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Thank you, Mr. Chairman, Members of the Committee, and distinguished guests:

I am indeed honored to have this opportunity to present my views on what I consider to be the most effective way to strengthen the hands of the United States as Washington addresses the North Korean regime's multifarious criminal and illicit activities, including its continued development of nuclear and long-range missile programs and proliferation of weapons of mass destruction.

I would venture to say that even a cursory review of the North Korean regime's uniquely distorted approach to political and economic affairs over the past several decades reveals two glaring contradictions in the North Korean system—vulnerabilities—that invite exploitation by the U.S. and its two allies in Northeast Asia, the Republic of Korea and Japan: First, the Kim regime's overdependence on illicit financial earnings as an instrument of regime preservation; second, the regime's unparalleled systematic oppression of its people.

These features are North Korea's two most apparent systemic weaknesses, as hard as the Kim regime tries to shield them from view. The former sustains the North's ruling clan, military, and internal security forces. It makes possible Pyongyang's dependence on nuclear blackmail and illicit activities as instruments of regime preservation in the face of a collapsed economy. The latter, extreme human rights violations, is an essential characteristic, perhaps even a necessary condition, of the Kim hereditary dynasty—a quasi-communist kingdom wherein the people, faced with invasive state control, fear tactics, and pervasive indoctrination, have yet to muster up the courage to demand of their leaders even the most basic freedoms, let alone seek to topple the regime.

How would Washington, through individual efforts or in cooperation with Seoul and Tokyo, target Pyongyang's vulnerabilities?

For starters, see the North Korean regime, to use a worn out cliché, “as it is”—that is, not as a regime that seeks “better relations” with Washington in a conventional sense, through bargaining away its nuclear weapons and other weapons of mass destruction programs and expanding economic, cultural, and political ties with the U.S. and Western Europe in ways similar to what South Africa, Kazakhstan, Ukraine, and Belarus chose twenty years ago, but see the Kim regime as a uniquely repressive totalitarian state that is singularly unfit to prevail as the winner in the existential contest for pan-Korean legitimacy that has been the basic internal dynamic in the Korean peninsula over the past 60 years. In other words, the North Korean regime views its nuclear and missile programs as the sine qua non to its continued preservation and even as the one panacea that perhaps one day may overturn all the gloomy indices of inferiority in state power vis-à-vis South Korea that it must live with for now and the foreseeable future. In short, the leadership in Pyongyang will not make concessions on its nuclear and missile programs unless it is confronted with a credible threat that calls into question the need for its continued existence.

Sixty years ago today, on March 5, 1953, the Soviet leader Stalin died, and the prospects for a ceasefire to the Korean War became brighter. Four months later, on July 27, an armistice agreement was reached. And the past 60 years of the history of the Korean peninsula is a testament to the superiority of democracy and capitalism over totalitarianism and communism. It is a dramatic story of the resilience of the people of the Republic of Korea, and, of course, the defense commitment of the United States to South Korea that has made the past 60 years of peace—at times unstable, but de facto peace—in the Korean peninsula possible. During this time, the Republic of Korea has developed into a model success case of how to build a free and affluent modern nation state, while North Korea has descended to become an exemplary failed state, marked by a regime that is systematically repressive and cruel like no other, and consequently a people impoverished and isolated like no other.

The grim situation in North Korea today, in which the regime elites enjoy a life of relative luxury while the vast majority of the people languish in miserable conditions under a brutal police state, are the direct product of the Kim dynasty’s determined policies over the past several decades, not the result of U.S. sanctions or unfavorable weather conditions, as some wish to believe. These resolute policies pursued by the Kim dynasty include assiduously misallocating its meager national resources and earnings from illicit financial transactions to its nuclear weapons and long-range ballistic missile programs, while allowing a substantial percentage of its people to starve and waste away. The sum total of such policies is a state that is what can only be described as—grammatical propriety notwithstanding—“uniquely unique.” Allow me to give you some examples:

North Korea is the world’s sole communist hereditary dynasty, the world’s only literate-industrialized-urbanized peacetime economy to have suffered a famine, the world’s most cultish totalitarian system, and the world’s most secretive, isolated country—albeit one with the world’s

largest military in terms of manpower and defense spending proportional to its population and national income. The result is a most abnormal state, one that is able to exercise disproportionate influence in regional politics despite its relatively small territorial and population size and its exceedingly meager economic, political, and soft power, principally through a strategy of external provocations and internal repression.

But here also lies the potential bane of the Kim regime's existence. Once we recognize the nature of the Kim regime and accept that the regime equates nuclear brinkmanship and criminal activities with its own existential identity, the way forward becomes clear.

