

## North Korea



### **A Government-Sponsored Drug Trafficking Network**

*By LCDR Cindy Hurst*

#### **Background**

On April 16 2003, after aerial surveillance was conducted on a suspicious Tuvalu registered, North Korean owned freighter, the *Pong Su*, close to the shore, Australian police followed two Chinese suspects on the shore as they left the beach and headed for a near-by hotel. The following morning the two suspects were apprehended at their hotel and 50 kilograms of pure heroin were seized. A little later Australian police made the gruesome discovery of a North Korean body buried close to a dingy on the beach where the two Chinese suspects had been seen the day before. The victim was believed to have drowned after the dingy had capsized while bringing the drugs ashore.

On April 17 the freighter headed east through Bass Strait then turned north and headed up the Australian coast. Following the arrests civil police intercepted the ship but they were unable to board due to heavy seas. The Navy had to be summoned. After some hasty repair work, the HMAS Stuart set out to capture the *Pong Su*. In the Tasman Sea on April 19, after the Stuart clearly identified the *Pong Su* on their radar, they shadowed out of sight, disappearing beyond the horizon as the *Pong Su* headed north. Finally, in the early morning hours of April 20, the Stuart radioed the unsuspecting *Pong Su* ordering them to prepare to be boarded. Special Air

# Report Documentation Page

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Service troops descended upon the ship from a helicopter, and also boarded the ship using RHIBs, capturing all 30 crewmembers and confining them to the galley. Thus ended a 72-hour ordeal, proving to the world what had long been suspected, that North Korea is involved in producing and trafficking drugs.

North Korea vehemently denies all allegations of being involved with or condoning drug trafficking. Despite this denial, the evidence continues to stack against them.

According to William Bach, a director in the Bureau for International Narcotics and Law Enforcement Affairs at the U.S. Department of State, at least 50 documented incidents can be found in more than 20 countries around the world linking drug trafficking to North Korea.<sup>1</sup> These events, coupled with numerous allegations, point to the disturbing involvement of the North Korean government in large-scale drug trafficking. Unlike other countries where the drug business is operated by underground organizations, in North Korea the evidence indicates that it is operated by government-run trade companies or military authorities headquartered in Pyongyang.<sup>2</sup> According to an interview with Raphael Perl,<sup>3</sup> Specialist in International Affairs, Foreign Affairs, Defense and Trade Division, North Korea is probably the only country in which the government is heading the drug trafficking effort.

Pyongyang is economically crippled, and after the *Pong Su* incident, the world is keeping a close eye on North Korea's activities. Japan, a major target market for methamphetamines, has beefed up inspections of North Korean ships, including the *Man Gyong Bong-92*, a passenger/cargo ship suspected of trafficking drugs, missile parts and counterfeit cash as well as espionage activities. As North Korea begins to feel the crunch, they are forced to seek legitimate commerce, at least for appearance sake.

Unfortunately, North Korea is faced with a double-edged sword. Their need for hard currency is exacerbated by their worsening economy. Their annual gross domestic product (GDP) per person last year was just under \$1,000, and they have a nuclear energy and weapons program that is believed to have exceeded an annual cost of \$200 million in 1998.<sup>4</sup>

North Korea is behind in technology. They are reported to be stealing military technology from Japan. To develop missiles, North Korea requires the technology to develop booster fuel, attitude-control systems and materials. They also require technologies to operate nuclear plants. However, North Korean spies are unable to steal core technologies for developing nuclear weapons. In these cases they confidentially paid a huge amount of money to researchers belonging to Japanese corporations.<sup>5</sup> Money is also needed to construct underground factories to help sustain military operations.

It is believed that North Korea started its secret production of drugs in the late 1970's in the mountainous Hamgyong and Yanggang provinces. In the late 1980's North Korea began selling the drugs in earnest when Kim Il-Sung, former leader of the Democratic People Republic's of Korea, toured Hamgyong-Bukto<sup>6</sup> province and designated the area around Yonsa Town in Hamgyong province for development into an Opium farm. The local province party committee created a secret experimental opium farm in Yonsa, keeping it tightly guarded by security agents. They began producing opium at collective farms located in towns like Yonsa, Hoeryong, Musan and Onsong in Hamgyong-Bukto Province.<sup>7</sup> All the opium produced



on these farms was sent to the government to be processed into heroin. These opium poppies became known as “White Bellflowers,” a term used to hide the operation from the general public, although it was common knowledge to the locals.<sup>8</sup>

In the early 1990s North Korea’s economy began suffering greatly as aid declined from traditional benefactors China and Russia. Since then, legitimate exports have fallen by more than half, prompting a search for new sources of foreign currency.

North Korea’s opium production in 1995 was 40 metric tons. It was believed that this figure represented a production of over 1,000 hectares (2,471 acres or 3.86 square miles), which is the threshold required to designate a country as a major drug producing country. Labeling North Korea as such would require the imposition of foreign-aid sanctions on the Pyongyang regime, according to the Foreign Assistance Act of 1961. However, due to a lack of data to substantiate North Korea’s production levels, both the Clinton and Bush administrations failed to place North Korea on the “Drug Majors” list.<sup>9</sup>

By 1999, despite having opened overseas missions in many countries, North Korea’s economic crisis forced them to shut some embassies and required those embassies still open to support themselves financially.<sup>10</sup> This work was done partly by the diplomats themselves or through locally established trading companies, which in reality are offshoots of bigger trading corporations based in Pyongyang. The embassies were not only expected to be self-sufficient but also to send money back to the Pyongyang government. According to one source, it did not matter how they raised the money.<sup>11</sup>

North Korea does not release any trade or economic figures, but their merchandise exports are estimated at about \$650 million a year. Missile sales earn another \$560 million – equivalent to about 40-50 percent of total exports. But the annual revenue in illegal drugs is

estimated between \$500 million and \$1 billion, officials at the U.S. military command in South Korea believe.<sup>12</sup> Counterfeit currency brings in another \$10-15 million a year. North Korea's illicit trade activity is clearly bigger than all its legitimate commerce.

Although there has been no evidence that the narcotics ever reached the United States, the United States has intensified its efforts to stop North Korean production and trafficking and to enhance law-enforcement cooperation with the affected countries in the region.<sup>13</sup>

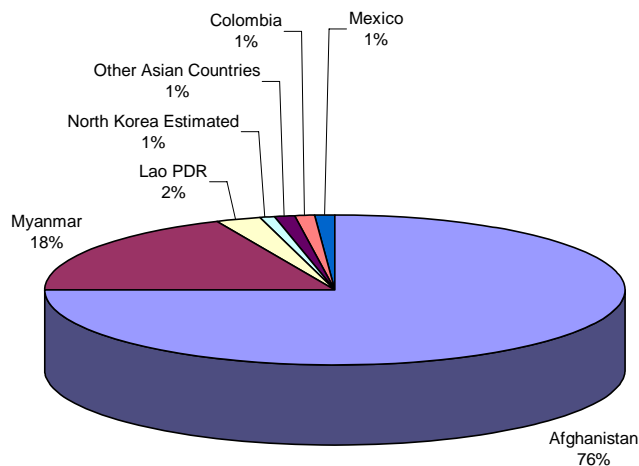
### **An Opium Empire: From Production to Distribution**

Poppy is the ingredient for opium, as well as the source of drugs such as morphine, cocaine and heroin. The government of North Korea does not hide the fact that it cultivates poppies, but it claims that it is for the production of pharmaceuticals. Hardly convinced by their claim, the Clinton administration ordered the CIA to watch the area using satellites. According to their observations, it is estimated that North Korea has between 4,200 and 7,000 hectares (between 10,378 and 17,297 acres or 16.215 and 27 square miles) under poppy cultivation, enabling North Korea to manufacture between 30 to 44 tons of opium, enough to manufacture 3 to 4.5 tons of heroin per year.<sup>14</sup>

North Korea produces approximately one percent of the opium worldwide and is cited by some sources to be the third largest producer after Afghanistan and Myanmar.<sup>15</sup> According to the Global Illicit Drug Trends - 2003 report released by the United Nations Office on Drugs and Crime (UNODC), in 2002 Afghanistan, with approximately 74,100 hectares (183,105 acres or 286 square miles), manufactured approximately 3,400 tons of opium. Myanmar, with an estimated 81,000 hectares (200,155 acres or 320.56 square miles), manufactured approximately

828 tons of opium. However the UNODC does not provide any estimates of North Korean drug production.<sup>16</sup>

**Global Illicit Potential Production of Opium in Metric Tons in 2002**



An anonymous North Korean defector testified in May 2003, before the U.S. Senate Committee on Governmental Affairs, that in 1997 Kim Jong-II ordered each collective farm in North Korea to grow approximately 25 acres of poppies beginning in 1998.<sup>17</sup> According to South Korea's National Intelligence Service (NIS), North Korea operates a narcotics-processing factory inside a legitimate pharmaceutical facility called Nanam, in Chongjin city, operated by the People's Armed Forces Department, located in the North Hamgyong province. According to a North Korean who defected in 1998 and worked in the North Korean defense department, some of the workers at Nanam pharmaceutical factory are from Thailand, and the factory produces one ton each of heroin and opium per month year round. It is believed that there is another similar factory in the suburbs of Pyongyang.<sup>18</sup>

The Nanam drug factory was established in 1993 at the specific instruction of Kim Il-Sung.<sup>19</sup> Here the opium is reportedly processed into heroin before being distributed by

companies<sup>20</sup> and diplomatic economic departments. Opium is used to bring in foreign currency.<sup>21</sup> Sources believe that Aesung Chongguk, which falls under Bureau 39 (discussed later in this paper) of the North Korean Worker's Party is in charge of selling opium overseas, while the Daesung<sup>22</sup> Chongguk coordinates opium trafficking through its trading corporation Daesung Sangsa, which has 20 overseas branches.<sup>23</sup>

Due to the closed nature of North Korea, it is difficult to substantiate claims of government involvement in the production and export of drugs. What is clear, however, is that the testimonies of many North Korean defectors paint a similar picture that becomes clearer and more complete with each given testimony.

