

Addressing the North Korean Threat
*A conversation with Tom Malinowski, Dr. Jonathan Pollack,
Dr. Samantha Ravich, and Anthony Ruggiero*
Moderated by Josh Lederman

DOUGHERTY: Good morning everyone, and welcome to the Foundation for Defense of Democracies and its Center on Sanctions and Illicit Finance. I'm Joe Dougherty, FDD's Director of Communications, and it's good to see so many familiar faces here at FDD this morning.

We're looking forward to a timely event as we address the threats posed by North Korea and U.S. policy options. Today's event will be live streamed, and I encourage guests here and online to join in on today's conversation on Twitter. You can find that @FDD. Also, a reminder to please silence your cell phones this morning.

I am pleased to hand over the conversation over to today's moderator from *The Associated Press*, Josh Lederman.

LEDERMAN: Thanks a lot, Joe. Thank you all for being here. It's been a confusing and for a lot of people frightening past several months when it comes to North Korea, and confusing for Americans, people in Guam, people in South Korea, Japan. On the one hand, we've seen a level of saber-rattling that you don't typically see between nuclear armed nations and a sense that we're closer to a potential, actual military conflict between the U.S. and North Korea than perhaps we've been.

On the other hand, you hear those in the administration arguing that there are actually signs that the pressure campaign that they have been pursuing is working and that North Korea clearly feels squeezed by this. As a senior administration official told me last night, they feel they've made more progress on North Korea in the last six months than the U.S. has made in decades.

So, where does that leave us, and who should we believe, and what options are there now to counter proliferation and to address grievous human rights concerns about North Korea, to counter the North's growing cyber threat? Well, we're going to try to tackle some of these tough questions today, and thankfully, we have a panel assembled of some of the top experts in each of these areas.

Tom Malinowski was the Assistant Secretary of State for Democracy, Human Rights and Labor under the Obama Administration from 2014 until 2017, and prior to that, he served as the Washington Director for Human Rights Watch.

Dr. Jonathan Pollack is the Senior Fellow at the John L. Thornton China Center and the Center for East Asian Policy at the Brookings Institution. Previously, he was a professor of Asian and Pacific Studies at the U.S. Naval War College.

Dr. Samantha Ravich served as Deputy National Security Advisor to Vice President Dick Cheney, and she's the Senior Advisor at the Foundation for Defense of Democracies' Center on Sanctions and Illicit Finance. She leads a project here on cyber-enabled economic warfare.

Anthony Ruggiero is a Senior Fellow here at FDD. He spent 17 years in the U.S. government as an expert in the use of targeted financial measures, especially sanctions among other measures, and most recently served as a foreign policy fellow for Senator Marco Rubio of Florida.

So, with that, why don't we dig in? Jonathan, I wanted to start with you and ask for a bit of a reality check on how bad are things right now, and is the situation more or less under control, so to speak, than it appears externally from the roller coaster over the past few months?

POLLACK: Well, fair questions. There's public and there's private, and I do think that we had, several weeks ago, a situation induced frankly by the President's own remarks that almost had an implication of a readiness to proceed to preventive war against North Korea. I don't know exactly what motivated the president, but the reality was ironically, then, that North Korea—and the argument was, well, there's this dueling war going on between the two.

Kim Jong-un was not even seen for over two weeks. He was out of pocket, and even the supposed threat to send lob four missiles at Guam—I probably read too much North Korean propaganda, but it's revealing in all kinds of ways. And there's one thing you should always remember about North Korean propaganda: everything is condition-based. The words may sound horrific about what they say they're going to do, and then you read the fine print. And the fine print will say that it is a function of, "We will prepare and we have a plan, and then we'll present it to Kim Jong-un, and if he so orders, we're just ready."

Well, I've seen this too often. I mean, North Korea in its language is very, very jarring. That's often for its own domestic audience, I think, even sometimes more than an international audience. So, the condition is if Kim gives the green light, and depending on what the United States does. So, unless you believe that the United States was prepared to undertake unilateral use of force against North Korea—I wasn't anticipating, and indeed, if you read literally the words of the commander of the North Korean strategic rocket forces, it was a deterrence signal. I mean he said it, literally, in those words.

Now, I'm not trying to say because of that you should simply accept the words from a North Korean senior official, but I think that we went, in the space of a few days, from the implication, particularly, with all due respect to the media, but in the media, that we were on the cusp of the biggest crisis since Cuba in 1962 to a kind of an all-clear signal that came a few days later. So, we're sort of whipsawed in that context.

Now, were the North Koreans sufficiently alarmed that they would've acted otherwise? I don't know. Again, I can't emphasize enough that, and this may come as a surprise, and I think it's a horrendous regime, no love lost, anyone who's familiar with what I've written over the years about North Korea, but there is much more prudence and calculation in the actual initiation of actions that they take as distinct from the words that they offer in the way of threats.

So, again, my own view is I don't take it lightly. Obviously, we're in a different context because they have missiles that can certainly reach Guam, and under some circumstances, depending on what you've got in the way of a warhead, might—might—be able to reach the continental United States. So, the directions are not good because we can see that Kim has doubled down on his nuclear and his missile bits for reasons that, to me, are so embedded in the history of this regime. There have been nuclear dreams in North Korea literally from the origins of the North Korean state. So, we have to be mindful of that.

But very frankly, and this will be my last opening point, we have a policy on the Korean Peninsula: it's called deterrence. It has worked exceedingly well for 65 years. In that 65-year period, South Korea has gone from being an economy that had a per capita GDP of less than \$100 to the 12th biggest economy in the world. Its economy now is roughly 35 to 40 times the size of the North Korean economy.

So, Kim may feel validated by the possession of these weapons. The only issue here is would that give him a different calculus of risk-taking under some circumstances? Not so much vis-a-vis the United States. The dangers in Korea and its environment, it's on the Peninsula, and it's in the region. That's what we should be worried about more than anything else.

So, that said, I think that there are people in the administration who have been very sober and serious about this. Secretary Mattis makes very, very clear. The last place in the world where he would want to have to fight is on the Peninsula, and he knows it. He understands it. I think that Trump, I suspect, listens carefully to Mattis on this.

So, I don't think we're on the cusp of crisis, but then, frankly, if you're asking yourself, "What do we do over the much longer term?" We're in a very, very long struggle here on this. And we're going to have to—if I could coin a phrase that I'm not really coining, it is a case of strategic patience. That may leave people unhappy.