First, recognize that Pyongyang's overdependence on its shadowy palace economy makes the Kim regime particularly vulnerable to tools designed to counter international money laundering. The United States is in a position to take the lead in enforcing financial regulatory measures against North Korea's illicit activities and should immediately seize upon the opportunity. While UN sanctions are more symbolic, the U.S. is singularly well equipped to impose on Pyongyang measureable economic losses that have palpable political implications. This is due to the strength and attractiveness of the U.S. financial system and the North Korean regime's low threshold for financial pressure.

The U.S. Treasury Department should strengthen its sanctions against North Korean banks and businesses that finance the Kim regime's palace economy. To this end, the Treasury Department should declare the entire North Korean government to be a Primary Money Laundering Concern, which is a legal term for entities that fail to implement adequate safeguards against money laundering. There are precedents for such actions, for example, against the governments of Nauru and Ukraine, which bore the effect of forcing both to implement significant anti-money laundering measures.

This designation would allow the Treasury Department to require U.S. banks to take precautionary "special measures," substantially restricting foreign individuals, banks, entities, and even entire governments that are linked to the sanctioned entity access to the U.S. financial system. Treasury could also apply these measures to third-country business partners that finance Pyongyang's palace economy. The U.S. should also ask allied governments to apply corresponding measures to third-country banks, businesses, and nationals doing business with North Korea. Moreover, by expanding the designation of prohibited activity to include those furthering North Korea's proliferation, illicit activities, import of luxury goods, cash transactions in excess of \$10,000, lethal military equipment transactions, *and* crimes against humanity, the U.S. can disconnect Pyongyang from the international financial system in ways that have a far more debilitating effect than the Treasury Department's sanctions against North Korean-held accounts in Banco Delta Asia in September 2005. Such actions would in effect dam several, if

not most, of North Korea's main streams of revenue. That, in effect, would lend a potent, new meaning to the prevailing view of Pyongyang as a pariah state.

The key advantage of such measures is that they can be enforced without Chinese cooperation or even in the face of Chinese obstruction. Should President Obama reinforce these measures through the use of Executive Orders [13,382](#) and [13,551](#) and freeze the assets of Chinese and third-country entities suspected of helping North Korea's proliferation activities, the accumulated pressure will most likely minimize Chinese obfuscation and even induce the pragmatic leadership in Beijing to cooperate with the U.S. in protecting the integrity of the international financial system. These measures, if sustained, would have the effect of deterring international banks, companies, and entities that, intentionally or not, undermine international sanctions and abet the Kim regime. International banks are especially sensitive to the behavior of other international financial institutions when assessing the risks of doing business with a particular nation. Whereas these measures may not necessarily have a devastating effect on a robust or big economy like that of the U.S. or China, in tiny North Korea, they would effectively choke off the regime's streams of revenue. And that means a credible threat of devastating consequences for Pyongyang, should it not change its ways or continue to approach denuclearization talks with the same kind of willful deceit as it has for more than twenty years.

As to the notion that sanctions against despotic regimes are ineffective because they do not necessarily bring about a fundamental change in regime behavior or democratization in the target nation, in the case of North Korea, such concerns may be mitigated by the nature of the hereditary leadership. The North Korean dynasty is no ordinary dictatorship; it is a criminal regime with very few effective means of generating revenue that are legal. Its multifarious criminal activities, including crimes against humanity, are a lifestyle choice born of a dogged determination *not* to adopt international norms of statecraft and economic policy.

Admittedly, in North Korea, there are no political opposition parties or dissidents, or an identifiable anti-regime movement. And the self-isolated country already is heavily sanctioned by the U.S. and the international community. However, unlike other authoritarian regimes of the world, North Korea's main streams of revenue are predominantly illicit. Deprived of even a portion of such streams of revenue, the Kim regime could face a potentially serious situation; that is, a steady rise in the number of malcontents among the regime elites. And the psychological threat of further financial loss from prolonged sanctions and subsequently even further diminished ability to appease the elites would be a shocking dose of reality for the top stakeholders in the system. The sheer possibility of a rise in the number of disgruntled men in the party, bureaucracy, and military would, more than any conceivable variation on artful nuclear diplomacy, give the Kim regime reasons to rethink its long-term strategy.

Furthermore, the effectiveness of sanctions should not be evaluated solely on the criterion of transforming the target country's leadership but by the degree of gain in the sanctioning

country's bargaining position relative to the sanctioned nation. By implementing these sanctions, is the U.S. likely to be in a stronger position to achieve a better eventual settlement with North Korea? In weighing U.S. interests vis-à-vis North Korea, deterrence as well as denuclearization becomes a critical consideration. Thus, the utility of financial sanctions as a credible deterrent to Pyongyang's further nuclear and missile development and proliferation, at least in the short term, is a necessary condition to achieving the ultimate goal of denuclearization.

