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COUNTERING THE NORTH KOREAN THREAT: NEW STEPS IN U.S. POLICY

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COUNTERING THE NORTH KOREAN THREAT: NEW STEPS IN U.S. POLICY

TUESDAY, FEBRUARY 7, 2017

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
Washington, DC.

The committee met, pursuant to notice, at 10:08 a.m., in room 2172 Rayburn House Office Building, Hon. Edward Royce (chairman of the committee) presiding.

Chairman ROYCE. This committee hearing will come to order. I'll ask all the members if you can take your seats at this time.

And for the members of this committee, for many, many years one of our key concerns has been North Korea's nuclear weapons program, and last year, as we'll recall, we saw two tests of an atomic weapon in North Korea along with 20 separate tests of their intercontinental ballistic missile system, including—and I think this is concerning to all of us—including a test in which a submarine fired an ICBM. Right now the effort in North Korea is to miniaturize the size of their atomic weapon so as to put it on the head of that missile. And that's what's got our attention.

At this point it's clear that very, very soon North Korea is going to be able to target all 50 States in the United States, as well as target our allies. At the same time, it's the rapid speed of this advance and the fact also that North Korea has this history of proliferating. They get their ICBM technology or they get their ability to create a nuclear bomb and they sell that, and this is another concern that we have, because this is really a "game changer" to our national security.

When you think about the history of this, and I will remind the members here, we do have a strategy that in the past has worked, and I think the members might all concur on this. In South Africa, our strategy of implementing sanctions actually worked, with respect to the Banco Delta Asia the strategy of implementing sanctions on North Korea, it did halt their ability for a while to develop their missile program, and so you find a strategy that does work and you try to implement it.

My concern is since the '94 Framework Agreement, since that Clinton administration agreement and then during the Bush years when, again, the administration was talked out of deploying the sanctions which Treasury had put on North Korea, which was causing real pain in North Korea. Kim Jong Il was not able to pay his generals—that was lifted. Then we go to the Obama adminis-

tration and for 8 years we've had what is called "strategic patience." These strategies have not worked.

One of the steps we took in this committee was to pass legislation authored by myself and Mr. Engel which would deploy a strategy which I think will work, and that is the types of sanctions that really cut off all of the hard currency. The situation was desperate enough that the Security Council also took up this approach at the United Nations and passed a similar provision.

The question is at this point, will we implement it and will we implement it in time to really cut off that access to the one asset North Korea needs in order to build out its weapons program and advance it? And that's one of the reasons for this hearing.

With that law what we did was designate North Korea as a "primary money-laundering concern" and we found the head of that regime, Kim Jong Un, responsible for, as the Economist summed up our messaging here, "running a gulag masquerading as a country." So with that push our question now is what else can we do to crack down on that regime?

We have $2 billion that that regime is using from indentured servitude in which North Korean workers are sent abroad and the money comes into the government rather than being paid to the worker. That's one area where the international community and where the United States can put additional pressure. We could target that expat labor.

There are loopholes in the North Korean shipping and financial sectors with respect to the implementation of some of these agreements. That should be closed. When we discover that foreign banks have helped Kim Jong Un skirt sanctions, as those in China have recently done, we've got to give those banks a stark choice. This is what was done by Treasury back during the Banco Delta Asia period where they were told you're either going to do business with the United States or you're going to do it with North Korea, but not both. And those 10 banks froze the North Korean accounts.

We also, obviously, should step up our defenses of the homeland here and should have a more concerted information push about North Korea internationally to build support.

One of the things I'll call the attention of the members of the committee to is Thae Yong Ho, the former deputy ambassador from North Korea to Britain—that's the highest ranking defector we've talked to since the Minister of Propaganda defected—and we had an opportunity—we were the first in the West to have an opportunity to talk to him in Seoul at the time. He had defected through China. He said last month that international sanctions are really squeezing the regime. And he said the spread of information from the outside world is having a real and negative impact on that regime, so it shouldn't be a surprise to us that South Korea has reported a very high level of defections, that they are surging.

We won't be able to tackle the North Korean threat on our own, so I'm glad that the Secretary of Defense made his first trip overseas to visit our allies in South Korea and visit our allies in Japan and beyond. General Mattis called the U.S.-South Korea alliance the "linchpin of peace and stability in the Asia Pacific region," and made clear the administration's commitment to deploy a U.S. missile system known as "THAAD." General Mattis' trip to the region

was an important reminder that our ironclad relationship continues through political transitions—both here and at home in South Korea.

So our panel this morning has important insights on Kim Jong Un's goals, on vulnerabilities that we can exploit, and on how the President can better use the authorities that Congress has given him through the legislation that we passed here in the committee.

I now turn to the ranking member for his opening comments.

Mr. ENGEL. Thank you, Mr. Chairman. Thank you for calling this hearing to look into one of the most complicated and dangerous national security issues we're facing. The Kim regime's nuclear missile and offensive cyber capabilities are a problem for us and for our friends and allies in the Asia-Pacific. I would say they're a problem to everybody.

To our witnesses, welcome to the Foreign Affairs Committee. We're grateful for your time and your expertise on this matter.

Because I've been to North Korea twice people think I'm an expert on Korea, but actually I'm not. I have been there twice, one time with my friend, Joe Wilson. I don't know if Joe is here yet, but Joe said to me that he and I are the only two Members of Congress currently who have visited North Korea. I can tell you, we only were in Pyongyang, but it's unlike lots of things you've seen before.

Last year, North Korea conducted an unprecedented number of illegal nuclear and conventional weapons tests. These tests were met with strong rebukes by the U.N. Security Council, and the Obama administration played a pivotal role working with China to close a loophole in existing sanctions related to coal. We're watching closely to see if China is keeping its word about limiting coal imports from North Korea.

With each test, the North Koreans learn more and more about how to perfect their illegal weapons, and with each test our allies in Seoul and Tokyo are reminded of just how dangerous their neighborhood has become. After all, they're sitting in the direct path of a North Korean conventional or nuclear attack every day. That's why the South Korean Government is moving ahead with the deployment of a THAAD anti-ballistic missile, a purely defensive system, despite protests from Beijing. And we should be clear, this threat is not limited to Northeast Asia. The best minds working on this problem agree that North Korea is just a few years or even less from a weapon that could reach the United States. So we're left with a critically short period of time to stop that from happening.

The President recently tweeted that it never will. Well, I hope for our sake he's asking the questions and shaping the policies that would forestall such a development. I must say, however, I worry about some of the new President's other comments that touch on this issue, that more countries should have access to nuclear weapons, that we should increase our own nuclear arsenal, that we should wage a trade war with China, whose cooperation is essential in dealing with North Korea. And, of course, when we're talking about a regime where the human rights record is terrible as North Korea, slamming our door on refugees is in a sense turning away from the plight that the North Korean people are enduring. So I

hope today we can have a good conversation about that right approach to these policies and the best way to see them put in place.

Now in my view, our approach needs to factor in just how volatile the Kim regime can be. At the same time, we have little visibility into their military capabilities and decision making apparatus, so we need to come at this challenge with a combination of shrewd diplomacy, tough economic sanctions, offensive military measures, and cool-headed calculation—a sort of wrap-around approach that gets all our international partners involved.

This is not a problem we can solve on our own; we need our allies, so keeping our promises to them matters for their security and for the security of the U.S. servicemembers deployed in Northeast Asia.

I'm glad that Secretary Mattis' first trip was to Asia, and I trust that his meetings provided a sense of reassurance to our friends, and I'm sure we'll be able to ask him questions hopefully when he comes before the committee.

We also need to keep China from working at cross-purposes with us in this effort. China is the linchpin for sanctions enforcement against the Kim regime, so it would be foolish to alienate Beijing either through a reckless trade policy or by sweeping second and third order sanctions that crack down on Chinese entities but cost us Beijing support. So we have to keep a lot of balls in the air, pressure the regime, keep China on board with existing sanctions, while stepping up enforcement, reassure our allies, get the Kim regime back to the table.

Obviously, it's complex stuff. Foreign policy usually is, and we've struggled across Republican and Democratic administrations to find the right balance, but I'm convinced that American leadership can and will make the difference. We cannot back away from this responsibility because the cost of failure in this case is just too great.

So I'm interested in hearing our witnesses' views on getting to a reasonable policy toward North Korea. Our chairman has been especially interested in this region and has done a lot of good work in the region. I know many of his constituents are interested in it, as well, but we all should be interested because it is such an important region for us and for the world.

So, Mr. Chairman, I thank you again, and I yield back.

Chairman ROYCE. Thank you, Mr. Engel. Mr. Engel and I have been in North Korea. It's a very depressing place. I spent a couple of days there, but up until very recently when we've had now many more defectors in the last year or so, it was very hard to access information.

We're joined by a distinguished panel today which can give us all much greater insight about North Korea. And if I could introduce them, Dr. Victor Cha is senior advisor and Korea chair at the Center for Strategic and International Studies. Previously, he served as the Director for Asian Affairs on the National Security Council.

We have Dr. Sue Mi Terry, managing director for Korea at Bower Group Asia, and previously, Dr. Terry served in a series of positions focusing on Asia at the National Intelligence Council, the National Security Council, and at the Central Intelligence Agency.

We have Mr. Anthony Ruggiero, senior fellow at the Foundation for Defense of Democracies, and he served previously in the Treasury Department as Director of the Office of Global Affairs where he developed and implemented policy to combat all forms of illicit finance.

And lastly, we have Ambassador Bob Gallucci, distinguished professor at Georgetown University, previously served in multiple senior positions at the State Department where he focused on non-proliferation. Ambassador Gallucci was the chief U.S. negotiator during the North Korean nuclear crisis of 1994.

Without objection, the witnesses full prepared statements will be made part of the record, and members will have 5 calendar days to submit statements, or questions, or any extraneous material for the record. We'll start with Dr. Cha, if you could please summarize your remarks.

STATEMENT OF VICTOR CHA, PH.D., SENIOR ADVISER AND KOREA CHAIR, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

Mr. CHA. Thank you, Chairman Royce, Ranking Member Engel, and distinguished members of the committee. It is a distinct honor to appear before you to discuss the challenges posed by North Korea.

Mr. Chairman, Presidencies are defined not by the agenda they have coming into office; instead, the mettle of every Presidency is tested by the unexpected crises that come their way, and in particular, how they respond to those crises. For President Bush, for example, this crisis was clearly 9/11. For President Trump, the crisis could very well come from North Korea.

Over the past 8 years the regime in Pyongyang has demonstrated three tendencies; it has spurned any serious and substantive diplomacy with its neighbors, and has pressed forward aggressively with a military testing program of ballistic missiles and nuclear devices, and it has continued to perpetrate human rights abuses of the worst kind in the country.

It is highly likely that the North will carry out another ICBM test or nuclear test early in the Trump administration. The purpose would be to demonstrate advancements in their technology and to assert a position of strength that will put the President back on his heels.

Any new strategy toward North Korea must be based on a full reading of the negotiating record of past administrations. As veterans of past negotiations for both Democratic and Republican administrations, Bob Gallucci and I have laid out the general principles that should undergird any policy review in a report for the Bush Institute last November, which we have submitted for the record.

In addition to those principles, I believe that a new policy must be based on certain assumptions, all of which represent changes from the past.

First, North Korea under the current regime will not give up its nuclear weapons. Second, the portfolio of pressure and diplomacy administered over the past 25 years has been ineffective. Third, the DPRK program is a significant threat. It is no longer a small pro-

gram. The uranium-based program has the potential for a nuclear breakout producing scores of weapons on an annual basis. Fourth, absent a change in its strategic thinking, China will limit its cooperation to those measures that do not risk a collapse of the North Korean regime. Fifth, the threat currently faced in the theater by North Korea's nuclear progress will enlarge to a Homeland Security threat in the course of the current administration's tenure.

The situation requires that we seek a new policy that revisits some of the core tenets of U.S. policies practiced by previous administrations.

The first new tenet has to do with the question of risk. A new policy toward North Korea must entail a higher level of risk acceptance on the part of the United States. In general, we seek to minimize risk as we deal with North Korea policy but this minimization has had two effects. First, it has restricted the options available to us and, second, it has allowed the DPRK to incrementally but significantly grow their program. We have to be willing to accept more risk both in military strategy and in diplomacy.

Second, with regard to defense and deterrence, the United States and the ROK have no choice but to expedite the deployment of THAAD on the peninsula. In addition, North Korea's claims that they are now able to make a nuclear warhead with a long-range ballistic missile compels the United States to think about its declaratory policy. Absent very good intelligence, which is rare with North Korea, we will not know what is atop the next Unha rocket that they put on a launch pad.

Third, with regard to sanctions we need to keep the pressure on and expand the scope of sanctions. We've had, as the chairman said, the Section 311 sanction, the coal sanctions, but sanctioning of North Korea's slave labor exports and third party entities that have willful involvement in DPRK insurance fraud schemes should be considered, as well.

With regard to China, China is both part of the problem and part of the solution. We need Beijing's cooperation, particularly on sanctions, but as we talk about in our report we should not subcontract our policy to our premiere competitor in the region. Secondary sanctioning against Chinese entities that knowingly or unknowingly facilitate North Korea's WMD proliferation activities and other illicit activities is a must.

Regarding Russia, Russia has traditionally been a bit player on the Korean Peninsula, and in the Six-Party Talks, but there may be more opportunities for a larger Russian role. Aside for cooperation on nuclear counterproliferation, the U.N. Security Council's strategy that sought Russian acquiescence through new resolutions, for example on human rights, could increase pressure on both the DPRK and China.

Finally, on diplomacy we should remember that no U.S. policy should be composed only of sanctions, military exercises, and diplomatic isolation. Historians would remember such a policy as paving a path to war.

As I noted, a new U.S. policy must entail greater risk, and this applies not just to coercive measures, but also to diplomacy. I'm not in a position today to map out those new diplomatic overtures to the regime, but these will be incumbent upon the new administra-

tion to contend with as they map out a path in dealing with the most vexing security challenge in Asia today. Thank you.

[The prepared statement of Mr. Cha follows:]

CSIS | CENTER FOR STRATEGIC & INTERNATIONAL STUDIES

Statement before the

House Foreign Affairs Committee

"Countering the North Korean Threat: New Steps in U.S. Policy"

A Testimony by:

Victor Cha, Ph.D.

Senior Adviser and Korea Chair

Center for Strategic and International Studies (CSIS)

February 7, 2017

2172 Rayburn House Office Building

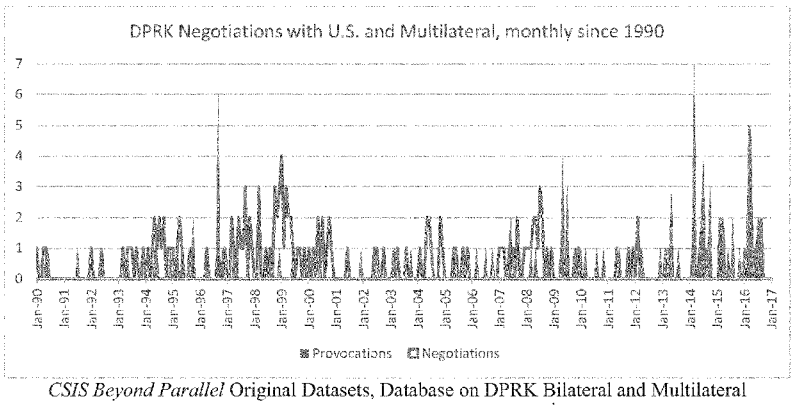
Chairman Royce, Ranking Member Representative Engel and distinguished Members of the Committee, it is a distinct honor to appear before this committee to discuss the challenges posed by North Korea to US policy for the new administration.

The Crisis Before Us

Mr. Chairman, presidencies are defined not by the agenda they have coming into office. Instead, the mettle of every president is tested by the unexpected crises that come their way, and in particular, how they respond to those challenges. For President George W. Bush, for example, the crisis was of course the terrorist attacks of September 11. From that moment onwards, the entire complexion of President Bush's two terms in office were colored by the events of that fateful day.

For President Trump, the crisis could very well come from North Korea. Over the past eight years, the regime in Pyongyang has demonstrated three tendencies: 1) It has spurned any serious and substantive diplomacy with all neighbors, including with China, South Korea, and Russia; 2) it has pressed forward aggressively with a military testing program of ballistic missiles and nuclear devices; and 3) it has continued to perpetrate human rights abuses of the worst kind.

At the Center for Strategic and International Studies we have collected data on North Korea's nuclear and missile tests and on bilateral and multilateral talks related to these programs. The table below illustrates the trends in diplomacy and trends in missile/nuclear testing (and other provocations) since 1990.



CSIS Beyond Parallel Original Datasets, Database on DPRK Bilateral and Multilateral Diplomatic Negotiations, forthcoming.[1]

[1] Table prepared by William Tedrick.

Between 1994 and 2008, North Korea conducted 17 missile tests and 1 nuclear test. However, in the past eight years, these numbers have increased to 62 missile tests and 4 nuclear tests, including 20(missile) and 2 (nuclear) respectively in the past year alone.[2]

There used to be a debate in the expert policy community and within the US government about the purpose of these activities. Some said that the regime, isolated and alone after the end of the Cold War, was building a program for its security, but would be open to negotiating away that program for security guarantees and energy assistance. Indeed, this premise formed the basis of extensive negotiations and significant agreements in 1994 and in 2005 that ultimately failed, but not without demonstrating the U.S. commitment to seek a peaceful resolution to the problem.

I think most in the expert community today would have a different assessment of the North's intentions. The pace of the testing – that some have characterized in the past as a "provocation disguised as an olive branch" – is designed to traverse critical technical thresholds to achieve a modern nuclear weapons force.[3] In the past years already, the North has demonstrated through testing and propaganda statements that it is pursuing the technology for mobile launch capabilities, a solid fuel propellant, a miniaturized nuclear warhead, submarine launched ballistic missiles, and an exoatmospheric launch capacity.

The objective of this weapons drive is clear: To field a modern nuclear force that has the proven ability to threaten first US territories in the Pacific, including Guam and Hawaii; then the achievement of a capability to reach the US homeland starting with the West Coast, and ultimately, the proven capability to hit Washington DC with a nuclear-tipped ICBM.

The strategic purpose of this capability is not to launch an attack on Washington, as this would certainly translate into an abrupt termination of the regime in Pyongyang. Instead, it is to deny the US access to the region in support of its alliance commitments. By holding US cities hostage, the DPRK could work to impede the ability of the US to flow forces and materiel to critical nodes and bases in defense of South Korea or Japan.

The resulting new strategic environment may or may not undercut the credibility of US extended deterrence guarantees to its allies. To a great extent, this will depend on US policy. However, this new strategic environment – as Bob Gallucci and I explained in the *New York Times* last January will create an inherently unstable situation as North Korean confidence in their ability to deter the United States can lead to more provocative conventional acts of coercion in the region against South Korea and Japan to extort benefits.[4]

The Next Provocation

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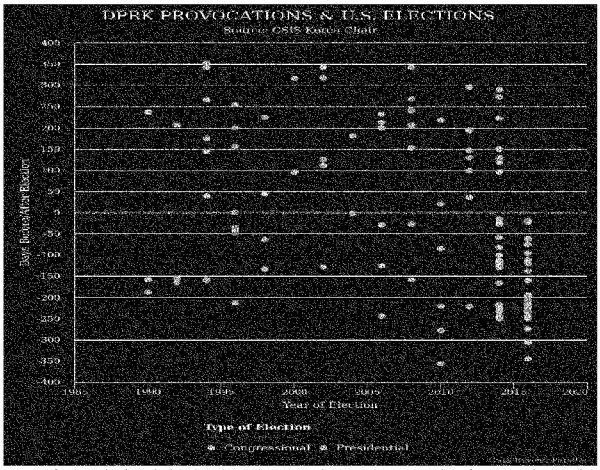
[2] Victor Cha, "Snapshot of North Korea's Five Nuclear Tests," *CSIS Beyond Parallel*, September 9, 2016, http://beyondparallel.csis.org/fifth-nuclear-test-snapshot/

[3] Leon V. Sigal, "A Bombshell That's Actually an Olive Branch," *Los Angeles Times*, October 18, 2002, http://articles.latimes.com/2002/oct/18/opinion/oe-sigal18

[4] Victor Cha and Robert L. Gallucci, "Stopping North Korea's Nuclear Threat," *The New York Times*, January 8, 2016, https://www.nytimes.com/2016/01/08/opinion/stopping-north-koreas-nuclear-threat.html

Mr. Chairman, I estimate that it is highly likely that the North will carry out another intercontinental ballistic missile (ICBM) test or nuclear test early in the Trump administration. The purpose would be to demonstrate advancements in their technology, and to assert a position of strength that would put the President on his back heels.

The data that we have collected at CSIS represents one of the most complete unclassified records of North Korean provocations to date. One pattern we have discerned is a tendency to target U.S. elections for provocations. During Kim Jong-un's time in office, the North has taken aggressive actions within about four weeks of U.S. presidential and congressional elections.[5]



CSIS Beyond Parallel Original Datasets, Database on U.S. Elections and North Korean Provocations, October 2016.

True to form, Pyongyang carried out two (failed) medium-range ballistic missiles (MRBM) tests prior to President Trump's election on October 15 and 20, 2016. The only reason they have not followed the election with an action, we believe, is because of the domestic political crisis in South Korea. That is, President Park Geun-hye's political downfall and the potential for a progressive, pro-DPRK government coming to power in the South has complicated Pyongyang's calculations as they do not want to take actions that might create ballast for the conservatives.[6] However, once

[5] Victor Cha, "DPRK Provocations Likely Around U.S. Presidential Election," *CSIS Beyond Parallel,* October 2016, http://beyondparallel.csis.org/dprk-provocations-likely-around-u-s-presidential-election/

[6] It is worth noting that on the day after the National Assembly's vote to impeach President Park, KCNA publicized a military exercise designed to decapitate the leadership in the Blue House. "Kim Jong Un Guides Combat Drill of Special Operation Battalion of KPA Unit 525," *Rodong Sinmun*, December 12, 2016, http://www.rodong.rep.kp/en/index.php?strPageID=SF01_02_01&newsID=2016-12-12-0019

this crisis of leadership in the South is resolved (or even before then), ballistic missile and nuclear tests are sure to follow.

Policy Priorities for the United States

Any new strategy toward North Korea must be based on a full reading of the negotiating record of past administrations. As veterans of past negotiations from Democrat and Republican administrations, Bob Gallucci and I have laid out the general principles that should undergird any policy review for the Bush Institute last November. [7] I have submitted this paper for the record.

In addition to those principles, I believe that a new policy must be based on certain assumptions, all of which represent changes from the past.

First, North Korea, under the current regime, will not give up its nuclear weapons.

Second, the portfolio of pressure and diplomacy administered over the past 25 years has been ineffective.

Third, the DPRK program is significant threat. It is no longer a "small" program. The uranium-based program has the potential for a nuclear breakout, producing scores of weapons on an annual basis.

Fourth, absent a change in its strategic thinking, China will limit its cooperation to those measures that do not risk a collapse of the regime.

Fifth, the threat currently faced in the theater by North Korea's nuclear progress will enlarge to a homeland threat in the course of the current administration's tenure.

Mr. Chairman and distinguished committee members, this situation requires that we seek a new policy that revisits some of the core tenets of U.S. policy as practiced by previous administrations.

Risk

A new policy toward North Korea must entail a higher level of risk acceptance on the part of the United States. In general, we seek to minimize risk as we deal with DPRK policy, but this minimization has had two effects: 1) it has restricted the options available to us; and 2) it has allowed the DPRK to incrementally but significantly grow their program. We have to be willing to accept more risk – both in military strategy and in diplomacy.

Defense and deterrence

Though well-intentioned as response measures, there are diminishing returns in terms of credibility and deterrence messaging to flying bombers around the Korean peninsula every time the North

[7] Victor Cha and Robert L. Gallucci, "Toward a New Policy and Strategy for North Korea," *George W. Bush Institute*, November 2016, http://gwbcenter.imgix.net/Resources/gwbi-toward-a-new-policy-for-north-korea.pdf

does another nuclear test. The United States and ROK have no choice but to expedite (i.e., not just reaffirm) the deployment of THAAD on the peninsula. Thought should also be given to a regular rotation of new assets and capabilities to the peninsula that enhance extended deterrence. These might include new arrangements that leverage ROK missile capabilities.

North Korea claims that they are now able to mate a nuclear warhead with a long-range ballistic missile compel the United States to think about its declaratory policy. Absent very good intelligence (something rare with DPRK), we will not know what is atop the next Unha (ICBM) rocket that the North will stack on a launchpad.

Sanctions

The combination of the Treasury Department's designation of the DPRK as a jurisdiction of "primary money laundering concern" under Section 311 of the PATRIOT ACT, the North Korean Sanctions and Policy Enhancement Act, and the sectoral measures sanctions under UNSCRs 2270 and 2321 comprise a new level of sanctioning. There will be many who criticize sanctions as being ineffective. Sanctions are the most maligned instrument in the diplomatic toolbox. The reality is that we don't know whether sanctions work until they do. That is, only after the North returns to the negotiating table, or falters under pressure, or gives up its weapons, the policy community will point to sanctions and say they work. Until then, folks will say sanctions don't work.

So we need to keep the pressure on and expand the scope. Sanctioning of North Korea's slave labor exports and third-party entities that have willful involvement in DPRK insurance fraud schemes should be considered. Secondary sanctioning (discussed below) should also be considered. We also need to work harder on full enforcement of unilateral and multilateral sanctions. Sanctions enforcement should be pursued in conjunction with our allies and regional stakeholders as well as through international mechanisms.

China

China is both part of the problem with North Korea and part of the solution. We need Beijing's cooperation, particularly on sanctions, but as we talk about in the Bush Institute report, we should not subcontract our policy to our primary peer competitor in the region. Secondary sanctioning against entities that knowingly or unknowingly facilitate North Korea's WMD proliferation activities and other illicit activities is a must. Such a measure must accept that it could have negative externalities in US-China bilateral relations.

Russia

Russia has traditionally been a bit player on the Korean peninsula and in the Six-Party talks. But there may be opportunities for a larger Russian role. Aside from cooperation on nuclear counter-proliferation, a UN Security Council strategy that sought Russian acquiescence to new resolutions (for example, on human rights abuses) could increase pressure on both the DPRK and China.

Human rights

The new administration must make an early and high-level statement about the North's atrocious human rights record and our support of the recommendations of the UN Commission of Inquiry on human rights in the DPRK. Mobilizing UN Security Council members to implement those recommendations would be an important measure, since North Korea's nuclear program is intertwined with its abuse of its citizens. A campaign among UN member states to stop the import of North Korean "slave labor," could arrest millions of dollars of annual income to the regime.

The renewal of the North Korea Human Rights Act in Congress in 2018, set to expire this year 2017, provides an opportunity to appropriate higher levels of funding for the delivery of information about the outside world to North Korea citizens hungry for such news.

Diplomacy

No US policy should be composed only of sanctions, military exercises, and diplomatic isolation. Historians would remember such a policy as paving a path to war. As I noted earlier, a new US policy must entail greater risk. This applies not just to coercive measures but also to diplomacy. I am not in a position today to map out new diplomatic overtures to the regime. But let me just offer some questions that are worthy of consideration:

- Given the North's extant capabilities and its commitment, enshrined in its Constitution, never to give up these weapons, should we accept the fact that the North is a nuclear weapons state? Does doing so open up policy options for us that did not exist before?

- Following the previous question, should we engage with the North to prevent nuclear accidents or strategic miscalculation?