Ho Chang Gol, a former North Korean pharmacist, claimed that in November 1996 the Pyongyang government cultivated poppies at ten farms to produce high-grade opium for export.<sup>24</sup>

Ju Song Ha, who used to teach high school in Chongju, a farming town in Northeastern North Korea, would march his students after school into the poppy fields where they would work four or five hours each afternoon, gathering poppies for their "Dear Leader" Kim Jong-Il.<sup>25</sup>

Park Sung Hak, who defected in 2000, claimed his organization was tasked in the mid-1990's with overseeing poppy cultivation. Mr. Park had been a leader of the Kim Il Sung Youth Association. Mr. Park said he traveled through farms in the mountainous regions to help enforce production quotas laid down by the state. Farmers who had shortfalls were punished. He added that farmers were "kept in the dark" about the opium's use.<sup>26</sup>

Kim Young Chul worked in North Korea as a driver in a military unit in the late 1990's. His job was to drive refined heroin to the docks of Chongjin, a large port city on North Korea's northeast coast. "I'd pick it up and drive it to the harbor, and it would be taken out to sea to be



picked up by ships heading for Singapore, Hong Kong, Cambodia and Macau.” According to Kim, who defected to South Korea in 2002, nobody ever questioned what they were doing. The people were led to believe they were showing their loyalty to Kim Jong-Il who, they had hoped, would use the money to improve their lives.<sup>27</sup>

Kim Dok Hong, who was a senior official of North Korea’s Worker’s Party, a member of the Central Committee and the top aide to founder Kim Il-Sung’s secretary, defected in 2000. According to Kim Dok Hong during an interview in a guarded safe house in Seoul, in 1993 Kim Il-Sung visited a collective farm in Namjak-Ri and ordered managers to “produce more opium, which was to be bartered for food,” recounts Kim Dok Hong, who claimed to have read the comments in official Communist Party bulletins. The defector added that in 1997, during speeches to party cadres, Kim Jong-il, commonly referred to as “the Great Leader,” spoke of how opium could be a crucial means for earning hard currency. According to Central Committee documents read by the defector, Kim Jong-Il traveled to provincial towns where meetings were held to discuss North Korea’s approach to growing opium poppies. The government chose the provinces of Southern and Northern Hamkyung.<sup>28</sup>

Kim Dok Hong said he was personally involved in escorting Southeast Asian drug lords around Pyongyang. He recounted how North Korea once sent a bad batch of heroin to Japan that sickened users. He stated that in 1996 a Laotian businessman and three Burmese drug merchants sat in the office of a North Korean military trading company schooling him and officers from a military trading company on what had gone wrong with the drug shipment.<sup>29</sup> This is one clear indicator of North Korea Military involvement in drug trafficking.

Lee Joo Il,<sup>30</sup> a North Korean who defected in 2000 and who is now a human rights activist in Seoul, outlines the key military players in the production of opium. No. 5

Maintenance Post, under Bureau 39 of the Korea Worker’s Party, is the main player in Kim Jong-II’s procurement of foreign currency. Bureau 39 gives instructions to each committee in each province, who in turn pass the instructions down to “No. 5 Maintenance Posts.” More clearly, South Pyongyang province passes down the opium production plan to the provinces located in mountainous regions.

Each No. 5 Post is under specific instructions by Kim Jong-II to establish a “Million Dollar Area.” In other words, each post is required to produce items capable of generating one million dollars to offer to the regime.

The People’s Armed Forces primarily has three agencies earning hard currency, and the 25<sup>th</sup> Bureau, which is composed of the People’s Armed Forces from each district, promotes poppy production. Geographically, these districts break out as follows:

Zone 1: South and North Hamgyung province

Zone 2: Yanggang province, Chagang province

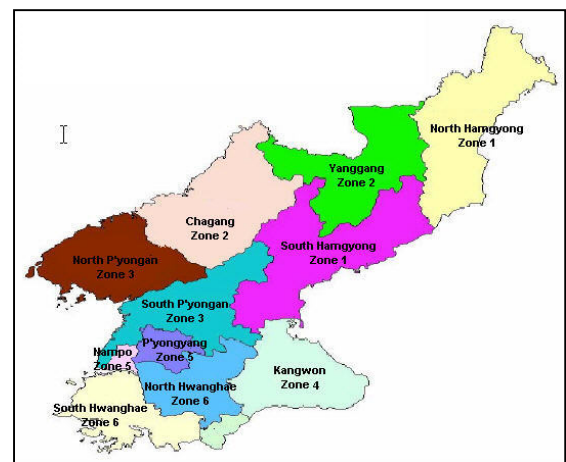
Zone 3: South and North Pyongan province

Zone 4: Kangwon province

Zone 5: Pyongyang, Nampo

Zone 6: South and North Hwanghae Province

According to a former member of the 3<sup>rd</sup>



Revolutionary Group who had deployed to Pukchong<sup>31</sup>, South Hamgyong province, the cooperative farm in Pukchong was reorganized into a military farm to procure foreign currency and was a military base under Zone 1 of the 25<sup>th</sup> Bureau of the People’s Armed Forces. The main product from their farm was opium.

It was estimated that if opium were being produced in Zones 1 through 4, the total amount would average 1,800 kg (1.98 tons) of opium. Due to climate conditions, Zones 5 and 6 are not assumed to be producing opium.

### **Pong Su Case Study**

In April 2003, North Korea came under international scrutiny when the Australian government seized a 4000-ton North Korean freighter, the *Pong Su*, accused of carrying 50 kg of heroin. Then on May 27 an additional 75 kg of heroin was found in a bush near the port where the *Pong Su* had been apprehended. The haul was Victoria's largest known shipment of heroin.

The North Korean government claimed that the *Pong Su* was a "civilian trading ship" and that the owner had no knowledge of the heroin onboard.<sup>32</sup>



Photo by Rick Stevens, The Age  
The North Korean ship Pong Su is escorted into Sydney Harbour

The *Pong Su*, thought to be the flagship of the North Korean trading company, *Pong Su Shipping Company*,<sup>33</sup> is believed to have set out on its journey to Australia from the Gulf of Thailand. Maritime experts who looked at the vessel had

discovered, among other things, that there had been modifications to the vessel to make it suitable for long-distance travel without having to visit ports for refueling.<sup>34</sup> One of the apprehended members was a man named Choi Dong Song. According to Australian court records, Mr. Choi was identified in papers seized from the ship as a North Korea "political secretary," pointing the finger of suspicion at the North Korean regime.

The hearing for the North Korean captain and crew of the *Pong Su* began in Melbourne, Australia, in early November 2003. During the hearing it came out that Choi Dong Song was a political officer allegedly employed to ensure the crew's complete loyalty to the North Korean leader and his ideology.<sup>35</sup>

In March 2004, an Australian federal magistrate, dismissed drug charges against 27 of the *Pong Su*'s 30 crew members, including the "political secretary," leaving only the captain and two senior crewmen to go to trial. According to court transcripts, a lead investigator from the Australian Federal Police testified that it was a Southeast Asian organized crime figure and not the North Korean government who arranged the shipment. Other evidence, according to records, suggested that the heroin had been produced in the Golden Triangle region of Southeast Asia and not in Korea. Despite the outcome of the court proceedings, North Korea's involvement cannot be denied, because it was a North Korean ship, the *Pong Su*, that was used to transport the goods with North Korean citizens onboard. Furthermore, this shows a cooperative agreement between North Korea and members of other nations in trafficking drugs, which increases the size of the drug-trafficking network to include cooperation from other countries.

We may never know for certain the exact truth behind the drug smuggling charges against the *Pong Su*. What is evident, however, is that the *Pong Su* had no legitimate purpose to be in Victorian waters and that, as far as records show, it had never traveled to Australia before. The ship had no cargo, was outside its normal trade route and Australian authorities had not been informed of its presence.

