

THE BROOKINGS INSTITUTION

FALK AUDITORIUM

ECONOMIC SANCTIONS:  
ASSESSING THEIR USE AND IMPLICATIONS  
FOR U.S. FOREIGN POLICY

Washington, D.C.

Monday, January 27, 2020

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## P R O C E E D I N G S

MR. GOLDGEIER: Well, good afternoon everyone. I'm Jim Goldgeier. I'm a Robert Bosch senior visiting fellow here at the Brookings Institution in the Foreign Policy program. And it's a great pleasure to welcome you here for what promises to be a timely and important discussion to assess economic sanctions and their use and implications for U.S. foreign policy.

Since September 11, 2001, sanctions have become Washington's tool of first resort for addressing a broad range of national security and foreign policy objectives. And the innovative use of financial penalties has become central to American coercive diplomacy. And we've seen in the current administration a super charged use of sanctions, and particularly the threat of sanctions. The sanctions are widely applicable and scalable and can be comprehensive or targeted. And they've been employed to apply pressure in a number of instances recently in the wake of Russia's invasion of Ukraine, the development of the North Korean nuclear program, proliferation threat and terrorist threat from Iran, as well as to curtail transnational threats, such as human trafficking, cyber, human rights abuses, and other concerns.

With Washington's increasing reliance on these policy instruments, serious questions remain about the long-term effectiveness and consequences. What are the implications of this ramped-up use of sanctions? Have sanctions demonstrated efficacy in achieving policy objectives? Do they facilitate resolution of conflicts or lead to an escalation? And what does this mean more generally for international order?

To help us answer these questions I'm delighted to be joined by several Brookings Foreign Policy colleagues who have background in the use of sanctions that span Latin America, Europe, North Korea, and the Middle East. And we have a terrific panel this afternoon. We have Deputy Director of the Foreign Policy program Suzanne Maloney, as well as Senior Fellows Jung Pak and Ted Piccone. Their bios are included in the materials that you picked up, so I'm not going to go into detail about their impressive experience and expertise, but we're very lucky to be able to hear from them today.

Before we begin, one further note from me. Brookings discloses its scholars' participation with political campaigns. The scholars do this on their own time and off campus, as it were. And this is

disclosed under every scholar's bio. There are scholars advising a range of campaigns this year and we have had scholars on leave serving in this administration, as has been the case in the Foreign Policy program ever since the administration of Richard Nixon.

And with that I will invite the panel to join me up on the stage and we will get started on the discussion of sanctions. Thank you.

MR. GOLDGEIER: Great. Well, Suzanne, I'm going to start with you. So one of the interesting features about sanctions as we've been talking about them in recent years is that in the old days -- for those of us who were around in the old days -- the '80s and '90s, when people talked to you about sanctions, they usually talked about how ineffective they were. They usually talked about how they were too easy to circumvent or they didn't really harm the right people, that they would harm the population but they wouldn't really harm the leaders. And so they weren't seen as a very effective tool. And now we're using them all the time all over the place.

Have they become a more effective tool of American foreign policy? And if so, what's the difference in the days when we used to say they didn't do what we wanted them to do?

MS. MALONEY: Well, thank you to Jim for being here with us on this panel. And we're going to press him into the role of speaker as well as moderator. I just want that highlighted from the outset because he brings an incredible background, as you know from his bio here, on Russia, Eastern Europe, and U.S. foreign policy at large.

I work on Iran, which means I work on sanctions all the time because Iran has been sort of the poster child, first for many years for the ineffectiveness of -- or the perceived ineffectiveness of American unilateral sanctions, and then in more recent years for the possibilities of using sanctions to get to a negotiated resolution to the world's most urgent problems. And they are a point to the 2015 Iran nuclear deal, also known of course as the Joint Comprehensive Plan of Action, the JCPOA. I'm putting my acronyms on the table from the start.

And Iran is actually, a really, I think instructive case for understanding both how sanctions can work and what their limitations are. For more than 40 years now we have had sanctions in place on Iran, since the seizure of the U.S. Embassy in 1979. Sanctions were the first tool of choice, but they were

always used in coordination with diplomacy. The task force that was put together in the days after the embassy was seized in '79 came to the conclusion that we needed to find ways to put pressure on the then sort of still chaotic and embryonic Iranian post-revolutionary government, but we also needed to find ways to negotiate and engage. And so we've never used sanctions in isolation.

For most of the 40 years that we've been dealing with the challenges of the Islamic Republic, American sanctions were primarily unilateral, mostly because we couldn't get the rest of the international community to go along with any kind of cooperation around them, even during the embassy seizure, even after other periods of really dramatic Iranian troublemaking in the region, for example, the Iranian involvement with terrorist organizations, starting with '83 and the bombing of the Marine barracks in Beirut. But continuing to this day we struggle to persuade any countries around the world to go along with using economic pressure with respect to Iran. Some of this was the hope that engagement couldn't produce better results and that by imposing economic costs that there might be a backlash and an inability to engage. Some of this was a simple reality that most countries around the world had some need for imported energy and Iran was and continues to be one of the world's -- has some of the world's largest reserves of oil and gas. And so there was a lot of resistance, particularly in the late '70s with the recollection of the Arab oil embargo still very fresh in the minds of many Americans and many around the world, a hesitancy and a reluctance to use economic coercion with respect to Iran.

What changed? Two main factors in my mind to make these economic sanctions far more effective in recent years. One was the authorities that were created in the aftermath of the 9/11 attacks here that created new opportunities for targeting not just trade, not just economic interaction, but in fact financial flows. And these were of course first utilized to try to constrain financing to terrorist organizations around the world. It was a primary tool. But over the course, as it was seen that these were very effective tools, cutting off individuals from the international financial system began by the Bush Administration to be transposed to beyond individuals, beyond entities, looking to try to sever individual institutions, first in 2006 with the sanctioning of Bank Saderat in Iran and then later the entire economy essentially from the international financial system. And what we found was it's a much more effective tool if you want to have a fairly dramatic and immediate cost on a target economy, that in fact it can be done,

as we've now seen under the Trump Administration, without a lot of multilateral support simply because of the weight and significance of the U.S. role in the financial system.

The other main change -- and here I'll wrap up, is just in the structure of the energy market. The fact that we have seen this sort of boom in production from sources other than the Persian Gulf made it possible under the Obama administration for -- for the first time -- countries other than the U.S. to consider embargoing Iranian oil. And, in fact, under the Obama administration there was a decision taken by the EU to join American economic pressure on Iran and actually cut off imports of Iranian oil and impose other penalties that made it more difficult for the Iranians to export their oil.

These were conditions that simply didn't exist until recently. I will note that they're likely to continue existing, both the changes in the energy markets that enable us to do these things, as well as the real weight and utility of these financial measures as opposed to trade sanctions. But they have a lot of countervailing problems, and we'll talk about that I think over the course of this afternoon.

MR. GOLDGEIER: Great. Thanks. So, Jung, just following up on what Suzanne has just said. I mean one of the reasons why the United States has support at home for engaging in these things is that it seems much better than going to war with other countries. When President Trump first came into office he talked about fire and fury. There was a big fear that he was going to go war with North Korea. And then in a sense, you know, sanctions is sort of like, phew, at least we're not going to war, we're just -- we're just imposing sanctions. And they seem like a way for the United States to coerce other countries without paying political costs at home, without losing American lives.

