

# **NORTH KOREA: Thousands of North Korean workers enter Russia despite U.N. ban**

*Moscow's approval of new North Korean laborers keeps cash flowing to Pyongyang and may violate sanctions, U.S. officials say*

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WJS (02.08.2018) – <https://on.wsj.com/2ny2sQn> – Russia is letting thousands of new North Korean laborers enter the country and issuing fresh work permits—actions U.S. officials say potentially violate United Nations sanctions aimed at cutting cash flows to Pyongyang and pressing it to give up nuclear weapons.

The U.N. Security Council in September barred governments from issuing new work permits to North Koreans, though some existing labor contracts were allowed to continue.

Since the ban, more than 10,000 new North Korean workers have registered in Russia, according to Russian Interior Ministry records reviewed by The Wall Street Journal. Meanwhile, at least 700 new work permits have been issued to North Koreans this year, according to Labor Ministry records.

The labor prohibition, part of a broad array of sanctions, is aimed at eliminating an important revenue stream for North Korean leader Kim Jong Un's regime. Most of the money North Koreans earn abroad ends up in government coffers, U.S. and U.N. officials say. Often, workers toil in grueling

conditions.

Russian government records also show that some companies hiring North Koreans are joint ventures with North Korean entities, an apparent violation of sanctions banning "all joint ventures or cooperative entities" with North Korean companies and citizens. Many of the companies appear to be expanding even as they are supposed to be scaling down.

While sanctions have reduced North Korea's total labor force overseas, a U.S. official said, those numbers haven't fallen in Russia and China. "We don't want to underestimate the extent to which there may be serious violations."

U.N. officials are probing potential violations of the sanctions, which contain narrow exceptions, according to people familiar with the matter.

Russia's Interior and Foreign ministries didn't respond to requests for comment. In the past, the Foreign Ministry has said it accepted the U.N. sanctions.

Efforts to reach North Korea's embassy in Moscow were unsuccessful. A man who answered the phone at North Korea's mission to the U.N. in Geneva said he had no knowledge of the matter.

China and Russia have drawn U.S. ire in recent months, accused by Washington of allowing North Korean illicit activity and sanctions evasion. Chinese and Russian firms continue to help the pariah nation import oil products in excess of U.N.-mandated caps, including through previously sanctioned tankers, according to U.S. and U.N. officials and a declassified intelligence briefing prepared for the U.N.'s committee on North Korea sanctions and reviewed by The Wall Street Journal.

North Korean laborers have helped feed the construction boom in St. Petersburg, according to local businessmen.

“They work till they drop,” said a contractor who hires North Koreans across the city. Workers arrive at construction sites at 7 a.m. and work until 10 p.m. or even midnight, taking just two half-hour breaks for meals of rice and dried fish, he said.

Local developers say they pay companies that hire out North Korean workers—firms they say often represent North Korean institutions such as the military or state conglomerates—about 100,000 rubles (\$1,600) a month per worker. In government filings and job advertisements, such companies list monthly worker salaries of 16,000 to 20,000 rubles.

That 80% difference is in line with U.S. assessments that North Korea’s government takes the bulk of earnings.

U.N. sanctions mean these laborers should be gone by September, a year after they went into effect, because the workers are required to leave once their permits expire, usually within a year. Even workers with multiyear permits must be out by the end of 2019 under the sanctions.

Yet many firms contracting out laborers—Russian companies owned and run by North Koreans, according to corporate documents and researchers—are investing in new offices, applying for new work permits and negotiating new projects.

“The Kim regime continues to dispatch citizens abroad,” said C4ADS, a nonprofit that advises the U.S. government on security risks, in a report released Thursday. “In doing so, it continues to flout international sanctions to generate foreign currency.”

About 100,000 or more North Korean laborers have been working overseas in recent years, the U.S. State Department said. Pyongyang’s labor exports earned as much as \$2 billion a year for the Kim regime, analysts say.

According to Russian government data, around 24,000 North

Koreans were officially working in the country at the end of last year.

Secretary of State Mike Pompeo and the U.S. envoy to the U.N., Nikki Haley, said recently that while Russia has helped pass North Korean sanctions, they questioned Moscow's enforcement.

"We're going to demand that every country in the world do their part," Mr. Pompeo said.

Kuwait, Poland and other countries have said they have stopped renewing North Korean worker visas. The clampdown, along with other sanctions, is credited by U.S. officials with helping compel Mr. Kim to start denuclearization talks.

C4ADS has mapped out networks of firms and individuals using North Korean workers, mainly in Russia and China. Cross-referencing corporate registry documents, official labor statistics, tax filings and trade records, C4ADS said many firms contracting North Korean laborers from St. Petersburg to Siberia appear to violate sanctions.

One such company identified by C4ADS and examined by the Journal is Sakorenma Ltd., which has employed North Korean workers since at least 2015 and whose ownership structure appears to put it in breach of U.N. sanctions.

According to Russian corporate documents, one of its owners is North Korea's General Corporation for External Construction, or Genco. The U.S. sanctioned the firm in 2016 for employing North Korean labor overseas, alleging that some Genco revenues are funneled into Pyongyang's Munitions Industry Department, which supports Mr. Kim's weapons programs.

Local Russian authorities on Sakhalin Island awarded this year Sakorenma two contracts valued at a total of \$180,000, according to public records.

Sakorenma and Genco didn't respond to requests for comment.

Genco appears to operate elsewhere in Russia through firms with similar names, C4ADS said. Some of those firms are seeking new permits for North Korean laborers, according to records reviewed by the Journal.

Zenco-39, a firm based in Krasnodar that was approved to hire 1,550 North Korean workers over the past three years, posted ads in late July seeking Korean translators. In Russia, companies must post jobs to see if locals are available before applying for permits for foreigners.

That firm was linked through C4ADS's research to more than half a dozen others using the same email address, physical addresses, directors or corporate names.

Another company, agriculture giant Yuzhny-Agrokombinat, obtained authorizations to hire 91 North Korean vegetable growers this year, according to Russian Labor Ministry data. The company is owned by Russian billionaire Vladimir Evtushenkov.

A spokesman for Mr. Evtushenkov's holding company, Sistema Financial Corp. , said the vegetable company's North Korean workers were hired before the U.N. ban in September 2017 and fully comply with Russian law. He said the company doesn't plan to hire any new North Korean workers.

In St. Petersburg, the Journal reviewed copies of new work permits issued by local authorities to North Korean workers as recently as June. Those hires aren't reflected in Labor Ministry data, which indicate there were no applications for North Korean work permits in the city or surrounding region this year.

Three of the firms that received local permits—Mokran Ltd., Bu Khyn Ltd. and Kanson Ltd.—list addresses in a warehouse inside a dilapidated industrial estate south of the city center.

Neighboring businesses said the firms have been upgrading the

facility. Several sought Korean-speaking translators in job postings in February and again in July.

When contacted about the positions, representatives said they were filled. Other calls to the companies went unanswered.

Some real-estate companies say they are aware of sanctions and are gradually winding down use of North Korean labor. But they said they were given no guidance by the government. Some plan to keep using the workers until the next decade, hoping Mr. Kim's promise to end weapons programs will lead to relaxed sanctions.

"They are like soldiers. They've got the discipline," said an executive at a large real-estate firm in St. Petersburg. "We want to keep working with them."

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