

House Homeland Security Committee
Subcommittee on Oversight and Management Efficiency

Empty Threat or Serious Danger:

Assessing North Korea's Risk to the Homeland

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Chairman Perry, Ranking Member Correa, and distinguished members of this subcommittee, thank you for the opportunity to address you today on this important issue.

My testimony will begin with a review of North Korea's nuclear- and missile-related proliferation activities, followed by a discussion of how Iran-style sanctions can sharply increase the amount of pressure on Pyongyang. My testimony will conclude with recommendations for how the Department of Homeland Security (DHS) should implement its mandate to monitor North Korean vessels in order to maximize the impact of sanctions.

North Korea's nuclear weapons and missile programs are expanding after a decade of failed American policies and now pose a direct threat to the U.S. homeland. Pyongyang has threatened our close allies, South Korea and Japan, as well as the U.S. troops stationed for decades on allied territory. The progress of North Korea's programs should not be surprising since Pyongyang conducted its first nuclear test 11 years ago; its weaponization program likely started before then. Its long-range missile program has lasted for more than 20 years and is beginning to show success.

Pyongyang twice tested an intercontinental ballistic missile (ICBM) in July. Both tests were launched in a lofted trajectory to avoid overflying Japan. But technical analysis of the second test on July 28 suggests that North Korean ICBMs could target Los Angeles, Denver, Chicago, and possibly Boston and New York.¹ While an ICBM may reach that distance, questions remain about the survivability of Pyongyang's missiles during their reentry into Earth's atmosphere, since the effectiveness of the heat shields protecting their warheads is unknown.² However, it is important not to underestimate North Korea's ability to overcome these challenges, since Pyongyang's progress on the ICBM program has outpaced the intelligence community's development timelines by two years.³

Kim Jong Un's regime followed its successful ICBM launches in July with a massive thermonuclear weapon test on September 3. As part of that test, North Korea likely succeeded in detonating a nuclear weapon designed to obliterate cities, which could be delivered by its long-range missiles.⁴ The threat we face is acute and growing. After years of passivity justified by the mantra of "strategic patience," the time has come for a policy of "maximum pressure" that actually stands a chance of restraining the threat without resorting to war.

¹ David Wright, "North Korean ICBM Appears Able to Reach Major US Cities," *Union of Concerned Scientists*, July 28, 2017. (<http://allthingsnuclear.org/dwright/new-north-korean-icbm>)

² David Wright, "Reentry Heating from North Korea's July 4 Missile Test," *Union of Concerned Scientists*, July 7, 2017. (<http://allthingsnuclear.org/dwright/july-4-reentry-heating>)

³ Ellen Nakashima, Anna Fifield, and Joby Warrick, "North Korea could cross ICBM threshold next year, U.S. officials warn in new assessment," *The Washington Post*, July 25, 2017. (https://www.washingtonpost.com/world/national-security/north-korea-could-cross-icbm-threshold-next-year-us-officials-warn-in-new-assessment/2017/07/25/4107dc4a-70af-11e7-8f39-eeb7d3a2d304_story.html?nid&utm_term=.63b042018d2a)

⁴ Anna Fifield, "In latest test, North Korea detonates its most powerful nuclear device yet," *The Washington Post*, September 3, 2017. (https://www.washingtonpost.com/world/north-korea-apparently-conducts-another-nuclear-test-south-korea-says/2017/09/03/7bce3ff6-905b-11e7-8df5-c2e5cf46c1e2_story.html?utm_term=.17217f662896)

Proliferation Concerns⁵

The advances in North Korea's weapons programs are more concerning when we consider that Pyongyang has a proclivity for selling weapons to anyone who will pay for them. It has sold items related to nuclear weapons, chemical weapons, and ballistic missiles. Among North Korea's most troubling relationships are those with Iran and Syria.

