



Drugs, Counterfeiting, and Arms Trade: The North Korean Connection

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Good afternoon, Mr. Chairman. I would like to express my sincere appreciation for the opportunity to testify before the Subcommittee on the subject of narcotics trafficking and other criminal activity with a connection to the Democratic People's Republic of (North) Korea (DPRK).

For some 30 years, officials of the Democratic People's Republic of Korea have been apprehended for trafficking in narcotics and other criminal activity, including passing counterfeit U.S. notes. Since 1976, there have been at least 50 arrests/drug seizures involving North Koreans in more than 20 countries around the world. More recently, there have been very clear indications, especially from a series of methamphetamine seizures in Japan, that North Koreans traffic in, and probably manufacture, methamphetamine drugs.

Given the tight controls in place throughout North Korea and the continuing seizures of amphetamines and heroin suspected of originating from North Korea, one wonders how any entity other than the state itself could be responsible for this high-volume drug trafficking. Drug transfers between North Korean vessels at sea also suggest probable state involvement. Likewise, it is very hard to imagine any entity other than the North Korean State undertaking trafficking on the scale and operational complexity of the "Pong Su" incident in Australia.

Early Instances of Trafficking by North Koreans and the Recent "Pong Su" Trafficking Incident in Australia

Much of what we know about North Korean drug trafficking comes from drug seizures and apprehensions abroad. A typical incidence of drug trafficking in the mid-seventies, when trafficking by North Koreans first emerged as a significant problem, would involve a North Korean employee of a diplomatic mission or state enterprise who would be apprehended with illicit drugs by police or border crossing officials. In other cases, police authorities would hear reports that North Koreans were trafficking or offering to provide illicit drugs. The police would respond with a sting-type operation that frequently resulted in drug seizures and the arrest of North Korean individuals. Information on North Korean trafficking has sometimes come from third-country nationals accused of drug offenses who have provided police and prosecutors with information on North Korean operations. In a few cases, police received intelligence about North Korean trafficking and followed the operation from the planning stage to drug seizure.

For example, in February of 1995, Russian law enforcement officials in Vladivostok arrested two North Korean employees of a North Korean state logging company and seized eight kilograms of heroin. According to the traffickers' statements, the shipment seized was a sample that was supposed to demonstrate the quality of 2.2 MT (4840 lbs.) of heroin to follow. The North Koreans assured a Russian undercover police operative that they could supply that amount of heroin, if requested.

According to reports, on April 16, police in Australia observed the "Pong Su" relatively close to shore and followed two ethnic Chinese suspects on the shore as they left the beach and headed for a near-by hotel. The next morning, the two suspects were apprehended at their hotel with 50 Kg (110 pounds) of pure heroin. Then, in a careful search of the beach where the two suspects had been seen the day before, Australian police discovered the body of a North Korean recently buried close to a dingy. They surmised that the dingy had capsized while bringing the heroin ashore, drowning one of the North Koreans. Police also apprehended another North Korean in the immediate area. Unable to get back to his boat, he had simply remained in the area where the drugs came ashore the night before. A third ethnic Chinese trafficker suspect was also taken into custody.

Australian authorities ordered the Pong Su into harbor, but the ship attempted to escape into international waters. After a helicopter boarding by Australian Army Special Operations Forces, the Pong Su was brought into port. The ethnic Chinese suspects and the captain and crew of the Pong Su have been charged with narcotics trafficking. The Australian Foreign Minister called in the North Korean Ambassador to lodge a formal protest.

Methamphetamine Trafficking to Japan and Heroin Trafficking to Taiwan

By 1995, North Korea had begun importing significant quantities of ephedrine, the main input for methamphetamine production ("Meth"). In January of 1998, Thai Customs temporarily held 2.2 MT of ephedrine ordered in India and consigned to North Korea. At about this time "Meth" was emerging as the drug of choice all over Asia. Japan is the largest single market for methamphetamine in Asia, with more than 2.2 million abusers and an estimated consumption of 20 MT of methamphetamine per year. During the next several years the Japanese seized numerous illicit shipments of methamphetamine that they believe originated in North Korea. In most of these seizures, traffickers' and North Korean ships rendezvoused at sea in North Korean territorial waters for transfer of the narcotics to the Japanese traffickers' vessels. Taiwanese authorities also seized several shipments of methamphetamine and heroin that had been transferred to the traffickers' ships from North Korean vessels.