Commonwealth prosecutor John Champion was prepared to have a witness who would prove that Choi Dong Song had been the highest ranking North Korean official onboard the *Pong Su*. It seems highly improbable that Choi would not have known of the drugs onboard the

ship. Did diplomatic immunity play a part in his being released? How would the ship's captain justify the five days of erratic behavior of the *Pong Su* as they evaded Australian authorities? What purpose would a member of Kim Jong-Il's secretariat have onboard a 4000-ton cargo ship carrying 125 kg of heroin? The answer is plain and simply, none other than to see the drugs through and to ensure crew members stayed on track.

Besides the *Pong Su*, numerous other cases point the finger of suspicion at the North Korean government. Examples follow:

### A History of Opium-Related Busts

DATE	DESCRIPTION OF INCIDENT
Jan 1977	Venezuelan law enforcement officials arrested three North Korean diplomats on charges of smuggling drugs and seized 174 kg of opium. <sup>36</sup>
Nov 1979	Lao police arrested a North Korean diplomat for attempting to smuggle 15 kg of heroin through the Laotian airport. <sup>37</sup>
Feb 1980	Egyptian law enforcement officials arrested two North Korean diplomats and seized 400 grams of heroin in a diplomatic pouch. <sup>38</sup>
Oct 1985	East German police arrested and deported a North Korean diplomat for attempting to smuggle 150 bags of heroin and 150 kg of morphine into the country. <sup>39</sup>
Late 1990	Two North Korean lumberjacks from Hamhung City assigned to the 11th Lumbering Station, North Korean Forestry Mission, allegedly sold one kilogram of opium to a Russian. <sup>40</sup>
Mar 1991	Swedish law enforcement officials arrested a North Korean diplomat assigned to the Czech Republic on charges of smuggling two kg of heroin into Sweden. <sup>41</sup>
Dec 1991	Japanese authorities arrested three North Korean Intelligence Officers for possession of 13.3 kg of morphine and 10 kg of opium. Japanese police suspect the narcotics were smuggled into Japan aboard the DPRK merchant ship, the <i>Mankyongpong-Ho</i> . <sup>42</sup>
Jun 1994	Russian police in Vladivostok, Siberia, arrested two North Koreans as they attempted to sell 8.25 kg of heroin for US\$250,000 on the Russian-Korean border near Khasan. The North Koreans reportedly had access to metric ton quantities of the drug. One of the arrestees was a member of North Korea's Social Security Ministry. The smugglers worked for a Russian-Korean joint venture, Monolit, and had unlimited travel between Russia and Korea. During the investigation, one of the arrestees introduced himself as the son of a high-ranking North Korean official. <sup>43</sup>
Jul 1994	Russian Customs officials arrested a North Korean and seized 200 grams of opium. The opium was concealed in the sole of the defendant's shoes. <sup>44</sup>

Jul 1994	Public Security Bureau Agents in Shanghai, China, arrested an employee of the Maebong Trading Company and an accountant at the Shanghai branch of the Amur River National Development General Bureau on charges of smuggling six kg of North Korean-produced opium through the North Korean embassy in China. <sup>45</sup>
Aug 1994	Russian law enforcement officials in the Russian Far East arrested a North Korean intelligence agent for attempting to sell heroin to the Russian mafia. According to Russian investigators, North Korea is suspected of being involved in systematic narcotics dealings. <sup>46</sup>
Jan 1995	Chinese officials in Shanghai, China, arrested two North Koreans and seized six kg of opium. One of the men carried a diplomatic passport and was identified as an executive of a Macau-based trading house run by the North Korean Ministry of the People's Armed Forces. <sup>47</sup>
Aug 1995	Chinese law-enforcement officers in Macau arrested an official of the North Korean trading company, <i>Eunhong</i> , for attempting to import North Korean opium. <sup>48</sup>
1995	Chinese authorities in Jilin Province, China, neighboring North Korea, uncovered ten incidents of North Korean opium smuggling. <sup>49</sup>
Nov 1996	Vladivostok law-enforcement officials arrested a North Korean diplomat and seized 22 kg of opium. <sup>50</sup>
Oct 1998	German police in Berlin arrested a North Korean deputy ambassador and seized heroin believed to have been manufactured in North Korea. Besides drugs, the diplomat was suspected of supplying illegal weapons to a smuggling ring. <sup>51</sup>
Dec 1998	Chinese Public Security Bureau officials in Shenyang arrested a North Korean Consulate employee and seized 9 kg of opium produced in North Korea. Also arrested was his accomplice, whom he had hired to sell the opium. <sup>52</sup>
Jul 2002	Taiwanese Police seized a Taiwanese ship, the <i>Soon Kil Bal</i> , and found 79 kg of heroin believed to be from North Korea. The drug trafficker was a North Korean marine brigadier, which points to involvement by the North Korean army.

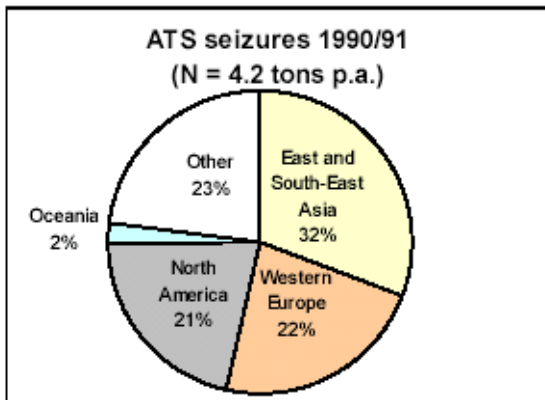
<p>Jul 2002</p>	<p>Taiwan authorities arrest nine members of a Taiwanese heroin smuggling ring in Keelung in July 2002.</p> <p>Investigators said the ring purchased a fishing boat, the <i>Shun Chi Fa</i>, in February 2002 to transport drugs from North Korea. The ring would then pay a large sum of money to owners of local fishing vessels for them to pick up the drugs at sea and hide them among their fishing haul to evade inspection. The <i>Shun Chi Fa</i> set off from Wanli, Taipei County, for North Korea on June 16. Two weeks later, a Keelung-registered ship, the <i>Hsieh Mang No. 18</i> also set out to sea.</p> <div data-bbox="370 548 846 884"> </div> <p>After the two ships entered the harbor in Keelung, police discovered two men, Tu Wen-hsien and Huang Chun-peng, arriving at the harbor driving two cars to pick up the drugs. Police intercepted the two cars after they left the harbor and found the vehicles to be carrying 198 bricks of heroin weighing a total of 79kg, as well as cash totaling NT\$1.98 million (US\$55,775).</p> <p>CAN North Korean Opium seized in Keelung</p>
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The above arrests may or may not have resulted in convictions. And again, diplomatic immunity could possibly play in their favor in some cases. However, the fact of having so many North Korean diplomats stopped for possession and trafficking of illegal drugs tend to substantiate claims that North Korean embassies were expected to be self-sufficient, as well as send money back to the Pyongyang government at any cost, even through illegal activities.

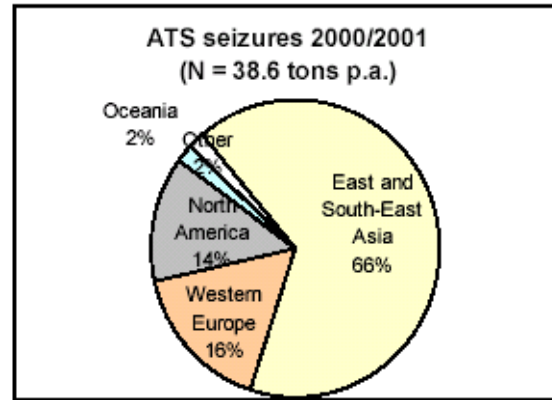
### **Methamphetamine Finds its Way into the North Korean Trade**

The overall global seizures of methamphetamines have shifted dramatically to East and Southeast Asia. Whereas in 1991 the percentage of drug seizures in East and Southeast Asia was

only 32%, in 2001 seizures in that area increased to 66%.<sup>53</sup>



Source: UNODC, Annual Reports Questionnaire Data.



Source: UNODC, Annual Reports Questionnaire Data and US Drug Enforcement Administration, Federal-wide Drug Seizure System.

For years China was believed to be the main source of methamphetamines. However, in recent years, Japanese authorities have become increasingly concerned about imports, which are believed to originate in North Korea. Japan's market in drugs is estimated at \$9.3 billion annually, with Japanese citizens consuming some 20 metric tons of amphetamine-type stimulants (ATS) a year.<sup>54</sup> Of this the North Koreans are believed to be providing more than a third of their drugs.<sup>55</sup> North Korean methamphetamines are easily recognized by Japanese authorities due to its superb quality and impeccable packaging.<sup>56</sup>

According to William Bach, Japan is the largest single market for methamphetamines in Asia, with more than 2.2 million abusers, and an estimated consumption of 20 MT of methamphetamines per year. Since 1998, when methamphetamines were becoming the drug of choice throughout Asia, Japanese officials have seized numerous shipments that they believed originated from North Korea. In most of these seizures, traffickers and North Korean ships rendezvoused at sea in North Korean territorial waters to transfer the narcotics to the Japanese traffickers' vessels.<sup>57</sup>



The production of methamphetamines in North Korea is said to have begun in 1996 after floods had damaged the opium poppy fields, therefore decreasing the income from poppy cultivation.



