains of some of the abductees that turned out to be really a horrific insult, combination of dirt and animal cremation parts. I mean, it was really something that struck a tremendous nerve in Japan and catalyzed the issue politically in Japan. So I think what's important is not only recognizing that there is a process in Japan playing out as well, but is important for the president to strike the right tone, particularly with Prime Minister Fukuda.

He has to be very sensitive to make the appropriate statement of concern for the Japanese point of view. And I think that because, as Mike said, he is personally affected by this issue, he understands that and understands the broader implications of appearing to undermine our commitment to Japan in a security context. I think we will see those kind of words and I think that's been worked out very carefully in advance.

Q: Klaus Scherder with ARD German television. I have a question referring to what you said about nuclear energy countries and climate change. Do you see sort of a risk for Germany giving up or being isolated with its maybe single option to get out of nuclear energy domestically and its, up to now maybe I can say that, sort of leading image in terms of fighting climate change? Is there a showdown coming up on nuclear energy or is there – are there different models? Do you see that as an important event for nuclear energy countries?

MR. WOLFSTHAL: I'm going to very quickly defer to Julie because she knows Germany better than anybody. All I'm going to say is, yes. I mean, this is what the political dynamics of the G8 are sometimes about. How do you phrase language that allows the host country to satisfy its ambitions without clashing with these other countries? But Julie will have a better sense of the dynamics.

MS. SMITH: Well, I mean, every country will have to determine how they want to handle this and every country has its preference. Clearly, France takes a very different position than the Germans. And in terms of whether or not this is going to be a clash, I mean, I think we've already seen plenty of indications that it will be and will continue to be not only a friction from the transatlantic angle, but also inside Europe. I mean, when Sarkozy came over and said, gee, maybe we could talk to the Germans about helping you guys out and providing some – I mean, it was amazing how much friction just that conversation created.

But you're seeing even inside Germany, I mean, you know this better than I do, all the different political dynamics at play. This has become a bit of political football in recent months and really over the last year. But I think as the United States starts to look at its options, as we see the next administration move in looking for big, ambitious initiatives, this will be on the table. We are starting a national debate about this and industry, as you can imagine, has some very strong opinions. This will be an issue for the transatlantic partners in the years ahead, no question.

MR. DALE: If I could just add a very brief footnote to that, the G8 energy ministers did meet recently. I don't know if you saw that, but they agreed that they all backed more use of civil nuclear power except Germany, that was noted at the energy ministers' meeting. But there are a lot of other things on the table. It may be a summit. We'll formalize a new, produce a consumer dialogue. That's another big issue on the oil front. And there'll be a whole lot of other options and increased efficiency and can we promote investment and more production and so on? I don't think, on that one issue, everyone knows where Germany stands. So I don't think that would lead to a new plan.

Q: On North Korea, I would just get one quick technical question. Does Congress have the right to disapprove during this 45-day waiting period on the taking North Korea off the terrorism list? And also, is there inevitability growing or already existing that North Korea will be a nuclear power because they're not going to give up their nuclear weapons? There's been some talk about that, some news about that, thoughts on that. And also just the – on Chris Hill and on Japan, Chris Hill made a pretty clear statement when he arrived in Japan, I believe yesterday or the day before, that they feel this 45-day period is also a very critical period for discussions between Japan and North Korea. How much do you think the Bush administration will hold North Korea to that, that they really need to make progress on the objectives?

MR. GREEN: Okay, Jon may be able to give more detail, but the president basically has authority, national security authority, to waive sanctions. And he can do that after the 45 days, but the Congress is also working on legislation because in order to, for the U.S. to assist with the disablement and dismantlement process, there would have to be a waiver to the Glen Amendment. And so in that process, the Congress is putting forward certain conditions with respect to assistance with disablement and dismantlement, where they have some authority, that will have an effect on this stage. I think that's probably the best way to characterize it. You might want to add details.

The president said today, and Rice hinted last week, that they would look for specifics on verification for these 45 days before they actually lift. I have not, except for that statement, heard anything explicit about progress between Japan and the DPRK. The North Koreans have agreed to reopen the investigation. It may be that the administration is hoping that that process will check the box. Politically in Japan, I do not think it will check the box in terms of the backlash. I think the Japanese public and most politicians want to see something concrete. They want names; they want information. It's possible that could come up in the next 45 days.