- Should the structure of any future diplomatic negotiation include "paying for" a freeze to testing and nuclear operations? This was the practice of the previous two agreements, but my estimation is that President Trump would consider it a sucker's deal to be willing to "rent" a temporary freeze of the program, only to have it broken later by the North Koreans.

- Should we prioritize the return of detained American citizens from the North and the return of POW/MIA remains, both previously on the margins of policy?

- Should we integrate our human rights concerns about North Korea with our mainstream security policies?

I am not in a position to answer these questions today, but it will be incumbent on the new administration to contend with all of them as they map out the path in dealing with one of the most vexing security challenges in Asia.

Chairman ROYCE. Thank you, Dr. Cha. Dr. Terry.

STATEMENT OF SUE MI TERRY, PH.D., MANAGING DIRECTOR, BOWER GROUP ASIA

Ms. TERRY. Yes, thank you.

Chairman Royce, Ranking Member Engel, and members of the committee, thank you for this opportunity to testify before you today.

This year North Korea is sure to continue with its dangerous provocations, including hostile missile and nuclear tests. According to Thae Yong Ho, a high-ranking North Korean official who defected to Seoul last year, Kim Jong Un is determined to complete development of his nuclear weapons program by the end of this year, 2017.

Mr. Thae's statements confirm what we've known all along: That Kim has staked his legitimacy on perfecting the nuclear arsenal that his father and grandfather have pursued at the cost of billions of dollars and millions of lives. And he's unlikely to give it up for any price.

In terms of timing, I think he may choose to wait a little bit to buy time because he may calculate that it is better to show some restraint to explore to see if there's a pathway to talks with the Trump administration. While Kim has no intention of giving up his nuclear program, he still seeks dialogue with Washington to shore up both his internal standing and to secure international recognition of the North as a nuclear weapons state.

In response to this North Korean threat, there is a number of respected Korea watchers, some of our dearest colleagues who argue that the sanction strategy has failed, and that it is time to return to negotiations even without preconditions. They point out that since seeking denuclearization is no longer a realistic goal, we are left with no option but to negotiate with the North to at least freeze or cap the North's nuclear weapons program.

As well-intentioned as these arguments may be, following such an advice would be a mistake. As a veteran Korea watcher, David Straub has recently stated very aptly, a negotiated freeze is like a mirage. It's an illusion that recedes very quickly as one tries to approach it.

What would a freeze or cap agreement say to the rest of the world? Agreeing to a cap means the U.S. accepts North Korea as a nuclear weapons state for the indefinite future, which would destroy our credibility not only with our allies but with other rogue regimes, such as Iran, that are watching what we do with North Korea very closely.

Secondly, one has to wonder what exactly would be frozen or capped anyway. North Korea has many undeclared facilities and we simply do not know where they all are. This is not to say we should never return to negotiations with North Korea, but we should only return to negotiations after decisively raising the cost for the Kim Jong Un regime, and only when Kim Jong Un is genuinely interested in denuclearization. At the present moment, the Kim regime has not indicated that it is ready to reconsider its policy choices.

Kim Jong Un used this year's New Year's address to again announce his plans to test an ICBM that could deliver a nuclear warhead to the continental United States. President Trump has responded with a Twitter message simply saying, "That won't happen" or "It won't happen."

Kim now needs to understand that Washington is very serious about the President's statement. Words alone will not convey a strong message to the North. If there's any chance at all that the North would ever entertain the idea of giving up its nuclear weapons program, it is only because the new administration has made it very clear that the Kim regime is facing a stark choice between keeping the nuclear arsenal and regime survival.

Contrary to what some believe, the U.S. has not yet used every option available at our disposal to ratchet up pressure against the Kim regime. I agree with everything that Victor has said wholeheartedly. As a near term solution there's much more we can do still on the sanctions front, on the human rights front, on getting information into North Korea, as well as deterrence and defense, and on diplomacy.

In my written testimony, I go into some concrete ideas we should pursue in this effort, but here I would like to also make one point before I close my opening remarks, which is on the need to promote unification of the two Koreas as the ultimate solution. We should understand that even all these measures that we're going to talk about today, strengthening sanctions and other pressure measures, could ultimately fail, and we need to accept that in terms of bringing about change and denuclearization in the North. But all these measures are still worthwhile to pursue because they will also help in the effort toward unification.

Whatever North Korea's immediate future, there's no question in my mind that over the long term its prospects are very bleak, and I look forward to discussing this point more during our Q&A session.

While Kim Jong Un's hold on power seems strong for now there are signs there's growing elite discord among the ruling class, and Mr. Thae himself testified to this effect. All the frequent purges and executions of high level elites in recent years may help strengthen Kim's rule in the short run by terrorizing his rivals, but fundamentally Kim's heavy-handed rule is likely eroding long term support, elite support for the regime. So in the final analysis, it may be that there's only one way that the threat from North Korea will come to an end, and that's when the current regime itself comes to an end. Thank you.

[The prepared statement of Ms. Terry follows:]

Statement before the

House Committee on Foreign Affairs Committee

"Countering the North Korean Threat: New Steps in U.S. Policy"

Prepared Statement by:

Dr. Sue Mi Terry

Managing Director, Korea

Bower Group Asia

February 7, 2017

Chairman Royce, Ranking Member Engel, and Members of the Committee, thank you for the opportunity to testify before you today on the US response to the North Korean threat.

This year, North Korea is sure to continue with its dangerous provocations, including hostile missile and nuclear tests. Kim Jong-un has reportedly restarted the Yongbyon plutonium reactor and is preparing to launch a mobile intercontinental ballistic missile (ICBM). According to Thae Yong-ho, a high ranking North Korean official who defected to Seoul last year, Kim Jong-un is determined to complete development of his nuclear weapons program by the end of 2017 and has no intention of giving up his nuclear weapons for any amount of international entreaties or incentives.[1] Thae's statements confirms what we've known all along--Kim has staked his legitimacy on perfecting the nuclear arsenal that his father and grandfather pursued at the cost of billions of dollars, and he is unlikely to give it up for any price. Lessons from Iraq and Libya only further emboldened his belief that the only means of survival for the regime is keep its nuclear arsenal. The North has even revised its constitution to enshrine itself as a nuclear weapons state.

In terms of timing, the North's next provocations could come soon, timed to celebrate national holidays such as the birthday of Kim Jong-il on Feburary 16th or the birthday of Kim Il-sung on April 15th. These dates are convenient for the North as they also bracket the annual Key Resolve and Foal Eagle exercises conducted by U.S. and South Korean military forces, currently scheduled for March. If, however, Kim chooses to wait, which I believe is more likely, it is because he may calculate that it is better to show some restraint to explore if there's a pathway to talks with the Trump administration first. While Kim has no intention of ever giving up the nuclear weapons program, he nonetheless seeks dialogue with Washington to shore up his internal standing and secure international recognition as a nuclear weapons state. Kim may also calculate that conducting provocative tests now may only help embattled President Park Geun-hye (who is waiting for the Constitutional Court's decision on her impeachment) and the ruling conservative party. But once Kim determines that talks are not forthcoming with Washington, he will resume missile and nuclear tests, with the end goal of achieving the capability to attack the United States with nuclear weapons.

In response to the North Korean threat, there are a number of respected Korea watchers who argue that the sanctions strategy has failed and that it's time to return to negotiations with North Korea, even without any preconditions of seeking denuclearization.[2] They argue that since seeking denuclearization is no longer a realistic goal, we are left with no option but to negotiate with the North to at least "freeze" or "cap" the its nuclear weapons development. Some go even farther and

[1] According to Thae, "It's not a matter of (economic) incentives." Park Boram, "Kim Jong-un seeks to complete nuke development by 2017," *Yonhap News*, December 27, 2016.
[2] See, for example, Jane Harmon and James Person, "The U.S. Needs to Negotiate with North Korea," *Washington Post*, September 30, 2016, and William J. Perry, "To Confront North Korea, Talk First and Get Tough Later," *Washington Post*, January 6, 2017.

advocate that the U.S. should conclude a peace treaty with the North because only then would the North would feel secure enough to denuclearize.[3]

As well intentioned as these arguments may be, following such an advice would be a mistake. Engaging with the Kim regime prematurely is not likely to lead to either denuclearization, a goal the U.S. should not abandon, or, in the long run, peace and stability of the Korean Peninsula. Three U.S. administrations going back to the Bill Clinton presidency in the early 1990s have already tried to address the North Korean threat through various means including engagement and negotiations sweetened by economic aid to Pyongyang. The North Koreans have been happy to pocket the aid and various concessions, but they haven't delivered on their promises of ending their nuclear program. In February 2012—the last time the U.S. negotiated with North Korea—there was a bilateral agreement, the so-called "Leap Day" accord involving the provision of aid in return for the North freezing some nuclear and missile activities. The deal fell apart almost immediately after Pyongyang violated it by launching a new satellite using ballistic missile technology banned by the United Nations.

In pursuing talks to put a "cap" on the North's program, one has to also wonder, what exactly would be frozen or capped? As former State Department official and veteran Korea watcher, David Straub, eloquently puts it, "A negotiated freeze is like a mirage, an illusion that recedes as quickly as one tries to approach it."[4] As he points out, North Korea has many undeclared facilities, including one or more secret uranium enrichment sites to make more nuclear bomb fuel, and our Intelligence Community simply do not know where they all are. Moreover, what does a freeze or cap agreement says to the rest of the world? Agreeing to a cap means the U.S. accepts North Korea as a nuclear weapons state for the indefinite future, which would destroy our credibility not only with our allies but with other rogue regimes such as Iran that are watching what we do with North Korea closely. It's important to send a message that there will be significant cost for flouting international law.

Similar problem exists with the peace treaty argument. There is not a shred of evidence that it would solve any of the problems created by North Korean policies, from its nuclear program to human rights concerns. Even with a peace treaty, how would we be sure the North Korean regime would ever abide by any deal it signs? How do we verify that the North will do what it agrees to, even if it promises to abandon nuclear weapons in return for a U.S. pullout? The long history of dealing with the North is littered with a string of broken promises and problems with verification in accords such as the 1994 Agreed Framework, a 2005 Joint

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[3] See, for example, Leon V. Sigal, "Getting What We Need with North Korea," Arms Control Association, April 2016. https://www.armscontrol.org/ACT/2016_04/Features/Getting-What-We-Need-With-North-Korea.

[4] David Straub, "The North Korean Nuclear Freeze Mirage," *The Hill*, January 27, 2017. http://thehill.com/blogs/congress-blog/foreign-policy/316488-the-north-korean-nuclear-freeze-mirage

Statement, and the 2012 Leap Deal. The North's call for a peace treaty was never intended to achieve an effective and lasting peace mechanism to replace the Armistice Agreement but simply to facilitate a negotiation process that would lead to a pullout of U.S. troops from South Korea and an end to the U.S.-South Korea alliance.

This is not to say we should never return to negotiating with the North. But we should only return to negotiations after decisively raising the cost for the Kim Jong-un regime and only when the North is genuinely interested in denuclearization. At the present moment, the Kim regime has not indicated that it is ready to reconsider its policy choices. Kim Jong-un used this year's New Year's address to again announce plans to test an ICBM that could deliver a nuclear warhead to the continental United States. President Trump responded to Kim's announcement with a Twitter message saying simply, "It won't happen." Kim now needs to understand that Washington is serious about the president's statement.

Words alone will not convey a strong enough message to the North. If there is any chance at all that the North would ever entertain the idea of giving up its nuclear program, it would be only because the new administration has made it very clear that the Kim regime is facing a stark choice between keeping the nuclear arsenal and regime survival. The North will discontinue its provocations only when it knows that they will not pay. So it should be clearly communicated to the Kim regime at every opportunity that if it were to even think about attacking the United States or our allies in the region, it would trigger a devastating retaliation that could threaten the survival of the regime. At the same time we must extend Pyongyang a negotiated way out by making clear that it would benefit from nuclear disarmament as long as its promises are fully verified in the manner of Libya. In 2004, Libyan leader Muammar Qaddafi destroyed his entire WMD complex and allowed western inspectors free run of the country to verify compliance. Of course Qaddafi's subsequent fate serves as a strong argument to Kim as why he can't emulate the Libyan example.

Contrary to what many believes, the U.S. has not yet used every option available at our disposal to ratchet up pressure against the Kim regime. As a near-term solution, there's much more we can still do on sanctions, on human rights, on getting information into the North, as well as on deterrence, defense, and on diplomacy. And finally, while we pursue these options, we must also set a long-term goal to peacefully unify the two Koreas into a single, democratic, free-market state that would be a bigger version of today's South Korea. Herewith some concrete policy ideas that we should pursue:

Sanctions. The first step to raise the cost for North Korea is through stricter sanctions, by adding even more individuals and entities to the sanctions list, and by seeking better enforcement of sanctions, including secondary sanctions. Until February 2016, the U.S. did not maintain comprehensive sanctions against North Korea. As many North Korea sanctions experts have extensively written about and

pointed out, until then, U.S. sanctions against North Korea were a mere shadow of the sanctions applied to Iran, Syria, or Burma, and even narrower than those applicable to countries like Belarus and Zimbabwe.[5] Thankfully, with the bipartisan support of this committee, the North Korea Sanctions and Policy Enhancement Act of 2016 (H.R. 757) was passed and signed into law, and today we finally have stronger sanctions in place. A month after its passage, in March, the United Nations Security Council also unanimously passed a resolution, UN Security Council Resolution (UNSC) 2270, imposing new sanctions on the Kim regime, including mining exports. In June, triggered by the requirements of the Sanctions Act, the Obama administration finally designated North Korea as a primary money laundering concern, and in July, the Treasury Department sanctioned Kim Jong-un and ten other senior North Korean individuals and five organizations for human rights violations. In late November, the U.N. Security Council also got around to another round of sanctions, adopting UNSC Resolution 2321, which further caps North Korea's coal exports, its chief source of hard currency.

But for sanctions to work, it will need to be pursued over the course of several years as we did with Iran, and most importantly, they need to be enforced. Here, the chief problem has been that Beijing is still reluctant to follow through in fully and aggressively implementing the UN sanctions. There are numerous examples of China's non-compliance. Just to list one recent example: Even though UNSC Resolution 2321 set for the first time limited China's import of North Korean coal for December 2016 at 1 million tons or $53 million, just eight weeks later, Chinese customs figures show that Chinese traders imported over 2 million tons of coal in December, up from 1.9 million the previous month.[6] Similarly, China's overall commodity imports from North Korea rose by 6 percent to $2.6 billion last year.[7]

This is why secondary sanctions are ultimately necessary. Secondary sanctions must be placed on Chinese banks that help North Korea launder its money and Chinese entities that trade with North Korea or are involved with North Korea's procurement activities. The previous administration had been slow to sanction Chinese or any of the dozens of third-country enablers of North Korea proliferation and money laundering because it did not want to risk straining relations with Beijing. The Trump administration, however, has signaled a possibly more aggressive approach with China given President Trump's willingness to become, even before the inauguration, the first U.S. president since 1979 to talk to a

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[5]See Joshua Stanton, "North Korea: The Myth of Maxed-Out Sanctions," *Fletcher Security Review*, Vol.2, No.1, January 21, 2015; Joshua Stanton, "Sanctions Worked Against North Korea, and They Can Work Again," *The Weekly Standard*, January 29, 2016; Joshua Stanton and Sung Yoon Lee, "Financial Could Force Reforms in North Korea," *The Washington Post*, February 20, 2014; Bruce Klinger, "Six Myths About North Korea Sanctions," CSIS Korea Chair Platform, December 19, 2014.

[6]Leo Byrne, "Beijing says it's in line with obligations on North Korean coal: Foreign ministry claim comes after Chinese trade data shows no reduction in coal imports," NKnews.org., January 26, 2017. https://www.nknews.org/2017/01/beijing-says-its-in-line-with-obligations-on-n-korean-coal/

[7]*Ibid.*

president of Taiwan. Even if the U.S. has to endure some ire from Beijing for enforcing secondary sanctions, this is exactly what Washington should do.

History gives us a useful example of how secondary sanctions can work. In September 2005, the U.S. Treasury Department designated Macau-based Banco Delta Asia for laundering North Korea's counterfeit dollars, which led to the blocking of $25 million in North Korean deposits. This action blocked one of the key streams of hard currency for sustaining the Kim regime. A North Korean negotiator at the time told a U.S. official that the U.S. has finally found a way to hurt the regime.[8] The North eventually returned to the talks and agreed to give up its nuclear weapons program after the U.S. agreed to return the funds to the Kim regime. Unfortunately, after this important leverage had been traded away, the talks fell apart over verification of the North's disarmament. What this showed is that third countries, in this case, China, will comply with sanctions but only if its banks face real consequences for conducting illicit business with North Korea. And as the Iran nuclear deal ultimately showed, sanctions can get results only if they are tough enough and implemented and sustained over several years.

In addition to enforcing the existing sanctions, the next steps are to close loopholes and add even more individuals and entities to the list to further confront North Korea with a clear choice between keeping its nuclear program and regime survival. For example, the U.S. could seek to ban North Korea's exports of labor which the regime relies on for hard currency. The latest round of UN sanctions ignored the legions of North Korean laborers sent overseas, mostly to China and Russia, to work in the mining, logging, textile, and construction industries. All in all, the North Korean regime has sent more than 50,000 people to work abroad in conditions that amount to forced labor to circumvent UN sanctions, earning up to $2 billion annually in hard currency for the regime.[9]

Human rights. In addition to stricter sanctions measures, there are other actions we could pursue to ratchet up pressure on the regime, especially on the human rights front. The 2014 landmark report by the UN Commission of Inquiry (COI) makes clear that the North Korean regime is committing crimes against humanity that have produced hundreds of thousands of deaths[10] The COI

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[8]Juan C. Zarate, "Conflict by Other Means: The Coming Financial Wars," *Parameters 43* (4), Winter 2013-4, 88.
http://strategicstudiesinstitute.army.mil/pubs/parameters/issues/Winter_2013/9_Zarate.pdf.
Also see "Juan Carlos Zarate," "Prologue," in *Treasury's War: The Unleashing of a New Era of Financial Warfare* (New York: Public Affairs, 2013).

[9]North Korea Putting Thousands into Forced Labour Abroad, UN Says," *The Guardian*, October 29, 2015. Also see UN General Assembly, "Situation of human rights in the Democratic People's Republic of Korea," A/70/362, p. 6.
https://www.hrnk.org/uploads/pdfs/A_70_362%20Situation%20of%20human%20rights%20in%20the%20DPRK%208SEP2015.pdf.

[10]United Nations Human Rights Office of the High Commissioner, "Commission of Inquiry on Human Rights in the Democratic People's Republic of Korea," February 17, 2014.
http://www.ohchr.org/en/hrbodies/hrc/coidprk/pages/commissioninquiryonhrindprk.aspx

recommended the UN Security Council refer the North Korean situation to the International Criminal Court (ICC) and adopt targeted sanctions against the North Koreans responsible for committing these human-rights abuses. It's time now for Washington to integrate a focus on security and a focus on human rights—normally two different policy approaches—into a single, unified approach. The North continues to be the world's most repressive state. The threat of North Korea has always emerged from the nature of the Kim family regime itself. Not only is focusing on the North's human rights the right thing to do, it can also, practically speaking, be a source of leverage as well.

As was the case with Apartheid-era South Africa, whose global isolation was an important factor in changing its system of government, a campaign of diplomatic actions waged internationally, beginning with Washington, will challenge the Kim Jong-un regime's legitimacy based on its failure to provide for the needs of the people.

Information penetration. Steps should be also actively taken to come up with a comprehensive strategy to help the people of North Korea further break the information blockade imposed by the state. Historically, the North Korean regime has been able to maintain tight control over the population by indoctrination and maintaining a monopoly on information. But unofficial information is already seeping into the North over the porous border with China, chipping away at regime myths and undermining the solidarity of the North Korean people. Many North Korean elites as well as ordinary citizens are already watching South Korean DVDs and listening to American broadcasts. We should look into ways to increase our efforts to support radio broadcasts and other means to transmit information into North Korea.

We should explore ways to work with U.S. and other interested tech companies such as Google and Facebook to find creative ways to get information into North Koreans. Facebook, for example, has taken a major leap towards their goal of bringing Internet connectivity to the billions without it. The tech company successfully flew, for the first time ever, its solar-powered airplane Aquila in Yuma, Arizona, last August. The company hopes to eventually form a fleet of them, to beam Internet signal to people within a 60-mile communication radius for up to 90 days at a time.[11] According to Facebook, "fleet of drones" will provide the Internet to 4 billion people in sub-Saharan Africa and other remote regions that do not have access currently. Similarly, Google has also made steady progress in its deployment of Project Loon, which will use a fleet of balloons navigating through atmospheric

[11]"Facebook's Dream of Internet Everywhere Gains Momentum," www.reaclearlife.com. http://www.realclearlife.com/technology/facebooks-dream-of-internet-everywhere-gains-momentum/

currents, which, according to the MIT Technology Review, would be available in one or two years.[12]

The point is to prioritize finding creative ways to get information into North Korea by working with various government agencies and technology companies. Our goal is to go beyond simply getting information into the North. An emphasis should be also be put on helping North Koreans find ways to better communicate and organize. Currently, there are no means for the public to get mobilized and get organized with one another except through use of cell phones, which are strictly monitored by the regime.

Finally, our information operation strategy should also include targeting the elites as well as average North Koreans. We need to make it clear to the elites that economic opportunity and long-term prospects for survival will be denied to them and the country as long as Kim holds onto the nuclear arsenal. Our communication should also provide credible assurance of amnesty and a better quality of life in South Korea to elites, should they voluntarily defect. The point is to get a message across to elites that there is an alternative pathway that can safeguard their survival.

Already, there has been a dramatic increase in the number of elite defections to South Korea in the last year, particularly from individuals working abroad. Thae has said himself that a significant number of North Korean elites have arrived in South Korea last year and more are expected as elite dissatisfaction with the regime grows.[13] According to Thae, "I am the only high-ranking official whose identity has been revealed to the public."[14] Indeed, we do know from press reporting that recent defections range from a North Korean general in charge of managing Kim Jong-un's foreign currency earnings to a senior colonel from a North Korean spy agency.[15] In the long run, more elite defection will aid in undermining the very foundations of the Kim regime. One potential effective messenger for this messaging effort to North Korean elites could be Thae himself.

Deterrence and defense. While seeking to undermine the North Korean regime, the U.S. should also strengthen deterrence and reinforce defense ties with South Korea and Japan. Effective deterrence of North Korea requires continued readiness, enhanced capabilities, and close coordination between the U.S. forces and

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[12]See Joshua Stanton's excellent blog on North Korea, freekorea.us for his discussion on this topic. http://freekorea.us/2016/08/15/facebook-should-test-its-internet-drones-over-north-korea/#sthash.K2Gm1PiT.dpbs

[13]"More North Korean Diplomats Have Escaped to South Korean Than Made Public," *Yonhap News*, January 31, 2017.

"http://english.yonhapnews.co.kr/northkorea/2017/01/17/0401000000AEN20170117004052315.html

[14]*Ibid.*

[15]See, for example, Elizabeth Shim, "Report: North Korean Diplomat Frees Russia, Seeking Political Asylum," July 8, 2016. http://www.upi.com/Top_News/World-News/2016/07/08/Report-North-Korean-diplomat-flees-Russia-seeking-political-asylum/8181467983946/

our counterparts in South Korea and Japan. General Mattis's decision to visit South Korea and Japan as part of his first overseas visit as Secretary of Defense was an important first step in upholding our defense commitments with South Korea and Japan.

The next important step is to deploy a Terminal High Altitude Area Defense (THAAD) battery in Seoul in July of this year as scheduled—or even earlier if possible. Keeping the timeline for the deployment date of THAAD is particularly critical now that former UN Secretary General Ban Ki-moon has decided to drop out of the presidential race. The most likely person to become the next President of South Korea is the progressive leader Moon Jae-in. He and other progressive candidates have been skeptical about THAAD deployment and have expressed a desire to at minimum postpone the deployment. The Constitutional Court is expected to decide in the coming weeks whether to end President Park's presidency. If the Court upholds the impeachment of President Park, the presidential election could come as early as this spring. Keeping the THAAD deployment date as scheduled would be a critical part of our deterrence effort against North Korea.

As important is THAAD deployment is the needed for the U.S. to also continue to reassure our allies, South Korea and Japan, of our security commitments. Both Seoul and Tokyo are anxious about the comments Mr. Trump has made regarding cost-sharing for the upkeep of U.S. forces in South Korea and Japan. A continued U.S. commitment to preserve extended nuclear deterrence would also help in discouraging dangerous provocations and attacks from the North.

Diplomacy/trilateral cooperation. Washington should also continue to work with both Seoul and Tokyo to encourage further cooperation between the two capitals and Washington, and to make sure that U.S. and our allies are on the same page when it comes to our approaches to North Korea. For some time now, the U.S., Japan, and South Korea have expanded coordination to apply stronger pressure on North Korea. But it is very possible that we may see daylight emerging between Washington and Seoul in terms of North Korea policy later this year. With a progressive candidate most likely positioned to become the next president of South Korea, Washington should be prepared to respond to potential policy changes coming out of South Korea vis-à-vis the North. The next South Korean government is likely to explore prospects for enhanced inter-Korean cooperation and, in this effort, it could try, for example, to lessen the current sanctions enforcement coalition, suspend joint Washington-Seoul military exercises, or, as stated above, delay THAAD deployment. The next Korean government may also attempt to reopen the Kaesong Industrial Complex, although it would be difficult to do because it could be argued that reopening Kaesong would be in violation of the UN sanctions.[16]

[16]The Kaesong Industrial Complex, an-inter Korean joint factory complex a few miles north of the Demilitarized Zone, used the labor of 50,000 carefully vetted North Korean workers. In 2016, after North Korea's fourth nuclear test and a missile test, the South Korean Ministry of Unification

Washington needs to work closely with a new South Korean government, regardless who occupies the Blue House. The foundation of a successful North Korea policy is multilateral economic pressure, which means that all hope of success rests on building multilateral unity before we deal with the North. In the past, every time Seoul, Tokyo, or Washington has been taken in by the North's "divide and rule" tactics, there has been a piecemeal relaxation of pressure, extending Pyongyang a lifeline. During South Korea's "Sunshine Policy" years between 1998 to 2008, for example, South Korea gave approximately $8 billion in economic assistance to the North, arguably rescuing the North from economic collapse. In 2008, the Bush administration removed North Korea from the terrorism list over strong objections from Japan. In 2013, Tokyo, concluded its own deal with the North over the abduction issue to relax and eventually lift bilateral sanctions in exchange for an accounting for Japanese abductees. To avoid such discordant approaches, we need to focus on further strengthening mechanism for trilateral U.S.-South Korea-Japan cooperation. Washington, Seoul, and Tokyo already established a senior consultation mechanism last year to coordinate policy toward North Korea involving quarterly meetings at the vice-ministerial level. Despite occasional flare-ups and tensions that occur between Seoul and Tokyo over historical issues, this consultation should be continued and strengthened.

Promoting unification. We should understand that even the steps outlined above could ultimately fail in bringing about change and denuclearization in the North. The Kim regime may very well never give up its nuclear weapons program and its brinkmanship tactics, and no amount of pressure is guaranteed to change the regime's calculus.