Your thought on the fact that when we've talked about some officials who seem eager for war, we talk about them as being trigger happy, is there such a thing as being sanctions happy? I mean can you just keep piling them on or is there a point at which officials should be more measured and particularly in the case, for example, of North Korea in terms of trying to achieve our objectives there.

MS. PAK: Thanks, Jim, and thank to all of you for joining us today. I would say that on North Korea are we piling them on? I would say that we've only just started piling it on since I would say 2016. Prior to that -- 2016 the U.S. started applying sanctions on North Korea sectors that includes its exports like coal, iron, ore, lead, seafood, and textiles. Prior to that we focused mostly on proliferation

related things and illicit finance and illicit trade, as well as things like drug trade, counterfeiting of U.S. dollars, et cetera. So I would say that we've only just begun in 2016 on piling on the sanctions. One of the biggest misconceptions about North Korea was that it was the most sanctioned of any country, but there are lots of countries that are much more sanctioned than North Korea. And I think that the maximum pressure really only started in 2016. And I would say that -- we'll get into this later -- but I would say that the implementation of the sanctions is where we were the weakest.

MR. GOLDGEIER: Interesting.

And, Ted, in connection with these cases, but also in particular the ones that you know very well, Cuba and Venezuela, one of the raps against sanctions is that they end up creating collateral damage that we talk about with respect to war, but we tend to talk about less with respect to sanctions, that there are all sorts of ordinary people who pay a price when sanctions are imposed on their country. How good are we at imposing sanctions to actually hurt the people we want to hurt to get them to change their behavior while not creating lots of damage for just people who are going about living their lives?

MR. PICCONE: Thanks, Jim. Thanks for all being here.

I guess my first reaction to that question is to think of Iraq and the way that issue of the damage on the people became such a central debating point on what worked and what didn't work. But thinking about Latin America, of course Exhibit A on this front is Cuba. We've had a very comprehensive set of sanctions on Cuba since 1962, so almost 60 years of what I would consider a completely failed effort to dislodge the Castro regime and the Communist Party in place of a democratic and capitalist system. There are lots of reasons for that we can talk about; we can spend all afternoon talking about. And there's no question that the Cuban people have suffered as a result. There have been multiple efforts to get around these sanctions. And in this case, you have the U.S. completely isolated. So it's a unilateral sanctions regime with virtually no other country with us. Every year there's a vote at the U.N. General Assembly that the U.S. loses 192-2. So we're alone on this. And so obviously we're going to have less effectiveness there, but the Cuban people continue to suffer. And one collateral effect of that is people leave, people leave the country and they come here or to other countries. And so one-tenth of the Cuban population lives outside of Cuba, most of them here in the United States.

Now, if you think about the current case of Venezuela, there has been an evolution in the way the United States is imposing sanctions. Much more targeted, starting in particular with top leadership or other key strategic sectors of a government that we're opposed to, the military intelligence, might be financial officials. And I think that has a certain effect. It certainly has a moral and political signaling effect to those populations, it shows the opposition in a country that we're drawing a line, we see your problems, and we're trying to go after the bad guys and not hurt you all. I think that's very important for the U.S. positioning on this.

But in the case of Venezuela, we're now moving from those more targeted individual sanctions to sectoral sanctions, particularly against the oil and gas industry, which is, you know, in Venezuela very heavily reliant on its oil industry. And it has, as a result of many factors -- the oil has sector has hit -- I wouldn't say bottom, but has basically been cut in half in terms of its export revenue.

Now, many of these trends began before the U.S. imposed these oil sanctions. It's very important to underscore that. And my colleague here, Dany Bahar, has written about this in some detail. If you're interested there's a paper on the Brookings website on it.

But now that we have moved to sectoral sanctions, and it also includes the banking system, we've moved into the sanctioning of the gold mining industry, which the current Administration on Venezuela has turned to as a way to get around the oil problem. Now it's really a much more cloudy, muddled picture. And recent polling shows that most Venezuelans think that their quality of life has certainly been hurt by the U.S. sanctions.

So this makes the life of the opposition in Venezuela more difficult because initially they were all in favor of these sanctions and now they're not so sure, because they have their own political agenda that they're trying to put forward.

MR. GOLDGEIER: Great. Suzanne, the logic typically with sanctions, and we saw this with the Iran nuclear deal, is we don't like the behavior you're engaged in, we're going to sanction you unless you change. If you change you could get relief from those sanctions. And so it's a stick, but it's got a carrot there that goes along with it. But it's pretty important that leaders believe that if they change their behavior they can get the sanctions lifted, and if they change the behavior and get the sanctions

lifted, that will last beyond one particular president.

MS. MALONEY: Where are you going with this? (Laughter)

MR. GOLDGEIER: So how do we make sanctions effective if we can't really stick to the promise that in fact they will be lifted if the target states does what we are asking them to do?

MS. MALONEY: I think you raise a really important issue with respect to Iran that applies well beyond Iran, but is of course fairly urgent right now with respect to U.S.-Iran relations, and that is, you know, how you sustain a credible negotiation with a country with which you might continue in fact some sanctions. And this actually was applicable even irrespective of the Trump Administration's decision to walk away from the nuclear deal. That brought the question to a head, but well before May of 2018 when President Trump announced that decision.

There was a conviction on the part of Iranian authorities that the United States wasn't living up to its end of the bargain, that it was not living up to the spirit of the deal was the language that we heard well before the 2016 election. This was a criticism levied against President Obama. And what this highlighted was this sort of dualistic situation that was left in place in the aftermath of the Iran nuclear deal that we waived and suspended U.S. sanctions that were related to the nuclear issue. The deal also created the conditions for the lifting of U.N. sanctions, of EU sanctions, of sanctions that have been put in place cooperatively, collaboratively by other countries around the world. But it left intact those measures that were applied to Iran by the U.S. Treasury Department as a result of Iran's other problems, other issues of concern, support for terrorism, you know, compromises of religious freedom, human rights abuses. There's a very long list of rationales and sanctions programs.

And so many of these measures were left in place and the Iranians said this is in fact complicating our ability to see the economic returns we expected from the nuclear deal because companies are afraid to go in because they're afraid they might get sanctioned for terrorism. They also complained, and I think justifiably, that there had been a kind of culture of over compliance with the very severe sanctions regime that was put in place progressively. It started with the Bush Administration and then really, with a lot of firepower under the Obama Administration. And particularly banks and financial sector firms just didn't want anything to do with Iran because they had in many cases received such



heavy penalties for past banking and financial transactions with Iran.

And so even when it was possible for them to return after the nuclear deal, they said it's not worth our trouble. You know, we don't want to get on the wrong side with the U.S. Treasury Department; we could find ourselves cut off from the U.S. dollar, cut off from U.S. markets. The risk isn't worth it.

And so this was an issue and it was a relevant and important issue that we frankly didn't have good solutions to before President Trump walked away from the deal. Obviously the decision to walk away from the deal -- not just re-impose sanctions, but to try to apply maximum pressure to Iran, to try to drive Iran's oil revenues down to zero without the support of the international community, against the wishes of all those who helped us negotiate and are in fact parties to the nuclear deal, I think leaves almost no credibility for any future American administration to negotiate in good faith with this Iranian leadership.

