

North Korea floods U.S. with counterfeit \$100 bills

excerpted from the September 2010 edition of *Christian Crusade Newspaper*
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Billy James Hargis II, publisher ~ Keith Wilkerson, managing editor

Accused of attempting to sabotage the U.S. economy with a flood of fake \$100 bills, then accused of an unprovoked deadly sinking of a South Korean warship, the Communist North Korean regime has threatened to launch nuclear war against its accusers.

Meanwhile, reclusive North Korean leader Kim Jong Il apparently took a rare trip out of the country, traveling in his own special train to Communist China and driving around Beijing in a 30-automobile convoy.

It was his second visit this year to his country's biggest source of diplomatic and financial support.

The trip was not announced by either country, but apparently was meant as a snub against former U.S. President Jimmy Carter who Kim had demanded personally travel to North Korea in order to gain the release of an American who had been teaching English in South Korea and strayed across the border.

While Kim was visiting China and Carter was escorting the American home, the North Korean military warned South Korea and the United States "unprecedented nuclear strikes."

The North routinely issues such warnings

"Those who seek to bring down the system in the North, whether they play a main role or a passive role, will fall victim to the unprecedented nuclear strikes of the invincible army," North Korea's military said in comments carried by the official Korean Central News Agency.

The North, believed have enough weaponized plutonium for at least half a dozen atomic bombs, conducted its second atomic test last year.

During July, North Korea also threatened a nuclear attack if the U.S. and South Korea conducted annual military drills. The exercises went ahead on schedule without incident.

In March, a South Korean warship was sunk by what is believed to be a North Korean torpedo, fired without warning.

The *New York Times* reported that Kim ordered the attack, which killed 46 South Korean sailors. An international probe, which included Americans, British experts and Australians, looked into the sinking of the 1,200-ton South Korean corvette, the *Cheonan*. The panel blamed a North Korean CHT-025 torpedo.

"The evidence points overwhelmingly to the conclusion that the torpedo was fired by a North Korean submarine," said Yoon Duk-yong, co-chairman of the joint investigation team. "There is no other plausible explanation."

South Korean President Lee Myung-bak pledged "stern measures" in response to the ship's sinking. The dispute over the ship's destruction took relations between the two Koreas to their

lowest level in years – amid reports that fake U.S. \$100 bills have surfaced in such locations as New Jersey.

North Korean General O Kuk-ryol, who was recently promoted to the country's powerful National Defense Commission, and several of his family members are said to be in charge of producing the fake \$100 bills, which are so carefully crafted that they are difficult to tell apart from real U.S. banknotes.

The strategy is to attack the U.S. economy by flooding markets with the false bills. North Korea allegedly sells the hard-to-detect counterfeits to Russian and Chinese organized crime organizations for pennies on the dollar – generating millions of dollars in revenue for Kim.

The North Korean leader lives in opulent luxury although the vast majority of North Koreans live in abject poverty with widespread malnutrition and a lack of electricity or clean water. Defectors from North Korea describe that Kim enjoys such excesses as a \$2.5 million underwater mansion, a \$100,000 annual budget for cognac and 32 luxury palaces throughout the country, each staffed with “pleasure women” for his entertainment.

The existence of the latter was revealed to the outside world in the 1980s, when North Korea abducted a number of young women from Hong Kong, Macao and several Middle Eastern countries.

Kidnapping for Kim

The 5th Section of the Party Organization and Guidance Department is responsible for recruiting female students attending North Korea's high schools for Kim. Guidelines for selecting candidates are given in a document that reads in part that “the project designed to help Kim Jong-il enjoy longevity is a holy duty all party members must abide by.”

The eccentric dictator suffers from extreme insecurity and insists on being credited with anything positive that comes out of North Korea. When the country's team won its opening match at the World Cup of soccer, the North Korean press announced that Kim had dictated each play to the team's coach by “an invisible cell phone.”