Methamphetamines are simpler to produce than heroin, but producing it requires importing expensive raw materials such as ephedrine, a common ingredient in allergy medication. The North Koreans imported large quantities of ephedrine primarily from India and Germany.<sup>58</sup> Due to the limitations set on the importing of ephedrine, North Korea has also been secretly trying to import it from Belgium, Australia, Hong Kong and France.<sup>59</sup>

The “Mannyun Pharmaceutical Factory” in the Susung district in Pyongyang is reportedly capable of producing up to 10 – 15 tons of methamphetamines per year. There are also small-scale secret manufacturing facilities reportedly scattered throughout the country.<sup>60</sup>

Although it has not been possible to substantiate such claims, the circumstantial evidence is clear. Following the increased importation of ephedrine into the DPRK, there was a sudden dramatic increase of North Korean methamphetamines seized in Japan, South Korea and Taiwan.<sup>61</sup>

In April 1997, the “*Chison No. 2*,”<sup>62</sup> a North Korean cargo ship, entered Japan’s Hosojima Port in Miyazaki Prefecture. On the ship, officials discovered nearly 60 kg of stimulant drugs disguised as twelve 18-liter honey cans.

Approximately two months later, Thai authorities seized an unusually large shipment of ephedrine. In this case, a Pyongyang-based company, Sujong Joint Venture Co (Sujong JB), under approval given by a bureau associated with the Pharmaceutical Industry, falling under the

Ministry of Chemical Industry in the North Korean Government, ordered eight tons of ephedrine hydrochloric acid from an Indian pharmaceutical company. The amount was more than three times North Korea's own estimate of its annual legitimate need.<sup>63</sup>

The shipment, which would normally be delivered by sea, was sent via air-freight. Upon arriving in transit at Don Muang Airport in Bangkok in late January 1998, Thai authorities seized all 100 drums, saying the shipment lacked proper documentation; ephedrine is a banned substance in Thailand. The fact that the date of the purchase order made by Sujong JB was only one month after the Japanese officials spotted and seized the 60 kg of stimulant drugs from the *Chison No. 2* ship mentioned above demonstrates North Korea's strong determination. The North Koreans are bold in their constant attempts to earn hard cash and do not seem to waiver from their goals. We might also assume that North Korea is committed to producing twice the amount seized by Japan and trying to smuggle that amount again into Japan.

According to a defector, Sujong Joint Venture Trade Company, administered by the People's Armed Forces Headquarters, is in charge of exporting the illicit narcotics, usually through officials traveling overseas or espionage agents using maritime routes for sales in South Korea, Japan, Taiwan or Chinese border regions. A North Korean drug dealer who lives in Yanji, a Chinese city heavily populated with Koreans, previously said that Sujong Joint Venture now uses the name Jang-Sang Trade. He also mentioned another company named Rhoksan<sup>64</sup>, headquartered in Pyongyang, as also being involved in illegal trafficking of illicit narcotics.<sup>65</sup> Sujong Joint Venture, which has a branch in Hong Kong used for conducting sales, was listed on the Internet under an herbal medicine product that North Korea is seeking to export.<sup>66</sup> No further information was uncovered to indicate that this office is involved in illegal activities. However, in light of North Korean traffickers having links to Hong Kong, such involvement

would not be surprising. Pyongyang's tentacles can be far reaching, and when strategically placed, can facilitate their ability to conduct illegal activities unnoticed, under the auspices of legitimate transactions.<sup>67</sup>

### **An Elaborate Plan that Failed**

In July 1997, Noboru Toyoda, one of six offenders arrested and indicted in a joint investigation, came up with an elaborate plan to smuggle stimulant drugs into Japan via Hong Kong or Taiwan. In July 1998 he and a collaborator traveled to Hong Kong. While Toyoda returned to Japan from Hong Kong, his assistant entered North Korea from Macau and Beijing. While in North Korea he managed final negotiations for the shipment of stimulant drugs.

Meanwhile, on the night of August 10 1998, Omio Washimi, one of the six offenders, and several others, who were set to receive the drugs at sea, left Makurasaki Port in Kagoshima Prefecture on their boat, *Tama-maru*. Two days later at 4:30 p.m., they met with a North Korean fishing boat in international waters and received 300 kg of stimulant drugs from a North Korean crew member in what is called "delivery at sea" (sedori). The North Korean fishing boat disguised itself as a Japanese fishing boat by putting up a flag of the rising sun on the flank of its helm, as well as showing the Japanese name *Shojin-maru No. 12* on its bow.

The smuggling case was uncovered in the waters off Kochi Prefecture. After receiving the drugs, the *Tama-maru*, while sailing off Kochi Prefecture, found they were being tracked by Japan's Maritime Safety Agency (MSA) and other government authorities. They ended up dumping the drugs overboard with the intention of going back and retrieving them at a later date. Investigators, however, were able to retrieve 202.6 kg off the Kochi, Mie and Aichi prefectures,

while the rest seemed to dissolve into the sea. After analyzing the contents of the drugs, the investigation headquarters concluded that they had been made in North Korea.

According to an outline of evidence received during the investigation, several days before the scene of the 10 Aug 98 delivery at sea, a U.S. P-3C plane happened to photograph the *Shojin-maru No. 12* as it was waiting for the *Tama-maru* to come into international waters in the east China Sea. *Shojin-maru* hoisted the rising sun flag and had the name of *Shojin-maru No. 12* written in Japanese on its hull. However, on the 8<sup>th</sup>, the P-3C noticed that the boat did not put up the rising sun flag, and the name on its hull was written in Korean. On the 12<sup>th</sup>, when the *Tama-maru* met the fishing vessel to do the exchange, the boat once again had put up the rising sun and had the Japanese name on its hull. The US concluded that the boat was probably a spy boat sent by North Korea.<sup>68</sup>

The above scenario of reflagging a vessel is a common occurrence in the fisheries industry. According to the European Parliament in the ‘Resolution on the Role of Flags of Convenience in the Fisheries Sector’ A5-0405/2001, “...the use of flags of convenience is generally motivated by a desire to minimize costs and circumvent certain tax regulations by means of complex legal devices...”<sup>69</sup> Under current international law, the “flag States” are responsible for enforcing their policies and laws. However, some states routinely exempt themselves from certain treaty provisions they do not like or which they do not deem practical.

Flags of Convenience have an even darker side and can be used to make tracing ships nearly impossible.

Cambodia and Tonga are two such examples of flags being named in connection with drug smuggling. Ahmad Yahya, of the Cambodian Ministry of Public Works and Transport, is reported to have said, “We don’t know or care who owns the ship or whether they’re doing

‘white’ or ‘black’ business...it is not our concern.” The Cambodian register is alleged to be partly owned by a North Korean diplomat, and North Korea was identified some time ago as using Cambodia as a base for trafficking in drugs and illegal wildlife products. Cambodia is also said to be one of the fastest growing registers, increasing in size by nearly 40% in 2001.<sup>70</sup>

### **North Korean Ties to Global Crime Syndicates**

Drug-enforcement officers report spreading geographical activity. North Korea is believed to have an international drug-trafficking network that includes ties with global crime syndicates such as Chinese triads and Japanese yakuza. This would account for much of their success in the trafficking of narcotics.

Japanese sources believe the North Koreans have forged links with local yakuza gangsters, transferring drug shipments at sea off Japan's long coastline. Some Japanese sources believe that half the drugs imported into their country originate from North Korea.<sup>71</sup>

During a program aired on ABC Radio Australia, highlighting North Korean drug trafficking, Hiroyuki Suzuki, a former member of the yakuza was interviewed. During the interview, Suzuki referred to the North Koreans as wholesalers and the yakuza as retailers. He went on to discuss the methods whereby drugs would find their way into Japan, stating that they might use fishing boats or buoys out at sea in which they would hide the drugs for a Japanese boat to retrieve. This way the buyer and seller never had to meet. Yoshihiko Yamada of the Nippon Foundation was also interviewed during the program. Yamada discussed the sinking of a suspected North Korean spy ship by the Japanese Coast Guard off the coast of Japan in 2001. The ship was later salvaged and its contents analyzed, revealing a number of secrets. The ship had been specially modified to be able to travel at high speeds and was able to dispatch a second

smaller craft to take the drugs to shore. Mobile phones onboard had been used to call well-known yakuza mobsters and the ship was said to be carrying methamphetamines.<sup>72</sup>

Witness accounts have also linked North Korean drug smuggling with the Russian mafia and other international criminal organizations in Europe and Southeast Asia.<sup>73</sup>

Taiwan's National Security Bureau (NSB) has been carefully monitoring North Korea's welcoming of gang members from Taiwan over the past year. Intelligence indicates that North Korea has been attempting to build drug-trafficking links with Taiwanese gang members. According to an anonymous intelligence source, "Pyongyang actually invited these gangsters for a visit."<sup>74</sup> China, one of the major suppliers of drugs in the Asia-Pacific region, is believed to be the source of the drugs that these gangsters plan to smuggle via North Korea. According to a defense official, China has been using neighboring countries under its political control to smuggle drugs into other parts of the world, including Taiwan.

