

Senate Committee on Banking, Housing, and Urban Affairs

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# Evaluating Sanctions Enforcement and Policy Options on North Korea

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## Introduction

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

My testimony will examine why current sanctions on North Korea are insufficient to exert meaningful pressure while also explaining how the U.S. government and its foreign partners can implement sanctions that have a much better chance of restraining Pyongyang's brutal dictatorship. Above all, the U.S. and its partners must apply the lessons learned from its successful effort to force Iran to the negotiating table via comprehensive sanctions.

Despite the common misperception that tough sanctions on North Korea are already in place, my testimony will illustrate how the current restraints on Pyongyang pale in comparison to the ones that compelled Tehran to negotiate. Above all, the U.S. and its partners must target the Chinese firms, individuals, banks, and others who play a crucial role in enabling North Korea to evade sanctions. Again, there is a common misperception that China is immune to pressure from abroad, yet there are already strong indications that Beijing will bend when facing the right kind of pressure.

In the course of my testimony, I will offer nine specific recommendations for how Congress and the Trump administration can implement an effective sanctions regime.

Before proceeding, it is essential to underscore the urgency of the threat from Pyongyang. Kim Jong Un is a despot who murdered an American citizen; tortures, starves, and kills his own people; and will spare no expense to develop an intercontinental ballistic missile (ICBM) that can deliver a nuclear weapon to the United States. The July 4 and July 28 ICBM launches and September 3 sixth nuclear test are a wakeup call to all of us, especially those who once described Kim as a "Swiss-educated reformer" or believe North Korea has any interest in serious negotiations with the United States.<sup>1</sup>

Furthermore, one should not assume Kim will hold back from using his nuclear weapons on America and our allies.

Often, U.S. policy toward North Korea gets stuck in the provocation-response cycle whereby a North Korean provocation is met with strong rhetoric and/or a token increase in sanctions, which is repeated over and over. These scattershot responses have not to date added up to a serious and effective sanctions policy because they are driven by the momentary need to look tough, rather than by a clear strategy for denuclearizing the Korean peninsula. In practice, the Kim regime can keep distracting the United States with its repeated provocation. We should break this cycle and ensure that the U.S. response to every North Korean provocation advances our ultimate goal.

Regrettably, many experts call for the acceptance of North Korea as a nuclear weapons state and insist that the U.S. can protect itself with a policy of deterrence. To evaluate the effectiveness of deterrence, one must be clear about such a policy's goals. Some suggest the United States has

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<sup>1</sup> Michael Moynihan, "Kim Jong Un & The Myth of the Reformer Dictator," *The Daily Beast*, December 24, 2013. (<http://www.thedailybeast.com/kim-jong-un-and-the-myth-of-the-reformer-dictator>)

successfully deterred Pyongyang over the last 25 years, since there has been no second Korean war. But the goal should be deterring North Korea from actions that threaten the U.S. or its allies. On that score, deterrence has a mixed record at best. For example, Pyongyang killed over 40 South Korean sailors when it sunk the *Cheonan*, maintains a robust relationship with Iran, built a nuclear reactor in Syria that Israel destroyed in 2007, and launched a ballistic missile directly over Japan. Unfortunately, this is a short list of the failures of deterrence.

Thus, the U.S. finds itself in a rapidly deteriorating situation where counterproductive policy options like a negotiated freeze of North Korea's nuclear and missile programs or a hypothetical peace treaty are treated like real options. Advocates say North Korea is ready to accept a freeze and/or peace treaty and it will lead to denuclearization. Unfortunately, we have seen this movie before.

Not only has North Korea told us it is not interested in denuclearization, its actions reinforce it. Pyongyang showed us the "Map of Death" in 2013 suggesting its nuclear targets are Washington, DC; Hawaii, home to Pacific Command; possibly San Diego, home to the Pacific Fleet; and possibly San Antonio, home to U.S. Air Force Cyber Command.<sup>2</sup> Just after the July 4 ICBM test, North Korea's state media said that the Kim regime would not negotiate its nuclear weapons or ballistic missiles or stop bolstering its nuclear force unless the United States ended its "hostile policy and nuclear threat" to North Korea.<sup>3</sup> Translation: When Washington abandons its allies in Tokyo and Seoul and removes all troops, North Korea might be willing to talk about its programs.

At some point, Washington will need to consider the Kim regime as the obstacle toward achieving denuclearization of the Korean peninsula, and sanctions can decrease the threat from the regime in a way that negotiations cannot.

### **The Nature of North Korea Sanctions**

Understanding the utility of sanctions as part of a broader, coherent North Korea policy is often clouded by myths about the country's history. It is common for scholars and journalists to note that years of strong sanctions against North Korea have failed. It is true that, thus far, sanctions have not achieved the U.S. objective of disarming North Korea, but it is not true that sanctions have been either strong or well-enforced, or that they cannot work. The four most prevalent myths about sanctions are:

1) *North Korea is isolated financially.* North Korea consistently obscures its access to the international financial system using non-traceable front companies, a practice that the Treasury Department has called "a threat to the integrity of the U.S. financial system."<sup>4</sup> North Korea's use of front companies puts banks at a disadvantage, especially when governments are unwilling to

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<sup>2</sup> Jeffrey Lewis, "The Map of Death," *Foreign Policy*, April 3, 2013. (<http://foreignpolicy.com/2013/04/03/the-map-of-death/>)

<sup>3</sup> "Kim Jong Un Supervises Test-launch of Inter-continental Ballistic Rocket Hwasong-14," *Korean Central News Agency*, July 5, 2017. (<https://kcnawatch.co/newstream/276945/kim-jong-un-supervises-test-launch-of-inter-continental-ballistic-rocket-hwasong-14/>)

<sup>4</sup> U.S. Department of the Treasury, Financial Crimes Enforcement Network, "Finding that the Democratic People's Republic of Korea is a Jurisdiction of Primary Money Laundering Concern," 81 Federal Register 35441, June 2, 2016. ([https://www.fincen.gov/sites/default/files/shared/2016-13038\(DPRK\\_Finding\).pdf](https://www.fincen.gov/sites/default/files/shared/2016-13038(DPRK_Finding).pdf))

identify these companies. The UN, in its February 2017 report, noted that North Korea used foreign banks to process transactions through accounts in the U.S. and Europe.<sup>5</sup> As I describe later, the Treasury and Justice Departments similarly discovered that designated North Korean banks have conducted financial transactions through the American banking system.

2) *The U.S. will run out of North Korea entities to designate.* The number of North Korea designations has more than doubled since mid-February 2016 when the North Korea Sanctions and Policy Enhancement Act went into effect.<sup>6</sup> Washington has finally directly sanctioned the country's leader Kim Jong Un, numerous government ministries, shipping companies, seven banks, and the national airline. This year, the Trump administration started to sanction North Korean international business partners. Since March 31, the U.S. has sanctioned 43 persons, of whom 86 percent operate outside North Korea and 54 percent are non-North Koreans who facilitate North Korea's sanctions evasion.

3) *China will not respond to pressure over North Korea.* Conventional wisdom says Beijing will shelter North Korea from international sanctions at all costs.<sup>7</sup> That is not necessarily true. China's response to U.S. sanctions against its banks, firms, and individuals has been muted. In 2013, after the U.S. Treasury sanctioned North Korea's Foreign Trade Bank, the Bank of China sent the Foreign Trade Bank a notice closing its account, cutting off its access to the Chinese financial system.<sup>8</sup> When Washington moved against Chinese nationals aiding a designated North Korean bank in September 2016, Beijing arrested 10 people and froze the assets of those involved.<sup>9</sup> Clearly, when Pyongyang threatens Chinese economic interests, Beijing can tighten its leash on North Korea, even moving against its own citizens who had likely been authorized to trade with the country.