There are rumors that there are, in Japan, that there are some Japanese fishermen who were taken by the North Koreans who are going to be suddenly released, or the daughter of the famous Yokota, Megumi Yokota, who is North Korean, will be sent to meet her grandparents in Japan, or something that's visible and persons or information, but those are just rumors. But certainly in Japan, I think the political threshold is such that just reopening the investigation may be enough for Prime Minister Fukuda, but it's not enough to stop a backlash in the press, in the public, but we'll see. And if the administration's position is that there has to be concrete progress, I think that's a good thing, because I think this issue with Japan is not trivial in terms of our own security interests.

And you ask an excellent question about whether or not this entire process may be taken by North Korea or others in the region as a validation of their nuclear weapons status. Everybody in the Six-Party Talks, even North Korea, says that the goal is a denuclearized Korean peninsula. The other five say we will not accept a North Korea with nuclear weapons. But you know, the U.S. has been saying for decades that, in the NPT, we will get rid of all of our nuclear weapons. And sometimes in these multilateral meetings you get used to mouthing certain principles and realize you don't have to actually do anything and there are no consequences if you don't.

The real risk with this agreement, the North Koreans have whittled us down to where we are, which is essentially we're giving them everything we've promised at this stage in exchange for just the plutonium piece. On a transactional basis, that is progress. That is something; it gives us some purchase on the problem. It gives us information. It stops for at least a year. They could reconstitute it, but it stops their plutonium production at Yongbyon, that's all good. The risk of this is, however, that you have to remember that this is coming after North Korea tested nuclear weapons, after North Korea cheated on their previous agreements with a highly enriched uranium program, and after North Korea transferred nuclear weapons-related technology to another state sponsor of terrorists, Syria.

And the question you have to ask is, has North Korea paid any consequence for any of those actions? And what worries me is that from their perspective they have not. The price they've paid is they're giving up one piece of their program. But I worry they're going to conclude that they're now sitting pretty much safe and pretty with a nuclear weapons capability. They don't want massive investment and massive opening.

They don't really want the IMF or the World Bank coming in. They consider that dangerous.

So what they actually need is fairly limited and there is a risk that we've given them enough of what they need that they will now declare themselves essentially a nuclear weapons state. North Korean officials have said that to people like Jack Pritchard when we visited North Korea. If you look at KCNA, their official broadcast, it's a consistent theme. So on a transactional basis, this isn't a great agreement, but it is progress. But we have to keep an eye on that larger question, which is North Korea concluding from this that they've made it. And the president's tone today was very good because he made it very clear that they have not and that we will not tolerate it. And we'll have to see if the actions, in terms of verification, in terms of dealing with Syria, dealing with Japan as an ally, if the actions actually follow up with the tone, which was good. But it's an area we're going to have to watch, I think.

MR. WOLFSTHAL: On the technical question, Congress can pass legislation that would designate, again, but the president has a waiver authority and they can't counteract that. I don't think what Mike and I are saying is different, but it may sound different. I think the question is, in response to, is the world getting used to and should we get used to North Korea being a nuclear weapons state? Absolutely not, and I don't think any of the countries in the Six-Party Talks are prepared to accept that.

I don't think they're prepared to deal with the consequences of that. I understand what you're saying about we sort of get used to mouthing certain things, but everyone recognizes that North Korea with nuclear weapons is untenable and that while this agreement and the process that we've gone through over the last several years might indicate to North Korea that they can get away with things, I think the fact that we have responded, that we have been willing to compromise. I mean, the Bush administration had to adjust its policies.

I don't like this agreement in 100 percent of its facets, but at least we're back on track. But the goal is not, let's define North Korea's nuclear capability, let's precisely number how many nuclear weapons they have; the goal is to get rid of every last nuclear weapon component material technology out of North Korea. And I think we have to be very mindful that that, while I'm concerned about the HEU that they were trying to build, while I'm concerned about the nuclear technology that they may have shared, I want to get the nuclear weapons out of North Korea and I think that's still the focus of the Six-Party Talks.

MR. GREEN: John?

Q: Hi, John McCannon from the Wall Street Journal. On climate change, the administration recently has said that they would be willing to enter into a binding interim goal, like an interim target on, I forget exactly the term they use, on emissions reductions. And I would like to ask you what, if anything, is the significance of that? And also, why

are they making such a distinction between these binding interim targets and the long-term goal?

