

washingtonpost.com

U.S., Critic of N. Korea Payments, Also Sends Millions

By Colum Lynch
Washington Post Staff Writer
Sunday, June 24, 2007; A18

UNITED NATIONS -- Over the past six months, the Bush administration has repeatedly criticized the [U.N. Development Program](#) for channeling millions of dollars in hard currency into [North Korea](#) to finance the agency's programs, warning that the money might be diverted to [Pyongyang](#)'s nuclear weapons program.

But the United States also has funneled dollars to [Kim Jong Il](#)'s regime over the past decade, financing travel for North Korean diplomats and paying more than \$20 million in cash for the remains of 229 U.S. soldiers from the Korean War. And in a bid to advance nuclear talks, the Bush administration recently transferred back to North Korea about \$25 million in cash that [the Treasury Department](#) had frozen at [Banco Delta Asia](#), a [Macao](#)-based bank that the United States had accused of laundering counterfeit U.S. currency on behalf of North Korea.

Such transactions emphasize philosophical differences in the administration over the wisdom of engaging with North Korea and highlight the compromises that the United States, the [United Nations](#) and others face in dealing with Pyongyang.

"The U.S. has no moral high ground," said Michael Green, a former special assistant to [President Bush](#) who served as senior director for Asian affairs in the [National Security Council](#). "In terms of bribing Kim Jong Il, UNDP is a minor offender."

North Korea's regime has skillfully extracted hundreds of millions of dollars in bribes from foreign companies and governments, and has persuaded [South Korea](#) and [China](#) to supply billions of dollars' worth of food and fuel with virtually no oversight. South Korea reportedly paid hundreds of millions to bribe the North Korean leader to attend a 2000 summit, and China agreed in 2005 to build a \$50 million glass factory for North Korea in exchange for its participation in six-nation nuclear talks.

Such payments are "part and parcel of doing business in North Korea," said L. Gordon Flake, executive director of the Mansfield Foundation, a nonprofit organization that promotes U.S. relations with Asian countries.

Since 1995, the United States has provided the North Korean regime with more than \$1 billion worth of food and fuel in the hopes of forestalling famine -- and of restraining Kim's nuclear ambitions. In an effort to promote diplomatic contacts between the two countries, the [Energy Department](#) has channeled money to U.S. nonprofit agencies and universities, including a \$1 million grant to the Atlantic Council to cover travel costs for informal talks between U.S. and North Korean diplomats.

[U.S. military](#) officials routinely traveled to North Korea's demilitarized zone between 1996 and 2005 to give cash to North Korean army officers for the recovery of the remains of 229 of the more than 7,000

Advertisement



U.S. troops missing in North Korea since the Korean War. "There was a painstaking transfer process: cold, hard cash, counted carefully, turned over carefully," said Larry Greer, spokesman for [the Pentagon's](#) Prisoner of War/Missing Personnel Office.

Greer insisted that the payments, which covered labor, material and other expenses, were in line with recovery operations in other parts of the world. But he and other officials said North Korea frequently tried to inflate the costs and once requested that the U.S. military build a baby-clothing factory. The United States demurred, he said.

The Bush administration dramatically scaled back U.S. assistance to North Korea in 2002, but it continued to finance the effort to recover remains of Korean War veterans until 2005, when the U.S. military said it could no longer ensure the safety of U.S. recovery teams. Between 2002 and 2005, the United States flew a seven-member North Korean team, at a cost of \$25,000 a year, to [Bangkok](#) for discussions about future recovery missions, according to the Congressional Research Service.

"It's pretty close to a ransom of remains," said James A. Kelly, U.S. assistant secretary of state for East Asian and Pacific affairs, adding he had little confidence that Washington could account for how the money was spent. "I personally didn't like it, but I didn't feel it was enough to get into a big squabble with the veterans organizations that felt strongly about it."