4) *North Korea is the world's most-sanctioned country.* A quantitative review of U.S. sanctions reveals that North Korea currently sits fourth on the list of countries with the most sanctioned entities. North Korea has moved up one position since mid-July, placing it behind Ukraine/Russia, Syria, and Iran – even after the lifting of numerous sanctions on Iran to comply with the Joint Comprehensive Plan of Action (JCPOA), as the 2015 nuclear deal is formally known – and ahead

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<sup>5</sup> United Nations Security Council, "Report of the Panel of Experts established pursuant to resolution 1874 (2009)," S/2017/150, February 27, 2017. (<http://undocs.org/S/2017/150>)

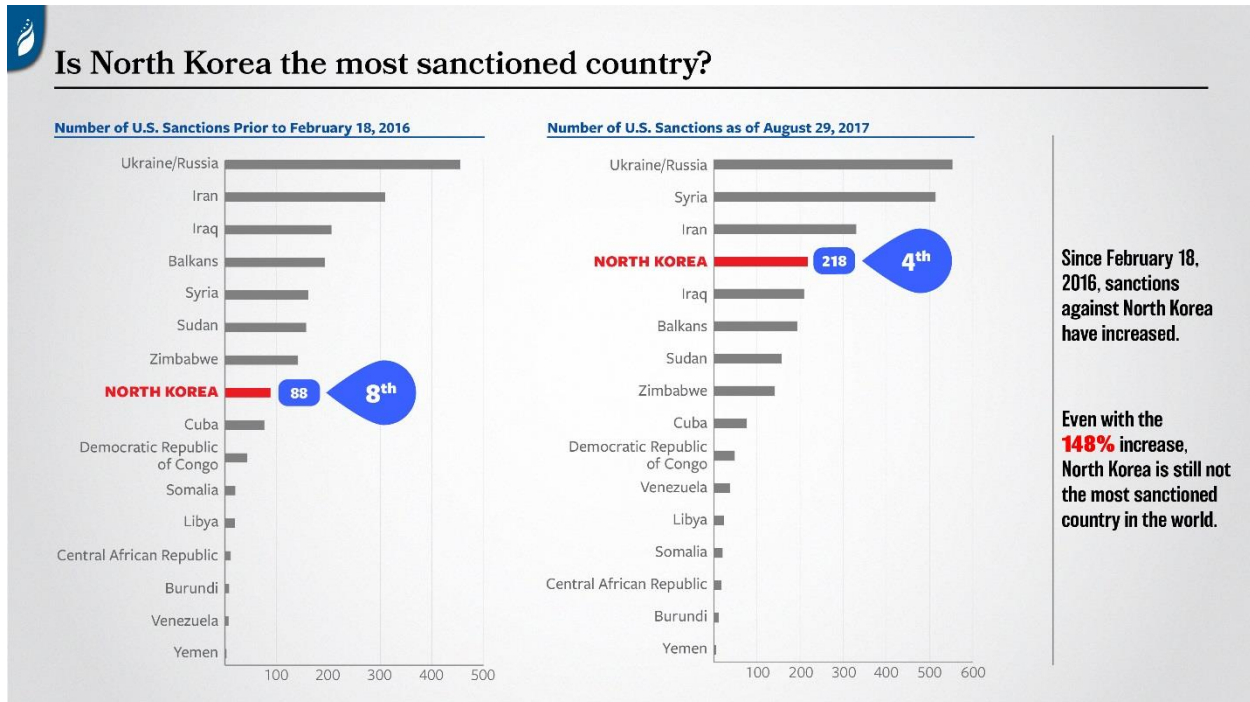
<sup>6</sup> North Korea Sanctions and Policy Enhancement Act of 2016, Pub. L. No. 114-122, 130 Stat. 93, codified as amended at 114 U.S.C. (<https://www.congress.gov/114/bills/hr/757/BILLS-114hr757enr.pdf>)

<sup>7</sup> Joel Wit and Richard Sokolsky, "The Art of a Deal with North Korea," *Politico*, January 24, 2017. (<http://www.politico.com/magazine/story/2017/01/the-art-of-a-deal-with-north-korea-214686>)

<sup>8</sup> U.S. Department of the Treasury, Press Release, "Treasury Sanctions Bank and Official Linked to North Korean Weapons of Mass Destruction Programs," March 11, 2013. (<https://www.treasury.gov/press-center/press-releases/Pages/jl1876.aspx>); Simon Rabinovitch and Simon Mundy, "China reduces banking lifeline to N Korea," *Financial Times* (UK), May 7, 2013. (<https://www.ft.com/content/a7154272-b702-11e2-a249-00144feabdc0>)

<sup>9</sup> U.S. Department of Justice, Press Release, "Four Chinese Nationals and China-Based Company Charged with Using Front Companies to Evade U.S. Sanctions Targeting North Korea's Nuclear Weapons and Ballistic Missile Programs," September 26, 2016. (<https://www.justice.gov/opa/pr/four-chinese-nationals-and-china-based-company-charged-using-front-companies-evade-us>); Elizabeth Shim, "China arrests more than 10 business executives for North Korea trade," *UPI*, September 21, 2016. ([http://www.upi.com/Top\\_News/World-News/2016/09/21/China-arrests-more-than-10-business-executives-for-North-Korea-trade/1531474469593/](http://www.upi.com/Top_News/World-News/2016/09/21/China-arrests-more-than-10-business-executives-for-North-Korea-trade/1531474469593/))

of Iraq (see graphic 1).<sup>10</sup> North Korea sanctions have more than doubled since the North Korea Sanctions and Policy Enhancement Act came into effect on February 18, 2016. Prior to that date, North Korea ranked eighth, behind Ukraine/Russia, Iran, Iraq, the Balkans, Syria, Sudan, and Zimbabwe.

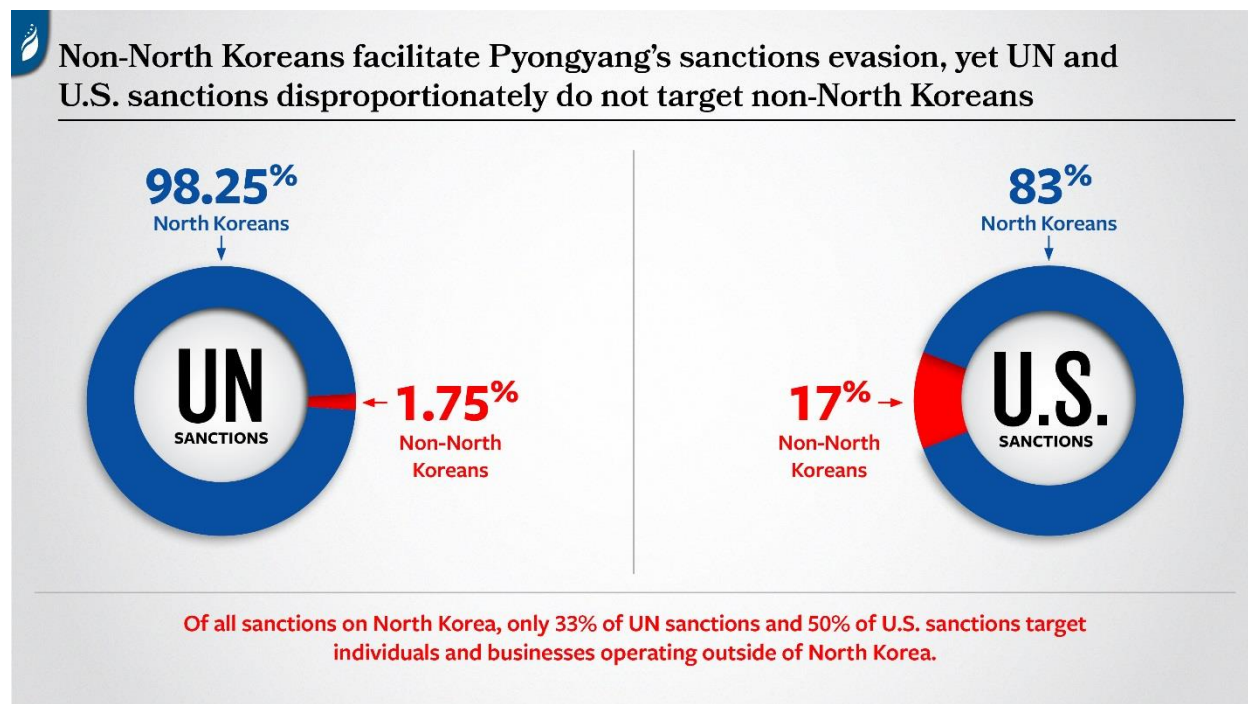


<sup>10</sup> The review of sanctions included those entities and individuals listed on the U.S. Department of the Treasury’s Office of Foreign Assets Control Specially Designated Nationals list. The Ukraine/Russia sanctions category includes persons sanctioned under the Sergei Magnitsky Rule of Law Accountability Act and persons subject to the Ukraine-related Directives. U.S. Department of the Treasury, Specially Designated Nationals List, accessed through August 29, 2017. (<https://sanctionssearch.ofac.treas.gov/>)



A qualitative assessment of the sanctions imposed on North Korea reinforces the conclusion that it has not been targeted aggressively, since U.S. sanctions barely touch the international business networks – especially in China – on which Pyongyang relies to evade most restrictions. The Trump administration’s recent efforts have focused on Pyongyang’s international business and non-North Koreans, but there is still more to do.