MS. SMITH: I mean, is it significant? It's absolutely significant. I mean, this is an administration where years ago we were just having a debate about whether or not there was a climate change challenge. And you'll remember, I mean, Chancellor Merkel in the EU-U.S. summit last year, was still trying to get President Bush to sign off on a statement that said man-made activity contributed to this problem. And when she got him to sign off on that in the communiqué, Europeans were doing a victory lap because they felt like fundamentally we were just having a conceptual challenge. We couldn't even talk about the issue in the same way. So I think some major milestones have been made.

Likewise, President Bush kept saying to the Europeans, it's great for Europe and the United States to talk about this and we can battle it out until we're blue in the face, but until the other major emitters are at the table, countries, emerging economies, whatever you want to call them, countries like China and India, there's no point in us sitting here flushing out some sort of post-Kyoto agreement. And he was right about that. And so it took some time, a couple of years, for the Europeans also to sing that tune in the same way that the United States was. So we have made some headway; we are nowhere close to constructing a viable post-Kyoto framework, and that task will be left to the next administration. But whether or not we get real, concrete, binding targets, I guess I'm still a little bit skeptical.

I mean, having seen just how tense things got at the last G8 over this question of whether or not we would say each country can tackle this in their own way, which is kind of the Frank Sinatra approach to climate change, or whether or not we collectively will all agree on the same standards, whether it's regulatory controls or technology standard, whatever it is, I just see quite a gap between that. I still see this administration more comfortable with saying, well, long term. I mean, the Bush administration can say whatever it wants at this point in terms of real, long-term goal.

Again, I just have a tremendous skepticism what we're going to see in terms of real, concrete, binding targets. I think that's going to be punted again, even by the Japanese, to Copenhagen and that, if anything, we may get a little bit more movement on this target, a 50 percent reduction by Heiligendamm. This is something they said they would consider last time around, so maybe this time they'll commit to it. I don't know. I don't want to make too much of what's going to come out of this G8. And again, I think the expectation should be placed really on the next administration. But you might have, I don't know, Reggie, did you want to add to that?

MR. DALE: Well, only that there's still no agreement on the 2050, the longer-term target. In fact, some people refer to it as an aspirational target rather than a binding target and the four different formulae under discussion, which we could talk about if you're interested. But everyone agrees that the tough target is the one by 2020, the medium term, because that's much more likely to affect behavior in the next few years,

whereas the 2050 is much easier to sign onto, even though there's still objections on the U.S. side to it being binding.

Q: Daniel Wrench, Channel News, Asia. Back on North Korea, the next 45 days, what exactly is going to happen and is this a done deal?

MR. WOLFSTHAL: Well, tomorrow we're finally going to get some good TV video finally, blowing things up. I can't tell you how many times I get questions from television reports, do you have any B footage?

MR. : B-roll.

MR. WOLFSTHAL: B-roll. I'm like, I'm an analyst. I got – I'm lucky I have a desktop. So people are really excited about that and in a week we're going to be sick of that video, I'm sure. The next 45 days is largely going to be spent on the technical side trying to verify what the North Koreans have provided to us. The first thing we're going to do, as Mike has indicated, is we're going to take swipes off of the 60 pages and see if anything glows in the dark off of it. But my guess is that the North Koreans and the United States are going to start going head-to-head over how we verify this.

There has been a lot of work already put into what sort of approaches we can have, but my experience in working with the North Koreans at Department of Energy on similar issues, is that every step is going to have to be negotiated tooth and nail. And they're going to say, okay, you want this, what are you going to give us? So do we get to bring in our own equipment or do we have to rely on North Korean equipment, which is unacceptable. Okay, what does that cost? Do we get access to the reactor itself? We need to take samples from inside the reactor. There's spent fuel that's still there we have to sample. There's plutonium waste that this whole crisis started over in 1993 we still haven't had a chance to sample. We want to sample the plutonium that's been produced, which is right now probably sitting in the form of nuclear weapons.

That's going to be – so there's a lot that has to happen. And that's why I think the 45-day window that's been established by the sanctions and by the executive order, we have to understand that it's not going to happen. This is going to stretch out well into the next administration. I know the Bush administration has been pushing – rightly, we should've have been pushing, I would argue, from the beginning. We've done it in different ways. I think the administration wanted to resolve this all along, and I know Mike works very hard on it, but this is now going to stretch out. That's just the consequence of the decisions that were made.