Pyongyang and Tehran have a long-standing partnership on missile development, including the transfer of ballistic missiles. The relationship was serious enough for the Obama administration to sanction Iran just a day after implementation of the 2015 nuclear deal began. The Treasury Department reported at the time that Iranian technicians traveled to North Korea to work on rocket boosters and senior officials conducted contract negotiations in Pyongyang.⁶

North Korea and Iran would both stand to gain by extending their cooperation from ballistic missiles to nuclear activities. Pyongyang's nuclear weapons testing has produced useful information that scientists in Iran would be very interested in. There have also been unconfirmed reports of Iranian nuclear scientists at North Korea's nuclear tests.⁷ It is unclear how far along Pyongyang's uranium enrichment program is, but Iran can conduct advanced centrifuge research under the 2015 nuclear deal, whose results could be attractive to North Korea.⁸ As sanctions on Kim's regime start to bite, it could turn to Iran for hard currency in exchange for nuclear technology and knowledge.

Supporters of the Iran nuclear deal are likely to dismiss these concerns out of hand, saying there is no evidence of Iran-North Korea nuclear cooperation, but proliferation is hard to detect. One example is North Korea's construction of a nuclear reactor in Syria, located in an area that would later be controlled by the Islamic State. The reactor was built with North Korean assistance and had "striking similarities" to Pyongyang's plutonium production reactor at Yongbyon.⁹

The lesson North Korea learned from its Syrian adventure was that once the U.S. has committed itself to "engagement," it loses the will to punish even the most blatant disregard for international norms. Even though North Korea built the Syrian reactor while at times pretending to engage in serious denuclearization talks, the Bush administration went ahead and removed North Korea from the state sponsor of terrorism list in 2008. Since North Korea was not punished for constructing a

⁵ Additional North Korea proliferation examples cited in: Anthony Ruggiero, "Restricting North Korea's Access to Finance," *Testimony before House Committee on Financial Services, Subcommittee on Monetary Policy and Trade*, July 19, 2017.

(http://www.defenddemocracy.org/content/uploads/documents/Anthony_Ruggiero_Testimony_HFSC.pdf)

⁶ U.S. Department of the Treasury, Press Release, "Treasury Sanctions Those Involved in Ballistic Missile Procurement for Iran," January 17, 2016. (<https://www.treasury.gov/press-center/press-releases/Pages/jl0322.aspx>)

⁷ Jeff Daniels, "North Korea's 'No. 2' official strengthens ties with Iran as UN hits Pyongyang with new sanctions," *CNBC*, August 4, 2017. (<https://www.cnbc.com/2017/08/04/north-korea-officials-visit-to-iran-could-signal-wider-military-ties.html>)

⁸ Anthony Ruggiero, "Gauging the North Korea-Iran Relationship," *Foundation for Defense of Democracies*, March 8, 2017. (<http://www.defenddemocracy.org/media-hit/anthony-ruggiero-gauging-the-north-korea-iran-relationship/>)

⁹ Gregory L. Schulte, "Uncovering Syria's Covert Reactor," *Carnegie Endowment for International Peace*, January 2010. (http://carnegieendowment.org/files/schulte_syria.pdf); Robin Wright, "N. Koreans Taped At Syrian Reactor," *The Washington Post*, April 24, 2008. (<http://www.washingtonpost.com/wp-dyn/content/article/2008/04/23/AR2008042302906.html>)

nuclear reactor in Syria, it will likely decide that scientific exchanges with Iran or other countries are not likely to be detectable and will not be subject to punishment even if they are discovered.

One should also note that North Korea's relationship with Syria included the transfer of materiel used for chemical weapons, which is especially disturbing given the Assad regime's use of chemical weapons on its own population. In 2009, Greece stopped a vessel headed to Syria that was suspected of violating North Korea-related UN sanctions; authorities found 13,000 chemical protective suits manufactured in North Korea.¹⁰ In 2013, Turkey stopped a vessel that originated in North Korea; it was carrying 1,400 rifles and pistols, 30,000 rounds of ammunition, and gas masks destined for Syria.¹¹ The United Nations Panel of Experts noted in its September 2017 midterm report that it is investigating additional interdictions of North Korean-related vessels headed to Syria, as well as continued cooperation between Pyongyang and Damascus (including North Korean representatives in Syria), and a contract that could include cooperation on chemical weapons, ballistic missiles, and conventional arms.¹²