The consequences of interdiction could expose a degree of corruption and complicity in the ruling Liberal Democratic Party of Japan that could bring down or at least destabilize the ruling LDP itself. The yakuza have an underlying agreement with the population and local politicians. They frequently extort money from corporations and line the pockets of politicians. They also gain favor with the population from time to time for various deeds such as donating food and supplies after the Kobe earthquake in January 1995.<sup>75</sup> For the Chinese, similar issues apply. The connection between North Korea's drug trade and Triad gangs in connection with friendly Chinese officials has long been rumored.

Other witness accounts link North Korean drug smuggling with the Russian mafia and other international criminal organizations in Europe and Southeast Asia. While we should

remain skeptical of some defectors' testimonies, past arrests and a consistency between the stories tend to suggest that there is truth to the allegations.

North Korea has shown evidence to having ties to the so-called Golden Triangle, Southeast Asia's opium and heroin-production zone straddling the borders of Myanmar, Thailand and Laos. The Golden Triangle is the center of Asia's drug production. One report stated that the North Korean government had hired experts from the Golden Triangle to supervise the refining of their poppies into heroin.<sup>76</sup>

The drugs that had been seized in the capture of the *Pong Su* were said to have originated from the Golden Triangle. This suggests that North Korea is not only selling the drugs that they produce within their own country, but that they are also capable of delivering drugs manufactured in other countries, such as opium-rich Myanmar.

Finally it is even possible that North Korean gangs could be involved in drug trafficking. In July 2002 the South Korean government confirmed the existence of a 100-member drug trafficking organization, known as Maengsu-pae (wild beast) in North Korea. The confirmation came about after a 26-year-old North Korean defector gave testimony, revealing his past as a member of the drug smuggling ring. The defector stated that between March 1998 and January 2000, he carried approximately 50 kilograms of heroin and opium from his hometown of Gilju to various regions in China nine times. He was able to cross the border by bribing officials.<sup>77</sup>

With globalization and advanced technology, establishing and maintaining international ties is not only possible but probable. It would be impossible for the North Koreans to act alone with success.

## A History of other Methamphetamine-Related Busts

DATE	DESCRIPTION OF INCIDENT
Sep 1990	Japanese police arrested two North Korean resident aliens and a Japanese national for possession of 1.5 kg of ephedrine and 11 kg of morphine mixtures. The individual had visited North Korea on several occasions and Japanese authorities suspected that the narcotics were smuggled into Japan from North Korea. The case was unusual because the morphine was canned and smuggled into Japan from North Korea, circa 1985 or 1986. This was the first recorded case of drugs being smuggled into Japan from North Korea. <sup>78</sup>
Aug 1995	Intelligence reports indicated that about 20 tons of ephedrine was ordered and possibly imported from Germany through a Chinese company to North Korea. Allegedly, about 1.5 tons of ephedrine was to be used for medical reasons and the remainder was to be used for the production of illicit methamphetamines. <sup>79</sup>
Mar 1996	South Korean police in Pusan seized 6.3 kg of crystal methamphetamines on board the merchant vessel, <i>Choyang Land</i> . South Korean authorities believed that this smuggling operation was directed by the DPRK to obtain hard currency. <sup>80</sup>
Apr 1997	The National Police Agency of Japan arrested three subjects and seized about 60 kg of methamphetamines at the port of Hosojima in Hyūga City, Japan. The methamphetamines were transported from Nampo port in North Korea to Japan by the North Korean flagged freighter <i>Chison No. 2</i> . The methamphetamines were concealed in cans of honey commingled with legitimate cargo. The subsequent investigation by the Osaka police revealed that two of the subjects were ethnic Korean residents of Osaka, Japan. They also operated the Osaka-based trading company that consigned the honey. In addition, the two subjects were also suspected of being Japanese yakuza members. A fourth subject, the captain of the vessel, was detained and later deported. <sup>81</sup>
1998	In another case the International Narcotics Control Board said, without further elaborating, that in 1998, 20 tons of ephedrine “purportedly destined” for North Korea, was seized in Belgium. <sup>82</sup>
Apr 1999	Japanese law enforcement officials arrested thirteen individuals and seized 100 kg of methamphetamines (source believed to be North Korea) on board the Chinese flagged cargo vessel, <i>Lin Yan Leng 2</i> , at Sakaiminato City, Tottori Prefecture. Subsequently, three other defendants were arrested pursuant to this joint investigation conducted between Tottori, Prefectural Police, Sakai Maritime Safety Agency, and the Kobe Customs. <sup>83</sup>
May 1999	Agents from Taiwan's Ministry of Justice Investigation Bureau arrested four individuals and seized approximately 157 kg of amphetamines produced in North Korea and exported to Taiwan on board the fishing vessel, <i>Pei Dao 1</i> . The subsequent investigation revealed that one of the defendants made arrangements to have the vessel sail to North Korea, pick up the drug pursuant to an arranged purchase from unidentified persons in North Korea, then have the vessel sail back to Taiwan. The purchase price for the amphetamines was NTD (Taiwan) \$150,000.00 (US\$4545.00) per kilogram and an additional NTD \$70,000.00 (US\$2121.00) per kilogram to cover the shipping costs from North Korea to Taiwan. The defendant allegedly arranged to sell the amphetamines in Taiwan



	through another individual for NTD \$330,000.00 (US\$10,000.00) per kilogram. <sup>84</sup>
Oct 1999	A Taiwanese sailor was arrested in the Kagoshima Prefecture in Japan, attempting to smuggle 565 kg of stimulant, which was later found to have originated from Hae Sang, North Korea. <sup>85</sup>
Feb 2000	Japanese police arrested a North Korean trader, Han Sang Lee, for smuggling amphetamines. The amount of amphetamines seized was 250kg (equivalent to 15 billion yen), making it the fifth largest seizure since the crack down on drugs in Japan. <sup>86</sup>
2002	Japanese authorities seized amphetamines from Chinese ship off the coast of Fukuoka. Police say drugs were picked up from a North Korean vessel in North Korean waters. <sup>87</sup>
Jun 2003	In early June 50 kg of methamphetamines were seized in Pusan, South Korea. The container of drugs had apparently been packed in China, shipped by rail to the North Korean port of Najin, where it was loaded onto the <i>Chu Sing</i> , <sup>88</sup> a Chinese freighter. Initially the drugs were said to be from North Korea. The same vessel, the <i>Chu Sing</i> , in November 2001, had carried a container from Najin to Pusan that was found to have 91 kg of methamphetamines concealed in noodle packages originating from China. The source of the methamphetamines in both instances is unclear. However, both incidents suggest collusion between Chinese drug traffickers and North Korean elements and indicate that North Korea is a transshipment point for illicit narcotics intended for distribution in the region. <sup>89</sup>

### Bureau 39: Where the Money is Filtered

There are two types of trading companies in North Korea: Companies that specialize in trade (Sangsa), and general corporations with multiple operations (Chongguk). Each of these types of companies belongs to one of the government organizations such as party, ministry or military organization and is tightly controlled by its authority.<sup>90</sup> The table that follows summarizes the main trading companies in North Korea.<sup>91</sup>

Government Authority	Company name	Notes
Worker's Party	Daesung Trading Corporation ( <i>Daesung Chongguk</i> )	- Largest company in DPRK (also known as Daesung Group); - Operates 10 trading companies, shipping companies, Daesung Bank, etc.; - Under control of Bureau 39.
	Mankyong Trading Company	- Imports construction materials and equipment, etc.;