While we ratchet up pressure on the Kim regime by sanctions and other means, we should be promoting unification of the two Koreas. All the measures recommended above—strengthening sanctions and other pressure measures such as transmitting information into the North and highlighting the North's human rights abuses—also all help in the effort towards unification. The more we intensify economic pressure against the regime, for example, the more we shake the confidence of the elites and threaten to stir discontent among the people that Kim relies on for support. The more we enforce sanctions, the more Kim Jong-un will be left vulnerable, because he will have less foreign currency to underwrite the lifestyles of the North Korean elite whose support is essential to maintain his grip on power. The more we get information to the North Korean people, the more we are helping to build a foundation for eventual unification. The next important step we need to take is to augment current joint military planning between the U.S. and

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acknowledged that their wages, about $120 million a year, likely went to the Kim regime and the North's development of nuclear weapons program. President Park then made a decision to close Kaesong. Susannah Cullinane and KJ Kwon, "South Korea Accuses North of Using Kaesong Wages to Buy Weapons," CNN World, February 15, 2016. http://www.cnn.com/2016/02/15/asia/north-korea-south-korea-kaesong-wages/

South Korea with a detailed and coordinated political, diplomatic, economic, cultural, educational, public-relations, and legal strategy to tackle the core unification issues likely to arise. We also need to begin undertaking a diplomatic offensive to secure regional cooperation to support Korean unification.

Whatever North Korea's immediate future, there is no question that over the long-term its prospects are bleak. While Kim Jong-un's hold on power seems strong for now, there are signs of growing discord among the ruling class. A key reason why the North Korean state has been able to persist for this long has been the Kims' ability to maintain the support of powerbrokers in the party, the military, and the government. Frequent purges and executions of high-level elites in recent years may have helped strengthen Kim's rule in the short-run by terrorizing potential rivals within the regime. But fundamentally, his heavy-handed rule is likely corroding long-term elite support for the regime. These purges and executions raise questions in the minds of North Korean elites about their physical safety and whether Kim is worthy of their trust. At the same time, the regime's ability to maintain tight control over the population by maintaining a monopoly on information control is also eroding. Unofficial information is increasingly seeping into the North, more and more chipping away at regime myths and undermining the solidarity of the North Korean people under Kim Jong-un's rule.

While the popular uprisings that have swept countries from East Germany and the Philippines to Egypt, Syria, Libya and Tunisia are still unlikely in North Korea, they are still a reminder that sudden change is always possible. It is entirely possible that at some point uncertainties surrounding the long-term prospects of the Kim regime could precipitate a cascading set of events that would end with swift and unexpected regime collapse in the North, leading to unification. It is in our interest to begin preparing for such an eventuality now. In the final analysis, there is only one way that the threat from North Korean will truly come to an end: the current regime itself must come to an end.

Chairman ROYCE. Thank you, Dr. Terry. Anthony.

STATEMENT OF MR. ANTHONY RUGGIERO, SENIOR FELLOW, FOUNDATION FOR DEFENSE OF DEMOCRACIES

Mr. RUGGIERO. Thank you. Chairman Royce, Ranking Member Engel, and distinguished members of the committee, thank you for the opportunity to address you today on this important issue.

Before I summarize elements of my written testimony, I want to recognize Chairman Royce and Ranking Member Engel in particular for their leadership, and their drafting, and successful advocacy for the first comprehensive bipartisan North Korea Sanctions Law.

The number of North Korea designations has nearly doubled over the last year, thanks largely to the law, but 88 percent of those persons designated were located inside of North Korea at the time of their designation. To get at North Korea's international business, we need to target additional persons outside of North Korea.

In my written testimony, I review the accomplishments of the North Korea Sanctions and Policy Enhancement Act of 2016, outline four core elements to create a more effective North Korea policy, clear away myths about North Korean sanctions, and provide recommendations for Congress and the Trump administration. I will summarize my recommendations for Congress here.

First, Congress could provide additional resources to the Treasury Department, Justice Department, Intelligence community, and other government agencies to investigate violations of the law, to allow us to stay one step ahead of North Korea.

Second, restrict all tourist travel to North Korea to protect the safety of U.S. nationals. Banning tourist travel would also amplify the effectiveness of the recent designation of North Korea's flag carrier, Air Koryo, and deny Pyongyang another source of hard currency.

Third, as part of the oversight function increased transparency into investigations insuring that Congress is fully aware of ongoing investigations. And fourth, investigate China.

It is important that Congress and the American people understand the extent of China's efforts, or lack thereof, to combat money laundering, sanctions, violations, and proliferation financing. I recommend that any new legislation include specific sections on investigating North Korea's network inside China.

North Korea is a difficult foreign policy challenge that the United States has failed to appropriately address. The new Trump administration presents another opportunity, perhaps our last one, to harness all the tools of American power to address this direct threat to the United States non-violently. Today's hearing is an important step in that direction.

On behalf of the Foundation for Defense of Democracies, I thank you again for inviting me today and look forward to addressing your questions.

[The prepared statement of Mr. Ruggiero follows:]

CONGRESSIONAL TESTIMONY: FOUNDATION FOR DEFENSE OF DEMOCRACIES

House Foreign Affairs Committee

Countering the North Korean Threat: New Steps in U.S. Policy

MR. ANTHONY RUGGIERO

Senior Fellow
Foundation for Defense of Democracies

Washington, DC
February 7, 2017

Anthony Ruggiero February 7, 2017

Chairman Royce, Ranking Member Engel, and distinguished members of this committee, thank you for the opportunity to address you today on this important issue.

My testimony will review the accomplishments of the North Korea Sanctions and Policy Enhancement Act of 2016, outline four core elements to create a more effective North Korea policy, clear away myths about North Korean sanctions, and provide recommendations for Congress and the Trump administration.

The Kim family dynasty continues its 25-year drive to develop a nuclear weapon that it has already used to threaten the United States and its allies in Japan and South Korea. None of the last three U.S. presidents, Republicans and Democrats, were able to develop an effective strategy to prevent North Korea from acquiring a nuclear weapon. And now Kim Jong Un has threatened to test an intercontinental ballistic missile (ICBM) to target the United States. We know that North Korea has proliferated ballistic missiles to Iran, Syria, and other nations, and secretly built a nuclear reactor in a location in Syria that has since fallen under the control of ISIS.[1] Pyongyang is likely to proliferate any technology it develops to other problematic regimes, such as Iran.

As we look at the North Korea problem, it is hard to find anyone who argues that the status quo is acceptable. That can be frustrating, because there is no simple, ready-made solution. One expert has predicted that North Korea could have an operational ICBM by 2020.[2] It is plausible, even likely, that by 2020, North Korea will have a miniaturized nuclear device that could survive reentry on an ICBM. It is important to note that North Korea could have that capability now or soon.[3]

An equally concerning scenario has emerged now that South Korea may soon elect a president that, at one time, questioned the deployment of THAAD, a U.S. anti-ballistic missile system designed to shoot down short-, medium-, and intermediate-range ballistic missiles in their terminal phase.[4] (The presidential candidate, Moon Jae In, has subsequently back-tracked on this statement.)[5] Moon has also advocated negotiations with North Korea that would include offering the Kim regime financial inducements that would undermine the financial pressure of UN and U.S. sanctions, and which could violate recent UN Security Council resolutions.[6] This scenario is concerning, as history has clearly shown that this approach will not resolve the North Korean nuclear crisis. The United States has tried altering Pyongyang's behavior through economic engagement for 25 years, and we have tried disarming it through bilateral and multilateral

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[1] David Albright, Serena Kelleher-Vergantini, and Sarah Burkhard, "Syria's Unresolved Nuclear Issues Reemerge in Wake of ISIL Advance and Ongoing Civil War," *Institute for Science and International Security*, June 30, 2015. (http://isis-online.org/uploads/isis-reports/documents/Syria_June_30_2015_Final.pdf)

[2] John Schilling, "North Korea's Large Rocket Engine Test: A Significant Step Forward for Pyongyang's ICBM Program," *38 North*, April 11, 2016. (http://38north.org/2016/04/schilling041116/)

[3] Jeffrey Lewis, "North Korea's Nuke Program Is Way More Sophisticated Than You Think," *Foreign Policy*, September 9, 2016. (http://foreignpolicy.com/2016/09/09/north-koreas-nuclear-program-is-way-more-sophisticated-and-dangerous-than-you-think/)

[4] James Griffiths and Joshua Berlinger, "What is THAAD?" *CNN*, September 9, 2016. (http://www.cnn.com/2016/07/13/asia/what-is-thaad/)

[5] Dagyum Ji, "S. Korean presidential candidate Moon reverses position on THAAD deployment," *NK News*, January 16, 2017. (https://www.nknews.org/2017/01/s-korean-presidential-candidate-moon-reverses-position-on-thaad-deployment/)

[6] Kent Boydston, "Moon Jae-In on North-South Integration," *North Korea: Witness to Transformation*, September 8, 2015. (https://piie.com/blogs/north-korea-witness-transformation/moon-jae-north-south-integration)

negotiations on multiple occasions, resulting in three separate agreements with Pyongyang to freeze or dismantle its nuclear weapons. This approach failed, and it failed miserably.

The approach I outline out below lives in the area between these two scenarios, where we preserve our dedication to the denuclearization of the Korean peninsula while acknowledging that North Korea is not ready to negotiate away its nuclear weapons. Given that reality, we must use all of the tools of American power to protect ourselves and our allies while we simultaneously begin to roll back the North Korean threat. Although Pyongyang is not yet ready to give up its nuclear weapons, the Kim family must know that the United States will not accept it as a nuclear state, or back down against its aggressive actions.

Impact of the North Korea Sanctions and Policy Enhancement Act of 2016 (NKSPEA)

I want to recognize Chairman Royce and Ranking Member Engel in particular for their leadership in their drafting and successful advocacy for the first comprehensive, bipartisan North Korea sanctions law. As someone who spent the last 16 years in the Departments of the Treasury and State working on North Korea policy, it was heartening to see this important issue receive the attention it deserves. It is useful to review some of the accomplishments since former President Barack Obama signed the North Korea Sanctions and Policy Enhancement Act of 2016 (NKSPEA) bill into law almost one year ago.

- On May 27, 2016, the Treasury Department's Financial Crimes Enforcement Network (FinCEN) designated the jurisdiction of North Korea a "primary money laundering concern" consistent with Section 201(b) of the law that required the determination.[7] This Section 311 action against North Korea was long overdue, as the FinCEN Notice of Finding stated that North Korea used front companies to allow two of its designated banks to

[7] U.S. Department of the Treasury, Financial Crimes Enforcement Network, "Finding that the Democratic People's Republic of Korea is a Jurisdiction of Primary Money Laundering Concern," 81 Federal Register 35441, June 2, 2016. (https://www.fincen.gov/sites/default/files/shared/2016-13038(DPRK_Finding).pdf); North Korea Sanctions and Policy Enhancement Act of 2016, Pub. L. No. 114-122, 130 Stat. 93, codified as amended at 114 U.S.C. §201. (https://www.congress.gov/114/bills/hr757/BILLS-114hr757enr.pdf)

conduct financial transactions through U.S. correspondent accounts.[8] The FinCEN action called these activities "a threat to the integrity of the U.S. financial system."[9]

- The requirement in Section 207 of the NKSPEA that the secretary of state issue expanded travel warnings for all U.S. citizens traveling to North Korea has been an invaluable resource toward protecting our citizens. North Korea is not a safe place to visit, especially for Americans, yet the companies that sell tours of North Korea continue to advertise those trips as safe. The stories of Americans being arbitrarily arrested and detained, and treated harshly by the Kim regime, are heartbreaking for these Americans' families, and avoidable. I will return to this issue later in my testimony.

- The increase in designations by the Obama administration in 2016 is directly attributable to the new law this committee drafted. Although it was disappointing that not all these actions were taken under the NKSPEA, thus evading the law's conditions for suspension and termination of the sanctions, the designations of regime-level persons and human rights abusers, and the designation of North Korea's national airline, are important regardless of the authority used.[10] As I discuss later, it is important that executive branch cite the NKSPEA as the authority for its designations and that the pace of designations is divorced from North Korean provocations.

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[8] The FinCEN Notice of Finding also stated: "In 2013, senior North Korean leadership utilized a [Korea Kwangson Banking Corporation (KKBC)] front company to open accounts at a major Chinese bank under the names of Chinese citizens, and deposited millions of U.S. dollars into the accounts. The same KKBC front company processed transactions through U.S. correspondent accounts as recently as 2013. … Between 2008 and 2012, [Foreign Trade Bank (FTB)] used front companies in multiple countries to make and receive payments equivalent to tens of millions of U.S. dollars. In 2011, an FTB front company was involved with U.S.- designated KKBC and Korea 5 Trading Corporation, a subordinate of U.S. and UN-designated Korea Ryonbong General Corporation, in financial dealings totaling several millions of U.S. dollars. The same FTB front company processed transactions through U.S. correspondent accounts as recently as April 2014." U.S. Department of the Treasury, Financial Crimes Enforcement Network, "Finding that the Democratic People's Republic of Korea is a Jurisdiction of Primary Money Laundering Concern," 81 Federal Register 35441, June 2, 2016. (https://www.fincen.gov/sites/default/files/shared/2016-13038(DPRK_Finding).pdf); KKBC was designated by the Treasury Department under E.O. 13382 in August 2009. U.S. Department of the Treasury, Press Release, "Treasury Designates Financial Institution Tied to North Korea's WMD Proliferation," August 11, 2009. (https://www.treasury.gov/press-center/press-releases/Pages/tg260.aspx). FTB was designated by the Treasury Department under E.O. 13382 in March 2013. U.S. Department of the Treasury, Press Release, "Treasury Sanctions Bank and Official Linked to North Korean Weapons of Mass Destruction Programs," March 11, 2013. (https://www.treasury.gov/press-center/press-releases/Pages/jl1876.aspx)

[9] U.S. Department of the Treasury, Financial Crimes Enforcement Network, "Finding that the Democratic People's Republic of Korea is a Jurisdiction of Primary Money Laundering Concern," 81 Federal Register 35441, June 2, 2016. (https://www.fincen.gov/sites/default/files/shared/2016-13038(DPRK_Finding).pdf); U.S. Department of the Treasury, Financial Crimes Enforcement Network, "Imposition of Special Measure Against North Korea as a Jurisdiction of Primary Money Laundering Concern," 81 Federal Register 35665, June 3, 2016. (https://www.fincen.gov/sites/default/files/shared/2016-13037(DPRK_NPRM).pdf)

[10] U.S. Department of the Treasury, Press Release, "The United States Sanctions North Korea Government Officials and Organizations Tied to Its Missile and Nuclear Programs," March 2, 2016. (https://www.treasury.gov/press-center/press-releases/Pages/jl0372.aspx); U.S. Department of the Treasury, Press Release, "Treasury Sanctions North Korean Senior Officials and Entities Associated with Human Rights Abusers," July 6, 2016. (https://www.treasury.gov/press-center/press-releases/Pages/jl0506.aspx); U.S. Department of the Treasury, Press Release, "Treasury Sanctions Individuals and Entities Supporting the North Korean Government and its Nuclear and Weapons Proliferation Efforts," December 2, 2016. (https://www.treasury.gov/press-center/press-releases/Pages/jl0677.aspx)

Four Core Policy Elements

As president-elect, Donald Trump mentioned Kim Jong Un's New Year's Day message threatening to test an ICBM, demonstrating that his administration may take Kim's threats more seriously than President Obama did. North Korea presents a unique foreign policy challenge that will require attention early in Trump's presidency.

The Trump administration can return to a more effective North Korea policy with four core policy elements.

1. Talk to North Korea anytime and anywhere. We know that Kim has no present interest in giving up his nuclear weapons. And we know he would see renewed negotiations with the West over his arsenal as an opportunity to buy time or extract new concessions. It is not worth engaging in negotiations that yield concessions without verifiable changes in Pyongyang's behavior. But it is useful to talk to North Korea directly or in a multilateral format to explain U.S. policy. Pyongyang needs to know what to expect in response to its continued aggression. It is also essential that Pyongyang always understand that it has a non-violent, diplomatic exit strategy that, even if undesirable from its perspective, is vastly preferable to war. It is also essential that any negotiations be held in close consultation with our allies, after explaining the U.S. position and reassuring them that we will not abandon or bargain away their interests.

2. Get tough with China. In 2016, a ground-breaking study by C4ADS and South Korea's Asan Institute for Policy Studies documented how China is turning a blind eye to North Korea's nuclear and missile programs.[11] Chinese trade statistics show that in December 2016, China imported twice the amount of North Korean coal it agreed to in UN Security Council Resolution 2321.[12] China must be treated as part of the problem until it shows that it will be part of the solution.

   The new Trump administration has already vowed to get tough with Beijing. This is an important place to start. Presidents Clinton, Bush, and Obama tried softer approaches to North Korea. Both Bush and Obama sought to work through China to pressure Pyongyang into negotiations. Each of these efforts produced agreements of limited value. In the Clinton and Bush instances, the post-deal implementation efforts focused more on preserving the deals than holding China or North Korea to their commitments. Obama's focus on deals with Iran and Cuba clouded his focus on North Korea and produced the failed policy of strategic patience.

[11] "In China's Shadow," *The Asan Institute for Policy Studies and C4ADS*, August 2016. (https://static1.squarespace.com/static/566cf8b4d8af107232d5358a/t/57dfc74acd0f68d629357306/1474291539480/In+China%27s+Shadow.pdf)

[12] "China imports more North Korean coal even after ban, customs data shows," *Reuters*, January 23, 2017. (http://www.scmp.com/news/china/diplomacy-defence/article/2064731/china-imports-more-north-korean-coal-even-after-ban)

3. Support key allies in the region. Secretary of Defense James Mattis' trip to South Korea and Japan on February 1-4, the first of any Trump official overseas, comes at an important time. The South Korea-Japan relationship has hit a rough patch, with South Korea recently protesting Japanese sexual slavery of Korean women during World War II. Mattis' visit will attempt to shore up this shaky alliance to deter the North Korean threat. Washington should work with South Korea and Japan, and also Australia and other Asian allies, to use tools – including the Proliferation Security Initiative, a coalition of 105 nations dedicated to interdicting materials used in weapons of mass destruction – or other mechanisms to stymie North Korea's proliferation activities. The U.S. should also conduct additional high-profile military exercises with its allies as a deterrent to North Korea. We must reassure South Korea in the face of China's efforts to intimidate it into canceling the deployment of the U.S. Terminal High Altitude Area Defense (THAAD) missile defense system in its territory.

4. Introduce new sanctions on North Korea and strengthen existing ones. U.S. Senator Cory Gardner (R-CO) on January 2 noted the importance of secondary sanctions and measures to address the country's cyber activities to ensure there are consequences for North Korea and those that help it violate UN sanctions or U.S. law.[13] I discuss specific sanctions recommendations for Congress and the Trump administration later in my testimony.

Clearing Away Myths about North Korea Sanctions

Our understanding of the potential utility of sanctions as part of a broader, coherent North Korea policy is often clouded by myths about its history. It is common for scholars and journalists to repeat that years of strong sanctions against North Korea have failed. It is true that thus far, sanctions have not achieved the U.S. objective of disarming North Korea, but it is not true that they have been strong or well enforced, or that they cannot work. The most common myths include the following:

1. Myth #1: North Korea is the most sanctioned country. Despite North Korea's many egregious acts over the last 25 years, the United States showed extraordinary restraint in sanctioning the country. Only in January of 2015 did the president give the secretary of the treasury comprehensive authority to designate North Korean officials and property, and only a few mid-level arms dealers were designated at that time. Additional designations did not begin to pick up speed until March of 2016, after the passage of the NKSPEA. To date, only about one-fourth as many North Korean entities are designated as there were Iranian entities designated in 2015 before the Iran deal was finalized and many entities de-listed. Recent actions have brought the number of North Korea designations to a level above the number of Zimbabwe designations, but still behind other sanctions programs, including the Iran and Ukraine/Russia programs.[14] Even so, the increase in North Korea

[13] Cory Gardner, "Why Donald Trump should make North Korea a top priority," *CNN*, January 2, 2017. (http://www.cnn.com/2017/01/02/opinions/trump-north-korea-priority-opinion/)

[14] Joshua Stanton, someone familiar to this Committee and editor of the One Free Korea blog, has a comprehensive analysis from 2014 comparing North Korea sanctions to other previous programs. Joshua Stanton, "You'd be surprised how much tougher our Zimbabwe and Belarus sanctions are than our North Korea sanctions," *One Free Korea*, July 15, 2014. (http://freekorea.us/2014/07/15/youd-be-surprised-how-much-tougher-our-zimbabwe-and-belarus-sanctions-are-than-our-north-korea-sanctions/#sthash.C61YYXQe.dpbs)

designations (to approximately 200) is a clear and direct result of this committee's leadership, which resulted in the North Korea Sanctions and Policy Enhancement Act of 2016.

2. Myth #2: North Korea is isolated financially; there is no way to have an Iran-style sanctions program. As I noted earlier, Treasury's FinCEN's Section 311 action against North Korea designating the country as a jurisdiction of primary money laundering concern, the C4ADS report, the Justice Department's indictment and asset forfeiture actions in late September 2016, and other efforts have debunked this myth.[15] The fact that North Korean financial institutions had used front companies to conduct financial transactions through the U.S. financial system that allowed it to threaten us, our allies, and its own people is an outrage.

   North Korea has been developing nuclear weapons to target the United States for more than 25 years, compromising our own financial system with the knowledge of our government. The public report by C4ADS and the Asan Institute for Policy was eye opening for what it revealed about the scope and scale of Chinese nationals acting on behalf of North Korea.[16] Treasury's designations and Justice's indictments and civil forfeiture complaint were astonishing and should have reset the priorities in the U.S. dialogue with China.[17] The Justice Department noted that from August 2009 to September 2015, Chinese nationals had "opened Chinese bank accounts to conduct U.S. dollar financial transactions through the U.S. financial system when completing sales to North Korea."[18] These are recent examples showing the global scope of North Korea's financial activities that pose a direct threat to the United States and to the integrity of the financial system. They are also prime targets for Iran-style sanctions.

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[15] U.S. Department of the Treasury, Financial Crimes Enforcement Network, "Finding that the Democratic People's Republic of Korea is a Jurisdiction of Primary Money Laundering Concern," 81 Federal Register 35441, June 2, 2016. (https://www.fincen.gov/sites/default/files/shared/2016-13038(DPRK_Finding).pdf); U.S. Department of the Treasury, Financial Crimes Enforcement Network, "Imposition of Special Measure Against North Korea as a Jurisdiction of Primary Money Laundering Concern," 81 Federal Register 35665, June 3, 2016. (https://www.fincen.gov/sites/default/files/shared/2016-13037(DPRK_NPRM).pdf); "In China's Shadow," *The Asan Institute for Policy Studies and C4ADS*, August 2016. (https://static1.squarespace.com/static/566ef8b4d8af107232d5358a/t/57dfe74acd0f68d629357306/1474291539480/In+China%27s+Shadow.pdf); U.S. Department of Justice, Press Release, "Four Chinese Nationals and China-Based Company Charged with Using Front Companies to Evade U.S. Sanctions Targeting North Korea's Nuclear Weapons and Ballistic Missile Programs," September 26, 2016. (https://www.justice.gov/opa/pr/four-chinese-nationals-and-china-based-company-charged-using-front-companies-evade-us)

[16] "In China's Shadow," *The Asan Institute for Policy Studies and C4ADS*, August 2016. (https://static1.squarespace.com/static/566ef8b4d8af107232d5358a/t/57dfe74acd0f68d629357306/1474291539480/In+China%27s+Shadow.pdf)

[17] U.S. Department of the Treasury, Press Release, "Treasury Imposes Sanctions on Supporters of North Korea's Weapons of Mass Destruction Proliferation," September 26, 2016. (https://www.treasury.gov/press-center/press-releases/Pages/jl5059.aspx); U.S. Department of Justice, Press Release, "Four Chinese Nationals and China-Based Company Charged with Using Front Companies to Evade U.S. Sanctions Targeting North Korea's Nuclear Weapons and Ballistic Missile Programs," September 26, 2016. (https://www.justice.gov/opa/pr/four-chinese-nationals-and-china-based-company-charged-using-front-companies-evade-us)

[18] U.S. Department of Justice, Press Release, "Four Chinese Nationals and China-Based Company Charged with Using Front Companies to Evade U.S. Sanctions Targeting North Korea's Nuclear Weapons and Ballistic Missile Programs," September 26, 2016. (https://www.justice.gov/opa/pr/four-chinese-nationals-and-china-based-company-charged-using-front-companies-evade-us)

3. Myth #3: There are not enough people to designate because North Korea is isolated. One often hears this argument in the context of North Korea. The truth of the matter is related to the previous point that North Korea is dependent on the dollar system, and therefore vulnerable to an Iran-style sanctions program. In 2016 alone, the NKSPEA forced the designations of 20 individuals, 30 companies (including 7 banks), 6 government ministries, 20 ships, and 16 aircraft. We will soon find out how many more North Korean targets our intelligence and law enforcement agencies can identify. The U.S. could have amplified the impact of those designations by taking enforcement action against Chinese banks that helped Pyongyang access the financial system.

   It is important to note that even some of the actions that were taken in 2016 were incomplete. For example, in the case I cited above on Chinese nationals essentially providing a financial conduit for North Korea from the Chinese financial system to the U.S. financial system, not a single Chinese bank was designated, fined, or investigated for deficient anti-money laundering (AML) compliance measures, despite multiple warning signs of deceptive financial practices. That is a missed opportunity. Unless Congress has received a waiver of the mandatory sanctions requirement, this is a key area in which Congress can exercise its oversight powers.

4. Myth #4: China does not respond to pressure. I have participated in many formal and informal debates with colleagues at the State and Treasury Departments on this very issue, as it goes to the heart of our approach on North Korea sanctions. In my experience, China can be swayed to change its behavior, but only if the United States is willing to act against China's interests and seek Beijing's cooperation from a position of strength. It is not a foregone conclusion that China's leaders will shelter North Korea. Two examples are illustrative here. In March 2013, the U.S. Treasury designated North Korea's Foreign Trade Bank (FTB), North Korea's primary foreign exchange bank. At the time of FTB's designation, Treasury stated that the FTB was "facilitating transactions on behalf of actors linked to [North Korea's] proliferation network."[19] Two months later, the Bank of China stated that it had sent North Korea's Foreign Trade Bank a notice that it had "closed its account and has also halted all fund transfers related to this account."[20] This is a good example of China acting to cut off North Korea's activities inside China when those actions threaten China's economic interests. The case of Chinese nationals acting on behalf of another North Korean designated financial institution, Korea Kwangson Banking Corporation, noted earlier, was three years later, even though we now know the activities were ongoing in 2013.[21] While the U.S. action against these Chinese persons was

[19] U.S. Department of the Treasury, Press Release, "Treasury Sanctions Bank and Official Linked to North Korean Weapons of Mass Destruction Programs," March 11, 2013. (https://www.treasury.gov/press-center/press-releases/Pages/jl1876.aspx)

[20] Simon Rabinovitch and Simon Mundy, "China reduces banking lifeline to N Korea," *Financial Times* (UK), May 7, 2013. (https://www.ft.com/content/a7154272-b702-11e2-a249-00144feabdc0)

[21] U.S. Department of the Treasury, Press Release, "Treasury Imposes Sanctions on Supporters of North Korea's Weapons of Mass Destruction Proliferation," September 26, 2016. (https://www.treasury.gov/press-center/press-releases/Pages/jl5059.aspx); U.S. Department of Justice, Press Release, "Four Chinese Nationals and China-Based Company Charged with Using Front Companies to Evade U.S. Sanctions Targeting North Korea's Nuclear Weapons and Ballistic Missile Programs," September 26, 2016. (https://www.justice.gov/opa/pr/four-chinese-nationals-and-china-based-company-charged-using-front-companies-evade-us)

incomplete, it is important to note that China did act against this network. After the United States acted against these Chinese persons, Beijing arrested 10 people and froze the assets of the founder of the involved company.[22]

Recommendations for Congress

1. Mandate additional resources to address North Korea's activities. The North Korea Sanctions and Policy Enhancement Act of 2016 is a comprehensive law that provides a myriad of tools for the Trump administration to address the North Korean threat. It is important that Congress continue to address additional areas through legislation in the same overwhelmingly bipartisan nature, signaling to North Korea and China that focus on this issue will continue. Throughout my testimony, I have detailed the challenge we face with an adversary that seems to be one step ahead of us. Our entire approach to the North Korea issue needs to change. One area Congress can address immediately is providing additional resources to the Treasury Department, Justice Department, Intelligence Community, and other government agencies to investigate violations of the NKSPEA.

