AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

NORTH KOREA'S SEA OF FIRE: BULLYING, BRINKMANSHIP AND BLACKMAIL

HEARING

BEFORE THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

MARCH 10, 2011

Serial No. 112–6

Printed for the use of the Committee on Foreign Affairs

Available via the World Wide Web: http://www.foreignaffairs.house.gov/

U.S. GOVERNMENT PRINTING OFFICE

65–056PDF WASHINGTON : 2011

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON FOREIGN AFFAIRS

ILEANA ROS-LEHTINEN, Florida, *Chairman*

CHRISTOPHER H. SMITH, New Jersey
DAN BURTON, Indiana
ELTON GALLEGLY, California
DANA ROHRABACHER, California
DONALD A. MANZULLO, Illinois
EDWARD R. ROYCE, California
STEVE CHABOT, Ohio
RON PAUL, Texas
MIKE PENCE, Indiana
JOE WILSON, South Carolina
CONNIE MACK, Florida
JEFF FORTENBERRY, Nebraska
MICHAEL T. MCCAUL, Texas
TED POE, Texas
GUS M. BILIRAKIS, Florida
JEAN SCHMIDT, Ohio
BILL JOHNSON, Ohio
DAVID RIVERA, Florida
MIKE KELLY, Pennsylvania
TIM GRIFFIN, Arkansas
TOM MARINO, Pennsylvania
JEFF DUNCAN, South Carolina
ANN MARIE BUERKLE, New York
RENEE ELLMERS, North Carolina
VACANT

HOWARD L. BERMAN, California
GARY L. ACKERMAN, New York
ENI F.H. FALEOMAVAEGA, American Samoa
DONALD M. PAYNE, New Jersey
BRAD SHERMAN, California
ELIOT L. ENGEL, New York
GREGORY W. MEEKS, New York
RUSS CARNAHAN, Missouri
ALBIO SIRES, New Jersey
GERALD E. CONNOLLY, Virginia
THEODORE E. DEUTCH, Florida
DENNIS CARDOZA, California
BEN CHANDLER, Kentucky
BRIAN HIGGINS, New York
ALLYSON SCHWARTZ, Pennsylvania
CHRISTOPHER S. MURPHY, Connecticut
FREDERICA WILSON, Florida
KAREN BASS, California
WILLIAM KEATING, Massachusetts
DAVID CICILLINE, Rhode Island

YLEEM D.S. POBLETE, *Staff Director*
RICHARD J. KESSLER, *Democratic Staff Director*

CONTENTS

Page

WITNESSES

Mr. Victor Cha, professor and director of Asian studies and D. S. Song-Korea foundation chair in Asian studies and government, Georgetown University 9
Bruce Klingner, senior research fellow, Northeast Asia, Asian Studies Center, The Heritage Foundation 19
Mr. William Newcomb (former senior economist, Bureau of Intelligence and Research, U.S. Department of State, and former senior economic adviser, Office of Intelligence and Analysis, U.S. Department of the Treasury) 32
Mr. Robert Carlin, visiting scholar, Center for International Security and Cooperation, Stanford University 45

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

Mr. Victor Cha: Prepared statement 12
Bruce Klingner: Prepared statement 21
Mr. William Newcomb: Prepared statement 34
Mr. Robert Carlin: Prepared statement 48

APPENDIX

Hearing notice 74
Hearing minutes 75
The Honorable Gerald E. Connolly, a Representative in Congress from the Commonwealth of Virginia: Prepared statement 77
The Honorable Brad Sherman, a Representative in Congress from the State of California: Letter to the Honorable Barack Obama, President of the United States, dated February 9, 2011 78
The Honorable Christopher H. Smith, a Representative in Congress from the State of New Jersey: Articles submitted for the record 85

NORTH KOREA'S SEA OF FIRE: BULLYING, BRINKMANSHIP AND BLACKMAIL

THURSDAY, MARCH 10, 2011

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

The committee met, pursuant to notice, at 10 o'clock a.m., in room 2172 Rayburn House Office Building, Hon. Ileana Ros-Lehtinen (chairman of the committee) presiding.

Chairman ROS-LEHTINEN. The committee will come to order.

As we address the threats posed by the North Korean regime to our nation's security interests, to our allies, and to its own people, I would like to take a moment to remember another brave people, the people of Tibet, as they commemorate the 52nd anniversary of the Tibetan National Uprising.

At the recent White House State Dinner for the visiting Chinese leader, a Chinese pianist played a song from the long-forgotten Korean War whose lyrics portray the brave American soldiers who fought for freedom in the Korean peninsula as "wolves and jackals."

Those depicted at our Korean War Memorial are no jackals. These are America's own boys. These are our beloved sons. "Our Nation," as the memorial inscription reads, "honors our sons and daughters who answered the call to defend a country they never knew and a people they never met. Having risen from the ashes of war, the Republic of Korea, a thriving democracy and an economic powerhouse, is the proud legacy for those who fought and died over 60 years ago.

By contrast, in North Korea, a modern Caligula pursues his nuclear bread and circuses while he lets his own people starve. He plays a risky game of brinkmanship, sinking a South Korean naval vessel, defined as an act of war, and shelling South Korean island villagers with a sense of impunity.

And why does he dare to do so? He is confident that his Chinese patrons will protect him, both on the ground in Asia and in the halls of the United Nations. And the leader in Pyongyang threatens to turn Seoul, "the miracle on the Han River," into "a sea of fire."

He also directed his hackers to try to disrupt joint U.S./South Korean military exercises held recently by jamming GPS, Global Positioning System devices critical to South Korean military communications.

But the evil deeds of this modern day Caligula do not end in Korea. He has attempted to ship arms to the brutal regime in Burma and the Tamil Tigers. News reports indicate that, with Chi-

nese complicity and in defiance of U.N. sanctions, he shipped missile parts to Teheran via Beijing's airport.

North Korea has attempted to ship arms to Hamas and Hezbollah, both proxies of the Iranian regime and both designated by the U.S. Department of State as foreign terrorist organizations. And it was North Korea that helped the Syrian regime build the nuclear facility that Israel removed in September 2007. The International Atomic Energy Agency is still investigating and seeking answers on this North Korea/Syria nuclear facility.

All this in the midst of one failed round after another of the Six-Party Talks. These talks have proven to be little more than kabuki theater demonstrating only Pyongyang's duplicity and broken promises. Former Los Alamos National Laboratory Director Siegfried Hecker reported that "his jaw just dropped" when he saw a facility in North Korea last November with "hundreds of centrifuges." He added that the world should take Pyongyang's apparent uranium enrichment program seriously. This revelation indicates that Pyongyang has had a covert second track to nuclear weaponry in defiance of the Agreed Framework and the Six-Party Talks.

Assistant Secretary of State Kurt Campbell is en route to Seoul as we meet to discuss this critical Highly Enriched Uranium issue with our South Korean allies. North Korea promised to accept a transparent verification of its denuclearization when it was removed from the list of state sponsors of terrorism by the Bush administration in October 2008.

Pyongyang reneged on that promise and withdrew from the Six-Party Talks after getting what it wanted. In January of this year, a court in Seoul, South Korea sentenced a spy to 10 years in prison for planning to assassinate a leading North Korean defector on direct orders from the regime in Pyongyang. The U.S. criminal code defines such action as international terrorism. Is it not high time for the State Department to re-list North Korea as a state sponsor of terrorism?

Meanwhile, Pyongyang has requested further U.S. food aid as reports indicate renewed food shortages in North Korea. There are some grave concerns about this proposal. There is the question of the American food aid remaining in North Korean warehouses when Pyongyang expelled American humanitarian NGOs in the spring of 2009. Pyongyang distributed this food without monitoring. There must be a full accounting of these 20,000 tons of food aid requested.

Lest we forget, in December 2008, U.S. shipment of food aid to North Korea via the World Food Program was suspended due to growing concerns about diversion by the North Korean military and regime elite and the World Food Program's lack of effective monitoring and safeguards.

Fast approaching is the 100th anniversary next year of the birth of Kim Jong Il's father, and there is a danger that aid provided would be diverted for this spectacle.

Much has occurred since the last full committee hearing on North Korea that was held in early 2007. I look forward to receiving the witnesses' insight on North Korean actions in the last 4 years and their recommendations for U.S. policy moving forward.

I now turn to the distinguished ranking member, my good friend Mr. Berman, for his opening remarks.

Mr. BERMAN. Thank you very much, Madam Chairman. And thank you for calling this hearing. And my kudos to the individual who thought up the title of this hearing. I think there is a literary career ahead for that person.

For over two decades, successive American administrations have wrestled with the puzzle called North Korea. Every President since Reagan has tried to put the puzzle pieces together. And just when it seems like they are going to fit, North Korea pulls the rug out from under us.

Today, a peaceful and permanent resolution of the North Korean nuclear issue remains as elusive as ever. Pyongyang desperately wants to be recognized as a nuclear power, and refuses to fulfill its commitment to abandon its nuclear weapons program under international inspections and safeguards.

At the same time, North Korea's reckless and provocative actions have dramatically increased tensions on the Korean Peninsula. In the past year alone, North Korea has sunk a South Korean naval ship, shelled a South Korean island populated with civilians, and revealed to the world what we already believed, that it is pursuing a uranium enrichment program as well.

While North Korea poses a serious threat to the stability and security of East Asia, it has also, as the chairman mentioned, exported its destabilizing influence to other regions of the world. Surpassed only by A.Q. Khan's network as a source of illicit weapons technology, Pyongyang has supplied ballistic missiles to Iran and built the now-destroyed nuclear reactor in Syria. It could easily begin exporting uranium enrichment equipment, nuclear weapon designs, and even nuclear weapons material.

The perennial challenge is how to change the North's behavior. Is there a new approach we should take in dealing with Pyongyang? Is it even possible to reach an agreement with North Korea that will lead to a verifiable end of its nuclear program, especially now that the regime is undergoing a second dynastic succession?

North Korea has now indicated that it wants to return to the negotiating table, more than 2 years after the last round of Six-Party Talks. But in light of the regime's previous behavior, it is hard to view this as anything other than a thinly-veiled effort, like so many previous cycles of aggression and negotiation, to mitigate international sanctions, regain economic aid, bolster ties with China, and resume bilateral negotiations with Seoul and Washington, while continuing to stall on the nuclear issue.

Nevertheless, while a healthy dose of skepticism is certainly in order, it would be a mistake to completely write off a policy of tough engagement. At the present time, there is simply no other viable alternative to that approach.

Despite our differences with China on a whole range of issues, we can't afford to ignore the role that Beijing plays on the North Korea nuclear issue. As a result of its close political and economic relationship with Pyongyang, China holds considerable leverage over the regime. Regrettably, China has been very reluctant to fully exercise that influence.

The Chinese leadership apparently believes that coddling its neighbor will preserve stability in the region and perhaps enhance Beijing's own prestige and influence with the West. But this is a dangerous game Beijing is playing, one that it may come to regret. Every day that Beijing fails to pressure Pyongyang is a day that brings the North closer to having a deliverable nuclear weapons capability, one that could directly threaten China and cause other states in the region to consider pursuing their own nuclear weapons programs. Continuing to enable Kim Jong Il's truculence is the surest route to instability in China's immediate neighborhood.

While the threat of a nuclear-armed North Korea is a critical issue that deserves our urgent attention, we must not overlook the horrendous human rights situation in North Korea. Millions of North Koreans live in desperate conditions, many of them facing starvation. They live in constant fear of arbitrary arrest and know they could be tortured or executed at any time.

We should make every effort to provide humanitarian assistance and food aid to North Korean people but only if we can get adequate monitoring to ensure that such aid is not diverted or misused.

I look forward to the testimony of our panel of experts today and to hearing their views on possible creative solutions to the very serious North Korean problem.

Thank you, Madam Chairman.

Chairman ROS-LEHTINEN. Thank you, Mr. Berman.

Unfortunately, the chairman of the Subcommittee on East Asia and the Pacific, Mr. Manzullo, is ill today. Thus, I am pleased to recognize the chairman of the functional Subcommittee on Terrorism, Nonproliferation, and Trade, Mr. Royce, in his stead for a 3-minute opening statement and will allow the members of our committee for a 1-minute opening statement as well.

Mr. Royce is recognized for 3 minutes.

Mr. ROYCE. Madam Chair, thank you very much.

This is very serious. Last fall North Korea revealed its highly enriched uranium facility. Experts estimate that these centrifuges are four times as powerful as those spinning in Natanz, Iran. Raising the stakes, exporting centrifuge technology can be very easy to cloak. One witness predicts a third nuclear test in the near future in North Korea.

Since I came to Congress in '93, our North Korea policy has been a bipartisan failure in terms of both at the administrations level, and what we have done.

Even the former chief proponent of the Six-Party Talks has said those talks are of no use. Only a new government in North Korea is going to get us closer to peace and security. And this crisis comes as the administration is considering a request for food aid.

Now, let me say this about the $800 million in food aid we have already given. A top North Korean defector told the Wall Street Journal last week, "We must not give food aid to North Korea. Doing so," he said, in his words, "is the same as providing funding for North Korea's nuclear program."

And, according to this defector, who spent a decade in a top position of power, if the regime cared about the people, they would take money out of the nuclear program and spend it on food. The oppo-

site is happening. The money is going to fund their build-up. So, looking at it through this defector's lens, that is $800 million that we have given the North Korean regime. And they have pilfered that, and they have not had to spend it on feeding their military and their cronies.

We had a French NGO sit here and tell us that that money goes into the hand of the military base because it is sold, the food aid is sold, on the Pyongyang food exchange. The French NGO traced it back. That is the report we get.

Believe me, they are not asking for food to help the starving. I was told by the former minister of propaganda that money never goes to the outlying areas. That never goes to those areas. It goes to prop up the regime.

So it is really hard arguing that our aid doesn't support this brutal regime and, secondly, doesn't support its nuclear weapons drive. I think the administration is on the wrong course in this request for food aid to North Korea.

As we are sitting here pointing out all of the failures of the past policy. My question is, when are we going to learn? We have been feeding North Korea for decades. The plight of the average North Korean gets worse and worse. We should basically be blocking their access to hard currency and helping to put enough pressure on this regime from the officer corps, who won't get paid if we do that. So we change the regime.

Thank you. I yield back.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Royce.

And now I am pleased to recognize the ranking member on the Subcommittee on East Asia and the Pacific, Mr. Faleomavaega, for his 3-minute statement.

Mr. FALEOMAVAEGA. Madam Chairwoman, thank you for calling this important hearing.

For the 22 years that I have been serving as a member of this committee, it seems that the more we hold hearings on the crisis in the Korean Peninsula, the more I feel a real sense of either hopelessness or sheer frustration, wondering if we are ever going to resolve the critical issues that confront our nation and our allies toward the people and he leaders of North Korea.

At the same time, Madam Chairwoman, while it is very easy for us to be throwing spears and daggers and even labeling North Korea as an axis of evil, one cannot discuss the issues of North Korea without including the concerns and also the frustrations on the part of some 42 million South Koreans who live in this current division, sheer frustrations on the part of both North and South Korea, a most profound social and political division that took place following World War II, not of their choosing, Ms. Chairwoman, but even before there was a North and South Korea.

The Korean people were caught in the middle of the geopolitical rivalry between two superpowers that started the Cold War. And, even though the Cold War may have been over, we are still working on the remnants. And, as a child, I supposed that the crisis in the Korean Peninsula was never part of the solution.

History sometimes, Madam Chairman, can do nothing but deliver misery to people. Let's not forget there for some 60 years before the World War II, Korea was a colony of the imperial Japanese

empire. The pain and suffering of the Korean people during that period of time is still being felt by many of the people in Korea.

I will never forget what the South Korean friend of mine told me when we were in meetings in Seoul. He said, "Eni, the United States is our friend, but the North Korean people are our brothers and sisters. Please don't forget that when you discus the Korean issues."

Let me just say, Madam Chairman, on the brighter side of things, I would like to urge my colleagues let's move forward in approving the proposed free trade agreement with South Korea that has been carefully crafted to increase our export markets to South Korea between $12–20 billion and will add some 70,000 jobs for the American people. Let's not play yo-yo politics with this, Madam Chairwoman. And I say I am confident the administration will also bring the Colombian and the Panama free trade agreements for us to consider.

I look forward to hearing from our three distinguished witnesses this morning, who know a lot more about Korea than me. Is it me or I, Madam Chairman? I am still learning how to speak English.

Chairman ROS-LEHTINEN. Than I.

Mr. FALEOMAVAEGA. Anyway, I yield back.

Chairman ROS-LEHTINEN. Thank you so much.

Pleased to yield 1 minute to our subcommittee chair on Middle East and South Asia: Mr. Chabot of Ohio.

Mr. CHABOT. Thank you, Madam Chair. I will be brief.

I particularly like your comparison of North Korean leadership to Caligula. I think that is exactly right.

And, as usual, China, I believe, is the problem behind the scenes here. They essentially shield North Korea from any ramifications from any consequences of their actions. So, you know, North Korea sinks a South Korean ship, killing 46 sailors, nearly half the crew. They shell a South Korean island, killing civilians and burning 70 percent of the corps and the forests on that particular island, essentially with impunity.

Our Stanford professor comes back and indicates how they are moving forward. He is stunned with how they are moving forward with their nuclear program. China is the real problem. North Korea is their vessel. They are, in essence, the tool that the Chinese use just to stir up mischief. That is the real problem here.

I yield back.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Chabot.

I am pleased to yield to Mr. Payne, the ranking member on the Subcommittee on Africa, Global Health, and Human Rights.

Mr. PAYNE. Thank you very much, Madam Chair.

I couldn't agree more that China could certainly be more helpful. I think that we have to convince China. You know, we have bent over backwards for China. We took them from most favored nation status to permanent trade relations.

And we are certainly increasing China's modernization. I think the least we could do is ask them to—and it makes sense for them to have a stable region. I do feel that we should continue to give food aid. We do find that there are flaws sometimes in our program, but I think many more people will be helped with the food aid than those we feel should not be participating in it.

And I believe that we have a humanitarian responsibility. We shouldn't blame the people. They have double jeopardy from their leaders and from our lack of support.

So I thank you very much. I yield back.

Chairman ROS-LEHTINEN. Thank you, Mr. Payne.

Ms. Schmidt of Ohio?

Ms. SCHMIDT. Thank you, Madam Chair.

And I want to voice some of my concerns with North Korea. First, we have known since July 2006 when North Korea first tested its nuclear device, that they are not just accumulating separated plutonium, but they are also creating gas centrifuge uranium enrichment, which will give them the means of producing nuclear weapons.

In addition, North Korea is also developing a long-range ballistic missile program capable at some point in the future, possibly, of hitting the United States.

It doesn't end there. We know that they have been very, very aggressive with their neighbors. On March 26th, 2010, a North Korean submarine fired at a South Korean vessel, 46 fatalities. On November 23rd, 2010, the North Koreans, again without provocation, lobbed dozens of artillery shells into a South Korean island. And, again, South Korean civilians were killed.

And, against this, we know that Kim Jong Il's health is failing and his likely successor, his youngest son, Kim Jong-un, is untested and may be more nervous to the West than his father.

Our policy has been a little unsure in the United States regarding this administration and North Korea. And I worry very much about where we are going to go with the future talks.

I yield back.

Chairman ROS-LEHTINEN. Thank you very much, Ms. Schmidt.

Mr. Cicilline of Rhode Island?

Mr. CICILLINE. Thank you, Madam Chair.

I just look forward to hearing from the four distinguished panelists and thank the chair for convening this meeting on a very important issue.

Chairman ROS-LEHTINEN. Thank you, sir.

Pleased to yield to the Subcommittee on Africa, Global Health, and Human Rights, the chairman, Chris Smith, for 1 minute.

Mr. SMITH. Thank you very much, Madam Chair.

I would hope that our distinguished witnesses would address a number of news reports and as well as the Agency for Defense Development briefing for members of Parliament in Seoul that said that the North is believed to be nearing completion of an electromagnetic pulse bomb that if exploded 25 miles above ground, would cause irreversible damage to electrical and electronic devices, such as mobile phones, computers, radio, and radar, experts say. They also have said that this could be used, obviously, in warfare. Kim Jong Il made it one of his priorities, according to numerous reports, to pursue electronic warfare. I hope you would speak to that.

Secondly, very briefly, the issue of religious freedom, and human rights in general, remains a serious concern in North Korea. The U.S. Commission on International Religious Freedom has said that negotiations with North Korea will not succeed unless rooted in a broader framework that includes agreements on humanitarian and

human rights concerns. I hope that you would address that as well. They should not be decoupled, notwithstanding our concerns about the nuclear issue.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Smith.

Mr. Sherman, the ranking member on the Subcommittee on Terrorism, Nonproliferation, and Trade, is recognized for a 5-minute opening remarks.

Mr. SHERMAN. The U.S.-Korea free trade agreement will open our markets to North Korean goods. Keeping this concealed until Congress approves the agreement is critical to the strategy of getting it passed.

Goods that are, say, 65 percent North Korean content and 35 percent South Korean content have the right to come into this country duty-free under this agreement. If we block those goods, as we may if we enforce our national security laws, then South Korea gets to raise tariffs. And we lose all of the advantages we negotiated for under the agreement.

Furthermore, the Kaesong slave labor camp will be eligible for treatment as if it is part of South Korea. And all the goods, 100 percent Kaesong-made goods will come into this country with the workers being paid maybe $7 a month without future congressional approval. The agreement is carefully vague in appendix or annex number 22.

I have asked the USTR to clarify this. They have refused. They have ignored my letter for the last month and longer. And it is clear that there is enough vagueness there so that future executive branches could act and let those slave labor goods into the United States.

Chairman ROS-LEHTINEN. Thank you, Mr. Sherman.

Mr. Johnson of Ohio is recognized.

Mr. JOHNSON. Thank you, Madam Chairman. And I, too, applaud setting up this hearing.

I am particularly interested today to hear our panel members talk about the security implications. You have heard my colleague talk about the trade agreement. I am interested in hearing your opinion of the security implications were we to not move forward with that trade agreement.

I would also be interested to hear your thoughts on China and whether or not China is essentially benefitting from this perceived standoff with North Korea and does it not, in fact, give China significant leverage that these barriers persist. So I would be interested to hear the panel members talk about those kinds of issues.

And, with that, I yield back, Madam Chairman.

Chairman ROS-LEHTINEN. Thank you very much.

Thank you to all of our members for their opening statements. The Chair is pleased to welcome now our panel of witnesses. Victor D. Cha has been the Korean chair at the Center for Strategic and International Studies since May 2009. He is also a professor of government and director of Asian studies at Georgetown University and has academic degrees from Columbia and Oxford.

From 2004 to 2007, Mr. Cha served as the director for Asian affairs at the National Security Council. At that time, he worked closely with former Ambassador Chris Hill in the George W. Bush

administration on North Korean policy and served as deputy head of the U.S. delegation to the Six-Party Talks.

