

PRESS RELEASE

Report Embargoed until 12:01 am EDT, Tuesday, April 15, 2014

**Committee for Human Rights in North Korea Releases New Report: *Illicit: North Korea's Evolving Operations to Earn Hard Currency***

The Committee for Human Rights in North Korea (HRNK), a non-governmental organization based in Washington, D.C., will launch *Illicit: North Korea's Evolving Operations to Earn Hard Currency*. The report launch will be hosted by the Brookings Institution, in the Falk Auditorium, from 2:00 to 3:30 pm on Tuesday, April 15. The report is authored by Dr. Sheena Chestnut Greitens, Non-Resident Senior Fellow at the Center for East Asia Policy Studies at the Brookings Institution, Academy Scholar at Harvard University's Academy for International and Area Studies, and assistant professor of political science at the University of Missouri.

*Illicit* provides a thoroughly researched overview and analysis of the evolution of North Korea's illicit economic activities, which have been instrumental in executing the Kim regime's fundamental strategic objective, i.e. its own self-preservation. Based on extensive interviews with North Korean defectors, the report addresses North Korea's involvement in drug trafficking, currency counterfeiting, and other illicit activities, including the smuggling of contraband items such as endangered species products, fake pharmaceuticals, and counterfeit cigarettes.

As HRNK's Co-chair Andrew Natsios remarked, the report provides "evidence that a market economy is developing in North Korea, in this case a criminal one that is feeding off the suffering and deprivation of the population. The report is about the absence of the rule of law on a grand scale in North Korea and in a way that criminal activity is now being privatized. It is very useful in understanding the perverse transformation the country is undergoing."

In addition to unequivocally illicit activities including drug production and trafficking and arms sales, the report detects six other major sources of hard currency for the North Korean regime: the Kaesong Industrial Complex; trade with China; tourism; the exportation of labor; remittances sent to families still in North Korea by defectors residing in South Korea and other countries; and the "informal taxation" of domestic economic activity through the sale of cellular phones and mobile phone service plans.

HRNK's Executive Director Greg Scarlatoiu commented: "Even foreign currency operations that appear legitimate on the surface are in a gray area, just as, for example, North Korea's extractive industry supply chain is tainted by the use of prison and military labor, and the workers it officially sends overseas face appalling working conditions."

Greitens identifies three stages of North Korea's involvement in illicit activities: a first phase, from the time of their emergence in the 1970s until the mid-1990s, when North Korean officials trafficked a range of illicit products manufactured by others, at locations where North Korea had diplomatic and trade ties; a second phase, from the mid-1990s to the mid-2000s, when North Korea focused on the production of illicit merchandise, while distribution was outsourced to criminal organizations; and a third phase, that has emerged since 2005, partly as the result of marketization and criminalization of economic activity in North Korea, and to a certain extent as an attempt to avoid the squeeze of a future Banco Delta Asia-style application of Section 311 of the USA PATRIOT Act or similar sanctions.

According to the Greitens report, stage three of North Korea's evolving hard currency operations involves: decreased regime monopoly over some illicit activities; the absence of unclassified evidence of regime involvement in certain illicit activities, which may also mean that "the regime's illicit activities have become less visible, rather than less frequent;" a new geographic distribution, determined by maritime smuggling routes and the geographic reach of organized crime groups North Korea has sub-contracted as distributors; an increased negative impact on China; smaller size packaging of illicit products, drugs in particular; a broader range of illicit product "quality," due to the "decentralization" and diversification of producers and production sites; the participation of more North Koreans in illicit trade; and serious threats to the overall health status of North Koreans, already marred by a crumbling medical infrastructure, endemic shortages of food and medicine, infectious and noninfectious disease, and malnutrition.

Greitens cautions that "financial measures such as those applied to Banco Delta Asia will be difficult to levy," for two reasons: first, sanctions are most effective when unexpected, but North Korea has already modified its hard currency operations accordingly; and second, as it does not rely on the dollar as its international reserve currency and it conducts most of its banking in China, the regime's vulnerability to the global financial system is limited.

Greitens observes that "the growth of semi-private enterprise [in North Korea] allows for the emergence of some space between the North Korean state and society." HRNK's Executive Director Scarlatoiu remarks: "If, as Greitens indicates, the development of semi-private entrepreneurship has resulted in a gap between regime and society, at least in the economic realm, international efforts to convey information about the outside world, their own human rights situation, and the corruption of their leadership to the people of North Korea must be cognizant of that gap."

The Committee for Human Rights in North Korea, established in 2001 by a distinguished group of foreign policy and human rights specialists, seeks to draw attention to human rights conditions in North Korea by publishing well-documented reports and papers, convening conferences, testifying at national and international fora, and seeking creative ways to end the isolation of the North Korean people. Most recently, the Committee's publications have been quoted twenty times in the detailed version of the report submitted by the UN Commission of Inquiry on Human Rights in North Korea to the UN Human Rights Council.

For media inquiries regarding the report launch, please contact Greg Scarlatoiu, HRNK Executive Director: [executive.director@hrnk.org](mailto:executive.director@hrnk.org); 202-499-7973. For additional information on HRNK, please refer to our website, [www.hrnk.org](http://www.hrnk.org), and follow us on Facebook at [www.facebook.com/committeehrnk](https://www.facebook.com/committeehrnk), and on Twitter @committeehrnk.