At the same time, there's a political process, which Mike, I think, will know much more about than I, but there are these moving pieces. But in the big picture, what we're trying to do is restart the process of, I hate to use the term of trust building, confidence building. Are the North Koreans trying to pull a fast one or has Chris Hill finally convinced them that this is their chance? Whatever they want, whether that's to hold the IMF off at bay or diplomatic relations with the United States or to get China off their

back or to try and keep the nuclear weapons, this is how we test their ultimate goals. I don't think we'll complete that in 45 days; I think we're just going to get started.

Q: So just to clarify then, it's very unlikely that North Korea will get what it wants, in terms of that original deal that was made, in the next 45 days?

MR. WOLFSTHAL: Well, I think that's right. I mean, Mike is correct in pointing out that in terms of what the U.S. has promised, D-listing from Trading with the Enemy Act, D-listing from the terrorism watch list, and the continued provision of heavy fuel oil, that is going forward. I don't think that's the sum total of what North Korea wants out of this long-term process. We don't know what that is; we're trying to figure that out. So I still think there are things that we have that they would like. And so I think we have to recognize this is an interim step for an interim step, but the big horse trading really is still to come.

MR. GREEN: I think a lot will depend on how we use our leverage in the next 45 days. I think the North Koreans looking at this process could decide that they need to lock this in, get the sanctions lifted, because it will be very hard for the next president to re-impose sanctions without a good pretext. So they have some reason to want to get these sanctions lifted, and that should give us some leverage. I think they're worried about John McCain. The North Korean newspaper in Japan, their main international voice, put out an op-ed saying that McCain is a puppet of the neo-cons. Actually, the English translation originally said Muppet of the neo-cons. (Laughter.)

MR. WOLFSTHAL: Well, that's much nicer. I like that.

MR. GREEN: Much more gentle, it's the new, nicer North Korea – and warning that McCain would go backwards and praising Barack Obama's willingness with the dear leader and so forth. So they at some level have to be watching the election and wondering whether they are better – and probably are – locking in these sanctions-lifting measures now, which gives us leverage.

On the other hand, the process to date, has not involved us imposing any consequences on them for delay. Most of what we have gotten we've gotten by compromising on our side. We've essentially moved the goal post ever closer to them. And so I don't see anything in the past year or two of negotiations that would lead the North Koreans to believe that we actually are willing to walk away from an agreement.

The president's statement today had that tone, however, and I think that is useful and gives our negotiators leverage. So it's really that kind of game. Are we prepared to walk away – is the administration prepared to walk away from this if North Korea doesn't take credible steps and verification, and if we can convey that, we have a very good chance. If the North Koreans conclude that we, the administration, wants an agreement and is willing to compromise further, again, to get it, we're not going to have the leverage.

I would hope that we're prepared to walk away from it. And that would not leave the next administration in a bad place because you could pick up – either one side could pick up – obviously I think the McCain or Obama administration would want to review where they are, and look at the intelligence. But it's not a bad place, in my view, to leave things. I don't think that it's necessary to lift sanctions and hold a foreign minister's meeting, which is what the declaration or the statement a year ago said they would do. I think it's okay to let it get this far and sort of work out – hold out for the verification.

Q: This is my understanding that there is – in the draft of the MEM declaration, there is no mention of a special target – a long-term or mid-term, and even there is no goal to reach an agreement among major economies by the end of this year, which is very hard for us to evaluate positively. Is this a success or even progress at all. And secondly, the United States is open to the idea to agree, at least among G8 to have this long-term 50-by-50 target.

MS. SMITH: Well, all I would say is I haven't seen the draft, so I don't know what is going to be in there, but, again, my expectations are fairly low. It doesn't mean we haven't made headway. I mean, the important thing is we keep talking about this. It remains on the agenda not only in these forums but in many other forums. And to the extent that we can keep it on the agenda, keep it a high priority, that's pretty much I think all we can hope for at this point.

But, I mean, it is important to mention there are a couple of things coming out of this. So specifically, there is new international partnership for green energy that is going to be launched that will allow the G8 countries to come together with others to share some sort of proper roadmap for technology development. And then there is an International Partnership for Cooperation on Energy Efficiency. And as I understand it, Japan is committed to investing \$1.2 billion in these climate investment funds.