MR. GOLDGEIER: And I just would like to basically follow up this question with both Jung and Ted. You know, for example, for Kim Jong Un, what are his expectations that he -- I mean does he think about what it would take to get the sanctions lifted and whether if he did certain things that he could get the sanctions lifted?

And, Ted, similarly, with respect to Maduro and Venezuela, is that -- I mean how does this play out? Especially as they've seen these other -- a case like Iran?

MS. PAK: I think when I look at Kim Jong Un and the flurry of summitry that was occurring in the past two years, is that I think Kim was engaging in a little bit of mirror imaging with President Trump in that we have this person, the U.S. President at the White House who said -- you know, has severely criticized U.S. alliances, that holy grail of U.S. foreign relations, has talked about ending war games, these very legitimate military drills that we have with South Korea, has talked about how he didn't want to do maximum pressure anymore, and how he really admires Kim Jong Un and has absolved him of all responsibility on the human rights issue, that I think Kim thinking as a dictator that perhaps that he had some optimism at first that President Trump would be able to unilaterally make big decisions on the North Korea issue and unilaterally alone, independent of Congress and the national

security bureaucracy, that President Trump could upend decades of U.S. policy on North Korea.

But I think what happened since the failure of the Hanoi Summit in February of 2019 is that all of those things started to dissipate. And we saw in Kim's speech in January earlier this month that he's not very optimistic about anything happening, he's not shut the door completely on engaging with President Trump again, but it's clear that's not interested in bargaining away his nuclear weapons, which by the way, he's been saying since he came to power, that he's not going to beg for sanctions relief and that he's doubled down on his nuclear weapons program, including on saying that he's not now bound by his self-imposed moratorium on nuclear and ballistic missile testing.

So I think he's lost that optimism, but I think what's clear is that even after two years of unprecedented diplomacy and engagement, I would argue that Kim has never had it -- North Korea has never had it better than it had in the past two years. Even despite that we're still stuck with the status quo and perhaps even worse than where we were two years ago.

MR. GOLDGEIER: Give us some optimism here, Ted.

MR. PICCONE: No, I'm afraid I don't have it. (Laughter)

You know, before I turn to Venezuela, the Cuba story really fits this topic very well, because you've had a cycle over many years of presidents lifting and re-imposing sanctions, back and forth, back and forth. And in part this is all about domestic politics, this is about cornering the Cuban-American constituency in Florida, a swing state. And at the end of the day, this is probably the most important factor. But what we saw under Obama was a really big push to lift as many sanctions as possible and to basically return to some process of normalization, constructive engagement, right, and opening embassies, et cetera. So a long distance cover, but he could only go so far because Congress codified the embargo in 1996 after the Cubans shot an airplane of exiles dropping leaflets over the island.

So the Helms-Burton Act really made it very difficult for presidents to negotiate in a carrot-stick kind of arrangement. But Obama went as far as he could. Now, President Trump -- and he made it very clear during the campaign that he would do this -- has rolled almost all of that back and gone further, for example, by -- for the first time any president has allowed U.S. citizens to sue other entities in courts in the U.S. for confiscation of their property in Cuba. This is called Title III of the Helms-Burton Act.

So those lawsuits are now going forward.

So you can imagine the chilling effect that has had on U.S. businesses, many of whom jumped at the chance to get involved in the Cuban-U.S. trading relationship, particularly in the travel industry. And almost all of that has been cut back -- cruise lines may not travel, for example, to Cuba, the airlines, they've cut off any flights except just to Havana, same with charter flights. So it's really been a pretty punishing response by the Trump Administration, which makes it very difficult to have any serious negotiation with the Cubans.

Now, on Venezuela -- and there's a relationship here of course -- the Trump Administration has really argued very strenuously that we're going to punish Cuba not only for being a bad regime, but for supporting Venezuela. And that is an additional reason to impose these sanctions. For example, they've cut off oil shipments from Venezuela to Cuba, which is very important to the Cuban economy. So this has become another element of the game.

In the case of Venezuela, they have actually -- this Administration worked very hard to communicate the message that these sanctions can be lifted and will be lifted for any individual that will defect or cooperate with the opposition or with us to get rid of Maduro. And in fact they have done that, at least in one case, a very senior military intelligence official who came to the United States and they lifted the sanctions on him. But it hasn't led to a flood of other defections and Maduro has only dug in his heels and solidified his alliance with the Venezuelan armed forces and military and, frankly, seems to holding out.

MR. GOLDGEIER: As we talk about the cases that we've been discussing, Iran, North Korea, Venezuela, in all of these cases there's a lot of discussion about the role that Russia and/or China play in the ability of countries to, you know, break a little bit with -- break out from under the sanctions regime and get some support.

Jung, maybe start with you? I mean there's a lot of discussion always about the way that Russia and China are able to help North Korea evade the sanctions that have been put in place through the United Nations. So how do they do that and of what significance is it for the regime?

MS. PAK: So let me put that into two buckets on how China and Russia undermine the

sanctions regime. And that is at the U.N. internationally. So at the political level. So since late 2018 Chinese leaders and Russian leaders have been calling for the lifting of sanctions, and they've pointed to pretty much North Korea's talking points, which is well we haven't done any ICBM testing, we haven't done nuclear testing, and we've refrained from those kind of strategic provocations, therefore North Korea should have some sanctions lifted to try to keep the process moving.

And so there's that. And last month, December of 2019, the Russians and the Chinese have jointly produced a draft proposal for the U.N. Security Council, again about lifting sanctions. And I think that is part of -- this is one of the byproducts of the summitry without any core. And it's that well, if the U.S. is engaging with North Korea, then why should China and Russia stick their neck out on these things. And I think the bilateral U.S.-China relationship has also really impacted how China approaches the North Korea problem. But the second bucket is how China is implementing sanctions itself. So I think that there's a lot of looking the other way by Beijing on North Korean sanctions.

So at the macro level I think some of the bigger Chinese entities are not going to risk their reputation to do business with North Korea. But it's at the micro level, the small micro entrepreneurial level, the illicit financing, the illicit trade, the smuggling, all of those things that North Korea has been very adept at, finding brokers, finding new networks, finding new brokers and other evasion tactics within China that really help facilitate to grow, or at least sustain the North Korean economy.

So I wanted to put the China-Russia example in those two buckets.

MR. GOLDGEIER: That's great, thanks.

Ted?

MR. PICCONE: Yeah, you know, unlike the cases of Iran and North Korea, Russia and China have always totally opposed U.S. sanctions on Cuba and Venezuela and other parts of Latin America. And in fact have actively worked with those countries to evade the sanctions. And it's not just those countries I should mention, the European Union also has been totally opposed to the sanctions on Cuba, although they're with us on Venezuela. So this is interesting. But on Cuba they've even gone so far as enacting counter measures, blocking maneuvers, so that on our extra territorial measures to try to impose penalties on anyone who trades in Cuban confiscated property, you will face penalties from the

EU if you pursue that course of action.

So this is a quite strong statement from the European Union. But, you know, the Cubans have quite effectively pivoted after the Obama period of rapprochement. They've gone back to Russia, more than I would say China. There is an important relationship with China, but it's been much more explicit with Russia, high level visits, and of course there's a long history of Russian involvement in Cuba and they're invested in important sectors to keep the Cuban economy afloat.