Even the UN acknowledges that North Korea uses “non-nationals of [North Korea] as facilitators, and rel[ies] on numerous front companies” to generate “significant revenue” for North Korea.<sup>11</sup> In testimony before the House Committee on Financial Services Subcommittee on Monetary Policy and Trade in mid-July, I noted that 47 percent of U.S. sanctions targeted persons located/conducting business outside of North Korea. That number has now increased to 50 percent. In July, only 12 percent of those persons were non-North Korean; that number has increased to more than 17 percent (see graphic 2). The UN sanctions numbers are worse. In July, only 27 percent of all designated persons were located or conducting business outside of North Korea, a number that has improved to 33 percent. In July, only 2 percent of those persons were non-North Korean, yet that number has dropped to 1.75 percent.



<sup>11</sup> United Nations Security Council, “Report of the Panel of Experts established pursuant to resolution 1874 (2009),” February 27, 2017. (<http://undocs.org/S/2017/150>)

## The Iran Sanctions Model for North Korea

Both critics and supporters of the 2015 nuclear deal agree that sanctions were the main driver that brought Iran to the negotiating table. Thus, the Trump administration should look to the Iran sanctions playbook for its North Korea policy. If we want to change North Korea's behavior, our sanctions have to be at least as tough as they were on Iran.

The goal of sanctions on North Korea is different than it was with Iran since the regime already has nuclear weapons and will not negotiate away its program. Kim Jong Un views negotiations merely as one step toward his goal of recognition of North Korea as a state with nuclear weapons. The U.S. goal should be to protect the U.S. and her allies at all costs by strangling the sources of revenue and materiel on which North Korea relies for its nuclear weapons program, its military, and luxury goods to buy off its elites.

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

By this standard, sanctions on North Korea have a long way to go. Former Deputy Director of the CIA and former Under Secretary of the Treasury for Terrorism and Financial Intelligence David Cohen has noted, “North Korea is not, by any stretch, ‘sanctioned out.’ Despite a broad set of international and U.S. sanctions, North Korea has gotten off relatively easy, especially as compared with Iran.”<sup>12</sup>

We learned earlier this year that Belgium allowed North Korean banks sanctioned by the UN to maintain access to SWIFT, the secure financial messaging service, despite SWIFT's checkered history with Iran, whose access to SWIFT only ended when Congress began considering legislation prohibiting it.<sup>13</sup> This shows how many Western governments are not serious about imposing sanctions that have sufficient teeth to have the desired impact. Likewise, Austria justified the export of ski equipment for Kim's chalet on the grounds that it was not listed as a luxury good in the European regulations, taking a literal view of sanctions rather than realizing that building a ski resort in a country where its population is starving is the very definition of luxury.<sup>14</sup> There are other such examples of sanctions violations, in most cases aided by countries that have a lax interpretation of the UN sanctions architecture in Southeast Asia, Africa, and the Middle East.

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<sup>12</sup> David S. Cohen, “One powerful weapon to use against North Korea,” *The Washington Post*, April 21, 2017. ([https://www.washingtonpost.com/opinions/one-powerful-weapon-to-use-against-north-korea/2017/04/21/ddbb9702-26c2-11e7-bb9d-8cd6118e1409\\_story.html?utm\\_term=.f4a89212dbec](https://www.washingtonpost.com/opinions/one-powerful-weapon-to-use-against-north-korea/2017/04/21/ddbb9702-26c2-11e7-bb9d-8cd6118e1409_story.html?utm_term=.f4a89212dbec))

<sup>13</sup> Anthony Ruggiero, “Time to act against rogue North Korean banks,” *The Hill*, March 17, 2017. (<http://thehill.com/blogs/pundits-blog/foreign-policy/324430-time-to-act-against-rouge-north-korean-banks>)

<sup>14</sup> United Nations Security Council, “Report of the Panel of Experts established pursuant to resolution 1874 (2009),” February 27, 2017. (<http://undocs.org/S/2017/150>)

### North Korea's Financial Activities

A review of Treasury and Justice Departments' actions against North Korea's financial activities reveals three methods Pyongyang uses to finance its sanctions evasion. The first method was used by Dandong Hongxiang Industrial Development, which was sanctioned by Treasury and indicted by Justice in September 2016 (see graphic 3).<sup>15</sup> The method was also used by Dandong Zhicheng Metallic Materials which was sanctioned by Treasury and subject to an asset forfeiture request for more than \$4 million filed by Justice in August.<sup>16</sup> Both companies' illicit activities were initially exposed by the innovative data-mining organization C4ADS.<sup>17</sup>

The scheme begins with North Korea shipping a commodity to a Chinese company – in these examples, coal is used. The Chinese company sells the item and pockets a significant profit. The money owed to the North Korean exporter remains in China, which allows North Korea to use it to purchase goods. Each side keeps a ledger that tracks debits and revenue allowing North Korea to purchase goods from the Chinese companies' accounts and the Chinese company to receive additional profit from facilitating these sales. Most sellers want payment in U.S. dollars, which requires hiding Pyongyang's role to continue the transaction. This is where Chinese firms and individuals use accounts in Chinese banks to transfer money to front companies in China and other jurisdictions to create the illusion of a transaction between the seller and China, when North Korea is the real destination. This fraudulent scheme tricks U.S. banks into processing the transactions and Chinese banks are either complicit or fail to ask about Chinese companies' business with North Korea.

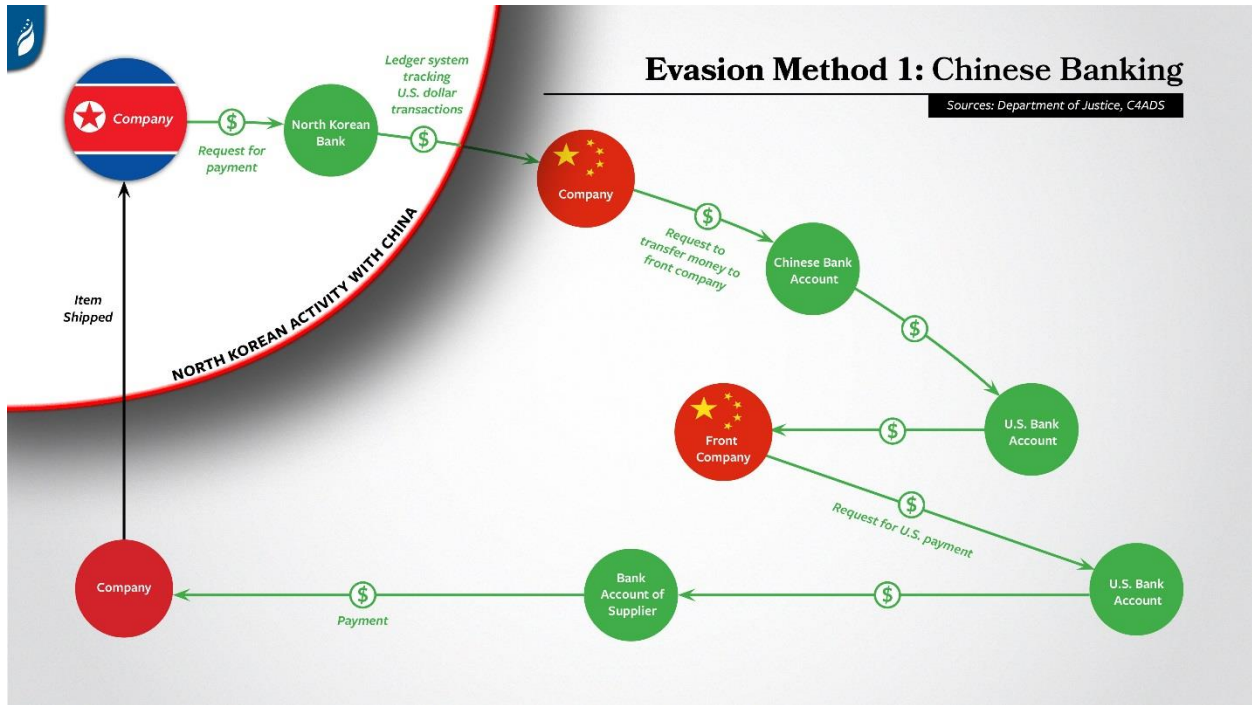
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<sup>15</sup> U.S. Department of the Treasury, Press Release, "Treasury Imposes Sanctions on Supporters of North Korea's Weapons of Mass Destruction Proliferation," September 26, 2016. (<https://www.treasury.gov/press-center/press-releases/Pages/j15059.aspx>); U.S. Department of Justice, Press Release, "Four Chinese Nationals and China-Based Company Charged with Using Front Companies to Evade U.S. Sanctions Targeting North Korea's Nuclear Weapons and Ballistic Missile Programs," September 26, 2016. (<https://www.justice.gov/opa/pr/four-chinese-nationals-and-china-based-company-charged-using-front-companies-evade-us>)