There is a collective failure involving a lot of countries, not just the United States, to prevent North Korea's nuclear weapons development, and the goal has to be to make life as difficult as possible for them without provoking a war, and hoping that at some future point yet to be seen, yet to be determined when, you either have a different kind of leader in the North, or that, much more likely, at some point, that the system in fact comes to an end.

LEDERMAN: You mentioned some of the sober voices in the administration on this, Mattis and others. The position of the administration has been that the U.S. is open at some point to talks with North Korea under the right conditions, namely that they abandon their nuclear aspirations. There were some interesting comments earlier this week from Secretary of State Rex Tillerson, who actually came out and essentially praised North Korea for refraining from provocation since the U.S. kind of laid out this marker for them. Basically, it implied that if this continues on this path, the U.S. would be ready to at some point sit down.

I think a lot of people look at this and say, "Well, publicly announcing detailed plans to strike near Guam is not exactly refraining from provocations." On the other hand, they haven't

actually tested anything in the last several weeks. The State Department officials that I'm speaking to are saying that Secretary Tillerson is being intentionally vague about what are the markers and what is the timeline for the U.S. to enter into some type of talks with North Korea.

Do you think that's a smart strategy to not, given the risk of miscalculation here, to leave vague and open what North Korea exactly has to do?

POLLACK: That's a fair question. My one piece of advice to Secretary Tillerson was the fact that North Korea has not tested a long-range missile in a month is not necessarily equivalent to restraint. If I were to tote up the number and varieties of missiles that they have been testing at an accelerated basis over the last several years, it doesn't look like restraint. There may be many reasons why they're not testing at the moment.

Interestingly enough, there has not been a nuclear weapons test in Korea in almost a year, and there were a lot of predictions earlier this year that there would be a sixth test, maybe a seventh, maybe an eighth. So, at one level, you don't want to give them, dare I say, too much credit, but no, I think what Tillerson seems to be dangling is the idea that, "Okay, you've gone a month without doing anything that we deem a, quote-unquote, provocation, and on that basis, if you, quote-unquote, good behavior is sustained over a period of time, we'll talk to you."

Now, talking, dialogue, to use that dreaded but unspecific term, is not a negotiation. I don't think that anyone in the administration should be under any illusions about this. There's no reason to believe, for any reason that I can identify, that Kim is remotely close to or considering a path that does not entail the continued qualitative and quantitative enhancement of its nuclear weapons capability.

So, you still have to ask, what would a discussion be about? Why would an outcome here be different? I'll freely acknowledge, any day you don't have another long-range missile test or another nuclear test, that's a good day. That's a good day. But the question is what does it really represent? Is there really a path we could imagine under which North Korea could reverse the kind of strategic orientation that it has and find a way to put the kinds of pressures on them that they try a different path?

I understand in diplomacy you have to sort of say all the magic words and all that, but I'm personally very, very skeptical that there's much of a path for any kind of a really meaningful something beyond a discussion. Even then, the administration needs to ponder, what do you expect out of this? What do you do, assuming you do start that kind of a process? What are you looking for from North Korea that would justify and sustain it over the longer run?

We've seen this movie too many times, frankly, for me to have much confidence in an outcome.

LEDERMAN: Tom Malinowski, you worked a lot in the U.S. government to try to expand the amount of information that North Koreans had access to. We have this image in the West of North Koreans as being kept totally clueless by their government, these images of these

massive military celebrations, and these histrionic state news broadcasts, and adulation of Kim Jong-un.

As a number of Western news outlets have started to operate in North Korea in recent years, we've started to see some images that challenge that: luxury items in North Korea, and elements of pop culture seeping in from South Korea and elsewhere.

What is really the situation? How important or even relevant is it, given that the Kim regime doesn't seem to place the economic well-being of its people as the top priority, how relevant is it that North Koreans understand what's going on around them and what role their country is playing in this conflict?

MALINOWSKI: In the long run, I think it's more than relevant. I think it's the key to the puzzle. First of all, I completely agree with your assessment. We're dealing with a nuclear power. We tried to prevent that. We failed. That is the reality. It's not going to change. It is a situation that in some respects resembles the challenge that we faced in the Cold War, albeit on a much smaller and I think less scary, ultimately, scale, in the sense that it is a problem that we have to manage through a combination of diplomacy, deterrence, and pressure through sanctions.

But as important as all of those elements of our strategy are to preventing this thing from getting out of hand and protecting ourselves and our allies, that's not how we're going to solve it in the long term. The solution will come at a point that we cannot predict right now, but when there is some sort of change in North Korea.

I think we do need to get used to thinking about this country in a way that we haven't in the past. It's not just a state. It is a country with people and a country where, increasingly, politics is going to come into play.

The only way this regime has managed to sustain itself over a period of decades is by creating a total information blockade, denying its people knowledge of the outside world, of the existence of alternative possibilities of life. That has been more necessary for the North Korean regime than for most other totalitarian regimes that we know because when you think about it, North Korea is a completely unnatural state. There's absolutely no reason for this country to exist apart from sustaining this one family in power indefinitely.

More than China, more than the Soviet Union, more than Burma in recent years, or any other totalitarian state you can think of, its existence depends on maintaining a set of myths, myths about the true history of the Korean war, myths about the origins of the Kim regime, myths about the relative economic well-being of the people of North Korea relative to those living in South Korea and the rest of the world.

Its success in creating those myths is why it has succeeded over the years, but it's also what makes it particularly vulnerable to a strategy that punctures those myths by exposing people in North Korea to information. Yes, 20 years ago, most people in the North really had no idea, had no clue, what was going on outside their borders. That has changed to a dramatic extent.

This began during the Great Famine of the 1990's, when many North Koreans had to make their way to China just to survive. This created networks, cross-border networks, through which first food and consumer goods started flowing, but then inevitably, information did as well. We now have three million people in North Korea with smartphones that can be used to share information person to person. There's a tremendous volume of information crossing the border on little flash drives and SD cards, things that were technologically impossible 10 or 15 years ago.

There is now a growing subculture in North Korea, not only of consuming this kind of information, which begins with entertainment and soap operas and movies that show people what life is like in South Korea and in the United States, but also increasingly includes more sophisticated political information. There's a subculture of consuming it, but also of sharing it, and by sharing it surreptitiously, we're beginning to see the development of what I would call civil society networks, people cooperating with each other in ways that the state tries to monitor but can't on the massive scale, which creates a greater sense of independence from the state, independence of thought, independence of action.