2. Restrict travel to North Korea. I noted earlier that the State Department's enhanced travel warnings mandated by the NKSPEA are important to protecting the safety of U.S. nationals.[23] Banning tourist travel would also amplify the effectiveness of the recent designation of North Korea's national flag carrier, Air Koryo, and deny Pyongyang another source of hard currency. By law, the president does not have the authority to ban transactions incident to travel to, from, or within North Korea without further action by Congress.[24] Congress, however, could pass legislation authorizing the president to restrict travel to North Korea by requiring licenses for such transactions. The benefit of this licensing system is that it would allow the United States to screen and be aware of all U.S. persons in North Korea. The licensing system could also have exceptions for U.S. government travel and private trips associated with humanitarian missions. The goal would simply be to restrict tourist travel to North Korea.

3. Increase transparency into investigations. The North Korea Sanctions and Policy Enhancement Act of 2016 in Section 102 requires the president to open an investigation into a possible designation upon receipt of "credible information" that a person has engaged

[22] Chun Han Wong and Jay Solomon, "U.S., China Move Against Firm Suspected of Aiding North Korean Nuclear Program," *The Wall Street Journal*, September 19, 2016. (https://www.wsj.com/articles/u-s-china-move-against-firm-suspected-of-aiding-north-korean-nuclear-program-1474300834); Elizabeth Shim, "China arrests more than 10 business executives for North Korea trade," *UPI*, September 21, 2016. (http://www.upi.com/Top_News/World-News/2016/09/21/China-arrests-more-than-10-business-executives-for-North-Korea-trade/1531474469593/)

[23] The State Department "strongly urges U.S. citizens to avoid all travel to North Korea/the Democratic People's Republic of Korea (DPRK) due to the serious risk of arrest and long-term detention under North Korea's system of law enforcement, which imposes unduly harsh sentences, including for actions that in the United States would not be considered crimes and which threaten U.S. citizen detainees with being treated in accordance with "wartime law of the DPRK." U.S. Department of State, "North Korea Travel Warning," November 9, 2016. (https://travel.state.gov/content/passports/en/alertswarnings/north-korea-travel-warning.html)

[24] International Emergency Economic Powers Act of 1977, Pub. L. 95-223, 91 Stat. 1625, codified as amended at 95 U.S.C. §103(b)(4).

in any of the prohibited conduct described in section 104(a).[25] Congress could amend this section to increase transparency into the investigations of persons that could be subject to sanctions under NKSPEA. One option could be to include provisions found in the Sergei Magnitsky Rule of Law Accountability Act of 2012 Section 404(c)(3) that the president consider information from "credible data obtained by other countries and nongovernmental organizations."[26] This, for example, would have prompted an investigation following the C4ADS-Asan report.[27]

Another useful addition from the Magnitsky Act's Section 404(e) requires a response from the executive branch on whether information submitted from the chairperson and ranking member of appropriate congressional committees are investigated.[28]

An additional useful transparency measure is mandating regular briefings from the administration, including specific information on ongoing investigations for a small group of members and staff, possibly as an extension of Section 103 of the North Korea Sanctions and Policy Enhancement Act of 2016.

4. Investigate China. The Treasury and Justice Departments' actions in late September 2016 showed a troubling pattern of Chinese persons assisting North Korean-designated persons, including through the U.S. financial system. These transactions lasted six years, up to September 2015, making it hard to believe the Chinese government regulators were unaware of this conduct. It is important that Congress and the American people understand the extent of China's efforts, or lack thereof, to combat money laundering, sanctions violations, and proliferation financing. I recommend that new legislation include specific sections on North Korea's network within China. It should also address the broader issue of Chinese support for, and harboring of, North Korean nationals involved in prohibited conduct. In particular, the report could also focus on whether the financial institutions involved should have been designated or subjected to secondary sanctions.

Recommendations for the Trump Administration

1. Make significant changes to our North Korea sanctions efforts. North Korea represents a direct threat to the United States and our allies, and we must radically change our approach to North Korea sanctions efforts. All remaining North Korean banks should be designated immediately. A senior official from the Treasury Department should make clear in a major speech or in Congressional testimony that the Trump administration will enforce

[25] North Korea Sanctions and Policy Enhancement Act of 2016, Pub. L. No. 114-122, 130 Stat. 93, codified as amended at 114 U.S.C. (https://www.congress.gov/114/bills/hr757/BILLS-114hr757enr.pdf)
[26] Russia and Moldova Jackson-Vanik Repeal and Sergei Magnitsky Rule of Law Accountability Act of 2012, Pub. L. 112-208, 126 Stat. 1496, codified as amended at 112 U.S.C. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/pl112_208.pdf)
[27] "In China's Shadow," *The Asan Institute for Policy Studies and C4ADS*, August 2016. (https://static1.squarespace.com/static/566cf8b4d8af107232d5358a/t/57dfc74acd0f68d629357306/1474291539480/In+China%27s+Shadow.pdf)
[28] Russia and Moldova Jackson-Vanik Repeal and Sergei Magnitsky Rule of Law Accountability Act of 2012, Pub. L. 112-208, 126 Stat. 1496, codified as amended at 112 U.S.C. (https://www.treasury.gov/resource-center/sanctions/Programs/Documents/pl112_208.pdf)

requirements on financial institutions to know their customer when it comes to North Korea and will use available sanctions against those who do not comply.

President Trump should direct the attorney general and treasury secretary to jointly investigate the Treasury and Justice actions in late September 2016 and the Bank of China for its 2013 transactions on behalf of Chinpo Shipping.[29] The treasury secretary should take strong action against any bank that continues to provide direct or indirect financial services to North Korean banks. The Treasury and State Departments should press SWIFT, a global provider of secure financial messaging services, to immediately cut North Korea from the system.[30] In 2012, SWIFT took a similar action to remove Iranian financial institutions from its system; a decision that was reversed in February 2016.[31]

2. Designate additional persons before the next North Korean provocation. The United States has a tendency to engage in a provocation-response cycle when it comes to North Korea's provocative behavior. This approach is dangerous, as it suggests that North Korea is only a threat when it engages in provocations. In fact, North Korea is a threat to the United States and our allies every day it continues the development of its nuclear weapons, means of delivery, and proliferation activities. Part of this new approach would include investigating China-North Korea activities and using the North Korea Sanctions and Policy Enhancement Act of 2016 to designate persons, including Chinese financial institutions, with sanctions and secondary sanctions. A critical aspect of this approach is the designation of North Korean front companies on a regular basis. Financial institutions can be an ally in the effort to stop North Korea's activities, but that can only happen if there is a regular designation process that exposes North Korea's efforts to compromise the financial system through the use of front companies.

3. Enhance diplomatic efforts to implement sanctions. The United States is uniquely positioned to lead a robust diplomatic effort to implement existing sanctions and create the environment for new multilateral sanctions through the United Nations or as the leader of international coalitions concerned with the prevention of money laundering, smuggling, proliferation, human trafficking, and other human rights abuses. The UN Panel of Experts has consistently called out the poor implementation of the of the UN sanctions already in place. The United States, specifically its Special Representative for North Korea Policy, could lead that effort.[32] It is also important that these efforts reinforce the notion that while a significant percentage of North Korea's trade is with China, Pyongyang has other economically important and dangerous relationships with other states. The U.S. government must be properly organized, staffed, and resourced for this mission, and it is

[29] Andrea Berger, "Thanks to the Banks: Counter-Proliferation Finance and the Chinpo Shipping Case," *38 North*, December 16, 2015. (http://38north.org/2015/12/aberger121615/)
[30] Society for Worldwide Interbank Financial Telecommunication (SWIFT). https://www.swift.com/
[31] Rick Gladstone and Stephen Castle, "Global Network Expels as Many as 30 of Iran's Banks in Move to Isolate Its Economy," *The New York Times*, March 15, 2012. (http://www.nytimes.com/2012/03/16/world/middleeast/crucial-communication-network-expelling-iranian-banks.html); "Iranian banks reconnected to SWIFT network after four-year hiatus." *Reuters*, February 17, 2016. (http://www.reuters.com/article/us-iran-banks-swift-idUSKCN0VQ1FD)
[32] United Nations Security Council, "Report of the Panel of Experts established pursuant to resolution 1874 (2009)," S/2016/157, February 24, 2016. (http://www.un.org/ga/search/view_doc.asp?symbol=S/2016/157)

imperative that North Korea be given the highest priority when it comes to diplomatic engagement and sanctions investigations.

4. Increase engagement at the United Nations. A general rule with regard to sanctions is that the United States leads while other states and multilateral bodies (such as the United Nations and the European Union) follow. That rule is instructive here, where the United States must use all of its sanctions and investigative tools, including the resources of non-governmental organizations, to expose North Korea's illicit network. The United States could use the information it acquires to host information sessions for interested delegations. The U.S. should also increase its support to the UN Panel of Experts, including by providing the Panel more information about the status and location of key North Korean networks and assets.

Conclusion

North Korea is a difficult foreign policy challenge that the United States has failed to appropriately address. The new Trump administration presents another opportunity – perhaps our last one – to harness all of the tools of American power to address this direct threat to the United States non-violently. Today's hearing is an important step in that direction, and I look forward to addressing your questions.

On behalf of the Foundation for Defense of Democracies, I thank you again for inviting me to testify.

Chairman ROYCE. Thank you very much, Mr. Ruggiero.

Ambassador Gallucci; good to see you, sir.

I think that red button there may not be on.

STATEMENT OF THE HONORABLE ROBERT L. GALLUCCI, DISTINGUISHED PROFESSOR IN THE PRACTICE OF DIPLOMACY, WALSH SCHOOL OF FOREIGN SERVICE, GEORGETOWN UNIVERSITY

Ambassador GALLUCCI. The red button was not on.

Mr. Chairman, members of the committee, I'm grateful for this opportunity to share some thoughts with you this morning on this important topic.

Twenty-four years ago, a new administration came into office and was confronted with the first foreign policy challenge, and it was North Korea with a secret then nuclear weapons program, violation of safeguards, and announced intention to withdraw from the Nuclear Non-Proliferation Treaty.

A year and a half of negotiations later, a deal was struck with the North Koreans. Essentially, we got what we wanted out of that deal. We wanted to shut down a plutonium program that would have produced, the estimate was by the Intelligence Community, 150 kilograms of plutonium a year, enough for 30 nuclear weapons a year. We got that program shut down and it was shut down for about a decade. So when the Bush administration came in, there were no nuclear weapons that we knew of in North Korea, as opposed to hundreds. They got two light-water reactors or got a commitment to build two light-water reactors worth about $6 billion. They never were completed.

Early in the Bush administration, the North Koreans were called on their cheating on the deal. They were doing a secret deal with the Pakistanis for the other technology which produces fissile material, uranium enrichment. So we have a case, and you can read that case lots of different ways. Will negotiations work? Will they always cheat? I think men and women of good will can disagree, but it is a case, and it's a non-trivial one.

The Obama administration followed the Bush administration and did much the same thing: Pursued sanctions, attempted to have negotiations, never got as far as the Bush administration or the Clinton administration. I think it's fair to say that after more than a decade of negotiations and sanctions, what my colleagues have said is true. The policy has failed up until now to stop the North Korea nuclear program, and it has blossomed along with a ballistic missile program. So I think what we have now is a question of what will work?

The first thing that has occurred to a lot of analysts is, let's let China do it. They're closer, they have influence, and the question is can we rely on the Chinese to rein in the North Korean nuclear program, and I think the short answer is no, we cannot. The Chinese have overlapping interests with us but not congruent interests, and as Victor said before, subcontracting this issue to our principal competitor in the Asia-Pacific region is not a brilliant strategy for us to follow.

A second question is, and it goes to the heart of what everyone has talked about, is will sanctions do the trick? By "do the trick,"

I mean will they bring the regime down, will they stop the ballistic missile and nuclear weapons program, will they force the North Koreans to the negotiating table in the right frame of mind?

And I've heard it said, "If we have the right sanctions it would do all that." I don't believe it. I don't believe it; yet, if I did believe it, I would be more enthusiastic about sanctions. I don't oppose sanctions. I just think if that is your strategy it's not a winning strategy; certainly, not, if you have not gotten the Chinese on board to those sanctions.

I think another question for us, this administration, for the United States is, for those who favor negotiations, should we settle for a freeze in the North Korean program? Even my colleagues have said the North Koreans will never give up their nuclear weapons program. So if you negotiate and that's your deal, then you want to say let's at least go for a freeze and cap it. Okay. I believe the answer to that is also no, do not do that.

A freeze is not good enough. A freeze, as one of my colleagues said, legitimizes the North Korean nuclear weapons program. It will be offensive in Seoul and in Tokyo, allies of the United States whom we have asked to forego nuclear weapons, to then confront an adversary like North Korea that we would permit and legitimize with nuclear weapons. So I say no, a freeze is not adequate.

What I would propose is that instead of decreasing our goals we increase our goals. And I'm an advocate generally speaking of negotiation. You've seen the Ambassador line there. I come from an institution that does this for a living. And my view here is that if we insist that the outcome is no nuclear weapons, a return to the Non-Proliferation Treaty, if we insist that North Korea behave as a normal country in the international system and at least meet minimum standards with respect to how they treat their own citizens, in other words, their human rights records, we have a chance for success. And the reason is this: The North Korean Nuclear Weapons Program is designed for really one thing, regime survival, and to deter the United States of America. The only other thing that will give the North Koreans assurance that they don't have to worry about the United States executing what they have said to me more than once is our favorite policy of regime change. The only thing apart from having their own nuclear weapons as a deterrent is a relationship with the United States in which that is no longer our objective. And that outcome is implausible with a North Korea that treats its own people with the disrespect it does. When we look at that regime and are horrified by what it has done by its human rights record, we are not going to get into a normal relationship.

So my proposal here is that we stick to a high level in terms of what we want, nonproliferation, preventing the nuclear weapons programs, but at the same time insist that the human rights record in North Korea improve so that there's a plausible outcome in which the United States and North Korea move out of the situation of an adversarial relationship.

I don't think that can happen quickly or easily, but I think it's plausible. I think that the carrot for the North Koreans here might be some sort of assistance, might have to do with our military exercises with the South Koreans, but fundamentally, the thing they

want is a normalized relationship with us. And we have to give them a roadmap, a path to that that meets our needs. And if we do that over the long term, I think actually removing North Korea as a threat to the region and to the Continental United States is a plausible outcome.

I would say that through this all, if we were to proceed in anything like that, it would have to be in close concert with our allies, particularly the South Koreans. And I would also say that we would be well off if we could avoid ourselves making the first provocation to the North in the relationship of the new administration to the DPRK. In other words, if the North Koreans test, as many of you believe they will, a ballistic missile and a nuclear weapon, I'm perfectly prepared to believe the proper response is tougher sanctions, whatever exactly that means. But I would ask that we all consider the virtue of us not being the first to strike at the North Koreans with tougher sanctions, that we look and see whether there is an outcome that might be negotiated.

Thank you, Mr. Chairman.

[The prepared statement of Ambassador Gallucci follows:]

Testimony Before the U.S. House of Representatives Committee on Foreign Affairs

"Countering The North Korea Threat: New Steps in U.S. Policy"
10:00am, Tuesday, February 7, 2017

Robert L. Gallucci
Distinguished Professor in the Practice of Diplomacy
Georgetown University

I want to begin by thanking the Chairman and members of the Committee for giving me the opportunity to share some thoughts on this important topic.

Twenty-four years ago a new Administration came into office and immediately confronted a national security crisis involving North Korea. That country was pursuing a clandestine program to develop nuclear weapons, had refused to accept special IAEA safeguards inspections, and had announced its intension to withdraw from the Nuclear Non-Proliferation Treaty. Over the next year and a half, the Clinton Administration conducted bilateral negotiations with the DPRK which resulted in a controversial deal, one that brought benefits to North Korea in exchange for its return to the NPT and the termination of all its programs to produce plutonium for nuclear weapons.

What happened next is disputed. The American narrative is that the North Koreans dismantled their plutonium program, but secretly launched another program to produce highly enriched uranium for nuclear weapons. In its second year in office, the Bush Administration confronted the North over its cheating and effectively terminated the deal done a decade earlier. The DPRK version has the United States first failing to honor its commitments under the deal, and then singling out the North as one point on an "axis of evil" before ending the deal.

In any event, the Bush Administration eventually went on, at different times, to pursue polices of both punitive sanctions and active diplomatic engagement, but to no avail. The Obama Administration did much the same with similar results. Over the years, North Korea has pursed both plutonium production and uranium enrichment programs, built and tested nuclear weapons, and developed and tested ballistic missiles of increasing range. It has put our treaty allies, the Republic of Korea and Japan, at risk of nuclear attack, intermittently provoked them with actions on land and at sea, transferred a plutonium production reactor to Syria – subsequently destroyed by Israel – and now threatens to test an ICBM which it says will be capable of delivering a thermonuclear nuclear weapon to the continental United States.

It seems likely that the new Administration will re-discover old policies, though perhaps pursuing them with new vigor: tougher sanctions to damage North Korea and drive it to the negotiating table, combined with attempts to pressure China to allow those sanctions to work. But we should not be optimistic that this approach will work any better in the future than it has in the past. North Korea is not Iran, it is not integrated into the world economy in a way that makes it vulnerable to sanctions, and its leader was not elected by the people, so his authority and longevity does not turn on delivering prosperity to them. Indeed, we should by now recognize that China's interests regarding North Korea may overlap with ours -- neither of us want to see a war in Northeast Asia – but they are not congruent. Sanctions that would truly threaten the North's regime, and plausibly bring it to the table in the proper frame of mind, would also risk undermining the regime, and China will not risk such instability on its border.

In looking for another approach, we should first be clear about what we need as an outcome. Too many analysts are now rushing to answer that question by saying that all we need is to stop the North Korean nuclear weapons and ballistic missile programs from growing, that aiming for more, completely rolling back the programs, for example, is unrealistic. But it may be, on the contrary, that failing to have more ambitious goals is unrealistic and dangerous.

It may be that entering negotiations with North Korea in which we do not declare our goal to be the return of the DPRK to its former status as a non-nuclear weapon state would appear to have the United States legitimize the North's nuclear weapons status, and thus increase the likelihood that before too long South Korea and then Japan would follow suit. Following such a course has been a topic of discussion in both Seoul and Tokyo of late as both countries assess the credibility of our extending deterrent. It is not only the emerging vulnerability of the US to nuclear blackmail that that troubles them, it is also that North Korea may be allowed defense capabilities which we have pressed our allies to forgo. We should not make matters worse in Northeast Asia as we design our policies for dealing with North Korea.

A second, more ambitious goal is to have North Korea meet at least minimum international human rights standards for the treatment of its citizens. It may be counterintuitive to see adding human rights to the agenda as increasing the likelihood of accomplishing our security objectives, but things have changed since we did the deal with the DPRK a quarter century ago. Then, we insulated the nuclear negotiations from human rights concerns, hoping to "keep it simple" and assuming that we could buy the North's restraint on the nuclear weapons issue by offering a substantial nuclear power project. It turned out that since their nuclear weapons program then, as now, was aimed at creating a deterrent to enhance the chances for regime survival, the only deal that would meet their needs was one which addressed the American threat.

In other words, a reasonable interpretation of what goes on here is that the North Koreans see only two ways to insure against US initiated regime change, nuclear weapons that threaten the US homeland, or a political settlement with the US that genuinely ends hostile relations between us and them. They may have thought they were getting the second in the deal in the 1990s, but there was, in fact, no basis for a dramatic improvement in bilateral relations so long as they maintained a brutal, repressive, totalitarian regime.

If this interpretation is correct, no serious restraint on the North Korean nuclear program should be expected in any deal, unless that deal addresses their security concerns – unless that deal creates the circumstances for a dramatic improvement in US-DPRK relations. And no such improvement is remotely plausible absent a real change in the way the North Korean government treats its own people with respect to human rights.

One way to conceptualize policy that might proceed from this analysis is to envision three phases of engagement over time.

In the first phase, the US and the DPRK would negotiate a roadmap, detailing the steps both sides would take to reach the goals specified by each at the beginning. We would be explicit about the North giving up its nuclear weapons program under international inspection and rejoining the NPT, and meeting specified standards of behavior with respect to human rights. The North would be clear about its goals, presumably to include major modifications in US-ROK military exercises, economic assistance and political moves appropriate to a new relationship with the US. The North would have to agree to suspend nuclear weapons and ballistic missile tests, and avoid any provocations in the DMZ, at sea or anywhere else during this phase. We might expect the North in this phase to want sanctions relief, and to insist that the US and the ROK alter their military exercises in some way.

In the second phase, both sides would take the steps necessary to implement the roadmap, with the US always moving in close coordination with its allies, particularly Seoul, and especially with regard to military exercises.

The third phase would involve serious political engagement between North and South aimed at beginning the process of reunification.

The essence of my remarks is that if our policies are sensitive to an analysis of North Korean goals and motivations, and we are equally as clear about own objectives, it will lead us to expand our goals and to move in a phased, incremental way to achieve them.

A final word goes to very next steps. Six months ago when I met North Korean representatives for Track II discussions in Kuala Lumpur, I took the opportunity to advise them that they should avoid greeting a new American administration with new nuclear or ballistic missile tests, or any aggressive moves towards the US or its

allies, aimed at increasing their leverage in some future negotiation. I suggested that whomever the next President turned out to be, they would not appreciate such a greeting and would undoubtedly respond with appropriate vigor and certainly not with an inclination to negotiate any time soon. In response, my interlocutor said that his government would have a similar reaction if a new American administration immediately launched new sanctions or made provocative moves in the context of joint military exercises. This should not surprise us.

Chairman ROYCE. Thank you, Ambassador.

I must say, in '94 I was convinced by the line of reasoning that if we did reach out to the North Koreans, we could get them to change their behavior, so I was one of those who supported the North Korean Framework Agreement. But, subsequently, I had the opportunity to talk to Hwang Jang-yop who was the Minister of Propaganda who defected through China, and he convinced me that this was a blunder. In his mind, it was an opportunity of North Korea to get on the life support system that would give them the wherewithal to continue to build support for the regime while they focused on their number one goal. And the problem with the number one goal of developing this nuclear weapons system is that it doesn't just stay local.

As we saw in 2007, right in the middle of the Six-Party Talks, we suddenly stumbled over the fact, or maybe we didn't, but other intelligence services stumbled onto the fact that they were building a replica of their nuclear weapons program on the banks of the East Euphrates River for Syria. That facility was taken out by the IDF, but it was a reminder that as we were watching other rogue regimes, we were watching them take these flights up to Pyongyang, and we were watching the transfer of this technology and capability, ICBM and nuclear weapons capability.

And so I go to an issue that I think is very important to this committee, and that was the argument we heard expressed over and over again about South Africa; that it would be absolutely implausible that sanctions passed here from this committee could have such an effect as to implode the government in South Africa and end apartheid. This was viewed as conventional wisdom, so much so that when this committee, and this is before my time, but when this committee passed that legislation it was vetoed by the administration.

Fortunately, Republicans and Democrats, I think over 80 percent of the House and Senate overrode that veto, as I recall history, and deployed those sanctions. The reason I tell this story is, I was in South Africa with some of my colleagues here, and I had a conversation with one of the key decision makers who back at that time had been a prominent industrialist defending the apartheid system. And what he said to us is that we would not have lasted another week under the types of sanctions that the United States and Europe led and deployed against apartheid. We could not last another week without it absolutely imploding the system.

And so as a consequence of that information at least that I got from the Minister of Propaganda, and that we're now hearing increasingly from this number two in the Embassy in Britain who defected from North Korea, is not unlike the same information we got from those who worked on the missile program, who told us not only was there not the money to buy any longer the clandestine gyroscopes we bought on the black market, or pay for the missile program, but we couldn't—he couldn't pay his generals. This young man's father could not pay his generals during that year's time that Treasury Department had deployed those sanctions. And this is not a good position for dictators to be in, as related to us by those who had defected out of the country.

So inasmuch as we have tried every other approach from my standpoint since '94, it would be wise I would think once to approach again as we did once before the Chinese financial system and ask those banks to make that choice, whether or not they're going to freeze the accounts, as they made the decision then to freeze the accounts, or whether their primary objective is to continue to do business in that way. Not a single Chinese bank was designated, or fined, or investigated under the legislation that we've passed.

So I would ask Mr. Ruggiero, you were a professional at the Treasury Department working on these types of cases. Was this an isolated incident? I'd just like to get your view, and also Dr. Terry's view on this.

Mr. RUGGIERO. Sure. I guess I would start by saying that a Section 311 action against China is not the only option available. Obviously, there could—as you have suggested, there could be trips to China to talk to those Chinese banks, and talk about the choice that you laid out, or talk to them about knowing your customer's customer. There could be fines like we did with several European banks, billions of dollars worth of fines that were assessed against European banks.

I think it's important to talk about the Justice Department and Treasury Department action in late September where you had four Chinese nationals and a Chinese company that described itself as attached to North Korea in terms of trade, and those Chinese banks clearly did not provide strict scrutiny on the transactions of those individuals and that company. They set up 22 front companies outside of China to allow U.S. dollar transactions through the U.S. financial system that were on behalf of a U.S. designated North Korean bank. That was shocking, and the fact that a Chinese bank has not been punished for that at all is quite appalling.

Chairman ROYCE. Dr. Terry. Thank you.

Ms. TERRY. So your comment about not being able to pay generals really struck me. From my experience, for North Korean regimes, the key pillar of stability for North Korean regimes is elite support. Right? This is how the Kim regime, the family has survived for decades. As long as you have the elite support, it's okay, it does not matter what happens to the public.

Sanctions is one way to get at that elite support that you mentioned. This is why in my written testimony toward the end, I mention that the more we intensify the economic pressure against the regime, we are getting at that discontent of the elites. The less that Kim Jong Un has money, the foreign currency to underwrite the lifestyle of the elites, we are building a potential foundation for instability.

You mentioned that Mr. Thae himself had talked about how elite defection to South Korea has really increased last year, that there is a disunity among the ruling class. And the only way to get at that is to continually stir trouble at their leadership level. As far as I'm concerned, economic sanctions is the only leverage we really have to get at that.

Chairman ROYCE. Thank you, Dr. Terry. I need to go to Mr. Engel. My time has expired.

Mr. ENGEL. Thank you, Mr. Chairman. Last year, former Senator Sam Nunn co-led an Independent Council and Foreign Relations Task Force that produced a report called "A Sharper Choice on North Korea." Unfortunately, Senator Nunn was not able to join us today, but he did share his thoughts in the form of written testimony, so I'd ask unanimous consent to ask for Senator Nunn's testimony to be entered into the record.

Chairman ROYCE. Without objection, I'd ask for unanimous consent. Thank you.

Mr. ENGEL. Thank you.

Former Secretary of Defense, Bill Perry, has also recommended a last ditch effort to revive sanctions with North Korea, in part to pave the way for China to become more amenable to tougher sanctions if the talks should break down.

