

Tunnels, Guns and Kimchi: North Korea's Quest for Dollars—Part II

By BERTIL LINTNER

The global economic meltdown has claimed an unexpected victim: North Korea's chain of restaurants in Southeast Asia. Over the past few months, most of them have been closed down "due to the current economic situation," as an Asian diplomat in the Thai capital Bangkok put it.

This could mean that Bureau 39, the international money-making arm of the ruling North Korean Workers' Party—which runs the restaurants and a host of other, more clandestine front companies in the region—is acutely short of funds. Even if those enterprises were set up to launder money, operational costs and a healthy cash-flow are still vital for their survival.

And, as for the restaurants, their main customers were South Korean tourists looking for a somewhat rare, comfort food from the isolated North of the country. The waitresses, all of them carefully selected young, North Korean women dressed in traditional Korean clothing, also entertained the guests with music and dance.

But thanks to the global economic crisis, not only has the tourist traffic from South Korea slowed, the fall in the value of the won has also reduced tourists' buying power. The South Korean won plummeted to 1,506 to the U.S. dollar in February, down from 942 in January 2008. No detailed statistics are available, but South Korean arrivals in Thailand—which is also the gateway to neighboring Cambodia and Laos—are down by at least 25 percent.

Though staunchly socialist at home, the North Korean government has been quite successful in running capitalist enterprises abroad, ensuring a steady flow of foreign currency to the coffers in Pyongyang. North Korea runs trading companies in Thailand, Hong Kong, Macau, and Cambodia, which export North Korean goods—mostly clothing, plastics, and minerals such as copper—to the region.

At the same time, they import various kinds of foodstuffs, light machinery, electronic goods, and, in the past, dual-purpose chemicals, which have civilian as well as military applications. Those companies were, and still are, run by the powerful Daesong group of companies, the overt arm of the more secretive Bureau 39.

Legal and Illegal Ventures

North Korea embarked on its capitalist ventures when, in the late



TOURIST TRADE: South Korean tourists look at products made in the Kaesong Industrial Complex, a jointly-run industrial estate in North Korea. JUNG YEON-IE/AFP/GETTY IMAGES

1980s and early 1990s, the country was hit by a severe crisis caused by the disruption in trading ties with former communist allies. More devastatingly, both the former Soviet Union in 1990 and China in 1993 began to demand that North Korea pay standard international prices for goods, and that too in hard currency rather than with barter goods.

According to a Bangkok-based Western diplomat who follows development in North Korea, the country's embassies abroad were mobilized to raise badly needed foreign exchange. "How they raised money is immaterial," the diplomat says. "It can be done by legal or illegal means. And it's often done by abusing diplomatic privilege."

North Korea's two main front companies in Thailand, Star Bravo and Kosun Import-Export, are still in operation. In the early 2000s, Thailand actually emerged as North Korea's third largest foreign trading partner after China and South Korea.

Bangkok developed as a center for such commercial activities and Western intelligence officers based there became aware of the import and sale of luxury cars, liquor, and cigarettes, which were brought into the country duty-free by North Ko-

rean diplomats.

In a more novel enterprise, the North Koreans in Bangkok were reported to be buying second-hand mobile phones—and sending them in diplomatic pouches to Bangladesh, where they were resold to customers who could not afford new ones.

In early 2001, high-quality fake US\$100 notes also turned up in Bangkok and the police said at the time that the North Korean embassy was responsible as some of its diplomats were caught trying to deposit the forgeries in local banks. The North Korean diplomats were warned not to try it again.

The restaurants were used to earn additional money for the government in Pyongyang—at the same time, they were suspected of laundering proceeds from North Korea's more unsavory commercial activities. Restaurants and other cash-intensive enterprises are commonly used as conduits for wads of bills, which banks otherwise would not accept as deposits.

North Korean Restaurants Abroad

For years, there have been various North Korean-themed restaurants in Beijing, Shanghai and other Chinese cities. But the first in South-

east Asia opened only in 2002 in the Cambodian town of Siem Reap. It became an instant success—especially with the thousands of South Korean tourists who flocked to see the ancient ruins of Angkor Wat.

It was so successful that Pyongyang decided to open a second venue in the capital Phnom Penh in December 2003. A fairly large restaurant in the capital's Boulevard Monivong, which offered indifferent Korean staple kimchi and other dishes and live entertainment by North Korean waitresses, closed earlier this year for lack of business.