So, I mean, it's not that nothing will happen; it's just, again, given the circumstances, given where we are, given how long it's taken us to even get to this point where we can talk about this issue as partners and kind of sing from the same song sheet, we do have to keep our expectations in check.

MR. DALE: On the MEM draft, I believe the draft for the moment calls for deep cuts rather than a specific figure. This we're talking about is 2050. And the point is that that – how that is phrased still remains to be agreed at the MEM meeting, whether you put a figure in there or not and whether it remains an aspirational target or a binding target. But I think the U.S. has made it clear it won't agree to a binding target unless – a numerical target unless China and India do at some form at the MEM meeting, and they are not in favor of binding numerical targets. I think that's where we are at the moment.

Q: (Off mike.)

MR. WOLFSTHAL: There is no publicly available specific evidence that North Korea has been sharing this technology with countries other than Syria. There are still, I

think, serious questions about how involved North Korea was with Syria. I think we know that there was a link; we don't know the origins, the extent, the details. North Korea has exported ballistic missiles to a number of countries: Iran, Pakistan, Yemen, others. North Korea was obviously connected in somehow with the A.Q. Kahn network from Pakistan – whether that's transshipment site, whether that's an active participant.

So I think the bottom line is because they have a history of sharing technology and because we now have specific evidence that they have been sharing nuclear technology – I wouldn't go so far to say nuclear weapons technology, but –

MR. GREEN: Well, nuclear-weapons related.

MR. WOLFSTHAL: Reactor is good enough, but they have been sharing nuclear technology that worries us with Syria that we want to understand the complete history of what North Korea has been doing. The challenge is that we have prioritized this issue, and the priority right now is nuclear weapons in North Korea is job number one. We have compromised by – some people would say pulling a fast one or winking and nodding, but not focusing on either the HU program or the history of proliferation activities. We have made that secondary, but I don't think we've forgotten it; I don't think we should or can forget it, but there is still questions about what North Korea has done and we have to get our arms around it.

Q: Do you agree with Mike that we should be willing to walk away from the – (inaudible) – if we they don't clarify it.

MR. WOLFSTHAL: Let's see if I can get into practice should I have one day going into the administration. I don't like to answer hypotheticals. (Laughter.) I think we've seen what happens when we walk away. We walked away. North Korea produced more nuclear weapons, they tested a nuclear weapon, and we eventually had to come back to the table. I think being willing to walk away from a commitment is an option that you have to consider, but I think you have to look at what the consequences are.

Right now my opinion is that that the United States doesn't trust North Korea because we think they've cheated, and we have good evidence of that. And North Korea doesn't trust the United States because they don't think we've lived up to our commitments. I don't know that that is why they have a nuclear program. I don't think that's right. I don't think that they have done what they've done because they feel somehow the U.S. hasn't lived up to its word. They think they need a security blanket, but it doesn't help our cause when we don't implement our agreements. And I think that is true when the Clinton administration didn't implement its agreements, and I think it's true when the Bush administration hasn't followed through on its commitments.

And so what we're trying to do now is rebuild the process. If you have to walk away, if that's the security imperative, I understand it, but it's not something I'm anxious to do.

MR. SCHWARTZ: Just to clarify, if Jon goes to any administration, it will be the McBama (ph) administration that we're sending him to. We're going to take a couple of more, and we're going to go right here and then to Viola again.

Q: Hi, my name is Ehigo – (inaudible) – a reporter with the – (inaudible) – press. Thank you for holding this press briefing. So my question goes to Mr. Green. You mentioned about the popularity of Mr. Fakuda. So how do you define success of this Toyoko summit for Prime Minister Fakuda, so, you know, Prime Minister Fakuda needs a success of this meeting to increase his low popularity now. So you know that after the summit meeting, so that everybody attention among the Japanese could go to the reshuffling his cabinet and the timing of the general election. So how do you define success of this meeting?