Dr. Cha, thank you for attending.

Bruce Klingner is the senior research fellow for Northeast Asia at The Heritage Foundation. He has a 20-year career at the Central Intelligence Agency and the Defense Intelligence Agency, including serving as deputy division chief for Korea at the CIA.

Mr. Klingner has written numerous articles on the Korean Peninsula and received degrees from Middlebury College and the National War College.

We welcome you as well, sir.

William J. Newcomb is a former U.S. Government economist. From 2005 to 2008, Mr. Newcomb was the senior economic adviser to the assistant secretary for intelligence and analysis in the Treasury Department.

Prior to holding that position, Mr. Newcomb spent over 20 years as the State Department's Bureau of Intelligence and Research senior economist for North Korea. During 2003 to 2005, Mr. Newcomb served as the deputy coordinator of the State Department's North Korea Working Group.

Mr. Newcomb is a graduate of Colorado College and has done graduate work at St. Mary's and Texas A&M.

Glad to have you here, Mr. Newcomb.

And our final witness, Mr. Robert Carlin, is currently a visiting fellow at Stanford University's Center for International Security and Cooperation. He is also as veteran of the State Department's Bureau of Intelligence and Research, where he worked for 13 years on North Korea.

Mr. Carlin served as a senior policy adviser to the North Korean Peninsula Energy Development Organization from 2003 to 2006, leading numerous delegations to North Korea.

Mr. Carlin holds a degree from Claremont Men's College and Harvard University.

Welcome, Mr. Carlin. And thank you for this excellent set of panelists. I kindly remind our witnesses to keep your oral testimony to no more than 5 minutes. And, without objection, the witnesses' written statements will be inserted into the record.

So we will begin with you, Dr. Cha. Thank you.

STATEMENT OF MR. VICTOR CHA, PROFESSOR AND DIRECTOR OF ASIAN STUDIES AND D. S. SONG-KOREA FOUNDATION CHAIR IN ASIAN STUDIES AND GOVERNMENT, GEORGETOWN UNIVERSITY

Mr. CHA. Thank you, Chairwoman, Congressman Berman, and distinguished members of the committee. It truly is a pleasure to be here with you today.

The challenges that are posed by North Korea have only become more complex from the past. In addition to the uranium enrichment program and the possibility of a third nuclear test, the sinking of the Cheonan and the brazen firing of 170 artillery shells on Yeonpyeong Island are very concerning. And I think there are several theories that have been bantied about as to why the North is provoking in such a deliberate and rapid fashion having to do with the North Korean leaders' dislike of the South Korean Government,

longstanding disputes over maritime boundaries, and the internal leadership transition. But I would like to draw the committee's attention to one other possible explanation.

North Koreans have said to me in the Six-Party Talks that the United States attacked Iraq and it attacked Afghanistan because they did not have nuclear weapons and that we would never attack them or Iran because these countries have nuclear capabilities. Kim may be engaging in more provocative conventional attacks short of war because he believes his own rhetoric that he is now a nuclear weapons state and, therefore, feels invulnerable to potential retaliation by other parties.

Now, we know that this is wrong, but this does not mean they may believe it mistakenly, particularly as they become less confident in their deteriorating conventional deterrent, including the degraded artillery that sits on the DMZ.

I cannot overemphasize to you how dangerous a situation this is. The following scenario is not impossible. The North could provoke again because they believe their nuclear deterrent is sufficient to prevent retaliation. And Seoul cannot stand another attack. They cannot sit passively. And they respond with a military strike confident in their own minds that they could control the escalation ladder. This is the sort of miscalculation on both sides that could lead to war.

So how do we deal with this? The Obama administration has been operating essentially with the same toolbox as the Bush administration: Sanctions, exercises, and counterproliferation activities. And I give the administration credit for pursuing trilateral coordination with Japan and South Korea and for the up tempo of military exercises, including Key Resolve and Foal Eagle, which finish up today.

But one cannot help but wonder where this is all leading. I support sanctions, counterproliferation, and military exercises. But even a hawk has to acknowledge that a long-term policy of sanctions and military exercises in the end may lead to war before they lead to a collapse of the North Korean regime.

A study I directed at CSIS did a time-series analysis over 27 years back to March 1984 to chart on a weekly basis two pieces of data. One was DPRK provocations, and the other were periods of major negotiations involving the United States.

Never once in the entire 27-year period was there a period in which the DPRK provoked in the midst of negotiations with the United States. This does not mean the Obama administration should dive right into negotiations today, but the cost of strategic patience, the administration's policy, is likely to be a third nuclear test and more North Korean provocations. That will elicit a South Korean military response and potential escalation.

No administration wants to be recorded in history as the one that took the peninsula to war with a policy based for 4 years on sanctions and exercises. So they need to think hard about their next steps.

As a baseline, the U.S. must continue to intensify the sanctions and military exercising. They should also push forward with new consultations with the ROK on extended deterrence, both conventional and nuclear. The administration should seek innovative

ways to enhance trilateral coordination with the allies, including a renewed effort at a collective security statement. And the parties should also consider U.N. authorization for U.S. and ROK use of force in self-defense in response to future violations of the armistice.

While there is no movement on the nuclear negotiations, this should not discourage those who seek to advance the human rights agenda. And here the lowest hanging fruit is the food assistance program. It is my own view that the United States should consider providing food for North Korea if it is along the lines of a 2008 agreement that the Bush administration negotiated and if they can use that as an opportunity to try to push North Korea to make an apology on the Cheonan or on the Yeonpyeong Island shelling.

North Korea is truly the land of lousy options. There are no good choices, and there are only bad choices and worse choices. Rewarding bad behavior may elicit more bad behavior. But the alternative is to do nothing on nuclear diplomacy or human rights, and that will buy you a runaway nuclear program, rampant proliferation, and now rumblings in South Korea about nuclear weapons.

Thank you.

[The prepared statement of Dr. Cha follows:]

CSIS | CENTER FOR STRATEGIC & INTERNATIONAL STUDIES | Office of the Korea Chair

TESTIMONY OF DR. VICTOR D. CHA

PROFESSOR OF GEORGETOWN UNIVERSITY AND SENIOR ADVISER AT THE CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES

MARCH 10, 2011

BEFORE THE UNITED STATES HOUSE OF REPRESENTATIVES, COMMITTEE ON FOREIGN AFFAIRS

1800 K STREET NW, WASHINGTON DC 20006 | P 202.775.3207 | F 202.775.3199 | WWW.CSIS.ORG/PROGRAM/KOREA-CHAIR

Thank you Chairwoman Ros-Lehtinen, Congressman Berman and members of the Committee. It is a distinct honor to appear before this committee to discuss the challenges posed by North Korea (DPRK).

I have testified before this committee in the past on the same topic and I can say without hesitation that the challenges of North Korea going forward are more multifaceted and more complex.

Neojuche Revivalism

First, allow me to address the internal situation in North Korea. Kim Jong-il is ailing and he is clearly trying to hand power over to his 20-something year old son, Kim Jong-eun.

The massive Communist party rallies in October2010 provided the world's first real glimpse of Kim Jong-eun. On occasion in world history, courageous leaders have brought about monumental change. Does the young Kim, who has been educated for part of his life outside of North Korea in Switzerland, have what it takes to finally catapult the North Korean people out of the dark ages?

No. His youth is not the issue. Stalin appointed the first leader of North Korea, Kim Il-sung, and he took power at the tender age of 33. The current leader of North Korea, Kim Jong-il, was anointed as the successor in his 30s as well. The Kim family dynasty presumes that its leaders will rule for fifty years so they have to appoint them young.

The real problem is the system itself. Despotic regimes like North Korea cannot survive without ideology to justify their iron grip. And the ideology that accompanies Kim Jung-eun's rise appears to look backwards rather than forwards. I call it "neojuche revivalism." This constitutes a return to a conservative and hardline "juche" (self-reliance) ideology of the 1950s and 1960s – harkening back to a day when the North was doing well relative to the now richer and democratic South. Neojuche revivalism is laced with "songun" (military-first) ideology which features the North's emergence as a nuclear weapons state (Kim Jong-il's one accomplishment during his rule). This revivalist ideology leaves no room for opening because it blames the past decade of poor performance on "ideological pollution" stemming from experiments with reform.

The revolution in North Korea died long ago but the young son will be forced to cling to the core but outdated ideological principles that worked during the Cold War. It is no coincidence that Kim Jong-il has frequented visits in the past two years to factory towns that used to be the center of North Korea's mass worker mobilization (Chollima) movements of the 1950s. It is no coincidence that NKEconWatch's website, which has the best Google earth imagery of the North, has reported the rebuilding of chemical and

vinylon factories which were the heart of Cold War-era Pyongyang's now decrepit economy.

Neojuche revivalism is untenable in the long term. Mass mobilization of workers without reform can only work with massive inputs of food, fuel, and equipment which the Chinese will be increasingly relied upon to provide. Beijing seems content to backstop its communist brethren for the time being. But heightening world food and fuel prices because of the revolutions in the Middle East may make them a bit stingier with Kim.

Nuclear and Conventional Threats

Meanwhile, the threats from North Korea have only become more multifaceted with North Korea's brazen unveiling of its uranium enrichment program to an American scientist last November. This potentially provides Kim with another path to nuclear bombs based on highly enriched uranium rather than just weapons-grade plutonium. While the scientist was shown one facility at Yongbyon, most experts believe that it may represent only the tip of the iceberg of a larger program with sites around the country. Few believed the Bush administration when they challenged Pyongyang in October 2002 about these activities. Few deny them now.

In addition, newspapers recently are reporting that commercial satellites have picked up activity near suspected nuclear test sites. From past experience, I can tell you that any activity around such sites is not good. Even a pickup truck or two, or some guys innocently playing cards is not innocent at all. They all constitute indications that some preparations are underway for a third nuclear test, which I think could happen in 2011. A third nuclear detonation would give them valuable data necessary to further develop their program. Many experts believe that once they perfect this, the technical challenges to developing a deliverable warhead are not high. And while much of our focus during the Bush administration was on dismantling their nuclear program, the DPRK's ballistic missile program has developed unabated for over a decade.

The challenges posed by the DPRK have also become more complex. In 2010, the sinking of the *Cheonan* by a DPRK torpedo in March and the brazen firing of 170 artillery shells on Yeonpyong island in November constituted clear violations of the 1953 armistice and by any metric were premeditated acts of war, which Beijing refused to acknowledge. The North had not conducted provocations of this scale since 1968 when they attempted a commando raid on the South Korean presidential compound and when they captured the U.S. intelligence vessel, the *USS Pueblo*, in international waters. There are several theories as to why the North did this, having to do with Kim's dislike of the conservative South Korean (ROK) government, longstanding disputes over maritime boundaries, and an internal leadership transition. But I would like to draw the

committee's attention to one other theory, in particular. North Korean officials are fond of saying that the U.S. attacked Iraq and Afghanistan because they did not have nuclear weapons, but that we would never attack them or Iran because these countries have nuclear capabilities. Kim may be engaging in more provocative conventional attacks short of war because he increasingly believes his own rhetoric that the DPRK is now a nuclear state, and therefore feels invulnerable to potential retaliation by the U.S. or the South Koreans. We know this is wrong as the North does not have a second strike capability, but this does not mean they may believe it mistakenly, particularly as they become less confident in their deteriorating conventional deterrent, including the degraded artillery sitting on the DMZ.

I cannot overemphasize to the committee how dangerous a situation this is.

The following scenario is a not-too-remote and clear one. The North provokes again as part of a strategy to force the ROK government to cave to DPRK military pressure. They are unrestrained because they believe their nuclear deterrent is sufficient to prevent retaliation. But Seoul cannot tolerate another attack. What was so different about the Yeonpyeong shelling was that it was captured on television for every South Korean citizen to see. Not responding would be political suicide for an ROK president. Thus, Seoul responds with a military strike swiftly and decisively, confident in their own minds that 1) the North would not dare enter a war they would lose; or 2) the ROK could contain the escalation ladder. This sort of miscalculation on both sides, ladies and gentlemen, is how wars start.

So how do we deal with this? The Bush administration basically operated on three tracks. First, it contained North Korea's horizontal proliferation with a robust PSI (Proliferation Security Initiative) regime and other measures designed to curtail and deter such activities. Second, it used a new tool, financial sanctions, designed to target those monetary transactions and accounts linked to proliferation financing and illicit activities. And third, they engaged in negotiation and diplomacy, particularly in the administration's second term, to achieve denuclearization agreements. The primary result of this latter activity was the 2005 and 2007 agreements from the Six-Party talks.

The Obama administration has been operating with essentially the same toolbox. I believe it came in initially quite inclined to pursue high-level bilateral engagement as a way to accelerate the Six-Party agreements from the previous administration. But the North Korea missile and nuclear tests in 2009 threw cold water on this, and instead gave the administration more multilateral tools in the form of UNSCR resolutions to pursue counterproliferation activities against the DPRK. I give the administration credit for emphasizing trilateral coordination with the ROK and Japan in dealing with DPRK

provocations. This was evident in Secretary Clinton's trilateral meeting with Japanese Foreign Minister Maehara and South Korean Foreign Minister Kim in December of last year. I also give them credit for stepping up the tempo of military exercises with the allies in response to DPRK provocations, including the July and November exercises of last year, and "Key Resolve/Foal Eagle" which is finishing up today. I believe the North is less likely to attempt provocations directly into the teeth of a U.S.-ROK or U.S.-Japan or even a trilateral military exercise. They practice more of a "hit-and-run" strategy, and therefore there is high value to continuing these exercises as a deterrent against more attacks like *Cheonan* or Yeonpyeong.

However, one cannot help but wonder where this is all leading. I support the current policy of sanctions, counterproliferation, and military exercises. I, as much as anyone else, believe these are necessary. But even a hawk must acknowledge that a long-term policy of sanctions and military exercises in the end may lead to war before they lead to a collapse of the regime (particularly if China continues to backstop Kim with food, hard currency, and energy). A study I directed at CSIS did a time-series analysis over 27 years back to March 1984 to chart on a weekly basis two pieces of data: 1) DPRK provocations and 2) periods of major negotiations. Never once in the entire 27 year period was there a period in which the DPRK provoked in the midst of negotiations involving the U.S. Now, there are many ways that one could interpret that data, but it does tell us that when the U.S. is in a negotiation process, the DPRK does not do conventional attacks, or nuclear/missile tests.

Does this mean the Obama administration should dive into negotiations today? Of course not. The administration has made pretty clear the requisite preconditions: First, the North needs to acknowledge the *Cheonan* sinking and the artillery attacks. Second, it must be ready to freeze and negotiate over dismantlement of its uranium enrichment program in addition to returning to the 2005 and 2007 nuclear agreements. Neither of these is likely to be fulfilled in the near future. The inter-Korean military talks, which provided an opportunity for the DPRK to address the *Cheonan* and Yeonpyeong attacks, broke down last month. And Obama administration officials, assistant secretary of state for East Asian and Pacific Affairs Kurt Campbell and Special Envoy for North Korea Stephen Bosworth testified on the Hill last week that they are in no hurry to negotiate.

I am fine with this policy as long as we all acknowledge that the cost of "strategic patience" is likely to be a third nuclear test, and more DPRK conventional provocations that will elicit a South Korean military response and potential escalation. If our policy of sanctions and military exercises through some miracle leads to a collapse of the DPRK, it is fair to say we are not prepared for that. As one official said, U.S. planning for this outcome has improved from the previous administration, but this only means that we

have gone from "really, really unprepared" to "really unprepared." And if it does not lead to war or collapse, and Kim continues to muddle through, we are still left with a runaway nuclear and missile program in the North operating completely outside international controls or monitoring.

The Road Ahead

No administration wants to be recorded in history as the one that took the peninsula to war with a policy based solely for four years on sanctions and military exercises. The Obama administration needs to think hard about its next steps. Deferring to our close ally in Seoul is critical, but an apology for *Cheonan* and Yeonpyeong are the highest hanging fruit on the tree, impossible to reach at this point. Moreover, North Korea's reported offer of a meeting between Defense Secretary Gates and his counterpart is not possible at this point either given all that has happened.

As a baseline, the U.S. must continue to intensify the sanctions and military exercising it has done with allies in the region to counter proliferation and punish Pyongyang for its deviant behavior.

The administration should also push forward with new consultations with the ROK on extended deterrence – both conventional and nuclear – to enhance preparedness for more DPRK provocations.

The administration should continue to seek innovative ways to enhance U.S.-ROK-Japan trilateral solidarity including a renewed effort for a collective security statement.

Parties should consider seeking UN authorization for the U.S. and ROK use of force in self-defense in response to future DPRK violations of the 1953 armistice.

On the nuclear negotiations front, there does not appear to be any movement at the moment, but this should not discourage those who seek to advance the human rights agenda. Here, the lowest hanging fruit in the last month or so centers on the DPRK's request for the U.S. to restart food assistance. At issue is the remaining 330,000 tons of food left undistributed from the 2008 food agreement with the Bush administration. As USAID officials will attest, this agreement offered the best access and monitoring conditions we have ever achieved with the North including access to all but two provinces, nutritional surveys, and Korean speakers as part of the aid team. U.S. NGOs just returned from the North last month and confirm there is a need. The administration should consider this if they can obtain access and monitoring terms as good as or better than 2008, and after close consultations with Seoul. Bags of rice floating around North Korea with the American flag and written Korean saying "Gift of the American people"

cannot be bad. For what it is worth, historically food assistance to North Korea has constituted a path back to the larger diplomacy.

Chairwoman Ros-Lehtinen. Having worked on this issue in the White House and having studied it for decades, I can tell you North Korea policy truly is the land of lousy options. The choices are never between good and bad. They are always between bad and worse. Restarting food aid may sound like the same old story – rewarding bad behavior that will only elicit more bad behavior. The alternative is to do nothing on nuclear diplomacy or human rights, which is good posturing. But it will buy you a runaway nuclear program with rampant proliferation potential, and now rumblings in South Korea among some conservatives about going nuclear themselves or calling for the U.S. to reinsert tactical nuclear weapons into the ROK. This hardly seems like a good alternative.

Chairman ROS-LEHTINEN. Thank you very much.

Mr. Klingner? Thank you so much for being here.

And if you could summarize your statement?

STATEMENT OF BRUCE KLINGNER, SENIOR RESEARCH FELLOW, NORTHEAST ASIA, ASIAN STUDIES CENTER, THE HERITAGE FOUNDATION

Mr. KLINGNER. Thank you, Madam Chairwoman, Ranking Member Berman, and distinguished members of the committee. It is indeed an honor to appear before you on an issue of such importance to the United States.

North Korea poses a multi-faceted military threat to peace and stability in Asia as well as a global proliferation risk. The disclosure last November of a previously unknown uranium enrichment facility validates earlier U.S. assertions that Pyongyang was pursuing a parallel uranium nuclear weapons program. It not only augments North Korean capabilities to increase its nuclear arsenal but also increases the risk of nuclear proliferation.

Secretary of Defense Robert Gates recently warned that "North Korea is becoming a direct threat to the United States" since it will develop an ICBM within 5 years. And Pyongyang has already deployed 1,000 missiles that can target South Korea, Japan, and U.S. bases in Asia.

Pyongyang's two unprovoked acts of war last year were a chilling reminder that its conventional forces remain a direct military threat to South Korea.

For years, many sought to absolve North Korea for its provocative acts and noncompliance by, instead, blaming U.S. and South Korean policies. They also claimed that simply returning to negotiations, offering concessions, and abandoning sanctions would resolve the nuclear issue and prevent provocations. Yet, dialogue did not prevent North Korean provocative acts nor resolve the nuclear stalemate.

Last March, behind-the-scenes discussions were moving toward resumption of the Six-Party Talks, but that did not prevent Pyongyang's attack on the Cheonan. Nor did secret talks between North and South Korea last November, including discussions of humanitarian assistance, prevent the regime from shelling Yeonpyeong Island.

During the last 4 years of the Bush administration, the U.S. engaged not only in multilateral negotiations but also in frequent direct bilateral diplomacy with Pyongyang, even removing North Korea from the state sponsors of terrorism list. But North Korean intransigence, noncompliance, and brinkmanship continued.

In early 2009, there were euphoric expectations that the transition from George Bush to Barack Obama would lead to dramatic breakthroughs with North Korea. Instead, Pyongyang quickly sent clear signals that it would not adopt a more accommodating stance post-Bush. North Korea rejected several attempts by the new administration to engage in dialogue and, instead, engaged in a series of rapid-fire provocations.

U.S. policymaking toward North Korea has been hampered by a binary debate over whether Washington should use pressure or engagement. The reality, of course, is that pressure and engagement,

along with economic assistance, military deterrence, alliances, and public diplomacy, are most effective when integrated into a comprehensive strategy utilizing all the instruments of national power. Sanctions are not an alternative to diplomacy but are, rather, a component of a broader foreign policy strategy.

I will quickly summarize some of the extensive policy recommendations I included in my testimony. The U.S. should continue the two-track policy of pressure and conditional engagement. Overall, it is a good strategy but has been weakly implemented to date. Stronger measures, both more pain and more gain, should be put into effect.

Track one, increase punitive and coercive measures. We need to fully implement existing U.N. resolution requirements, including freezing and seizing the financial assets of any violator. We need to target both ends of the proliferation pipeline. To date, both the U.N. and U.S. have been reluctant to target any non-North Korean violator. We should maintain international punitive sanctions until North Korea complies with international law and U.N. resolutions. We should not negotiate them away for simply returning to the Six-Party Talks.

Track two, simultaneously keep the door open for negotiations. It is not a question of whether to engage North Korea but of how to do so. Negotiations should be based on principles of compliance, conditionality, reciprocity, and verification. Create a strategic blueprint that clearly defines the desired end-state, objectives, and requirements for all parties, rather than continuing vaguely worded documents, and insist on an effective verification mechanism.

Track three, strengthen defensive measures. Since international diplomacy and U.N. resolutions did not prevent North Korea from continuing its development and testing of nuclear weapons and ICBM delivery capabilities, the U.S. should: Continue to develop and deploy missile defense systems, augment nonproliferation efforts, and strengthen its alliances with South Korea and Japan.

And track four, adding lanes to the road of engagement. The Six-Party Talks need not be the only focus of U.S. policy toward North Korea. Other issues that could be addressed are the missile threat, a peace treaty, the conventional forces threat, humanitarian aid, economic development assistance, human rights, and confidence-building measures. Yet, each of these lanes has a number of issues that must be carefully considered before going down them.

The current two-track policy of pressure and conditional negotiations is an improvement over earlier approaches. Yet, when weakly implemented, strategic patience is insufficient as a long-term strategy. Simply trying to contain North Korea in a box is problematic.

Thank you again for the opportunity to appear before you. And I look forward to your questions.