Another aspect of North Korea's proliferation activities is the role China and Russia play in allowing Pyongyang's proliferation entities to operate in their respective countries 11 years after the first UN sanctions were passed. Recent examples came to light when Treasury in early June sanctioned a Russian company and individual for providing supplies to Korea Tangun Trading Corporation and noted the individual is a frequent business partner of Tangun officials in Moscow.¹³ Tangun was designated by the U.S. and UN in 2009 for its involvement in North Korea's WMD and missile programs. In late August, Russia's Gefest-M LLC and its director were sanctioned for procuring metals for Tangun's Moscow office.¹⁴

In late August, Treasury sanctioned a Chinese company, Dandong Rich Earth Trading Co., Ltd., that purchased vanadium ore from a UN- and U.S.-sanctioned company, Korea Kumsan Trading Corporation, which is tied directly to North Korea's nuclear weapons program.¹⁵ The UN prohibited North Korea's exports of vanadium ore in March 2016.¹⁶

These examples highlighting Pyongyang's provocations extend beyond its nuclear weapons and missile tests to continued operations of its proliferation entities and transfer of nuclear-, chemical-, and missile-related items. It also underscores why we cannot fall back into a period of acceptance of these provocations and must use robust, Iran-style sanctions to limit these activities.

¹⁰ Joseph S. Bermudez Jr., "North Korea's Chemical Warfare Capabilities," *38 North*, October 10, 2013. (<http://www.38north.org/2013/10/jbermudez101013/>)

¹¹ Barbara Demick, "North Korea tried to ship gas masks to Syria, report says," *The Los Angeles Times*, August 27, 2013. (<http://articles.latimes.com/2013/aug/27/world/la-fg-wn-north-korea-syria-gas-masks-20130827>)

¹² United Nations Security Council, "Midterm report of the Panel of Experts established pursuant to resolution 1874 (2009)," September 5, 2017. (http://www.un.org/ga/search/view_doc.asp?symbol=S/2017/742)

¹³ U.S. Department of the Treasury, Press Release, "Treasury Sanctions Suppliers of North Korea's Nuclear and Weapons Proliferation Programs," June 1, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0099.aspx>)

¹⁴ U.S. Department of the Treasury, Press Release, "Treasury Targets Chinese and Russian Entities and Individuals Supporting the North Korean Regime," August 22, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0148.aspx>)

¹⁵ *Ibid.*

¹⁶ United Nations Security Council, Resolution 2270, March 2, 2016. (http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2270%282016%29)

Iran-Style Sanctions

North Korea says it is not interested in denuclearization, and its actions reinforce its words. Pyongyang showed us the “Map of Death” in 2013 suggesting its nuclear targets are Washington, DC; Hawaii, home to Pacific Command; possibly San Diego, home to the Pacific Fleet; and possibly San Antonio, home to U.S. Air Force Cyber Command.¹⁷ Just after the July 4 ICBM test, North Korea’s state media said that the Kim regime would not negotiate away its nuclear weapons or ballistic missiles or stop bolstering its nuclear force unless the United States ended its “hostile policy and nuclear threat” to North Korea.¹⁸ Translation: When Washington abandons its allies in Tokyo and Seoul and removes all troops, North Korea might be willing to talk about its programs.

Rather than working to overcome Pyongyang’s intransigence, many experts call for the acceptance of North Korea as a nuclear weapons state and insist that the U.S. can protect itself with a policy of deterrence.¹⁹ Both nuclear and conventional deterrence are essential components of a comprehensive U.S. strategy, yet are not effective means of exerting pressure on Pyongyang or preventing dangerous provocations. Some suggest the United States has successfully deterred Pyongyang, since there has been no second Korean War. Nonetheless, North Korea’s reckless behavior in recent years has included sinking the *Cheonan*, killing over 40 South Korean sailors, maintaining a robust relationship with Iran, building a nuclear reactor in Syria that Israel destroyed in 2007, and launching ballistic missiles directly over Japan. Unfortunately, this is a short list of the limits of deterrence.

Some experts suggest the policy of deterrence should be complemented by a freeze of North Korea’s nuclear weapons and missile programs that will lead to a reduction of the threat and roll back elements of the programs. Pyongyang has a history of pocketing the incentives it has been offered in exchange for temporary restraints, then violating the deals with great haste. While nominally abiding by the 1994 Agreed Framework, North Korea developed a covert uranium enrichment program. We discussed earlier how Israel destroyed a nuclear reactor in Syria built by North Korea during negotiations on its nuclear program.