Now, what does that mean for our strategy? We can't make any of this happen. I'm very wary of the rhetoric of regime change, which suggests that somehow we can foment a coup or a revolution in North Korea, which I don't think is possible. But we can accelerate this trend that is already naturally happening in North Korea by funding programs that are run by NGOs and other organizations that push information into this cross-border flow of goods between China and North Korea.

We can accelerate that, and we can also do what we can to prepare ourselves and the people of North Korea for the pretty extraordinary challenges that we will face when the regime is ultimately challenged and destabilized.

LEDERMAN: The issue of regime change is sort of interesting. The president and Secretary Mattis, or Secretary Tillerson and others, have made a point to say we're not seeking regime change in North Korea. They seem to be trying to placate Kim Jong-un's concerns that that's our actual motive. But you don't actually hear them make that same assertion, at least not proactively, regarding Iran, regarding Venezuela, where the administration actually has sort of flirted with that idea, and other countries that also pose egregious concerns to us about rights, about security, about the destabilizing roles they play.

By trying to placate Kim Jong-un's concerns about that and drawing a differentiation there, is there an extent to which the U.S. is undermining its moral leverage on rights, on democracy by saying, "It's okay for this totalitarian state to continue to exist, and we're not going to mess with that as long as they don't develop nuclear weapons."?

MALINOWSKI: I think there's a fine line here. I don't like the rhetoric of regime change myself, even though the future that I envision for North Korea, the only future under which this problem is solved, in my view, is a future in which this regime doesn't exist. But rhetoric matters in diplomacy, and I think when, particularly given our own history, particularly given the way perceives the regime change operation we undertook in Iraq, the rhetoric of regime change, that

phrase in particular, suggests to people around the world that the United States is going to use military force to overthrow a regime and to impose a different one.

I think when we use that rhetoric, it diminishes the legitimacy of the appropriate things that we do to defend human rights around the world, even though you might argue that the difference is only semantic, because if the people of North Korea had their rights, if they could choose their own government, they certainly would not choose an arrangement that leaves them 10 times poorer than their brothers and sisters in South Korea, and there would be unification, and the regime would not exist.

So, I think we can be clear about what the goal is, but I think we have to be careful about the rhetoric. I would much prefer to emphasize, rather than regime change, I would use the rhetoric of human rights. I would say everybody in the world has certain rights, freedom of speech, freedom of choice, freedom to travel; people of North Korea are no different; they should have a say in the future of the Korean Peninsula just as the South Korean people do; they should certainly have a right to know about what's going on around the world; they should have freedom of information; and whatever choices they make, if they are empowered to choose, will be choices that the United States supports.

That's how I would phrase it.

LEDERMAN: Speaking of rhetoric, Jonathan Pollack mentioned this catchphrase of "strategic patience," which of course was the policy under the Obama administration that you served in, and it's one that the Trump administration has really tried to differentiate itself from and say, "We're not doing that anymore."

But when you press the administration on what they are doing, what their strategy is, it's, "Well, we're going to ramp up economic pressure on North Korea through all of these different measures and then try to wait and see whether that changes their calculus about the wisdom of pursuing these programs." And you say, "Well, how long?" And they say, "Well, we'll know it when we see it."

So, aside from not wanting to play into rhetoric that was associated with the Obama administration that the Trump administration considers weak, is there a substantive difference that you see in the way this administration is litigating this?

MALINOWSKI: Absolutely not, apart from the kind of unbalanced president that we have. But in terms of everybody else in the administration and what they're actually doing, I don't see it as different. Look, I was a speechwriter for a president of the United States and for secretaries of state, and we used to trot out phrases like strategic patience all the time, and then we'd giggle about it behind closed doors because these phrases don't mean anything.

One of the things I used to laugh at was that if you want to make it in foreign policy in Washington, you should always use the modifier strategic before every mundane, meaningless concept that you put out. "I'm going to be strategically patient today."

POLLACK: But make sure it's a bold new strategy, though.

MALINOWSKI: Thank you. "A bold new," yes. "The administration has no strategy." You can make it far in the think tank world by saying, "The administration has no strategy," for any issue, any given administration. "We're not just going engage; we're going to have strategic engagement." These things are silly.

I think recently, they were talking about containment and engagement. So, is that "conengagement" now? I was thinking if it's containment, terror, and engagement, then it's entertainment could be the phrase you come up with.

Anyway, in substance, the policy is basically the same, and I give the administration credit for getting the resolution through the UN Security Council. That's a continuation of what we were trying to do. They succeeded one level up. I think the pressure campaign is wise. It's not going to denuclearize North Korea, but it will make it harder for them to modernize and to keep moving in that direction.

Again, short run, we can manage it in this way. We can protect our allies; we can protect ourselves. In the long run, it's not going to go away until there's some sort of change in North Korea, which we cannot make happen, but we can create conditions under which it's more likely to happen sooner.

POLLACK: Could I just interject here? It's, Tom, an important point. By the end of his presidency, it seems clear to me that President Obama understood that whatever we were doing was not working, and as we all know, he met with President-Elect Trump two days after the election. I think it's fair to say that if Hillary Clinton had been elected, you would have seen much of what we now see, in other words, dare I say, strategic patience but with more teeth.

So, in that sense, it's no surprise. But presidents get very, very attached to what they are associated with. It's not as if President Obama did not try with North Korea. Quite the contrary, he tried even from literally his inauguration. We all remember that a fist was not unclenched.

But I think if you think of that, it's more that there's a logical progression in policy regardless of the bumper sticker that one administration or another might actually employ.

RUGGIERO: But I have to say, we have to be careful suggesting that this is the same as the Obama administration, where we're looking at some of these financial actions that the Trump administration is taking. When you read the actual documents, it goes all the way back to 2009. So, the question jumps up, what were we doing for those eight years, when we're seeing information of North Korea doing U.S. dollar transactions, illegal U.S. dollar transactions?

Now, of course, a case could be made for watching that, but for eight years ... and I have to say, the Trump administration has finally gone after Chinese banks. They have had six separate actions against Chinese entities. I also think that the Obama administration would not have gone after Dandong Hongxiang if C4ADS had not exposed that network.