In 2006, yet another Pyongyang Restaurant—as the eateries were called—opened for business in Bangkok. It was housed in an impressive, purpose-built structure down a side alley in the city's gritty Pattanakarn suburb, far away from areas usually frequented by Western visitors but close to the North Korean embassy and the offices of its front companies in the Thai capital.

This was followed by an even grander restaurant in Thailand's most popular beach resort, Pattaya, which was also housed in a separate building with a big parking lot outside for tour buses. A much smaller Pyongyang restaurant opened in Laos's sleepy capital Vientiane, but that

one became popular not with South Korean tourists, but with Chinese guest workers and technicians. The Vientiane restaurant may be the only North Korean eatery that is still in operation.

After years of watching North Korea's counterfeiting and smuggling operations, the United States began tightening the screws on Pyongyang's finances in September 2005. This occurred after Banco Delta Asia, a local bank in Macau, was designated as a "financial institution of primary money-laundering concern." The bank almost collapsed, and North Korea's assets were frozen.

The money was eventually released as part of an incentive for North Korea's concession in the Six-Party talks and returned to North Korea via a bank in the Russian Far East. But, coupled with U.N. sanctions, the damage to North Korea's overseas financial network was done—including the ability of Pyongyang's many overseas front companies to operate freely.

For example, the two-way trade between Thailand and North Korea peaked at US\$343 million in 2006—but then began to decline. It was down to US\$100 million in 2007, and US\$70.8 million in 2008.

Now with North Korea conducting a second nuclear test and firing off missiles, Washington has raised the possibility of the re-listing of North Korea as a state that supports terrorism. If that were to happen, many private companies would become hesitant to deal with Pyongyang and its enterprises for fear of being blacklisted by the U.S. Treasury.

With its various money-making enterprises coming unstuck, Pyongyang is increasingly under pressure. The worldwide financial crisis has already put North Korea in a tight corner. There was never anything to suggest that the money earned by North Korea's economic ventures abroad were to be used for social development at home, or to be spent on basic necessities such as putting food on the tables of the country's undernourished people. Now, there won't even be North Korean food for sale to South Korean tourists in the region.

Bertil Lintner is a Swedish journalist based in Thailand and the author of several works on Asia. Reprinted with permission from YaleGlobal Online (www.yaleglobal.yale.edu). Copyright © 2009, Yale Center for the Study of Globalization, Yale University.

Waiving the Rules for Old Glory

By WALTER BRASCH

Within a month of 9/11, millions of Americans bought American flags. Small flags they flew from their cars, trucks, and bicycles. Medium-sized flags they planted in their front yards, put onto their home windows, and flew from recently-installed metal poles on doors and porches. Large flags they flew in front of their businesses.

In our tragedy and grief we stuck together, the flag a symbol of our unity and patriotism.

It wasn't long until commercialism in the guise of patriotism dominated the American unity. In newspaper and magazine ads, in television campaigns, whether for cars or political races, we saw the message and an image of the flag.

In myriad direct mail flyers, we first saw the flag and a patriotic call—and then an advertising pitch that each of us had an inviolate right to buy whatever the advertiser was pushing. General Motors even claimed that we could "get America rolling" again by buying cars.

During the 1960s, war protesters who wore clothes with the American flag design were beaten by "patriots" who believed the "hippies" were abusing a sacred image. However, for several years after 9/11, the fabric of America was "patriots" who wore high-priced T-shirts, pants, ties, and bandannas, all with images of American flags and slogans, all in violation of federal regulations.

Americans use flags and flag-decorated clothes, most of them made by non-union labor in China and other overseas countries, to "prove" they are more patriotic than the next person. They have demanded that politicians wear flag lapels. They have bought bigger and bigger flags, in the mistaken belief that flying a flag and being patriotic are the same thing.

But, these "patriots" have also flown their flags improperly, often hanging the blue field in the wrong corner, sometimes tacking the flag to wooden walls. They have allowed their flags to have flown in rain and snow storms, to have become tattered and faded. And when some flags become too faded or too torn, their owners just throw them out, rather than give them the proper retirement that the Flag Code requires.

Patriotism, indeed, is not by how large your flag is, or how many days you fly it, but by how well you understand the principles that established this nation.