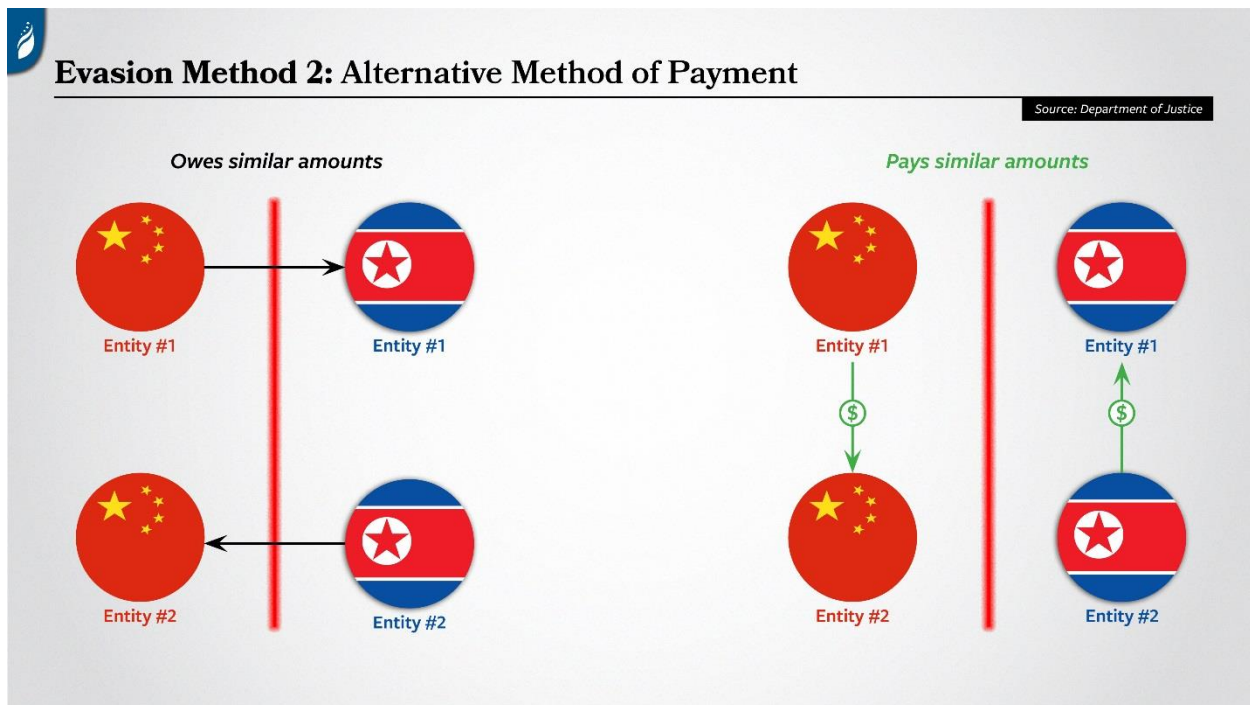
<sup>16</sup> U.S. Department of the Treasury, Press Release, "Treasury Targets Chinese and Russian Entities and Individuals Supporting the North Korean Regime," August 22, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0148.aspx>); *United States of America v. Funds Associated with Dandong Chengtai Trading Limited*, No. 1:17-cv-01706 (D.D.C. August 22, 2017). (Accessed via PACER)

<sup>17</sup> "In China's Shadow: Exposing North Korean Overseas Networks," *The Asan Institute for Policy Studies and C4ADS*, August 2016. (<https://static1.squarespace.com/static/566ef8b4d8af107232d5358a/t/57dfe74acd0f68d629357306/1474291539480/I+n+China%27s+Shadow.pdf>); "Risky Business: A System-Level Analysis of the North Korean Proliferation Financing System," *C4ADS*, June 2017. (<https://static1.squarespace.com/static/566ef8b4d8af107232d5358a/t/59413c8bebbd1ac3194eafb1/1497447588968/Risky+Business-C4ADS.pdf>)



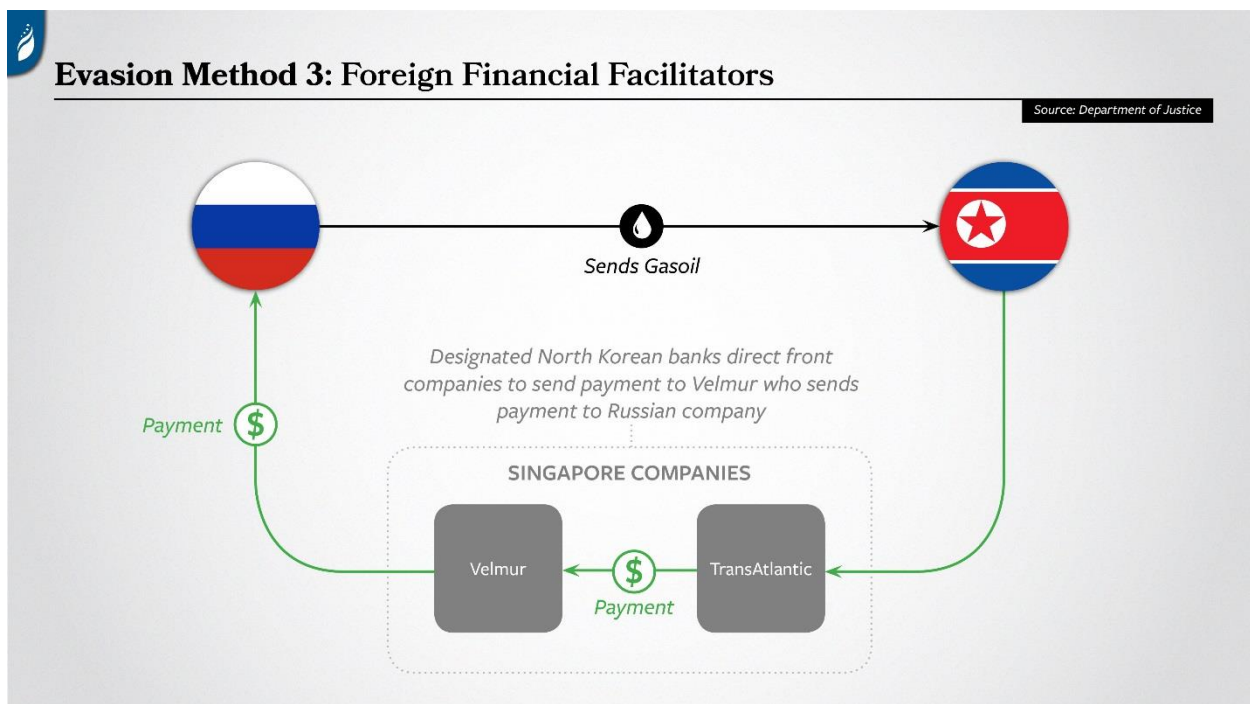


The second method was identified by the Justice Department following an interaction with an unnamed North Korean defector (see graphic 4).<sup>18</sup> The scheme is simple: Chinese companies pay each other using the credits of one North Korean company to pay the debt of another North Korean company. It is unclear if these transactions involve U.S. dollars, but they have the benefit of avoiding money transfers between China and North Korea that could be subject to increased scrutiny. Chinese banks likely facilitate these payments between Chinese companies, and asking additional questions about the nature of the business relationship between these companies and North Korea could identify these are problematic transactions prompting additional scrutiny.