So, I think we have to be very clear here of whether it's the words or whatever, that the pressure campaign during the Obama administration was partially pushed by Congress and pushed by those outside of the government to do more. So, I wouldn't give them as much credit as pushing the pressure aspect of the strategic patience.

LEDERMAN: And as far as identifying whether those steps are actually working, what are the specific metrics that we can look for from North Korea to see whether these actions are having any kind of an effect?

RUGGIERO: Right, and that's the question that's being debated here, is, regardless of what you want to call it, what is our end goal? Is our end goal denuclearization or what is more popular now, which is our policy should be containment, and not containment toward denuclearization, which would be a different strategy and I think likely is where we're headed, is containment with pressure, I think as Tom said, and plus, pushing in some more information and trying to get the North Korean people to understand what their regime is doing to them, and then denuclearization, whether you want to call it a regime change or regime transformation.

But the concern I have is that there are articles coming out and people suggesting that our actual policy should just be containment, that denuclearization has failed, that that is not an appropriate goal. In terms of metrics, the metrics are high. We have to see the programs start to roll back, and I understand that that's not an easy thing to produce, but when we look at the Iran model that we had, I remember conversations where we should never go after Iran's oil exports, we should never go after certain other areas, and the United States did, and that worked.

So, now I think we're starting to get in those areas where, before, on North Korea, was always about, "We can't go after that unless it's only linked to the nuclear or missile programs." That has changed now. So, we're going after coal, some of which you can link to the nuclear and missile programs, but going after commodities, going after the overseas laborers I think is going to be the next step.

But what we're seeing here is the United States is looking at the end result. They're trying to claw back some of the money that is going through the U.S. financial system. What we need to start moving toward, and I think we will eventually, is the source of the problem. And the source of the problem, frankly, is Chinese banks. And Chinese banks are not asking the right questions, and that, at some point, just as we did with European banks with regard to Iran and fining them \$12 billion between 2012 and 2015, that Chinese banks will start to have significant fines against them.

Then they will start to ask the right questions. Someone will go into Dandong and start asking questions there. It's not a surprise that all of these actions against Chinese entities, most of them start with Dandong in their name or are located there, so we need to start asking the right questions. And the Chinese banks eventually could be our best way forward in doing that.

LEDERMAN: You're referring to Dandong, the Chinese border city, the largest Chinese border city with North Korea, where there's a lot of trade back and forth. The one bank that the U.S. so far has targeted in China, in Dandong, do you see that as a precursor to a broader

campaign of so-called secondary sanctions, such as were cited as being particularly effective to get Iran to the table several years ago?

RUGGIERO: Right. The way I look at it is it's escalation. I use the phrase escalation ladder, not to get back into the phrases, but I think Bank of Dandong is a small bank. They were able to call it a money launderer, cut it off from the United States. They've used asset forfeiture requests to tag. In some cases, they haven't described what Chinese banks are involved. They've designated, now, larger networks inside China.

I think the next logical step will be if the Chinese banks are not cooperating now, the next logical would be going after Chinese banks. But I understand people are very concerned about that, concerned that it'll harm the U.S.-China economy or harm U.S.-China trade, but there's a way to do it.

You don't have to freeze their assets; you don't have to cut them off from the United States. You can basically declare that their compliance procedures are not appropriate and that they could get significant fines, remembering that the United States fined a French bank close to \$9 billion back in the Iran sanctions days. So, it can work in that way and it will get people's attention.

POLLACK: Anthony, because I don't know the answer, what do we know about our efforts, American efforts, to lay out the case and the data, if you will, about various kinds of North Korean operations inside China as well as elsewhere? Cause as you know very, very well, a lot of these activities of North Korean entities of one kind or another, they're really good at it.

But do we know anything about the efforts under the Trump Administration to really have these kinds of conversations with the Chinese about what we believe we know and to try to air it with the Chinese? Again, I'm asking maybe—

RUGGIERO: No, I mean, I suspect they are doing what we've done for the last 10 years, which is go to China with a very lengthy list and say, "You need to do something about this," and the Chinese—I mean, I could write the script. The Chinese response is, "Oh, this is very interesting. We'll look into it." Then you have another meeting with China, and they say, "You know what? We looked into that but we need more information. We looked into this. It's not really true. That's not there. Give me some more."

Then that goes on for a period of months and what has turned into a decade. That's the problem. I've written, when I first came here, about how I know there's a desire by this administration to give China time. They gave them some time. I think there was a 100 day suggestion out there, and obviously I understand why they did that, but from my perspective, the Chinese don't deserve that. They've had 10 years. When you're talking about metrics, the Chinese now are sort of—some reporting that the Chinese are telling their own companies to stop hiring North Korean laborers.

When you're talking about a metric, the metric for me is when the very significant Chinese security services start going to Dandong, China, start talking to the large Chinese banks

about what's going on, because they can read the same DOJ documents that everyone here can read, and they can see China Merchants, Shanghai Pudong, ICBC. I mean the list goes on and on of all these Chinese banks that are involved in these transactions.

LEDERMAN: Dr. Samantha Ravich, there's another threat that North Korea poses beyond the nuclear and ballistic programs, and that's the cyber and economic threat. We all recall the Sony hack of a few years ago, but tell us a little bit more about the extent of what North Korea is doing, and given how isolated the country is from the internet and modern technology, how is it that they have gotten so good at it?

RAVICH: So, first, a little bit of history. I was talking to Jonathan before. So, it was 25 years ago this fall that I met Jonathan, so 1992, another fateful year in the North Korean relations with the world. January of 1992, the joint declaration was signed between the North and the South, where both sides committed not to test, reprocess, store, ship, hold, use, nuclear weapons. Then the U.S. imposed missile sanctions in June of that year, then the IAEA said that there were irregularities in North Korea's first nuclear declaration.

So, 25 years ago, that all happened. 25 years ago, I don't think we would've been sitting there at RAND in Santa Monica thinking 25 years from that point, we'd be on Kim regime 3.0; that it would be a full-on nuclear weapon state; and that it would be a cyber power. We wouldn't even know what that was in 1992, a cyber power. Right? As one of my mentors, Andy Marshall, is fond of saying, "Problems don't age well." So, now we're 25 years on, and we are where we are.