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The 'Nine Commentaries' is the book that is disintegrating the Chinese Communist Party (CCP) and changing China. This award-winning Epoch Times editorial series discloses the true history and nature of the CCP. Now it is serialized here.

Nine Commentaries on the Communist Party

On the Beginnings of the Chinese Communist Party

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Establishment of the CCP— Raised on the Breast of the Soviet Union

"With the report of the first cannon during the October Revolution, it brought us Marxism and Leninism." That was how the Party portrayed itself to the people. However, when the Party was first founded, it was just the Asian branch of the Soviet Union. From the beginning, it was a traitorous party.

During the founding period of the Party, they had no money, no ideology, and no experience. They had no foundation upon which to support themselves. The CCP joined the Comintern to link its destiny with the existing violent revolution. The CCP's violent revolution was just a descendent of Marx and Lenin's revolution. The Comintern was the global headquarters to overthrow political powers all over the world, and the CCP was simply an eastern branch of Soviet Communism, carrying out the imperialism of the Russian Red Army.

The CCP shared the experience

of the Soviet Union's Communist Party of violent political takeover and dictatorship of the proletariat and followed the Soviet Party's instructions on its political line, intellectual line, and organization line. The CCP copied the secret and underground means by which an external illegal organization survived, adopting extreme surveillance and control measures. The Soviet Union was the backbone and patron of the CCP.

The CCP constitution passed by the First Congress of the CCP was formulated by the Comintern, based upon Marxism-Leninism and the theories of class struggle, dictatorship of the proletariat, and party establishment. The Soviet party constitution provided its fundamental basis. The soul of the CCP consists of ideology imported from the Soviet Union.

Chen Duxiu, one of the foremost officials of the CCP, had different opinions from Maring, the representative from the Comintern. Maring wrote a memo to Chen stating that if Chen were a real member of the Communist Party, he must follow orders from the Comintern. Even though Chen Duxiu was one of the CCP's found-

ing fathers, he could do nothing but listen and obey orders. Truly, he and the Party were simply subordinates of the Soviet Union.

During the Third Congress of the CCP in 1923, Chen Duxiu publicly acknowledged that the Party was funded almost entirely by contributions from the Soviet Comintern. In one year, the Comintern contributed over 200,000 yuan to the CCP, with unsatisfactory results. The Comintern accused the CCP of not being diligent enough in their efforts.

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According to incomplete statistics from declassified Party documents, the CCP received 16,655 Chinese yuan from October 1921

to June 1922. In 1924, they received USD \$1,500 and 31,927.17 yuan, and in 1927 they received 187,674 yuan. The monthly contribution from the Comintern averaged around 20,000 yuan. Tactics commonly used by the CCP today, such as lobbying, going through the backdoor, offering bribes, and using threats, were already in use back then. The Comintern accused the CCP of continuously lobbying for funds.

They take advantage of the different funding sources (International Communications Office, representatives for the Comintern, and military organizations, etc.) to get their funds, because one organization does not know that the other organization has already dispersed the funds...the funny thing is, they not only understand the psychology of our Soviet comrades. Most importantly, they know how to treat differently the comrades in charge of dispersing funds. Once they know that they won't be able to get it through normal means, they delay meetings. In the end they use the crudest means to blackmail, like spreading rumors that some grass-root officials have conflicts with the Soviets, and that money is being given to warlords instead of the CCP.

Letters to the Editor



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QUITTING THE CCP



Inspired by the
'Nine Commentaries,'
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Chinese people have announced their intentions to quit the Chinese Communist Party and its affiliated organizations on a special Web site established by The Epoch Times. Many others, unable to break through the Chinese Internet blockade, have posted their withdrawal statements on poles or buildings. Others have written them on Chinese currency. Read recent statements of Chinese quitting the Party, the latest news on the "Nine Commentaries," and more at <http://www.NineCommentaries.com>

Help Chinese people who want to leave communism behind

Inspired by the 2004 series "Nine Commentaries on the Communist Party," more than 50 million Chinese people so far have had the courage to quit the Chinese Communist Party (CCP). Chinese people continue to step forward daily to register their withdrawals from the CCP.

The Global Service Center for Quitting the CCP was set up to help Chinese people quit the CCP, and receives daily requests to quit through letters and phone calls.

You can help more people quit by keeping this service going: Donate to the Global Service Center for Quitting the CCP.

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