[The prepared statement of Mr. Klingner follows:]

214 Massachusetts Avenue, NE • Washington DC 20002 • (202) 546-4400 • heritage.org

CONGRESSIONAL TESTIMONY

North Korea – a Multi-Faceted Threat to Peace and Stability

Testimony before
Committee on Foreign Affairs
United States House of Representatives

March 10, 2011

Bruce Klingner
Senior Research Fellow, Northeast Asia
The Heritage Foundation

My name is Bruce Klingner. I am Senior Research Fellow for Northeast Asia at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

North Korea – a Multi-Faceted Threat to Peace and Stability

North Korea poses a multi-faceted military threat to peace and stability in Asia as well as a global proliferation risk.

North Korea has developed enough fissile material for six to eight plutonium-based nuclear weapons. Although the status of weaponization remains unclear, North Korea conducted two nuclear tests in 2006 and 2009. North Korean officials have repeatedly vowed that the regime has no intention of abandoning its nuclear arsenal.

North Korea's disclosure last November of a previously unknown uranium enrichment facility containing 2,000 operational centrifuges validated earlier U.S. assertions that Pyongyang was pursuing a parallel uranium nuclear weapons program. A visiting U.S. scientist was stunned by the size and sophistication of the facility, which exceeded all predictions of North Korean progress on a uranium program.

A South Korean nuclear scientist estimated that Pyongyang could produce one to two uranium weapons per year using 2,000 centrifuges. Capability would be even greater if North Korea has other undetected uranium enrichment facilities.

The newly identified uranium facility at Yongbyon not only augments North Korean capabilities to increase its nuclear weapons arsenal but also increases the risk of nuclear proliferation. A U.N. task force concluded that Pyongyang continues to provide missiles, components, and technology to Iran and Syria since the imposition of U.N. sanctions.

Secretary of Defense Robert Gates warned in January 2011 that "North Korea is becoming a direct threat to the United States" since it will develop an intercontinental ballistic missile within five years.

Pyongyang has already deployed 600 SCUD missiles to target South Korea, 300 No Dong missiles that can reach all of Japan, and the Musudan missile which can hit U.S. bases in Guam and Okinawa.

Pyongyang's unprovoked acts of war on a South Korean naval ship and a civilian-inhabited island last year were chilling reminders that the North Korean conventional forces remain a direct military threat to South Korea. Pyongyang's million-man army has 70 percent of its ground forces forward-deployed within 60 miles of South Korea. North Korea will feel compelled to conduct additional provocative acts in order to achieve foreign policy objectives.

Pyongyang also poses a grave proliferation risk. For decades it has exported missiles to rogue regimes and is suspected of being directly involved in nascent nuclear weapons programs in Iran, Syria, and Burma. In September 2008, Israel destroyed a Syrian nuclear reactor that was being constructed with covert North Korean assistance.

Finally, North Korea also poses a risk to its neighbors by counterfeiting U.S. and other countries' currencies, producing and distributing illegal narcotics and counterfeit pharmaceuticals, and engaging in illicit financial activities.

How Did North Korea Respond to U.S. Engagement?
For years, many have sought to absolve North Korea of responsibility for its acts by instead blaming U.S. and South Korean policies. It has also been claimed that a one-track policy of returning to negotiations, offering concessions, and abandoning punishment for North Korean violations will resolve the nuclear issue and prevent provocations.

Yet secret discussions underway last year did not prevent either North Korean provocation. U.S. and South Korean officials stated that discussions were moving participants back toward the Six-Party Talks but were undermined by Pyongyang's attack on the *Cheonan*. Similarly, South Korea was engaging secretly with North Korean officials, including discussions of humanitarian assistance, when the regime shelled Yeonpyeong Island.

During the last four years of the Bush Administration, the U.S. engaged not only in multilateral negotiations but also in frequent direct bilateral diplomacy with Pyongyang. Washington even removed Pyongyang from the state sponsors of terrorism list as a *quid pro quo* for Pyongyang's accepting a verification protocol as well as to improve the atmosphere of negotiations and stimulate further progress. But North Korean intransigence, noncompliance, and brinksmanship continued.

In early 2009, there were euphoric expectations that the transition from George W. Bush to Barack Obama would lead to dramatic breakthroughs with North Korea. During the presidential campaign, Senator Obama advocated the need for "sustained, direct, and aggressive diplomacy" with North Korea and considered having an unconditional summit with Kim Jong-il. Once in office, his administration attempted to reach out to North Korea several times.

It was premised that the departure of the Bush Administration would lead North Korea to no longer feel threatened and therefore it would refrain from any further provocations. New efforts at dialogue would lead to dramatic improvements in U.S.-North Korean relations and breakthroughs in the Six-Party Talks.

Instead, Pyongyang quickly sent clear signals that it would not adopt a more accommodating stance post-Bush. On the eve of President Obama's inauguration, the North Korean Ministry of Foreign Affairs declared the existing Six-Party Talks agreements were void since Pyongyang had new demands. Only two days after Obama's

inauguration, unclassified satellite imagery photos showed Pyongyang was already preparing for a Taepo Dong-2 missile launch in violation of U.N. resolutions.

Pyongyang also conducted a rapid-fire series of provocations in 2009. North Korea responded to President Obama's soft touch by threatening to weaponize all of its plutonium and build more nuclear weapons, abandoning all previous disarmament pledges, and vowing to "never return" to the already moribund Six-Party Talks.

The regime also launched several missiles in violation of U.N. resolutions; conducted a nuclear test; abrogated the Korean War armistice and all bilateral agreements with South Korea; threatened war against the United States, South Korea, and Japan; threatened the safety of civilian airliners; and closed its border, holding hundreds of South Koreans hostage.

As a result, 2009 saw the death of a lot of cherished misperceptions about engaging North Korea. Pyongyang's biting the offered open hand of dialogue backfired on the regime since it caused a belated epiphany among U.S. experts that Pyongyang, and not the various U.S. policies over the years under successive administrations, was to blame for the North Korean nuclear problem.

The North Korean provocations convinced a lot of analysts in and out of government that Pyongyang had spent 40 years, billions of dollars, countless man-years of effort, and risked international ostracism and punitive measures to develop nuclear weapons as a military capability and not as a "bargaining chip."

Formulating a U.S. Policy Response

U.S. policymaking toward North Korea has repeatedly stumbled over a binary debate over whether Washington should use pressure or engagement. The reality, of course, is that pressure and highly conditional engagement—along with selected and fully monitored economic assistance, military deterrence, alliances, and public diplomacy—are all diplomatic tools to influence the negotiating behavior of the other side.

Rather than being used in isolation, these tools are most effective when integrated into a comprehensive strategy utilizing all the instruments of national power. As such, sanctions are not an *alternative* to diplomacy but are, rather, a *component* of a more comprehensive foreign policy strategy.

Pressure and engagement are two sides of the same coin; both are necessary. Diplomacy without pressure is as ineffective as sanctions imposed without a strategic objective. Sanctions and engagement are a *means* to an objective rather than an *end* in and of themselves, a point often lost on those who claim the mere resumption of negotiations is itself a success.

To be most effective, sanctions should include a way to ameliorate their impact—as incentive to end the abhorrent behavior that triggered them—just as engagement must carry a penalty when the conditions are violated.

Sanctions Show Resolve to Enforce International Agreements. Sanctions send a strong signal that there are consequences for defying international agreements. As President Barack Obama correctly commented, "sanctions are a critical part of our leverage to pressure North Korea to act. If the North Koreans do not meet their obligations, we should move quickly to re-impose sanctions that have been waived and consider new restrictions going forward." In response to Pyongyang's belligerent behavior and violations of U.N. resolutions, President Obama declared, "Rules must be binding. Violations must be punished. Words must mean something."

Punitive measures serve a number of objectives. They can:

1. Enforce U.N. Security Council resolutions concerning North Korea's abhorrent behavior;
2. Impede North Korea's development of nuclear weapon capabilities by curtailing imports of components, material, and financial support;
3. Curtail Pyongyang's destabilizing proliferation activities;
4. Discourage further North Korean provocative actions;
5. Interdict illicit activities and make banks and businesses increasingly wary of dealing with Pyongyang;
6. Induce North Korea to comply with denuclearization commitments by removing illegal sources of revenue and offering economic benefits as part of the Six-Party Talks.

China Undermines International Response. Beijing has shown itself to be part of the problem rather than the solution. China has proven itself to be a paper dragon when called upon to enforce U.N. resolutions.

Beijing denied clear, compelling, and comprehensive evidence that North Korea conducted two unprovoked acts of war in 2010, obstructed international efforts to penalize Pyongyang for repeated violations of international agreements, and criticized the U.S. and South Korea for taking steps to prevent further North Korean attacks.

China's actions have undermined international efforts to resolve the Korean crisis, enforce U.N. resolutions, and induce North Korea to comply with its Six-Party Talks commitments. The effectiveness of sanctions is also hindered by China's willingness to provide economic benefits outside of the conditionality of the Six-Party Talks.

By not fully implementing sanctions and offering alternative sources of revenue, Beijing reduces the likelihood that North Korea will return to the Six-Party Talks. Why would Pyongyang seek the conditional benefits offered as inducements in the nuclear negotiations when it can receive the same benefits directly from China?

What to expect in 2011. The lunar year of the rabbit will see North Korea hopping back and forth between more provocations and a more energetic charm offensive.

Provocations. The current calm on the Korean Peninsula may be short lived. North Korea's inability to date to achieve its diplomatic objectives through provocations will compel it eventually to engage in more high-risk confrontational measures, even as it appeals for negotiations with the U.S.

Admiral Michael Mullen, Chairman of the Joint Chiefs of Staff, recently warned that the "potential provocations could become more and more catastrophic." The next provocation could be escalation of warlike rhetoric, tactical military confrontations along the Demilitarized Zone and Northern Limit Line, missile launches, or another nuclear test.

Such tactics have worked repeatedly in the past, with Washington and Seoul willing to buy their way back to a calmer status quo. Previous provocations have often elicited offers of negotiations or concessions. Kim Jong-il would also be emboldened by perceptions that Washington and Seoul do not have a military option because of the proximity of Seoul to the DMZ. There is indeed a long history of deadly provocations for which neither Washington nor Seoul responded.

Charm Offensive. Yet, none of this precludes the potential for resumed dialogue. North Korean provocations have often laid the groundwork for negotiations. Pyongyang used its annual New Year's Day joint editorial to initiate a new charm offensive. The shift in tactics is consistent with standard North Korean negotiating behavior to alternate between provocations and seemingly conciliatory behavior to attain its goals.

Pyongyang realizes it must lower tensions on the Korean Peninsula and appear to be a reasonable negotiating partner. In order to resume dialogue with Washington, Pyongyang understands it must fulfill one of the Obama Administration's preconditions by first reaching out to South Korea.

Other North Korean foreign policy objectives include: undermine new U.S. and South Korean efforts to impose additional sanctions for the attack on Yeonpyeong-do and revelation of the uranium facility at Yongbyon; weaken international resolve to maintain existing punitive measures; and gain diplomatic and economic benefits.

But as the collapse of the inter-Korean military talks showed, even when North Korea is reaching out, it's behavior is more offensive than charming. North Korea showed no inclination to alter its behavior, address South Korean security concerns, or implement its Six-Party Talks denuclearization commitment

Policy Recommendations

The United States should continue the current two-track policy of pressure and conditional engagement, but with additional measures. Overall, it is a good strategy, but has been weakly implemented by the Obama Administration.

Stronger measures—both more pain and more gain—should be implemented to more effectively alter North Korean behavior. There is a need to increase power to all

cylinders, namely greater pressure, public diplomacy (overt and covert), military preparations/defenses, and diplomacy

1. Increase punitive and coercive measures

- **Fully implement existing U.N. resolution requirements**, including freezing and seizing the financial assets of any complicit North Korean person, company, bank, or government agency;
- **Close loopholes in the U.N. resolutions,** such as allowing the use of military forces to enforce the resolution. Doing so would prevent a recurrence of an incident in which a North Korean freighter suspected of proliferating nuclear or missile items could not be interdicted or boarded for inspection;
- **Target both ends of the proliferation pipeline**, including foreign companies, banks, and governments that assist North Korea's nuclear and missile programs. U.N. Resolution 1874 applies to all U.N. members. The reluctance of the U.N., U.S., China, and others to target Iranian, Syrian, Burmese, and other government and private entities has hindered international efforts to constrain North Korea's nuclear and missile programs;
- **Impose unilateral U.S. sanctions** on foreign violators if the U.N. remains reluctant to act. Call on other nations to match the U.S. effort;
- **Maintain international punitive sanctions until North Korea complies** with international law and U.N. resolutions. Do not negotiate them away for simply returning to Six-Party Talks;
- **Lead a global effort to target North Korean illegal activities**, including counterfeiting of currency and pharmaceuticals, production and distribution of illegal drugs, and money laundering;
- **Return North Korea to the state sponsors of terrorism list** for attempting to assassinate Hwang Jang-yop, the most senior North Korean defector, and providing conventional arms and assistance to terrorist groups;
- **Demand a suspension of all U.N. Development Program activities in North Korea** until Pyongyang complies with U.N. Security Council resolutions. Demand that North Korea agree to rigorous, transparent monitoring standards and delivery verification for all international food and humanitarian assistance.

2. Simultaneously keep the door open for negotiations. It's not a question of *whether* to engage North Korea, but of *how* to do so. Negotiations should be based on principles of compliance, conditionality, reciprocity, and verification.

- **Insist that North Korea comply with its existing Six-Party Talks agreements**. The Six-Party Talks should define a strategic blueprint that clearly identifies the desired end-state, objectives, and requirements for all parties, as well as a roadmap delineating the linkages, schedule, and metrics for achieving measurable results;
- **Require that subsequent Six-Party Talks joint statements be sufficiently detailed** to prevent North Korea from exploiting loopholes to avoid full compliance;
- **Insist on a rigorous and intrusive verification mechanism**. North Korea should return to the Non-Proliferation Treaty and commit to all required inspections.

Pyongyang should fully disclose both its plutonium- and uranium-based nuclear weapons programs and past proliferation of nuclear technology, materials, and equipment.

But several factors should be kept in mind before returning to talks:

- Realize that talking itself is not progress. It simply returns the combatants to the ring. The talks had collapsed because North Korea rejected a verification accord.
- The agreements were a series of vaguely written compromises papering over differences that merely kicked the can down the road.
- Entering into negotiations can create forces that may be inimical to achieving U.S. goals. An inherent desire for continued momentum leads to mounting pressure on Washington to make concessions
- Diplomacy is very good for solving problems. North Korea has also learned that diplomacy is also very good for *not* solving problems.
- The disclosure of significant North Korean progress in its uranium program makes resolution exponentially more difficult since far more stringent verification requirements will be necessary.

3. Strengthen Defensive Measures

Since international diplomacy and U.N. resolutions did not prevent North Korea from continuing its development and testing of nuclear weapons and ICBM delivery capabilities, the U.S. should:

- Continue to develop and deploy missile defense systems;
- Augment non-proliferation efforts, such as the Proliferation Security Initiative;
- Strengthen U.S. alliances with South Korea and Japan.

4. Adding Lanes to the Road of Engagement.

The Six-Party Talks need not be the only focus of North Korea policy. A comprehensive, integrated, and conditional approach would offer Pyongyang a path to greater economic, developmental, and diplomatic benefits while still insisting on conditionality, reciprocity, and transparency.

That said, addressing the North Korean nuclear threat must remain the paramount national security objective in Northeast Asia. Pyongyang cannot be allowed to use additional negotiating venues to deflect attention from its intransigence in the Six-Party Talks.

Negotiating venues should be pursued bilaterally or multilaterally depending on their impact on a country's national interests. (missiles, peace treaty, abductees)

- **Inter-Korean negotiations should be based on the 1991 Basic Agreement;**
- **The U.S., South Korea, and Japan should initiate multilateral negotiations to eliminate North Korea's missile threat.** Such discussions should constrain, and ideally eliminate, missile development, deployment, and proliferation rather than being merely a *quid pro quo* agreement of cash payments in exchange for Pyongyang not exporting missile technology;

- **The U.S., China, North Korea, and South Korea could begin discussions on a peace treaty to formally end the Korean War** once North Korea's nuclear and missile threats to its neighbors are eliminated. An inviolable precondition for such negotiations would be the inclusion of conventional force reductions and confidence-building measures, such as prior notification of major military deployments, movements, and exercises.

Not all forms of engagement should be linked to the Six-Party Talks.

- **Humanitarian assistance should not be linked to nuclear negotiations**. Levels of humanitarian aid should be determined by in-country assessments of North Korean needs. However, distribution of humanitarian aid should be subject to rigorous monitoring standards. Moreover, donor levels cannot help but be influenced by North Korean provocative acts, unwillingness to reform economically, and more pressing humanitarian needs elsewhere.
- **International development assistance should be subject to the standard rules of international financial institutions.** Initial contributions should be project-based while any extensive, long-term assistance should be tied to North Korean economic reform.
- **Law enforcement, implementation of U.N. resolutions, and efforts to combat proliferation of weapons of mass destruction and missiles are not negotiable.** It was a grave mistake on the part of the Bush Administration to allow Pyongyang to defy the U.S. and the U.N. Security Council in exchange for North Korea's return to the Six-Party Talks.

The U.S. should denounce North Korea's human rights abuses and take steps to improve living conditions for its citizens. The U.S. should:

- Challenge North Korea to improve its abysmal human rights record through exposure at international fora, including at the U.N.;
- Call on Beijing to abandon repatriation of North Korean defectors and allow visits by the U.N. rapporteur on North Korean human rights to investigate refugee conditions in northeast China;
- Engage with China, Mongolia, and Southeast Asian nations to determine ways to facilitate travel by North Korean refugees;
- Support Japanese and South Korean efforts to secure full accounting and return of all abductees and prisoners of war currently languishing in North Korea; and
- Condition establishment of diplomatic relations with North Korea on the introduction of a Helsinki Accord-type process to ensure human rights improvements.

The U.S. should expand public diplomacy to increase North Korean exposure to the outside world and induce the transformation of the nature of the regime, as took place in Communist Eastern Europe and the Soviet Union.

- Increase public diplomacy offensive (overt and covert). This could include defector-led broadcasting; leaflets, covert ops;
- Facilitate formal student and cultural exchange programs;

- Expand broadcasting services, such as by Radio Free Asia, and distribution of leaflets, DVDs, computer flash drives, documentaries, and movies into North Korea through both overt and covert means.

Building a foundation on sand. While a comprehensive integrated strategy utilizing all the tools of coercion and persuasion provides the best potential for achieving North Korean denuclearization, we must realize that we may be trying to negotiate the non-negotiable. There may not be any magical combination of benefits and punishments that gets Pyongyang to abandon its decades-long quest to develop nuclear weapons.

Indeed, there is a growing sense that Pyongyang's antics and stalling tactics are not merely negotiating ploys, but instead are designed to achieve international acceptance of North Korea as a nuclear weapons state. North Korean officials have repeatedly indicated that is precisely their intention.

Currently, there is little optimism that negotiations will be successful. Pyongyang has repeatedly dashed the hopes of those advocating engagement. North Korea's words do not offer comfort for a negotiated settlement:

- First Vice Minister of Foreign Affairs Kang Sok-ju commented in November 2006, "How is it possible for us to give up our nuclear weapons? Why would we conduct a nuclear test in order abandon them?"
- The Ministry of Foreign Affairs, the supposed "soft-liners" in the North Korean government, declared in June 2009 that, "It has become an absolutely impossible option for the DPRK to even think about giving up its nuclear weapons."
- Pyongyang declared in February 2010 that "those who talk about an economic reward in return for the dismantlement of [North Korea's] nuclear weapons would be well advised to awake from their daydream."
- North Korean official media pronounced in February 2010 that "Only fools will entertain the delusion that we will trade our nuclear deterrent for petty economic aid."

What is Obama's Plan B? The Obama Administration's two-track policy of pressure and negotiations is an improvement over earlier approaches. Yet when weakly implemented, "strategic patience" is insufficient as a long-term strategy. Simply containing North Korea in a box is problematic:

- It allows Pyongyang to expand and refine its nuclear and missile delivery capabilities. This not only further undermines the security of the U.S. and its allies but also sends a dangerous signal of de facto acceptance to other nuclear aspirants;
- North Korea may not obligingly stay in a box. The North Korean nuclear genie has already escaped the peninsular bottle to Syria and most likely also to Iran and Burma;
- Pyongyang may not meekly acquiesce to a steadily declining condition. In the past, Pyongyang has reacted to feelings of weakness by lashing out in a provocative manner.

****

The Heritage Foundation is a public policy, research, and educational organization recognized as exempt under section 501(c)(3) of the Internal Revenue Code. It is privately supported and receives no funds from any government at any level, nor does it perform any government or other contract work.

The Heritage Foundation is the most broadly supported think tank in the United States. During 2010, it had 710,000 individual, foundation, and corporate supporters representing every state in the U.S. Its 2010 income came from the following sources:

Individuals	78%
Foundations	17%
Corporations	5%

The top five corporate givers provided The Heritage Foundation with 2% of its 2010 income. The Heritage Foundation's books are audited annually by the national accounting firm of McGladrey & Pullen. A list of major donors is available from The Heritage Foundation upon request.

Members of The Heritage Foundation staff testify as individuals discussing their own independent research. The views expressed are their own and do not reflect an institutional position for The Heritage Foundation or its board of trustees.

Chairman ROS-LEHTINEN. Thank you very much. You guys are wizards at being the under 5-minute guys. Thank you.

Mr. Newcomb?

STATEMENT OF MR. WILLIAM NEWCOMB (FORMER SENIOR ECONOMIST, BUREAU OF INTELLIGENCE AND RESEARCH, U.S. DEPARTMENT OF STATE, AND FORMER SENIOR ECONOMIC ADVISER, OFFICE OF INTELLIGENCE AND ANALYSIS, U.S. DEPARTMENT OF THE TREASURY)

Mr. NEWCOMB. Madam Chairman, Ranking Member Berman, and distinguished members of the committee, it is a privilege to be invited to speak here today about North Korea's illicit activities.

I don't have a law enforcement background. I learned about these on the job. At the North Korean Working Group, I helped to develop and implement the illicit activities initiative, a multi-agency and multinational effort to restrict the DPRK's ability to conduct and profit from illegal activities.

At Treasury, I worked on Banco Delta Asia affairs and assisted the Department's efforts to identify and counter North Korea's attempts to use the international financial system to launder proceeds from proliferation and crime.

The statement I submitted to the committee briefly examines the history and the extent of North Korea's illicit activity and notes how it has compromised DPRK institutions and officials.

North Korea continues to engage in manufacture and distribution of counterfeit cigarettes and counterfeit U.S. currency. It may have reduced its involvement in narcotrafficking. Neither Japan nor Taiwan has reported any major seizure of DPRK-sourced methamphetamines for 8 years.

Methamphetamines and other drugs are perhaps being transshipped through China or sold in bulk there to criminal groups. Multiple reports of active drug trade on the DPRK-China border also suggest that China may have become North Korea's preferred market.