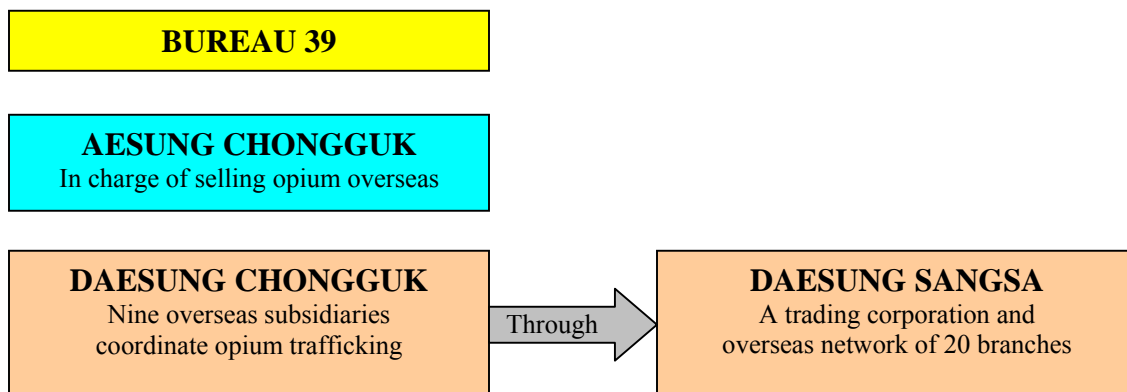
	MyoHyang Trading Company	- Imports construction materials, and general merchandise.
Military	Yongaksan Trading Company	- Imports military supplies and weapons.
	Maebong Trading Company	- Non-metal minerals, agricultural and marine products.
	Moran Trading Company	- Various military supplies.
Cabinet/Ministry	Kwangmyeongsung Trading Group	- Clothing material, light industry, agricultural and marine products; - Under Inter-Korean Economic Cooperation Committee .
	Samcheonli General Company	- Trade with South Korea, cooperative investment (electronic, heavy industry, chemical: with Daewoo, for example). - Under Inter-Korean Economic Cooperation Committee.
	Kaeseon Trading Company	- Joint agricultural projects; - Under Inter-Korean Economic Cooperation Committee.
	Eunha Trading Company	-Largest fabric/clothing trading company in DPRK.
	Donghung Trading Company	- Non-steel metal, agricultural and marine products.
	Magnesia Clinker Import Export Company	- Exports magnesia clinker and related products.
	Black Metal Import Export Company	- Import/export Carbon based metal.
Other	Rungra 888 Trading Corporation	- Clothing material, light industry, agricultural and marine products; - Under Kumsusan Assembly Hall Accounting Department.
	Shinhung Trading Company	- Exports smokeless coal, craft products agricultural and marine products; - Imports communication equipment and automobiles; - Under Security and Defense Department.

Before Kim Dong Hun defected from North Korea, he was a senior official at Chosun Ongryook Trading Company, a North Korean importer-exporter of legitimate goods. Friends of his who worked at Bureau 39 approached him in the late 1980s and asked if he would trade drugs on the side. They enticed him by pointing out that trading drugs was “more important” than his regular job. Kim soon found himself in hotel rooms working closely with members of the Japanese yakuza. He also brought a white powder, probably heroin, hidden underneath dried squid in cardboard boxes, into China. Kim estimates that he earned nearly \$1 million for the

DPRK over six years. He knew exactly where the money was going, to Bureau 39. “If it goes to Bureau 39,” he says, “it is the same as sending it to Kim Jong-Il.”<sup>92</sup>

Established in the mid-1970’s, Central Committee Bureau 39 of the Korean Workers’ Party is located in the heart of Pyongyang, not far from the Koryo Hotel where many of North Korea’s esteemed foreign guests stay. Kim Jong-Il’s office is located in a nearby building.

Bureau 39, established to fund Kim Jong-Il’s political career, is now said to be an extensive organization that operates both legal and illegal activities around the globe under the cover of such names as Daesung Chongguk, a trading company with nine overseas subsidiaries involved in legal trades in machinery and textiles; Golden Star Bank, which opened in Vienna in 1982; and Zokwang Trading Co. in Macau.<sup>93</sup>



Very little can be confirmed about the inner workings of these companies. Much of the information that has been gathered is based on testimony, speculation and past incidents. What is known is that the foreign economic commission, diplomatic department, and Aesung Chongguk under Bureau 39 deal with the sale of processed opium overseas. Daesung Chongguk arranges trafficking of opium through an overseas network (with over 20 branches) of Daesung Sangsa, North Korea’s largest general trading corporation.<sup>94</sup>

Since Daesung Chongguk coordinates the smuggling operations by disguising the illicit drugs as legitimate products, and the foreign currency is handled through its own Daesung Bank, to which Kim Jong-il has direct access, it is safe to assume that all trade companies associated with Bureau 39 could be involved in illegal activities to some extent directed by the North Korean government.

Some sources list other “trade company” names such as Jangsang Sangsa, Maebong Sangsa, Danpung Sangsa as falling under Bureau 39 of the Korean Worker’s Party. However, due to frequent reorganizations and name changes, it is impossible to track all the companies that fall under Bureau 39.<sup>95</sup>

Bureau 39 produces a steady flow of revenue that Kim Jong-Il uses to buy political support and loyalty. U.S. military officials in Seoul estimate that \$100 million annually is spent to ensure North Korean military, party and government official support and loyalty.<sup>96</sup> Intelligence officials have also been able to tie it to Pyongyang’s efforts to develop weapons of mass destruction.<sup>97</sup>

North Asian intelligence officials are focusing on Macau because they believe Pyongyang has been using it as a logistical and financial base for decades. According to officials, Zokwang Trading Co., a local unit of Daesung, has employed Macau as a base to move counterfeit dollars and to try to procure components for its weapons systems. The state-owned North Korean company is widely viewed as Bureau 39’s most potent overseas tool.<sup>98</sup> In the past they have been accused of being involved in the distribution of counterfeit money, arms smuggling and terrorist training.<sup>99</sup>

In 1994 five Zokwang officials were arrested for trying to pass \$250,000 in counterfeit U.S. dollars, says a Macau police official who was involved in the bust. Their actions were part

of a larger counterfeiting operation run by Bureau 39, introducing nearly \$50 million in counterfeit U.S. currency into the global financial system. The North Korean officials were eventually released because they held diplomatic passports and by arguing that they had no choice but to carry large amounts of cash.”<sup>100</sup>

According to the Asian Wall Street Journal, the Pyongyang regime conducts legal deals using the Daesung Group. However, its illegal trade, which includes the selling of minerals and ginseng, in which the country has a virtual monopoly, is carried out using the secret banking network based in Beijing, Macau and Seoul and reportedly linked with the Golden Star bank in Vienna.<sup>101</sup>

The Golden Star Bank in Vienna, 100% owned by Korea Daesung Bank, has also been watched closely by Austrian officials who believed Bureau 39 might be using it to fund illicit operations. According to an Austrian Interior Ministry report from 1997, “this bank was named repeatedly in connection with money laundering and distributing counterfeit money and even involvement in the illegal trade of radioactive substances.”<sup>102</sup>

In June, 2003, the Golden Star Bank had been investigated by the FMS (Bankenaufsichtsbehoerde), Austria’s banking regulator, for alleged violations of the nation’s banking laws. Although the inspection board announced that there was no evidence that the Golden Star Bank had violated any banking management regulations that can cause the canceling of a banking business license, the Golden Star Bank suspended transactions in late February, 2004, and is now said to have decided to voluntarily return their permit and go out of business.

With the Golden Star Bank going out of business, a pattern has developed with suspected companies rising up and then falling out of the world’s view. It is possible that Zokwang Trading company no longer exists, either. According to Baek Sung-Ki, former chief of the

Korea Exchange Bank foreign business department, who was questioned by a special prosecutor for allegations that he sent money to North Korea for political reasons, North Korea established Zokwang Trading Company in the 1990's to have it function as a general trading company for foreign markets. The company, however, "disappeared a long time ago."<sup>103</sup> After that, according to Baek, North Korea's trading increased and many companies similar to Zokwang, such as Kumgangsan, appeared. If it were true, this would be right in line with Bureau 39 consistently reorganizing and renaming companies involved. By doing so, Bureau 39 makes the trail more difficult for authorities. Once a company falls under scrutiny, within a period of time we might expect that company to either change their name or fall from existence all together. This could be an effective strategy undertaken by the North Korean government.

Bureau 39 is said to be in charge of everything from drugs to counterfeit money to missile sales, and they are directly controlled by the general secretary of the Korean Workers Party, Kim Jong-Il himself. According to interviews with high-level defectors, South Korean businessmen and Asian intelligence officers, Bureau 39 has accumulated as much as \$5 billion, which is stored away in various places such as Macau, Switzerland and Pyongyang.<sup>104</sup>

## **Conclusions**

Although North Korea vehemently denies any involvement in drug trafficking, statements made by defectors, as well as an array of circumstantial evidence, paint a more accusatory picture. North Korea is deeply involved in international drug trafficking, from school children cultivating the poppies to major government-owned processing plants to state-owned cargo ships, trading companies and the military, all of which are controlled by Kim Jong-Il.

Over the past thirty years, the majority of suspected or apprehended drug-trafficking incidents involved either North Korean diplomats, military leadership or trading companies owned by North Korea and very likely tied to Bureau 39. Having numerous North Korean diplomatic and military officials apprehended for drug trafficking around the world, coupled with a continuous stream of defector testimonies that support allegations of official involvement, implicates the regime in drug trafficking. However, the evidence still remains patchy, and it is possible that we have only scratched the surface of their illegitimate operations. The lucrative aspects of the drug trade can be an attractive alternative for earning hard cash.

As the U.S. continues to apply diplomatic and economic pressure on North Korea, Kim Jong-Il appears to be having a change of heart in attempting to build economic relations with the rest of the world. This is evidenced through a shift in Kim Jong-Il's personal appearances. In 2003 most of the leader's publicly reported visits were with the military. In May and June of 2004 Kim Jong-Il visited several manufacturing facilities where he praised the workers' success, indicating a shift of focus to economics. This is either a sincere attempt to turn the failing economy around or an attempt to make the U.S. loosen sanctions imposed on the country. In light of Kim Jong-Il's obsession with power, respect and money, the latter would be more likely.