In sum, these financial regulatory measures are the best way to present the Kim regime with a non-lethal-but-existential threat. On principle, too, they are the right thing to do. Such credible threats also have the best chance of achieving secondary or even tertiary objectives goals in any sanctions regime: protecting the integrity of the international system and symbolically enhancing the prestige of the sanctioning nation by making a moral statement. These measures also have the advantage of having the best chance of modifying the Kim regime's brutal treatment of its own people, even if change is incremental and sporadic.

On the point of the North Korean regime's other major pressure point: The three democracies in Northeast Asia should recognize the unfeasibility of operating in perpetuity a prison camp nation through extreme repression and information blockade. Washington, Seoul, and Tokyo should highlight the acute North Korean humanitarian crisis through drawing world public attention to the issue and increasing support of radio broadcasts and other information transmission efforts into North Korea. The Republic of Korea, as the sole legitimate representative government in the Korean peninsula, should take the leading role in this global human rights campaign. The U.S. and Japan also have a mandate to improve human rights in North Korea. They could and should cooperate with South Korea to sponsor—if necessary, through third parties—reports, publications, international conventions, transmissions and dissemination of information related to North Korea's multifarious nefarious human-rights abuses throughout their respective countries and the world. The more people in democratic societies think about the North Korean regime as a threat to humanity and less as an idiosyncratic abstraction, the more they will be resolved not to allow their leaders to resort to politically expedient measures with each future provocation by Pyongyang or defer Korean reunification.

South Korean President Park Geun Hye should make raising the North Korean human rights issue a high priority, even a centerpiece of her presidency. The Park administration should take the initiative and redouble efforts currently in place—which are woefully underfunded and undermanned—to transmit information into North Korea and facilitate North Korean defectors to resettle in the South. In particular, the Park administration should drastically increase support of radio broadcasts into North Korea. Nearly 50% of North Koreans who have defected to the South say that they came into contact with outside information primarily through South Korean TV shows on DVD and radio broadcasts, which served as an incentive to escape their nation. In this effort, the U.S. can provide South Korea with moral, financial, technical, and logistical support. Citizens in free societies would do well to remember that sending information into North Korea is not merely a defense of the principle of the freedom of information; it is an act that saves real

lives.

After all, a nation cannot remain half slave and half free, and the danger of doing so only increases with each year that the political and economic contrasts between the two halves of the Korean peninsula increase. If the Kim dynasty were a more “normal” dictatorship, one that is focused on raising the standard of living of the people while intent on restraining some of their liberties, the hitherto policy of choice by Pyongyang’s neighbors of deferring Korean unification may be more defensible. But because the Kim regime is abnormal like no other in the history of humankind, intent as it is on preserving itself through cultish control and the militarization of resources while its people starve to death, continuing to support the status quo in the Korean peninsula raises serious long-term questions of both practical and moral nature.

To what extent the Kim regime may negotiate in good faith in future disarmament talks or relax its totalitarian control of its population in the face of such a sustained two-pronged attack remains to be seen. But the sooner and more palpable a threat the cash-strapped regime is exposed to, and the more information about the outside world the downtrodden North Korean people are exposed to, the sooner that eventuality will be upon us. And we can be certain that the continued failure to exploit North Korea’s systemic contradictions will only abet the Kim regime and enable it to extend its growing security threat to regions beyond its immediate environment.

This year marks the 60<sup>th</sup> anniversary of the end of the Korean War, a war in which this nation’s sons and daughters, as it is inscribed on a plaque in the Korean War Veterans Memorial, “answered the call to defend a country they never knew and a people they never met.” The North Korean regime’s pursuit of nuclear weapons and extreme repression of its own people is virtually coeval with the entire history of the North Korean nation.

In an Orwellian world, “war is peace, freedom is slavery, and ignorance is strength.” In the North Korean world, the past 60 years of de facto peace is war, a life of servitude to the state is freedom, and national strength is rooted in ignorance of the outside world. Today, as North Korea threatens the peace and security of the region yet again, we would do well to remember the noble resolve of those who fought back the North Korean invasion in 1950-53 and the precious gift they left behind: an extended period of peace and the foundation for building a free and prosperous South Korea. Those courageous soldiers have taught us above all that deterrence is peace, freedom is not free, and that to remember the past is a mark of national character and strength.

The great and noble efforts of Americans in the Korean War, the legacy of a 60-year friendship between the U.S. and South Korea, and U.S. strategic interests in Northeast Asia should no longer be sacrificed on the altar of diplomatic concessions and illusory peace. Now is rather the

time for prudent and pragmatic policymakers in both Washington and Seoul to pave the way for a permanent peace on the Korean peninsula through delivering the Kim regime a non-military-but-credible threat of devastating consequences, and, in so doing, improving the prospects for delivering the North Korean people from bondage. That would be to pay the greatest honor possible to all those who served in a war that is decidedly forgotten no more.