MR. GREEN: How I define the success of the meeting politically depends on how you define the success of the meeting politically. (Laughter.) I think the Japanese press has this incredible ability to sort of feel the winds politically and – (in Japanese) – and decide what the line is. And, you know, Asahi may have a tougher line than Yomiuri or Sankei, but there is a sort of a range that is considered success. It would be bad for Fakuda if the success was determined as the 50-percent reduction by 2050 because that, I think you would agree, probably won't happen. On the other hand, he probably can point to – as Julie said, he can point to the inclusion of India and China for the first time in a significant discussion on climate change, and if he can emphasize that part, it could be quite a success. So his spinning – political spinning skills will be tested, but I think that is the line.

Let me just quickly, if I may, on this issue with the verification agreement and the sanctions, when I say walking way from the agreement, I don't mean walking away from diplomacy or walking away from the Six-Party Talks; I mean, we have to be willing to not lift sanctions if we don't get what we want. And the other thing I would say – and Jon and I can debate after – I don't think there is any Bush administration commitment to North Korea that the Bush administration has not met. And the problem has not been the U.S. not meeting commitments; I think the problem has been – well, there have been numerous problems, but one of them has been we've not always had the right mix of sticks and carrots. We have not only imposed consequences effectively when North Korea cheated. We have not always offered North Korea the right carrots at the right time and so forth, but I don't think personally the problem is that the Bush administration has failed to implement commitments.

The administration after North Korea was caught cheating in 2002 on agreed framework with their highly enriched uranium program based on an intelligence assessment that was unanimous – unlike Iraq. The entire intelligence community said they're cheating. The U.S. had a legal obligation to no longer provide the heavy fuel oil. There was a commitment to Congress; there was legislation. That was not an arbitrary thing. Otherwise the administration has, when it's said it would go to talks, it's gone to talks; when it's made commitments, it's kept them all. Everything that we are now

doing, we said we would do two years ago and we're doing all of it. What North Korea has said it would do two years ago, it's doing some of, so.

Q: Hi, just one more following up on what you were talking about on North Korea not wanting the World and IMF in there. As I understand it, one of the ramifications of taking them off the terrorism list is to potentially make them eligible for World Bank and IMF loan because the U.S. was required under the sanctions to block any loans or object to any loans. So you don't think that that was part of the reason that they wanted to get off that list. It was just – for them, it was just a stain?

MR. GREEN: When the – you're right about that, that that's the import of the sanctions lifting. I mean, it's symbolically very important because it's trading with the Enemy Act sanctions, and it suggests that we're not enemies, which is important, but it's the – the substantive effect is mostly on IMF and International Financial Institution practices because there are still many layers of sanctions on North Korea, as the White House and State Department have pointed out that prevent any significant injection of cash or investment.

In the past, when the North Koreans have been approached by the World Bank or the IMF about some tentative and initial relationships – not former relationships but exploring and so forth, they have been very hesitant. And the reason is to get a World Bank loan or to get stabilization from the IMF, you have to – it's like going to the dentist. I mean, they'll come in and they'll open you up and they're going to check out everything, and North Korea is not a country that is particularly eager to have all of their data and all of their information and all of their dirty laundry aired.

So I think they are not – personally, I don't think they're that interested in getting World Bank loans or IMF loans. They are much more interested in direct cash when they can get it and direct food aid and things that come without strings attached. But the sanction lifting symbolically is useful for that because if the atmosphere internationally is, boy, we're really moving forward with North Korea – they had The New York Philharmonic pay, the U.S. has, quote, unquote, “lifted sanctions,” our European friends, a lot of our Asian friends are going to start going into North Korea in small ways. But North Korea is like one of those people who goes to Balducci's or Freshfields and just goes around and eats the samples. They don't actually want to pay the bill, and if they have enough small samples, they'll be quite happy because Kim Jung-il isn't actually interested in feeding millions of people; he's interested in keeping the elite loyal.

And so the symbolic effect of the sanction lifting, at the end of the day, from the North Korean perspective, is not really about the IMF and World Bank; it's about the broader atmosphere that is created, which opens up the largess of well-meaning countries around the world, often on terms that the North Koreans would be very happy to take because it doesn't open them up, doesn't expose their people, it doesn't have conditions.

MR. SCHWARTZ: Great. I want to thank everybody for coming to our briefing today. The transcript will be out later today, and you can find that at www.csis.org.

We'll also be mailing it out to those of you who joined us. Thanks again for coming to the Center for Strategic and International Studies, and please contact us for those of you who are going to the G8 if we can help you while you're there. Thanks.

(END)