In Venezuela, you know, China is one of -- is I think the largest creditor for Venezuela. This was over many years, going back to Hugo Chavez, but has now softened somewhat. The Chinese don't want to be so exposed in Venezuela and they are not loaning as much money. But the Venezuelans owe them so much as it stands, which is being repaid in oil. So now the U.S. comes in and says we're going to sanction the whole oil sector. And this is how the Venezuelans have responded, they started shipping the oil to Russia as debt repayment, and then the Russians are turning around and selling that oil on the market to China and India, for example.

So it's another way in which they're trying to evade the sectoral sanctions.

So it seems that unless you have a really tight multilateral system of imposing these sanctions, it's really easy to evade.

MR. GOLDGEIER: Suzanne?

MS. MALONEY: Iran I think is a kind of interesting case with respect to both Russia and China because they have in some cases common strategic interests, Russia and Iran, but not common economic interests. The Russians are beneficiaries of the fact that the Iranians can't sell their oil licitly on the market and are in fact cooperating very closely with the Gulf States around trying to sustain or even boost prices for global oil.

But this hasn't really detracted from the deep ongoing partnership that the Iranians and the Russians have on their policy towards Syria. And I think it's in fact a growing relationship. I'd be interested in your perspective on that.

China has been an important source of capital and trade for Iran since the 1980s, but the Iranians have now had one long experience with really tough economic pressure from the United States

and the international community. And what they found during that period that led up to the nuclear deal is the Chinese were happy to sort of move in and take positions that had been left by European and other countries, particularly in the energy sector. They were also very careful not to do anything in Iran that would get them crosswise with the United States.

And so in Iran there's a general willingness and recognition that their economy increasingly, irrespective of sanctions, depends on trade and opportunities in the East. They work closely with the Chinese on a lot of issues, but they have no illusions that somehow the Chinese have Iranian economic interests at heart, that they understand that the Chinese will invest where they see opportunities, they will always prioritize the relationship with the United States, and that in some cases the proliferation or intense involvement of the Chinese with the Iranian economy has worked to the detriment of the local economy, Iran's own indigenous industries and capacities.

And so to some extent, you know, what they've focused on to manage through this current period of economic pressure has been trade with their neighbors.

MR. GOLDGEIER: I do want to get to you all since you were good enough to come out this afternoon. I want to make sure that we get to the questions that are of greatest interest to you, but I'm just going to ask the panelists one more question and then go to you. So think about what you most want to ask that we haven't covered, or follow up things that we have been covering.

And that is just to ask each of you to just say where you feel that U.S. sanctions policy has been most effective in the countries that you're looking at. Where do you look and see, yes, that was a very effective use of sanctions, it enabled the United States to achieve its particular objectives, and -- you know, I mean maybe that is for you the 2015 deal, that in fact was the way in which sanctions came together with the broader effort. But just to elucidate what is an effective sanctions policy. Because I just -- just to give an example, we haven't talked about Russia and Ukraine yet, but, you know, in that instance, you know, the Russians invade Ukraine, they annex Crimea, you have sanctions go into place on that, you have sanctions then added in place for the Russian fostering of civil war in Eastern Ukraine. And you talk about sort of lifting and keeping some in place, right. There is this notion that if the Russians would agree to help with the Minks accord's implementation and actually have a real cease fire in Eastern

Ukraine, the idea is those sanctions would be lifted even though the sanctions for the annexation of Crimea would remain in place.

But at the beginning when the sanctions were first implemented in 2014, the theory of the case was basically go after members of the elite close to Putin. These are people who've benefitted greatly from their ability to engage in economic all over the world, sanction them so they would put pressure on the boss and say, you know, life was good, now we did this thing in Ukraine, our lives are worse. You now, we've really got to change behavior. And, you know, he's been able to take care of the people around him and sort of any thought that that was going to work, it -- Russia has Crimea and it remains in Eastern Ukraine.

And so in some sense the sanctions -- or at least I would say in one sense the sanctions have been surprisingly effective, and that is with respect to the U.S. and European Union being in sync on keeping those sanctions in place. I think when the sanctions were first instituted in 2014 I think there was every reason to believe that the European interest would be different from the American interest, it wouldn't be as strong. Chancellor Merkel, given the relationship between Germany and Russia, that she would not be as strong as she has been. And I think it's been a surprise that you continue to see, you know, every six months the EU voting to extend the sanctions.

So in that sense that part of the policy has been effective, but yet we haven't seen the change in behavior that was desired by the sanctions.

So just curious sort of in the countries you're looking at. And if, for example, they don't have the desired effect, could we still argue that they're effective? For example, I think in the West, in Europe, and the United States there is a sense that what the Russians did by invading Ukraine and annexing the territory of its next door neighbor has no place in the world we live in today. You know, the whole rationale for the U.N. after the second World War was to try to create a collective security system to keep stronger countries from going in and taking territory from their neighbors. And so it's effective enough just to be able to say you're going to be punished when you violate that type of international norm. But be that as it may, it hasn't changed the facts on the ground in that case.

So just curious your thoughts on the effectiveness -- where we've seen effective policy

with respect to the countries we've been talking about.

Suzanne? We'll go down the line and then we're going to open it up. I promise.

MS. MALONEY: I think it's a really important debate to have, what constitutes an effective sanction, how do we gauge efficacy. You can look at Iran and say these are really effective sanctions that the Trump Administration has imposed because they're having such a dramatic and obvious economic price, but they haven't -- and they have cost the regime certain resources and no doubt imposed constraints and forced tradeoffs that would not have existed without these measures, but they haven't led to what it is the Administration says that it wants, which is a fairly dramatic reversal of a number of different areas, essentially the core of Iranian foreign policy. None of that has yet happened. And in fact we see some doubling down.

So, you know, what you choose as your metrics for efficacy is very important. Is it purely economic measure or is in fact a policy outcome? And I would argue as policy makers we should be looking for the policy outcome.

But I still can find areas where I think it's important to suggest that there -- we've learned something about the efficacy of sanctions from the Iran experience. One is that sanctions are really effective in compounding the structural problems in economies that are already very dysfunctional. And so I was thinking of this as Ted talked about Venezuela, that in fact the Trump measures, the re-imposition of sanctions, actually started having an effect on Iran well before he announced his withdrawal from the deal. And that was to some extent an expectation that he might in fact do that, but it was also a function of the fact that Iran has huge structural economic problems owing to the way that the country has managed the economy since the revolution and that those factors, as much as anything else, were deterring internal investment, were deterring foreign investment, even when it was still conceivable to do so without fear of U.S. sanctions. And so where outside pressure can have an impact is often where an economy is already suffering from severe internal issues.

I think it's also important to note that there was not a lot of consensus here in Washington when Trump exited the deal, that the U.S. could impose financial measures without immediate blow back or without compliance from the international community. And in fact what we saw was that simply isn't



the case. That there hasn't been much blow back yet, and there's a big debate in this town and the political science literature about whether the yet is still just around the corner in terms of blow back. But we haven't also seen the willingness of other countries to try to buck the sanctions. There's been overwhelming compliance from even the countries that are most resentful of these measures.