However, on the cyber threat, we are seeing a ramp-up in North Korean cyber capabilities over the last decade, eight years specifically, that kind of harkens back to the type of ramp-up in their gaining of nuclear knowledge and nuclear capabilities. So, in 2009, a major DDoS attack, North Korea against certain departments and agencies here and in South Korea. 2011, a pretty devastating cyber-attack on certain South Korean institutions and banks, shutting down ATM's at one of the largest South Korean banks.

2013, Dark Seoul, then, of course, you have the Sony hack, you have the Bangladesh bank heist, you now have WannaCry. There's been this temptation to kind of—except for the small group of folks that is really kind of looking at this closely—to kind of brush it aside, that it's kind of an ancillary type of capability that the North has. We really don't know how to talk about it, we really don't know how to measure it, but it is serious. The threat is growing, and North Korea is a very, very capable adversary.

So, what do they want to achieve by this? There's a recent report out from a South Korean—I think it's a think tank—saying that North Korea has moved from gathering secrets by their use of cyber means to just getting some money. Well, they're under constraint by sanctions, so of course, any way they can possibly fill their coffers.

But I think the data and the analysis is out there that it is well beyond that. Kim Jong-un is not simply Willie Sutton; that he's robbing banks because that's where the money is. No. When you look at the totality of what has been happening on North Korea's increasing cyber breaches

and cyber-attacks on the main fundamental elements of specifically South Korea, but here as well, economic, political, and military units in that country, it does appear that it is a much broader campaign plan on how to destabilize an adversary, if and when, of their choosing, it comes to that.

So, it's not Willie Sutton stealing money from the bank; it's Willie Sutton knowing and having the intention to destabilize the banking sector. This is an extremely powerful asymmetric tool on the part of the North Koreans because think about it, we impose economic sanctions. It can constrain North Korea, but, what, it's \$1,000 GDP, something like this? That's their GDP in North Korea? Think about the vulnerabilities of an economy like ours, the United States, number one in the world, South Korea, whatever it is, seven, eight, in the world, how much pain could be inflicted on our economic elements.

We here at FDD have a project that's called Cyber-Enabled Economic Warfare, and what that is is the purposeful use of cyber means to undermine parts of an economy in order to weaken that country militarily or politically. So, I do push back forcefully on the notion that it's simply North Korea trying to fill its coffers with a couple million here and a couple million there. It is that, certainly. But it's much more than that.

LEDERMAN: Just briefly, before we open it up to questions from the audience, let's talk about the flip side of this, if you can. There's been a lot of reporting over the last few years about U.S. cyber efforts to disrupt or sabotage the supply chain for the North's ballistic missile programs and obviously a lot of speculation about many of their failed tests. To what extent has North Korea developed defensive cyber capabilities that could prevent our efforts in that venue from being effective?

RAVICH: Just like for the last 25 years, we've been trying to figure out exactly the extent of the North Korean nuclear capability, we're trying to understand this on the cyber side.

But let me answer kind of in two parts. First, in terms of what we are doing and what we should be doing, I'm a forceful proponent that we've got to fight on the frontiers on this. We have got to push this back on the use of cyber as not only an enabler, but really the forward deployed forces that are being used. So, I think we need to be forceful and aggressive in this space.

The second is understanding how North Korea could get so good, and what do we know about their capabilities? We know that, like actually some other nations, they start targeting children in middle school who've got technical chops, and then they bring them up and train them.

Then, a lot of these people get out of their position out of North Korea in IT companies in Southeast Asia, sometime in China or Russia, and from there, have their day jobs, and then at night, doing the bidding of those in Pyongyang to undertake cyber-attacks, because it's a lot harder for us to constrain the networks outside of North Korea than, of course, it is inside.

LEDERMAN: I want to open our discussion up to some questions from the audience here at the Foundation for Defense of Democracies. I think we have some folks with some

microphones. If you do have a question and you want to raise your hand, please wait until you do have the microphone, and also, if you could please introduce yourself as well.

Okay, do we want to start right over here?

STANTON: Thank you. Many years ago, I was a soldier in Korea, and because of that experience, I'm not a great believer in deterrence.

I would like to challenge the statement that deterrence is working in Korea by mentioning the Al-Kibar nuclear reactor that North Korea built in Syria; the 2010 sinking of the war ship Cheonan that killed 46 people; the shelling of Yeonpyeong Island that killed another four people; the 2014 Sony cyber-attack that drove a film from theaters across the country and took a big bite out of our own freedom of expression; the 2015 landmine incident that blew the legs off two South Korean NCOs; the chemical proliferation to Syria that's killing scores of children in that country; the burglary of the Bangladesh bank; the VX attack that killed Kim Jong-nam in a crowded airport terminal with a persistent nerve agent.

How can we say that deterrence is working? Please don't take this as an endorsement of preemptive war. In fact, I fully endorse Mr. Malinowski's vision of what we can call strategic compassion. There's a great think tank buzzword for someone. But, look, I need to be convinced by someone that deterrence is working here.

LEDERMAN: That's a fair question. Is it fair to say at this point that deterrence has not been successful?

POLLACK: My definition of deterrence, it's not a perfect one but is the avoidance of a second Korean War. I'm not saying therefore—and that's Josh Stanton, who didn't identify himself there, so I'll do it for him. A lot of Joshes around this morning.

There have obviously been cases where North Korea—I mean North Korea tends to do things that it figures it can get away with. That's what we have to be on guard.

They're resourceful, they're cunning, they're clever, but fundamentally, if my definition—it may not be a flawless definition—is have we avoided another full scale war on the Peninsula? The answer is yes. Now, maybe that's too stark a definition, but I could think of things being far, far worse than what they are. So, does it work perfectly? No, it does not work perfectly. But I would say, in the big picture, it has.

RUGGIERO: I would just say but if we're moving toward where that is our policy, perhaps the definition changes, which gets into Josh's point, which is it should be to deter North Korea from doing things against American interests.

POLLACK: Sure.

RUGGIERO: The only thing that's not on Josh's list was developing a uranium enrichment program when we thought everything was hunky-dory during the agreed framework.

So, I think that the question really is if that's going to be our policy, whether it's that is our policy, or containment on the road toward denuclearization, is the standard stopping the next Korean War, or is the standard ensuring that they don't do anything against us, either America or its allies? I'm less confident on that second one.

POLLACK: Well, I think your point's well taken, Anthony. I would say that, clearly, the requirements of—whether I call it my definition of deterrence or anything else—the requirements—we have to up our game. That's self-evident, that there cannot be a situation in which North Korea concludes that it is not in some significant measure to be held accountable for its actions.