The Trump administration is pursuing Iran-style sanctions to force North Korea to denuclearize and, absent that result, protect the U.S. and its allies from Pyongyang’s activities. Both critics and supporters of the 2015 nuclear deal agree that sanctions were the main driver that brought Iran to

¹⁷ Jeffrey Lewis, “The Map of Death,” *Foreign Policy*, April 3, 2013. (<http://foreignpolicy.com/2013/04/03/the-map-of-death/>)

¹⁸ “Kim Jong Un Supervises Test-launch of Inter-continental Ballistic Rocket Hwasong-14,” *Korean Central News Agency* (North Korea), July 5, 2017. (<https://kcnawatch.co/newstream/276945/kim-jong-un-supervises-test-launch-of-inter-continental-ballistic-rocket-hwasong-14/>)

¹⁹ Jimmy Carter, “Jimmy Carter: What I’ve learned from North Korea’s leaders,” *The Washington Post*, October 4, 2017. (https://www.washingtonpost.com/opinions/jimmy-carter-what-ive-learned-from-north-koreas-leaders/2017/10/04/a2851a9e-a7bb-11e7-850e-2bdd1236be5d_story.html?utm_term=.e5801c8b4261); Fareed Zakaria, “There’s a way out on North Korea,” *The Washington Post*, September 28, 2017. (https://www.washingtonpost.com/opinions/theres-a-way-out-on-north-korea/2017/09/28/4382dfc4-a48a-11e7-b14f-f41773cd5a14_story.html?utm_term=.c0c3153afcc8); William J. Perry, “To confront North Korea, talk first and get tough later,” *The Washington Post*, January 6, 2017. (https://www.washingtonpost.com/opinions/to-confront-north-korea-talk-first-and-get-tough-later/2017/01/06/9334aee4-d451-11e6-9cb0-54ab630851e8_story.html?utm_term=.68cb376d8927)

the negotiating table. Last month I testified before the Senate Committee on Banking, Housing, and Urban Affairs, noting that before Congress passed the first North Korea sanctions law, sanctions against North Korea were not strong or well-enforced. Despite the misconception that North Korea is already the most-sanctioned country in the world, FDD's research shows that Pyongyang was the eighth most-sanctioned country in February 2016 and has moved up to fourth behind Ukraine/Russia, Syria, and Iran.²⁰

The key aspect of the Iran sanctions model was that it forced companies, individuals, banks, and governments in the U.S. and abroad to make a choice: stop doing business with Iran, or lose access to the U.S. dollar and risk the U.S. freezing their assets and labeling them as doing business with a state sponsor of terrorism intent on developing a nuclear weapon. The approach worked. Around the world, banks and companies – and eventually governments – curtailed or eliminated business with Iran.²¹

Executive Order 13810, issued last month, is the latest in the Trump administration's efforts to clarify the choice for countries: do business with North Korea or the United States, it cannot be both.²² The approach combines diplomatic efforts to convince countries to cut ties with North Korea supported by the threat of losing access to the U.S. financial system. Those efforts are beginning to work as countries are choosing America's \$19-trillion economy. The *Wall Street Journal* reported that a year-long effort by the State Department resulted in over 20 countries cutting off diplomatic or commercial relationships with North Korea.

China will play a large role in an effective, Iran-style sanctions regime against North Korea, given Beijing's robust economic relationship with Pyongyang. Over the last decade, Republican and Democratic presidents have pressed China's leadership to implement tough sanctions against North Korea, hoping the approach would be effective. But Beijing continued to vote for tough UN sanctions it has not implemented, and allowed its firms, individuals, and banks to facilitate North Korea's sanctions evasion.

The Trump administration has started to address the problem directly by targeting Chinese banks that process financial transactions through the U.S. financial system on behalf of North Korea and Chinese networks that profit from facilitating North Korea's sanctions evasion. In particular, the Trump administration has used the Justice and Treasury Departments to sanction a Chinese bank, individuals, and firms; request that federal courts return assets illegally processed through the U.S. financial system; and request additional fines.²³

²⁰ Anthony Ruggiero, "Evaluating Sanctions Enforcement and Policy Options on North Korea," *Testimony before Senate Committee on Banking, Housing, and Urban Affairs*, September 7, 2017.