<sup>18</sup> *United States of America v. Funds Associated with Dandong Chengtai Trading Limited*, No. 1:17-cv-01706 (D.D.C. August 22, 2017). (Accessed via PACER)

The third method was used by a Russian company to receive payments from North Korea for the shipment of oil (see graphic 5). Independent Petroleum Company (IPC) was sanctioned by the Treasury Department in early June for signing a contract to provide oil to North Korea and reportedly shipped over \$1 million worth of petroleum products to North Korea.<sup>19</sup> IPC shipped gasoil to North Korea and IPC requested payment from North Korea in U.S. dollars, but a direct transaction between Russia and North Korea using U.S. dollars is nearly impossible. IPC and North Korea devised a scheme to create two companies in Singapore to create the illusion of transactions between North Korean front companies, Singapore, and Russia. The scheme obscured North Korea’s involvement and continued Pyongyang’s ability, with assistance from a Russian company and Russian individuals, to violate U.S. law. The Justice Department requested forfeiture of almost \$7 million and fines for these alleged violations of U.S. laws.<sup>20</sup>



<sup>19</sup> U.S. Department of the Treasury, Press Release, “Treasury Sanctions Suppliers of North Korea’s Nuclear and Weapons Proliferation Programs,” June 1, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0099.aspx>)

<sup>20</sup> *United States of America v. Funds Associated with Velmur Management PTE. Ltd.*, No. 1:17-cv-01705 (D.D.C. August 22, 2017). (Accessed via PACER)

## North Korea's Chinese Banks

To be as tough on North Korea as it was on Iran, the U.S. should move aggressively against the Chinese banks that are integral to North Korea's sanctions evasion efforts. Pyongyang's activities taint every Chinese financial transaction conducted through the United States as a possible effort to finance prohibited activities.

Information on North Korea's use of Chinese banks to access the American banking system is incomplete and likely represents the tip of the iceberg. The available estimates generally encompass only transactions with designated North Korean entities and individuals or those who work on their behalf.

One pattern that emerges from the data is the disturbing extent to which Chinese banks help North Korea leverage the U.S. financial system to evade sanctions.

Merchants that knowingly or unknowingly sell goods to North Korea or its Chinese front companies want payment in dollars. Pyongyang has consistently turned to Chinese banks to process transactions through the U.S. financial system on its behalf, allowing North Korea to pay business partners in U.S. dollars, which is prohibited by U.S. law. The only way for North Korea to conduct these U.S. dollar transactions is to obscure its involvement in the transactions. While doing so is illegal, such banks have little to fear from a government in Beijing that has made clear its lack of interest in enforcing sanctions.

Another disturbing development was first revealed in a mid-June Justice Department request for the forfeiture of more than \$1.9 million from Mingzheng International Trading Limited, which was sanctioned by Treasury in late August.<sup>21</sup> Justice stated that Mingzheng acts as a front company for a covert branch of North Korea's Foreign Trade Bank (FTB), Pyongyang's primary foreign exchange provider, which is operated by a Chinese national.<sup>22</sup> Justice noted that the FTB bank representative ordered five payments to Velmur, a now-exposed Russian-North Korean front company, totaling more than \$1.8 million.<sup>23</sup>

Recent disclosures show that from 2009 to 2017, North Korea used Chinese banks to process at least \$2.2 billion in transactions through the U.S. financial system:

- The Justice Department stated that Dandong Hongxiang and its associated front companies – created by four Chinese individuals accused of evading North Korean sanctions –

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<sup>21</sup> *United States of America v. Funds Associated with Mingzheng International Trading Limited*, No. 1:17-cv-01166-KBJ (D.D.C. June 14, 2017). (Accessed via PACER); U.S. Department of the Treasury, Press Release, "Treasury Targets Chinese and Russian Entities and Individuals Supporting the North Korean Regime," August 22, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0148.aspx>)

<sup>22</sup> *United States of America v. Funds Associated with Mingzheng International Trading Limited*, No. 1:17-cv-01166-KBJ (D.D.C. June 14, 2017). (Accessed via PACER)

<sup>23</sup> *United States of America v. Funds Associated with Velmur Management PTE. Ltd.*, No. 1:17-cv-01705 (D.D.C. August 22, 2017). (Accessed via PACER)

processed over \$1.3 billion in transactions through the American banking system between 2009 and 2016.<sup>24</sup>

- Along with four front companies, Dandong Zhicheng Metallic Material Company Limited, which accounted in 2016 for 9.19 percent of total North Korean exports to China, used the Chinese financial system from 2009 to 2017 to process \$700 million through the U.S. system, including \$52 million this year.<sup>25</sup>
- The Treasury Department stated that Bank of Dandong processed at least \$133.62 million from May 2012 to May 2015 as an agent for companies transacting with, or on behalf of, U.S.- and UN-sanctioned North Korean entities.<sup>26</sup>
- In May 2016, Treasury stated that Leader (Hong Kong) International Trading Limited, a North Korean front company, from January 2009 to November 2012 cleared at least \$13.5 million through correspondent accounts in U.S. banks.<sup>27</sup>
- Further afield, a Singaporean court found that a local firm, Chinpo Shipping, used its bank accounts – including in Bank of China – from April 2009 to July 2013 to process more than \$40 million through the U.S. for North Korea.<sup>28</sup>
- From October to November 2015, Mingzheng International Trading Limited, a front company in Shenyang, China, laundered more than \$1.9 million using the Chinese banking system for U.S.-sanctioned North Korean Foreign Trade Bank.<sup>29</sup>

The Justice Department declared in September 2016 that there were “no allegations of wrongdoing” by Chinese banks involved in the Dandong Hongxiang network.<sup>30</sup> We now know

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<sup>24</sup> *United States of America v. Funds Associated with Mingzheng International Trading Limited*, No. 1:17-cv-01166-KBJ (D.D.C. June 14, 2017). (Accessed via PACER)

<sup>25</sup> “Risky Business: A System-Level Analysis of the North Korean Proliferation Financing System,” *C4ADS*, June 2017.

(<https://static1.squarespace.com/static/566ef8b4d8af107232d5358a/t/59413c8bebbd1ac3194eafb1/1497447588968/Risky+Business-C4ADS.pdf>); *United States of America v. All Wire Transactions Involving Dandong Zhicheng Metallic Material Company, LTD., et. al.* (D.D.C filed May 22, 2017).

(<http://www.dcd.uscourts.gov/sites/dcd/files/BAHMemoandOrder.pdf>)

<sup>26</sup> U.S. Department of the Treasury, Financial Crimes Enforcement Network, “Proposal of Special Measure Against Bank of Dandong as a Financial Institution of Primary Money Laundering Concern,” 82 Federal Register 129, July 7, 2017. ([https://www.fincen.gov/sites/default/files/federal\\_register\\_notices/2017-07-07/2017-14026.pdf](https://www.fincen.gov/sites/default/files/federal_register_notices/2017-07-07/2017-14026.pdf))

<sup>27</sup> U.S. Department of the Treasury, Financial Crimes Enforcement Network, “Finding that the Democratic People’s Republic of Korea is a Jurisdiction of Primary Money Laundering Concern,” 81 Federal Register 35441, June 2, 2016. ([https://www.fincen.gov/sites/default/files/shared/2016-13038\(DPRK\\_Finding\).pdf](https://www.fincen.gov/sites/default/files/shared/2016-13038(DPRK_Finding).pdf))

<sup>28</sup> Andrea Berger, “Thanks to the Banks: Counter-Proliferation Finance and the Chinpo Shipping Case,” *38 North*, December 16, 2015. (<http://38north.org/2015/12/aberger121615/>)

<sup>29</sup> U.S. Department of Justice, Press Release, “United States Files Complaint to Forfeit More Than \$1.9 Million from China-Based Company Accused of Acting as a Front for Sanctioned North Korean Bank,” June 15, 2017. (<https://www.justice.gov/usao-dc/pr/united-states-files-complaint-forfeit-more-19-million-china-based-company-accused-acting>)

<sup>30</sup> U.S. Department of Justice, Press Release, “Four Chinese Nationals and China-Based Company Charged with Using Front Companies to Evade U.S. Sanctions Targeting North Korea’s Nuclear Weapons and Ballistic Missile



that was not correct, as the June 2017 action against Bank of Dandong revealed that Dandong Hongxiang owned a minority stake in the bank through December 2016. The Treasury Department also stated that Dandong Hongxiang used the bank to process \$56 million through the U.S. financial system between October 2012 and December 2014. Treasury noted in June 2017 that “the close relationship between the two entities helped establish Bank of Dandong as a prime conduit for North Korean activity.”<sup>31</sup> This case illustrates that it is crucial for the U.S. government to target entire networks, including the Chinese banks that facilitate these activities.