Let me ask, Mr. Ruggiero, let me ask you this. How would you suggest we shape a tougher sanctions policy while not alienating China? How can Congress best preserve space for the administration diplomatically to probe North Korea? If negotiations fail, in addition to tougher sanctions, what steps should the United States and South Korea take to bolster our defense capabilities in the face of increasing aggression from the North? And how might Beijing react to these measures?

Mr. RUGGIERO. Sure. I think on the sanctions piece, as I noted in my oral testimony, the fact that it was a good step forward that we nearly doubled the number of designations, but most of those were inside North Korea; 88 percent inside North Korea. And as I just described, when you have a 22 entity front company scheme and none of those were designated, that seems to be the wrong approach. That would be sort of the first approach I would take, is looking at more of the companies outside North Korea.

North Korea clearly uses front companies to obscure its access not only to the U.S. financial system, but to the global financial system. When you talk to banks, as I have, they wonder, you know—they don't want to do business with North Korea, but how do they stop the business that is clearly ongoing; and that is, identifying the front companies very clearly. That's an action the Treasury Department can take.

And as I noted with the chairman's question, there are many steps you can take. I understand that in a lot of ways people want to jump right to a Section 311 action against China, which I understand will have ramifications beyond just North Korea, but there are steps you can take. I'm fairly certain that both foreign financial institutions inside China—and frankly, the big Chinese banks do not want to be doing this business with North Korea. And so making a clear and stark choice for them that if they do that business, if they do not have the systems in place to detect that business, that maybe they won't get a 311, but they'll get a hefty fine, or they themselves might—or elements of the Chinese financial system could be designated, as was done with Iran; a Chinese bank was designated. So there are different ways to do it to really show China that it's time for them to take a different approach.

Mr. ENGEL. Ambassador Gallucci, do you agree?

Ambassador GALLUCCI. My view is that if the chairman was right about sanctions and their impact, and the South African

model is a good model, then I think pursuing sanctions, maybe not initially, maybe trying for negotiations is a plausible way to proceed. But, ultimately, proceeding with the most effective sanctions and avoiding the highest risk, as I understood him to be recommending, sounds perfectly plausible to me as a policy. But I remain skeptical that it will produce the results we want, that we'll see that nuclear weapons program slow down or stop, that we'll see the regime be shaken, or that we'll see the regime feel threatened sufficiently to come to a negotiating table in a new frame of mind. So I'm skeptical of that, but I honestly don't know.

Mr. ENGEL. Thank you. Dr. Terry, you mentioned the elites in the regime.

You know, one of the things that surprised me when I went to North Korea, first of all, they didn't allow us to go out of Pyongyang, so there. And they told us we could go anywhere in Pyongyang, so we got up real early and we took the train, you know, the train, and we watched people going to work. If I didn't know I was in North Korea, it would seem like any other place. The elites seemed pretty well fed. They looked good, things were fashionable, people wore nice clothes. It could have been any big city. You know, I'm from New York, so I'm kind of used to the hustle and bustle.

There are certain things that gave it away. For instance, there was a big crane building I think it was an 80 or a 90-story hotel that apparently was not done correctly engineering-wise, and so it was just laying there, you know, staying there. And we came back a year and a half later, it was still there, so there were things there. There aren't many cars. A lot of the traffic lights don't even work. There are propaganda posters all over, including one that Joe Wilson—I don't know if Joe is here today, but Joe Wilson took a picture of which showed a North Korean soldier putting a bayonet in the head of an American soldier, and it said, "U.S.A.," on the soldier.

So tell me a little bit about the elites, and how what we saw really wasn't reflective of what goes on there.

Ms. TERRY. Ki Il Sung used to enjoy not only elite support, but elite loyalty. Even during the Kim Jong Il years, that loyalty the elites had has decreased. Now under Kim Jong Un, of course you have less support of what Kim Jong Un has been doing for last several years. Right? He even publicly executed his uncle, and many elites, even last week he just purged yet another guy.

What Kim Jong Il used to do is you have the sticks and carrots approach, because elites do have vested interest in keeping the system going, because their fate is tied to the Kim regime. But what Kim Jong Un has done is instead of the carrots and sticks, too, it's over the top purging and terrorizing the elites. So that's what Mr. Thae himself said—and with more information, most elites are aware.

Now should they tie their fate to this regime? This is why I said the more we make it a difficult choice for the elites, I think we will be successful. We want more elite defection.

In my written testimony when we talk about information penetration, I talk about how we should also target it toward the elites, so we need to do two things. We need to get both information to

the elites, to the North Korean elites. One, that nuclear policy, this keeping the nuclear arsenal is not a path forward for you guys for long term survival of themselves. Secondly, if they were to defect, there is an alternate path, a better path for their lifestyle; perhaps that involves some amnesty, giving amnesty to these elites. But I think we need to get that information to the elites.

And I think there is a definite deterioration of the support, and elite support for the regime is absolutely fundamental in keeping the regime going.

Mr. ENGEL. Thank you very much. Thank you, Mr. Chairman.

Chairman ROYCE. Thank you. We go now to Mr. Chris Smith of New Jersey.

Mr. SMITH. Thank you, Mr. Chairman, and thank you all for your excellent testimonies and your leadership.

A couple of questions. In a hearing that I held in June 2014, one of our key witnesses was Andrew Natsios. We all know him, a great leader, former head of USAID. He had some very powerful insights about how we de-emphasized human rights, particularly at the Six-Party Talks, and, Dr. Terry, in your testimony today you make, I think, a very important point. "It's time now for Washington to integrate," and I would just add the word "reintegrate," "a focus on security, and a focus on human rights—normally two different policy approaches—into a single unified approach." Andrew Natsios had made that very strong admonishment, as well. And, Dr. Cha, you make a very similar recommendation.

My questions, since the U.N. Commission of Inquiry made some very important recommendations, which still have not been acted upon as far as I can tell, maybe you can enlighten us on that. It is time to really ratchet up the diplomacy at the U.N. to make sure that happens, especially the establishment of an ad hoc tribunal which was recommended, or a referral to the ICC.

Frankly, I think the ICC referral would likely fail, not in a vote, perhaps, but in its implementation. They have had a very unremarkable record, as we all know; two convictions in over 12 years, all of them in sub-Saharan Africa. And I think there needs to be a robust court like the Sierra Leone court, or perhaps Yugoslavia, or Rwanda, so a hybrid court I think would really send a powerful message perhaps even to Kim himself, but certainly would begin naming names that people will be held to account. Part of the problem with the ICC is that they look at a couple of people at the top, and very often get somebody in the middle; two convictions so far. So your thoughts on that; a hybrid court. Is it time for us to be pushing for such a court?

And secondly, on the whole issue of China and the U.N. Commission of Inquiry, properly pointed out that "persons who are forcibly repatriated with China are commonly subjected to torture, arbitrary detention, summary execution, forced abortion, and other forms of sexual violence."

I've had several hearings of people who made their way into China, escaped, only to be sent back by the Chinese officials after being trafficked and exploited cruelly while in China for a couple of years, and then they went to prison and some of them were executed. People spoke of those, of course, but our witnesses talked

about this violation of the Refugee Convention to which China is a signatory. So your comments on both of those issues. Dr. Cha.

Mr. CHA. So first, on the point of human rights and the overall policy, it has been sort of orphaned in the past. And I think since the 2014 U.N. COI report, there's been a change I think in the mind set about integrating human rights with the policy. It makes commonsense that, you know, a regime that treats its people as bad as it does, cannot be expected to keep agreements or to treat other countries with any sort of respect.

I think things like ad hoc tribunal, as you mentioned, and ICC referral, a U.N. Security Council strategy to try to fulfill some of the recommendations of the COI report are important even if they don't succeed, because they create a drum beat of accountability that is certainly heard within the regime. So I think that's important.

And with regard to China, there have long been calls for the Chinese to allow the U.N. HCR access to the border to determine whether these people who cross the border qualify as refugees. The Chinese have been completely unwilling to do that, and this is another arena in which you need to continue to call China out.

I think what Anthony was talking about in terms of visits with banks and bank presidents, that's something that can be done quietly and still very effective, but on this U.N. HCR issue, I think it has to be very loud, and it has to be very public.

Mr. SMITH. Thank you. Just parenthetically before going to Dr. Terry, I've asked the Secretary-General of the U.N. when he sat as High Commissioner for Refugees, on several occasions asked him to try to implement the law, the treaty obligation. Dr. Terry.

Ms. TERRY. Victor, actually—and the Bush Center actually have been doing very important work on this human rights front, so in my written testimony I point out that focusing on North Korea's human rights is not only a right thing to do, it's obviously a moral thing to do. But I also think it's a source of leverage, as well, because the regime is truly bothered by all our focus on the human rights issue.

And Chairman Royce talked about South Africa, but I think that was a case with South Africa apartheid era, this global isolation was a key driver, key important factor in changing the system. So we need to really continue with our efforts to isolate North Korea on this front internationally, beginning with us.

And I do think what's really important is that we challenge Kim Jong Un's legitimacy, continue to challenge his legitimacy not only for the regime's continued violations of the U.N. resolutions and nuclear front, but challenge his legitimacy based on the failure of the regime to provide for the people, and what it does to the people. I think that would be an important point of leverage.

Mr. SMITH. Ambassador.

Ambassador GALLUCCI. It's probably worth saying that 25 years ago when we did this negotiation with North Korea, I'm not terribly comfortable saying this, but we ran away from the human rights issue. We thought rolling that into a negotiation would complicate it. It was as though when we were asking to talk about the array of artillery pieces that the North Koreans had along the DMZ, that wasn't what we were about. We're about the nuclear

issue. We needed, as one of the principals said in a meeting, we've lived with North Korea for a long time, a horrendous regime, a conventional weapons threat. Why we're really involved in a crisis is because of nuclear weapons. And so the ethical, moral issue of human rights was put aside.

I'm not here to say that was a mistake, or it was even—or whether it was wise, but that was then, and this is now. And my argument here is that the nuclear issue, if you really wish North Korea to end up as a non-nuclear weapons state, that outcome is not going to be reached if you leave the state as it is. And as Dr. Terry said, as it happens, this is constructive interference. The prudential thing from a security perspective turns out to be the moral and ethical thing to do, so for both those reasons.

Mr. SMITH. Thank you very much. Brad Sherman.

Mr. SHERMAN. Thank you.

Just by a show of hands because we've got limited time; how many of you think we should designate North Korea as a state sponsor of terrorism? All for.

We all pray for the overthrow of this regime, but no regime has been overthrown to my knowledge in maybe the last 50 years where they had a core of fighting men who were willing to machine gun thousands of their own citizens, if necessary. That's why Tehran remains in power, that's why Tunisia changed.

Dr. Terry, is there any doubt that if necessary, Kim Jong Un can count on people to machine gun a few thousand of his citizens? Does he have a hard core of people with machine guns?

Ms. TERRY. Yes, he does.

Mr. SHERMAN. Thank you.

Ms. TERRY. But——

Mr. SHERMAN. That's okay.

Now the policy that's easiest for us psychologically and politically is to pound the table and say we'll accept nothing less than either a democratic government or a human rights supporting government, or at least one without any nuclear weapons. We've been seeking this since the '50s. We have failed. There's an analogy to South Africa, and I'm in support of all the sanctions that we can put on, but we also have to be realistic.

South Africa had Nelson Mandela and the elites knew that they faced neither expulsion nor liquidation. I don't think that Pyongyang falls quietly and softly.

The other point about South Africa is, every country in the world, or virtually every country, sanctioned them. In contrast, North Korea doesn't just face an absence of real sanctions from China, it gets a subsidy from China. So one can only imagine what would have happened in South Africa if the second most powerful economy in the world was dedicated to their survival and was willing to give them subsidies.

It does meet our psychological needs, however, to say we demand—matter of fact, we wouldn't sign a non-aggression pact with them back when Cheney dreamed of aggressing, and so it meets our political needs.

Speaking of that, we ought to have civil defense in this country. Some of us are old enough to remember when we had civil defense and we were under our desks. That met only the political and psy-

chological needs of our country's leaders because, obviously, if we faced several thousand Soviet thermonuclear weapons, the civil defense would have done us very little good. But at least the leadership of the country could say well, we know that you face the Soviet Union. You're afraid of that; we'll give you something, you can go under your desk.

Now we have a foreign policy establishment that will not admit to the American people that it may fail to prevent us from being hit by not a thermonuclear weapon, but something roughly 1/50th size. We could prepare to minimize casualties. We won't because that will mean that we have to admit that there's the possibility that we'd face casualties.

Now, missile defense is okay politically, but remember you can smuggle a nuclear weapon inside a bale of marijuana.

I want to turn to North Korea's involvement in the Middle East. They provided the plans and the tools for the reactor on the Euphrates. Do any of our witnesses have any information as to how much money was given to North Korea in return for that very limited help? Yes, I've seen speculation, roughly the $100-million figure, but it's just the best available speculation.

Now, Iran wants an indigenous program. They want to produce dozens of nuclear weapons on their own, but we all get what we need, and we can't get what want.

You've testified, all of you, that North Korea needs hard currency. I know where there's over $1 billion of hard currency wrapped in cellophane. Now, North Korea needs about 12 nuclear weapons at least to defend themselves from us. They have that. They're producing more this year. Why wouldn't North Korea sell some nuclear weapons in return for this stuff inside the cellophane? Does anybody have a reason why they wouldn't do that? Okay, Dr. Cha.

Mr. CHA. No. I mean, the historical record shows that they've sold every weapon system they've ever developed, so I wouldn't expect it would be any different with weapons of mass destruction.

Mr. SHERMAN. I've been urging the Chinese to prohibit nonstop flights between Tehran and Pyongyang, and I think that it would—that the United States has to make it clear that we would hold China responsible for allowing that flight. There's always a reason to stop in Beijing and get some fuel, and I'm confident that nothing goes through the Beijing Airport that the Chinese don't want.

One last question. We face a number of problems with China, the South China Sea, North Korea, a trade deficit. I know the easiest thing for us to do is to pound the table and say we're going to get a beneficial resolution of all three of these. If we had to prioritize those three issues what would we do? And I realize you folks are not economic, you're more national security, so how do you rate the need for Chinese cooperation with regard to North Korea with the need for China to be restrained in the South China Sea? Anybody willing to assess those two priorities, or just take the easy road of saying damn it, we should get everything? Yes, Ambassador.

Ambassador GALLUCCI. I would resist the question.

Mr. SHERMAN. Of course. We should resist all questions in which we don't get everything we want, because it's politically unacceptable for us to accept less.

Ambassador GALLUCCI. I think because they're interrelated, and my sense about the way diplomacy will work with Beijing will not be that we can trade things off quite that way. The argument——

Mr. SHERMAN. I will point out that the present policy has utterly failed to get Beijing to either limit what it does in the South China Sea, or to really pull the strings on Pyongyang. And if you're going to advocate that somehow we're going to get them to do everything by demanding everything, you'll need to do it on another member's time because I'm out of time.

Mr. WILSON. Thank you, Mr. Sherman. And thank each of you for being here today. Your insight has been very positive and we're just grateful. I'm also very grateful to Chairman Ed Royce and Ranking Member Eliot Engel for their leadership on the issue of the danger of North Korea. I believe North Korea's increasingly aggressive rhetoric and actions are of utmost concern for the security of our nation and American families.

Yesterday, I introduced H.Res.92, a bipartisan initiative along with Congressmen Mike Rogers, Seth Moulton, Ted Yoho, and Brad Sherman, which condemns North Korea's development of multiple intercontinental ballistic missiles, urging the prompt deployment of the terminal high altitude area defense, THAAD system, to protect the people of South Korea.

This calls on the U.S. to apply all available economic sanctions on North Korea. I'm very grateful that, again, Chairman Ed Royce was crucial in helping develop this resolution. It's also been my opportunity, and I was—I ran into Congressman Engel as we were departing—the ranking member, as he was running to another meeting. He and I had the extraordinary opportunity to serve on a delegation to Pyongyang, so we have seen what sadly, to me, appeared to be a Potemkin village. But we've also had the opportunity over the years, many of us, to visit South Korea. What a marvel. And when I meet veterans of the Korean War, I love to point out to them what a difference you made.

In the early 1950s when you departed, Korea was in ash. Today, it's one of the wealthiest countries on earth. And as you visit Seoul, it's a forest of 40 and 50-story high condominiums with golf driving ranges and tennis clubs on top. What an achievement, and the economic vitality.

We also appreciate so much the alliance that we have with the Republic of Korea, and I've had sons serve in Iraq and Afghanistan serving alongside troops from Korea, making a difference particularly with reconstruction teams to help the people of both Iraq and Afghanistan recover.

The resolution serves as an important opportunity to send a strong bipartisan message to North Korea that the House of Representatives will not stand for their ongoing illicit activities and we'll support our allies, especially South Korea. It is my hope that this resolution will be marked up by the committee and brought to the floor for a recorded vote. It's crucial we send a clear message to not only North Korea, but our allies of the region.

With that in mind, Dr. Cha, what role would the prompt deployment of the THAAD system in South Korea have as a counter to North Korean aggression?

Mr. CHA. Well, the THAAD system provides an area of defense for the peninsula which really doesn't exist right now. There's been a lot of opposition to THAAD by the Chinese, and they have been really taking unprecedented actions with regard to South Korean domestic politics and businesses to try to stop the deployment of THAAD. But there's no denying that this is a required capability on the peninsula now, in addition to the capabilities that already exist in Japan and in other parts of Asia. And there's no doubt in my mind that this administration should not just reaffirm, but should expedite the deployment of THAAD as the threat grows.

Mr. WILSON. And it should be so clear, this is not a threat to the People's Republic.

Mr. CHA. This is not a threat to any other country.

Mr. WILSON. It only applies to one country, DPRK.

Mr. CHA. That's right.

Mr. WILSON. So thank you.

And, Dr. Terry, do you believe the ICBM technology would be game changing for North Korea, and the threat they pose to the United States and the region?

Ms. TERRY. It would be a game changing situation because what I'm concerned about are three things. Number one, with that, and once Kim Jong Un is confident that he has this capability, I think there's the chance for miscalculation, and then that leading to further escalation is very real. So I'm worried about dangerous miscalculation and escalation.

And then what we talked about earlier, I'm very concerned about proliferation. North Korea is a serial proliferater. It has proliferated everything under the sun in the past. And in the long run, what does it really say to the East Asian region? Once North Korea becomes full nuclear capable power like that, I'm worried about potential regional arms race.

Mr. WILSON. And again, thank each of you. I'm going to hopefully be a good role model. My time is up, and so I now refer to Congressman Connolly from the Commonwealth of Virginia, Dominion of Virginia.

Mr. CONNOLLY. Thank you. It is, indeed, a Commonwealth, one of four. And I would say to my good friend from South Carolina as the co-chair of the Korea Caucus, I'd be glad to be a cosponsor of his legislation.

Mr. WILSON. Please.

Mr. CONNOLLY. Yes.

Mr. WILSON. You are joined.

Mr. CONNOLLY. Thank you, and welcome to our panel.

Dr. Cha, it has been reported that General Kim, the head of the State Security Agency, was demoted from four stars to one star, and then removed from the State Agency. If the past is prologue, his fate is not a good one. He was, arguably, one of the most powerful people in the regime. What does this tell us about security stability in the regime? And how long can the Dear Leader get away with removing so many of the elites Dr. Terry talked about in such a brutal fashion? I mean, it creates insecurity, and maybe people cower. It worked for Stalin, it worked for Saddam Hussein, but it doesn't always work. It can also lead to serious instability and un-

rest. What's your read of this latest development, and how we should interpret it?

Mr. CHA. Well, thank you for the question.

So I think I would have three responses. The first, I think, is that these sorts of purges can be seen as consolidation of power, but we're 6 years into this, and they're still conducting these high level purges, over 100 high level purges, including not just cabinet officials, but also mid-level military officials, Army Chief of Staff, Deputy Chief of Staff. There's a high turnover——

Mr. CONNOLLY. And as Dr. Terry indicated, his own uncle, who was seen as sort of the major go-between with China.

Mr. CHA. Right. Right. So I think what it really shows is there's still significant churn inside the system, that he's having problems.

The second thing is that there's this dynamic, I think, happening at the elite level. And then at the general society level, North Korea society is much more—I mean, they are still a closed society, but they have much more access to foreign information than they did in the past.

We in CSIS have partnered with NGOs. When we've asked average North Korean people how often they consume foreign information, and they say very regularly. And they believe the foreign information more than they do the information they get from the government. So at the social level, too——

Mr. CONNOLLY. So they're not into fake news yet.

Mr. CHA. They're—I'm sorry? No, they're not there yet.

Mr. CONNOLLY. Right.

Mr. CHA. But there is a shift happening both at the societal level, and that's happening more slowly. And at the elite level you have these—you know, this internal fighting that's going on. So this is by any metric an unstable situation. And so just because their leader is now in his sixth year, we should not offer to sit back and say oh, everything is fine. He's got everything under control. I don't think that's the case, or that's clear at all.

Mr. CONNOLLY. Mr. Ruggiero, you were talking about ways we could try to leverage China to leverage Pyongyang, and there were other ways, fining and so forth, secondary sanction, penalties, and so forth. And I would ask you, and I would ask Ambassador Gallucci, how does this work, though?

We have a new administration, the head of which has really already taken what from Beijing's point of view are very provocative statements and actions, and I'm not passing any moral judgment on them. But if you're trying to woo China's cooperation in trying to sanction Pyongyang or moderate behavior, it seems an odd way to do it when you are castigating them for the South China Sea, you know, you're making phone calls that historically have been avoided to avoid tension, you threaten them on currency manipulation, even though that information is several years old. You're, you know, castigating them because of unfair trade practices, and the imbalance in our economic trade.

How does all of that work? Doesn't that kind of run counter to the desire we have here with respect to North Korea? China's about the only country left with leverage, it would seem to me, so how does that work? Are we working at cross purposes in our policy here with the new administration?

Mr. RUGGIERO. I guess from my perspective, I would not advocate wooing China with regard to the financial sanctions. I think that is the policy we have tried, and that is the policy that has failed.

Mr. CONNOLLY. Oh, so beating them over the head, that will work.

Mr. RUGGIERO. I think taking actions against their financial institutions, whether that is sending Treasury officials to describe the consequences of those actions. When you have Chinese nationals and a Chinese company advertising that they are working on behalf of North Korea, and those Chinese banks and other banks are still processing U.S. dollars through the U.S. financial system, that is a serious and direct threat to the United States.

Mr. CONNOLLY. Mr. Chairman, I would just ask if Ambassador Gallucci could answer, and then I yield back.

Chairman ROYCE. Well, it's—we're already over. I want to make sure these guys get in, so you can ask your question. I'm going to recognize Marino, and if he wants to answer on someone else's time, that's fine.

Mr. CONNOLLY. I would only note that we have indulged every other member except Mr. Wilson in several minutes overtime, and I simply wanted the courtesy of allowing Ambassador Gallucci to answer the question already asked. But if the chairman wants to deny that courtesy, so be it. I would ask——

Chairman ROYCE. The gentleman has 30 seconds.

Mr. CONNOLLY. I thank the chair. Ambassador Gallucci.

Ambassador GALLUCCI. Thank you. All I would say is that as with the previous question about China, about which would you give up, and how would you prioritize? I don't understand that the best way to engage China is to say we'll give you this if you'll give us that. That is, I think, not the way it works with the Chinese, with Beijing, and with Washington, and we need to engage them on what our mutual interests are both in their position in South China Sea, and the outcome we want on the Korean Peninsula, and that's the way to go.

Mr. CONNOLLY. Thank you. Mr. Chairman, I thank you for the courtesy. I just ask unanimous consent to enter several articles from the Washington Post into the record regarding this subject.

Chairman ROYCE. Without objection.

Mr. CONNOLLY. I thank the chair.

Chairman ROYCE. The Chair now recognizes the gentleman from Pennsylvania, Mr. Marino, for 5 minutes.

Mr. MARINO. Thank you, Chairman.

My first question is rhetorical. How has it been going the last 24 years with wooing? Not well, I think.

I'm going to start with the Ambassador, and then go to your right, if you wish to answer my question or give me your opinion.

What is the reality of overthrowing the regime in North Korea? How will we do it? Can it be done? And who takes over? Ambassador.

Ambassador GALLUCCI. I don't have detailed knowledge as in current sensitive knowledge about the vulnerability of the regime, and the types of activities that we would use if we wish to overthrow a regime such as the one in the DPRK. So I can't directly answer your question; let me admit that straight up.

I think if there were an easy way to go, a safe way to go, a way that would not produce a war in the Korean Peninsula, we probably would have been exploring that for decades. I don't think there's an easy outcome in that direction. I think what we are trying to do is limit this threat, not exacerbate it.

Ms. TERRY. There's no easy answer to that question, but this is why I said the same measures that we're talking about are actually an effort toward that—towards unification, and potentially regional stability. The information penetration front where we're trying to get information into North Korea, we need to start working creatively with private companies and government agencies, whatever we can do to get information to North Korea, not only to the public, but to the elites.

And by the way, for the public, too, it's not just that they should get information and watch South Korean DVDs, and so on. But we need to find a way to get them to be able to mobilize, organize, because right now public does not have any kind of mechanism to do that. There's no internet, there's no social media, you can't get together to organize themselves. But the same kind of measures that we're talking about while not satisfying, if pressed upon, I think those are the right steps even for this goal.

Mr. MARINO. Doctor?

Mr. CHA. So, historically, change has only come to the Korean Peninsula dramatically. It's never come gradually. And that would most likely be the case in North Korea.

To me, the most likely source of instability would be the next time that the government tries to undertake some sort of widespread anti-market measure, to try to suck all the personal savings and disposable income out of the system. The two times they have done that in the past are the two times we've heard the most anecdotal evidence about resistance both at the elite and at the social level inside the regime.

Mr. MARINO. What's our concern involving China from an economic standpoint, a financial standpoint? China is what now, the second largest outside holder of our debt. China has a substantial amount of money that's lent to it from the United States, not in the trillions but in the billions, so what would happen should China decide not to hold our debt an more and not pay our banks back the money that they owe them because we are putting some type of pressure on North Korea? Anyone?

Mr. CHA. So, Congressman, the way I would respond to that would be to say that—and it goes to this question about—it's the same idea as approaching Chinese banks and saying look, you have a choice. You can deal with the rest of the international financial system, or you can deal with North Korea. And they will make rational choices. And I think it's the same thing more broadly with regard to China policy vis-a-vis North Korea.

You know, they—it seems to me that if framed correctly they will face choices, while they will not want to leverage the entire relationship with the United States for this one little country that may have some very small financial stake in some of their marginal financial institutions. So this is not—this is a choice that China has to make, and I don't think it's a difficult one for them, if it's framed correctly.

Mr. MARINO. All right, thank you. I want the record to reflect that I'm yielding back 32 seconds, which no one has done here yet. Thank you.

Chairman ROYCE. Congresswoman Karen Bass from California.

Ms. BASS. Thank you, Mr. Chair.

You know, there's been a number of comparisons made in this hearing to South Africa, and the ending of apartheid, and the impact that sanctions had on that. I think it's important that we remember that history correctly, because it wasn't just that we imposed sanctions, but it was there was an international movement that demanded the world pay attention to apartheid, and that reinforced the sanctions.

And so I wanted to ask you about that.

And during that international movement, too, a lot of it was led or participated by South Africans who were in exile. And so my question to you is, is that outside of South Korea, is there interest internationally in—well, in making the sanctions in North Korea strengthened and bringing the regime down? And wondering, also, for North Koreans dissidents and some of the ones that have been in exile, are they doing anything like that in other countries that maybe just hasn't gotten a lot of publicity in the United States?