(http://www.defenddemocracy.org/content/uploads/documents/09-07-17_AR_Senate_Banking_Testimony-1.pdf)

²¹ Paul Sonne and Felicia Schwartz, "U.S. Pressure on North Korea's Global Ties Bears Fruit," *The Wall Street Journal*, October 8, 2017. (<https://www.wsj.com/articles/state-department-pressure-on-north-koreas-global-ties-bears-fruit-1507492004>)

²² Executive Order 13810, "Imposing Additional Sanctions With Respect to North Korea," September 20, 2017. (<https://www.treasury.gov/resource-center/sanctions/Programs/Documents/13810.pdf>)

²³ Six actions against China show a developing pattern: 1) May 22: damming warrants against Dandong Zhicheng network requiring eight U.S. banks to freeze U.S. dollar transactions; 2) June 14: asset forfeiture request for \$1.9 million from Mingzheng; 3) June 29: declaring a Chinese bank (Bank of Dandong) a money launderer for North Korea; 4) June 29: designation of two Chinese individuals and entity; 5) August 22: designation of five Chinese firms and one individual, including Dandong Zhicheng network; and 6) August 22: asset forfeiture request from the

In late September, Treasury sanctioned 26 North Korean banking representatives, including 19 in China; a clear message to Beijing and its banks that it must clean up its act or face consequences.²⁴ Chinese leadership has responded to this pressure with the People's Bank of China, its central bank, issuing a directive mandating banks stop transactions with North Koreans.²⁵

But Beijing must do more to ensure North Korea cannot use China as a hub for its sanctions evasion. Chinese banks should increase scrutiny of financial and commercial relationships to identify and stop transactions with North Korea. Chinese banks have the financial resources to do it, but the Trump administration likely will need to sanction additional Chinese banks to reinforce the message, starting with fines similar to the approach against European banks for Iran sanctions violations.

DHS Role in Sanctions

In prior testimonies, I detailed flaws in the current sanctions regime, including not prioritizing the North Korea sanctions program and the need to focus on Pyongyang's overseas business network and non-North Koreans facilitating sanctions evasion.²⁶ North Korea's shipping network plays a crucial role in Pyongyang's sanctions evasion, including the prohibited transfer of commodities.

Dandong Zhicheng network. *United States of America v. All Wire Transactions Involving Dandong Zhicheng Metallic Material Company, LTD., et. al.* (D.D.C. filed May 22, 2017). (<http://www.dcd.uscourts.gov/sites/dcd/files/BAHMemoandOrder.pdf>); *United States of America v. Funds Associated with Mingzheng International Trading Limited*, No. 1:17-cv-01166- KBJ (D.D.C. June 14, 2017). (Accessed via PACER); Proposal of Special Measure Against Bank of Dandong as a Financial Institution of Primary Money Laundering Concern, U.S. Department of the Treasury, Financial Crimes Enforcement Network, 82 Federal Register 31537, July 7, 2017. (https://www.fincen.gov/sites/default/files/federal_register_notices/2017-07-07/2017-14026.pdf); U.S. Department of the Treasury, Press Release, "Treasury Acts to Increase Economic Pressure on North Korea and Protect the U.S. Financial System," June 29, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0118.aspx>); U.S. Department of the Treasury, Press Release, "Treasury Targets Chinese and Russian Entities and Individuals Supporting the North Korean Regime," August 22, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0148.aspx>); *United States of America v. Funds Associated with Dandong Chengtai Trading Limited*, No. 1:17-cv-01706 (D.D.C. August 22, 2017). (Accessed via PACER)

²⁴ U.S. Department of the Treasury, Press Release, "Treasury Sanctions Banks and Representatives Linked to North Korean Financial Networks," September 26, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0165.aspx>)