So, we are in a new environment for all the reasons, what Samantha mentioned as well. This is an extraordinarily capable place, and we have tended, I think, historically, to be far too dismissive of North Korea.

LEDERMAN: Samantha, did you want to jump in?

RAVICH: Yeah, I mean, I think deterrence has worked well on us. So, I think we've been phenomenally deterred, and over the last 25 years, there has been actions that we haven't wanted to take because they've seemed very ugly.

But over 25 years, what has occurred is that the choices of options for us has been more and more constricted. Other than, yes, I mean, look, that there hasn't been a full-on war, of course that's incredibly important. However, if you take a slightly more encompassing view of deterrence in terms of the adversary's capability, intentions, and will, clearly the answer is no, it hasn't worked because, I think, on every single dimension and shown by, especially, now, on the cyber front.

Their will is there as it's been shown, their intentions are there, as it's been shown, and their capability is ramping up daily.

LEDERMAN: We'll take our next question if anyone else has a question they'd like to pose. Yep, right here.

LIU: Hi. Good morning. I'm Chen Liu from China's Xinhua News Agency, and I have two questions. First one is for Mr. Pollack. Actually, I think for the Trump administration, the dialogue or the condition that the U.S. provided for the DPRK is that you have to give up your nuclear program. But this one seems to be kind of impossible from the DPRK's side, and actually, we, to some extent, have to admit that now, the DPRK has this nuclear power, no matter we admit it or not.

So, do you think it's possible in the near future that the Trump Administration will to some extent change? Or does the say that it's possible that we accept you have nuclear power, and as long as you can just stop progressing that, so you can just stop developing your power, then we still have this chance for dialogue? Do you think there's a possibility there? If not, it seems that there's just a dead-end there.

The second question is for Anthony, yeah. Since you mentioned about the sanctions on the Chinese individuals and entities, do you think it may just undermine the relations between U.S. and China? So, do you think that for Trump administration, it will continue to expand this kind of sanctions, just like you mentioned, to bigger areas, like the important or key banks in China? Thank you.

POLLACK: I would say quickly that the administration, to my observation and awareness, has groped its way towards trying to get a consistent message. Message discipline is the argument. There hasn't been a lot. In fact, there's been very, very little. Depending on which day of the week and who you're listening to, you can hear very, very different things emanating from the administration.

That said, I don't think that there's anything—well, I may be wrong—but that the administration has indicated, "Unless you, quote-unquote, give up your nuclear weapons capability," I don't know how we would define that, "that there are no circumstances under which we would have, quote-unquote, dialogue."

There's much more—you can just look at what Secretary of State Tillerson said the other day as a good example of that. There's a lot of wiggle room, flexibility, in what he said. So, I think at some level, that's a recognition that wherever we may be headed, no one is assuming at this point that as a precondition, that you're going to see all these things go away. That's just not presumed.

But you might want to look for evidence of various kinds of activities and the like, but I wouldn't characterize it the way that you did. But I would say this. I think it's terribly important for the Trump administration, to the degree that it can, to have a coherent message, and I don't hear it. Not yet.

LEDERMAN: Anthony?

RUGGIERO: Just on that, I think there was some confusion when Secretary Tillerson went to Asia. There was some suggestion, right? I think that's where that came from.

POLLACK: Yeah, that's where it came from.

RUGGIERO: I would say it's not a precondition, but if we're going to have a repeat of the past two major times we've tried to do this, we're going to fail. The only way negotiations with North Korea will work is if North Korea demonstrates upfront a commitment to denuclearization, and that will come with a very large bill on the U.S. side. I understand that.

To your question on China, these are companies and individuals and banks that are violating U.S. law. These are companies that advertise themselves as the key conduit between North Korea and China. These are companies that the very capable people at C4ADS are discovering on their own. ICBC, the largest bank in the world, that has more customers than the

United States has citizens here in this country, could certainly use some of their economic power to look at these networks. That's the way to avoid those sanctions.

The Chinese have had numerous opportunities to do that, and I would just note the response to Bank of Dandong and even the response to this week's sanctions have certainly just been rhetoric from the Chinese side. I think that the suggestion that the Chinese are going to harm the relationship has certainly been overblown.

LEDERMAN: But, Anthony, how do we address China's concerns that if they do comply and they squeeze North Korea, that the regime potentially, ultimately collapses and millions of North Koreans stream over the border, and it creates all kinds of instability for China, how do we argue to them that they're not doing something that could actually jeopardize their own interests?

RUGGIERO: Well, I think on the issue with North Koreans streaming over the border, that's something that the United States and China should start talking about right now. I understand the Chinese probably don't want to have those conversations because it suggests, whether you call it regime change or regime transformation, that that's the ultimate way toward denuclearization. So, on the Chinese side, if they would be open to those kind of conversations, we might have to have those.

We're at the very beginning of this escalation. I think at some point, the Chinese and the North Koreans will change their approach. We don't have to get to the most extreme measures at the very beginning of this process.

LEDERMAN: Tom, did you have something you wanted to jump in on?

MALINOWSKI: Yes, a couple of things. First of all, this image of millions of North Koreans streaming across the Chinese border is one of the oldest clichés of conversations about North Korea. We don't really think about it. We just say it. It's very unlikely to happen, even in a situation of regime collapse. Anyone who's worked with refugees around the world knows that people do not up and leave their homes and become destitute residents of refugee camps unless they have to do it to save their lives.

So, unless there is a civil war in North Korea in which thousands of people are dying, as in Syria, you're not going to see that kind of scenario. That said, it still—regime collapse is something the Chinese don't want to talk about. They fear it.

I totally agree with Anthony that as difficult as that conversation is, any understanding of history leads us to the conclusion that the regime in North Korea as it is today is not going to last forever, and that its ending is going to create challenges and problems, and that therefore, the United States and China, if we're going to be responsible powers, we need to talk about that. We need to talk about the contingencies, we need to understand what our respective interests are in that situation and try to diminish the level of extreme mistrust that the Chinese have about our intentions and what we might do in that situation.

POLLACK: Could I just jump in on Tom's very relevant points here? There are, shall we say, to use a term that the Chinese like to use, there are contradictions in Chinese policy of a very, very profound sort. Although Chinese don't like to talk about it, they have had—and I've written about this. We have this all from records, diplomatic archives, and the like. The Chinese have their own failure with North Korea that has been very, very profound.

