

Actions to Halt North Korea's Illicit Activities  
Enhance  
Negotiations with North Korea

Statement

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North Korea: Illicit Activity Funding the Regime  
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I would like to thank the Subcommittee for inviting me to speak today and for its attention to this very important issue. I speak as a private citizen and author, and not in my capacity as a member of the board of the U. S. Committee for Human Rights in North Korea, of whose work I am very proud.

As other witnesses have said, North Korea's Kim regime is a criminal state. It is not unlike an organized crime family, but it is characterized by a higher degree of ruthlessness carried out on a scale that dwarfs the mafia's reach.

The Kim Jong-il regime's criminal character is evidenced not just in drug smuggling, human trafficking, counterfeiting, and money laundering, as bad as those activities are. North Korea is in many ways an extra-legal regime; that is, a regime that operates outside the bounds of its own laws and international agreements. Criminality permeates the North Korean state. Even North Korea's constitution itself is a cynical document, false on its face, purporting to vest presidential governing authority in a dead man, Kim Il-sung. Although his son Kim Jong-il is now the *de facto* dictator of North Korea, he pretends to occupy the unassuming position of deputy chairman of the National Defense Commission, a bogus title that obscures genuine lines of authority and permits him to shift accountability to others as he wishes.

Kim Jong-il punishes those he finds threatening in mock judicial proceedings that defy North Korea's own laws. He orders executions in public that children are forced to attend, in defiance of international standards of human rights. And he incarcerates thousands of political prisoners in a gulag he claims does not exist.

It should not be surprising a nation that subverts its own laws also defies its international obligations with impunity.

### **Perceptions about North Korea are often at odds with reality**

North Korea is too often assumed to be fundamentally like other nations, deserving respect for its sovereignty and security concerns. The rest of the world may have no choice but to deal with the regime as a sovereign entity, but we should not lose sight that the North Korean "state" is actually a group of thugs.

North Korea's leaders cannot be assumed to operate within an institutional framework, beset as other leaders are, with competing domestic challenges. Over almost sixty years, the regime has systematically abolished the normal institutions of society—there is now no challenge to Kim Jong-il's power from any social organization, political party, military association, labor union, or religious organization. Even alumni associations are outlawed in North Korea. There is no freedom of assembly.

There is a clear peril in assuming that North Korea operates as other nations do. For example, many Americans might be expected to believe that North Korea's leaders, like other nations' leaders, seek to obtain benefits for their people. The assumption leads to an expectation that North Korea's leaders will negotiate in the interest of their subjects,

perhaps seeking some package of infrastructure or public works in exchange for honoring international standards of accounting for plutonium. In fact, the regime openly asserts in domestic propaganda that the relationship between the leader and its citizens is the other way around—that people exist to serve the leader. The people’s welfare, even their access to food, is promoted only to the extent Kim Jong-il believes it serves his purpose.

The national interest is actually the interest of the *Suryong*, or supreme leader.

The case of North Korea’s gold mines is especially informative. During the period of Japan’s oppressive rule of Korea, mining companies were not able to extract gold from North Korea’s gold mines economically. The cost of labor was too high, and the labor too dangerous and difficult, to make the mines worthwhile. Yet under the Kim regime—Kim Jong-il and his father—slave labor at the prison camps does the task. Satellite images of the prison camps, published in David Hawke’s book *The Hidden Gulag*, put out by the U. S. Committee for Human Rights in North Korea, clearly identify the gold mines where the hapless victims of Kim Jong-il toil. The gold they have extracted has accrued to the personal treasury of Kim Jong-il. The gold can be shipped to China where gold certificates can be issued to obscure the regime’s role. Gold certificates are as good as currency on the international market and are used to fund Kim’s overseas operations, including villas in Europe and education for Kim’s sons at exclusive schools in Switzerland. Estimates of the Kim families’ wealth, based on what defectors and escapees have witnessed, range from \$4 billion to \$40 billion.