And so I think we have to appreciate that these are powerful tools, even if I think the Iran experience creates a lot of counter lessons about the difficulties of removing sanctions, about the difficulties of engaging in these cyclical processes which then, you know, leave you in a situation where if we do have to start a negotiation with Iran or if we do find ourselves in the face of a nuclear crisis if Iran begins really ramping up its nuclear program in a serious way, as it has threatened to do, we will not have the support of our allies, we will not have other tools to use, and we will find ourselves having spent a lot of political capital on economic sanctions without necessarily achieving a lot.

MR. PICCONE: The effectiveness question I think is a function of how dependent a certain country is on us, on our economy, on other aspects of our relationship. And so the two examples that come to mind fall into that category where there's more of a dependency. One is from the '90s and one is more current.

The one from the '90s is Colombia. Colombia at the time when the President Samper was in office, we were using something called decertification on counter narcotics cooperation. It's still a tool that we use. But it was a big deal that we decided to decertify Colombia as a cooperating partner on counter narcotics and had a big effect on Colombia, which traditionally has been a strong ally of ours. But we had real concerns about President Samper being too close to certain narcotic traffickers. And it did have an effect I would say.

When Samper left office, the next administration happened to be friendlier to the U.S. and really engaged intensively on a whole series of changes that would strengthen both the security and economic response to not only the trafficking problem, but the raging civil war in the country. And so initiated something called Plan Colombia, which was a 10-year program, billions of dollars from the United States, but the majority Colombian money, going to change the equation on the ground and get to a peace agreement with the FARC. And ultimately that succeeded.

But I think the seeds of it were planted by this hard line approach that the Clinton Administration took at the time on drug decertification.

The other example, more recent, is on the migration issue. So you have the Trump Administration threatening Mexico and Central American states that if you don't cooperate with us and stop the flow of migrants to our borders, we're going to impose sanctions on you, mostly trade-related sanctions. And it did have an effect. And in each case there have been real changes in behavior on the ground in pushing -- whether you like it or not, I'm just saying that has been what the Administration hoped it would be, that their deployment of security forces to the southern Mexico border to stop the caravans -- this just happened last week -- agreements with Central American states to process asylee requests in their own country, even though they themselves are the states from which migrants are fleeing -- a little bit of a contradiction there. But it does seem to be having an effect. Why? In part because these countries are quite dependent on the United States.

MR. GOLDGEIER: Right. Jung?

MS. PAK: I would say that where they've worked is was when there was a very targeted effort, and that was back in 2005 with Banco Delta Asia where the U.S. designated Banco Delta Asia for assisting in North Korean illicit finance and trade. But what ended up happening was that because banks did not want to be associated with the North Korean regime and illicit finance, that it set off a -- where the U.S. didn't directly have to do anything, but that it was banks that didn't want to hurt their reputation started shutting down and kicking out North Korean money from their systems. And so that was something that worked, at least for a brief period of time, because the North Koreans had said privately to some U.S. officials, you've finally figured out how to hurt us. And it was that they were not able to move money around and make money in all sorts of different places, not just in Asia, but in Europe and elsewhere.

And so that was one particular issue, but then to keep diplomacy moving in 2005, the North Koreans eventually had their money returned back to them. And I think this is where we get to the tension between -- well, if you have sanctions then you can't have diplomacy and if you have diplomacy then you can't have sanctions. And it becomes a seesaw effect, well you can't have both. And that goes

to I think one of the weaknesses of the way we think about sanctions now, is that it's a punishment tool and that this is a way that somehow we can just let it loose and then it will all work its magic and then somehow it will change behavior. But as my colleagues have pointed out, we're talking about partnerships of our allies and other countries that are willing to assist in the implementation of the sanctions. And marrying the sanctions with diplomacy, military measures, as well as other economic measures and public diplomacy efforts.

So I think sanctions have to be part of this big basket of things that we are willing to use and not just as a silver bullet.

I wanted to address the pain issue and the suffering issue. Like are we really targeting the right people? And one of the reasons behind -- well, one driver for the sectoral sanctions on North Korea is to sharpen the choice for Kim that he can't have both economic prosperity and his nuclear weapons program. But as we've known from 70 years of the Kim dynasty, the Kim's have a very high tolerance for other people's pain. And so when we look at Kim's long speech from earlier this month, it's not so much as I won't give up all of these things to make sure that no one suffers, it's more to the effect of you guys are going to have to work harder, longer, and faster because we see that the U.S. is a hostile outside power and as I've told you over the decades, that as the Kim family has told us over the decades, the U.S. just wants to destroy us and wants dialogue to hide the fact of their hostile intent.

But I think the difference between now and 10 or 15 years ago is the marketization or the micro entrepreneurial level activities of North Koreans and their relationship with the outside world is such that it would be hard to put the genie back in the bottle. North Korean elite at least are very much used to having luxury items. Now there are department stores, there have been high end restaurants, skate parks, dolphin areas, water parks, et cetera, and high rises. And it will be hard to put that back to reign in people's ambitions, to reign in those desires, those consumerist desires once you have unleashed it. And I think this is where I think Kim potentially sees his clock running out on this, that he has to keep up with making sure that the pain doesn't exceed the goods that he can bring in for his people.

MR. GOLDGEIER: And I think this raises a really excellent issue when we think about how we sort of measure the impact of the policy, as Suzanne was talking about, and as you've just said.

Just coming back to the Russia case, I was mentioning we haven't seen a change in Russian behavior with respect to Ukraine, but we have seen the sanctions have an effect on the Russian economy, Russian economic growth, and that affects Putin in terms of his longevity in power. We've seen his recent moves to try to put in place a mechanism for him to stay after his current presidential term runs out in 2024, but it's not that easy. You know, he faced some challenges. In addition to a population that's growing tired of him, his popularity is not the size it used to be, in part because he's not delivering the goods the way he was before, and that's in part due to the sanctions that have been imposed for the actions he took in Ukraine.

So, we'll open it up. I would ask you to identify yourself, to try as best as possible to put your remarks in the form of a question and to let us know if you would like to direct your question to a particular panelist or whether it's just an open one. And we have microphones around? Yes? Good.

We have the woman over here on the far side; over there. If you'll just wait for the mic.

QUESTIONER: Hello. My name is (inaudible). I'm a German attorney and a current master's student at GW Law. And I just wanted to pick your brain or hear your thoughts on whether you think that the current sanctions policy of the U.S. will encourage countries and other allies to look for ways to be more independent from the U.S. financial system.

MR. GOLDGEIER: Anyone want to pick that up?

MS. MALONEY: I'll start in hopes that my colleagues will have more learned things to contribute, because this really is I think one of the most pressing concerns that people have.

I know with respect to Iran, and I expect with respect to other sanctions programs as well, this idea that if we use our weight in the international financial system to try to put pressure on other countries that the world is going to say we don't need New York and Washington, we'll find a way to a bank that is insulated from the long arm of the U.S. Treasury Department. And the first time I heard this concern was actually when the Bush Administration was considering imposing sanctions on Bank Saderat, very much in the line of the North Korean experience, which was perceived to have been successful. One bank, target it, cut it off, and show that this can be done and it will really have an effect. And it was a foreign service officer who worked on trade and economic issues who said this really poses

a risk in the long-term. And now that has become the subject of a lot of really interesting scholarship, a lot of debate around Washington.