***Recommendation 1: Sanction Additional Chinese Banks.*** Following its designation of Bank of Dandong in June, the Trump administration should move against another Chinese bank using the full suite of Treasury’s tools. Treasury should issue significant fines against one or more medium-sized banks as a means of signaling there is a systemic problem inside China’s financial system.<sup>32</sup> The purpose of such moves is not simply punitive; it is to drive a wedge between Chinese banks that covet their access to the U.S. financial system and Chinese leaders who indulge North Korea. If the banks fear they will be the next target of U.S. sanctions, they will pressure political leaders to change course.<sup>33</sup>

### North Korea’s Networks

Tracing North Korea’s proliferation activities is difficult, as Pyongyang obscures the true nature of the procurements and uses non-North Korean entities and individuals to shield these activities from scrutiny.<sup>34</sup> A report by C4ADS found that “the system of North Korean sanctions evasion is centralized, limited, and vulnerable, and that its disruption can greatly increase the pressure on the Kim regime.”<sup>35</sup> Many of these activities involve Chinese facilitators or have a nexus in China, suggesting that Beijing should do more to curtail these activities.<sup>36</sup> Russia has also recently emerged as a conduit for North Korea’s proliferation activities. A sample of these proliferation activities include:<sup>37</sup>

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Programs,” September 26, 2016. (<https://www.justice.gov/opa/pr/four-chinese-nationals-and-china-based-company-charged-using-front-companies-evade-us>)

<sup>31</sup> U.S. Department of the Treasury, Financial Crimes Enforcement Network, “Proposal of Special Measure Against Bank of Dandong as a Financial Institution of Primary Money Laundering Concern,” 82 Federal Register 129, July 7, 2017. ([https://www.fincen.gov/sites/default/files/federal\\_register\\_notices/2017-07-07/2017-14026.pdf](https://www.fincen.gov/sites/default/files/federal_register_notices/2017-07-07/2017-14026.pdf))

<sup>32</sup> Anthony Ruggiero, “Severing China-North Korea Financial Links,” *Center for Strategic & International Studies*, April 3, 2017. (<https://www.csis.org/analysis/severing-china-north-korea-financial-links>)

<sup>33</sup> Anthony Ruggiero, “Time for Trump to Get Tough on China,” *Politico*, July 6, 2017. (<http://www.politico.com/magazine/story/2017/07/06/donald-trump-china-north-korea-215343>)

<sup>34</sup> United Nations Security Council, “Report of the Panel of Experts established pursuant to resolution 1874 (2009),” February 27, 2017. (<http://undocs.org/S/2017/150>)

<sup>35</sup> “Risky Business: A System-Level Analysis of the North Korean Proliferation Financing System,” *C4ADS*, June 2017. (<https://static1.squarespace.com/static/566ef8b4d8af107232d5358a/t/59413c8bebbd1ac3194eafb1/1497447588968/Risky+Business-C4ADS.pdf>)

<sup>36</sup> Joshua Stanton, “UN report finds extensive evidence that China hosts N. Korea’s proliferation networks,” *One Free Korea*, March 15, 2017. (<http://freekorea.us/2017/03/15/un-report-finds-extensive-evidence-that-china-hosts-n-koreas-proliferation-networks/#sthash.mB0tb4EF.WXqoytkT.dpbs>)

<sup>37</sup> Additional examples of North Korea’s proliferation activities can be found at: Anthony Ruggiero, “Restricting North Korea’s Access to Finance,” *Testimony before House Committee on Financial Services, Subcommittee on Monetary Policy and Trade*, July 19, 2017. ([http://www.defenddemocracy.org/content/uploads/documents/Anthony\\_Ruggiero\\_Testimony\\_HFSC.pdf](http://www.defenddemocracy.org/content/uploads/documents/Anthony_Ruggiero_Testimony_HFSC.pdf))

- The July 4 ICBM test was delivered to the launch site on a Chinese-made truck.<sup>38</sup> The same trucks were used by North Korea to parade six road-mobile intercontinental ballistic missiles in 2012.<sup>39</sup> North Korea claimed the trucks were for the forestry ministry, and the UN has prohibited since 2006 the export of items for the Kim regime's missile program.<sup>40</sup>
- In 2015, a Chinese company supplied sophisticated machine tools to North Korea, which could be used for its nuclear, missile, and military programs, according to a report published in April by the Institute for Science and International Security.<sup>41</sup> The UN has prohibited these items since 2006, and such activity probably violates China's own export-control restrictions.<sup>42</sup>
- The UN 2016 report noted that the shipment of Scud missile parts from North Korea to Egypt was run out of the North Korean embassy in Beijing.<sup>43</sup>
- In early June, Treasury designated a Russian company and individual for providing supplies to Korea Tangun Trading Corporation and noted the individual is a frequent business partner of Tangun officials in Moscow.<sup>44</sup> Tangun was designated by the U.S. in 2009 for its involvement in North Korea's WMD and missile programs.
- In late August, Russia's Gefest-M LLC and its director were sanctioned for procuring metals for Tangun's Moscow office.<sup>45</sup>
- UN Security Council Resolution 2371 sanctioned nine North Korean overseas representatives for prohibited activities and/or sanctions evasion. Four of the representatives are located in Russia and five are in China.<sup>46</sup>

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<sup>38</sup> James Pearson and Jack Kim, "North Korea appeared to use China truck in its first claimed ICBM test," *Reuters*, July 4, 2017. (<http://www.reuters.com/article/us-northkorea-missiles-china-truck-idUSKBN19P1J3>)

<sup>39</sup> Larry Shaughnessy, "Truck raises questions about China's role in North Korea's missile program," *CNN*, April 20, 2012. (<http://www.cnn.com/2012/04/20/world/asia/north-korea-chinese-truck/>)

<sup>40</sup> United Nations Security Council, Resolution 1718, October 14, 2006. ([http://www.un.org/ga/search/view\\_doc.asp?symbol=S/RES/1718%20%282006%29](http://www.un.org/ga/search/view_doc.asp?symbol=S/RES/1718%20%282006%29))

<sup>41</sup> David Albright, "Shenyang Machine Tools Company," *Institute for Science and International Security*, April 13, 2017. (<http://isis-online.org/isis-reports/detail/shenyang-machine-tools-company/>)

<sup>42</sup> United Nations Security Council, Resolution 1718, October 14, 2006. ([http://www.un.org/ga/search/view\\_doc.asp?symbol=S/RES/1718%20%282006%29](http://www.un.org/ga/search/view_doc.asp?symbol=S/RES/1718%20%282006%29))

<sup>43</sup> United Nations Security Council, "Report of the Panel of Experts established pursuant to resolution 1874 (2009)," February 24, 2016. (<http://undocs.org/S/2016/157>)

<sup>44</sup> U.S. Department of the Treasury, Press Release, "Treasury Sanctions Suppliers of North Korea's Nuclear and Weapons Proliferation Programs," June 1, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0099.aspx>)

<sup>45</sup> U.S. Department of the Treasury, Press Release, "Treasury Targets Chinese and Russian Entities and Individuals Supporting the North Korean Regime," August 22, 2017. (<https://www.treasury.gov/press-center/press-releases/Pages/sm0148.aspx>)

<sup>46</sup> United Nations Security Council, Resolution 2371, August 5, 2017. ([http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/RES/2371\(2017\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2371(2017)))

**Recommendation 2: Sanction Chinese and Russian Facilitators of Pyongyang's Sanctions Evasion.** The Trump administration should continue to sanction elements of the Chinese and Russian networks that facilitate North Korea's sanctions evasion, preferably with near simultaneity for maximum effect. Chinese entities and individuals are at the heart of sanctions evasion, but Russia is filling a key void. Beijing and Moscow will object to the sanctions, but the time for accepting excuses is over.