How, then, can the world call North Korea to task for its violation of international agreements? The answer lies in hitting at the heart of the dictator’s own interests, the lucrative ill-gotten wealth.

### **North Korea’s Topsy-Turvy Approach to Negotiations**

It would seem obvious that an impoverished regime like North Korea might be solicitous of better relations with its neighbors, particularly China, given its reliance on China’s financial and diplomatic support. North Korea, however, chooses to play the game differently. It poses threats to its neighbors and abuses China’s forbearance, simply because it sees an advantage in doing so. North Korea correctly surmises that if it were not threatening, there would be little reason for any other nation to pay attention to it—few natural resources, no great achievements in the arts and industries, few cultural and tourist attractions—so North Korea finds that an ever-increasing level of aggravating behavior actually promotes its interests.

North Korea creates crises that make other nations want to bring North Korea to the negotiating table. Its own negotiating objectives, however, are always to (1) avoid agreements, (2) draw out the negotiations to wear down the other side’s negotiators and win concessions, (3) demand concessions while yielding nothing in return, (4) get benefits just for agreeing to attend negotiating sessions, (5) block progress at the talks, and (6) sign on only to unenforceable arrangements that it will be able to subvert.

North Korea benefits during the process of avoiding negotiation because other parties will provide inducements and benefits if North Korea merely agrees to show up at talks. Negotiations are still viewed in a Cold War light, as another means of warfare, or as the Chinese expression went, “Talk, talk, fight, fight.” Contrary to the generally notion that a friendly atmosphere and cordial relations are a prelude to progress in negotiations, the North Korean regime observes that creating ill-will increases North Korea’s leverage and the other side’s sense of desperation.

North Korea’s pugnacity in negotiations gives the regime advantages in domestic politics as well. When North Korea acts like a bully on the international scene, it conducts purges at home. Kim Jong-il tightens his control by creating crises that give him rationales for demanding greater levels of loyalty and obedience.

### **How Should the US Deal with North Korea?**

False hope that North Korea has recognized a need to reform often guides western negotiators’ approach to North Korea. From our perspective, it is inconceivable North Korea would not recognize the benefits of international cooperation. Yet history shows that inducements have not brought adjustments in the regime’s behavior; only adverse pressure has.

In the 1950s and 60s U. S. and U.N. negotiators concluded the way to deal with North Korea was to back up allied positions with a show of military resolve. As Admiral C. Turner Joy said regarding the Armistice negotiations, North Korea “can be compelled to negotiate seriously... only through the imminent threat of the application of our military power.”<sup>1</sup> In two crises, after the North Korean capture of the USS PUEBLO (1968) and the North Korean “axe murders” in the Joint Security Area (1976), North Korea responded to a show of military force—a deployment of a carrier battle group in 1968 and the introduction of bombers to South Korea in 1976.

Yet there have also been other types of pressure that have modified North Korea’s approach. In the 1970s and 1980s multilateral (usually UN and four-party talks) pressure had a role in modifying North Korea’s approach on North-South relations and eliciting some regret for North Korea’s terrorist attacks. In the 1990s, very promising formal agreements on denuclearization of Korea emerged from North Korea’s perception that changing international events (the fall of the USSR, the PRC’s recognition of South Korea) would have disadvantageous consequences.

Similarly, some progress in the six party talks a year ago came about from pressure that was consistently and, I would suggest, adroitly, exerted on the regime by the Bush administration. From February-May, 2005, increasingly critical statements from President Bush, Vice President Cheney, and Secretary of State Rice clarified U. S. impatience with North Korea’s failure to respond to an American proposal set out by Secretary Powell at negotiations in Beijing in June 2004. In early May, Bush administration negotiators cautioned North Korea that there would be consequences if

North Korea let a year pass without responding to the proposal on the table. In late May, the deployment of stealth fighters to South Korea inspired cautionary alarm from South Korea and China (both of which feared American military action). Eventually even North Korea concluded it could not let Washington's year-old proposal go unanswered. Kim Jong-il responded by proposing the resumption of talks a year and a month after the American proposal had been tabled. After numerous fits and starts, the six-party talks resumed, and in September yielded a reassuring but feckless statement from the regime, which it hastily redefined within a day.

