MR. BOUCHER: Okay, good afternoon, ladies and gentlemen. I don't have any statements. I have one small request, which is I'd like to be out of here in time to go see the treaty signings at 1:30 because - well, because that's more fun than this, actually.

QUESTION: (Inaudible.)
MR. BOUCHER: I hope so. Write about her signing treaties. You can write that all day long; I'm happy.

All right, let's go to questions. George.

QUESTION: What do you have on what the two Korean leaders agreed to at the summit?

MR. BOUCHER: We don't have any of the details at this point. We obviously welcome their talks. We welcome any results that they can produce. The topics and subjects that they've been discussing are very important and, as we've said before, we hope this will lead to a process that reduces tensions on the Peninsula.

QUESTION: You don't have anything to say about the agreement to move toward, or work toward, reunification?

MR. BOUCHER: We don't really have any of the details or the copies of the statements at this point, so I don't have an analysis for you. We do recognize the seriousness with which they dealt with the issues and the importance of the issues and the possible benefits of their cooperation, so we generally welcome things without being able to comment on the specifics at this point.

QUESTION: Well, how about Kim Chong-il's jocularity? Is that a positive sign that this guy is kind of coming out of what was his shell?

MR. BOUCHER: I think, again, we certainly think that these conversations are important, this dialogue between North and South Korea is very important. And, generally, we have said that the contacts that the North Korean leadership is having with others - the visits to China, the visits that they had with the United States, Japan and others - that these are very welcome. So without commenting on jocularity, I think this increase in contacts on the part of North Korea is a very important development and one that we're - you know, one that's good to see.

QUESTION: Well, but isn't there some way you could comment on, you know, the atmosphere?

MR. BOUCHER: It appears to be very good.

QUESTION: I just find it a little bit surprising that the United States, which prides itself on its openness, is being about as forthcoming as North Korea used to be on this whole matter.

MR. BOUCHER: Matt, look. You guys, I don't know what you're reading in the wires. You're reading statements that were supposedly signed barely an hour and 15 minutes ago.

QUESTION: I'm not asking you about the --

MR. BOUCHER: I'm not going to go through in specific detail commenting on things we haven't had a chance to analyze. We're certainly very happy. I don't remember ever commenting on jocularity from this podium. We certainly welcome the atmosphere. It's a good atmosphere. We just said that to you. It's very good that they're having these talks. We're glad to see them getting together. We're glad to see all the contacts that North Korea is having these days. And we will continue, for our part, to work on the issues that are important to us as well.

QUESTION: Could this possibly have any impact on the North Korean missile program that has the US poised to maybe spend $30 billion a year to defend against, tens of missiles, as Mrs. Albright has said?

MR. BOUCHER: I suppose one of the things that we have been discussing in our dialogue with North Korea is the missile program. And as you know, they have announced in the past a moratorium on further missile testing, which we thought was very important, and we would hope to see that continue. Does that change plans for missile defense? No, it doesn't because there are other technologies, capabilities, developments, that the United States needs to be able to deal with. We think there is a threat to the United States that will come up in coming years, and we need to be able to deal with that.

QUESTION: Well, the freeze doesn't change that, I think you're saying, but does the summit and the apparently warming of - call it relations, does that have any - or do you have any hope that will have implications for the missile program?

MR. BOUCHER: No, frankly. I don't think we see in this the seeds of anything that would change the possibility of missile threat to the United States that we would have to deal with.

QUESTION: Can you give us the details of the Lockheed agreement?

MR. BOUCHER: Yes. We reached a consent agreement with Lockheed. Let me get my stuff. We reached a consensual
settlement with Lockheed Martin over their transfer to China of space launch assistance. The settlement involves $13 million in total penalties; $8 million will be paid over a four-year period, $5 million of which has been suspended. Lockheed can draw on this amount, the suspended $5 million, to fund a series of remedial compliance measures that are specified in the consent agreement and the annex to the agreement.

The remedial compliance measures include institution of a comprehensive computer control system throughout the country, the company's missile and space launch sector. Lockheed Martin has eight months to build a computer system. State and Defense will have access to this system over the next four years, which is the duration of the consent agreement, including all of the company's overseas activities involving missiles and space that are subject to regulation under the Arms Export Control Act and the International Traffic in Arms Regulations.

Other measures include restructuring of reporting relationships within the missile and space sector to provide for stronger headquarters oversight by Lockheed's legal department and establishment of a new procedure for Lockheed to audit new corporate acquisitions for Arms Export Control Act violations and then to report them promptly.

I should make you aware that the consent agreement, the order approving the agreement and the State Department's charging letter are all available for public inspection in the Department's reading room, which is at 515 22nd Street, first floor.

**QUESTION:** It's my understanding that Lockheed does not accept any - well, that they're not admitting that they did anything wrong. But it seems to me that in the very least, by accepting this $5 million portion which is to improve their security, that they are admitting that they could have done things better. Is that fair?

**MR. BOUCHER:** I think that's a fair characterization. We certainly think that these remedial measures and better oversight measures are necessary to ensure that violations don't occur in the future.

