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Counterfeit, Drugs, and Human Rights: Six Parties at an Impasse?

After the Extension of the US Agenda on North Korea

Hanns-Günther Hilpert / Kay Möller

The Bush administration's decision to address Pyongyang's criminal activities and human rights violations could cause a crisis in the Six Party Talks on North Korea's nuclear programme. If the United States does not respond to demands made by both Koreas to discuss these issues bilaterally and separately from the nuclear negotiations, it could be signalling a withering interest in the peaceful agreed denuclearisation of the Kim Chung-il regime.

On 6 November 2005, the central organ of North Korea's Workers' Party wrote that Pyongyang would withdraw from Six Party Talks on its nuclear programme with Washington, Peking, Seoul, Tokyo, and Moscow if the United States did not revoke sanctions imposed in September against a bank in Macau for participating in counterfeiting activities by the Democratic Republic of Korea (DPRK). The Bush administration refused to engage in bilateral negotiations on this issue much as it had earlier refused to discuss the nuclear problem bilaterally. In October, Washington imposed another sanction and froze the US accounts of eight North Korean companies that had supposedly played a role in the proliferation of weapons of mass destruction (WMD). In December, the Kim Chung-il regime found itself publicly denounced

during a human rights conference organised in Seoul with US support.

These steps were taken amidst the back-drop of the fifth round of Six Party Talks. In this framework, the DPRK had agreed in September as a matter of principle to end its nuclear weapons programme in exchange for the right to civilian use of nuclear energy, the supply of energy replacements, as well as other forms of economic aid. On the same occasion, the United States had reconfirmed its non-aggression pledge while committing itself to a long-term normalisation of relations with the DPRK.

Observers have interpreted Washington's recent inclusion of drugs, counterfeiting, and human rights in the US-North Korean agenda as another attempt by hardliners within the Bush administration to complicate or even sabotage the Six Party Talks.

If this were true, differences with China, Russia, and South Korea on negotiation tactics could turn into open disputes with uncertain outcomes.

Drugs and Counterfeit

President George Bush was probably right when stating his “increasing conviction” in September 2003 that the Kim Chung-il regime had been cultivating opium and that state organs of the DPRK had been involved in the East Asian trade of heroin and methamphetamines. According to estimates made by the State Department, North Korea has been growing opium on a total area measuring between 4,200 and 7,000 hectares, which would make it the world’s number three producer after Afghanistan and Burma. Japan, Russia, and China have been leading importers, with the latter apparently serving as conduits to Europe.

Since 1976, at least twenty North Koreans involved in the drugs trade or other criminal activities (such as the trade in rhinoceros horn, ivory, and endangered species, the illegal trade in gold and diamonds from conflict areas, as well as the counterfeiting of cigarette and medical brands) have been arrested in twenty countries. Among those arrested were North Korean diplomats and employees of North Korean trade representations.

The State Department had initially downplayed the problem so as not to obstruct its nuclear diplomacy and had tried in 2002 to engage the DPRK in bilateral negotiations on drugs with some encouraging signals coming out of Pyongyang. The sanctions imposed in September 2005 against the Macau-based Bank Delta Asia were explicitly related only to the latter’s production of high-quality, fake US\$100 bills with the drugs context confined to vague allusions. Following seizure in the 1990s of counterfeit bills totalling about \$5 million in Macau, Cambodia, Russia, and elsewhere, the State Department in 1998 started reporting regularly

on North Korea’s counterfeit activities. In August 2005, \$4.4 million worth of fake \$100 bills of supposed North Korean origin were seized during arrests made in the United States. According to the Treasury Department, the Macau bank had, for more than a decade, been involved in the DPRK’s trade in counterfeit money and fake cigarette brands.

Human Rights

Since its coming into office, the Bush administration, drawing on reports made by refugees and international NGOs, has accused Pyongyang of serious human rights violations. North Korea has indeed been one of the most repressive, if not the most repressive regime in the world that—its accession to both human rights covenants notwithstanding—has routinely and egregiously violated nearly all respective international standards. The DPRK is believed to have confined about 200,000 political prisoners to labour camps while threatening repatriated refugees with detention, torture, and execution. Since 2003, the UN Human Rights Commission has criticised Pyongyang three times in resolutions sponsored by EU member states and has urged North Korea to engage in a dialogue but without notable success. In October 2004, the US Congress passed a North Korea Human Rights Act on the basis of which the State Department appointed a special envoy and started supporting interested NGOs. Among the latter, the most important has been Freedom House which in December 2005 organised a second international human rights conference in Seoul which brought together mostly conservative South Korean and overseas groups with Special Envoy Jay Lefkowitz (a third meeting is being planned for a European country in 2006).