The interesting thing to me is it hasn't yet happened, despite the fact that we have made such extensive use of these financial sanctions over the course of the past 15 years plus. That's not to say it won't happen, but clearly the long-term on this is long-term. And while there have been efforts -- like there was a mechanism that the Europeans tried to develop to continue trading with Iran to facilitate some economic activity with Iran, it took more than a year to put together. It was always intended to only be applicable, at least at the outset, to non-sanctioned goods, so primarily agriculture, pharmaceuticals, things like that that are not subject to any American sanctions, and it still really hasn't worked in any significant way.

So I think that just underscores how difficult it is to find a work around, unless there's a really powerful incentive. And at least Iran is not a powerful enough incentive at this point to persuade the countries of the world with the capacity to try to develop and implement an alternative financial system to actually to do so. It's not to say it won't happen, but I'm surprised that having heard this in 2006, that we don't see more of it today.

MR. GOLDGEIER: I mean it just goes to show you just how powerful the United States is in financial markets. And one of the things you might want to do next time you're over at the law school is walk down the street to the poli-sci department and see when Henry Farrell is having his office hours, because he and Abe Newman just did a piece on Foreign Affairs this week looking at sort of the United States as Athens. They remind us all of the history of the Peloponnesian Wars. Athens, which basically got carried away with its own power and things did not end well. They offer in their article a word of warning about this, that as the United States is just going around coercing everyone, using the economic tools that it has because of its position in the global economy, that other states -- I mean they are at least talking now about what they can do to try to get around this problem, even if it may still be some time before they can actually do it.

MR. PICCONE: Yeah, this is a really interesting question. As I'm sitting here thinking about examples in the Venezuela and Cuba case, in Cuba's case the way they've tried to deal with this

problem -- of course they've been disconnected from the U.S. economy for a long time. But they're still desperate for capital. And in the world we live in today, that means dollars. But what they've done instead is bartering. I mean they have literally developed human capital in Cuba in the form of teachers and doctors and nurses who are exported to other countries in return for oil or other goods that the Cubans receive. And this is their number one export revenue source.

So it just shows you that even a small island economy that looks like it would be squashed by this kind of comprehensive embargo can find ways around it.

In the case of Venezuela, the Maduro regime has tried to create a cryptocurrency called the Petro as a way of dealing with this problem. And as far as I know it has failed, but more recently the Congress has passed legislation just in December that gives the President authority to do additional things, including sanctions on cryptocurrencies trading with Venezuela.

So it's clear the Treasury Department is paying attention and aware of this and concerned enough, but I think for the short-term, maybe even the medium-term, the dollar is still king.

MR. GOLDGEIER: I know there was somebody in the back, in the way back. So right here. Yeah, we'll go right here. It's fine. Do we have a mic? You with the tie. You wore a tie so you get to ask a question.

QUESTIONER: Thank you. My name Jared Awaywa. I am an undergrad student from Flinders University in Australia.

In the recent years, the Leviathan gas fields have become a very sort of popular -- or like hot commodity for gas in the East Mediterranean. I know that the EU would love to be a big part of extracting oil and all the energy from there, but so is Russia. And Russia is trying to use Turkey as an access to these gas fields.

Do you think as the U.S. has become a bit more involved in that Eastern Mediterranean area, do you think sanctions from the U.S. and the EU on Turkey would keep them from trying to like collude with Russia and would keep Russia out of that area?

MR. GOLDGEIER: So I'll take a shot at that. It's worth just the broader context of U.S.-Europe-Turkey-Russia relations that I think raises a number of really important questions.

Turkey is a NATO ally. Turkey has been an important country for the United States and Europe and in recent years has been developing a closer relationship with Russia. And there have been lots of calls, for example, that Turkey should be kicked out of NATO or that there should be punishment imposed upon Turkey for the dealings that it has had with Russia. But this is really a very challenging policy problem, because like it or not Turkey is an important ally within NATO and it is important strategically for the United States and Europe.

So I think actually that the United States and Europe are going to be very careful when it comes to sort of how it deals with Turkey. Also, you may remember a few years ago Turkey's role in working with the European Union in the middle of the height of the migration crisis and its willingness to essentially take people in Turkey rather than having them continue on to the rest of Europe, which had created so many political problems within Europe, including in Germany.

So I think the United States and Europe are, despite a lot of the rhetoric that we've seen with respect to Turkey, I think they're going to be pretty careful when it comes to too much of an effort to penalize Turkey for its behavior.

MR. GOLDGEIER: We'll come up here to the front and then we'll go to the back. We'll just keep going and I won't forget the middle.

MR. MARCUS: My name is Stan Marcus. I used to be in the Carter administration dealing with export controls and sanctions and so forth.

I wonder if you could say something about the use of tariffs in trade as a sanctions measure and the willingness of Congress basically to abdicate its general authority over trade and tariffs to the Executive Branch under the rubric of a national emergency, where they may not be any emergency that ordinary people would think of and where the trade and tariff sanctions impose penalties -- are a two street -- impose penalties on U.S. companies and U.S. consumers.

MR. GOLDGEIER: Great, thank you.

Anyone want to discuss tariffs?

MR. PICCONE: I mean I'm not an expert on this particular topic, but in the whole trading system and the way the Trump administration has pulled back from what was a freer trading system than

it is now. But I have seen in Latin America -- and I gave you that example of Mexico and Central America. That was very much tied toward imposing tariffs. But it is a two-way street, as you point out. But what I have not seen here in this country is enough of a pushback against this even though it's commented on often. But it doesn't seem to have changed the behavior by this administration. They continue to use either the threat -- and this just happened recently with Argentina and Brazil. Now, for most people, that's like who care, but I think for Argentina and Brazil it was a big deal that those countries, after being given a grace period and a pass about a year and a half ago on the tariffs on steel and other products, the Trump administration turned around and re-imposed them anyway. And this is even on a friendly regime like Brazil with Bolsonaro, the Trump of the Tropics.

So it seems that this administration is very willing and without really much concern or pushback from Congress to use this tariff as an important tool.

MR. GOLDGEIER: I think it also just gets into the broader issue of the erosion of the Congressional importance on foreign policy that we've seen over the decades. As you point out, there is a constitutional role for the congress. You know, most people know about the declaring war provision, but also regulating foreign commerce should be central to the congressional role, but the congressional power and authority has withered over time, largely because of the Congress itself. And just last week two of my Brookings colleagues, Sarah Binder and Elizabeth Saunders and I did a piece for Foreign Affairs -- that's a second plug for Foreign Affairs -- sorry, I don't have anything to do with the paywall -- sort of looking at -- because we've seen a lot of congressional activity in recent months and so we asked the question, does that mean Congress is actually going to come back and do something to reassert its role in foreign policy. And I think the answer is no, it is not. And it's really unfortunate. You mentioned, you know, Section 232, which gives the president the ability to impose tariffs when he declares a national security emergency. So, you know, he sort of has an ability to get around Congress for that. President Trump has been calling all sorts of things national security emergencies, and then you had the treasury secretary in Davos recently say that in fact there was no national security need for the kind of imposition of tariffs. I mean it was essentially -- yeah, the United States just decided to impose tariffs.