Even such illusory achievements in negotiations with North Korea take tremendous resolve, coordination, and careful handling. But for real achievements, nothing is stronger than limiting the dictator's own purse strings.

On September 15, 2005, the Bush administration took action limiting access to the U. S. banking community for certain banks that "facilitated the criminal activities of North Korean government agencies and front companies." Not surprisingly, the regime, which had been delaying attendance at the talks, seized the negotiating session scheduled a few days later to condemn American interference in its affairs. Since that time, the negotiations have the appearance of being stalled. But it is likely that the results are better than we might have achieved in negotiating sessions.

### **The Benefits of Cracking Down in the Regime's Illicit Activities**

Contrary to our natural inclination to promote a friendly environment prior to any international negotiation, taking adverse action against North Korea's illicit activities actually produced benefits for the negotiating process itself:

- It advanced multilateral unity against North Korea's unacceptable activities;
- It gave North Korea the impression that its leverage, gained by making threats and creating crises, was diminishing, at least for the near term.
- It chastened the regime's behavior and made it act, at least temporarily, compliant
- It sent North Korea a signal of American resolve in a way that Kim Jong-il understands
- It could not help but make Kim Jong-il wonder if there are ways the international community can take a closer look at his family's extravagance, and take action against assets he has scattered around the world.

Moreover, the action against a few banks had an effect on others, producing a multiplier effect. The action may well have thwarted certain North Korean illicit activities—sales of missiles and technology as well as the usual criminal undertakings—simply because these activities could not be funded.

The regime's negotiating behavior has been subdued since September—its diplomacy with China has been more solicitous, and it has soft-pedaled threats.

Even in a closed society like North Korea, information can spread by word of mouth. When North Korea's negotiators have to develop positions defending Kim Jong-il's illicit financial operations, new information begins to spread among the elite. While concerns cannot be expressed, there has to be a growing awareness that such activities embarrass the regime, imperil the continued flow of the benefits of the elite, and call into question Kim Jong-il's "genius." For the privileged North Koreans who find themselves in the nerve-wracking environment of Kim Jong-il's inner circle, fear that the Leader is not as great as he says presents a personally distressing psychological conflict. They cannot help but fear for their own security. Making the regime accountable for its criminal activities accordingly shakes the personality cult surrounding Kim Jong-il.

The law enforcement initiatives undertaken by the Bush administration have had an unusual impact inside North Korea. It specifically seems to have heightened the regime's fear of *military* opposition to Kim Jong-il. Since September, the regime has required all senior military officers to take loyalty oaths in public, something that had previously been done *pro forma* on certain military anniversaries. Inspection visits to military installations have increased, especially in this past month (April, 2006). It is also noteworthy that the threats usually made in the context of negotiations by political officials are being attributed to military leaders—that North Korea can increase its deterrent capabilities, and take pre-emptive action just as the United States can.

### **Negotiating with the Criminal State**

Negotiating with the North Korea criminal state is, not surprisingly, much like dealing with organized crime. The first thing they will do is threaten is your security, after which they will try to sell you protection, which they can revoke at their whim. They will be deceitful when they make agreements, and will violate them when they can. As with organized crime, the only way to deal with them successfully is through enforcement--direct pressure focused on ending the benefits of their crimes. Confronting North Korea on their lucrative illegal activities holds far more benefits than losses for regional security, and, in fact, it enhances the allied posture in the process of negotiation as well.

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<sup>i</sup> C. Turner Joy, *How Communists Negotiate* (New York, McMillan, 1955), p. 175