#### Additional Sanctions Recommendations

**Recommendation 3: Block the Revenue North Korea Receives from Overseas Laborers.** To be as tough on North Korea as it was on Iran, the U.S. must work to disrupt the stream of revenue generated by Pyongyang's provision of *de facto* slave labor to foreign countries in exchange for hard currency. The regime sends citizens overseas – estimates range from 50,000 to 120,000 – into terrible work conditions while requiring foreign countries and companies to pay the workers' salaries directly to the regime, which passes on just a small percentage to the workers.<sup>47</sup> These slave laborers likely participated in the construction of venues for the upcoming soccer World Cups in Russia in 2018 and Qatar in 2022.<sup>48</sup> One expert puts North Korea's earnings from the practice at some \$500 million annually.<sup>49</sup> In early August, Kuwait stated that it employs over 6,000 North Korean workers and said it has no plans to reduce that number, contradicting the State Department's 2017 Trafficking in Persons report.<sup>50</sup> The Russian government admitted last week that it employs 40,000 North Korean workers in timber processing and construction.<sup>51</sup>

UN Security Council Resolution 2371 unfortunately only caps the number of overseas North Korean workers, despite stating the revenue is used in Pyongyang's nuclear weapons and missile programs.<sup>52</sup> The Countering America's Adversaries Through Sanctions Act mandates the

<sup>47</sup> Shin Chang-Hoon and Go Myong-Hyun, "Beyond the UN COI Report on Human Rights in North Korea," *The Asan Institute for Policy Studies*, November 3, 2014. (<http://en.asaninst.org/contents/asan-report-beyond-the-coi-dprk-human-rights-report/>); Marcus Noland, "Organized Exports of Labor: Welcome to the Echo Chamber," *Peterson Institute for International Economics*, June 1, 2015. (<https://piie.com/blogs/north-korea-witness-transformation/organized-exports-labor-welcome-echo-chamber>)

<sup>48</sup> David Conn, "World Cup 2018: Fifa admits workers have suffered human rights abuses," *The Guardian* (UK), May 25, 2017. (<https://www.theguardian.com/football/2017/may/25/fifa-world-cup-2018-workers-human-rights-abuses>); Allie Conti, "North Korean Slaves Are Building Qatar's World Cup Centerpiece," *Vice*, November 7, 2014. ([https://www.vice.com/en\\_us/article/north-korean-slaves-are-building-qatars-world-cup-centerpiece](https://www.vice.com/en_us/article/north-korean-slaves-are-building-qatars-world-cup-centerpiece))

<sup>49</sup> Marcus Noland, "Organized Exports of Labor: Welcome to the Echo Chamber," *Peterson Institute for International Economics*, June 1, 2015. (<https://piie.com/blogs/north-korea-witness-transformation/organized-exports-labor-welcome-echo-chamber>)

<sup>50</sup> Jon Gambrell, "Kuwait Says North Korean Workers Welcome Then Refutes Itself," *Associated Press*, August 11, 2017. ([https://www.bloomberg.com/news/articles/2017-08-11/kuwait-says-north-korean-workers-welcome-then-refutes-itself?utm\\_content=politics&utm\\_campaign=socialflow-organic&utm\\_source=twitter&utm\\_medium=social&cmpid%3D=socialflow-twitter-politics](https://www.bloomberg.com/news/articles/2017-08-11/kuwait-says-north-korean-workers-welcome-then-refutes-itself?utm_content=politics&utm_campaign=socialflow-organic&utm_source=twitter&utm_medium=social&cmpid%3D=socialflow-twitter-politics)); U.S. Department of State, "Trafficking in Persons Report 2017," June 2017. (<https://www.state.gov/documents/organization/271339.pdf>)

<sup>51</sup> Polina Nikolskaya and Katya Golubkova, "Russian-North Korea projects foundering because of missile tests: minister," *Reuters*, August 28, 2017. ([http://www.reuters.com/article/us-russia-northkorea-trade-idUSKCN1B81BO?utm\\_campaign=trueAnthem:+Trending+Content&utm\\_content=59a4451504d3010ce4152a6b&utm\\_medium=trueAnthem&utm\\_source=twitter](http://www.reuters.com/article/us-russia-northkorea-trade-idUSKCN1B81BO?utm_campaign=trueAnthem:+Trending+Content&utm_content=59a4451504d3010ce4152a6b&utm_medium=trueAnthem&utm_source=twitter))

<sup>52</sup> <sup>52</sup> United Nations Security Council, Resolution 2371, August 5, 2017. ([http://www.un.org/en/ga/search/view\\_doc.asp?symbol=S/RES/2371\(2017\)](http://www.un.org/en/ga/search/view_doc.asp?symbol=S/RES/2371(2017)))

president to impose sanctions on persons that employ North Korean workers, and Washington should lead an effort to end North Korean slave labor.<sup>53</sup> The U.S. should then build a coalition of like-minded countries that commit to not accept North Korean overseas laborers. China and Russia would block a UN ban on payments to North Korea, but exposing the terrible work conditions and links between the revenue and the prohibited programs could pressure Beijing and Moscow to alter the payment mechanism providing the money directly to the laborers, while continuing to import North Korean laborers.

***Recommendation 4: Pursue an Offensive and Defensive Cyber Strategy.*** North Korea is honing its cyber skills to use both as an asymmetric weapon against the United States and South Korea, and as a means of generating revenue, such as the regime's attempt to steal \$1 billion from Bangladesh's central bank.<sup>54</sup> Pyongyang conducts its cyber activities from inside China. Beijing and other supporters value access to the American financial system, and we should issue sanctions and criminal charges against them to send a message that enabling cyber attacks has consequences. We must harden our defenses and strengthen the castle walls, share data with the private sector – the primary target of North Korea's attacks – and think more creatively about new forms of cyber cooperation with the most technologically-advanced of our allies.<sup>55</sup> The *New York Times* reported in March that Washington is engaged in a cyber effort to sabotage North Korea's missile launches, sending Pyongyang a message that cyber attacks go both ways.<sup>56</sup>

***Recommendation 5: Impose Mandatory Inspections for all North Korean Ships.*** North Korea uses its shipping fleet to transfer prohibited materials, which in some cases are disguised as shipments of legitimate items. The UN reported in February that Egypt intercepted the *Jie Shun*, which was carrying rocket-propelled grenades and components concealed under iron ore.<sup>57</sup> All North Korean ships should be subject to inspection when they arrive at foreign ports or, if applicable, in international waters to ensure they are complying with the UN sanctions on transfers of prohibited goods. The U.S. and its partners should sanction all elements of the North Korean fleet to subject them to increased inspections at foreign ports, including regular updates to assist with port state compliance, and expand interdiction exercises with key partners in the region.

***Recommendation 6: Use U.S. and Partner States' Authorities to Enforce UN Sanctions.*** UN Security Council resolutions are not self-enforcing, and the United States has a special responsibility to lead a UN sanctions implementation effort given the preeminent role of the U.S.

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<sup>53</sup> Countering America's Adversaries Through Sanctions Act, 115 U.S.C.