²⁵ "China's central bank tells banks to stop doing business with North Korea: sources," *Reuters*, September 21, 2017. (<http://www.reuters.com/article/us-northkorea-missiles-banks-china/chinas-central-bank-tells-banks-to-stop-doing-business-with-north-korea-sources-idUSKCN1BW1DL?il=0>)

²⁶ Anthony Ruggiero, "Restricting North Korea's Access to Finance," *Testimony before House Committee on Financial Services, Subcommittee on Monetary Policy and Trade*, July 19, 2017. (http://www.defenddemocracy.org/content/uploads/documents/Anthony_Ruggiero_Testimony_HFSC.pdf); Anthony Ruggiero, "Evaluating Sanctions Enforcement and Policy Options on North Korea," *Testimony before Senate Committee on Banking, Housing, and Urban Affairs*, September 7, 2017. (http://www.defenddemocracy.org/content/uploads/documents/09-07-17_AR_Senate_Banking_Testimony-1.pdf)

The Countering America's Adversaries Through Sanctions Act (CAASA) contains several provisions for the Department of Homeland Security that will highlight the role of North Korean vessels in illicit transfers and the role of countries that facilitate these transfers.²⁷

CAASA amends the Ports and Waterways Safety Act by requiring the Secretary of Homeland Security to publish a list of vessels "owned or operated by or on behalf of the Government of North Korea or a North Korean person."²⁸ Even though Treasury's Office of Foreign Assets Control currently lists only 40 vessels as blocked property of North Korean-designated persons, FDD research indicates that more than 140 could be linked to North Korea. The Department of Homeland Security, in consultation with other relevant agencies, should take an expansive view of the legal requirement to name North Korean-linked vessels, including those owned and/or managed by non-North Korean front companies. Pyongyang has extensive experience hiding its involvement in the commercial and financial sectors, a practice that likely extends to the shipping sector.

The law requires the list to contain vessels owned by countries: 1) whose sea ports are not implementing UN shipping sanctions or facilitate the transfer of cargo prohibited by the United Nations; and 2) are identified by the president as not complying with applicable UN sanctions.²⁹ This provision will be crucial, as China and Russia have allowed North Korean-linked vessels to continue to transfer prohibited materials. Beijing and Moscow will need to increase their inspection of North Korea-linked vessels to ensure compliance with UN shipping sanctions, including verifying Pyongyang is not importing or exporting prohibited materiel or commodities. Treasury Assistant Secretary Marshall Billingslea highlighted this challenge in testimony on September 12 before the House Foreign Affairs Committee. Billingslea noted that North Korean vessels transferred North Korean coal to China after turning off its vessel identification systems, a highly suspicious action. North Korean vessels have also used Russian ports to transfer North Korean coal between vessels to further obscure its shipment to China.³⁰

The Department of Homeland Security and other elements of the U.S. government must focus on the activities of North Korean-linked vessels, including increasing the number of entities and individuals sanctioned in North Korea's shipping sector, compiling a complete listing of vessels linked to North Korea, and naming ports in China and Russia that facilitate North Korea's sanctions evasion. The urgency of the threat calls for the department to take these actions before the 180-day period granted by CAASA has elapsed.

Conclusion

North Korea's nuclear weapons and missile programs are a threat to the U.S. homeland and our allies. There are two policy options: One accepts this dangerous situation as reality under the false

²⁷ Countering America's Adversaries Through Sanctions Act, 115 U.S.C.

(<https://www.whitehouse.gov/legislation/hr-3364-countering-americas-adversaries-through-sanctions-act>)

²⁸ Ibid.

²⁹ Ibid.

³⁰ Marshall Billingslea, "Sanctions, Diplomacy, and Information: Pressuring North Korea," *Testimony before House Foreign Affairs Committee*, September 12, 2017.

(<http://docs.house.gov/meetings/FA/FA00/20170912/106389/HHRG-115-FA00-Wstate-BillingsleaM-20170912.pdf>)

premise that North Korea's provocations can be contained or deterred. The other path was successful in bringing Iran to the negotiating table with crushing sanctions that could force the Kim regime to realize the futility of continuing its nuclear weapons and missile programs. The only peaceful way to protect the U.S. homeland is to ensure Kim Jong Un feels the full weight of sanctions implemented by the U.S. and our allies.

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