The sharp increase in large methamphetamine seizures in Japan after earlier indications of North Korean efforts to import ephedrine strongly suggests a state-directed conspiracy to manufacture and traffic in this narcotic to the largest single market for it in Asia.

Thirty-five percent of methamphetamine seizures in Japan from 1998 to 2002 originated in North Korea, and Japanese police believe that a high percentage of the "Meth" on Japanese streets originates in North Korea. Likewise, seizures of drugs trafficked to Taiwan in similar fashion, (i.e., with traffickers' vessels picking-up the drugs from North Korean vessels), suggests centralized direction. In both cases (Japanese and Taiwanese), large quantities of drugs, expensive even at wholesale prices, are transferred from North Korean state-owned ships, on occasion by men in uniform, to ships provided by Japanese or ethnic Chinese traffickers to be brought surreptitiously to Japan or Taiwan.

Counterfeiting

The United States Secret Service Counterfeit Division is aware of numerous cases of counterfeiting with a North Korean connection. Typical of such cases was one reported in Macao in 1994, when North Korean trading company executives, who carried diplomatic passports, were arrested for depositing \$250,000 in counterfeit notes in a Macao Bank. There are numerous other counterfeiting incidents with links to Macao banks, North Korea and North Korean diplomats.

Smuggling and Trade in Counterfeit Goods

There are numerous well-researched press reports on smuggling activities by North Korean nationals and diplomats abroad. One group of articles reports a very active trade in smuggled cigarettes with China. A 1995 Associated Press article reported the seizure by Taiwanese authorities of 20 shipping containers of counterfeit cigarette wrappers destined for North Korea. According to officials of the cigarette company whose label and trademark were being violated, the seized materials could have been used to package cigarettes with a retail value of \$1 billion. This incident suggests North Korean intentions to produce counterfeit cigarettes. We have also seen numerous similar reports of smuggling incidents involving North Korean diplomats in the late 80s and into the mid-90s, including drug smuggling attempts, counterfeit money-

passing incidents, etc. Seen together with North Korea's severe economic problems, these incidents suggest that North Korean diplomatic representatives were engaged in criminal activities to generate funds for their cash-strapped government or to reduce some of the burden to maintain their own presence abroad.

Trade in Endangered Species

The Hong Kong "South China Morning Post" reported on North Korean involvement in trade in endangered species in Africa. Relying on an investigative report prepared by an NGO called the Environmental Investigation Agency, the "Post" reported that North Koreans were involved in smuggling of a significant number of rhino horns from Africa to Guangdong. The smuggling involved moving the horn in diplomatic bags through North Korean embassies and consulates in Africa and China. The NGO investigator concluded: "My opinion is that the North Koreans were using the rhino horns to get hard currency for the country." Although this ambitious smuggling-for-profit operation could have been carried out independently by the individuals involved, its scale suggests that such a theory is highly unlikely. Such a scheme probably involved and was likely planned by a North Korean government entity.

North Korean Connections with Organized Crime

North Korean traffickers have links to Russian, Japanese, Taiwanese, China-Hong Kong, and Thai organized crime elements. In all cases, the relationship began as one of "wholesaler" with "retailer." North Koreans with large quantities of drugs to sell have sold them to criminal groups with the retail network necessary to move the drugs to consumers. It appears that some organized crime elements (e.g., Yakuza, Triads) approached the North Koreans because they knew that the North Koreans had drugs to sell.

This "wholesaler-retailer" relationship seems to have evolved in recent years. Incidents such as the Pong Su arrests, for example, demonstrate that North Korean traffickers are becoming involved farther down the trafficking chain.

Mr. Chairman, I thank you and members of the committee for your attention, and I would be pleased to answer any of your questions.

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