A great need for currency to meet their military objectives coupled with an inadequate export system of legitimate goods makes it difficult for North Korea to turn away from the lucrative aspects of drug trafficking. It is unlikely that the North Korean government would be able to forego its drug-trafficking activities. According to Raphael Perl, "The government has become addicted to it. It has a life of its own." It is a way to earn large sums of cash. According to Raphael Perl, a possible solution to the problem would be to bring the North Koreans back to the international community. "I would try to buy the North Korean government

out, try to negotiate with them, make it more profitable for them to stop drug trafficking,” stated Perl.

Getting the North Korean government to turn around, however, is highly unlikely any time soon. The recent April 22 Ryongchon disaster, in which flammable cargo was said to have exploded at a railway station in the town of Ryongchon near the China border, killing or injuring up to 3,000 people, gave the world a glimpse of the country. Once outsiders were finally permitted in to offer assistance, they returned with stories of a severely run-down society. It would take billions of dollars to pull North Korea out of the slum and bring them to a satisfactory level of production that would enable them to trade legitimate items on the world market. North Korea lacks the resources to conduct adequate trade to bolster their failing economy. U.S. foreign aid is severely restricted to food for humanitarian assistance, because the U.S. Secretary of State designated North Korea as a country that has “repeatedly provided support for acts of international terrorism.”<sup>105</sup>

In 1999 there were reports that North Korea was concentrating more energy on smuggling stimulant drugs into the U.S., with Vancouver in Canada as a relay base.<sup>106</sup> However, there is no real evidence that illicit drug trafficking from the DPRK has had an impact on the United States, either directly or indirectly.<sup>107</sup> This does not mean that it has not and never will. If drugs are being used to finance weapons of mass destruction, the United States along with the rest of the world should certainly keep a watchful eye on the situation.

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#### NOTES

<sup>1</sup> “Testimony of William Bach, Director, Office of Asia, Africa, and Europe, Bureau of International Narcotics and Law Enforcement Affairs, U.S. Department of State,” *United States Senate One Hundred Eight Congress, Hearing before the Financial Management, the Budget, and International Security Subcommittee of the Committee on Governmental Affairs*, 20 May 2003, <<http://govt-aff.senate.gov>> (2 June 2004).



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<sup>2</sup> Choi Young Jae, "Reporter Disguised as a Drug Buyer Uncovers North Korean Illicit Drug Trafficking for the First Time," *New Donga Magazine*, September 2000, <<http://www.donga.com>> (8 July 2004).

<sup>3</sup> Perl, Raphael, telephone interview, 3 April 2004.

<sup>4</sup> Raphael Perl, "Drug Trafficking and North Korea: Issues for U.S. Policy," *CRS Report for Congress*, 5 December 2003, <<http://www.fpc.state.gov/documents/organization/27529.pdf>> (4 April 2004).

<sup>5</sup> "North Korean Spies Steal Japanese Money, Nuclear Weapon and Missile Technology," *The Weekly Post* [Japan] 3 Mar. 2003 <<http://www.sianews.com>> (2 June 2004).

<sup>6</sup> According to the US Forces Korea Support Unit located in Hawaii, "do" translates to province while "bukto" translates to northern province. Source: "Request for Information," 28 April 2004, personal email (10 May 2004).

<sup>7</sup> There are nine provinces in North Korea. In a complete transcript of a hearing set before the U.S. Senate, Subcommittee on Financial Management, the Budget and International Security, of the Committee on Governmental Affairs in Washington DC on May 20, 2003, and subsequent articles, which drew information from this source, the spelling of Hamyong-bukto and Yanggang-do provinces were Hamkyung and Yangkang respectively. The towns of Yonsa, Hoeryong, Musan and Onsong were spelled Yonsah, Hweryung, Moosan and Onsong. One can reasonably conclude by the geographic locations that the names contained within this report are accurate.

<sup>8</sup> "Testimony of Former North Korean High-Ranking Government Official," *United States Senate One Hundred Eighth Congress, Hearing before the Financial Management, the Budget, and International Security Subcommittee of the Committee on Governmental Affairs*, 20 May 2003, <<http://govt-aff.senate.gov>> (2 June 2004).

<sup>9</sup> Perl, "Drug Trafficking and North Korea: Issues for U.S. Policy."

<sup>10</sup> Thomas Crampton, "A P'yongyang Connection? Law Enforcers Link North Korea to Drug Trade," *International Herald Tribune*, 27 March 1999, <<http://www.iht.com>> (6 May 2004).

<sup>11</sup> Bertil Lintner, "North Korea – Coming in from the Cold," *Far Eastern Economic Review*, 25 October 2001, <<https://www.feer.com>> (21 May 2004).

<sup>12</sup> Jay Solomon, and Jason Dean, "Heroin Busts Point to Source of Funds for North Koreans," *Wall Street Journal*, 23 April 2004, <<http://archives.econ.utah.edu/archives>> (19 April 2004).

<sup>13</sup> Perl, "Drug Trafficking and North Korea: Issues for U.S. Policy."

<sup>14</sup> "Coree du Nord: les trafics n'ont pas d'odeur," *Trafic International, Bulletin Mensuel*, 16 May 2002, <<http://www.drogues.gouv.fr>> (19 May 2004).

<sup>15</sup> For those sources placing North Korea as the third largest producer of opium, please refer to Solomon and Dean, "Heroin Busts Point to Source of Funds for North Koreans," Richard C. Paddock and Barbara Demick, "N. Korea's Growing Drug Trade Seen in Botched Heroin Deliver," *Washington Post*, 21 May 2003, <<http://opioids.com/korea>> (2 June 2004) and "Lee Joo Il's North Korea Story: The True Story Behind White Bellflower," *Network for North Korean Democracy and Human Rights*, 26 April 2004, <<http://www.nknet.org>> (26 April 2004).

<sup>16</sup> The UNODC derives much of their information through analysis of their database, which contains more than 100,000 entries related to various aspects of worldwide illicit drug production, trafficking and demand. The majority of their data comes from an Annual Reports Questionnaire (AQR) received from governments and supplemented by other sources. According to the annual Global Illicit Drug Trends report for 2003 put out by UNODC, Laos produces approximately twice the amount of opium as North Korea and Colombia produces slightly more than North Korea. Since North Korea does not participate by filling out the AQR, numbers given in some sources on North Korean opium production are most likely a best guess based on drug busts, interviews with defectors, communications intercepts and information from criminal organizations with whom they work. For more

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information on other country illicit drug activity, please refer to, "Global Illicit Drug Trends – 2003," *United Nations Office on Drugs and Crime*, 2003, <<http://www.unodc.org>> (15 April 2004)

<sup>17</sup> "Testimony of Former North Korean High-Ranking Government Official," *United States Senate One Hundred Eighth Congress, Hearing before the Financial Management, the Budget, and International Security Subcommittee of the Committee on Governmental Affairs*.

<sup>18</sup> Choi Young Jae, "Reporter Disguised as a Drug Buyer Uncovers North Korean Illicit Drug Trafficking for the First Time."

<sup>19</sup> "Production of Drugs in North Korea," *National Intelligence Service*, 2 June 2004, <<http://www.nis.go.kr>> (12 April 2004).

<sup>20</sup> Probably trade companies.

<sup>21</sup> "Lee Joo Il's North Korea Story: The True Story Behind White Bellflower," *Network for North Korean Democracy and Human Rights*.

<sup>22</sup> Daesung is sometimes written as Daesung.

<sup>23</sup> Ah-Young Kim, "End North Korea's Drug Trade," *PacNet Newsletter*, 16 June 2003, <<http://csis.org/pacfor/pac0326.htm>> (10 June 2004).

<sup>24</sup> "Coree du Nord: les trafics n'ont pas d'odeur," *Trafic International, Bulletin Mensuel*.

<sup>25</sup> Information is derived directly from the source. However, there is a discrepancy. Chongju is located in the Northwestern part of North Korea and not the Northeastern part. Anthony Spaeth, "Kim's Racket," *Time Asia*, 2 June 2003, <<http://www.time.com>> (10 June 2004).

<sup>26</sup> Jay Solomon and Jason Dean, "Heroin Busts Point to Source of Funds for North Koreans," *The Wall Street Journal*, 23 April, <<http://archives.econ.utah.edu/archives>> (19 April 2004).

<sup>27</sup> Spaeth, "Kim's Racket."

<sup>28</sup> Jay Solomon and Jason Dean, "Heroin Busts Point to Source of Funds for North Koreans."

<sup>29</sup> Ibid.

<sup>30</sup> "Lee Joo Il's North Korea Story: The True Story Behind White Bellflower," *Network for North Korean Democracy and Human Rights*.

<sup>31</sup> Two spellings for this in the same article are Bujion-kun, Bujeonkun. Since neither one of these locations was found on an official map of the area, Pukch'ong is a guess as to the actual name and spelling of the location.