Evidence is insufficient to gauge the size of this drug trade, but a recent press report contends the Chinese Minister of Public Security, Meng Jianzhu, probably expressed China's concerns about this matter last month, when he visited Pyongyang and met with Kim Jong Il.

Executive Order 13551 issued last August labels DPRK counterfeiting, narcotics smuggling, and money laundering as constituting an "unusual and extraordinary threat to the national security, foreign policy, and economy of the United States."

I would like to make four points about ongoing trends and the possibility that North Korea in the near term could choose to increase its involvement in illicit and proliferation activities in an even more threatening way.

First, North Korea's economy is performing poorly, and food shortages again appear severe. Preliminary partner-country foreign trade statistics for 2009 show a falloff in DPRK exports and a sharp drop in its imports. The trade deficit was smaller than the average of recent years but exceeded $1 billion. The trade results for 2010 are scant. Except for China, foreign trade last year with most partners likely was down again.

Second, UNSCR 1874 is disrupting North Korea's arms trade and its general trade. The report of the Panel of Experts on Implementation of UNSCR 1874, issued last November, attributed the sharp decline in overall trade to the imposition of additional measures in June 2009.

The recently released U.N. Combined Appeal for 2011 also linked the fall in total trade in part to "stringent and increasing sanctions" from major economies as well as to rising tensions with the ROK, the North's second largest trade partner.

Third, North Korea is poor, financially isolated, and lacks capacity to borrow to cover chronic current account deficits. With trade down, risk rises that an increasingly cash-starved DPRK will attempt to boost earnings from illicit activities and ramp up exports of arms and proliferation-related items and know-how.

Underscoring this danger are North Korea's past proliferation to Libya and Syria; troubling signs of extensive, although not well-understood, military trade and exchanges with Burma; and recently expanded trade in weapons and weapons development, including missiles, with its best customer, Iran, where rising demand for enriched uranium matches up with North Korea's apparent ability to supply it.

Fourth, North Korea is adept at making counter moves to evade containment efforts, including deceptive techniques to conceal the origin and content of shipping containers and use of networks of overseas agents and front companies to manage acquisitions, sales, and banking arrangements.

Most troubling, however, is the DPRK's potential ability to exploit close contacts with transnational criminal groups, with their own extensive networks and well-honed skills in smuggling contraband, to assist in transporting proliferation-linked items and acquiring restricted goods and weapons technology.

Thank you for this opportunity, and I welcome any questions.

[The prepared statement of Mr. Newcomb follows:]

Testimony of William J. Newcomb
March 10, 2011

North Korea's Sea of Fire: Bullying, Brinkmanship and Blackmail

House Committee on Foreign Affairs

North Korea's Illicit Activities

Excerpt from: Report of the Panel of Experts established pursuant to resolution 1874 (2009) United Nations S/2010/571 5 November 2010

The Democratic People's Republic of Korea relies heavily for its foreign exchange earnings on a very limited range of exports, including rice, pig iron, rolled steel, cement, machinery of various types, chemicals, magnetite (iron ore), textiles, armaments and gold. The military sector has also been given a prominent export role and concentrates on developing overseas markets for its locally produced military arms and equipment. However, these exports are now subject to Security Council measures that prohibit Member States from importing or exporting such items to or from the Democratic People's Republic of Korea. To supplement its foreign earnings, ***the Democratic People's Republic of Korea has long also been engaged in illicit and questionable international transactions. These transactions are reported to include the surreptitious transfer of nuclear-related and ballistic missile-related equipment, know-how and technology, illicit drug and cigarette smuggling and counterfeiting of currencies and cigarettes.*** *A number of these surreptitious procurement and transfer techniques are now being used also to circumvent the Security Council-mandated controls placed on the country's exports and imports.*[1]

As shown in the emphasized portion of the excerpt above, the report issued last fall by an international Panel of Experts appointed by the UN Secretary General to review implementation of UNSCR 1718 and 1874 is refreshingly free of ambiguity and finessed expressions about the DPRK regime's culpability in the operation of a wide variety of criminal and proliferation activities. Evidence of the North Korean

[1] Emphasis added.

regime's direction of long-running criminal enterprises is largely, but not entirely, circumstantial, yet it also is extensive and compelling.[2]

Even so, various official reports on North Korea's involvement in illicit activities often adopt language which provides the regime and its defenders at least a modicum of wiggle room. Similarly, many governments over the years found it convenient to accept, if not actually believe, DPRK denials of state complicity when North Korean diplomatic officials and trade representatives were caught attempting to smuggle drugs or pass counterfeit currency. North Korea explained that these merely were cases of officials gone wrong; return them to us, Pyongyang would request, and we will prosecute them. All too often, governments decided to quietly drop prosecutions or allow those caught to leave or flee. Governments today, however, appear more willing to publicly put the blame on the regime itself and, when possible, bring to trial those caught.

In addition to recognition of North Korea's criminal conduct in the Panel of Expert's report, Executive Order 13551 issued last August contains explicit references to DPRK counterfeiting, narcotics smuggling, and money laundering, and identifies them as well as recent serious provocative actions as constituting an "unusual and extraordinary threat to the national security, foreign policy, and economy of the United States." The E.O. authority was simultaneously used to designate certain North Korean persons and organizations involved in arms trading, narcotics, and money laundering. Most importantly, it served to spotlight U.S. concerns about these entities for other governments and, especially, money center banks that might have dealings with them.

This new clarity about the Kim Jong Il regime's direction of criminal enterprises gives grounds for cautious optimism for a renewal of efforts towards stepped up international diplomatic, financial, and law enforcement cooperation to counter

---

[2] For a rigorous review of publically available evidence see Sheena E. Chestnut's award-winning thesis, *The "Sopranos State"? North Korean Involvement in Criminal Activity and Implications for International Security*; Honors Program for International Security Studies, Center for International Security and Cooperation, Stanford University, 20 May 2005.

and contain North Korea's illicit and proliferation activities.[3] More and determined action in this direction, of course, would speak louder than words.

Overview of DPRK Illicit Activities

DPRK involvement in illicit activities dates back to the mid-1970s, if not earlier, when customs authorities and police in various countries began to apprehend DPRK officials smuggling narcotics, mostly heroin and opium. The range of illegal undertakings over the years has expanded well beyond trade in narcotics to include manufacture and distribution of a very high quality counterfeit currency known as supernote; production and sale of counterfeit pharmaceuticals; production and sale of counterfeit cigarettes, packaging, and revenue stamps; large scale insurance fraud; gun running to terrorist groups; smuggling of contraband; and money laundering. North Korea deals frequently with transnational crime groups to better hide its own hand and widen market access. While citizens of nearby economies, particularly Japan, China, and Taiwan, are its primary targets, other victims in recent years include residents of Thailand, the Philippines, Peru, and the United States.

Official involvement with illicit activities on a large scale appears to have begun in the early to mid-1990s, probably in reaction to enormous and increasing financial pressures. The demise of the USSR, the DPRK's economic patron, caused multiple, cascading problems in agriculture and industry that would soon develop into widespread famine and result in an economic collapse. China was not only refusing to step up its assistance, but Beijing had ended special bilateral arrangements and was attempting to put trade on a normal hard-currency settlement basis. International credit was mostly unavailable because of the DPRK's repeated defaults on debts acquired in the early 1970s, and exports were

---

[3] For a detailed history of a prior effort to restrict the illicit activities and finances of the Kim Jong Il regime, see David L. Asher, "Pressuring Kim Jong Il: The North Korean Illicit Activities Initiative, 2001-2006" in David L. Asher, Victor D. Comras and Patrick M. Cronin, *Pressure: Coercive Economic Statecraft and U.S. National Security*, Center for a New American Security, January, 2011.

down.[4] Also falling off were annual remittances from ethnic Koreans in Japan, who had been providing significant funds that had helped the regime bridge a chronic gap between hard-currency export earnings and expenditures on imports.[5]

Ranked in terms of annual earnings, illicit activities of most importance to the DPRK are (1) trade in counterfeit cigarettes, (2) narco-trafficking, and (3) printing and distribution of supernote. Proceeds from insurance fraud, which can be sizable in some years, are episodic. While the DPRK's output of fake pharmaceuticals is believed to be large, international drug companies have not made public any estimates about DPRK earnings.

Counterfeit Cigarettes. North Korea in the early 1990s apparently established its counterfeit cigarette manufacturing industry.[6] Reflecting findings of undercover investigators, a coalition of international tobacco companies in 2005 produced a report that estimated the DPRK had 10-12 counterfeit cigarette plants, and an annual production capacity amounting to 2 billion packs. This figure would make North Korea one of the world's largest producers of counterfeit cigarettes. The report estimated annual gross earnings ranged from $520 million to $720 million.[7]

---

[4] For a brief review of negative trade trends and consequences during the early 1990s, see Marcus Noland, *Avoiding the Apocalypse: The Future of the Two Koreas*, Institute for International Economics, Washington, DC, June, 2000, pp. 88-90.

[5] See Nicholas Eberstadt, "Financial Transfers from Japan to North Korea: Estimating the Unreported Flows," *Asian Survey*, 36(5), 1996, pp. 523-542.

[6] This dating of the origin of the plants is roughly consistent with early indications of DPRK involvement in counterfeiting cigarettes. "A 1995 Associated Press article reported the seizure by Taiwanese authorities of 20 shipping containers of counterfeit cigarette wrappers destined for North Korea. According to officials of the cigarette company whose label and trademark were being violated, the seized materials could have been used to package cigarettes with a retail value of $1 billion." Quotation extracted from testimony of William Bach, Director, Office of African, Asian, and European Affairs, Bureau for International Narcotics and Law Enforcement Affairs, Department of State on May 20, 2003 at a Hearing on Drugs, Counterfeiting and Arms Trade: The North Korean Connection before The Senate Committee on Governmental Affairs, Subcommittee on Financial Management, the Budget, and International Security.

[7] For a summary of DPRK counterfeit cigarette production and distribution, see Liana Sun Wyler and Dick K. Nanto, *North Korean Crime for Profit Activities*, Congressional Research Service,

Some of the cigarette factories are owned and operated by Chinese criminal gangs; others are run by DPRK entities, including the army. In addition to Asian destinations, a large number of shipments of counterfeit cigarettes have been directed to U.S. ports. The highly successful Smoking Dragon and Royal Charm sting operations managed by the FBI, and involving extensive assistance and coordination by the Secret Service, DEA, and ICE, centered on smuggling of DPRK counterfeit cigarettes, along with large quantities of methamphetamines and supernote.

Narco-trafficking. In the mid-to-late 1990s, North Korea began to ramp up production and trade in narcotics, especially methamphetamines. Much of the output was destined for the large, nearby Japanese market—estimated at over 2 million full-time and occasional users. Drugs were transported sometimes on North Korea's own cargo ships, but probably more often on Japanese fishing boats that would pick up their cargos at sea from DPRK mother ships. Some shipments were intercepted; between 1998 and 2002 Japanese police confiscated more than 1500 kilograms of methamphetamines that they linked conclusively to the DPRK. Many more likely got through. DPRK-produced methamphetamines were known for their very high quality, about 98% pure, which helped police pinpoint the origin of some of the seized drugs. At that time, Japanese authorities believed that North Korea accounted for roughly 30% of the methamphetamines smuggled into the country.

During these years, Taiwan too seized large quantities of methamphetamines and heroin from North Korea. In perhaps the best known incident of DPRK narco-trafficking, in April, 2003, Australian Special Forces seized the DPRK MV *Pong Su* following a four-day chase after discovering the ship engaged in landing 150 kilograms of heroin at a remote beach on the coast.[8]

August 25, 2008. For the original report, see *Production of Counterfeit Cigarettes in the Democratic People's Republic of Korea (DPRK)*; Coalition of Tobacco Companies Report, June 29, 2005.

[8] These and other incidents of DPRK narcotics trafficking are tracked annually in the Department of State's International Narcotics Control Strategy Report (INCSR). While these reports offer detailed accounts about circumstances of seizures and probable sourcing of

After the *Pong Su* incident, the DPRK's direct involvement in narco-trafficking appears to have been sharply curtailed. The Department of State's recently published INCSR for 2011 notes,

"No confirmed instances of large-scale drug trafficking involving the DPRK state or its nationals were reported in 2010. This is the eighth consecutive year that there were no known instances of large-scale methamphetamine or heroin trafficking to either Japan or Taiwan with direct DPRK state institution involvement."

Reports continue of narco-trafficking along the DPRK-PRC border. In addition, a South Korean press report from 2008 quotes the head of the Philippine Drug Enforcement Agency as believing the largest seizure of methamphetamines made that year was likely from North Korea. According to the PDEA Director, "an influx of methamphetamines from clandestine North Korean factories cut the street price of the drug by half."[9] This news report, however, cannot be independently confirmed. It thus remains unclear if publicity over the *Pong Su* prompted the regime to reduce manufacture and sale of narcotics or simply to pull back from direct involvement in shipping and distribution. In future, progress in Japan and the Republic of Korea in developing tests using gas chromatography to establish drug origin may provide conclusive evidence about whether or not North Korea has halted its involvement with methamphetamines or has continued to be a major player in the Asian drug market.

Supernote. North Korea's production and distribution of counterfeit U.S. currency likely has received more press attention than any of its other illicit activities. These counterfeits are difficult to distinguish from genuine U.S. currency at the retail level but are detected by machines larger banks typically use to examine cash receipts. Concerns have surfaced in recent years that the DPRK counterfeits other currencies too, perhaps including the Euro and possibly those of several other Asian countries. To my knowledge, suspect notes have not yet

---

narcotics, the INCSRs for many years set very high the evidentiary bar for confirming the regime's involvement, preferring the phrase "likely, but not certain."

[9] "N. Korean Meth 'Flooding Asia Pacific,'" *Chosen Ilbo, June 2,* 2008. http://english.chosun.com/site/data/html_dir/2008/06/02/2008060261023.html, accessed March 5, 2011.

been made available for forensic analysis, which might substantiate this allegation. Governments are naturally protective of the reputation of their currency and wary of undermining public confidence.

The U.S. experience with supernote shows that other governments are right to be concerned. Extensive press coverage in the Philippines, Thailand, Taiwan, and Peru about large quantities of supernote placed in circulation in each case triggered a run on the US dollar. For a time, many banks in those countries refused to handle US notes, even for their own customers.

Between 1989, when the first supernote was detected by a bank teller in the Philippines, and late last year, the U.S. has seized $63 million in counterfeit $100 and $50 Federal Reserve Notes. Estimates vary widely on how much supernote the DPRK may be printing and distributing and on how much is in general circulation. The Secret Service labels supernote a quality problem, not a quantity problem. Casinos and money changers are obvious targets of distributors, but once detected, it becomes very difficult to pass additional large amounts. It is a very attractive product, however, for small-scale operators, and, evidently, not too difficult to acquire from DPRK-cutouts, according to interviews and testimony delivered in some recent prosecutions for possession and distribution.[10]

Widespread Involvement and Shared Culpability[11]

Illicit activities ensnare government ministries, party organizations, military outfits, security and intelligence service units, and state-owned banks, business conglomerates, and even small provincial and locally-operated firms. North Korea's criminal businesses routinely make use of many of the nation's key organizations. North Korea's Foreign Trade Bank has engaged in money

---

[10] For example see the case of Chen Chiang Liu, reported by David Rose, "North Korea's Dollar Store," *Vanity Fair*, August 5, 2009, web exclusive, vanityfair.com, accessed March 6, 2011.

[11] This section and the following one draw heavily from an earlier paper I authored, *Countering DPRK Illicit Activities*, written in support of a project: Improving Regional Security and Denuclearizing the Korean Peninsula: U.S. Policy Interests and Options. The principal author of the final report was Joel Wit, *U.S. Strategy towards North Korea: Rebuilding Dialogue and Engagement* and published by the US Korea Institute at SAIS and the Weatherhead East Asian Institute at Columbia University; October 2009.

laundering.[12] The Korea National Insurance Company (KNIC), according to a recent account by Mr. Kim Kwang-jin who was the company's representative in Singapore, embraced fraud as its business model.[13] Much of the DPRK's narcotics trafficking, counterfeiting, and probably gun-running, most likely is run by the intelligence services, which involve others as needed. Operations Department head, General O Kuk-ryol was recently identified as the manager of the DPRK's counterfeit currency program.[14] Several of General O's family members also were said to be involved, as well as family members of other highly ranked persons.[15]

As Kim Kwang-jin and other defectors have reported, many representatives who were dispatched overseas were tasked with raising sizable sums for Kim Jong Il. Those who would fail to send enough cash to Kim's Office 39, which handles fund-raising, could face recall. Similarly, most embassies are underfunded, and staff somehow must make up the difference between the limited funds allocated and the large stack of bills that come due. Embassy and other representatives posted overseas are also expected to contribute to annual "loyalty" payments raised for delivery to Kim on his birthday. Defectors who had served overseas speak about how a trip home could impoverish them from outlays of cash and luxuries they were expected to provide superiors. Results were what counted towards a favorable rating and retaining a post, not methods employed in raising cash.

---

[12] A description of how the Foreign Trade Bank made unauthorized use of an account opened by UNDP to send money to DPRK representatives abroad via accounts in the name of International Finance and Trade Joint Company, a DPRK front company, at Banco Delta Asia is provided in *United Nations Development Program: A Case Study of North Korea*; Staff Report, Permanent Subcommittee on Investigations, United States Senate; Released January 24, 2008.
[13] "Global Insurance Fraud by North Korea Outlined;" *The Washington Post*; June 18, 2009.
[14] "N. Korea General tied to forged $100 bills;" *The Washington Times*; June 2, 2009. The article names General O as a recently promoted member of the country's powerful National Military Commission. A 2009 chart prepared by the Open Source Center lists General O as head of the Operations Department. A separate report discussing General O's appointment also named him as head of the Operations Department and stated that oversight of this 2000-person strong espionage service was transferred from the Korean Workers Party to the NDC. ("In North Korea, Ailing Kim Begins Shifting Power to the Military;" *Fox News*; May 1, 2009.)
[15] "North Korean Elite Linked to Crime," *Washington Times*, May 24, 2010.

North Koreans are caught up in a culture that is conflating privilege with corruption and oppression. One of the features of this system is that the DPRK has created a "criminal class" overwhelmingly comprised of the families of elites, who receive educational and occupational advantages and favoritism in selection for coveted foreign postings. The uncomfortable (and inconvenient) truth about DPRK illicit dealings is that many DPRK counterparts in Six Party Talks, North Korean participants in financial working group meetings, officials in charge of foreign investment, trade, bank, and insurance company representatives abroad, and senior serving diplomats are tainted by superintending, facilitating, or participating in criminal acts. Those who may somehow have evaded complicity would certainly not be able to avoid a general awareness of officially directed illicit activities.

And, crime pays. Revenues from illicit activities and sales of weapons are estimated to cover a large portion of the DPRK's sizable annual trade deficit. Although financial pressure on state coffers during the desperate times of the 1990s may have given impetus to the growth of illicit activities, proceeds of crime appear to be retained by those granted one or another "criminal franchise" and by top leaders. Authorization to undertake illicit foreign-currency-earning activity likely is particularly prized by cash-strapped North Korean organizations and businesses. Despite apparent substitutability between dollars earned from selling counterfeit cigarettes and dollars received from exporting DPRK-branded smokes, there is an important distinction between selling contraband and legitimate goods—profits of the former escape the national budget process and potentially provide a larger residual payoff to those involved, particularly if some of the hard currency earnings can be banked abroad and put to work. Kim can use proceeds funneled to his coffers to cement loyalty of elites, further work on nuclear and other WMD projects, and supplement funds available to the security services that shore up his regime.

Crime could provide less tangible payoffs as well. The regime, and especially the DPRK military, could tap into well-developed criminal connections to help it acquire advanced technologies for WMD programs, assist in covert transportation

of proliferation-related materials, and influence foreign government officials.[16] The UN Panel of Experts report also called attention to this risk:[17]

"The Democratic People's Republic of Korea maintains a wide network of trade offices that work in close conjunction with its diplomatic missions overseas. These offices are charged with both procurement and developing select trade opportunities of interest to the Democratic People's Republic of Korea's leadership, including arranging and handling its illicit trade and covert acquisitions. Some of these activities have been aimed principally at identifying opportunistic markets for both licit and illicit exports. While much of the country's illicit or covert acquisition activities are handled by these offices, ***the Democratic People's Republic of Korea has also established links with overseas criminal networks to carry out these activities, including the transportation and distribution of illicit and smuggled cargoes. This may also include weapons of mass destruction-sensitive goods and arms and related materiel smuggling.****"*

Countering DPRK Illicit Activities

U.S. bilateral and multilateral negotiations to persuade the DPRK to abandon its nuclear programs and give up its nuclear weapons and weapons-grade material, halt sales of ballistic missiles, and prevent further DPRK proliferation of WMD programs, routinely have failed to take fully into account the criminal nature of the state. Negotiations have been based on an underlying premise that objectives can be hierarchically ranked; that crime (and human rights) is strategically of less immediate importance than DPRK development of nuclear weapons; and that holding North Korea to account for its criminal conduct would distract from and could be detrimental to successful nuclear negotiations. This had the effect of yoking U.S. objectives together in tandem, and has allowed the one on which least progress is made to set the pace.

---

[16] A lengthy treatment of the nuclear smuggling risks of a DPRK crime-proliferation nexus can be found in Sheena Chestnut "Illicit Activity and Proliferation: North Korean Smuggling Networks;" *International Security*, Vol. 32, No. 1, pp. 80-111.

[17] UN S/2010/571 op .cit. p. 20; emphasis added.

Effective law enforcement efforts to counter DPRK criminality must have an international scope and unambiguous, top-level political support to gain the full and willing cooperation of foreign government, police, and judicial authorities. With political support lacking or flip-flopping enough to call U.S. commitment over the long term into question, even the most vigorous law enforcement efforts would likely achieve only modest results. Because of resource constraints, law enforcement officials must constantly decide if continuing the game is worth the candle. This weighing of investigative costs versus chances of getting a conviction gives additional leverage to those who might want inconveniently-timed investigations to be put on a back-burner.

A similar test could be run of the rationality of continuing to follow a negotiating strategy based on prioritization and sequencing of strategic objectives. Such a calculation would estimate subjectively determined costs of quiet acquiescence to certain ongoing criminal conduct versus the probability of attaining nuclear negotiation objectives at some distant future date. The negotiating record of the past two decades suggests that the probability of success is quite low.[18] Moreover, assisting the DPRK in avoiding the moral hazards of its choices reinforces the regime's own notions that significant gains can be achieved through extortion and that consequences of egregious acts can be evaded by reaching a "political" understanding—a tactic it has successfully employed numerous times.