Kim is also takes credit for designing the country's nuclear weapon. He wears built-up shoes to hide his 5-foot-2 stature and owns videos of at least 20,000 films.

He claims to be a moviemaker and has taken credit for directing *Pulgasari*, a 1985 Godzilla-type film. To make it, he had North Korean agents abducted South Korean film director Shin Sang-Ok and actress Choe Un-Hee, then forced them to make the movie. They escaped several years later when Kim allowed them to attend a film festival in Vienna.

“Kim Jong Il likes to eat sashimi [Japanese raw fish] carved from a live fish,” reports Barbara Demick in the *Los Angeles Times*. “He insists that the grains of his rice be absolutely uniform in size and color. While his countrymen scrounge for food in barren forests, Kim has spent an incalculable chunk of his nation's limited wealth feeding himself.”

While some accounts describe Kim as stark, raving mad, he is believed to be focused on the destruction of the United States. In July, the *International Business Times* magazine reported that U.S. State Department spokesman Philip Crowley confirmed U.S. officials have intercepted millions of dollars in counterfeit U.S. \$100 bills printed in North Korea.

An act of war

“It's an act of aggression,” said spokesman Robert Hamer. “We're talking about a foreign country counterfeiting our currency. The notes are manufactured in North Korea. They were

being distributed through the Russian Embassy in Beijing to the Chinese organized crime figures.”

The ongoing use and spread of the phony money contributed to the State Department decision, announced last month, to initiate a new wave of sanctions against North Korea.

“We have been able to identify sources of revenue, illegal sources of revenue, and we’re going to be working with our international partners to try to stem this flow of illegal activity,” Crowley said.

The U.S. has acted on the crime before, singling out the China-based Banco Delta Asia as an accused conduit for laundering the counterfeit bills.

“The action led to a freeze of more than \$25 million in North Korean assets at the bank; and in 2007, the White House went further, when the U.S. Treasury ordered American banks and companies to sever all ties with BDA.

Hamer said he’s surprised the media hasn’t reported more on the financial implications of the phony bills.

“Anytime there’s counterfeit money being circulated in our country its going to have an impact on our economy,” Hamer said, “especially when we’re talking about the dollar amounts that they’re talking.”

What has been confirmed is that North Korea has passed off such bills in various countries and that the counterfeit bills circulate both within North Korea and around its border with China.

Defectors from North Korea also have provided information on Pyongyang’s counterfeiting operation. Trafficking in counterfeit dollars has been one of several illicit activities by North Korea apparently done to generate foreign exchange that is used to purchase imports or finance government activities abroad.

“Although North Korea denies complicity in any counterfeiting operation, at least \$45 million in such fake bills thought to be of North Korean origin have been detected in circulation,” reports Dick K. Nanto in a 2009 Congressional Research Service report “North Korean Counterfeiting of U.S. Currency.”

“Estimates are that the country has earned from \$15 to \$25 million per year over several years from counterfeiting,” says Nanto. “The illegal nature of any counterfeiting activity makes information on the scope and scale of North Korea counterfeiting and distribution operations incomplete.

“South Korean intelligence has corroborated information on North Korean production of forged currency and certain individuals have been indicted in U.S. courts for distributing such forged currency.”

A serious matter

“For the United States, the alleged North Korean counterfeiting represents a direct attack on a protected U.S. national asset and may provide a rationale to impose financial sanctions on the North Korea.

“The earnings from counterfeiting and related activities also could be important to Pyongyang’s finances. Profits from any counterfeiting also may be laundered through banks or other financial institutions.

“U.S. policy toward the alleged counterfeiting is split between law enforcement efforts and political and diplomatic pressures,” adds Nanto. “On the law enforcement side, individuals have been indicted. Following North Korea’s second nuclear test and several missile launches in May

2009, the United States reportedly has been considering further financial sanctions on the North Korea based partly on its alleged counterfeiting.”