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

<sup>54</sup> Michael Corkery and Matthew Goldstein, "North Korea Said to Be Target of Inquiry Over \$81 Million Cyberheist," *The New York Times*, March 22, 2017. ([https://www.nytimes.com/2017/03/22/business/dealbook/north-korea-said-to-be-target-of-inquiry-over-81-million-cyberheist.html?\\_r=0](https://www.nytimes.com/2017/03/22/business/dealbook/north-korea-said-to-be-target-of-inquiry-over-81-million-cyberheist.html?_r=0))

<sup>55</sup> Samantha Ravich and Anthony Ruggiero, "The growing North Korean cyber threat," *Fifth Domain Cyber*, June 12, 2017. (<http://www.defenddemocracy.org/media-hit/samantha-ravich-the-growing-north-korean-cyber-threat/>); Samantha Ravich, "State-Sponsored Cyberspace Threats: Recent Incidents and U.S. Policy Response," *Testimony before the Senate Foreign Relations Committee*, June 13, 2017. ([http://www.defenddemocracy.org/content/uploads/documents/6132017\\_Ravich\\_Testimony.pdf](http://www.defenddemocracy.org/content/uploads/documents/6132017_Ravich_Testimony.pdf))

<sup>56</sup> William J. Broad and David E. Sanger, "U.S. Strategy to Hobble North Korea Was Hidden in Plain Sight," *The New York Times*, March 4, 2017. (<https://www.nytimes.com/2017/03/04/world/asia/left-of-launch-missile-defense.html>)

<sup>57</sup> United Nations Security Council, "Report of the Panel of Experts established pursuant to resolution 1874 (2009)," February 27, 2017. (<http://undocs.org/S/2017/150>)



dollar in the international financial system. China and Russia will not allow the UN Security Council to address the implementation challenges identified by the UN Panel of Experts. The United States should coordinate an implementation effort with other like-minded countries (South Korea, Japan, Australia, the United Kingdom, France, and Germany). In some cases, countries may need assistance drafting implementation laws or regulations. In other cases, the U.S. should sanction those countries that violate UN sanctions and refuse implementation assistance.

### Additional Recommendations

***Recommendation 7: Address Iran-North Korea Cooperation.*** A February 2016 Congressional Research Service report noted the North Korea-Iran ballistic missile relationship is “significant and meaningful.”<sup>58</sup> That missile relationship was serious enough for the Obama administration to sanction Iran a month earlier, just one day after the nuclear deal with Tehran was implemented.<sup>59</sup> North Korea’s successful tests and stated deployment of the solid-fueled Pukguksong-2 medium-range ballistic missile could be attractive to Iran.<sup>60</sup> The U.S. and its partners should use their own authorities and North Korea-related UN sanctions to prohibit the exchange of technicians, review the role of Iranian ports in North Korea’s proliferation activities, and ensure the intelligence community is assessing the relationship for signs of increased missile cooperation or incipient nuclear cooperation.

***Recommendation 8: Implement Restrictions on Tourist Travel to North Korea.*** The death of American student Otto Warmbier was nothing less than a callous murder at the hands of North Korea’s Stalinist dictatorship. We should remember that at least three Americans are being held in North Korea. These detentions are part of a pattern for Pyongyang, which uses Americans as bargaining chips in its standoff with Washington.<sup>61</sup> Senior American envoys have also bought into the illusion that engagement could yield results, regardless of how clearly the regime advertised its hostility. The State Department has restricted the use of U.S. passports for travel to North Korea starting September 1, except under limited conditions.<sup>62</sup> This is a good step forward, but Congress must ensure it is being implemented and that it is not adversely affecting the operations of humanitarian organizations who care more about the North Korean people than the Kim regime.

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<sup>58</sup> Paul K. Kerr, Steven A. Hildreth, and Mary Beth D. Nikitin, “Iran-North Korea-Syria Ballistic Missile and Nuclear Cooperation,” *Congressional Research Service*, February 26, 2016.

(<https://fas.org/sgp/crs/nuke/R43480.pdf>)

<sup>59</sup> The White House, Press Release, “Statement by the President on Iran,” January 17, 2016.

(<https://obamawhitehouse.archives.gov/the-press-office/2016/01/17/statement-president-iran>); U.S. Department of the Treasury, Press Release, “Treasury Sanctions Those Involved in Ballistic Missile Procurement for Iran,” January 17, 2016. (<https://www.treasury.gov/press-center/press-releases/Pages/jl0322.aspx>)

<sup>60</sup> Anthony Ruggiero and Behnam Ben Taleblu, “The danger of North Korea and Iran – and how Trump should tackle it,” *The Hill*, July 6, 2017. (<http://thehill.com/blogs/pundits-blog/foreign-policy/340832-the-great-danger-of-north-korea-and-iran-and-what-trump-can>)

<sup>61</sup> Anthony Ruggiero, “North Korea Takes another American Hostage,” *Foundation for Defense of Democracies*, April 24, 2017. (<http://www.defenddemocracy.org/media-hit/anthony-ruggiero-north-korea-takes-another-american-hostage/>)

<sup>62</sup> U.S. Department of State, “United States Passports Invalid for Travel to, in, or Through the Democratic People’s Republic of Korea,” 82 Federal Register 36067, August 2, 2017. (<https://www.gpo.gov/fdsys/pkg/FR-2017-08-02/pdf/2017-16287.pdf>); U.S. Department of State, “Notice of Information Collection Under OMB Emergency Review: Request for Approval To Travel to a Restricted Country or Area,” 82 Federal Register 36065, August 2, 2017. (<https://www.gpo.gov/fdsys/pkg/FR-2017-08-02/pdf/2017-16286.pdf>)



**Recommendation 9: Address North Korea’s Human Rights Abuses.** The North Korean regime has perfected torture on its own people. When the UN detailed these abuses in a ground-breaking report in 2014, the world collectively shrugged.<sup>63</sup> Even the United States – the “city on a hill” – waited two years to act against North Korean human rights abusers, an inexcusable dereliction of leadership.<sup>64</sup> The UN report noted that Kim’s thugs carry out forced abortions, and any baby that survives is drowned or suffocated in front of the mother; immerse prisoners in a tank until they almost drown; hang people upside down; force needles under fingernails; pour a water-hot chili pepper concoction down the victim’s nose; and use starvation as an element of statecraft to keep innocent civilians fearful of the state.<sup>65</sup>

U.S. Ambassador to the UN Nikki Haley should press for a Security Council session on North Korea’s human rights violations, including a vote on the commission of inquiry’s recommendation to refer the issue to the International Criminal Court or create an international tribunal.<sup>66</sup> Washington should lead this effort, which would force serial human rights enablers China and Russia to veto the resolution. Congress should consider extending the North Korean Human Rights Act that expires later this year.<sup>67</sup> Congressional action to extend this important law will maintain focus on the issue, promote information flow into North Korea, and ensure the administration makes it a priority in discussions with Pyongyang and Beijing.<sup>68</sup>

## Conclusion

Pyongyang’s provocations, including its ICBM tests and sixth nuclear test, deserve increasingly harsh responses from Washington. A new North Korea sanctions approach is needed to secure the United States and its allies against the dangerous and growing threat from this rogue regime. Iran-style sanctions are the only peaceful means for dealing with the threat from Pyongyang, and are for that reason indispensable.

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

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<sup>63</sup> United Nations Human Rights Council, “Report of the Commission of Inquiry on Human Rights in the Democratic People’s Republic of Korea,” February 7, 2014.

(<http://www.ohchr.org/EN/HRBodies/HRC/CoIDPRK/Pages/ReportoftheCommissionofInquiryDPRK.aspx>)

<sup>64</sup> Anthony Ruggiero, “Don’t let North Korea’s nukes overshadow human rights abuses,” *The Hill*, April 28, 2017. (<http://thehill.com/blogs/pundits-blog/foreign-policy/331061-dont-let-north-koreas-nukes-overshadow-human-rights-abuses>)

<sup>65</sup> United Nations Human Rights Council, “Report of the Commission of Inquiry on Human Rights in the Democratic People’s Republic of Korea,” February 7, 2014.

(<http://www.ohchr.org/EN/HRBodies/HRC/CoIDPRK/Pages/ReportoftheCommissionofInquiryDPRK.aspx>)

<sup>66</sup> United Nations Human Rights Council, “Report of the Commission of Inquiry on Human Rights in the Democratic People’s Republic of Korea,” February 7, 2014.

(<http://www.ohchr.org/EN/HRBodies/HRC/CoIDPRK/Pages/ReportoftheCommissionofInquiryDPRK.aspx>)

<sup>67</sup> North Korea Human Rights Act of 2004, Pub. L. No. 108-333, 118 Stat. 1287, codified as amended at 22 U.S.C. §7801. (<https://www.congress.gov/108/plaws/publ333/PLAW-108publ333.pdf>)

<sup>68</sup> Anthony Ruggiero, “Don’t let North Korea’s nukes overshadow human rights abuses,” *The Hill*, April 28, 2017. (<http://thehill.com/blogs/pundits-blog/foreign-policy/331061-dont-let-north-koreas-nukes-overshadow-human-rights-abuses>)