The adoption in recent years of additional financial and trade sanctions by the UN Security Council and the U.S. Treasury Department could provide a strong foundation for new and expanded containment efforts. Treasury for the past two decades has labored successfully to strengthen international anti-money

[18] At best, the Agreed Framework for a time got the DPRK to shift to a slower path of weapons-development but evidently did not dissuade them from seeking the capability to produce nuclear weapons. North Korea's willingness to assist Syria in constructing a reactor—cooperation that evidently dates back some years--suggests that the DPRK may have calculated it could use offshore sourcing to work around the agreed upon constraints on domestic production of weapons-grade nuclear materials.

laundering efforts, particularly through support of the Financial Action Task Force. The adoption of tougher "know your customer" rules has complicated DPRK use of money-center banks to move proceeds of illicit activities and proliferation.

Moreover, North Korea remains especially vulnerable to financial measures. First, it is a poor country and loss of access to relatively small amounts of funds can cause distress. Second, by engaging in illicit activities, North Korea becomes the subject of international law enforcement investigations that can leverage open otherwise protected financial information and put a crimp in illicit earnings. Third, the DPRK has isolated itself from the international financial community, and the DPRK must either courier cash or draw upon balances held in bank accounts abroad to pay for imports of goods and services. Finally, these are "smart" sanctions that target specifically illicit earnings of elites and proceeds from sales of weapons and WMD-related goods.

UNSCR 1874 is disrupting DPRK military sales, and the financial pinch may prompt the leadership to expand its involvement in criminal activities. An even more alarming prospect would be DPRK attempts to profit again from its nuclear know-how; North Korea is known to ignore redlines, evidenced by dealings with Syria and earlier with Libya. North Korea reportedly is increasing its stockpile of enriched uranium, likely in excess of its own domestic requirements. Iran, a major arms client, would be an attractive market.

North Korea's increasingly desperate economic condition, the uncertain outcome of looming leadership succession, and the possibility that the leadership's ability to control the scale of criminal and proliferation activity might lessen or be lost gives urgency to renewing strong, internationally coordinated efforts to push back and counter DPRK illicit activities.

Chairman ROS-LEHTINEN. Wonderful. Thank you so much. Mr. Carlin?

STATEMENT OF MR. ROBERT CARLIN, VISITING SCHOLAR, CENTER FOR INTERNATIONAL SECURITY AND COOPERATION, STANFORD UNIVERSITY

Mr. CARLIN. My thanks to the committee for letting me take part in this important discussion on North Korea. We start with bullying, brinkmanship and blackmail. I think we can add bluster and baloney——

Chairman ROS-LEHTINEN. Oh, well. Here we go. Dennis, did you hear that?

Mr. CARLIN [continuing]. Because North Korea has indulged in all of those things at one time or another.

As we start a discussion on North Korea, I think it is useful at the outset to remind ourselves that North Korea is not an expansionist power. That is, it doesn't have designs on territory outside the Korean Peninsula. And in recent years, that is even putting unification very low on its list of priorities. However, it is engaged in a long-term violent political struggle with South Korea. And that makes this a very tough neighborhood.

Where does that leave the United States? I am afraid it leaves us in the midst of a deteriorating situation that began in late 2002, when we stepped out of an airplane without a parachute. And we have been in policy free fall ever since.

What should be our first priority, which is protecting the national security of the United States, has been diluted in a soup of bromides.

Is the situation retrievable? It think that it is. I wouldn't have spent 38 years of my life working on it if I didn't think there was some hope. But there are several steps we ought to take, and I just want to highlight a couple of them in my remarks right now.

The first thing we need to do is recelebrate our understanding of the problem. And the second thing we need to do is engage the North Koreans directly.

For the past 20 years, Washington has looked at North Korea primarily as a WMD problem. It is not just that. It is a political problem with a WMD component. This is not hairsplitting. If we don't get the problem right, if we keep getting the problem wrong, we are going to keep wandering around in the forest, the wrong forest, looking for solutions to a problem that doesn't fit what actually is in front of us.

Engagement. I know "engagement" is a dirty word in many quarters. But the goal of engagement is not to help the North Koreans. It is to advance our own national security interests. By itself and as Mr. Klingner pointed out, by itself, it is not going to solve our problems, but without it, we are not going to begin to solve any of our problems.

Past experience. And here I would disagree perhaps with some of the statements made earlier. Past experience has shown that if it is intelligently and coherently carried out, engagement gives us influence on North Korean decision-making and influence in the region as a whole.

For the past 10 years, however, there has been no serious and no effective engagement with the North Koreans. I say that because they have conducted two nuclear tests, developed their uranium enrichment capability, and worked to perfect their missile capability in those years.

Well, doesn't engagement legitimate the North Korean regime? It does not. It doesn't compromise our interests. It doesn't compromise our values.

Diplomacy has been and can be again with North Korea a powerful tool for advancing and protecting our national interests. And for us to let it rust unburnished is a mistake.

What about Six-Party Talks? I say let them go to the elephant graveyard. They weren't anything more than a speed bump to the North Korean nuclear program. They have this industrial-scale centrifuge facility now. I know what it looks like. I saw it in No-

vember along with Sig Hecker. And, with that facility, they could in the worst case double their existing nuclear arsenal sometime in the not-too-distant future.

This is not a future problem. However, it is a problem of the here and now. And we need to deal with it effectively. Effectively, what does that mean? It means realistically recognizing, realistically, what we can accomplish in the short term. It means stabilizing the situation, not just talking about it, stabilizing it to prevent it from becoming worse and preparing the foundations for long-term progress.

This is going to be more difficult than it was 10 years ago. It is going to be more difficult still the longer we wait to get started.

Thank you very much.

[The prepared statement of Mr. Carlin follows:]

Testimony of Robert Carlin
Visiting Fellow, CISAC, Stanford University
Before the House Committee on Foreign Affairs
March 10, 2011

I once read that the more expert you are, the easier you are to fool. Fortunately, I have never considered myself an expert. With 38 years spent studying North Korea, I am well aware that what we "know" about the North too often leads us away from what we need to learn.

Beginning in 1974, I have worked exclusively, assiduously, some might argue fecklessly on North Korea. I was 18 years in the CIA, and 15 years in the State Department's Bureau of Intelligence and Research before retiring in 2004. Since 1996, I've visited North Korea over 30 times in official and private capacities.

This much I can safely say: Over four decades watching events unfold on the Korean Peninsula, observing policies toward North Korea rise and fall, I've developed a first-hand sense of what produces positive results and what doesn't when dealing with Pyongyang.

I would add that, contrary to the common wisdom, North Korea is less and less an information black hole. We may want and need to know more, but it is not the case that all of us on the outside are--or are doomed to be--equally ignorant. Everyone may have an opinion, but what everyone says about North Korea is not equally informed. In fact, we know a lot about Kim Jong Il, and quite a bit about the North's basic policies. We have a good idea of how it perceives the world it sees pressing in on all sides, and how, as a small—and in its own image, a weak--country, Pyongyang views its options and most effective strategies.

Broader view. Our policy toward North Korea does not stand in isolation. Washington often emphasizes that we are a power that intends to remain effective and influential in the Asia-Pacific region. If so, we have to walk the walk. That means, first of all, signaling through actions and not just rhetoric that we can use our power and influence to secure a more stable situation on the Korean Peninsula. That we have enormous military power no one doubts—least of all the North Koreans. Military exercises are useful reminders to everyone in the region that we have the will and the means to utilize force if necessary to protect our allies. A larger, more fundamental question is, do we have the skill and political acumen to use diplomacy, in both positive and negatives ways, to shape the environment in our own long-term national interests?

Nothing we do stands a chance of success without attention to relations with our allies in Japan and the Republic of Korea. At the same time, our allies should never doubt that, in our calculations, their domestic politics cannot trump US national security concerns. This is not unilateralism or riding roughshod over the priorities of others. There are ways to reconcile interests. We have done so before, and can do so again. But this cannot happen as long as our decisions are based on preemptive *gaiatsu*, that is, arguing this or that action toward the North is impossible because one of our allies <u>might</u> object.

North Korea is often belligerent, provocative, and reckless, but it is not an expansionist power. It has no designs on territory outside the Korean Peninsula and, in my experience, has for many years put low on its list of priorities the achievement of full, territorial unification. Instead, it has settled into a long-term political struggle with South Korea. Surprisingly, it remains more effective at this than one would suppose looking at the population, economic success and military strength of the ROK. In that context, "containment" in the traditional sense may not be our priority. Our long-term goal is not to fence

the North in but to get it out of its shell. It is less isolated than we sometimes imagine, but still more isolated—by world standards—than is healthy in such an important region as Northeast Asia.

DNI Clapper's testimony last month about the North Korean threat is worth bearing in mind. North Korea is largely in deterrent-defensive mode -- militarily, diplomatically, and in every other way. That has been the case for several years, and it is important to factor into our calculations. At the same time, the situation on the Korean Peninsula remains precariously perched. Though neither Korea is looking for a larger conflict, the chances for an individual incident escalating have increased. The situation in the West Sea is particularly volatile. Because both have now shelled the territory of the other, there is a new, dangerous psychological plateau either side may utilize as a basis for the next round of military action, which, left unchecked, looks fated almost certainly to occur.

Succession. Outside observers tend to hyperventilate about the influence of the leadership transition in Pyongyang on decision-making. It has gotten to the point that succession politics are seen as the explanation for everything the North does. No doubt, the succession has had an influence on many, and maybe most, internal developments over the past year or so. Less clear to me is that the North's foreign policy has been similarly affected, or that either of the two big incidents last year—the sinking of a South Korean warship or the North's shelling of Yonpyong island—were a direct result of succession maneuvering.

The son's personality, potential, and current role in the policy process are critical to know, but on these points it is wise to be cautious, given how inaccurate early assessments by many outside observers were of Kim Jong Il as he was moving into position as successor. Also sensible is treading softly on the assumption that the succession will fall apart. It was an article of faith of many analysts and governments in 1994 when Kim Jong Il took over from his father that he wouldn't last a year. So far, he has lasted nearly 17.

China. Sino-Korea relations are currently in a warming phase. In fact, they appear to be as good as they have ever been, maybe the best we've ever seen. For many reasons, that situation is unlikely to last forever, and we should not treat North Korea as if it is (nor should we want it to be) in China's pocket.

For well over a decade, from 1992 until only a few years ago, Pyongyang was looking not to embrace China but for ways to avoid falling under Beijing's shadow—and that included a sustained effort to improve relations with the United States. Things obviously have changed. As unsure as they might be about China's long-term reliability as an ally, the North Koreans today appear to feel the need to ensure that their back is covered. Whether for reasons of the succession, or for gaining maneuverability and a measure of safety against the US that it would otherwise lack, the North is swallowing hard and accepting an unprecedented level of Chinese presence, interaction, and influence.

Bad, Getting Worse. Today, the United States faces a deteriorating situation in Northeast Asia. In one respect, things have been getting worse for the past ten years, but recently this trend has intensified. What happened? To put it mildly, in late 2002 we stepped out of an airplane without a parachute, and have been in policy freefall ever since. Meanwhile, the North Koreans have been hard at work, building their nuclear and missile programs while, to the extent they can given the inefficiencies of their system, shoring up their position.

What should have been our first priority, protecting and enhancing the national security interests of the United States, was--and continues to be--diluted in a soup of bromides. In place of real policy toward North Korea, we have adopted an attitude.

As bad as the situation is, parachute or not, I still believe things are not irretrievable. We have smart, capable people on our side. We have solid experience and accomplishments in the short history of US-DPRK interaction to draw on. Working in our favor, despite sometimes inflated and inflammatory rhetoric, there remains a strong element of pragmatism in North Korea's policy line that, I suspect, waits to be tapped again. I doubt if the succession underway now in Pyongyang has completely erased this element of North's thinking.

Finding a parachute. The situation is not irretrievable, but only if we can regain the initiative and again take control of events. To regain the initiative, we will need to do three things:

First, recalibrate our thinking about the scope, texture, and composition of the problem. For the past 20 years, Washington's tendency has been to view North Korea as a WMD problem. But it has never been just that, nor is it now. It is a political problem with a WMD component. That is not hairsplitting. Understanding the problem correctly is the first step in defining the tasks and the range of measures necessary to deal with it. Moreover, we can't know how realistically to measure progress if we don't know the nature of the problem.

Not until we can again integrate in our thinking both the political and proliferation aspects of the problem will we get traction in dealing with the North. I say "again," because there was a brief time not all that long ago when we managed to do that.

The nuclear component of the problem is, of course, enormous, and the consequences of failure potentially dire. It should remain our goal to prevent the spread of reprocessing or enrichment in the region, and that means making it a high priority in any negotiations with North Korea. It also probably means dealing with the regime in Pyongyang for a number of years as it is, not as we wish it to be. For some, it is anathema to imagine "accepting" a regime like the one in power in North Korea. Yet to the extent that we signal that there is no place for the North in our plans for the future of the region, we lessen the chances for realistic discussions and agreements with Pyongyang essential to protecting US national security interests. We can hold our breaths or fulminate, betting that North Korea will surrender or disappear, but the experience of the past 10 years suggests this is a wager we are unlikely to win. Meanwhile, it is hard to see what is "moral" about continuing to follow policies that essentially leave the North free to develop its nuclear capability.

Second, engage the North directly. By itself, engagement will not be decisive. But past experience—and this is not idle theory--shows that engagement, conducted intelligently and coherently, gives us influence not only on North Korean decision making but also on the region overall. When we subcontract the work and stand back in hopes others will do the job, our influence diminishes, as does our ability to advance US security interests.

Over the past ten years, we haven't had serious, sustained, or effective engagement with North Korea. During this period, the North twice tested nuclear devices, developed a uranium enrichment capability, and worked to perfect its missile systems. By contrast, when we had a more coherent policy of engagement, the North totally froze its fissile material production capability at the nuclear center in Yongbyon, under constant monitoring by the International Atomic Energy Agency. And Pyongyang agreed--and adhered--to a missile launch moratorium.

In October 2000, the Secretary of State traveled to Pyongyang for many hours of face-to-face discussions with Kim Jong Il. Today, we are back to a situation where our top policymakers can only stare at North Korea through binoculars across the nearly 60-year old military demarcation line.

No one can say with absolute confidence that if we reengaged the results would be positive. I urge you to look closely our past interaction with North, however, and beyond the brambles of myth that have overgrown the history.

Dealing with, engaging, talking to North Korea is not a sign of weakness. It does not compromise our interests or our deepest values. Skillful diplomacy is a potent, powerful tool for protecting and advancing our national interests. To let it rust unburnish'd is a mistake.

What about Six Party talks? They were exactly what we didn't need and, in my view, would be better off no longer pursuing. Six Party talks were a strategic blunder. In concept and application, they fell short of an effective use of diplomacy. An exercise in self-deception, they ceded significant initiative to Beijing, and ended up giving the North the chance to advance its nuclear weapons program. Worse, they were a swamp that erased the ground we had gained in previous years.

The North Koreans now apparently have an industrial-scale uranium enrichment capability. We must assume that they can produce significant quantities of highly enriched, bomb-quality uranium if they choose to do so. That means within a few of years they could have enough highly enriched uranium to double their existing, still small nuclear arsenal. This is not a future problem. It is not a problem that patience, or disdain, or condemnation, or UN Security Council resolutions will solve for us. This is a problem right now, and we need to deal effectively with it.

"Effectively" means being realistic about what we can accomplish in the near term. It means stabilizing the situation to prevent it from becoming worse. And it means preparing the foundations for longer-term progress. All of that will be harder to do than it was ten years ago; it will be more difficult still the longer we wait. We need progress, but tumbling over ourselves setting preconditions for talks is not the best way to get it. Engagement with the North requires disciplined signaling, choreography, and phasing—all often airily dismissed as mere process.

Third, pay attention to implementation. If engagement with North Korea is to make progress, the US has to make engagement more than a talking point. Negotiations with the North can produce agreements and, if these are skillfully conceived and constructed, they can advance US interests. But we cannot leave it at that. Focusing on negotiations and honing an agreement's wording isn't going to be enough. We also have to be serious about the implementation phase, which will last longer and in many ways be more complex than the negotiations themselves.

We spend a lot of time concerned about monitoring and verification, planning against the possibility of the North's cheating or failure to live up to its obligations. What we are less good at—and have in my view often failed to face seriously—is following through on our own obligations and those of our allies.

If we have an agreement that requires funding for implementation, then it needs to be funded. That means we shouldn't first commit to provisions that will cost money, and go to the Congress after the fact. But once we are committed, we have to follow through. Unfortunately, a lesson we have unwittingly taught the North Koreans over the past ten years is that they cannot entrust their security to the good word of the United States if that word, and the attached commitments, changes every time there is an election.

Chairman ROS-LEHTINEN. Thank you very much. Excellent set of panelists.

Hezbollah and Hamas. In a visit to Tokyo last May, Israeli Foreign Minister Lieberman told Japanese authorities that he had evidence that a shipment of North Korean weapons intercepted at Bangkok Airport in late 2009 were headed for Hezbollah and Hamas-designated terrorist organizations. Israeli soldiers also reportedly found evidence of North Korean tunneling techniques in southern Lebanon after the 2006 war.

Can you please comment on the extent, if any, if Pyongyang's ties to Hezbollah and Hamas? And then do you believe that North Korea has committed enough infractions to merit relisting it as a state-sponsored terrorism? What would the reaction in Pyongyang be to such a relisting? And how would it impact the negotiating process?

Thank you. Anyone who would like to answer would be fine.

Mr. Klingner?

Mr. KLINGNER. I do believe North Korea should be returned to the state sponsors of terrorism list now. I earlier resisted such calls when it was based only on a reaction to the U.S. negotiator having the wool pulled over his eyes in negotiations in 2008 or for North Korea's unprovoked acts of war. Those did not fit the legal requirements for listing a country on the state sponsors list.

However, I do think a South Korean court's conviction of two North Korean agents for attempting to assassinate Hwang Jangyop as well as the intercepted conventional arms that were going to Hamas and Hezbollah as well as other indications that North Korea has been providing aid and assistance to terrorist groups do met the legal requirements for relisting them.

North Korea's reaction will be strong, but I don't think we should hesitate from enforcing U.S. law due to the reaction of the recipient nation.

Chairman ROS-LEHTINEN. Thank you.

Any others? Yes, Mr. Carlin?

Mr. CARLIN. I would like to note—and probably very few people remember it—that in October 2000, we signed a joint statement with the North Koreans on international terrorism. Nobody has paid any attention to this in the intervening years. Nobody has taken advantage of it to discuss the problem with the North Koreans. And so it is not a surprise to me in the least that the North Koreans have gone back to what we would consider their old tricks.

We don't want them to do that. We should do what we can to stop it. But it seems to me that we shouldn't sign agreements with them and then let them fly away when, in fact, they provide tools for us to address the problem.

Chairman ROS-LEHTINEN. Thank you.

Mr. Newcomb? Dr. Cha?

Mr. CHA. Well, I would agree with Mr. Klingner's statements. I think they do now meet the legal requirements. I thought they met them before, but now they do really meet the legal requirements, especially after the conviction of these two individuals who tried to assassinate Hwang.

I would also agree that their reaction will be negative, but at the same time I expect negative behavior from them this year anyway.

Chairman ROS-LEHTINEN. In the land of lousy options.

Mr. Newcomb?

Mr. NEWCOMB. About the seizure of the arms at Bangkok Airport, that shows the success of UNSCR 1874. And so my recommendation would be working closely with other member countries because North Korea has alternative ways to ship these weapons.

But good cooperation and effective enforcement of and surveillance of these different shipping avenues I think would continue to put a crimp in these kinds of military earnings.

Chairman ROS-LEHTINEN. Thank you so much, gentlemen.

Pleased to recognize Mr. Berman, the ranking member, for his set of questions.

Mr. BERMAN. I am curious how you define this strategy of strategic patience. Is it a mix of sanctions and engagement or is it a sanctions with holding out the possibility of engagement? I don't know if any of you could just—I mean, is there a—what is your understanding of current U.S. policy?

Mr. CHA. Well, Congressmember, I think that essentially strategic patience is an effort by the administration to maintain the baseline of these counterproliferation measures that Mr. Newcomb mentioned as well as other sanctions and hold out the possibility for negotiation, but I think they were seeking to wait for a period of time as economic pressures and other political pressures build up on the regime to try to find the right moment at which to negotiate.

Now, I would say, quite frankly, that every administration has said that this has been their policy when they started on North Korea. And this administration has carried it for 2½ years, in no small apart because they started with the missile test and the nuclear test and, therefore, really did not have an opportunity to engage.

So I think it is kind of a similar animal by a different name that we have seen in past administrations.

Mr. BERMAN. Sort of a fundamental question the witnesses all pose, what elicits North Korea's concessions and cooperative behavior? We know several things happened. They decommissioned their plutonium, their reactor. They destroyed the cooling tower. They dismantled key portions of the reprocessing facility. They allowed U.S. to participate. At the same time, we heard inklings of it. And now you have seen it. They were working on a uranium enrichment facility program.

Were those meaningful acts in retrospect? Do we get something through that 2007–8 period in terms of negotiations or is it right to say the wool was pulled over our eyes?

Mr. KLINGNER. In response to your first question, sir, "strategic patience" was not the administration's intended policy. Instead, they were going to be very forward leaning on engagement, even perhaps an unconditional summit with Kim Jong Il.

They clearly in the campaign indicated they were going to be very forward leaning and even initiated several attempts to try to engage with North Korea, which were rejected by Pyongyang.

After all of the provocations in the first 6 months of 2009, the nuclear tests, the missile tests, threats of war, abrogation of the ar-

mistice, et cetera, the Obama administration reversed itself virtually 180 degrees and now adopted a much firmer policy. It is of much stronger sanctions and punitive measures as well as offers of conditional engagement.

So it is a response to the provocations that North Korea did, despite the hopes that engagement——

Mr. BERMAN. Wait a minute. What about to this last question in terms of the specifics we got? Did we really get something here?

Mr. KLINGNER. The steps we received from North Korea in 2007 and '8 were good steps. The problem was that the joint statements of the Six-Party Talks were so vaguely worded that we could not push North Korea when it did not comply because they could point to numerous loopholes.

So that is one of the reasons why in any subsequent agreements that we have we must have more definitively worded agreements, such as the arms control treaties the U.S. had in order to assure that all parties know their responsibilities.

Mr. BERMAN. I guess to the "Yes" or "No," do all of you agree with the Six-Party Talks should be put in—what was your phrase, the elephants?

Mr. CARLIN. Elephant graveyard.

Mr. BERMAN. Burial ground?

Mr. NEWCOMB. No, I do not agree that they should be buried. I think Six-Party Talks have utility in their own right. Certainly five-party talks do, and so do three-party talks to strategize in the neighborhood about how to handle the North Korean problem.

Mr. CHA. I would say that both the 2007 agreements as well as the 1994 agreements aimed to do two things. That was to freeze the North programs and to disable and dismantle pieces of it. And I would say that both agreements were able to do some of that.

The '94 agreement was able to disable essentially the 50 and the 200-megawatt reactors that were under construction. Those have been mothballed. They have not been restarted. And the 2007 agreement did result in the collapsing of the cooler tower at Yongbyon.