It goes back to the earliest days of—setting aside the whole frictions of the 50's and 60's—but beginning with Deng Xiaoping, Deng tried to show to Kim Il-sung what you could achieve if you changed your orientation. Without getting into all the gory details, that failed profoundly. It failed again when, after Kim Jong-il had his stroke, the Chinese made a calculation, "Well, maybe now you get this young kid who's spent some time in Switzerland, maybe this time the system will open up."

Well, it didn't happen that way, particularly after the execution of Jang Song-thaek. So, the Chinese are reluctant to air this. Maybe what we need, of course, is a private, or dare I say, confidential discussion with China, because the other aspect, and this is a big puzzle, for all of the arguments about Chinese assertiveness and big bad China, if I could use a phrase from Richard Nixon, when it comes to North Korea, China is the pitiful, helpless giant.

Xi Jinping has said things about North Korea. He said it to President Obama at Sunnylands. He said very comparable things at Mar-a-Lago to President Trump, that basically, look, this kid bites the hand that feeds him; not only is he ungrateful, but that he is putting at risk x and y and z. Yet, Xi Jinping, for reasons—and we don't have the time today to explore it—he dips his toes in those waters, and then he pulls them out.

Part of it is—I do get it—the Chinese are not looking for some kind of a convulsive upheaval if they can avoid it. They remind us all the time that they are the ones with an 850-mile border with North Korea. It's in, quote-unquote, their backyard. It would have profound effects, and they're very, very uneasy about that. That's a legitimate issue. But that's one of the reasons why, despite the difficulty of getting there, we have to have the ability to talk to China about this if we are to avoid a truly horrific outcome whenever the regime should begin to unravel.

But I don't expect that unraveling to be happening any time soon. I like to say when I wake up in the morning and I turn on my laptop, they're still there.

LEDERMAN: Dr. Ravich, did you have anything you wanted to add on that?

RAVICH: Well, look, I really do agree with the comments that have been made and what Jonathan was saying about these conversations that we have had in the past with the Chinese, and I think we have to have more. I've always been a forceful advocate that showing how ugly the path will be, how dangerous, how expensive, how deadly the path will be if and when there is collapse and the Chinese and the United States are not working on it together, I think needs to be explored in all of its gory detail.

But I also think that there is something to be said about having more robust conversations with the Chinese on, "Okay, and then afterwards, what does that better path actually look like?"

What does it look like for a China that has helped stabilize and eradicate one of the world's worst problems?" There's actually, if you can get past all of that, onto the "and then what" conversation, it can become an interestingly productive and, perhaps, a conversation that we haven't really had explored with the Chinese of how they benefit.

LEDERMAN: Yes, right over here.

COOKE: Stephanie Cooke, *Nuclear Intelligence Weekly*. I'd like to ask, I'm not sure who, really, but any of you could address it, the question of even if you did get regime change, do you expect North Korea to follow in South Africa's example? How do you guarantee them that if there's an arsenal of nuclear weapons, you sort of disappear?

RUGGIERO: I would say that's another reason to talk to the Chinese. I think if you believe the rumors, the Chinese have reoriented their own military forces near the border. When you have, whether it's transformation or collapse, or whatever it looks like, you're going to have a lot of different forces in the same square footage. You're going to have China and the United States and South Korea, presumably, and how do they get from that point?

Then, of course, we would want a unified Korea to stay non-nuclear, and that's a concern, of course, on the United States' side, to make sure that a unified Korea gets rid of its WMD.

My sense is that those discussions are not happening, just like the discussions of, we all talk about we want denuclearization, and we wanted negotiations. How does that negotiations play out? What I referenced before about turning the negotiations on its head and not the agreed framework and joint statement playbook of, well, we're going to convince North Korea to denuclearize by these negotiations, and that has failed. Your question is a good one. What happens post-denuclearization, whether that's in a negotiated way, or a collapse way, or a transformation way?

But I don't think those discussions are happening, and China's an integral part of that. But again, they don't want to have these discussions, and that really hampers it.

LEDERMAN: As far as the Korean Peninsula, the rap on the new South Korean president is that he's too soft, too conciliatory; he's trying to rush into talks with North Korea. He issued a pretty stark warning to the U.S. recently not to pursue any kind of unilateral military moves against North Korea. Anthony, do you think that South Korea is playing a productive or unproductive role in this situation at the moment?

RUGGIERO: I would say that President Moon is learning, just as most politicians do, that running for office is different than governing, and I think that South Korean President Moon had some interesting thoughts on reopening Kaesong Industrial Complex, which is the complex north-south that would be a violation of sanctions if it was reopened. That hasn't happened.

We had this environmental study to delay the four additional THAAD launchers. That was completed really quickly. I think he's realizing the nature of the threat, and frankly, negotiations take two to tango, and when the North Koreans won't even answer his call, then

what else is he going to do? He has five years in office, so this might change, but I think his ultimate goal is he'd like to talk to the North Koreans. But if they're not answering, then—

POLLACK: I would agree with Anthony that President Moon, actually, if anything—I was very wary when he was running. But he has been, I don't want to call it therefore a pleasant surprise, but he has been much more careful and much more collaborative with the United States, at least at this point, notwithstanding the fact that that goes against what his ultimate objectives would be. But he's demonstrating, I think, a really pragmatic streak.

He does not seem to be a repeat of Noh Moo-hyun or of Kim Dae-jung, who was a bit different from Noh Moo-hyun, so that's important too. But let's also remind ourselves, irrespective of anything else, it is, after all, the Korean Peninsula. Let's never forget that. So, when he gives voice to what his concerns are, those are very, very legitimate, and I hope we're paying heed.

RUGGIERO: I would just say I'm actually surprised by what North Korea is doing.

POLLACK: Yes.

RUGGIERO: Because I totally expected when Moon was inaugurated that North Korea would go back to what we call “smile diplomacy” and they would say, “Oh, yeah, come to Pyongyang, give us the billion dollars that your predecessors gave us. Yeah, let's reopen Kaesong. Let's do this all. Let's do it. Oh, by the way, we're a nuclear state,” and drive a wedge between South Korea and the United States. North Korea has not done that, which is, I think, very surprising.

LEDERMAN: We'll take our last question from Oren Dorell.