The only other thing to mention on tariffs -- because I'm sure everybody in this room



knows this, but I know this is being webcast, so for anybody who doesn't know, tariffs are a tax on the American people and it's important to recognize that. Although it's interesting, you know, that tariffs are paid here despite the constant tweeting that China, for example, is paying billions and billions into the Treasury. No, that would be money that we are paying into the Treasury. Normally, what companies that have to pay a tariff do is they pass it onto consumers. There was a recent article in either the *Post* or the *Times* talking about how a lot of companies -- I mean they can't get away with passing the cost onto the consumer, so they're just absorbing it themselves.

But the impact of the tariffs is significant here. Hopefully Congress will step up to do more, but I think on this issue one of the challenges is -- if the Democrats were really eager to lessen the tariffs I think we would hear them talking much more about how tariffs are tax increases on the American people. So the fact that you don't hear them spending a lot of time talking about how tariffs are tax increases on the American people would suggest that many Democrats are comfortable imposing tariffs in that mistaken belief that in the long run that will actually help the American economy.

In the way back, and then we'll come up. I'll come to you next.

QUESTIONER: Dan with the Association of the United States Army.

Given that we're in a state of strategic competition, as described in the National Security Strategy and the National Defense Strategy, can you assess in a little more granular detail the level of interaction with the military instrument of power? And specifically at the regional combatant command level. Does the left hand really know what the right hand is doing at the whole of government level and at the regional implementation level?

MS. MALONEY: I will start, without giving a clear coherent answer. I think it's a great question. Ideally in any administration you'd have a thorough policy process in which options are put on the table, they're vetted through the chain, across the interagency, with input from all the relevant stakeholders, and a clear discussion around what the possible implications and fallout might be from proceeding along any particular course. Had that been done -- and it's not clear to me if it was or was not done with respect to the decision in May of this year to go from not just in the re-imposition of sanctions but to try to push Iran down to zero exports and zero revenues of its oil, I would assume that any serious

policy process would have come to the conclusion that there would be a considerable set of security implications from that kind of a decision and that if in fact there was still a readiness to proceed in that direction that there would have been contingency measures taken, say infrastructure security around major oil processing facilities in the Kingdom of Saudi Arabia, for example.

It would appear to me that that kind of whole of government appreciation of some of the measures that we've undertaken under this Administration is insufficient. I think there is probably an argument to be made that there hasn't always been a sufficient understanding of how economic pressure is interpreted in -- I would argue in some cases rightly as an act of war. When you apply a comprehensive embargo to a country, when you essentially blockade the financial interactions of a country with the international community, that will be perceived by the target as an act of war and it will be responded to in kind as an act of war.

And that's what we've seen with respect to the Iranians, especially since May when President Trump decided to try to push Iran's oil revenues to zero. And it comes with real risks of escalation that may be outside the preferences of either actor.

MR. PICCONE: I would just add that in my experience in and out of government, the military's disposition is to engage in all countries on the military to military professional level. So when sanctions are imposed, and it's often first and foremost on say arms sales or any other kind of military cooperation, you're going to get a tension in those two goals. And we see, for example, in the case of Cuba, U.S. policy toward Cuba, it was the military within the bureaucracy, the interagency bureaucracy, that was pushing for normalization of relations with Cuba because they wanted to be able to learn more about the Cuban military instead of being in this hostile footing. And ironically we have a military naval base on the Island of Cuba. And those relations happen to the Coast Guard, our talks across the fence line and not on the military level.

So there's this funny bureaucratic battle that happens in the way the lines are drawn, pro and against sanctions.

MS. PAK: Let me add one thing on the military.

So I think on the -- if we separate the political and we're talking about the summits

specifically and the extreme bilateralism of the leader to leader relationship, that at the military level I second what Suzanne had said about interagency coordination. But at the military level, you know, there are 28,500 U.S. troops on the Korean Peninsula and many more in Japan. At that level I think there's much more interaction and talking with Korean and Japanese counterparts, as well as getting the input of all of the U.S. agencies because they're right there and because at the front lines of this North Korean threat. And I think if anything, the military is very much aware and they work in lockstep with the intel organizations as well as their counterparts in the region to make sure that despite the diplomacy, that they're ready, always ready just in case.

MR. GOLDGEIER: I would add, just to what Suzanne said, my American University colleague, Jordan Tama, and Liz Rosenberg at the Center for a New American Security, did a recent policy report looking at what they call the escalation ladder, and also talking about specific policy prescriptions for the National Security Council to try to actually produce coordinated policy between military, economic, and other types of policies.

I promised you, so.

QUESTIONER: Thank you very much. Alex (inaudible). I cover the South Caucasus.

To understand all of the U.S. sanctions, you know, in better context, what is the best time to start turning to sanctions? When our values are under attack or when our interests are under attack?

Because in my part of the world people think that we sacrifice our values to our interests, and then we start struggling with (inaudible) of the region. So then sanctions start not working. In other words, when Turkish president visits Washington and his body guards starts beating up reporters right in front of this building, is that, you know, (inaudible) to start thinking about sanctions? Or when Turkey starts flirting with Russia?

And my second question, I'm trying to get my head around why don't we sanction Putin himself instead of sanctioning his minions? Is there more hope that will cause some change in his mind? Thank you.

MS. PAK: Let me start with when do we apply sanctions. On North Korea it's security. So the first sanctions were on North Korea's proliferation activities. They have a very robust missile and

conventional arms relationships. Back a few years ago they were caught sending chemical weapon suits to Syria, they built a nuclear reactor in Syria, they engage with Iran on ballistic missiles. And that's part of it. And so the other part of security is the illicit things that they're doing. So North Korea's illicit finance and illicit trade networks extend across the world in dealing with criminal enterprises. So it's a very -- it's a transnational threat issue.

MR. GOLDGEIER: This is a really interesting question. Of course there are cases like North Korea where there are hardcore security interests at stake and we need to respond. But the values argument is really ascendant I would say in the way, in particular, Congress is dealing with this issue. If you think about the global Magnitsky Act -- if you're not familiar with it, you should be -- but it does give the president authority to impose sanctions based on gross violations of human rights and gross acts of corruption. And these are triggers now that are allowing governments to move much more quickly. And this is taking some discussion up in Europe as well and the UK is debating a bill that would be modeled on the U.S. law here.

So it's a slow soft law, maybe turning to a hard law development where we say, look, there are certain red lines that we have to say this is behavior that has to be sanctioned. Now, what is the sanction? It tends to be much more individual targeted sanctions. Whether it's the head of state or not, that's up to the executive to make that decision. But I think this is actually in my view a positive trend that we're trying to upgrade the standard when it comes to imposing sanctions, but at the same time make them more targeted. That might be -- where you're not hurting a lot of your other interests with that country. It's not a wholesale embargo act of war, but it is a signal about certain behavior. Whether it deters that behavior is another matter, but.

MS. PAK: Well, Kim Jong Un is sanctioned for his human rights violations, but the President also said that Kim said he didn't know anything about Otto Warmbier, the University of Virginia student who died after being imprisoned in North Korea for 17 months. So I mean, I don't know about implementation. We haven't done very much, at least on the North Korea front, on the values-based sanctions, on the human rights issue. We don't even have a human rights envoy, which we used to on the Korea issue.

MR. GOLDGEIER: Okay.