Mr. CHA. So, I think it's a great question, and the points that you make about the comparison, I think, are very important.

In the case of North Korea, I would say the closest thing that you have to the beginnings of an international movement have been over the last 3 years in terms of the human rights issue, and the U.N. Commission of Inquiry's report on North Korea.

I think this has created much more interest in the U.N., among U.N. member states, General Assembly resolutions that pass by vast majorities condemning North Korea for human rights abuses. And so I think that's one sort of platform for building that international movement.

You asked about sort of folks outside of North Korea. And, of course, there's the refugee community in the South, but there's also a very small community here in the United States. President Bush created the North Korean Refugee Act which allowed for North Koreans to reside here in the United States. There are about 250 of them. Most of them just want to get an education, they want to get a job, but in the end, I think they could play a very important role in terms of the future of the country.

What we don't have in the case of North Korea that you had in South Africa, also, was this broad non-governmental movement. I remember, you know, divest campaigns on my college campus——

Ms. BASS. Right, sure.

Mr. CHA [continuing]. At that time, and so there are smaller North Korean human rights groups on college campuses, but they haven't been mobilized in the same way as we saw in the divest campaign.

Ms. BASS. You know, the other thing, too, of course, that was—that existed in South Africa was what was going on internally in South Africa. And we've got lots of news about that. And, you know, I think that's one of the things that's the most challenging about North Korea, is that who knows what goes on? And I don't know if there's any other efforts. I mean, every now and then you

hear about a journalist that goes, you know, underground and we get some information, but I think that's the other challenge. I don't know if you know of any organized efforts?

Mr. CHA. Well, I think probably the most important efforts we've seen thus far that are organized and more systematic have been the effort to get foreign radio broadcasting into North Korea; Voice of America, Radio Free Asia, BBC now is planning to do this. That's something where the Congress has a role in terms of appropriating funds as part of the reauthorization of the North Korean Human Rights Act. There's opportunities there for increasing resources for getting more information into the country.

The North Korean people, if you give them a sliver of daylight, they will go right for it because they're no different than the industrializing and affluent South Koreans on the other side of the border that had their opportunity. So information is a very important part of this overall equation.

Ms. BASS. Thank you. And, Dr. Terry, when one of my colleagues was asking you a question about whether or not the leader of North Korea could machine gun down his population, you seemed as though you wanted to add something, and you weren't able to finish your sentence. And I just wonder if that would be connected to like the anti-market measures where there was protests in North Korea, and people were shot down? But I was wondering what you were going to say.

Ms. TERRY. Yes. I mean, that's true, too, but what I was going to say is that actually the corruption level is very high, because loyalty is now something that's more of a question. I do think even with the security forces you hear a lot of stories, anecdotes about how they're bribed, everybody can bribe them, even if they catch North Koreans watching DVDs and so on, you can just bribe them. And to leave North Korea, often it's the way, you bribe the soldiers and security guards and get out. So even at that level, you know—I mentioned elite support is one of the key pillars of stability. Another pillar of stability is the loyalty of security services and these men, and I feel that even that pillar has been eroding for some time because of a high level of corruption.

And if I could just answer your—what Victor mentioned about human rights awareness internationally. I think this is a very important point. North Korea is one of the world's worst human rights violator, and there's not enough international attention that's been paid to this. One of our colleagues, a professor from Tuft's University, just wrote a piece in Foreign Affairs talking about how maybe it's time for President Trump to publicly call for North Korea to shut down, for example, its prison camps where they house up to 120,000 political prisoners that's separate from regular criminal penal system. But I absolutely agree with Victor's statement that there needs to be more of international awareness in terms of North Korea's human rights violations. Thank you.

Chairman ROYCE. Mr. Yoho, chairman of the Subcommittee on Asia.

Mr. YOHO. Thank you, sir. Appreciate you all being here.

And I really appreciate my colleague, Mr. Sherman, bringing up the compare and contrast between South Africa and North Korea, and how they gave up their weapons system. But what I saw there

was a world community coming together, putting sanctions on there, and the desire to get away from that, because they were going broke. They couldn't tolerate that any longer. And I think we're all in agreement that that's a good thing.

When I look at North Korea, we see somebody that's been rattling their saber for a long time, and they're getting closer to developing a long range ICBM capable of carrying a miniaturized nuclear weapon is what everybody is pretty much in agreement, possibly a hydrogen bomb that would do mass destruction anywhere it even got close to.

And with China involved with the sanctions, the thing that perplexes me, I don't think anybody in the world thinks North Korea with this kind of technology is good. Do they? I mean, nobody does. Right? So, therefore, why is China not putting more pressure, and/or Iran, and/or Russia? Is there—I don't want to be a—is the—do more harm to us, you know? And we're in a world economy, this would disrupt the whole world, and I would think everybody would come together.

And so my question is, if you can answer, kind of allude and enlighten me on that, but the question is, how do we get China and other nations to stick to the agreement? Ambassador, if you'd start.

Ambassador GALLUCCI. I think the conventional wisdom on the Chinese view here is probably correct, and the conventional wisdom is that there are things about North Korea, of course, that trouble China greatly, and they are reported to be very unhappy with Kim Jong Un at various times. But at the end of the day, they do not take the role that we would like them to take in support of sanctions and, obviously, even undercut those sanctions. They do so because the very thing we're hoping to do, which is have a sanctions regime that bites in Pyongyang, is something that the Chinese worry about; namely, sanctions that would bite so much that it would destabilize the regime. What the Chinese fear more than a North Korean nuclear weapons program, that could be provocative to the United States and the rest of the world, what they fear more is instability and collapse. It's an economically-based fear about what that would mean in refugee flows, but what it might also mean in terms of the U.S. military presence, and the problems that they would confront actually literally on their borders. So what the Chinese are doing, it seems to me, is behaving as sort of a thermostat here, and making sure that at times when the North Koreans are being so provocative they can be reined in. At other times, they're trying to make sure that the sanctions regime and other pressure on the North Koreans do not bring about the outcome we would like, which is sufficient pressure either to collapse the regime or to bring the regime to the table. I will defer to my——

Mr. YOHO. Let me go onto this because, Dr. Terry, you brought this up, as you all have. Getting more messages in there, positive messages to the Korean people, because what I see is, if people aren't going to stick to the sanctions, if other countries aren't, we need to bring it from within and empower the North Korean people. And I would think China with the destabilization that North Korea is doing going down this route that it is now, would be more willing to help us bring that regime change, because I think it would be more stabilized. And, you know, your goal is to negotiate

and talk about negotiations, that's what you do. But I would like to hear about your thoughts, Dr. Terry and Mr. Ruggiero, on broadcasting more positive messages in there about bringing the regime—not bring it down, but just telling the alternative that they can go to with a freer society.

Ms. TERRY. First, I would just echo Ambassador Gallucci's statement that China's longstanding policy has been no war, no instability, no nukes, and in that order. So it's not that they are not concerned about denuclearization of North Korea. They care very much about that, it's just that the priorities are flipped. While we care about denuclearization first and foremost, they're worried about instability.

In terms of getting information into North Korea, this is what I've been advocating. And, again, it's not only about getting information into North Korea. I think we should also tailor the kind of information, and target both elites and the average North Koreans, and not also just have information getting in, but being able to find some way for people to mobilize. Because again, I mentioned before, that North Koreans have no mechanism where they can organize themselves and mobilize themselves.

Mr. YOHO. I'm going to cut you off because I'm out of time.

Ms. TERRY. Sure.

Mr. YOHO. And I appreciate you all being here, and I look forward to following up with you.

Chairman ROYCE. Lois Frankel of Florida.

Ms. FRANKEL. Thank you, Mr. Chair. Here we are.

Chairman ROYCE. You're a trooper, Lois, I've said it before, and great on these codels, too.

Ms. FRANKEL. Thank you, Mr. Chairman. That you to the panel. This has been a very confusing hearing because I'm hearing different things from sanctions, no sanctions, negotiate, unify. So I'll ask a couple of questions.

First is, what if any implications does this what seems to be an instability right now in the South Korean Government with the corruption—I don't know whether it's corruption or not corruption, but whatever it is—I'm particularly interested if you think that has any effect on all this. And, especially, I guess, Dr. Terry, you talked about unification. I was assuming you meant unification with South Korea. Is that correct?

Ms. TERRY. Unification and—I mean, South Korean-led unification. So a unified Korea would look like a much larger South Korea.

I think it does have a lot of implications for us because, as you mentioned, President Park is waiting right now for Constitutional Court's decision on upholding impeachment, and the new election could come sooner rather than later. And former U.N. Secretary-General Ban Ki-moon has dropped out of the race, and now it looks like a progressive could take over the Blue House most definitely this year, but sooner than December.

The one issue—it's not that I personally have an issue with a progressive government in South Korea—but one concern that I have is that we might see a potential divergence in policy in terms of dealing with North Korea from Washington and Seoul. And one of the key important things I think in terms of dealing with North

Korea is having a very tight bilateral coordination between Washington and Seoul and trilateral coordination between Washington, Seoul, and Tokyo. So my concern is that the new South Korean Government may pursue policies that's different from what we would like.

Ms. FRANKEL. Could you explain that?

Ms. TERRY. Meaning, a progressive government and leading candidate right now, Mr. Moon Jae-in is pro inter-Korea relations, engagement, more conciliatory gesture toward South Korea, and other progressive candidates have similar views on North Korea. Some of them have even gone as far as to say they want to postpone THAAD deployment. One or two candidates talked about reopening Kaesong Industrial Complex, a joint venture that North Korea and South Korea had, so these kind of policies will be something that we would not be pursuing. So this is a risk that Washington has to, obviously, consider. But regardless, it's extremely critical that Washington, Seoul, and Tokyo have a close coordination when it comes to North Korea policy. There should be no daylight when it comes to our North Korea approach. Thank you.

Ms. FRANKEL. So I know this would be very hard to predict, but the new administration, it seems to me would be against regime change or dealing with human rights violations unless they felt that it had a direct impact on our national security. I'm guessing. I don't really know. But I would be interested if any of you have an opinion as to what, you know, based upon what has been said, or speculated that—whether our policies would change?

Ambassador GALLUCCI. If I might, what I've been trying to sell this morning is the idea that there's consistency in the objective of addressing the human rights concerns in North Korea and getting an improved relationship with North Korea from which one could argue they might be willing to give up a nuclear weapons program which they see as guaranteeing their security. So if the administration accepted such a line of argument that this was a good way to go into a negotiation, then there's a way to get to our national security through a human rights approach.

Ms. FRANKEL. Do—anyone else want to make a comment?

Mr. CHA. So on your question about the situation in South Korea, I mean, this is clearly not good for the U.S.-Korea alliance relationship. Secretary Mattis went out to the region and Secretary Tillerson spoke with the South Korean Foreign Minister. That's fine and that's good for now, but those people aren't going to be in position in a few months, and it may be until the fall before the South Koreans ever have a government, progressive or conservative in power; meanwhile, the world is moving on and the South Koreans are falling behind. So this is a 3-month crisis that is likely to extend for at least another 3 months, which is far less than ideal, especially if the North Koreans do something over the next 3 months.

Ms. FRANKEL. Thank you, Mr. Chair. I yield back.

Chairman ROYCE. Mr. Perry, General Perry, of Pennsylvania.

Mr. PERRY. Thank you, Mr. Chairman.

Dr. Terry, I've heard that there's an idea of a nuclear freeze deal or a cap being thrown around in an attempt to deal with the growing threat of North Korea. Could you in any way outline what a

freeze deal would look like and provide your opinion on the likelihood of any such deal stopping North Korea functionally from obtaining a nuclear device capable of striking the Homeland?

Ms. TERRY. Ambassador Gallucci, you might be able to answer this since you're a negotiator, yourself.

I really don't believe in this so called freeze or cap, because my personal take is that every single time the deal fell apart over verification. And this is why I—you know, I don't think the Intelligence community even knows where all their undeclared facilities are, so what are we freezing? We're going to just take North Korea's word for it that they have frozen whatever they say they're going to freeze?

So it's a very difficult—this is why I called it a mirage. It sounds good in theory, but I think it's something very hard to execute because it will fall apart over verification.

Mr. PERRY. Thank you. Ambassador?

Ambassador GALLUCCI. I think Dr. Terry and I end up in the same place, but by a different route. I agree with her that it wouldn't be wise to have as a goal a freeze on North Korean nuclear weapons activity, because I think it would be provocative to our allies to legitimize and accept the North Korean nuclear weapons program where it is, rather than try to roll it back.

Secondly——

Mr. PERRY. So yours is a difference of opinion from the Doctor's—hers is on verification.

Ms. TERRY. No, I actually agree with that, because we are also accepting North Korea as a nuclear weapon state which would, obviously, alienate our allies. But I agree with that, it's just that there's another angle of how do we verify?

Ambassador GALLUCCI. I don't disagree that there's a verification issue because there are facilities whose location and existence we are uncertain of, so that is plausibly there, too.

But I want to say that if we were looking at what we do now with North Korea, saying that as a first step we'd like no more testing of nuclear weapons, no more testing of ballistic missiles, a freeze on plutonium production at the reactor we're aware of, and the one centrifuge facility that we could monitor, we'd like not to operate, and we call that a freeze, but know there may be other facilities. That's not bad, it's just not an end game. It's a step.

Mr. PERRY. Okay, thank you.

Mr. Ruggiero, can you talk about the collaboration between North Korea, Iran, and China on not only things nuclear, but ballistic missiles, and weaponry, or accouterments, if I will, of that sort?

Mr. RUGGIERO. Sure. Iran and North Korea have a longstanding ballistic missile relationship, and it has been for over a decade at least. The Treasury Department last week acted against Chinese nationals inside China working with the Iranian missile program. I've detailed both in my written testimony about how there are Chinese nationals and Chinese companies that are assisting North Korea, both in the processing of the U.S. dollar transactions, but then also acquiring parts for their ballistic missile program.

I also wanted to point out that when I talk about how we should approach China with regard to their financial system, that we

should take maybe a page from the Iran play book where about 10 years ago we found that financial institutions were more interested in some of the restrictions that we wanted to put in place, the sort of choice that the chairman asked about: It's either us or them. And I fully expect that the Chinese Government will not be on board with that, but I think that Chinese and foreign financial institutions inside China are happy to make that choice, and they will not choose North Korea.

Mr. PERRY. And do you think that will be potentially effective in curbing the sale or the transfer of the technology, the implements, et cetera? Isn't it also if the stuff is confiscated over the ocean or at the port, it would be deemed as illegal at that point, as well, wouldn't it?

Mr. RUGGIERO. Sure. I think in the sort of seas and the interdiction provisions that I think you're referencing in the resolutions, I would call for the United States and our close allies to have a robust definition of what those U.N. Security Council resolutions look like and should be. I mean, it's hard to predict in the North Korea space as other spaces, but I guess my point on the statistics is that if we had a doubling of sanctions, which we did over the last year, it suggests to me—and that most of those, 88 percent of those are inside of North Korea, perhaps we're doing it the wrong way. And if we started, as I said, with the myths—in my written testimony, if we started to do it the right way, in a sustained way, then maybe we would get to the change in the calculus for North Korea.

Mr. PERRY. Thank you. Mr. Chairman, I yield.

Chairman ROYCE. We go to Mr. Ted Lieu, Colonel Ted Lieu of California.

Mr. LIEU. And thank you for the panel for being here.

Last year, I had the opportunity to go to South Korea on a bipartisan delegation with Chairman Royce and others where we received threat assessments on North Korea. We visited the DMZ and met with our war fighters. And one of the issues that struck me is the continuing advances in ballistic missile technology by North Korea. And I do believe sooner rather than later they will develop an ICBM that can strike Alaska, or Hawaii, or California.

And as you know, the THAAD missile system hits missiles on their way down, so a THAAD missile system in South Korea wouldn't actually do anything to protect the U.S. Homeland from such a launch.

What is your view on airborne lasers? So we used to, as you know, have an airborne laser program. It was quite expensive at the time, but it did meet its requirements. It was scrapped because it was too expensive, and Secretary Gates when he said why he didn't want it, said you had to get, for example, in Iran within its own air space to shoot down these sites.

North Korea is geographically quite different. It is much smaller. You could, in fact, have airborne assets that get quite close. With new advancements in laser technology, is this something we should be investing more in? And I want to get your thoughts. Anyone can answer.

Ambassador GALLUCCI. I'm going to take the question, sir, as that opportunity to say that we ought to be careful about what we're advocating when we advocate for THAAD. I think we ought

to advocate for THAAD, but we ought to understand the limits of that system within the layer of defense that we are deploying in Northeast Asia. And if you take THAAD and the AEGIS system and the terminal phase patriot, Patriot III, we have systems there that really are not going to protect us against the kind of missile, not with any kind of confidence, anyway, that we're talking about and that most people are concerned about right now; namely, a missile of ICBM range and reentry vehicles velocities. The geography, the orientation of the launch, none of this makes much sense.

You raise particularly the airborne laser, and I think the appeal of that, people who think about ballistic missile defense, is that that's a launch phase intercept, and if you had a launch phase intercept one doesn't worry about decoys, doesn't worry about numbers of missiles to deal with in the radar at one particular time. It has many advantages.

My appreciation of that issue is that there are enormous numbers of technical challenges of keeping a laser on target, of being, as you say, geographically proximate to the launch, and these are not trivial. I have really no idea whether we have looked hard at the application for North Korea, but I wouldn't see it as a near term solution, in any event.

Mr. LIEU. Well, the reason I'm asking is, they don't have a near term ICBM that can strike the U.S. Homeland, but it seems like we ought to invest in defenses that potentially could stop one of those launches, because it's not clear to me that there's any other way to stop their advancements in ICBM technology.

Ambassador GALLUCCI. I think if we put our energy into ballistic missile defense to deal with the North Korea case, the North Korea case will advance much more quickly. The offense-defense competition, much favors North Korea over us. And this is not an argument against ballistic missile defense. I think our continuing efforts here are worthwhile, but I think we need to think this through without depending upon an ability to shoot down a North Korean ICBM.

Mr. LIEU. Okay, thank you. Anybody else have any other thoughts on that, or do you agree with that testimony?

Mr. CHA. I think Ambassador Gallucci's response really covered what I wanted to say.

The only thing I would add is that this is where the previous discussion about a freeze and a cap become important, because that would at least become a platform from which you could start to retard the growth of the program. So I don't have any problem with a freeze or a cap, but the problem that I have is paying for it, because in the past two agreements we paid for it, and we paid nearly $½ billion if you put the two agreements together to freeze their program, which they eventually broke. And for some reason, I just don't think this White House is going to be willing to pay for a freeze.

Mr. LIEU. Thank you. Let me just give you one more concluding thought.

I agree that there's technological challenges. I think there is also some usefulness if there's a threat, the U.S. could do this. If there's

a system that might work, that even gives us more leverage than we do now, which is we don't really have a system.

And with that, thank you for being here.

Chairman ROYCE. It was leverage we used with the former Soviet regime, that tactic, that strategy.

We go to Ambassador Wagner.

Mrs. WAGNER. I thank the chairman very much, and I thank you all for being here with us today.

While the effects of the 2016 sanctions cannot yet be fully determined, it is clear that to date global sanctions efforts in combination with the Obama administration's policy of strategic patience failed to disrupt growth of the North Korean economy or to advance denuclearization.

Jim Walsh and John Park's research convincingly argues that North Korea has successfully innovated around sanctions. Clearly, there is much work to be done on gathering intelligence about North Korea, engaging China, encouraging corporate compliance with sanctions, and seriously considering, I believe, secondary sanctions. But for North Korea to give up its nuclear program, the regime must feel that denuclearization—a denuclearized, I should say, North Korea with good U.S. relations would be superior to a nuclearized North Korea with bad U.S. relations.

Given new political realities in South Korea and the United States, and Prime Minister Abe's longtime interest in the abduction issue, we should also seriously consider, I think, trilateral diplomatic efforts.

Ambassador Gallucci, could you please discuss the strategic validity of reestablishing official in-country engagement either through engagement on retrieving POW MIA's remains, or through projects on agriculture, public health, education, or even weather forecast technology?

Ambassador GALLUCCI. Thank you very much for the question.

I think those sorts of things that increase the contact, and one sums it up and says the engagement with Pyongyang, are generally thought to be a good idea if they're going someplace. And if we didn't have an overwhelming security threat from North Korea, we could say well, we need an improvement in relations, this will improve relations. But as we move along, this is not fine wine; it doesn't get better with the passage of time. The threat increases, the threat of transfer, the threat of war, the threat of a ballistic missile capability that reaches us. So that what you have mentioned are the kinds of things which fit in terms of an overall strategy if we had one. In other words, if we were engaged with the North, and we were trying to persuade them exactly as you said it, that they would be better off not being in an adversarial relationship with us. They wouldn't have to worry about us launching an effort at regime change. They could count on us. Then, okay, I think this all makes sense.

Mrs. WAGNER. Dr. Cha, you wrote briefly about engaging with North Korea on nuclear safety. I believe with the right sequencing there could eventually be room for multilateral exchange here. Would nuclear safety talks be prohibited by current U.N. sanctions?

Mr. CHA. I don't have the specific answer to that, but I think they might be. Yes.

Mrs. WAGNER. Well, under that circumstance would you recommend dismantling those prohibitions to establish nuclear safety talks with North Korea?

Mr. CHA. Well, I think there's another way to approach it, Congresswoman, which is to do it at the Track II level, experts talks which could be useful. I mean, this is a program that is growing quickly and has not had any sort of international inspection for over a decade. And if they run the nuclear program like they run the rest of the country, they do cut corners on things. And so some—at the expert level, I think that might be one way to address the issue.

Mrs. WAGNER. My limited time now, Mr. Ruggiero, could you quickly discuss economic ties between North Korea and our Southeast Asian partners like Vietnam, and Thailand? How can the U.N. and U.S. better track trade numbers, and should the U.S. be applying more pressure to these countries?

Mr. RUGGIERO. Sure. I'm happy to address that. I would also mention that in the training and technical provisions of the UNSCRs there's an ability for the committee to approve certain; so if there is a restriction with the U.N.——

Mrs. WAGNER. Good.

Mr. RUGGIERO. So I don't think you have to get rid of them completely. But I would raise the point, the U.N. Panel of Experts has talked about the lack of implementation reports with regard to their U.N. resolutions, and I think Southeast Asia is one area. There are other areas; there are some, I believe it's 90 countries that have never reported on their implementation with regard to the resolution, North Korea-related resolution, so that's an area really where the United States can lead and get those countries——

Mrs. WAGNER. And we need to. I think the numbers would be astounding and have better tracking of these trade numbers, et cetera, is important. We've got to apply more pressure to make sure that that happens.

I believe I'm over my time. I thank the chairman for his indulgence, and I thank you all very, very much.

Chairman ROYCE. I thank the gentlelady. I think this concludes our committee hearing.

I would make the observation that we really appreciate the battery of witnesses that have come before us today, and we probably will continue to be engaged with all of you as we try to wrestle with this. And given the nature of this threat described today, it's not that surprising that in the meeting between President Obama and President Trump, President Obama conveyed the thought that the number one threat to the United States was going to be North Korea.

And I think, fortunately, this committee has provided the administration some powerful authorities to deploy in this circumstance, and I think our witnesses argued very powerfully that there is a number of things that can be done on this front that would be helpful. And we look forward to continuing to work with you as we move forward. Thank you, again.

We are adjourned.
[Whereupon, at 12:07 p.m., the committee was adjourned.]

APPENDIX

Material Submitted for the Record

FULL COMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515-6128

Edward R. Royce (R-CA), Chairman

February 7, 2017

TO: MEMBERS OF THE COMMITTEE ON FOREIGN AFFAIRS

You are respectfully requested to attend an OPEN hearing of the Committee on Foreign Affairs, to be held in Room 2172 of the Rayburn House Office Building (and available live on the Committee website at http://www.ForeignAffairs.house.gov):

DATE: Tuesday, February 7, 2017

TIME: 10:00 a.m.

SUBJECT: Countering the North Korean Threat: New Steps in U.S. Policy

WITNESSES: Victor Cha, Ph.D.
Senior Adviser and Korea Chair
Center for Strategic and International Studies

Sue Mi Terry, Ph.D.
Managing Director
Bower Group Asia

Mr. Anthony Ruggiero
Senior Fellow
Foundation for Defense of Democracies

The Honorable Robert L. Gallucci
Distinguished Professor in the Practice of Diplomacy
Walsh School of Foreign Service
Georgetown University

By Direction of the Chairman

The Committee on Foreign Affairs seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202/225-5021 at least four business days in advance of the event, whenever practicable. Questions with regard to special accommodations in general (including availability of Committee materials in alternative formats and assistive listening devices) may be directed to the Committee.

COMMITTEE ON FOREIGN AFFAIRS

MINUTES OF FULL COMMITTEE HEARING

Day *Thursday* Date *2/7/2017* Room *2172*

Starting Time *10:08* Ending Time *12:08*

Recesses [*0*] (____to____) (____to____) (____to____) (____to____) (____to____) (____to____)

Presiding Member(s)

Chairman Edward R. Royce, Rep. Chris Smith, Rep. Joe Wilson, Rep. Ron DeSantis

Check all of the following that apply:

Open Session [✓]
Executive (closed) Session [ ]
Televised [✓]

Electronically Recorded (taped) [✓]
Stenographic Record [✓]

TITLE OF HEARING:

Coutnering the North Korean Threat: New Steps in U.S. Policy

COMMITTEE MEMBERS PRESENT:

See attached.

NON-COMMITTEE MEMBERS PRESENT:

none

HEARING WITNESSES: Same as meeting notice attached? Yes [✓] **No** [ ]
(If "no", please list below and include title, agency, department, or organization.)

STATEMENTS FOR THE RECORD: *(List any statements submitted for the record.)*

IFR - Mr. Victor Cha
IFR - Rep. Eliot Engel
IFR - Rep. Gerald Connolly
SFR - Rep. Tom Marino
SFR - Rep. Gerald Connolly
QFR - Rep. Michael McCaul
QFR - Rep. Brian Fitzpatrick

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *12:08*

Full Committee Hearing Coordinator

HOUSE COMMITTEE ON FOREIGN AFFAIRS

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MATERIAL SUBMITTED FOR THE RECORD BY VICTOR CHA, PH.D., SENIOR ADVISER AND KOREA CHAIR, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

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Note: The full report is not reprinted here but may be found in its entirety at: http://docs.house.gov/Committee/Calendar/ByEvent.aspx?EventID=105527

MATERIAL SUBMITTED FOR THE RECORD BY THE HONORABLE ELIOT L. ENGEL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

U.S. POLICY ON NORTH KOREA
U.S. House Foreign Affairs Committee
Statement by Former Senator Sam Nunn
February 7, 2017

Chairman Royce, Ranking Member Engel, and members of the Committee, thank you for the opportunity to provide a statement for the record on U.S. policy toward North Korea. I recently served as co-chair, with Admiral Mike Mullen, of a Council on Foreign Relations Independent Task Force report titled "A Sharper Choice on North Korea: Engaging China for a Stable Northeast Asia." My statement is greatly informed by our work with a distinguished group of experts with diverse backgrounds who served on the bipartisan Task Force, and broadly consistent with our findings.

The Threat

North Korea's accelerating nuclear and missile programs pose a grave and expanding threat to security, stability and peace in Asia and the world. Its nuclear weapons tests, including the one on September 9, and its series of ballistic missile launches -- with more missile tests reportedly imminent -- underscore the gravity of the current situation.