DORELL: Thanks. Oren Dorell from *USA Today*. I'm kind of hearing two threads in this conversation, and one has to do with the possibility of regime change, and the other one, I'm kind of talking about the end point. Where does this situation wind up? I'm hearing these two threads. One, there's this talk about regime change or a regime collapse, and then also a talk about possible negotiations.

I just want to make a couple of observations, that nuclear states don't go away and they don't get invaded, in the history so far of nuclear states. South Korea doesn't really, you just mentioned, doesn't really want to fight with North Korea, and the North Koreans, my understanding is that they want not to talk to South Korea but to talk to the United States directly.

So, if these talks were to happen, and this came up in this conversation earlier, what's the end point? What would these talks be about, and what would be on the table? Again, my understanding is that the North Koreans, that their ultimate goal is for the United States not to be on the Korean Peninsula, that they'd be accepted as a country, and if that there is some kind of unification, that there would be two systems for the Korean Peninsula.

I'm kind of interested in hearing, are these complete non-starters? Is there any gray area or area where these things can be talked about?

LEDERMAN: Tom, do you want to jump in on that?

MALINOWSKI: I'll start. Yeah. I think they're non-starters, notwithstanding former White House Advisor Steve Bannon's embrace of one North Korean position, which is that we might pull our troops out of South Korea if they tamp down the missile program. I think that would be a non-starter. I think one country, two systems would be a non-starter. Virtually anything that the North Korean regime would demand is something that we would not and should not give.

So, therefore, what is the point of talks? I still think there is a point to it, and that is that if we're in a deterrence situation, it is absolutely essential that there be clear communication between the United States and North Korea about what our red lines are, what we would be prepared to do if they took certain actions, just as in the Cold War.

Again, I keep going back to that analogy. There was no grand bargain or deal that we could strike with the Soviet Union that would make all the problems go away. As we heard, there are ongoing, grave problems that we are going to continue to face. But we can manage the risk to the United States and to our allies through clear, continuous communication with our adversary.

So, that would be the purpose of talks, in my view, with North Korea, and then with China, also talking about contingencies so that we are ready for potential changes down the road.

The final point on the end state regime change, regime collapse, whatever you want to call it, again, keep in mind North Korea is not like most of the other states that we have dealt with in this context in that if the current regime were to change in a fundamental way, it is not clear why the country of North Korea would continue to exist, because again, if the North Korean people were empowered, if they were to gain a voice in the situation, which, I think, it just at some point will happen, why on earth would they choose to live in a separated northern part of a country that the southern part is 10 times more prosperous than they are? It makes no sense.

The closest analogy is East Germany, and we all know what happened 24 hours after the wall fell. Now, this is, of course, what the Kim regime fears, what China fears. But that is the question that we are going to have to face one way or another, hopefully with less violence rather than more violence if and when this regime loses its grip over the country.

LEDERMAN: We're going to have to wrap up in just a moment, but I want to hear from each of our panelists if there are some thoughts that you'd like to leave us with going forward. If each of you want to just take a minute for some closing thoughts, so we'll start with Dr. Samantha Ravich.

RAVICH: Yeah. Something that I wanted to mention before and didn't, so I'm glad I have this opportunity, when we look at the cyber capability of North Korea and try to understand and

try to curtail it, constrain it, where we can—and I had made reference to that it seems that one of the ways that North Korea is enacting their cyber aggressive tactics is they push their trained people, and again, 5,000, 6,000, however many there are, out to IT companies in Southeast Asia and other places.

Anthony had mentioned that maybe there'll be sanctions starting to go after workers on some of these sanctioned entities and industries. Maybe we need to think more broadly on who those people, who those North Koreans are working in those IT shops if those are where some of the problems are starting, even to have some kind of reward program for people that turn them in. Is there a North Korean hacker at the desk next to you? Call this number.

So, I'm glad I got to make that point.

LEDERMAN: Great. Tom Malinowski.

MALINOWSKI: Well, I think what I just said was basically-

LEDERMAN: Great.

MALINOWSKI: -a closing statement. Maybe one additional thing, totally agree with Anthony on sanctioning banks and with what you just said, but little bit wary about encouraging Chinese security forces to start descending on border towns. We need to be careful that sanctions are targeted on activities that directly benefit the North Korean state and their missile and nuclear programs, but not to try to kill all trade and commerce and communication between North Korea and China, because that is what is empowering, ultimately, in the long run, the North Korean people to bring change to their country.

LEDERMAN: Anthony Ruggiero.

RUGGIERO: Well, on that point, we'd have to think about how do you distinguish between legitimate and illegitimate when the regime itself takes most of that trade? I just go back to something I said earlier, which is I know this administration had one policy review, but now the intel agencies, apparently, according to leaks, have said that the ICBM may be completed next year, and they may have up to 60 nuclear weapons currently.

Perhaps we need to start thinking about all the things we're talking about today. Is denuclearization our ultimate goal, with deterrence, however it's defined, as our interim goal? Or is deterrence now our strategy? Those have very different policies going forward.

Then, back to the question of if you're going to have any kind of negotiations, what would that look like, and what would be the requirements on North Korea as a precondition and then the ultimate first step that North Korea would have to take? Those are things that we're not discussing now.

LEDERMAN: Jonathan Pollack.

POLLACK: Some years ago, I wrote a book. I stole the title from Jean-Paul Sartre because I called the book “No Exit.” That's where we find ourselves. We should never forget that we are dealing here with a profoundly adversarial state. It's embedded in the whole logic of North Korea, and it's embedded in the logic of the only family-run dynasty in the history of Marxism-Leninism. You've had three Kim's in a row, and they have profited in some sense by what they have sustained now since Kim Il-sung first ventured back into Korea in 1945.

We have to face that reality, and we have to understand, fundamentally, that the goal that North Korea has had from day one is to get the United States off the peninsula. North Korea has never forgotten that they almost succeeded. Their attack stalled, ran out of gas if you will, maybe literally and figuratively, just outside of Busan in the summer of 1950.

They've never forgotten about that, and however implausible it may seem, it is that continuing conviction that this is their Korea, unified Korea. They will do whatever they can to get to that point, and we just have to make damn sure we never let that happen.

LEDERMAN: Well, I want to thank all of our panelists for joining us here today as well as our audience here at the Foundation for Defense of Democracies. This is an issue I'm sure that we will be discussing quite a bit in the future, and we'll look forward to that. Enjoy the rest of your day.