So they have made incremental progress, but at the same time, as you say, the North has been doing things while these agreements were reached behind our backs. And that is the frustration of negotiating. You are negotiating pieces of this program but never certain in the end that you will get all of it.

Chairman ROS-LEHTINEN. Thank you very much, Mr. Berman.

The chairman of the Subcommittee on Terrorism, Nonproliferation, and Trade, Mr. Royce of California?

Mr. ROYCE. Yes. I wanted to ask Mr. Newcomb a question. I remember the evidence we were presented in this committee back in 2002 in terms of North Korea becoming the world's best counterfeiter of $100 bills using the same type of equipment and presses that we use on our currency. And they presented us also—the U.S. had evidence that the distribution to criminal groups typically occurred through senior officers at the Embassies and through state trading companies was routine and went all the way up to the top of the regime.

And so, as it was called, this supernote conspiracy led to the concept of prosecuting some of these state officials with the idea that

we could freeze the funds, freeze the funds under section 311 of the PATRIOT Act. And that, in fact, was done.

In August of '05, arrests were made. The Justice Department was instructed by the NSC, however, to, in effect, bury the evidence and keep it out of court, mask the role of the North Korean Government. Why? We didn't want to embarrass it. We didn't want to embarrass it. We wanted to negotiate with North Korea.

I just have a problem with the fact that the State Department took steps to eliminate the Working Group, the North Korean Working Group, and the North Korea Illicit Activities Group that developed this strategy because the strategy cut off hard currency into North Korea, right?

The Ambassador at the time was convinced the pressure would get in the way of dialogue. We don't want to get in the way of a dialogue. But, frankly, it is the only thing that I have seen that has been effective.

And then last June, traveling to South Korea, the Secretary of State began to articulate what she called new measures to target North Korea's illicit activity. I thought this was a good idea. They were going to go after cigarettes, drugs, and counterfeit currency.

And, Mr. Newcomb, you were deputy in the group in the last administration that tackled this. And in a new report, David Asher, your partner on this, details a very robust approach to confronting North Korea on its illegal gains. It was State and Treasury but also the FBI and ATF on the cigarettes and the Secret Service on counterfeiting. Something like a dozen government agencies were involved. It had high-level support until again it was undercut by the diplomats.

In your view, what is going on here? Is the administration even close to reconsidering this? I am not beating up on this administration. It has been every administration that has held back on the approach of freezing these funds, of doing what we temporarily were able to do with Banco Delta Asia and cut off the hard currency. And the people that I know that were close to this say that that brought a tremendous amount of pressure on this regime, but it was amazing how much pressure came the other direction to list those sanctions.

Could you give me your views?

Mr. NEWCOMB. Yes, sir. I think the circumstances and the developments are much as you described at the time. The August '05 arrests were a result of the well-publicized Smoking Dragon and Royal Charm sting operations that were run by the FBI with a lot of help from Secret Service and others.

They had something like 89 indictments. And when it came time to publish the indictments, they dropped the original language and substituted "country 1" and "country 2," which were China and North Korea it was later revealed. There were other developments as well.

U.S. sought to arrest Sean Garland, an IRA terrorist, for his involvement in distributing supernote. So there was a very aggressive law enforcement program underway.

We had achieved notable success cooperating on this with a number of foreign governments. They were starting to take steps on export controls that they had earlier resisted. We had great coopera-

tion internationally among police agencies. And to get that, you have to have high-level political support, the diplomatic support that encourages police officers that are not accustomed necessarily to working with one another to go that extra mile and establish relationships.

And, to be quite frank, the evidence that we use to convince folks about the seriousness of our alarm mostly came out of police reporting because of the suspicion a lot of intelligence reporting was held in at the time.

Chairman ROS-LEHTINEN. Thank you so much.

Mr. NEWCOMB. Thank you.

Chairman ROS-LEHTINEN. Mr. Payne, the ranking member on the Subcommittee on Africa, Global Health, and Human Rights.

Mr. PAYNE. Thank you very much. And let me thank the witnesses for your excellent testimony.

In your opinion—and anyone could take a stab at it—what do you attribute the sort of aggressiveness of the North Koreans at this time, the sinking of the ship, the shelling of the island, you know, saber rattling? In your opinion, what has created or caused this?

Mr. KLINGNER. All of us I am sure have theories, but one can also just jump over thinking of the motivations for this and, instead, look at the acts themselves. They have committed acts of terror, acts of war. We can figure our own reasons for those objectives, but I think we really have to focus on the acts themselves.

That said, I think there are multiple reasons. And they are not contradictory for North Korea to engage in this behavior. It is a demonstration of military prowess to show that they are not weak, they will not be cowed, to ensure regime survival, reestablish relevance on the international stage.

They don't want to be ignored. They feel that when they are not ignored, it gives them increased negotiating leverage and they create a dispute and escalate tensions in order to demonstrate a need for a peace treaty, which they feel they would be able to gain additional foreign policy objectives and economic benefits as well as to divert attention from the previous North Korean bad act.

Some would say the Yeonpyeong-do attack may have been a way of diverting attention from its revelation of uranium enrichment facility, which is yet another violation of the U.N. resolution. So there are many reasons I think, sir.

Mr. BERMAN. The only thing I would add to that is that, as I said earlier, I am concerned that they really do believe they are a nuclear weapon state now. And, therefore, they can act with impunity short of war, and they don't think the U.S. or other South Koreans or anybody else in the region will respond. And that, again, to me is a very dangerous thing because that is, of course, not the case.

The South Koreans may respond or we may respond the next time. But if they go around believing they are a nuclear weapon state, they may start doing more provocations. And, you know, historically it is this sort of miscalculation that always leads to escalation and potentially war.

Mr. CARLIN. I think we should look at the West Sea as a particular problem. It has become a powder keg. And the tensions there are going to continue to rise. There is a dynamic that has

been put in place in the West Sea of action, counteraction, mostly below the radar of international reporting, but it is what builds the tensions up until they pop over the top into something like an incident that we had.

Those tensions have not been resolved. And I am afraid that the West Sea is going to continue to be a locus of clashes unless somehow someone can address the problems.

Mr. NEWCOMB. I personally have concerns that succession politics also plays a role in how they decided to respond recently.

Mr. PAYNE. Thank you very much. Interesting answers.

The strength of their military—I am not talking about the nuclear potential, but they have a very large Army. But so did Saddam Hussein have a very large Army. I found out that a lot of them were old persons. They showed up in large numbers. But when it came to it, it was basically the Republican Guard that was about the only fit fighting unit.

What about the in your opinion strength of their infantry, their land, soldiers that you see on display in so large numbers?

Republican Guard

Mr. KLINGNER. North Korea has approximately a million-man Army. And 60 or 70 percent of it is forward deployed near the DMZ. There are mechanized corps, armored corps, artillery corps, all very close to the demilitarized zone. They have thousands of tubes of artillery that can hit Seoul without further movement. They forward deployed a number of POL and other logistical issues, which reduces the U.S. intelligence community's ability to warn of even a short-notice attack.

That said, there are credible reports that the capability has been declining. They have not deployed new modern weapons as well as the infantry themselves are suffering from the poor food conditions.

That said, any U.S. war game and simulation still posits horrendous casualties, trillions of dollars of damage and that, even after the initial week of hostilities in these simulations, the situation is still very dire. We feel——

Chairman ROS-LEHTINEN. Thank you very much.

Mr. Chabot, the chair of the Subcommittee on Middle East and South Asia, is recognized.

Mr. CHABOT. Thank you, Madam Chair.

Given that virtually all of North Korea's imported energy and the large majority of its food comes through China—one report indicated that Beijing provides North Korea with 70 percent of its food imports and 90 percent of its oil imports—how can Chinese leaders credibly maintain that it has no leverage over North Korea, especially since its direct support and increasing investments over North Korea are crucial to keeping the North Korean economy functioning?

Is there any evidence that Chinese has used its enormous influence to directly pressure Pyongyang to halt and dismantle its nuclear weapons program or, instead, limit its influence to occasionally and mildly advising Pyongyang to temporarily tone down its aggressive policies?

And I would invite any of the panel. Maybe start with you, Dr. Cha.

Mr. CHA. Thank you for the question. I think that you are absolutely right in terms of the metrics that you mentioned. China does have incredible material leverage on North Korea. And I think in the past, they have done things to help calm the situation down and push North Korea toward some of the agreements that we have reached in the past.

I think the problem right now is that China has basically chosen its side. And the side it has chosen is the side of not allowing this regime to collapse because for them, that is a strategic buffer. Therefore, they are giving all of this fluid and energy. They are supporting the internal regime transition because as unstable as the situation is, a collapse of North Korea is more unstable to them.

And, therefore, they are doing all of these things to help the regime because they think—I mean, this is China, their own parochial interest—it puts them in a better place when they come out of this transition tunnel that the leadership is going through in North Korea.

So in the past, when we were doing Six-Party Talks, we relied on China a lot. We hoped that China could do a lot in terms of this leverage. These days, watching this from the outside, I don't think China is very helpful at all. And I don't think we can rely on them to help us solve this problem now.

Mr. CHABOT. Thank you.

Mr. Klingner or any of the other witnesses?

Mr. KLINGNER. I agree with Mr. Cha. I think China has shown itself to be part of the problem, rather than part of the solution. Despite the figure you mentioned, I think China has less influence over North Korea than many presume and has also shown itself to be less willing to use what influence it does. I had been somewhat encouraged when China did take some actions in the U.N. Security Council in response to the nuclear missile test.

And I thought last year with the Cheonan and Yeonpyeong-do attacks that were so blatantly against the norms of international behavior, that China, of course, must not be able to ignore the evidence, let alone the need for action. And, yet, they did.

So it was very discouraging that China was refusing to accept the clear, compelling evidence and was unwilling to agree to additional U.N. Security Council resolutions or even to fully implement the agreements that are in place.

Mr. CHABOT. Let me just ask my second question here because I am running out of time. Christopher Hill, former Chief, North Korea negotiator in the Bush administrator, wrote on February 22nd, and I quote,

> "More recently the North Korean regime proudly unveiled a modern high-tech uranium enrichment facility. The North Koreans lied in writing, not only to the United States, which they have done repeatedly in the past, but also to China, Russia, Japan, and South Korea."

If even Chris Hill now thinks that the North Koreans lied, how can anyone else really trust them in further negotiations? And maybe I will go to Mr. Newcomb and Mr. Carlin at this point.

Mr. NEWCOMB. I think trust is a hard commodity to come by in negotiations with North Korea. And I think China is just refusing to recognize what Mr. Carlin and others saw there so it doesn't have to deal with that particular matter.

Mr. CHABOT. Mr. Carlin?

Mr. CARLIN. We don't negotiate with the North Koreans on the basis of trust. We don't reach agreements with them on the basis of trust. If we can't verify an agreement with them, we shouldn't reach it. If we can verify, then we should, you know, place a lot of emphasis on that and make sure that they do follow through.

We do have examples where they follow through with agreements. And we should try to reproduce that environment to make sure that we can get there again I think.

Mr. CHABOT. Madam Chair, I yield back. Thank you.

Chairman ROS-LEHTINEN. Thank you so much, Mr. Chabot.

And now the ranking member on the Subcommittee on East Asia and the Pacific, Mr. Faleomavaega, is recognized for 5 minutes.

Mr. FALEOMAVAEGA. Thank you, Madam Chairwoman.

As I have said earlier in my statement, I am still learning how to speak the English language. And in the process, I have come up with some words that maybe our experts here can help me with: Deterrence, detente, multilateralism, unilateralism, preemption. Now it is hedge politics.

And I must say I was very impressed with all of you gentlemen's statements and what we have here. What I have pointed out is that not one of you ever mentioned about whether or not South Korea is an important element of what we are talking about when we talk about North Korea, nothing. And I think it is critical because if there is a war, it is the Korean people that are going to end up dead, not as much as Japan or Russia or the United States or even China. It is the Korean people that are going to end up in the pot potentially if we are going to have a nuclear war.

And I was just wondering, am I missing something here, the fact that we don't even talk about South Korea as an integral part of the whole issue that we are discussing here. Mr. Cha?

Mr. CHA. Well, you point up correctly an omission in all of our statements. I think South Korea is a very important part of any policy puzzle with North Korea. The current administration——

Mr. FALEOMAVAEGA. See, this is the problem. We only say it in passing.

Mr. CHA. Yes, yes.

Mr. FALEOMAVAEGA. So oh, yes. By the way, there is a South Korea.

Mr. CHA. Yes. No. Point well-taken. The Obama administration actually in many ways has put the initiative for any future policies with North Korea in the hands of Seoul currently in the sense that the administration wants to see rectification of inter-Korean relations before they are willing to move forward on other tracks.

The current government, as you know, is more conservative. It has more of a conditional reciprocity engagement policy. And the North Koreans don't like that. They got very used to 10 years of sunshine policy under Kim Dae Jung and Roh Moo-hyun, which was unconditional in many ways.

Mr. FALEOMAVAEGA. Well, the preconditions that I want to say that I agree with Mr. Carlin's statements that for the past 10 years, they really have not had any real effective engagement process in dealing with North Korea. And what I mean by this is that—and, again, I have a different take from my colleagues about this whole thing—in this history, when Kim Dae Jung after 60 years of this political separation that was not of their doing was able to go up to Pyongyang and shook the hands with Kim Jong Il, to me that was a very important thing because why did this occur?

The Koreans themselves are trying to solve the issues or the problems between North Korea and South Korea. What did we do? We criticized. We condemned Kim Dae Jung's initiative by saying, if anything else, can we at least let the Koreans encourage them in some way or somehow that they can solve these problems if we give them the tools that are the necessary support process because all we are talking about here, of course, we all know that our first priority is our national security interest in this region of the world, but the poor Koreans are caught in the middle of this geopolitical situation between China and the United States. And I am a little puzzled by this because I don't get a sense that we are really serious about including South Korea in this whole dialogue.

Mr. Carlin?

Mr. CARLIN. I guess I would make two quick points. First, from where I sat anyway in the State Department, we were perfectly happy with Kim Dae Jung's trip to Pyongyang and supported it because it reinforced our own policies.

Second point is we have got a range of problems in dealing with the interests of the South Koreans. Of course, they should take priority to a certain extent. It is their country. It is their people. It is their risk.

On the other hand, as you know, we have got much broader concerns in the region. And those have to be balanced. When we are working truly with the South Koreans, I think everybody's interests get looked at. When the South Koreans are pulling in a slightly different direction, then it gets more difficult to make the policies work.

Mr. NEWCOMB. I think I, too, agreed with the trip of Kim Dae Jung up to Pyongyang. I am not certain, though, that the North Koreans saw it in the same light. If you recall, North Korea required an advance $500 million payment before they agreed to——

Mr. FALEOMAVAEGA. I'm sorry. I know my time is up, but let me just say this. The sunshine policy I adore and really with the utmost respect what Kim Dae Jung was able to accomplish for one simple reason, that the Koreans themselves are trying to solve a serious problem just to say hello. Give them the credits.

Oh, shoot. I am sorry, Madam Chair. Time is up.

Chairman ROS-LEHTINEN. Thank you. Thank you, Mr. Faleomavaega.

Mr. Smith, Subcommittee on Africa, Global Health, and Human Rights chairman, is recognized.

Mr. SMITH. Thank you, Madam Chair.

Dr. Cha and Mr. Klingner, you both made strong reference to the need for food aid. And I would echo that call to the administration.

The World Food Program has said that there is a severe problem with lactating women, pregnant women, and small children. Thirty-three percent of the kids are stunted. Twenty-five percent of the pregnant women are malnourished. And TB, especially drug-resistant TB, which has a problem associated with malnutrition, is bad and getting worse.

So I would hope, as you both said, as long as there is very good monitoring to ensure that those highly at risk get the food, this ought to be done yesterday. And I would add my voice to yours asking that there be movement on that by the administration. You might want to speak to that.

Secondly, Mr. Klingner, you made a very good call as well on the human rights issue. There is no reason why we should in any way silence, both through the international work that we do at the U.N. as well as on our own, our voice on the egregious human rights abuses, whether it be religious freedom, a woman was executed simply for distributing Bibles last year or the ongoing incarcerations in the hideous gulags of North Korea for Christians especially needs to be confronted. When it comes to refugees, many women who make it out of North Korea are trafficked.

I held three hearings several years ago on the human rights plight of those women. And we had women who were actually the lucky ones who got to South Korea through a very long, circuitous route. That, plus the fact that China, completely contrary to the refugee convention, sends people right back. And they go right to the gulag, where they are tortured and even executed. So you might want to speak to that.

Finally, in my opening comment, I mentioned Defense Minister Kim and others who have been raising the alarm about the electromagnetic bomb that they seem to be working on. Any thoughts that you might have about that?

As a matter of fact, it was pointed out in the Korea Herald yesterday that the jamming equipment, talking about electronic warfare, could pose serious problems to the South in case another armed conflict with their neighbor, with their northern neighbor. The North can use it not only to jam GPS signals, but also to disseminate misleading, fake signals so as to confuse its enemy's forces; in other words, South Korea and us.

The equipment would also preclude the South from using GPS-guided weapons to bomb its long-range artillery pieces that put the Seoul metropolitan area within striking range.

The North is also thought to be seeking to develop electromagnetic post bombs and effectively paralyze computers. And you know that issue. So if you could speak to that as well?

Thank you.

Mr. CHA. Well, let me just address quickly your comments on food and human rights. And I will let others address EMP. On food, you know, the North Koreans have asked for basically the remaining 330,000 tons left from the 2008 agreement.

And, as I said, my own view is that if they will agree to the same terms they did in 2008, the letter of protocol, that was a good agreement. It was the only time that we had access to every province except two, nutritional surveys as well as Korean speakers, as part of the A team. And that is much better than simply dumping

the food at the port and then letting them divert 30 percent of it to the military. So I think if they can get those terms, it certainly is a good thing.

And, as you know, sir, all of these bags go into the country with the American flag on it. And in Korean, it says, "Gift of the American people." So that is not a bad thing for us in North Korea.

On human rights, I guess the one thing I would say is that, you know, the United States now has a refugee resettlement program for North Koreans. They have a special envoy for human rights. I would like to see this administration be a little bit more active on the human rights agenda.

As you know, the previous administration did things like statement on this question of Chinese sending North Korean refugees back as well as having North Korean defectors in the Oval Office. And that really brought a high-profile nature to the issue around the world for others to see.

Mr. KLINGNER. I would comment on food aid. Clearly there is a need. And, as a father, one can't help but be compelled by the reports and the pictures, particularly of children and babies that are starving and emaciated. So if we were to provide aid, at a minimum, we must have an effective verification and monitoring regime to ensure that it actually gets to the people who require it.

Humanitarian aid is supposed to be divorced from politics, but we can't help overlook some other factors. North Korea's actions. It is hard to advocate having the UNDP and the World Food Program, which is part of the U.N., providing aid and assistance when North Korea is in violation of U.N. resolutions.

And, even setting aside that, there are donor dynamics. In the 20 years we have been providing aid, there have been more recent horrendous natural disasters suffered by other countries. So one wonders with a limited pool of donor assistance whether it should instead be going to countries that are willing to make economic reforms and have suffered calamities more recently.

Chairman ROS-LEHTINEN. Mr. Sherman, the ranking member on the Subcommittee on Terrorism, Nonproliferation, and Trade, is recognized.

Mr. SHERMAN. Yes. I am torn between the vision of hungry North Koreans overthrowing their government and the fact that I don't want to see people hungry.

I want to focus my attention on this South Korea free trade agreement because that is something Congress will actually focus on. Right now we have got 40,000 workers there. Would the North Koreans have any difficulty providing 400,000 workers to Kaesong and similar export-oriented labor facilities? Is there any shortage of labor in North Korea? Mr. Carlin or Mr. Newcomb?

Mr. NEWCOMB. In North Korea right now there is a shortage of jobs. But I don't know that they could supply the number that you indicated to replications of Kaesong scattered about the country. Personally I have never been a big fan of Kaesong because Kaesong requires South Korea to pay North Korea in U.S. dollars. I keep asking them, "Why don't they use South Korean won?" They don't have a good answer for that. And I also think it's sort of a——

Mr. SHERMAN. No, it is not. Those U.S. dollars, I am told that the amount the worker actually gets—and worker, I mean, argu-

ably, the word is "slave" because when you are forced to do work and your owner rebuts, you know, the national government is the one that receives the payment. It is by no means clear that that is a work relationship.

Any idea how much they receive?

Mr. NEWCOMB. It is possible that the figure is correct. I haven't looked at this in a couple of years. On the other hand, they line up for these jobs.

Mr. SHERMAN. Look, the fact that it is better than other things available to North Koreans does not mean that even the word "slavery" is too strong. So certainly it provides foreign currency, U.S. dollars to the North Korean Government.

Now, the agreement provides, the free trade agreement provides that we have to accept and do our country anything that is—in various categories, including auto parts, anything that is 35 percent made in South Korea, which means 65 percent of the work could be done in North Korea.

Do any of you have any focus on the trade agreement that would contradict that?

Mr. KLINGNER. Well, I would say, sir, the agreement I think has provisions that preclude the use of Kaesong goods as part of——

Mr. SHERMAN. You haven't read the annex 22, which first says that there is nothing in the agreement that says that goods that are 65 percent North Korean, whether it be Kaesong or otherwise, and 35 percent South Korean are not given access to the U.S. market.

Now, it is true that we have laws that might prohibit such import, which we would be violating the agreement and subject to sanctions by the South Koreans just as soon as we signed it unless the executive branch removed those restrictions.

But if you also look at annex 22, you will see that the agreement envisions future discussions, in which Kaesong would be considered for purposes of the agreement part of South Korea so you could have 100 percent Kaesong-produced goods, rather than just 65 percent Kaesong-produced goods coming into the United States duty-free.

And the agreement is cleverly drawn so you can't tell whether any such future decision to count Kaesong as part of "South Korea" would require future congressional approval or not. And that is why in hearings from our subcommittee we asked that question in 2007, still haven't gotten an answer. I asked that question by letter on February 9th of this year to the current USTR, still haven't gotten an answer.

And this is why the current Ambassador to the United States from South Korea is on record as saying at Kaesong when he was Prime Minister that this agreement will pave the way for Kaesong-produced products to come into the United States duty-free.

I just don't know which is worse: The national security aspect of huge dollars flowing to the Government of North Korea or the economic impact of telling American workers that they have to compete against products made at the labor rates that we find in Kaesong.

My time has expired.

Chairman ROS-LEHTINEN. Thank you, Mr. Sherman.

Ms. Ellmers of North Carolina.

Ms. ELLMERS. Thank you, Madam Chairman. And thank you to our distinguished panelists today.

My question is also on South Korean free trade agreements. I am generally a free trade person, but there is great pause that I have on the national security issue. And I believe, of course, as many of us do, that national security trumps any possibility of trade with South Korea, especially in conjunction with the flooding of the South Korean market, with Chinese and North Korean goods. And that is particularly of concern to my North Carolinian textile industry.

