



A Chinese Insider Analysis of Bitcoin in North Korea

OE Watch Commentary: On 30 November, a Chinese financial website featured the excerpted article about the benefits of Bitcoin's price surge to North Korea. According to the author, the downturn in international financial markets as a result of North Korea's ballistic missile launch in May 2017, coincided with a surge in the price of Bitcoin. In May 2017 Bitcoin was still valued below \$2,000, while in December 2017 the value exceeded \$15,000. The columnist argues that subsequent ballistic missile launches after May 2017 also saw surges in Bitcoin's value. If true, this would mean that North Korea could potentially influence Bitcoin's value by conducting more ballistic missile launches.

The author suggests that North Korea began investing substantially in Bitcoin prior to its May 2017 ballistic missile launch. Because almost no private citizens (and only senior commanders) can own computers, the author argues that it must be the North Korean government that has been mining Bitcoins through a government-owned company. According to the author, this may have become a national policy after North Korea faced stronger US economic sanctions, China's ban on the import of its coal, and a massive reduction of foreign exchange sources for the country. The article also points out that the anonymity of Bitcoin makes it a perfect tool for money laundering, which is why China has banned it while North Korea has become a full-fledged participant in it.

The author admits he is making an assumption but notes that the current market stock of Bitcoin is about 16.5 million, which means that there are 4.5 million remaining Bitcoins that are unmined. If North Korea can develop a large mining machine, it can dig out enough Bitcoins such that Bitcoin mining alone can exceed the country's total net exports and earn the country billions of dollars. As such, the article suggests that Bitcoin can help insulate North Korea from the effects of economic sanctions and other international legal regimes that constrain the country's behavior. **End OE Watch Commentary (Zenn)**

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Source: “杜坤维：比特币暴涨！朝鲜是最大赢家” (Bitcoin soared! North Korea is the biggest winner),” *jrj.com.cn*, 30 November 2017. <http://opinion.jrj.com.cn/2017/11/30090123717969.shtml>

As the situation in North Korea suddenly tightened, the financial markets reacted immediately. Bitcoin, which has been criticized for being a virtual bubble, has become a hedge against the world financial markets. Market analysts point out that Bitcoin has several features that make it an attractive investment in this economic turmoil.

It is precisely because of the above attributes of Bitcoin, I believe that Bitcoin also has the potential [to be used for] money laundering, which may be one of the reasons the Chinese government banned it, while North Korea has been attracted to it. North Korea launched a Bitcoin mining operation on May 17. Prior to this, North Korea's Bitcoin activity was minimal.

Starting May 17, there was exponential growth. Mining machines are unlikely to be privately owned. They are more likely to be owned by a government-backed company.

With the strengthening of U.S. economic sanctions, China's ban on the import of coal from North Korea and the massive reduction of the foreign exchange sources of North Korea, it is not impossible for North Korea to choose to be a country for mining. It hopes to use Bitcoin to respond to economic sanctions and escape the economic crisis.



China's cyber policy has become partly visible to foreign nations through observation, tracking, and inference. The policy appears to have three vectors. These three aspects—peace activist, espionage activist, and attack planner—dominate China's cyber policy. Some are always hidden from view while others are demonstrated daily. Three Faces of the Cyber Dragon is divided into sections that coincide with these vectors.

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