Whereas neighbouring countries have harboured little doubt as to the seriousness of the DPRK human rights situation, South Korea, China, and Russia have urged moderation so as not to endanger the nuclear

negotiations (Seoul has abstained on several relevant votes in the UN framework). By referring to this problem, among others, when identifying North Korea as part of his “axis of evil” in 2001, President Bush had caused a deterioration of bilateral relations which, in the following year, prompted the DPRK to confess to the ownership of nuclear weapons, and in 2003 to announce its “definitive” withdrawal from the Non-Proliferation Treaty.

No Negotiations with Rogues?

The Bush administration’s apparent return to its 2001 “rogue states” rhetorics and its lack of readiness to engage Pyongyang in respective dialogues either signals a new negotiation tactic or a distancing from the Six Party process altogether. Washington has hinted at the latter scenario when referring to the partial financing of North Korea’s budget with foreign exchange earned from criminal and other covert activities. Given a DPRK-goods trade deficit of at least \$700 million, the total volume of such earnings must be significant. The administration has constructed linkages between North Korea’s famine and its disregard for human rights by pointing to the alleged diversion of humanitarian assistance to the DPRK military. Washington has thus far exempted its own donations from sanctions, but has delayed the delivery of 25,000 tons of food because Pyongyang plans to expel international aid organisations and to minimise controls on the distribution of aid. In March 2005, Secretary of State Condoleezza Rice made a linkage between human rights, humanitarian assistance, and Six Party Talks.

By emphasising and partially substantiating such contexts and linkages, the United States could revive the “rogue state” rhetoric that had been tuned down since 2003, thus consciously putting nuclear negotiations at risk. To prevent such a scenario from materialising, South Korea has appealed to the Bush administration to engage Pyongyang in direct talks on

counterfeit money, thus demonstrating its continued commitment to the Six Party Talks.

Alternatively, the US change of course could be interpreted more tactically as a reflection of Washington’s unhappiness with the Six Parties’ September 2005 joint statement. In this document, the Five accepted the DPRK’s claim to a light-water reactor to be provided by them while declaring their readiness to discuss this issue ‘at an appropriate time’. North Korea had called the compromise into question immediately after the negotiations by demanding that the reactor be provided prior to the dismantling of its nuclear weapons programme, hinting at a protracted debate over timelines for concessions and rewards. From the point of view of Republican hardliners, a similar debate had seriously hampered the implementation of a 1994 framework agreement between the Clinton administration and Pyongyang that had also included the provision of (at the time two) light-water reactors. Judging by admissions made later by the Kim Chung-il regime, this treaty had not prevented the DPRK from continuing its nuclear programme during the implementation phase. Recently, China, South Korea, and Russia suggested offering the North electricity as a preliminary substitute for the light-water reactor, but given past experiences, even this seems to go too far for Washington for the time being. If this interpretation is correct, the major purpose of the recent US moves would be to raise the ante on Peking and Seoul. In this context, China could increasingly come under pressure not only because of its forced repatriation of North Korean refugees, but also because of its involvement—as occasionally alleged in Washington—in Pyongyang’s drug deals and weapons programmes.

German and European Interests

Germany and the European Union have supported a solution of the North Korean

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nuclear problem through Six Party Talks, and the European Union has been trying to secure itself a place at the table before the implementation of an eventual agreement. Furthermore, Europe has supported South Korea's policies of détente, an approach that in 2001/2 had involved attempts to promote both a solution for the nuclear problem and North-South détente through offers of technical assistance made to Pyongyang. Since 1997, the European Union has granted humanitarian aid to the DPRK while participating in energy assistance and in the earlier light-water reactor project within the framework of the 1994 US-North Korean agreement.

At the same time, Europe as a matter of principle has been among the targets of North Korean drugs peddlers and counterfeiters as well as of missiles built with Pyongyang's help in Iran and elsewhere. Nine EU member states have been participating in the Proliferation Security Initiative (PSI) which was launched by President Bush in 2003 for the purpose of intercepting ships and planes suspected of carrying WMD technology and which has on occasion been linked by observers to the fight against the international drugs trade.

In 2001 the European Union, following the establishment of diplomatic relations with the DPRK by several member states, had agreed on a human rights dialogue with North Korea that was subsequently suspended by Pyongyang after a single meeting. It was not least because of this development that members successfully presented draft resolutions in the UN Human Rights Commission and General Assembly criticising attempts by the DPRK, among other things, to prevent far-reaching controls of the distribution of humanitarian aid.

Whereas Europe has thus far tried to balance aspects of non-proliferation and North-South détente in its policies on North Korea, recent developments could increasingly compel it to privilege one over the other. If this were to happen, it would be imperative to save the Six Party Talks from

failure. This is why the European Union should join South Korea in calling for bilateral negotiations between Washington and Pyongyang on the "side shows" of counterfeit, drugs, and possibly human rights. At the same time, it would be counterproductive for Europe at this stage to engage the issue of civilian use/energy replacements where the DPRK has again been trying to exploit differing opinions among the Five. As a matter of principle and regardless of further ambitions, EU policies should accord priority to the non-proliferation aspect rather than détente on the Korean Peninsula.