I would like to know, Mr. Newcomb and Mr. Carlin, how do you feel about the South Korean free trade agreement in relation to the national security issue. I will start with you, Mr. Newcomb.

Mr. NEWCOMB. I am an economist. I love free trade agreements. I also think Kaesong poses a danger, that goods could be let in that are not produced up to acceptable labor standards.

Ms. ELLMERS. What can we do? What can the United States do to prevent that? What could we put in place in relation to the South Korean free trade agreement that might actually help us in this situation?

Mr. NEWCOMB. Well, I mean, that is a question you have to ask of USTR because they are the ones that deal with this. They are the ones that have to strike the agreement.

Ms. ELLMERS. So, in your opinion, is it something that we should grapple with now or is it something that we should take pause and maybe hold off for a while until we get some of the answers that we need?

Mr. NEWCOMB. Well, Kaesong does have advantages as well. South Korea invested in Kaesong partly because they thought they could gain some economic leverage over the North. I think, actually, it gives the North economic leverage over South Korea to a degree.

But there is also a demonstration effect. You have well-educated, well-dressed, highly trained South Koreans operating these factories. You have South Korean technology. You have South Korean goods there. They are exposing a large number of North Korean workers to what is otherwise denied information.

So it is a two-way street here. And I don't want to dismiss the long-term corrosion of North Korea that association with people at Kaesong might bring.

Ms. ELLMERS. Okay. Mr. Carlin?

Mr. CARLIN. Under present circumstances, with the government that is in power in South Korea now, we don't really have a big problem about Kaesong because they are going slow. But I can imagine circumstances in which another election brings a government with different priorities, which, in fact, may reinvigorate Kaesong and maybe expand it.

And then where are we going to be? We are going to be crosswise with our South Korean allies on what they will consider to be a very important part of their policy toward North Korea. At that point we are going to have to weigh these things about U.S. economic interests, interests of our workers, and broader security problems.

I am not an economist. I don't focus on these things. I just think I can see clouds on the horizon on this one.

Ms. ELLMERS. So you would say at this point that we really need to proceed very cautiously?

Mr. CARLIN. Yes, I think that is right.

Ms. ELLMERS. I do have about 1½ minutes. And I was just going to say to Mr. Cha and Mr. Klingner, if you would like to make a comment, that would be wonderful.

Mr. KLINGNER. Begging the committee's indulgence for an advertisement, on April 1st in this building, The Heritage Foundation and Brookings Institution are having a joint conference that points out the geostrategic and economic benefits of all three free trades. So the two organizations are in agreement.

On Kaesong, the U.S. negotiator in 2007, when the agreement was first signed, made very clear that the Kaesong goods before they were allowed into the United States would have to be discussed through a bilateral committee and that clearly the U.S. would not be in favor of that. And now we have a new conservative government in South Korea that I think also would be less willing to push for Kaesong goods, particularly after North Korea's actions in the last several years.

Ms. ELLMERS. Okay. Mr. Cha?

Mr. CHA. Yes. I mean, the only thing that I would—I mean, in 2007, that is the way I recall it in 2007 in the administration that there were checks against sort of just the free flow of Kaesong goods into the United States.

The other thing that I would add is that the goods we are talking about that come out of Kaesong—and they could change, admittedly, in the future—we are largely talking about things like chopstick sets, cheap watches, things of this nature, so not things that necessarily pose a national security risk.

Ms. ELLMERS. Thank you very much. I appreciate all of your input. And I yield back the rest of my time.

Chairman ROS-LEHTINEN. Thank you so much.

Mr. SHERMAN. Madam Chair?

Chairman ROS-LEHTINEN. Thank you.

Mr. Connolly of Virginia is recognized.

Mr. SHERMAN. Madam Chair?

Chairman ROS-LEHTINEN. Yes?

Mr. SHERMAN. If I could just have unanimous consent to insert here in the record my letter of February 9th to the President of USTR——

Chairman ROS-LEHTINEN. Without objection.

Mr. SHERMAN [continuing]. That deals with the very issues these gentlemen were discussing.

Chairman ROS-LEHTINEN. Thank you.

Gerry?

Mr. CONNOLLY. Thank you, Madam Chairman. And welcome to the panel.

Perhaps starting with you, Professor Cha, in situations like this, often historically the military has played multiple roles, one of which is maintaining cohesion and order and long-term stability for a regime. Given the transitional period we are apparently looking at in North Korea, how would you characterize the role of the mili-

tary in this transition? And how should we assign responsibility when we look at very provocative actions, obviously the shelling of the island, the sinking of the ship of South Korea to the military versus civilian leadership if one can even paraphrase it that way?

Mr. CHA. Thank you for the question.

I don't think acts of that magnitude, the sinking of the Cheonan or the shelling of Yeonpyong—they are not random acts by, you know, a so-called mad colonel. These are remediated actions taken by the military as a group and I would imagine in conjunction with the party and political leadership going up to the top.

So I don't see these things as a rogue military but as in many ways a unitary actor, the state acting together.

What role would the military play in any possible transition? They will clearly play an important role. Since 1995, Kim Jong Il has really raised the role of the military in North Korean decision-making. And as he tries to promote his third son, he is really now trying to balance that with an increasing role of the party in the management of the country.

So I think we will see. We will have to watch very carefully the extent to which this creates competition between two units within the government or whether they are able to manage this in a way that allows for a smooth transition.

Probably the most important variable in that sense will be the longevity of the current leader: Kim Jong Il. If he were to die suddenly tomorrow, next week, I would be much less certain that they could carry this off.

Mr. CONNOLLY. Is there evidence that there is unease or difficulty of acceptance of the passing on of the baton in terms of leadership in North Korea?

Mr. CHA. We read about some of it in the newspaper, that there appears to be some unease. It is not just the passing to the son, but it is also the promotion of a group or younger generation of military leaders, generals that many may not see as being qualified.

The young son himself, Kim Jong Il's sister were both promoted to the rank of four-star general last September. And they never served a day in the military. So I think that that also can create some tensions.

Mr. CONNOLLY. Anyone on the panel, but we were talking earlier about food shortages. Is it necessarily true that severe food shortages, in fact, can be destabilizing to a regime? And is there evidence it is destabilizing in North Korea?

Mr. CHA. The assessment that the U.S. NGO group brought back this month said that there is clearly a need. There is clearly a confirmed need. But these are not conditions like the mid 1990s, that if we were not to provide food, it will not lead to a famine-like situation.

This has led to periodic reported riots at food distribution centers, but the question as to whether it could create a larger revolution I think remains unanswered. It is very clear that the North Koreans are very sensitive to what was happening in Egypt and in Libya and in Tunisia and worked at their best to try to clamp down on any news with regard to them getting into their country.

Mr. CONNOLLY. Madam Chairman, I see I have 50 seconds left.

There was a group of American experts that observed last November the construction of a light water reactor and new uranium enrichment facility at Yongbyon. Any evidence that the North Koreans have proceeded or included that construction and what it means in 30 seconds? Mr. Carlin?

Mr. CARLIN. They are a long way off from finishing the light water reactor. That is going to take them several more years. The centrifuge facility had, as far as we could tell, 2,000 centrifuges. We could not tell whether they were operating standing there. And so I can't tell you at this moment whether they are actually producing enriched uranium or not. And until we get somebody in there, I don't think we are going to be able to answer that question.

Mr. CONNOLLY. Thank you, Madam Chairman.

Chairman ROS-LEHTINEN. Thank you so much.

And we are so pleased to recognize Ambassador Han of our ally, the Republic of Korea, who is in our audience today. We welcome you, sir.

And I am pleased to yield 5 minutes to the chairman of the Subcommittee on Europe and Eurasia, Mr. Burton.

Mr. BURTON. Thank you very much, Madam Chairman. I am sorry for my tardiness, but I had another committee hearing going on.

I just wanted to ask you, particularly The Heritage Foundation but all of you, in your opinion, what would the security implications be in Northeast Asia of a failure by the U.S. Congress to expeditiously approve the free trade agreement with South Korea?

Mr. KLINGNER. As strong advocates of free trade as well as a very strong relationship between the U.S. and our critical and indispensable ally South Korea, The Heritage Foundation sees the many benefits, economic and geostrategic, for approval of the KORUS FTA.

I was particularly struck when I was in South Korea shortly after the Senkaku incident between China and Japan. I met with senior officials, including Presidential advisers, who said that they were very concerned about China's behavior, as exhibited there, because South Korea felt even more susceptible to Chinese pressure than Japan, particularly the export of rare earth materials. And they said, because South Korea has become more reliant on the Chinese economy, they are nervous of that pressure and that they advocated a free trade agreement with the United States because it would help the U.S. regain market share or at least the ability to compete better against EU and Chinese competitors. So they saw it as a way of reducing Chinese ability to influence an ally of the United States.

Mr. BURTON. So you think the free trade agreement is extremely important not only because of economic issues but as well because of other issues in that area?

Mr. KLINGNER. Very much so, sir.

Mr. BURTON. Anybody else have a comment on that?

Mr. CHA. Congressman, I would agree entirely with what Mr. Klingner said. I mean, historically the U.S. position in Asia, its leadership position, has rested on two legs. That is the security umbrella it provides and its support of free trade.

And, quite frankly, until very recently, there were lots of concerns in the region about where the United States was on trade. And many saw it as the first indicator of a receding U.S. presence in Asia.

So the free trade agreement, the biggest bilateral free trade agreement the United States has ever negotiated, has very broad strategic implications for the United States and how others in the region see the U.S. as a leader.

Mr. BURTON. Well, if you don't have any other comments about that, I appreciate your response. My colleague Mr. Smith of New Jersey had a question he would like to ask. So I am going to yield my time to him.

Mr. SMITH. Thank you very much, Chairman Burton.

It was the other question about the electromagnetic bomb if any of you would like to talk about that as well as electronic warfare. What threat is that to South Korea and to our troops that are deployed there? So I yield to the witnesses.

Mr. KLINGNER. The information on an EMP weapon is very sketchy. It has just come out this week. And, in fact, the day before reports of a North Korea EMP weapon, there were reports about a South Korea EMP weapon. So I wonder if perhaps there is some media confusion.

And also the jamming of the GPS signals during the joint U.S.-South Korean exercise doesn't necessarily have to have been done by an EMP weapon. It could simply be by massive radio jamming. So I think we are very unclear, sir, at this point the extent of North Korean EMP capabilities, but we also know they do have cyber terrorism capabilities and units and that they very well may have been behind the cyber attacks, both this year and a year or 2 ago, in South Korea.

Mr. SMITH. Anybody else want to comment?

Mr. CARLIN. Mr. Smith, may I return real briefly to human rights and what you said. I can recall 30 years ago when there were members of this committee who were speaking out on human rights in Korea and nipping at the heels of the administration. And it was South Korea that they were talking about. And they were right to talk about it then. It was important to focus on. And we ended up with a better situation.

I think it is equally important that this committee also continue to speak out on the question of human rights in North Korea but also continue to put it in perspective so that it enhances the policy and doesn't, in fact, turn out to be an anchor on it.

Mr. SMITH. If I could—thank you for yielding, Chairman Burton—I would ask unanimous consent that an ABC News piece, "North Korea Nears Completion of Electromagnetic Pulse Bomb" as well as a Korea Herald article, "South Korea behind North in Electronic Warfare"——

Chairman ROS-LEHTINEN. Without objection.

Mr. SMITH [continuing]. Be made a part of the record?

And if any of our distinguished witnesses, because obviously a lot of this is breaking this week, have any additional thoughts that they could provide to the record, it would be most helpful.

And I thank my friend for yielding.

Mr. BURTON. Madam Chairperson, I think this is a question that we ought to send to the State Department, the Defense Department to see if our intelligence——

Chairman ROS-LEHTINEN. We shall do so.

Mr. BURTON [continuing]. Has any answers on these.

Chairman ROS-LEHTINEN. Absolutely, very important. Thank you, Mr. Burton. Thank you, Mr. Smith.

Mr. Marino of Pennsylvania?

Mr. MARINO. Thank you, Madam Chair.

Gentlemen, if you would each respond to this if you have a response, starting with Mr. Cha? Given the wave of revolution in the Middle East today, what is the reality? What is the reality of an uprising in North Korea? And would South Korea facilitate that?

Mr. CHA. Well, I would say that the chances of an uprising as we have seen of the magnitude in Tunisia, Libya, or Egypt is not very likely in the North Korea. The conditions are very different.

I think in the case of North Korea, you have a population that literally is starving. And moms, dads, uncles, grandfathers are really just looking to see how to make it through the next day or the next week. And that is not the condition for revolution.

Revolutions occur when people have access to outside information and their own situation starts getting better and they feel it is not getting better fast enough. That is what Montesquieu once referred to as the spiral of expectations. Those conditions don't exist in North Korea.

Having said that, the North Koreans are incredibly, incredibly concerned about what they're seeing and, therefore, doing everything possible to block information. In many ways, this regime, though it blames the outside world for its nuclear weapons, is afraid of its own shadow.

And in that sense, the people still offer a potential for the future, but I don't think at this point——

Mr. MARINO. Quickly, gentlemen, because I have a follow-up.

Mr. KLINGNER. I would agree with Dr. Cha. At this point we don't see the likelihood of a mass uprising or revolution in North Korea to that extent, but that is I think another reason why North Korea is unlikely to open its country to outside influence, such as engagement.

Mr. MARINO. No. Please go ahead. Go ahead. I will come back with that question.

Mr. NEWCOMB. North Korea has a lot of workers in the Middle East. They have nurses and construction workers in Libya. They have workers in the UAE. When they go back to North Korea, they will probably go to reeducation camps, but what they saw, what they learned, what they heard will be communicated over time. So while it may not prompt anything immediately, I think there is going to be a slow corrosion of society because of it.

Mr. MARINO. Mr. Carlin?

Mr. CARLIN. We usually find the precursors to revolutions and uprisings after they take place. So I am pretty cautious about predictions.

Mr. MARINO. And briefly what could the relationship be potentially between the United States and North Korea when its present

dictator dies or steps aside, regardless if it is his son or another military leader? Mr. Cha?

Mr. CHA. I mean, I think the United States over the past 25 years has been pretty clear about what sort of relationship it would have. I mean, it would be willing to have one with fully normalized relations and exchange of ambassadors if the North nuclear question was addressed.

I don't think the new leadership, the coming leadership is any different from the current one in terms of their nuclear ambitions, unfortunately. So I am not very confident.

Mr. MARINO. And I apologize for mispronouncing your name just now. I am very sorry.

Mr. KLINGNER. I would agree. Some have hoped that because the third son was educated in Switzerland that perhaps he has more Western ideals of reform and governance, but I don't think there is any evidence for that. He is a product of the system.

His legitimacy is not only from his bloodline but also continuing the policies of his father and his grandfather. So I don't see the likelihood of change in the North Korean policy after the transition.

Mr. MARINO. Thank you.

Mr. Newcomb, do you concur?

Mr. NEWCOMB. Yes, I concur.

Mr. MARINO. Mr. Carlin?

Mr. CARLIN. There was a time when the North Koreans were looking to us to protect them from the Chinese and the Chinese influence. And they thought that they might be a piece on the chess, on the U.S. chessboard against the Chinese. I don't know if that is still in their thinking and if, in fact, in the strategic sense, the North Koreans would actually be helpful to us in sort of enhancing our influence in the region.

Mr. MARINO. Thank you, gentlemen. Thank you, Madam Chair. I yield my time.

Chairman ROS-LEHTINEN. Excellent questions. Thank you, Mr. Marino.

And our batter-up, clean up, David Rivera of Florida. Thank you.

Mr. RIVERA. Thank you so much, Madam Chairman.

The Cuban and North Korean regimes, spearheaded by the armed forces of each country, of Cuba and North Korea, have a well-documented history of cooperation and exchange.

Most recently Cuban and North Korean authorities have reportedly signed a protocol in December 2010 to develop economic and scientific, technical partnerships, projects in 2011. Given these regimes' open hostility toward the United States and Cuba's demonstrated pursuit of biotechnology capacities, what implications do you believe this type of cooperation may hold for U.S. national security?

Now, I will begin with perhaps Mr. Carlin.

Mr. CARLIN. Since I really don't know the details of that, all I know is that the Chief of Staff visited in December, it is very difficult to try to predict what the influence will be, if it is just economic and scientific, even though it was signed by the military. I don't know how, what sorts of things they are going into.

You know, it is worth looking at, I agree with you. It is very important. But I just don't have at the tip of my fingers the details.

Mr. RIVERA. Any other comments? Yes?

Mr. NEWCOMB. Yes. I truly don't have any details on the agreement. I would like to note that they have been dealing with each other for 35–40 years. And from time to time, the Cubans have been very critical of the North Korean system and some of the measures it has taken.

So the relationship can be a bit prickly. So how it plays out may well depend upon whether or not they can find a coincidence of economic interests. In the past, it has been a little tough. North Korea doesn't pay for anything.

Mr. RIVERA. Do you have anything to add?

Mr. KLINGNER. I have not seen a lot of information about direct North Korean, Cuban military assistance, certainly not to the degree of, say, North Korea and Iran, where we know Iranian officials are present during missile tests and nuclear tests. And I think there is a much closer relationship between North Korea, Iran, Burma, Syria than we see sort of direct military ties with Cuba.

Mr. CHA. I would agree that the countries that they have relationships with that pose the most security risk to us are countries like Iran, as Bruce said, and Burma at this point.

The relationship with Cuba historically has gone back quite a bit of time. Kim Il-sung and Castro were quite close.

But the relationship is prickly today. But I would add North Korea's relationship with every country in the world today is prickly, even China. I mean, even though the Chinese are very close to the North Koreans and protect them like a big brother, the two hate each other. I mean, they just despise each other. The mistrust and distrust is really quite palpable.

Mr. RIVERA. Well, since several of you have mentioned Iran and considering its increasing engagement in places in Latin America, like Venezuela and Cuba, perhaps that is also something that we should monitor in terms of some sort of a North Korea, Iran, Cuba or North Korea, Iran, Cuba, Venezuela axis developing.

Also, is there any information from any of you that the Cuban dictatorship perhaps shares the results of their espionage efforts against the United States with North Korea? Maybe, Mr. Carlin, in your experience have you seen any espionage activity that may be shared between Cuba and North Korea, particularly anti-U.S. espionage activity?

Mr. CARLIN. That is a good question. And I am afraid I don't really recall anything, but that doesn't mean the answer is no.

Mr. RIVERA. Anyone else?

[No response.]

Mr. RIVERA. Thank you, Madam Chair.

Chairman ROS-LEHTINEN. Thank you so much. And I think this is probably due to the repressive police states it is so hard to get information from either one of those two countries.

Thank you for such excellent testimony. And thank you to the members for wonderful questions as well. And we will consider editing that to include "baloney and bluster."

So the committee is now adjourned.

[Whereupon, at 11:58 a.m., the committee was adjourned.]

APPENDIX

Material Submitted for the Hearing Record

FULL COMMITTEE HEARING NOTICE
COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515-0128

Ileana Ros-Lehtinen (R-FL), Chairman

March 3, 2011

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, via the WEBCAST link on the Committee website at http://www.hcfa.house.gov):**

DATE: Thursday, March 10, 2011

TIME: 10:00 a.m.

SUBJECT: North Korea's Sea of Fire: Bullying, Brinkmanship and Blackmail

WITNESSES: Mr. Robert Carlin
Visiting Scholar, Center for International Security and Cooperation
Stanford University

Bruce Klingner
Senior Research Fellow, Northeast Asia
Asian Studies Center
The Heritage Foundation

Mr. Victor Cha
Professor and Director of Asian Studies and D. S. Song-Korea Foundation Chair in Asian Studies and Government
Georgetown University

Mr. William Newcomb
(Former Senior Economist, Bureau of Intelligence and Research, U.S. Department of State, and former Senior Economic Adviser, Office of Intelligence and Analysis, U.S. Department of the Treasury)

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 *March 10, 2011* Room *2172 Rayburn*

Starting Time *10:00 a.m.* Ending Time *11:58 a.m.*

Recesses [ ] (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____) (____ to ____)

Presiding Member(s)

Check all of the following that apply:

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

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

TITLE OF HEARING:

North Korea's Sea of Fire: Bullying, Brinksmanship and Blackmail

COMMITTEE MEMBERS PRESENT:

Attendence Attached

NON-COMMITTEE MEMBERS PRESENT:

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.)*

Rep. Sherman's Letter for the Record
Rep. Smith's 2 Articles for the Record
Rep. Connolly's Statement for the Record

TIME SCHEDULED TO RECONVENE _____
or
TIME ADJOURNED *11:58 a.m.*

Jean Carroll, Director of Committee Operations

Hearing/Briefing Title: **North Korea's Sea of Fire: Bullying, Brinksmanship and Blackmail**

Date: **March 10, 2011**

Present	Member
X	Ileana Ros-Lehtinen, FL
X	Christopher Smith, NJ
X	Dan Burton, IN
X	Elton Gallegly, CA
X	Dana Rohrabacher, CA
	Donald Manzullo, IL
X	Edward R. Royce, CA
X	Steve Chabot, OH
	Ron Paul, TX
	Mike Pence, IN
	Joe Wilson, SC
	Connie Mack, FL
X	Jeff Fortenberry, NE
	Michael McCaul, TX
	Ted Poe, TX
	Gus M. Bilirakis, FL
X	Jean Schmidt, OH
X	Bill Johnson, OH
X	David Rivera, FL
X	Mike Kelly, PA
X	Tim Griffin, AK
X	Tom Marino, PA
	Jeff Duncan, SC
	Ann Marie Buerkle, NY
X	Renee Ellmers, NC

Present	Member
X	Howard L. Berman, CA
	Gary L. Ackerman, NY
X	Eni F.H. Faleomavaega, AS
X	Donald M. Payne, NJ
X	Brad Sherman, CA
	Eliot Engel, NY
	Gregory Meeks, NY
	Russ Carnahan, MO
X	Albio Sires, NJ
X	Gerry Connolly, VA
X	Ted Deutch, FL
	Dennis Cardoza, CA
X	Ben Chandler, KY
	Brian Higgins, NY
	Allyson Schwartz, PA
X	Chris Murphy, CT
X	Frederica Wilson, FL
	Karen Bass, CA
	William Keating, MA
X	David Cicilline, RI

The Honorable Gerald E. Connolly (VA-11)

HCFA Full Committee Hearing
North Korea's Sea of Fire: Bullying, Brinksmanship and Blackmail
Thursday, March 20, 2011
10am

North Korea has always had a certain reputation. The oppressive regime in Pyongyang is known for behavioral patterns consisting of provocative action followed by affectations of compromise and negotiation. As the transition from the reign of Kim Jong Il to Kim Jong Un draws closer, Pyongyang has actively targeted and killed citizens of South Korea, a key U.S. ally.