**QUESTION:** But can I ask - I know it'll get technical but I'm willing to risk it. This computer business, I mean, you know the central complaint was out of Martin Marietta. Martin Marietta, which was absorbed eventually by Lockheed in its growing monolithic control of the industry, was providing Asia Sat with technology or at least know-how. You know, part of what you're saying here suggests - and I know we can draw our own inferences - that headquarters didn't have too good an idea what the fellows out in the field were doing.

But how would a stronger - a better computer system address what was the central complaint; that this Hong Kong company with strong ties to China received information from, you know, Martin Marietta? I don't know if it was a subsidiary but --

**MR. BOUCHER:** I think the way I'd put it, Barry, is that we think that the information that was transferred was inappropriate, and that the reports that were transferred were not appropriate, and that there was a serious problem here that information had the potential to be used to be applied to missile development. That's no exception in this case.

So the computer system will allow us, as they plan their technology transfer and information activities, will allow us to see what's going on so that we and they can compare notes before things are transferred. And having a better collective centralized oversight within the company means that when we and they talk about what's going on and decide which parts are appropriate and which aren't, they'll have all the information and we'll be able to look at it too and decide what ought to go and what shouldn't.

**QUESTION:** Could you just explain a bit about the $5 million suspended? Then you said they can draw on this? So they don't pay the $5 million, but how can they draw on it if it's suspended?

**MR. BOUCHER:** I would imagine some of that detail is in the consent agreement so I won't try to do it from here.

**QUESTION:** (Inaudible) -- what exactly it means.

**MR. BOUCHER:** Well, it means there's $5 million somewhere that they would draw on to finance things like the computer system and the other remedial measures.

**QUESTION:** For them to spend up to $5 million on these various --

**MR. BOUCHER:** I don't know if it's actually deposited in escrow somewhere and then drawn on. That's something I'd have to look in the consent agreement for.

**QUESTION:** Who gets the 8 million?
MR. BOUCHER: I assume the US Treasury. Who do you pay these things to? I'll double check on who gets the 8 million. That's a very good question; I should have asked. Let me check.

QUESTION: And this is basically case closed then, right?

MR. BOUCHER: Yes.

QUESTION: There's no way that they're subject to any further --

MR. BOUCHER: It's a settlement, yes.

QUESTION: Before we leave Asia, can I go back to North Korea for a minute? Notwithstanding the news of the day, am I correct that the last scheduled visit to the underground site is over and done with, and you have no plans for further visits? Or can you bring us up to date on that while we're on it?

MR. BOUCHER: I think we have talked about this. We did visit again the suspect site, and we found that it was not being used for any purposes that we had worried about; that the situation was the same as when we'd seen it before. I know there have been discussions about alternative development for that site.

I don't know for sure that we won't go back, so that's something I'll have to double check on.

QUESTION: One more, please. Your answer on the national missile defense --

QUESTION: (Inaudible.)

MR. BOUCHER: May 30th we visited again. The team found conditions unchanged since the first visit. Well, anyway, I've still left where I just was, which is I'll have to check and see if we're going back or not.

QUESTION: It essentially ended with the agreement with the North Koreans does not preclude or allows for --

QUESTION: Leaves it open.

MR. BOUCHER: We may visit the site in the future. Thank you for those who read it more carefully than I did.

QUESTION: North Korea is a rogue state. You want to build the national missile defense because of rogue states like North Korea. If they turn a new page and start behaving themselves, why would this not be taken into account here vis-à-vis the national missile defense system?

MR. BOUCHER: Because they're not the only place where we see the development of missile technology around the world. And in terms of US national defense, we have to be able to deal with capabilities and possible timelines in a great many areas. And that's why we think it's necessary. We do believe there's a threat. That's one of the four criteria that the President will have to look at. And we'll have to deal with the potential here as we go forward, not just from North Korea but from elsewhere.

QUESTION: That could be fair enough for a general observation, but this program has two phases: and the first phase is strictly to defend against North Korea; the second is Iran. I know the US has spoken of other hostile rogue states but, if I understand correctly, what is being considered by the President is a program specifically designed to get something in place by 2005 to defend against North Korea. So, you know, if North Korea behaves, certainly that program would have to be rejiggered or maybe it wouldn't be necessary, you would think, if it's North Korea that you're defending against in that phase.

MR. BOUCHER: Barry, as I said, first of all, I don't think we see in this summit in particular the seeds of any changes that would change the possible threat that we might face. Certainly a reduction in tensions is important, but on the specific issues of possible missile threats I haven't seen nor heard of anything in this summit that negates that.

Second of all, when it comes to US national defense, the President has decisions to make based on the possible threat and the capabilities that might emerge. That's both a technical question and an intention question, and he will have to deal with that with the best analysis possible at the time he makes the decisions. But certainly we've made quite clear that we think the threat is there, and we haven't seen anything at this stage that makes it go away.

QUESTION: You said you don't see the seeds of a change, but they're talking about reunification. Under a reunification scenario, would that not make an enormous difference to the whole --