This threat deeply affects our close allies -- South Korea and Japan -- and U.S. personnel stationed in the region. In the coming months and years, it will create increasing danger for the United States. North Korea appears committed to gaining the capability to strike the United States with nuclear weapons. North Korea also poses a grave proliferation danger. As their nuclear stockpile grows and their economy deteriorates so too does the risk that they will sell nuclear weapons or nuclear materials to another country or to a terrorist group.

More broadly, North Korea's policies and programs have endangered the emergence of a stable and prosperous Northeast Asia, one of the most vibrant and important economic regions in the world today and in our future.

Our goal must be a stable and nuclear-free Korean Peninsula, at peace in the region, and with the world. To achieve that, we need to address North Korea's nuclear and ballistic missile programs and prevent it from spreading nuclear and missile technology to dangerous actors around the world.

Our policy should be guided by facts and informed analysis; it should include elements both to offer genuine incentives for North Korea to participate in substantive talks aimed at reducing and eliminating this threat and to increase pressure on North Korea. It is clear that we will have to sharpen Pyongyang's choice: offer greater benefits for cooperation and promise greater costs for continued defiance. We should also be clear that we do not seek to promote conflict; we seek to promote peace.

A unified policy approach to North Korea -- from our allies, from China, from Russia and the international community, including the United Nations -- stands the greatest chance of finding a lasting peaceful solution on the peninsula and of forging a stable and prosperous Northeast Asia. It is by far the preferable course of action.

The stakes are high. If we are not successful, North Korea's policies and programs will further strain the U.S.-China relationship, destabilize a region vital to the interests of all nations and leave us no choice but to take defensive action to protect our allies and our homeland.

The recommendations I am highlighting below should be implemented in parallel.

China is Key to Addressing This Growing Danger

Addressing the North Korean threat should be a top issue between China and the United States. China can help get North Korea back to the negotiating table by working with the United States, South Korea, Japan and Russia on a diplomatic approach that will restart negotiations with the DPRK. Without that cooperation and without progress, the United States and its allies will be forced to take additional steps.

To encourage China to participate, the United States should offer a new dialogue on the future of the peninsula that includes discussions over the future disposition of U.S. forces. This dialogue should attempt to coordinate planning in the event of a crisis and convey that it is not U.S. policy to cause a collapse of the North Korean regime. It is in both the United States' and China's interest to find a comprehensive resolution to this problem, but if we can't manage to cooperate with China to engage North Korea, all risks increase, including the risk of a violent conflict on the Korean peninsula.

Offer Genuine Incentives for Negotiations with North Korea

We should be prepared to offer genuine incentives for North Korea to participate in substantive talks -- which could result in a comprehensive deal in which North Korea, South Korea, and the United States, supported by China, sign a peace agreement that will finally end the Korean War and gradually normalize relations in exchange for complete nuclear disarmament and progress on human rights.

Although a negotiated agreement on complete and verifiable denuclearization remains a long-term goal for resolving the nuclear issue, negotiations are unlikely to eliminate North Korea's nuclear or missile capabilities as a near-term first step. Nonetheless, a new diplomatic approach could potentially freeze and eventually rollback North Korea's nuclear and missile programs, establish conditions for taking additional steps if North Korea rejects the proposal and lay the groundwork for the eventual peaceful elimination of the regime's nuclear capabilities and a nuclear-free Korean peninsula. To truly test whether a diplomatic solution is possible, we should consider informal bilateral and direct talks without preconditions, while working closely with our allies on the modalities of resuming formal negotiations.

Increasing Pressure, Increasing Costs

At the same time that we offer negotiations, we must take further steps to increase economic sanctions and our defense capabilities. The previous administration laid an important foundation for this with the strong sanctions resolutions it achieved in the UN Security Council, most recently with UN Security Council Resolution 2270. Creating a standing multilateral mechanism to coordinate the implementation of Security Council resolutions -- facilitated by the sharing of intelligence, coordinating enforcement operations and distribution of resources donated by partners outside the region -- would be a sound next step. Resolution 2270, including the mandate to inspect all cargo entering or exiting North Korea, should be strictly enforced. The United States should also expand U.S.-ROK-Japan cooperation on strengthening its joint deterrence profile.

If Pyongyang refuses to negotiate, the United States should carefully apply new military measures to deny North Korea the benefits of its actions and to strengthen deterrence of military attacks, as well as to impose new sanctions that more severely restrict the regime's funding sources. Increasing costs will not be easy; these policies will have to be calibrated carefully -- and we should be clear in particular with China that we do not seek a collapse of the North Korean regime.

In addition to posing grave nuclear dangers to the world, North Korea continues to perpetrate grave crimes against humanity. We must continue working through the UN system with our partners to increase pressure on North Korea to abide by internationally recognized standards for human rights, including by considering suspension of North Korea's credentials at the UN.

A Broader Canvas

North Korea presents one of the most vexing and serious international security challenges we and the international community face. North Korea's continuing unwillingness to address concerns about their nuclear and missile programs will require the United States to invest more heavily in the region -- tighten its alliances, enhance its military presence, and sanction entities that assist North Korea.

At the same time that the new Administration and Congress place a priority on addressing the North Korean nuclear threat, we must not lose sight of the broader nuclear dangers that we face.

Russia today deploys hundreds of nuclear warheads on ballistic missiles that could be fired and hit their targets around the globe in less time than it will take to conclude today's hearing. For both the United States and Russia, the risk of an accidental, unauthorized, or mistaken launch of a nuclear ballistic missile is unnecessarily high -- particularly in our world of increasing cyber vulnerability. This too is, and should be, an urgent issue for this administration, and this Congress.

The United States must lead to reduce nuclear risks in Europe. The United States must lead to strictly enforce the Joint Comprehensive Plan of Action with Iran and prevent the proliferation of nuclear weapons in the Middle East.

In short, the safety of our citizens depends on the United States leading a truly global effort to reduce reliance on nuclear weapons, to prevent their spread into potentially dangerous hands, and ultimately to end them as a threat to the world -- a consistent goal of U.S. policy since the dawn of the nuclear age.

Thank you.

###

Congressman Tom Marino
Foreign Affairs Committee Hearing
February 7, 2017
Countering the North Korean Threat: New Steps in U.S. Policy
Statement for the Record

The Republic of Korea is one of the United States' most important and staunchest allies in Asia and worldwide.

Our countries have enjoyed a strong military alliance since the early 1950's and our commitment remains resolute today with over 28,000 American soldiers stationed in Korea.

Secretary of Defense Mattis made his first overseas trip to the Republic of Korea to stress the importance of our countries' relationship and convey the new Administration's desire to strengthen the strong bonds between our countries.

During his trip, Secretary Mattis stated "Our new administration inherits a very strong, trusted relationship between our two countries, and it's our commitment to make it even stronger." I am glad to hear this Administration's unwavering commitment to this alliance.

As North Korea continues to test and develop nuclear weapons and advance their ballistic missile program, our alliance with the Republic of Korea is more important than ever.

Last year, Congress passed tougher sanctions measures while the United Nations Security Council expanded the scope of its sanctions. While these are excellent steps, we must make sure that the Administration continues to sanction any and all entities that are complicit in North Korea's nefarious activities.

I also strongly support the deployment of the Terminal High Altitude Area Defense (THAAD) ballistic missile defense system in the Republic of Korea. The United States and Republic of Korea should continue to work closely on missile defense.

As a member of this Committee and the Subcommittee on Asia and the Pacific, I look forward to working with Chairman Royce and Chairman Yoho to further strengthen our alliance with the Republic of Korea.

Statement for the Record
Submitted by Mr. Connolly of Virginia

"Loose Lips Sink Ships, And Other Things Besides"

President Trump's Twitter tantrums about television ratings, attacks on movie stars, and Sean Spicer's Baghdad Bob routine make great fodder for late night television, but such erratic behavior is no laughing matter when it comes to nuclear proliferation. In that context, it is actually profoundly disturbing and one could imagine the destabilizing rhetoric or actions that could put us on the precipice of nuclear war. Sooner or later, President Trump must learn that his words have consequences for global stability.

During the 2016 U.S. presidential campaign, Donald Trump suggested that more countries, such as Japan and South Korea, may need to develop their own nuclear weapons to defend against the North Korean nuclear threat. He also refused to eliminate the possibility that he would use nuclear weapons in Europe. After his surprise victory, Mr. Trump continued his reckless commentary on nuclear proliferation, even claiming: "Let it be an arms race. We will outmatch them at every pass and outlast them all," and "the United States must greatly strengthen and expand its nuclear capability until such time as the world comes to its senses regarding nukes."

When scientists moved the Doomsday Clock to the closest to midnight that it has been since 1953, they admitted that President Trump's destabilizing rhetoric was part of the reason why. President Trump's nominee for Energy Secretary Rick Perry did not even know that two-thirds of the department's annual budget is devoted to management of the United States' nuclear stockpile and thwarting nuclear proliferation. Finally, Trump's repeated characterization of the Joint Comprehensive Plan of Action as "the worst deal ever negotiated" threatens to undermine the diplomatic agreement that has successfully rolled back a dangerous nuclear development program, a diplomatic template we would do well to replicate.

President Trump and his Administration must get serious about this threat. Further incompetence comes with great risks. We need concerted international action to counter North Korea, continued pressure from Congress, and strengthened defense cooperation with our allies in order to give this problem the serious attention it deserves.

In response to North Korea's fourth nuclear test in January 2016, the United States helped negotiate the passage of United Nations Security Council (UNSC) Resolution 2270. This hard-fought measure imposed sweeping new sectoral and banking sanctions on Pyongyang and required states to strengthen interdiction efforts against North Korea's illicit proliferation and trade networks. Following North Korea's fifth nuclear test in September 2016, the UNSC passed Resolution 2321, which strengthened the U.N. sanctions regime against the DPRK by enacting further export restrictions and limitations on official bank accounts. Even though China agreed to both UNSC 2270 and 2321, enforcement against Chinese companies doing business with North Korea has been too relaxed, and embarrassingly so in some instances. The Chinese government provides a form letter that companies seeking to claim the

"livelihood" exemption can copy, paste, and submit if they would like to continue to conduct trade with North Korea.

Last year, Congress passed H.R. 757, the North Korea Sanctions and Policy Enhancement Act, which improves sanctions against North Korea in response to its continued efforts to build a nuclear arsenal. That bill included two of my amendments: one conditioning sanctions relief on the promotion of family reunifications for Koreans and Korean Americans, and another to ensure that U.S. policy toward North Korea is informed by the recommendations made in the United Nations' commission of Inquiry on Human Rights in North Korea. It is vital that our North Korea policy be informed with an understanding that there are human victims of the ongoing conflict on the Peninsula.

Last July, the United States and South Korea reached an agreement to deploy the U.S. Army's Terminal High Altitude Area Defense System (THAAD) to the peninsula as a shield against ballistic missiles launched from north of the 38th Parallel. Notwithstanding China's vehement objections and threats of economic retribution against South Korea, the United States and South Korea have agreed to complete the deployment by the end of this year.

Despite a broad international coalition, new sanctions, and greater military collaboration directed against a nuclear-armed North Korea, Kim Jong Un has continued development of the regime's nuclear program. Over the past few months, political uncertainty has overtaken both the United States and South Korea. As both countries undergo political transition periods, the resulting policy ambiguity can create a vacuum for provocative North Korean behavior.

The Korean Peninsula remains one of the most dangerous flashpoints on the globe. Navigating this complex web of regional stakeholders and competing interests will require patient and committed U.S. leadership to avert the ever-present potential of conflict that looms over 75 million Koreans. I look forward to hearing from our witnesses today regarding how best to achieve that goal and halt the North Korean regime's seemingly unstoppable course toward development of a nuclear weapon.

MATERIAL SUBMITTED FOR THE RECORD BY THE HONORABLE GERALD E. CONNOLLY, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF VIRGINIA

The Washington Post

Asia & Pacific

In Japan and South Korea, bewilderment at Trump's suggestion they build nukes

By Anna Fifield March 28, 2016

Donald Trump's suggestion that South Korea and Japan should have their own nuclear arsenals so they can protect themselves – and so the United States doesn't have to — has been met with bewilderment in the region.

Government officials on all three sides stressed that there would be no change in the alliance, while newspapers shook their editorial heads.

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"We are dumbfounded at such myopic views of a leading candidate in the U.S. presidential race, who tries to approach such critical issues only from the perspective of expenses," the JoongAng Ilbo, one of South Korea's biggest newspapers, said in a punchy editorial. "Trump must refrain from his penny-wise and pound-foolish approach."

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The left-leaning Hankyoreh urged President Park Geun-hye's administration to protest. "The South Korean government needs to express its firm opposition to Trump's foreign policy plan, which constitutes a threat to security on the Korean Peninsula," the paper said, warning that Trump's comments could complicate efforts to persuade North Korea to abandon its nuclear weapons program.

The Republican presidential front-runner argues that the United States' defense alliances with Japan and South Korea cost too much money.

The U.S. military has about 54,000 troops stationed in Japan and 28,500 in South Korea, and the alliances form the cornerstones of its military presence in Asia. The presence is meant to keep North Korea, as well as China, in check.

But Trump has been complaining that these two rich countries should be paying for their own defense.

"Now, does that mean nuclear? It could mean nuclear. It's a very scary nuclear world," Trump told the New York Times.

With the irascible North Korean regime threatening more nuclear and missile tests, some politicians and opinion leaders in Seoul have been talking about the need for South Korea to develop its own nuclear weapons, but this idea does not have mainstream support.

The spokesman for South Korea's defense ministry, Moon Sang-gyun, said Monday that he had no comment on Trump's remarks on nuclear weapons. He did, however, tell reporters that the alliance with the United States remains strong.

In Tokyo, Yoshihide Suga, the chief cabinet secretary, said there would be no change in Japan's policy of not having nuclear weapons.

"Whoever becomes president of the United States, the Japan-U.S. alliance, based on a bilateral security agreement, will remain the core of Japan's diplomacy," Suga told reporters. "We will adhere to our three principles that prohibit Japan from owning, developing and transporting a nuclear arsenal."

Mexicans celebrate holiday by burning Trump in effigy

Anna Fifield is The Post's bureau chief in Tokyo, focusing on Japan and the Koreas. She previously reported for the Financial Times from Washington DC, Seoul, Sydney, London and from across the Middle East.
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The Washington Post

Politics

Scientists move Doomsday Clock 30 seconds closer to midnight

ly Associated Press January 27

/ASHINGTON — The keepers of the Doomsday Clock have moved the symbolic countdown to potential global catastrophe 30 :econds closer to midnight based on President Donald Trump's comments on nuclear weapons and climate change.

The Bulletin of the Atomic Scientists, in a statement accompanying the move Thursday, cited "wavering public confidence in he democratic institutions required to deal with major world threats." It says "deception campaigns" by Russia to disrupt the J.S. election have made the world more dangerous by bringing "American democracy and Russian intentions into question."

The Doomsday Clock now stands at 2 ½ minutes to midnight, the closest it has been since the 1950s.

The clock is a visual representation of how close the Bulletin believes the world is to catastrophe brought on by nuclear weapons, climate change and new technologies.

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The Post Recommends

Democrats are in a hole — but it's not why you think

The party certainly needs to reassess, but Democratic strategists ought to look before they leap, since there are structural reasons for the party's current standing that have little to do with Hillary Clinton.

Questions for the Record
Chairman Michael McCaul
HFAC Full Committee Hearing: *"Countering the North Korean Threat: New Steps in U.S. Policy"*
February 6, 2017

1. (Dr. Terry) How has North Korea's development of WMD and conventional weapons impacted security in the Middle East, specifically, a) how has North Korea's development of a weaponized nuclear highly enriched uranium (HEU) program and the ballistic missiles that would carry these weapons enabled Iran to advanced their own similar programs, and b) how has North Korea's sales of small arms, artillery, missiles, and chemical weapons to Syria, enabled Assad to be effective at key time periods during the Syrian Civil War?

Terry: North Korea proliferates almost everything it has for hard currency. Although there is no evidence that the North has sold nuclear weapons or nuclear fissile material to Iran or Syria—yet—there has been extensive clandestine ballistic missile cooperation between North Korea, Iran, and Syria.

North Korea and Iran both secured designs and materials for a highly enriched uranium (HEU) program from a Pakistani nuclear scientist, Abdul Qadeer Khan. While there is no direct evidence that the North cooperated with Iran to develop its nuclear capabilities, there has been unconfirmed press reporting which indicated that the North may have invited Iranian scientists to witness nuclear tests and may have shared data from its nuclear testing that may have helped Iran to advance its own program.

Evidence is more abundant when it comes to ballistic missiles. North Korea has developed a close working relationship with Iran on many ballistic missile programs, starting with exporting Scud missiles to Iran in the 1980s. Subsequently, throughout the 1990s and 2000s, North Korea's ongoing export of ballistic missiles and associated technology to Iran provided a significant increase in its capabilities, including improving Iran's ability to produce an ICBM.

Meanwhile, North Korea and Syria have a long-standing and deep political and military relationship, one that goes back to the late 1960s. In more recent years, North Korea assisted in constructing a covert nuclear reactor at Al Kibar in Syria that was bombed by the Israeli Air Force in 2007. Since then Syria does not have an active nuclear weapons program. However, since the beginning of the civil war in Syria, North Korea continued to supply Syria with military hardware including armored personnel carriers, anti-tank weapons, rifles, and heavy artillery. North Korea also supplied Syria with an unknown number of MANPADS (man-portable air-defense system), which was confirmed as of 2014 by a picture of an ISIS fighter who had accessed one of these weapons. In addition, North Korea sold Scud-C transporter-erector-launchers (TELs) and cluster warheads to Syria and reportedly provided substantial technical assistance for Assad's chemical weapons programs over the years. Today, Syria continues to rely on both North Korean and Iranian assistance for its missile programs. As then-Defense Intelligence Agency Director Michael Flynn testified on April 18, 2013, "Syria's liquid-propellant missile program depends on essential foreign equipment and assistance, primarily from North Korean entities."[1]

[1] Michael Flynn, *Current and Future Worldwide Threats*, Senate Armed Services Committee Hearing, April 18, 2013.

2. (Dr. Terry) What is the evidence indicating North Korea will soon have a mobile ICBM that can hit the USA?

Terry: With its ongoing development of several different missile systems, North Korea poses an increasing threat not only to the region—South Korea and Japan in particular—but also to the United States. North Korea currently has at least 12 to 15 nuclear weapons with the potential to increase that cache to as many as 50 to 100 by 2020. North Korea has already achieved warhead miniaturization, the ability to place nuclear weapons on its medium-range No Dong missiles that threaten South Korea and Japan. It also has a preliminary ability to reach the continental U.S. with a missile. If it continues to improve its capability, the North will be able to attack the American mainland with a mobile ICBM with a nuclear warhead. In the past year, North Korea made two important technical advances that indicate it is on its way to achieving that capability: 1) a static test of a heat shield, a component designed to protect the nuclear warhead on the missile's reentry into the atmosphere; 2) a static test of the first stage of a KN-08 mobile ICBM. What the North will now need to work on is to make sure it has a working guidance system so that the missile can hit where it's aimed. North Korea has not yet conducted an ICBM flight test but it has vowed that it would do so this year.

3. (All four witnesses) Please provide an estimate of the kind of damage that North Korea's Reconnaissance Bureau based cyber warfare units can inflict upon American governmental systems.

Terry: The U.S. should be very concerned about North Korea's continued improvement in its cyber-attack capabilities and the North's ability to inflict great damage upon American civilian and governmental systems. As North Korea's conventional forces have been declining due to lack of resources, Pyongyang has been emphasizing the development of not only nuclear weapons but also of asymmetric, cost-effective capabilities, particularly in cyber warfare. The North is busy training "cyber-warriors." According to defector reports, North Korea utilizes primary and secondary education--and later university education--to seek out children who show mathematical talents and then sends them through rigorous advanced training to become cyber warfare operators. South Korean press reports claim the Reconnaissance General Bureau (RGB), North Korea's agency for both traditional clandestine operations as well as cyber operations, currently has some 6,000 of these cyber warriors. RGB's cyber unit 121, comprised of both an intelligence component and an attack component, is headquartered in Pyongyang but it also has components that conduct operations from within China. Unit 121 disrupts U.S. and South Korean systems by infiltrating their computer networks, hacking to obtain intelligence, and planting viruses.

North Korea's hackers have already successfully penetrated U.S. and South Korean computer networks repeatedly. The two most high-profile attacks to date were on Sony Pictures Entertainment in November 2014 and, in March 2013, on several South Korean media and financial institutions.

The US should take this threat seriously. South Korea does. The South Korean government has doubled its cyber-security budget and is training 5,000 additional cyber-security experts amid growing concern over its vulnerability to attacks from North Korea.

Cha: North Korea has invested significant resources in their cyber operations since about 2009. A report by the Center for Strategic and International Studies (CSIS) released in late 2015 shows a clear trend in which North Korea's disruptive cyber operations have quickly evolved from rudimentary, limited-effect DDoS attacks against U.S. and South Korean website to complex operations that require significant organizational capacity and strategic planning.[2] An investigation of recent high-profile cyber-attacks demonstrates that they were advanced operations that required a dedicated team working consistently to conduct computer network exploitation (CNE) on the victim's systems and networks for months before the destructive malware was unloaded. The trends associated with these cyber-attacks indicate that North Korea has put strategic thought behind its use of cyber capabilities and has the organizational capacity to execute this strategy.

The CSIS report also found that North Korea's cyber strategy appears to be a direct extension of the regime's existing national strategy which utilizes asymmetric capabilities to upset the unfavorable status quo on the Korean Peninsula and balance out the country's weakening conventional military capabilities. North Korea uses cyber capabilities to exploit both U.S. and South Korean vulnerabilities at a relatively low-intensity while minimizing the risks of retaliation or escalation.

Left unchecked and barring any major changes, North Korea is likely to continue to place strategic value in developing its cyber capabilities. We expect that attacks against commercial and government targets in both the United States and South Korea will continue. The attacks are likely to become more sophisticated over time and will eventually expand from low intensity, high profile attacks like the Sony case to include more strategic targets such as disrupting missile defense systems, nuclear power plants and energy grids, and U.S.-ROK integrated command and control communications systems.

The table below indicates some of the most recent cyber-attacks attributed to North Korea and the damage incurred.

Start Date	End Date	Description	Damage
7/4/2009	7/9/2009	DDoS on U.S. and ROK public and government websites	50 billion won (The Guardian). 50,000 to 65,000 computers had been commandeered by hackers and ordered to flood specific Web sites with access requests, causing them to slow or stall. Such robotic networks, or botnets, can involve more than a million computers.
7/7/2010		DDoS on ROK government and private-sector websites	N/A

[2] Jenny Jun, Scott LaFoy and Ethan Sohn, *North Korea's Cyber Operations: Strategy and Responses* (Washington, DC: Center for Strategic and International Studies, 2015), https://csis-prod.s3.amazonaws.com/s3fs-public/legacy_files/files/publication/151123_Cha_NorthKoreaCyber_handout_final.pdf

3/4/2011		DDoS on ROK websites including USFK	10 billion won (The Guardian). Up to 11,000 personal computers were infected by malware. Some 29 institutions were affected. AhnLab estimated around 50,000 PCs were involved.
4/12/2011		Nonghyup Bank hack	30 million customers of the Nonghyup agricultural bank were unable to use ATMs or online services for several days and that key data were destroyed
June 2012		Attack on Joongang Ilbo	N/A
3/20/2013		Attack on ROK banks and media agencies	$756,000,000. Malicious code infected some 48,000 computers in their networks
3/25/2013	3/26/2013	ROK websites disrupted	N/A
6/25/2013	7/1/2013	DDoS on ROK government websites	N/A
11/24/2014		Sony hack	$15m in investigation and remediation costs
December 2014		Attack on Korea Hydro & Nuclear Power	N/A
February 2016		Bangladesh heist	Attempted $1 billion, netted $81 million
Late Feb to early March 2016		North Korea had hacked into smartphones belonging to a number of key government officials	N/A
Early May 2016		Interpark hack	Leaked personal information of 10.3 million registered consumers. attempted to blackmail of the firm's board for 3 billion won ($2.6 million) of untraceable bitcoin
8/4/2016		First hacking of South Korea's cyber command intranet	3,200 computers, including 700 linked with the intranet, were contaminated with malware
11/13/2016		North Korean hackers distributed emails with files containing malicious code	N/A

1/2/2017	North Korean hackers distributed emails with files containing malicious code	N/A

Ruggiero: North Korea's cyber threats against U.S. government systems and national security include: direct attacks on government networks, cyber terrorism against the homeland, and cyber-enabled economic warfare. The last of these describes a hostile strategy involving attack(s) using cyber technology with the intent to weaken a nation's economy and thereby reduce its political and military power.

In the past five years, North Korea has engaged in public cyber terrorism and cyber-enabled economic warfare attacks against the U.S. and its allies:

- *Cyber Terrorism*: Then-Director of National Intelligence James Clapper stated in January 2015 that the head of North Korea's Reconnaissance General Bureau may have ordered a November 2014 cyber attack on Sony Pictures Entertainment.[3] Days before Clapper's statement, the U.S. Treasury Department sanctioned three North Korean entities and ten individuals involved in the attack, which released and also destroyed sensitive company data.[4]

- My colleagues Samantha Ravich and Annie Fixler noted in a report last month that "The attackers threatened terrorist attacks if [Sony] released 'The Interview,' a comedic film about an assassination plot against the North Korean leader. The threat apparently succeeded as the studio pulled the movie from large theaters – although it later released copies for digital streaming, and the movie received a limited theatrical release in the United States and a broader release overseas. The attack appeared to have had limited, if any, effect on U.S. policy or on the U.S. economy, and seems to have been a cyber-terrorist attack on an individual company, with an implied threat to others who might voice similar criticism of North Korea's head of state."[5] The attack violated U.S. sovereignty and was "an attempt to

[3] Jeremy Bender, "Meet the Super-Hawkish North Korean General Thought to be Behind The Sony Hack," *Business Insider*, January 7, 2015. (http://www.businessinsider.com/this-is-north-korean-general-behind-sony-hack-2015-1)

[4] U.S. Department of the Treasury, Press Release, "Treasury Imposes Sanctions Against the Government of The Democratic People's Republic Of Korea," January 2, 2015. (https://www.treasury.gov/press-center/press-releases/Pages/jl9733.aspx)

[5] Samantha Ravich and Annie Fixler, "Framework and Terminology for Understanding Cyber-Enabled Economic Warfare," *FDD's Center for Sanctions and Illicit Finance*, February 22, 2017. (http://www.defenddemocracy.org/content/uploads/documents/22217_Cyber_Definitions.pdf)

interfere with freedom of expression," according to State Department Coordinator for Cyber Issues Christopher Painter.[6]

- *Cyber-Enabled Economic Warfare*: North Korea has also engaged in a campaign of cyber attacks against South Korean economic assets and infrastructure. Ravich and Fixler further explain: "In March 2013, North Korean hackers attacked South Korean banks and media companies using malware dubbed 'DarkSeoul,' destroying tens of thousands of computers, deleting data from hard drives, overwriting bank records, and rendering many banking services inoperable … North Korea's intentions in the March 2013 attacks were not purely economic or commercial – that is, Pyongyang was not interested in advantaging its own media companies and financial institutions within the South Korean market by taking out their competitors. Rather, North Korea has engaged in a campaign of attacks designed to disrupt elements of the South Korean economy and to improve its own attack capabilities in order to develop the ability eventually to undercut South Korea's defense capabilities."[7]

The proliferation of cyber-enabled economic warfare attacks requires additional collection and analytic tools to better understand the nature of the threat. With better analysis, Congress and the administration can develop proactive policies and counter-measures, which will deter North Korea and other U.S. adversaries from taking actions that threaten the U.S. homeland, interests, and allies.