North Korea denied any role in the March torpedo attack of a South Korean naval vessel despite the findings of an international investigation team which linked a North Korean submarine to the attack. This attack killed forty-six South Korean sailors. In the case of the November shelling of Yeonpyeong island, which killed four South Koreans including two civilians, North Korea did not deny the attack. Instead, Pyongyang said the attack was South Korea's fault. These unprovoked attacks against a close U.S. friend and ally will do no good in facilitating North Korea's foreign policy. In fact, they continue to show both South Korean and U.S. officials the importance of the strategic relationship between our two nations.

Not only is North Korea infamous for its unprovoked attacks, it is also known throughout the world for its nuclear ambitions and bizarre attempts at brinkmanship on the international stage. The latest in a string of incidents occurred last November, when visiting American experts observed the construction of a light-water reactor and a new uranium enrichment plant at Yongbyon. This was just one of several nuclear reactor projects in North Korea. In 1994 and again in 2009, North Korea began construction of various nuclear apparatuses at the same site, only to dismantle the apparatuses or halt the construction projects.

There are discussions within foreign policy circles about China and its role in the Korean peninsula. China is often seen as a decoder and interpreter of North Korea's actions—a liaison that can sometimes lull North Korea into compliance for short periods of time. But it is unclear whether China will ever effectively castigate North Korea for its actions—whether they are restarting nuclear actions or shelling South Korean civilians. Geographically, the Korean peninsula is close to China. But economically, militarily, and historically, there is a binding tie between the United States and South Korea. The United States has a vested interest in ensuring the survival and success of our friends in South Korea.

The actions of the North Korean regime often leave much of the international community perplexed. Strategically, it seems that North Korea's goal would be to maintain the status quo within the country—to ensure that the privileged few maintain the Orwellian nature of life in North Korea so that the few resources can go to the military regime. Since an estimated 5 million of North Korea's 24 million people appear to be facing severe food shortages and malnutrition, hoarding of resources seems to be a key survival strategy of the military and Kim Jong Il's inner circle.

It is unclear how attacking a key U.S. ally furthers North Korea's foreign policy goals. Given growing fatigue with North Korea's antics, Kim Jong Il ought to realize that a strategy change is needed. Thank you, Madam Chairman.

BRAD SHERMAN
UNITED STATES CONGRESS

PH: (202) 225-5911
FAX: (202) 225-5879

February 9, 2011

The Honorable Barack Obama
The President
The White House
Washington, DC 20500

RE: KORUS FTA and North Korea Sanctions Policy

Dear Mr. President:

As Congress prepares to consider legislation to approve and implement the Korea-US Free Trade Agreement (KORUS FTA), it is critical that your administration address concerns regarding the potential for the agreement to provide indirect benefit to North Korea.

It is imperative that the FTA not allow North Korean goods to enter the United States, including North Korean items that may be incorporated into goods manufactured in South Korea, as well as goods that are the product of so-called outward processing zones operated by South Korean firms located in North Korea.

There is ample opportunity for goods produced in North Korea to find their way to the U.S. via South Korea. North-South trade runs more than $1.5 billion per year. Also, South Korea and North Korea operate a cooperative manufacturing center known as the Kaesong Industrial Complex. This outward processing zone employs more than 40,000 North Korean workers six miles north of the DMZ, in factories run by South Korean industrial giants, including a division of Hyundai.

These workers are not paid directly by their South Korean employers. Instead, their wages are paid into the North Korean government, which skims around half for itself and its various nefarious purposes. Labor conditions at the Kaesong facility are widely criticized, including by the U.S. State Department's annual report on human rights.

Aside from deliberate transshipment, there are two obvious ways that North Korean goods, from Kaesong or other parts of North Korea, could enter the United States, as outlined below. We must make sure that these avenues are completely and unambiguously closed in the context of the FTA.

North Korean Inputs

It is possible that South Korean exporters may incorporate North Korean items in exports sent to the United States, or otherwise pass off products made in the North as products of South Korea. Currently, no good with any North Korean content is legally allowed to enter the United States absent specific permission from Treasury's Office of Foreign Assets Control. That should not change under the FTA. The FTA's content requirements and rules of origin will provide South Korean treatment to goods with significant foreign content – 65 percent non-South Korean content is permissible with respect to autos, for example. These content requirements and rules of origin should not be read to allow the "foreign" content to come from North Korea. Unfortunately, the FTA text does not specifically address the inadmissibility of North Korean content.

Moreover, under Korean Customs policy, a product made in Kaesong enters South Korea designated as being of South Korean origin as long as the firm producing it in North Korea is 65% South Korean-owned and certain other conditions are met.

It is my understanding that the South Korean government has assured the United States that no North Korean content will be exported to the United States, including content from Kaesong. If true, that is a positive development. However, it does contradict previous statements from Korean officials, including the current Korean Ambassador to the U.S., Han Duk-soo, who said in 2007 that "the planned ratification of the South Korea-U.S. free trade agreement will pave the way for the export of products built in Kaesong to the U.S. market." South Korean firms see the low wages in Kaesong as a way to compete with Chinese manufacturing on price.

Given these factors, I am requesting that your administration seek changes to the agreement, or a formal exchange of letters with the South Korean government that commits the parties to a self-executing amendment effective upon implementation. This amendment would insert into the FTA text provisions that clarify that, in accord with current U.S. policy vis-à-vis North Korea, any item with any North Korean content, including goods assembled in South Korea that include any content from Kaesong, will not only fail to receive FTA treatment, but will not be allowed to enter the United States at all.

I further request that the implementing legislation provide for the codification of the current tough restrictions against North Korean goods entering the United States. This approach would provide the maximum assurance that the KORUS FTA would not provide for the legal import of North Korean content, and that policies in this regard could not be changed in the future absent an act of Congress.

It is also important that you announce that your administration will rigorously enforce U.S. policy against imports from North Korea, and take tough action against those that violate it. Your administration should provide Congress with a detailed plan for ensuring, through Customs and other relevant agencies, that goods bound for the United States from South Korea are devoid of content from the North.

Kaesong and Other Processing Zones

On June 13, 2007, I held hearings as Chairman of the Foreign Affairs Subcommittee on Terrorism, Nonproliferation and Trade concerning the foreign policy and national security dimensions of the KORUS FTA.

As noted on page 31 of the transcript thereof (attached), I specifically asked then Deputy USTR Karan Bhatia for a letter clarifying Paragraph 5 of what has become Annex 22-B (formerly, it had been designated Annex 22-C) of the free trade agreement. Since we received no response from this request from the previous administration, I renew that request in this letter.

I note that Paragraph 5 of Annex 22-B states the following: *"Decisions reached by the unified consent of the Committee shall be recommended to the Parties, which shall be responsible for seeking legislative approval for any amendments to the agreement"* affecting the zones. In my reading, this language creates two layers of ambiguity.

First what does "legislative approval" mean? Would it require an actual act of Congress, or merely some lesser, notice and consultation "approval?" Could the Executive Branch simply notify Congress of its intent to take certain action unless Congress disapproves within a certain period of time?

Second, would an amendment to the agreement actually be necessary to extend South Korean origin treatment to goods produced at Kaesong or similar zones, or could such a change be affected without amendment?

In that vein, can you provide absolute assurance that neither this administration, nor any future administration could, after discussions with the Republic of Korea, provide the benefits of the free trade agreement to goods produced at the Kaesong industrial complex without a specific statutory enactment by Congress?

Thank you very much for your attention to this matter. I look forward to your reply.

Sincerely,

BRAD SHERMAN
Member of Congress

THE UNITED STATES-SOUTH KOREA FTA: THE FOREIGN POLICY IMPLICATIONS

HEARING

BEFORE THE

SUBCOMMITTEE ON TERRORISM, NONPROLIFERATION, AND TRADE

OF THE

COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

JUNE 13, 2007

Serial No. 110–89

Printed for the use of the Committee on Foreign Affairs

Available via the World Wide Web: http://www.foreignaffairs.house.gov/

U.S. GOVERNMENT PRINTING OFFICE

36–080PDF WASHINGTON : 2007

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo.gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2250 Mail: Stop SSOP, Washington, DC 20402–0001

COMMITTEE ON FOREIGN AFFAIRS

TOM LANTOS, California, *Chairman*

HOWARD L. BERMAN, California
GARY L. ACKERMAN, New York
ENI F.H. FALEOMAVAEGA, American Samoa
DONALD M. PAYNE, New Jersey
BRAD SHERMAN, California
ROBERT WEXLER, Florida
ELIOT L. ENGEL, New York
BILL DELAHUNT, Massachusetts
GREGORY W. MEEKS, New York
DIANE E. WATSON, California
ADAM SMITH, Washington
RUSS CARNAHAN, Missouri
JOHN S. TANNER, Tennessee
GENE GREEN, Texas
LYNN C. WOOLSEY, California
SHEILA JACKSON LEE, Texas
RUBÉN HINOJOSA, Texas
JOSEPH CROWLEY, New York
DAVID WU, Oregon
BRAD MILLER, North Carolina
LINDA T. SÁNCHEZ, California
DAVID SCOTT, Georgia
JIM COSTA, California
ALBIO SIRES, New Jersey
GABRIELLE GIFFORDS, Arizona
RON KLEIN, Florida

ILEANA ROS-LEHTINEN, Florida
CHRISTOPHER H. SMITH, New Jersey
DAN BURTON, Indiana
ELTON GALLEGLY, California
DANA ROHRABACHER, California
DONALD A. MANZULLO, Illinois
EDWARD R. ROYCE, California
STEVE CHABOT, Ohio
THOMAS G. TANCREDO, Colorado
RON PAUL, Texas
JEFF FLAKE, Arizona
JO ANN DAVIS, Virginia
MIKE PENCE, Indiana
JOE WILSON, South Carolina
JOHN BOOZMAN, Arkansas
J. GRESHAM BARRETT, South Carolina
CONNIE MACK, Florida
JEFF FORTENBERRY, Nebraska
MICHAEL T. MCCAUL, Texas
TED POE, Texas
BOB INGLIS, South Carolina
LUIS G. FORTUÑO, Puerto Rico
GUS BILIRAKIS, Florida

ROBERT R. KING, *Staff Director*
YLEEM POBLETE, *Republican Staff Director*

SUBCOMMITTEE ON TERRORISM, NONPROLIFERATION, AND TRADE

BRAD SHERMAN, California, *Chairman*

DAVID WU, Oregon
DAVID SCOTT, Georgia
RON KLEIN, Florida
GENE GREEN, Texas
JOSEPH CROWLEY, New York

EDWARD R. ROYCE, California
JOHN BOOZMAN, Arkansas
TED POE, Texas
DONALD A. MANZULLO, Illinois
THOMAS G. TANCREDO, Colorado

DON MACDONALD, *Subcommittee Staff Director*
JOHN BRODTKE, *Subcommittee Professional Staff Member*
TOM SHEEHY, *Republican Professional Staff Member*
KINSEY KIRIAKOS, *Staff Associate*

CONTENTS

Page

WITNESSES

The Honorable Karan K. Bhatia, Deputy Representative, Office of the United States Trade Representative 13
The Honorable Christopher R. Hill, Assistant Secretary, Bureau of East Asian and Pacific Affairs, U.S. Department of State 18

LETTERS, STATEMENTS, ETC., SUBMITTED FOR THE HEARING

The Honorable Brad Sherman, a Representative in Congress from the State of California, and Chairman, Subcommittee on Terrorism, Nonproliferation, and Trade: Prepared statement 3
The Honorable Edward R. Royce, a Representative in Congress from the State of California: Prepared statement 6
The Honorable Karan K. Bhatia: Prepared statement 15
The Honorable Christopher R. Hill: Prepared statement 20
Letter to the Honorable Edward R. Royce, a Representative in Congress from the State of California, from Ms. Susan C. Schwab, U.S. Trade Representative, Executive Office of the President 34

Ambassador BHATIA. Effectively the latter. I mean, it contemplates—excuse me, the former. I think it is the former based on my memory what you are describing. It would contemplate that changes in rules of origin that would be needed to effectively allow goods from Kaesong or any other outward processing zone would require us to come back and seek legislation from the Hill.

Mr. SHERMAN. So you would need legislation and you would not simply give notice to Congress and ask us to disapprove?

Ambassador BHATIA. No, that is not what we contemplate.

Mr. SHERMAN. Needless to say, the drafting here would allow some successor of yours to take a different position, which is why I at least had to get you on the record here.

Mr. ROYCE. Mr. Chairman, if you would yield for a minute?

Mr. SHERMAN. I yield for a minute.

Mr. ROYCE. You understand I feel this is a moot point, but if you would like, the two of us could write a letter to that effect for legislative intent and we can get this issue off the table.

Mr. WU. Reclaiming my time, I would be much more impressed if the administration were to put it in writing.

Mr. SHERMAN. Yes. Well, we would like a letter from the USTR and the Secretary of State addressing this issue, defining what the words "seeking legislative approval" mean in Section 5 of Annex 22–C and also commenting upon whether such legislative approval is an absolute necessary precursor for whether any goods can come in under the 22–C process, because I could see the administration taking the position that says, well, we are responsible for seeking legislative approval, we will go seek it. In the meantime, we will let the goods in. So we will need something on timing and something on whether it requires an act of Congress.

So I now turn to the gentleman. I believe the next on the list is the gentleman from Texas.

Mr. POE. Thank you, Mr. Chairman.

Ambassador BHATIA. Thank you.

Mr. POE. I represent probably the largest refinery area in the southeast, southeast Texas. What land we do not have refineries on we grow rice. This portion of Texas used to have 600,000 acres of rice, long-grain rice. That was 25 years ago. Now our rice fields are down to 200,000. The number one problem is markets. I am a free trader. I believe in it. But as things would happen, long-grain rice from Texas, the number one market used to be Cuba and then Iran and then Iraq.

[Laughter.]

Mr. POE. We all knew what has happened. We do not really trade with those people anymore, and then when we were selling rice, getting rice for Iraq, the government for some reason was buying it from Vietnam. So rice farmers, they would just like some markets. And this free trade agreement, we deal with avocados and sunflower seeds and lemons, but we do not deal with rice, and that concerns me because it is not free trade for rice.

Rice is an exception because it is better for South Korea to have a quota than it is for the United States to be able to go into that market and compete on the world scale, and I want to know why. What do I tell the rice farmers who are going broke down there in Texas? What would I tell them in this free trade agreement that

abc NEWS

North Korea Nears Completion of Electromagnetic Pulse Bomb

N. Korea Disrupts Current Military Maneuvers With Russian Device To Jam GPS

North Korea appears to be protesting the joint U.S. and South Korean military maneuvers by jamming Global Positioning Devices in the south, which is a nuisance for cell phone and computers users -- but is a hint of the looming menace for the military.

Since March 4, Pyongyang has been trying to disrupt GPS receivers critical to South Korean military communications apparently in protest of the ongoing joint military training exercises between South Korean and U.S. forces. Strong jamming signals were sent intermittently every five to 10 minutes.

The scope of the damage has been minimal, putting some mobile phones and certain military equipment that use GPS signals on the fritz.

Large metropolitan areas including parts of Seoul, Incheon and Paju have been affected by the jamming, but "the situation is getting wrapped up, no severe damage has been reported for the last two days," Kyoungwoo Lee, deputy director of Korea Communications Commission, said.

The jamming, however, has raised questions about whether the Korean peninsula is bracing for new electronic warfare.

The North is believed to be nearing completion of an electromagnetic pulse bomb that, if exploded 25 miles above ground would cause irreversible damage to electrical and electronic devices such as mobile phones, computers, radio and radar, experts say.

"We assume they are at a considerably substantial level of development," Park Chang-kyu of the Agency for Defense Development said at a briefing to the parliament Monday.

Park confirmed that South Korea has also developed an advanced electronic device that can be deployed in times of war.

The current attempts to interfere with GPS transmissions are coming from atop a modified truck-mounted Russian device. Pyongyang reportedly imported the GPS jamming system from Russia in early 2000 and has since developed two kinds of a modified version. It has also in recent years handed out sales catalogs of them to nations in the Middle East, according to South Korea's Chosun Ilbo.

North Korea Jams GPS Signals in Ominous Threat of More to Come

Major Korean newspaper editorials today called the recent jamming a "wake-up call," pointing out that consequences could be severe if North Korea succeeds in discharging full-fledged electromagnetic waves.

On top of disrupting major communication tools used by both civilians and the military, the waves would affect financial transactions and civilian airplanes dependent on radio signals.

"The problem could be further exacerbated by the fact that our military equipment increasingly relies on commercial GPS standards," wrote JoongAng Daily, one of South Korea's largest newspapers.

This is the second time North Korea has sought to interfere with military communications. Pyongyang is thought to have been behind a failure of GPS receivers on some naval and civilian aircraft during

ADVERTISEMENT

PRINT POWERED BY FormatDynamics

another joint military exercise in August.

South Korea's minister of defense at that time had reported to the Congress, warning that the North poses "a fresh security threat" capable of disrupting guided bombs and missiles by sending signals over a distance of up to 60 miles.

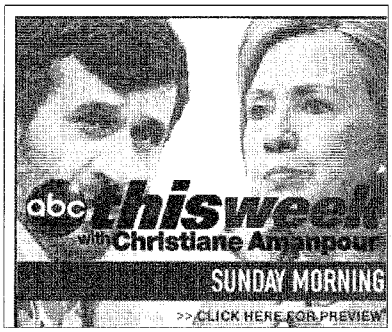
Some modern weapons are equipped with an alternative guided system in addition to GPS, which means the bomb would find its way to the target even if it loses contact with the satellite.

But the Korean military weaponry still largely remains vulnerable to GPS jamming signals, said Kwon Oh-Bong of the Defense Acquisition Program Administration, answering questions from concerned politicians at a parliamentary working session Monday.

"Because we have a special code for the military, it is unlikely to be affected by such an attack, but there are some weapons that do not require a special code, so we are researching preventive measures," he said.

U.S. Forces Korea spokesman David Oten declined to assess the effects, saying it is a matter of intelligence but added in an e-mail response that they are conducting extensive analysis of potential threats and ensured that "United States forces operate using multiple, redundant navigational systems and train extensively to operate in a contested electronic environment."

Euri Son and Esther Kim contributed to this article.



PRINT POWERED BY FormatDynamics

The Korea Herald
The Nation's No.1 English Newspaper

'S. Korea behind North in electronic warfare'

2011-03-09 19:51

Experts say latest GPS disruption proves new kind of military threat from North

North Korea's recent jamming of communications signals in South Korea is drawing keen public attention to its electronic warfare capabilities and raising questions over whether the South is making due efforts to enhance its own capabilities.

Last Friday and Sunday, the North sent strong electric waves to the South, temporarily disrupting Global Positioning System signals in Seoul and the surrounding regions, and causing cellular phones and other electronic equipment to malfunction there.

It was not the first time: The North attempted to jam GPS signals in the South last August during the South Korea-U.S. Ulchi-Freedom Guardian exercise.

Seoul officials believe the jamming signals are intended to disrupt the ongoing annual South Korea-U.S. Key Resolve/ Foal Eagle exercises, which the North has berated as rehearsals to prepare for an invasion to topple its regime.

As the electronic warfare technology is aimed at incapacitating the enemy's high-tech precision-guided weaponry, communication, radar and other computerized systems, experts have called on the South to make more efforts to handle the newly-emerging military threats.

"With electronic warfare capabilities, one can achieve great impact at a low cost. By simply manipulating things on the Internet, it can achieve the effect of neutralizing scores of fighter jets," said Kim Jong-ha, professor on military science at Hannam University.

"Electronic warfare is staged usually before a conventional war kicks off so that one can neutralize the enemy's weapons systems. Should the North's jamming systems affect the South's Air Force during a possible war, it could be quite threatening.

"It is hard to verify the exact electronic warfare capabilities of the North. However, the South appears to be falling far behind the North."

The North is known to have started preparing for electronic warfare in the 1970s — more than 10 years earlier than the South.

In a manual on electronic warfare, which was published by the North Korean military in 2005 and obtained by a South Korean Christian group last August, North Korean leader Kim Jong-il stressed the importance of electronic warfare.

"As I mentioned many times before, the modern-day warfare is electronic warfare. Success in a modern war depends on how we carry out the electronic warfare operations," he said in the manual.

Defense Minister Kim Kwan-jin gives a briefing on North Korea's recent jamming of communications signals in South Korea during a meeting with lawmakers at the National Assembly on Wednesday. (Yonhap News)

The manual also noted that electronic warfare helped the U.S. win in the 1990-91 Gulf War in a short period of time.

The North is said to have scores of military bases specializing in electronic warfare operations in various positions including some in its capital of Pyongyang. The electronic waves detected last week are believed to have originated from bases in Haeju, Gaeseong and Mount Geumgang.

The communist state is thought to use Russian-made vehicle-mountable jamming devices deployed at two or three locations near the Military Demarcation Line. The devices are capable of disrupting GPS signals in areas that are 50-100 kilometers away.

Military sources said that the North is believed to have imported a new jamming tool from Russia that can cover the whole peninsula. The new tool is thought to be capable of disrupting GPS signals within a range of 400 kilometers

The jamming equipment could pose a serious problem to the South in case of another armed conflict with its northern neighbor.

The North can use it not only to jam GPS signals but also to disseminate misleading, fake signals so as to confuse its enemies' forces. The equipment also can preclude the South from using GPS-guided weapons to bomb its long-range artillery pieces that put the Seoul metropolitan area within striking range.

The North is also thought to be seeking to develop electromagnetic pulse bombs that can effectively paralyze computers and other electronic systems, and seriously hamper enemy forces' basic warfare operations.

North Korea has a number of educational institutions to foster electronic warfare experts. It is known to have invited Russian professors to give specialized lectures.

South Korea started seeking to procure electronic warfare equipment from France only in 1993 after it recognized the importance of the electronic combat devices in the wake of the Gulf War.

It has deployed some electronic warfare tools such as TRC-613L EA (Electronic Attack) and TRC-274C ES (Electronic Support) — both of which were produced by France's Thomson — in frontline areas.

TRC-613L EA is capable of disrupting wireless communications networks in the North while TRC-274C ES is used for eavesdropping purposes.

The South's Air Force has also been seeking to purchase an electronic warfare training system through a contract — worth 130 billion won ($116 million) — with a Turkish-based defense firm since 2008. The system is intended to enhance military pilots' survivability under the enemy's aerial threats.

The South is also seeking to develop electromagnetic pulse bombs and high-power microwave bombs that could neutralize the enemy's electric warfare apparatus.

The state-run Agency for Defense Development has carried out research on the development of EMP and HPM bombs with an aim to finish the development process by 2015.

The HPM bombs are known to be capable of incapacitating all electronic goods within a radius of 300 meters. Sound waves from their warheads are to go into enemy bases through ventilation facilities or antenna, and cause all electronic devices to stop functioning, experts say.

By Song Sang-ho (sshluck@heraldm.com)