Mark D. Wallace, the U.S. representative to the United Nations for administration and reform, lambasted the U.N. Development Program earlier this year for engaging in similar practices. For instance, he faulted the UNDP for flying a North Korean official in business class to [New York](#) at a cost of \$12,000 to attend a meeting of the U.N. agency's board of directors.

His complaints triggered a preliminary U.N. audit this month that confirmed that the UNDP had failed to abide by its rules by hiring workers handpicked by the North Korean government and paying them in foreign currency.

The UNDP operated for years "in blatant violation of U.N. rules [and] served as a steady and large source of hard currency" for the North Korean government, Wallace said. The UNDP's efforts, he added, have been "systematically perverted for the benefit of the Kim Jong Il regime, rather than the people of North Korea."

The controversy led the UNDP to suspend its North Korean operations in March after the government refused to allow it to independently hire staff members. The [World Food Program](#) and the [U.N. Children's Fund](#) -- which also pay government-supplied workers in foreign currency -- remain active in North Korea.

Wallace has expanded his inquiry, alleging in congressional briefings that North Korea diverted nearly \$3 million in UNDP cash to purchase real estate in [France](#), [Britain](#) and [Canada](#). He also contended that the UNDP received tens of thousands of dollars in counterfeit U.S. currency and imported sensitive "dual use" equipment into North Korea that could be used for a weapons program. The United States claims to possess internal UNDP documents to back up the claims but has refused to turn them over.

UNDP spokesman David Morrison said that the allegations "don't seem to add up" and that the United States has not substantiated its assertions. He said the agency can account for the \$2 million to \$3 million it spends each year on its North Korea programs. UNDP officials said the dual-use equipment -- which included Global Positioning System devices and a portable Tristan 5 spectrometer available on [eBay](#) for \$5,100 -- was part of a weather forecasting system for flood- and drought-prone regions.


"We have been subject to all manner of wild allegations about wide-scale funding diversion," Morrison said.

U.S. officials said there is no link between criticism of the UNDP and U.S. efforts to restrain North Korean nuclear ambitions. "If I were a conspiracy theorist, I would think that way, but there is really no connection," said a senior U.S. official who tracks the issue.

Staff writer Glenn Kessler contributed to this report.

Post a Comment

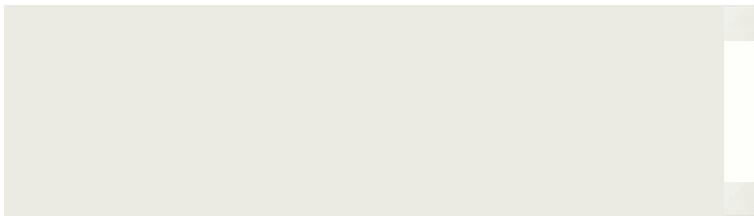
Ad

Join the discussion. Sponsored by Cisco.  welcome to the human network. **CISCO**

[View all comments](#) that have been posted about this article.

Your washingtonpost.com User ID, graziella.reis-trani, will be displayed with your comment.

You must be logged in to leave a comment. [Log in](#) | [Register](#)



Submit

Comments that include profanity or personal attacks or other inappropriate comments or material will be removed from the site. Additionally, entries that are unsigned or contain "signatures" by someone other than the actual author will be removed. Finally, we will take steps to block users who violate any of our posting standards, terms of use or privacy policies or any other policies governing this site. Please review the [full rules](#) governing commentaries and discussions. You are fully responsible for the content that you post.

© 2007 The Washington Post Company

Ads by Google

[Unforgettable Experience](#)

Volunteer for 2 weeks in orphanage Go now! Get friends. Be proud of it
Cadip.org/WorkCamps_in_Bulgaria

[Charity Organization](#)

Find The Top Charity Organization. Fast & Easy
www.OrganizationCharity.info

[Charity Donation Programs](#)

Find cool donation organizations dedicated to all types of charity.
donationcharity.org