

To Burma with love, Kim Jong Il

On 21 June 2009, a report by South Korean television YTN said that the 2,000-ton North Korean cargo ship Kang Nam I, which had left North Korea on 17 June, was heading towards Burma and was suspected of carrying missiles or related parts for the SPDC.¹ On 25 June, the state-run newspaper New Light of Myanmar said that it had “no information” on the Kang Nam I.² The junta, however, possibly as a result of diplomatic pressure by India, China, and ASEAN countries, allegedly asked the ship to turn around.³ The Kang Nam I returned to its point of origin, Nampo, on 6 July.⁴

As the Kang Nam I sailed back to North Korea, reports emerged that a **Malaysian** bank was meant to facilitate payment for the illicit deal.⁵

Missile tech

On 29 June, Japanese police arrested three men, including a North Korean national, Lee Kyoung Ho, for allegedly attempting to export a magnetic measuring device that can be used for long-range ballistic missiles. The three had attempted to send the device from the Yokohama port to Burma via **Malaysia** in January.

North Korea was believed to have ordered the device through a **Hong Kong**-based trading company that it controls.⁶ Japanese police said Lee Kyoung Ho, the president of a Tokyo-based trading company, had allegedly been exporting instruments that can be used to produce missiles to Burma without government permission since 2006.⁷

China, Singapore also in the game?

After the UN imposed sanctions on North Korea for conducting a nuclear test in October 2006, Pyongyang was believed to have illegally transferred weapons to the SPDC via overland routes through **China** to avoid detection. North Korea also chartered ships under the names of foreigners, falsified the country of origin or did business through a third country to export arms to Burma.⁸

In April 2008, Japan’s public broadcaster NHK reported that North Korea had been selling the SPDC multiple rocket launchers with a range of about 65 kilometers. The report said that “full-scale” exports of the weapons had been handled by an unnamed **Singapore** trading company.⁹

Underground tunnels: foreign loans, North Koreans & cronies

The SPDC has reportedly spent over US\$9 billion over three-years for the tunnel construction equipment apparently to construct underground bunkers and tunnels in Naypidaw with the

¹ AP (22 Jun 09) Official: N. Korean ship carries weapons to Myanmar; AFP (24 Jun 09) Myanmar says no information on tracked NKorean ship; Irrawaddy (25 Jun 09) Burma Denies Knowledge of North Korean Vessel's Destination

² Irrawaddy (25 Jun 09) Burma Denies Knowledge of North Korean Vessel's Destination

³ VOA (01 Jul 09) Shadowed North Korean Freighter Reverses Course; Irrawaddy (09 Jul 09) Did Foreign Pressure Make Ship Turn Back?; Irrawaddy (06 Jul 09) N Korea using Malaysian bank for Burmese weapons deals: Yonhap

⁴ Irrawaddy (09 Jul 09) Did Foreign Pressure Make Ship Turn Back?

⁵ Korea Times (04 Jul 09) NK Uses Malaysian Bank for Weapons Payment; Bernama (09 Jul 09) Malaysia Won't Allow Banks To Violate UN Sanctions On North Korea

⁶ Bloomberg (30 Jun 09) Japan Police Arrest Three for Illegal Exports, Yomiuri Says

⁷ Irrawaddy (02 Jul 09) US Ban Related to N Korea-Burma Arms Deal

⁸ DVB (02 Jul 09) North Korea exporting weapons overland to Burma

⁹ AFP (02 Apr 08) N Korea exporting multiple-launch rockets to Myanmar; Reuters (03 Apr 08) N Korea sells Rocket Launchers to Burma; Irrawaddy (03 Apr 08) N Korea Sells Rocket Launchers to Burma

assistance of North Koreans.¹⁰ SPDC budget files show evidence of use of foreign aid and loans to fund the tunnel construction.¹¹ Five Burmese companies, including the SPDC-backed Htoo Trading, Asia World, Shwe Thanlwin Kambawza, and Eden, provided digging machinery for the tunnels.¹²

In June 2009, the publication by various new outlets of photos of tunnel construction near Naypyidaw gave substance to reports of Pyongyang's assistance to Burma.¹³ The photos, taken between 2003 and 2006, show that North Korean technicians helped the SPDC in the construction of an extensive network of some 800 large underground tunnels with built-in ventilation facilities and an independent power supply near Naypyidaw.¹⁴ More tunnels and bunkers have been built near Taunggyi, Shan State,¹⁵ with about 40 underground stations located near the Thai-Burma border.¹⁶ By now, the tunnels and underground installations should be complete.¹⁷