<sup>32</sup> Initial reports indicated that the Pong Su Shipping Company was owned by the North Korean government. However, according to federal agent Damien Appleby, it was likely that the North Korean-based Pong Su shipping company knew the ship was carrying heroin, but investigators had not uncovered links between the company and the North Korean government.

<sup>33</sup> Paddock and Demick, "N. Korea's Growing Drug Trade Seen in Botched Heroin Deliver."

<sup>34</sup> "Backgrounder on North Korean Drugs Involvement," *ABC Asia Pacific*, 11/05/2003, <<http://abcasiapacific.com>> (2 June 2004).

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<sup>35</sup> Selma Milovanovic, "Heroin Ship Crew Denies Nuclear Link," *The Age*, 7 Nov. 2003, <<http://www.theage.com.au/articles>> (10 June 2004).

<sup>36</sup> "Major Incidents of Drug Trafficking by North Koreans, Chronological Order (1976-1999)," Fusion Network Services, 1999, <<http://www2.gol.com>> (2 June 2004).

<sup>37</sup> Ibid.

<sup>38</sup> Ibid.

<sup>39</sup> Ibid.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

<sup>43</sup> Ibid.

<sup>44</sup> Ibid.

<sup>45</sup> Ibid.

<sup>46</sup> Ibid.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.

<sup>50</sup> Ibid.

<sup>51</sup> Ibid.

<sup>52</sup> Ibid.

<sup>53</sup> "Global Illicit Drug Trends – 2003," *United Nations Office on Drugs and Crime*.

<sup>54</sup> "Testimony of William Bach," *United States Senate One Hundred Eighth Congress, Hearing before the Financial Management, the Budget, and International Security Subcommittee of the Committee on Governmental Affairs*.

<sup>55</sup> Jay Solomon and Jason Dean, "Heroin Busts Point to Source of Funds for North Koreans."

<sup>56</sup> Spaeth, "Kim's Racket."

<sup>57</sup> "Testimony of William Bach," *United States Senate One Hundred Eighth Congress, Hearing before the Financial Management, the Budget, and International Security Subcommittee of the Committee on Governmental Affairs*.

<sup>58</sup> Atsushi Mizoguchi, "Japan is the Target of North Korea's 'Stimulant Drug-Terrorism' that Involves the Yakuza," *Daily Summary of Japanese Press*, 31 March 1999, <<http://www.usc.edu/isd/archives>> (2 June 2004).

<sup>59</sup> "Production of Drugs in North Korea," *National Intelligence Service*.

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<sup>60</sup> Ibid.

<sup>61</sup> Balbina Y. Hwang, "Curtailling North Korea's Illicit Activities," *Backgrounder, Heritage Foundation*, 25 August 2003, <<http://www.heritage.org>> (5 May 2004).

<sup>62</sup> This is the phonetic spelling of the ship. Another spelling of the ship is seen as "Ji Song No. 2."

<sup>63</sup> Crampton, "A P'yongyang Connection? Law Enforcers Link North Korea to Drug Trade."

<sup>64</sup> Rhoksan is pronounced "Noksan."

<sup>65</sup> Choi Young Jae, "Reporter Disguised as a Drug Buyer Uncovers North Korean Illicit Drug Trafficking for the First Time," *New Donga Magazine*, September 2000,

<sup>66</sup> Korea Trade-Investment Promotion Agency Website <<http://www.kotra.or.kr>> (18 June 2004).

<sup>67</sup> Larry M. Wortzel, "North Korea's Connection to International Trade in Drugs, Counterfeiting, and Arms," The Heritage Foundation, Policy Research and Analysis, 20 May 2003, <<http://www.heritage.org>> (19 June 2004).

<sup>68</sup> Mizoguchi, "Japan is the Target of North Korea's 'Stimulant Drug-Terrorism' that Involves the Yakuza."

<sup>69</sup> "More Troubled Waters, Fishing, Pollution and FOCS," *Major Group Submission for the 2002 World Summit on Sustainable Development in Johannesburg, International Confederation of Free Trade Unions Trade Union Advisory Committee to the OECD International Transport Worker's Federation Greenpeace International*, August 2002, <<http://www.itf.org.uk>> (8 July 2004).

<sup>70</sup> Ibid.

<sup>71</sup> Jonathan Fenby, "North Korea Uses Drugs to Beat Economic Downturn," *Knight Ridder Tribune Business News* [Washington], 13 July 2003. ProQuest. Foothills Public Lib, Glendale, AZ, <<http://www.proquest.com>> (13 May 2004).

<sup>72</sup> "N Korea Feeding Japan's Drug Habit, Police Say," *ABC Radio Australia, Asia Pacific*, 15 September 2003, <<http://www.goasiapacific.com>> (9 July 2004).

<sup>73</sup> Ah-Young Kim, "End North Korea's Drug Trade."

<sup>74</sup> Brian Hsu, "Security Bureau Links N Korea and Local Gangs," *Taipei Times*, 05 Jan 2004, <<http://www.taipeitimes.com>> (9 July 2004).

<sup>75</sup> Mike Brunker, "Asian Gangs are Brothers in Crime," *MSNBC News*, 31 August 1996, <<http://msnbc.msn.com>> (9 July 2004).

<sup>76</sup> Michael Richardson, "Drug Smuggling: N. Korea's Top Money-Spinner," *The Straits Times*, 23 June 2004. <<http://www.freerepublic.com>> (9 July 2004).

<sup>77</sup> Joo-an Kang, and Chang-hee Yoon, "N.K. Drug-Trafficking Ring Confirmed for the First Time," *Coronet.org*, 24 Jun 2002, <<http://coronet.radicalparty.org>> (9 July 2004).

<sup>78</sup> "Major Incidents of Drug Trafficking by North Koreans, Chronological Order (1976-1999)," *Fusion Network Services*.

<sup>79</sup> Ibid.

<sup>80</sup> Ibid.

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<sup>81</sup> Ibid.

<sup>82</sup> Crampton, "A P'yongyang Connection? Law Enforcers Link North Korea to Drug Trade."

<sup>83</sup> "Major Incidents of Drug Trafficking by North Koreans, Chronological Order (1976-1999)," *Fusion Network Services*.

<sup>84</sup> Ibid.

<sup>85</sup> Ibid.

<sup>86</sup> Ibid.

<sup>87</sup> Ibid.

<sup>88</sup> An alternate spelling of this vessel has been seen as ChuXing.

<sup>89</sup> "International Narcotics Control Strategy Report," *DPRK Briefing Book, The Nautilus Institute*, 1 March 2004, <<http://www.nautilus.org>> (2 June 2004).

<sup>90</sup> Kim Sam Sik, "Korea Trade-Investment Promotion Agency (KOTRA) <<http://www.kotra.or.kr>> (19 June 2004).

<sup>91</sup> Kim Sam Sik, "Korea Trade-Investment Promotion Agency (KOTRA).

<sup>92</sup> Spaeth, "Kim's Racket."

<sup>93</sup> Ibid.

<sup>94</sup> "Production of Drugs in North Korea," *National Intelligence Service*.

<sup>95</sup> Kim Sam Sik, "Korea Trade-Investment Promotion Agency (KOTRA).

<sup>96</sup> Larry A. Niksch, "CRS Issue Brief for Congress," Congressional Research Service, *CRS Issue Brief for Congress*, 2 June 2004 <<http://www.nautilus.org>> (2 June 2004).

<sup>97</sup> Jay Solomon, "Business Arm Helps Regime Keep Power in P'yongyang," *The Wall Street Journal*, 14 July 2003, <<http://www.sfgate.com>> (2 June 2004).

<sup>98</sup> Ibid.

<sup>99</sup> North Korea had been accused of state sponsored terrorism long before Afghanistan decided to shelter Osama bin Laden. Source: Bertil Lintner, "North Korea – Coming in from the Cold."

<sup>100</sup> Solomon, "Business Arm Helps Regime Keep Power in P'yongyang."

<sup>101</sup> Michael Leidig, "Austria Accuses North Korean Bank of Spying," *Money Telegraph*, 23 July 2003, <<http://www.telegraph.co.uk>> (2 June 2004).

<sup>102</sup> Solomon, "Business Arm Helps Regime Keep Power in P'yongyang."

<sup>103</sup> Kim Hyung-Sam, "In Order to Avoid Tracking from U.S., Routing of the Money Sent to North Korea was Arranged with the National Intelligence Service," *New Donga [Korea]* 01 Jun. 2003, <<http://www.donga.com>> (18 June 2004).

<sup>104</sup> Solomon, "Business Arm Helps Regime Keep Power in P'yongyang."

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<sup>105</sup> Perl, “Drug Trafficking and North Korea: Issues for U.S. Policy”

<sup>106</sup> Mizoguchi, “Japan is the Target of North Korea’s ‘Stimulant Drug-Terrorism’ that Involves the Yakuza.”

<sup>107</sup> "International Narcotics Control Strategy Report," *DPRK Briefing Book*.