MS. MALONEY: Did you want to speak to the Putin?

MR. GOLDGEIER: I don't really want to speak on the Putin. (Laughter) I'll say one thing on the Putin thing, which is, you know, there was a lot of talk in 2016 about whether the Obama administration was going to make public what was known about Putin's assets so that the Russian people would have a better idea of what he has enjoyed at their expense over the last two decades. And it's still unclear to me why we would not have pursued that given what he's done in the United States.

Yes, sir.

QUESTIONER: Hi, Carl Ogoliver, retired U.S. Customs special agent.

This is maybe a dinosaur's perspective from the early '90s when I was involved in embargo and economic sanctions enforcement in South Florida, both a Cuban embargo case and an Iranian sanctions case. The Cuban case, U.S. v. Macko, was an 11th Circuit decision related to it, but in the context of that I learned in the Cuban exile community in South Florida, it was pretty well rumored that those who were the most staunch advocates of keeping the embargo in place were those who were themselves profiting from circumventing the embargo.

So do embargoes and economic sanctions just add to the profitability of criminally circumventing embargoes by those who are maybe connected enough to get away with it?

Concerning Iran, I was case agent on the prosecution of Tom McGuin, from Ireland, early '90s, trying to transship a military helicopter and night vision equipment to Iran. Ultimately, he got a couple of sets sent through Canada to Ireland and then onto the -- well, they were seized in London on the way to Iran, but the -- a Canadian export licensing official was interviewed by us -- on our behalf by Royal Canadian Mounted Police, their investigators, and the Canadian export official had allowed these night vision equipment to go without an export license. Now, the U.S. requires re-export authorization. And his response was, well, Canada, we don't recognize U.S. extraterritoriality.

So, wait, by having the sanctions on Iran, we just created a great profit mechanism for Canada to profit from must circumventing our sanctions.

MR. GOLDGEIER: All right. So are we giving others an opportunity to profit when we

sanction?

MS. PAK: I mean, yeah. I mean that's part of the evasion tactics, is that there's always somebody there to pick up the slack or -- but I think what sanctions are supposed to do is raise the cost of business to keep adding pressure to the existing pressure system. And so I mean it's a never ending process of sanctions and you have to -- it has to be constantly tended to, like a garden, versus just letting things go. And it's kind of like whack a mole in many ways. And that's the weakness of sanctions, is that it has to be an all hands on deck kind of effort.

MR. PICCONE: Just one -- with the collapse of the oil industry in Venezuela, they have turned increasingly to gold mining. And this is leading to all kinds of collateral security problems because -- and not only in the gold, but other illicit markets, because they're desperate to get capital -- and so you have guerilla groups from Colombia, the FARC and the ELN, who are involved in this illegal activity in Venezuela or cross border trafficking, that it runs directly against our own interests in these countries.

So the sanctions have hurt, but they lead to these corollary effects that are quite difficult for our own interests.

MS. MALONEY: Just two quick points on the Iran side of things.

Whenever you impose any kind of economic measure on any country, there are going to be winners and losers, including in the country itself. And so there are always beneficiaries of sanctions, even in the targeted states. And often they're the exact people who you wouldn't necessarily want to empower because they're best positioned to kind of maneuver around the system. It's a bit of an analogy to what you were talking about the Cuban program in South Florida. But it's quite clear that the Revolutionary Guard in Iran have benefitted in some cases from the withdrawal of Europeans and others who were previously investing in major energy and other projects in Iran. The Revolutionary Guard had moved right in there.

The difficulties in Iran that most of the economy in some way touches the regime, in some way connected to the regime, and so it would be very difficult to design sanctions that help say the private sector simply because it is relatively so small and so weak and primarily composed of kind of crony capitalists.

The other point that I think is important to make is that in terms of whether or not American's sanctions simply help the rest of the world do business with targeted states, that's traditionally the critique of trade sanctions, but it doesn't apply to the financial measures that we've seen applied to Iran and to other countries in recent years because it's still now illegal for a Canadian firm to sell any kind of -- to conduct any kind of transaction with nearly every financial institution, or certainly every government entity in Iran. These measures don't in fact target trade, they target the flows of money and they put the compliance burden on the financial institutions themselves rather than on individual governments. So the Canadian government doesn't have to stop firms from doing this. Any Canadian firm that wanted to trade in night vision goggles with an Iranian counterpart would have no ability to find a bank to finance that transaction.

MR. GOLDGEIER: We have time for one quick question and a quick answer.

Sir, right there. Yes.

QUESTIONER: Hi, this is (inaudible) with the Voice of America.

I'm going to just ask you a really quick follow up question on North Korea. So how do you evaluate the effectiveness of sanction on North Korea so far?

So like Jung said earlier, China and Russia had submitted the draft resolution to the UN Security Council later this year and they proposed to lift sanctions at some level to break the current deadlock of the U.S.-North Korea deadlock. So, again, how do you assess the effectiveness of sanctions so far?

And regarding this, recently South Korea unveiled its draft idea, especially about the individual tourism to North Korea. So South Korea said the reason why they are planning this is to help build a relationship between South and North Korea, but also through this U.S. and North Korea too. However, many experts are concerned about this idea because it could violate the U.N. Security Council resolution or U.S. sanctions in North Korea. And this is what Ambassador Harry Harris pointed out recently. So what do you make of this?

Thank you.

MR. GOLDGEIER: All right, Jung, you have the last word.

MS. PAK: Effectiveness of sanctions and South Korean efforts to continue with inter-Korean engagement?

On the effectiveness of sanctions, I don't think we gave the maximum pressure of sanctions starting from 2016 a chance to exist and to gain momentum. I think the summitry without the substance really let the air out of the maximum pressure. What we've seen is that because of the summits, that there was a sense that the appetite for implementation by the other countries were not as strongly felt or that pressure wasn't strongly felt.

That, combined with President Trump's criticisms of alliances in general, I think has eroded the credibility of sanctions and the importance of those sanctions. And so I would say that while sanctions have the effect of shrinking the North Korean economy, as far as we can tell things seem to be okay within North Korea in that money seems to continue to flow in, construction projects are continuing to be finished. Whereas you'll see some trickling bits of information about some coal mines being closed, et cetera.

But at the end of the day, I don't think Kim feels the pain at the macro level. So if we're judging sanctions effectiveness on whether Kim feels it or whether that is going to change his behavior, I think Kim has been pretty clear that sanctions have not affected him at all or in his strategic approach to things.

On the South Korea ongoing efforts to continue engagement, so I think that has been President Moon's political initiative to try to -- I mean the South Korean view is to continue to encourage dialogue -- and that's the U.S. view too, continue with dialogue even though North Korea is very uninterested in dialogue -- in the belief that economic engagement and interaction will lead to some development. That is also China's view, that economic engagement will pull North Korea into the bright future of capitalism and Western liberalism.

But we've seen very little evidence of that in the past decades and Kim is not interested. There has been very little contact between South Korea and North Korea since 2018. And in fact North Korea has been very dismissive of Moon's efforts. And I think that is one of the byproducts of this extreme bilateralism between Kim and Trump.



MR. GOLDGEIER: Great. Thanks.

Well, thank you all so much for coming out. Please join me in thanking our excellent panel. (Applause)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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Expires: November 30, 2020