Follow the money to stop the threat

The SPDC continues to spend vast amounts of money to regulate military hardware and to seek new weapon technologies.¹⁸ These business transactions often require the cooperation of regional banks that are willing to turn a blind eye to their clients' dealings. Recent allegations made against Malaysian banks with regard to facilitating the prohibited sale of weapons from North Korea to Burma, illustrate this point clearly.¹⁹

ASEAN members must act now to ensure that financial institutions within their boundaries are not involved in such deals. The ARF must take action in order to prevent the SPDC from conducting its dirty military trade through regional financial institutions.

The US, UK, Canada, Australia and the EU, have placed various binding economic restrictions on Burma. Some of these sanctions target specific persons and businesses that facilitate or enable the continued violation of human rights inside Burma. Others restrict specific services and sale of goods.²⁰ ASEAN member States should adopt similar regulation that would:

- Prohibit the transfer of funds to specially designated persons in Burma, such as SPDC leaders, military chiefs, and business cronies.*
- Restrict financial services provided to specially designated persons in Burma.
- Enforce a regional asset freeze on specially designated persons in Burma.

¹⁰ Asia Times Online (26 Jun 09) A UN snub: Two regimes in a tub; FEER (06 Jul 09) Allies in paranoia and repression; DVB (06 Jul 09) Digging the tunnels, part two; Asia Times Online (19 Jul 06) Myanmar and North Korea share a tunnel vision

¹¹ DVB (24 Jun 09) Burma's military regime: Digging the tunnels; Al Jazeera (25 Jun 09) Myanmar's 'secret tunnels' revealed

¹² DVB (06 Jul 09) Digging the tunnels, part two

¹³ Irrawaddy (26 Jun 09) Tunnel Construction Pictures Spark Questions

¹⁴ DVB (24 Jun 09) Burma's military regime: Digging the tunnels; DVB (24 Jun 09) Burma's military regime: Digging the tunnels; Al Jazeera (25 Jun 09) Myanmar's 'secret tunnels' revealed

¹⁵ Korea Herald (12 Jun 09) N. Korea digs tunnels in Myanmar to earn dollars

¹⁶ DVB (24 Jun 09) Burma's military regime: Digging the tunnels; Al Jazeera (25 Jun 09) Myanmar's 'secret tunnels' revealed; Nation (23 Jun 09) Burmese junta expel officials over tunnel photos

¹⁷ Korea Herald (12 Jun 09) N. Korea digs tunnels in Myanmar to earn dollars

¹⁸ WSJ (10 Jul 09) Burma and North Korea, Brothers in Arms; Epoch Times (17 June 09) Tunnels, Guns and Kimchi: North Korea's Quest for Dollars

¹⁹ Korea Times (04 Jul 09) NK Uses Malaysian Bank for Weapons Payment; Bernama (09 Jul 09) Malaysia Won't Allow Banks To Violate UN Sanctions On North Korea

²⁰ EU (Oct 96) Common Position on Burma/Myanmar 1996/635/CFSP; U.S. Department of the Treasury OFAC (12 May 08) An Overview of the Burmese Sanctions Regulations Title 31 Part 537 of the U.S. Code of Federal Regulations

* Several such lists already exist: see US Specially Designated Nationals, Bank of England Consolidated List of Financial Sanctions Targets or EU Commission Regulation (EC) No 353 (2009).

Financial entities doing business with the SPDC risk jeopardizing their banking relationships with other nations and regional groupings, such as the US and EU. This is particularly true for the financial sectors in ASEAN, which have faced increased pressure for allowing the SPDC to access their financial systems.

FATF Recommendations and OECD guidelines provide voluntary frameworks and regulations that help governments restrict illegal and dubious transactions that facilitate fraud, terrorism, and other threats to regional security.²¹ Based on these, ASEAN member States should take upon themselves the following minimum obligations:

- To pay special attention to business relations and transactions with persons, companies and financial institutions from Burma.
- To implement strict requirements for identifying clients and beneficiaries before business relationships are established with individuals or companies from Burma.
- Warn non-financial sector businesses that transactions with entities in Burma may expose them to risk.
- Enhance reporting mechanisms of financial transactions involving entities from Burma.

²¹ See FATF Recommendations and OECD internationally agreed tax standards