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[6] Ellen Nakashima, "Why the Sony hack drew an unprecedented U.S. response against North Korea," *The Washington Post*, January 15, 2015. (https://www.washingtonpost.com/world/national-security/why-the-sony-hack-drew-an-unprecedented-us-response-against-north-korea/2015/01/14/679185d4-9a63-11e4-96cc-e858eba91ced_story.html?utm_term=.fa4d869cf3ae)

[7] Samantha Ravich and Annie Fixler, "Framework and Terminology for Understanding Cyber-Enabled Economic Warfare," *FDD's Center for Sanctions and Illicit Finance*, February 22, 2017. (http://www.defenddemocracy.org/content/uploads/documents/22217_Cyber_Definitions.pdf)

Questions for the Record
Congressman Brian Fitzpatrick
HFAC Full Committee Hearing: *"Countering the North Korean Threat: New Steps in U.S. Policy"*
February 7, 2017

1. (All 4 Witnesses) What measures can the United States bring to bear against Chinese SOEs and banks who funnel hard currency dollars to the Kim regime?

Terry: It's time for the United States to make Chinese SOEs and banks pay a cost for their support of North Korea. We have yet to penalize Chinese SOEs or banks for continuing to do business with the Kim Jong-un regime. Confronting the Kim regime credibly depends on getting his bankers in China to comply with the sanctions, which means a credible threat of secondary sanctions is necessary on the part of the U.S. Section 104 of the North Korea Sanctions and Policy Enhancement Act imposes severe and mandatory sanctions in order to target the slush funds that facilitate Kim Jong-un's proliferation, arms trafficking, cyber attacks, the trade in certain minerals, luxury goods imports, human rights abuses, and censorship. The purpose of this law was to force the administration to cut off the funds that maintain the Kim regime and to send an unequivocal message to Chinese and other third party banks that either they can do business with North Korea or the U.S. but not both. Secondary sanctions are essential to making North Korea sanctions work, just as they were essential to making Iran sanctions work. History gives us a useful example on this. In September 2005, the U.S. Treasury Department designated Macau-based Banco Delta Asia for laundering North Korea's counterfeit dollars, which led to the blocking of $25 million in North Korean deposits. This action blocked one of the key streams of hard currency for sustaining the Kim regime. A North Korean officer told a U.S. official that the U.S. has finally found a way to hurt the Kim regime. What the case showed is that third countries, in this case, China, will comply with sanctions if its banks face real consequences for conducting illicit business with North Korea. As the Iran nuclear deal ultimately showed, sanctions can get results but only if they are tough, implemented, and sustained over several years. This requires political will on the part of the U.S. government, particularly a willingness to sanction third-country entities that facilitate North Korea's illicit activities and proliferation.

Cha: Please see below recommendations.

Strengthen U.S. State and Treasury Department's Ability to Uncover North Korean Illicit Networks in China

- Provide additional resources to investigate financial institutions in China that have established relationships with the Dandong Hongxiang Group, the 88 Queensway Group, or other groups that have facilitated North Korean illicit activities.[1] Concentrate efforts on

[1] On Dandong Hongxiang Group, see The Asan Institute for Policy Studies and C4ADS, *In China's Shadow: Exposing North Korean Overseas Networks* (Seoul: Asan Institute for Policy Studies, 2016), https://static1.squarespace.com/static/566ef8b4d8af107232d5358a/t/57dfe74acd0f68d629357306/1474291539480/In+China's+Shadow.pdf. On 88 Queensway Group, see J.R. Mailey, "A Tale of

uncovering front companies or shell companies that are used hide illegal transactions and to launder money through Chinese organizations.[2]

- Create an inter-agency task force to improve communication and coordination among organizations working to uncover North Korea's illicit networks and front companies. This could be similar to the Illicit Activities Initiative and the North Korea Working Group that helped to facilitate the action against Banco Delta Asia in 2005. One part of the group could be dedicated to investigating financial networks and crimes in conjunction with the Treasury Department.[3]

Ramp Up Diplomatic Pressure

- Encourage State Department and Treasury Department officials to meet with their Chinese counterparts and clarify current U.S. sanctions law. Emphasize that the president is now mandated under the North Korea Sanctions and Policy Enhancement Act (Public Law 114-122) to designate persons/entities that knowingly facilitate North Korea's illicit activities.[4] Reiterate that new designations of Chinese entities, particularly financial institutions, could be forthcoming under various North Korea-related Executive Orders if there are reasonable grounds to place the entity on the "Specially Designated Nationals" list from the Office of Foreign Assets Control at the Treasury Department.
- Encourage Treasury Department officials to meet with Chinese banks and explain the Patriot Act Section 311 action against North Korea (i.e. designation as a jurisdiction of primary money laundering concern) and the new special measures regulations (31 CFR Part 1010)

Two Kaesong Industrial Zones: Not All Foreign Investment is Created Equal," *38North*, July 17, 2014, http://38north.org/2014/07/jmailey071714/.

[2] James Pearson and Rozanna Latiff, "North Korea spy agency runs arms operation out of Malaysia, U.N. says," Reuters, February 27, 2017, http://www.reuters.com/article/us-northkorea-malaysia-arms-insight-idUSKBN1650YE; James Griffiths, "North Korea flouting sanctions with illegal arms trade, report finds," March 1, 2017, http://www.cnn.com/2017/03/01/asia/north-korea-arms-smuggling/

[3] Hearing before the Federal Financial Management, Government Information, and International Security Subcommittee, Committee on Homeland Security and Governmental Affairs, United States Senate, " North Korea: Illicit Activity Funding the Regime," April 25, 2006, One Hundred Ninth Congress, https://www.gpo.gov/fdsys/pkg/CHRG-109shrg28241/html/CHRG-109shrg28241.htm

[4] Under Section 104 of the North Korea Sanctions and Policy Enhancement Act (NKSPEA) the President is required to sanction persons/entities that have knowingly: (1) transferred WMD-related goods, services, technology, and/or arms and related materiel to or from North Korea; (2) imported or exported luxury goods to the North; (3) engaged in money laundering, counterfeiting, bulk cash smuggling or other illicit activities that support the North Korean government; (4) sold, supplied, or transferred significant amounts of precious and/or semi-finished metals to or from North Korea for use in WMD programs, internal security or intelligence activities, or forced labor; and (5) engaged in significant acts that undermine cybersecurity. There are also other provisions on designating persons for censorship and human rights violations. *North Korea Sanctions and Policy Enhancement Act of 2016*, Pub. L. No. 114-122, 130 Stat. 93, Feb. 18, 2016 (codified as amended at 114 U.S.C.), https://www.congress.gov/114/plaws/publ122/PLAW-114publ122.pdf

issued by the Financial Crimes Enforcement Network.[5] Explain the additional due diligence measures required to ensure that U.S. correspondent accounts are not being used to facilitate North Korea's illicit activities. Emphasize that sanctioned persons/entities will face: (1) criminal/civil penalties; (2) blocking of assets under U.S. jurisdiction; (3) loss of access to U.S. financial system; and (4) a ban on entering the U.S.[6]

- Continue to work with South Korea, Japan, and other members of the United Nations to enforce UN Security Resolutions. Work with allies to provide more resources for the 1718 DPRK Sanctions Committee and UN Panel of Experts and to provide more technical and financial assistance to member states that have difficulty meeting sanctions reporting requirements. Encourage all member states to follow up with a new report by the United Nations that details North Korean efforts to evade sanctions.[7] Continue to provide necessary funding to the United Nations so that sanctions committees can pursue further investigations and strengthen methods for sanctions enforcement.
- Work with allies to investigate the use of North Korean diplomatic pouches and state-run companies (Air Koryo) to transfer bulk cash back to North Korea through Chinese territory or using Chinese shell companies.

Designate Chinese Entities for Direct Sanctions or Secondary Sanctions Under U.S. Law

- If diplomatic pressure fails, use existing U.S. law and information uncovered about North Korean state-owned enterprises and shell companies to directly designate Chinese entities knowingly involved in illicit activities. Work with inter-agency taskforce to coordinate actions among the White House, Treasury Department, State Department, the Justice Department and Congress.
- Consider secondary sanctions (see recent UN Panel of Experts 2017 Report on DPRK) under Executive Order 13722 or 13687 for entities that support or facilitate illicit activities, especially Chinese banks servicing North Korean entities.[8] Also consider cutting off a financial institution from the U.S. system through the Patriot Act Section 311 action if the activities are extensive and persistent despite warnings.

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[5] For 31 CFR Part 1010, see Financial Crimes Enforcement Network, "Imposition of Special Measure Against North Korea as a Jurisdiction of Primary Money Laundering Concern," November 9, 2016, https://www.gpo.gov/fdsys/pkg/FR-2016-11-09/html/2016-27049.htm
U.S. Department of the Treasury, Financial Crimes Enforcement Network, "Imposition of Special Measure Against North Korea as a Jurisdiction of Primary Money Laundering Concern," 81 Federal Register 78715, November 9, 2016 (https://www.federalregister.gov/documents/2016/11/09/2016-27049/imposition-of-special-measure-against-north-korea-as-a-jurisdiction-of-primary-money-laundering).

[6] The National Committee on North Korea, *Summary of North Korea Sanctions and Policy Enhancement Act* (Washington, DC: NCNK, 2016), http://www.ncnk.org/resources/publications/HR757_Summary_Final.pdf

[7] Colum Lynch, "Confidential U.N. Report Details North Korea's Front Companies in China," *Foreign Policy,* February 28, 2017, http://foreignpolicy.com/2017/02/28/confidential-u-n-report-details-north-koreas-front-companies-in-china/

[8] "Report of the Panel of Experts established pursuant to resolution 1874 (2009)," March 3, 2017, http://undocs.org/en/S/2017/150

- Investigate whether North Korea should be re-designated as a State Sponsor of Terrorism.[9]

Ruggiero: North Korea consistently obscures its access to the international financial system. The UN report released last week highlights Pyongyang's habitual use of front companies with no visible ties to the regime, a practice that the Treasury Department has called "a threat to the integrity of the U.S. financial system."[10] The UN report also notes these efforts generate significant revenue for the Kim regime, most of it denominated in U.S. dollars, euros, and Chinese renminbi.

North Korea's reliance on the international financial system is concerning, but also provides the U.S. leverage to address Pyongyang's illicit activities. Washington must lead an effort to expose North Korean front companies, but recent actions suggest it is not focused on the issue. The number of U.S. designations on the country has nearly doubled in the last year, but 88 percent of those were persons inside the hermit kingdom. These sanctions will therefore not address the country's international business ties, but will rather put banks at a disadvantage as long as governments are unwilling to identify these companies.

Washington needs to push China to cease facilitating its neighbor's illicit nuclear and missile activity. Beijing has long argued that it is unaware of such activities, despite significant indications to the contrary. Likewise, China's leaders insist it has no special ability to moderate North Korea's behavior. That is no excuse, and China's obfuscation only confirms that it is not a partner in U.S. efforts to counter the North Korean nuclear and missile threat.

The designation of a Chinese company and four Chinese nationals was a good start, but the action was incomplete. The Justice Department found that from August 2009 to September 2015, these Chinese nationals had used 22 front companies to open Chinese bank accounts to conduct dollar transactions through the U.S. financial system when completing sales to Pyongyang.[11] The front companies were not designated and no Chinese bank was sanctioned or penalized for its actions.

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[9] Joshua Stanton, *Arsenal of Terror: North Korea, State Sponsor of Terrorism* (Washington, DC: Committee for Human Rights in North Korea, 2015), http://www.hrnk.org/uploads/pdfs/4_27_15_Stanton_ArsenalofTerror.pdf

[10] United Nations Security Council, "Report of the Panel of Experts established pursuant to resolution 1874 (2009)," S/2017/150, February 27, 2017. (http://www.un.org/ga/search/view_doc.asp?symbol=S/2017/150); U.S. Department of the Treasury, Financial Crimes Enforcement Network, "Finding that the Democratic People's Republic of Korea is a Jurisdiction of Primary Money Laundering Concern," 81 Federal Register 35441, June 2, 2016. (https://www.fincen.gov/sites/default/files/shared/2016-13038(DPRK_Finding).pdf)

[11] U.S. Department of Justice, Press Release, "Four Chinese Nationals and China-Based Company Charged with Using Front Companies to Evade U.S. Sanctions Targeting North Korea's Nuclear Weapons and Ballistic Missile Programs," September 26, 2016. (https://www.justice.gov/opa/pr/four-chinese-nationals-and-china-based-company-charged-using-front-companies-evade-us)

The United States should start with substantial fines against, or the designation of, Chinese banks assisting North Korea. Washington should also call Beijing's bluff and force it to veto new UN designations of North Korean front companies and individuals.

2. (All 4 Witnesses) Do you believe that the installation of THAAD is necessary to protecting South Korea and Japan? What possible blowback do you anticipate from China and Russia if THAAD is installed on the Korean peninsula?

Terry: Strengthening deterrence by enhancing missile defense systems around the Korean peninsula, including deployment of THAAD system, is necessary to protect South Korea and Japan. It's a defensive system and does not facilitate American or South Korean offensive action against North Korea or China. China's criticism of the deployment of THAAD are off-base. While THAAD's X-band radar may ostensibly reach into China, other US systems can already determine a Chinese missile launch, so X-band adds nothing. In reality, THAAD is not a cure-all that would defend South Korea or Japan against all North Korean missiles. Nonetheless, it buys time for South Korea and Japan, adding a few more years before North Korea builds more missiles, drones, etc., that can overwhelm their air defenses. THAAD does not obviate the North's nuclear weapons, much less China's, but it gives Seoul and Tokyo vital breathing room to figure out what to do about the North's rapidly advancing missile program.

In terms of blowback, China has already begun retaliating against South Korean companies to Seoul's dismay. China has banned performances of Korean musicians, restricted charter flights for some South Korean airlines, banned import of South Korean cosmetics, and even banned electric carmakers that use Samsung or LG batteries. Further Chinese sanctions against South Korean conglomerates are expected with deployment of THAAD. In response to Chinese retaliation thus far, Seoul is looking into international legal measures available through the World Trade Organization.

Gallucci: I understand that the deployment of THAAD to the ROK will enhance our "layered" ballistic missile defense in Northeast Asia. I do not know the value of the increment in intercept capability that would result from deployment of the system to the peninsula. That said, the value of ballistic missile defense generally, and in Northeast Asia in particular, rests in part on the extent to which it serves to discourage a ballistic missile attack from North Korea in the first place. The systems do not have to actually engage targets to contribute to defense. Moreover, the larger point here is that the US contribution to the security of our allies in South Korea and Japan comes fundamentally from the credibility of our deterrent, that is, our promise to retaliate against a strike on our allies, as well as our commitment to engage any enemy with the necessary force to defeat an attack on their territory.

I understand that the Chinese concern about THAAD deployment to the ROK to rest on the capability of the system's radar to look into China and ultimately to threaten China's strategic nuclear deterrent. I do not know how Chinese unhappiness with the planned deployment might be manifest, though when a country fears that a defensive system threatens its offensive forces' ability to provide deterrence, increasing its offensive capability to compensate is a natural course to follow. The Russians have suggested such a course to deal with planned US BMD

deployments in Europe. I do not know of any Russian response to a THAAD deployment to the ROK.

Finally, there some irony in China's complaint about the US deployment of a BMD system to its ally, South Korea, explicitly to deal with the expanding ballistic missile threat coming from China's client state, North Korea.

Cha: The current South Korean air defense structure can only provide lower-altitude cover that allows minimal time to intercept incoming North Korean missiles, increasing the chances of a failed attempt to engage the target. In order to address this issue, South Korea is currently developing a long-range surface-to-air missile (L-SAM). However, the system would not be available for deployment until mid to late-2020, barring any unexpected delays. The installation of the THAAD system on the Korean peninsula would prove helpful to amend this gap.

THAAD has an ability to intercept a wide range of missile threats both within and outside of the atmosphere, providing mid-to-intermediate-range air defense capabilities. Furthermore, combining its interoperability with existing South Korean air defense assets such as the Patriot batteries and Aegis destroyers would provide South Korea with a more robust and multi-layered air defense system. This could help offset any vulnerabilities that any one system had by increasing the number of different interceptors at hand.

The installation of the THAAD battery on the Korean peninsula would also provide additional defense to U.S. installations in Japan and Guam. Establishing an interoperable sensor network between the Korean, U.S. and Japanese sensors in the region could help develop early warning capabilities against potential threats from North Korea and provide additional avenues for successfully countering them.

What possible blowback do you anticipate from China and Russia if THAAD is installed on the Korean peninsula? China has already been ramping up its retaliatory measures against South Korea for THAAD over the last several months.

A growing list of retaliatory economic and cultural measures include: forced reductions of tourist visas and vacation packages for Chinese wanted to visit South Korea, refusal for South Korean airlines to dispatch charter flights between the two countries, unilateral restrictions placed on cultural exchanges such as concerts by South Korean musicians and cancellations of South Korean television programs in China. Additionally, China has restricted the import and sales of popular Korean goods such as cosmetics.

China has also sent several diplomats to Seoul to meet privately with South Korean companies to warn about Chinese retaliatory measures for the THAAD and coerce the South Korean government into changing its policy.[12] China is likely to increase these types of retaliatory measures against South Korean companies and the government.

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[12] "Chinese officials handling THAAD visits S.Korea," *KBS,* December 30, 2016, http://world.kbs.co.kr/english/news/news_Po_detail.htm?No=124288

These actions show that China will intentionally use its economic leverage to force smaller Asian countries to comply with Chinese interests. In this sense, economic interdependence does not have peace-inducing effects in Asia if China continues along this track.

While it has not been as vocal as China in its opposition to the introduction of THAAD in Korea, Russian ambassador to Seoul, Aleksandr Timonin, mentioned during his interview with a major Russian news agency the deployment of THAAD is "a direct threat to the security of our country, because the main aim of the U.S. global missile defense is to minimize the effectiveness of Russia's missile potential." He added that "the deployment of THAAD batteries in South Korea goes beyond the bounds of tasks of deterring a 'North Korean' threat – real or imaginary." Russia has yet specified any measures against South Korea's decision.

Ruggiero: The THAAD system is necessary to protect South Korea and American service members and their families from North Korea's growing missile program.

China has objected to the deployment of THAAD by sanctioning South Korea rather than North Korea's missile program.

South Korea's Lotte Group – a large retail firm – is involved in the THAAD deployment through the government's plan to station the system on the firm's land. China's state media last month threatened Lotte with severe consequences if it follows through on the plans.[13]

Beijing has also halted the construction of a real estate project tied to the company and subjected its 120 retail stores to unnecessary fire inspections or tax investigations.[14] South Korea's Korea Institute for National Unification tallied 43 Chinese actions since July 2016 to pressure Seoul into canceling the THAAD deployment.[15] Since December 2016, Beijing has also limited charter flights from the country.[16]

Until Beijing is ready to counter North Korea's nuclear weapons and missile programs, the United States must deploy additional military assets to deter Pyongyang.

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[13] "Lotte set to approve exchange of land for THAAD deployment," *Yonhap News Agency*, January 20, 2017. (http://english.yonhapnews.co.kr/news/2017/01/20/0200000000AEN20170120004000320.html); Ben Blanchard, "Chinese news agency warns South Korea's Lotte over THAAD," *Reuters*, February 20, 2017. (http://www.reuters.com/article/us-lotte-group-china-idUSKBN15Z10C)

[14] Joyce Lee and Hyunjoo Jin, "China halts construction at major Lotte project amid THAAD tension," *Reuters*, February 8, 2017. (http://www.reuters.com/article/us-lotte-group-china-idUSKBN15N0DV)

[15] "China takes 43 retaliatory actions over S. Korea's THAAD deployment plan," *Yonhap New Agency*, February 3, 2017. (http://english.yonhapnews.co.kr/news/2017/02/03/0200000000AEN20170203010100315.html)

[16] Elizabeth Shim, "Report: South Korea could file WTO complaint for China THAAD retaliation," *UPI*, January 25, 2017. (http://www.upi.com/Top_News/World-News/2017/01/25/Report-South-Korea-could-file-WTO-complaint-for-China-THAAD-retaliation/9741485359801/)

3. Dr. Terry and Dr. Cha, if the Progressive Party comes to power in South Korea later this year and adopts more conciliatory overtures towards the North, what course of action would you recommend for the State Department and the Trump administration?

Terry: It is concerning that as Washington continues with a relatively hardline policy against North Korea, South Korea under a new progressive leadership may pursue an entirely different policy. It's important that Washington continues to work with both Seoul and Tokyo to encourage further cooperation between the two capitals and Washington, and to make sure that U.S. and our allies are on the same page when it comes to our approaches to North Korea.

On some issues, Washington might have to be prepared to push hard on South Korea, particularly if the next president of South Korea is bent on pursuing policies that are more conciliatory toward North Korea. The next South Korean government might, for example, explore prospects for enhanced inter-Korean cooperation and, in this effort, it could try, to lessen the current sanctions enforcement coalition, suspend joint Washington-Seoul military exercises, or even delay THAAD deployment. The next Korean government may also attempt to reopen the Kaesong Industrial Complex. Since we can't be sure how Kim Jong-un is spending the money he earned from Kaesong (estimated to be more than $100 million a year), it could be argued that Kaesong payments violate the UN sanctions that have been in force since October 2006. UNSC 1718 requires all member states to "ensure" that Kaesong payments are not diverted to North Korea's nuclear program, something that Seoul cannot do.

All that said, I am mindful Washington needs to work closely with a new South Korean government, regardless of who occupies the Blue House. The foundation of a successful North Korea policy is multilateral economic pressure. In the past, every time Seoul, Tokyo, or Washington has been taken in by the North's "divide and rule" tactics, there has been a piecemeal relaxation of pressure, extending Pyongyang a lifeline. This is why careful diplomatic maneuvering will be needed on the part of Washington to keep the coalition to contain North Korea in existence.

Over the long-term, we need to continue our efforts to upgrade the U.S.-R.O.K. alliance. This means continually working on issues beyond the Korean Peninsula including joint peacekeeping missions, counter-terrorism, counter-proliferation, counter-narcotics, cyber-security, space, missile defense, nuclear safety, and humanitarian assistance and disaster operations. The more the U.S.-South Korea alliance expands beyond its original threat-based rational to an alliance based on common values such as democracy, human rights, and free markets, the more difficult it will be for Seoul to ignore Washington and pursue its own independent course.

Cha: The Trump administration is currently conducting a review of North Korea policy. The policy direction is likely to be determined by some sort of North Korean provocative action in the next few months. That was the case under the Obama administration, where a series of North Korean provocations early in his time of office led to his policy of "strategic patience." With the high likelihood of a progressive candidate winning the 2017 presidential election in South Korea, there will be increasing pressure for the Trump administration to both find a way to stop North Korea's nuclear and missile tests and also to return to some form of dialogue with the North

Koreans. These two things are not necessary mutually exclusive but as I have mentioned in my testimony before Congress it will require greater risk taking in policy and will be a significant test for the new administration.

Recommendations for U.S.-ROK alliance and NK policy:

- Sustaining U.S.-ROK policy coordination/harmonization on North Korea is key. A progressive Blue House, while committed to the ultimate end goal of the denuclearization of North Korea, will likely have different policies when it comes to inter-Korean relations. The Trump administration should still strive to maintain close consultation with its ally.
- State visit – U.S. should reach out right away to the new South Korean leadership by proposing state visits in Washington and Seoul. This would send a strong signal to North Korea of U.S.-ROK solidarity during South Korea's leadership transition. In the absence of state visits, the U.S. and South Korean governments should encourage high level officials to meet as often as possible in various settings such as the G-20 summit in Germany and ASEAN summit in the Philippines.
- Maintain and strengthen diplomatic coordination – Government officials at both the cabinet and sub-cabinet level from both countries should resume joint policy coordination dialogues. This would include dialogues such as the U.S.-ROK Security Consultative Meetings (SCM) and Military Committee Meetings (MCM), 2+2 meetings, the Korea-U.S. Integrated Defense Dialogue (KIDD), and recently inaugurated Defense Technology Strategy and Cooperation Group (DTSCG).
- Encourage inter-Korean dialogue but emphasize that the U.S. and ROK must remain united in their policy goals and their public messaging with regard to North Korea. Any divisions or perceived weaknesses in the alliance will be used by Pyongyang to their advantage to continue the development of their WMD and ballistic missile programs.
- Coordinate trilateral talks and dialogue efforts among U.S., South Korea, and Japan vice ministers on security policy, and intelligence sharing. U.S. could also encourage South Korea and Japan to engage in intelligence sharing pursuant to GSOMIA.
- Remain open to diplomacy with North Korea - This may include meetings between North Korean government officials and U.S. academics and former government officials outside of the U.S., and/or coordinating with China to restart the Six-Party Talks. South Korean progressives may be open to resuming dialogue with North Korea later this year.
- Prioritize the appointment of a new Special Envoy on North Korean human rights at the Department of State, even if this might conflict with progressive South Korean interests. Human rights should and must remain an integral element of our overall policy towards North Korea.
- Commit to unification – Work with the new South Korean government to prepare for the realization of the ultimate goal of a unified Korea.

Potential Issues in U.S.-ROK alliance:

- KORUS FTA – Given President Trump's "America First" campaign slogan, his "trade deals that work for all Americans" policy, and proclivities towards economic protectionism, he has pledged to renegotiate the terms of the KORUS FTA to make it a more "fair" deal.[17]

[17] White House, "Trade Deals that Work for All Americans," https://www.whitehouse.gov/trade-deals-working-all-americans

Progressives have showed an interest in exploring an improvement of KORUS. This could become a source of significant friction in the alliance. Latent anti-Americanism could rise to the surface through an FTA renegotiation. Both governments will have to be aware of anticipated problem areas and must be prepared to manage public expectations of any negotiated trade deal.

- SMA – Negotiations for renewing the Special Measures Agreement later this year will be a thorny issue as President Trump has repeatedly criticized South Korea for not contributing enough financially to the military alliance and U.S. troop presence. This is also an area where expectations will need to be carefully managed. The U.S. troop presence and actions by U.S. soldiers have occasionally sparked public protests and given rise to the growth of anti-American sentiment. Conducting negotiations on this issue more discretely may be more advantageous that dealing with it in the public eye.
- OPCON Transfer – President Trump may want to push for the completion of the conditions-based OPCON (wartime control) transfer by changing the agreed upon deadline in order to reduce U.S. military burdens. Progressives have in the past expressed interest in U.S. troops leaving the peninsula, so this might be something they are interested in expediting in order to begin that process.
- THAAD deployment – The U.S. (and conservative ROK leaders) are keen to push through with THAAD deployment to counter North Korea's missile and nuclear threats, even at risk of frictions with China. Progressive presidential candidates have taken a less enthusiastic or even oppositional stance on THAAD. The Trump administration should work to make sure THAAD is deployed by the end of 2017.
- North Korean Human Rights Act – Signed by Congress in 2004, the Act is up for its third extension this year.[18] There is significant momentum in the House to approve the extension. South Korean progressives are hesitant to push too hard on human rights, fearing that it would further antagonize North Korea and hinder progress on denuclearization – they battled the North Korean Human Rights Act (NKHRA) in South Korea for many years before it was finally passed in March 2016.

[18] Elizabeth Shim, "U.S. House members seek to extend North Korea Human Rights Act," *UPI*, October 5, 2016, http://www.upi.com/Top_News/World-News/2016/10/05/US-House-members-seek-to-extend-North-Korea-Human-Rights-Act/1111475717483/

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