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# PUBLICATION PAPER

INSIGHT

Opening Insights into Public Security and Information

September 05, 2024



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## Room 39 - The Mystery of the Shadow of the Dark Funds that Financed the North Korean Elite

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*Room 39, founded in 1972 by Kim Jong Il, is a unit within the Workers' Party of Korea tasked with managing secret funds for the North Korean regime. The organization is suspected of engaging in a variety of illegal activities, including smuggling, drug trafficking, currency counterfeiting, and money laundering. One of its main activities is the production of 'supernotes,' which are high-quality \$100 counterfeit banknotes. Room 39 is also linked to a fraud scheme of insurance and funding of puppet companies. In 2010, the unit merged with Room 38 to simplify fund management, although it was eventually restored due to increased foreign exchange needs. The location of this office is believed to be in the Workers' Party of Korea building in Pyongyang, near the residence of the head of state. Room 39's close ties with China facilitate the trade in narcotics precursor resources and chemicals, making it a key element in North Korea's economic sustainability despite facing global sanctions.*

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## Creation of Room 39

In 1972, Kim Jong Il, the heir apparent to then-North Korean President Kim Il Sung, formed a new department within the central party known as "Room 39". This office is named after the room number where it was originally formed. Since its establishment, Room 39 has functioned as a kind of illicit fund. This means that the office provides a way for North Korean leaders to circumvent international sanctions aimed at preventing the regime from generating foreign currency. [1]

In 2010, it was reported that Room 39 merged with Room 38, another bureau in the North Korean government. This merger was carried out to simplify the supply of Kim Jong Il's illicit funds. However, according to a North Korean insider, when it became difficult to provide hard currency due to international sanctions, "Room 38 seems to have been restored because there was a feeling that Room 39 alone could not meet those needs." [2]

Rooms 39 and 38 are notorious for engaging in various illegal activities such as smuggling, drug trafficking, currency counterfeiting, and other clandestine commercial transactions designed to raise foreign exchange for the North Korean regime despite global sanctions.

## Organization and objectives of room 39

Room 39, also known as Office 39, is located within the vast bureaucratic structure of the Workers' Party of Korea and is one of the specialized departments that handles fundraising for North Korean leaders.

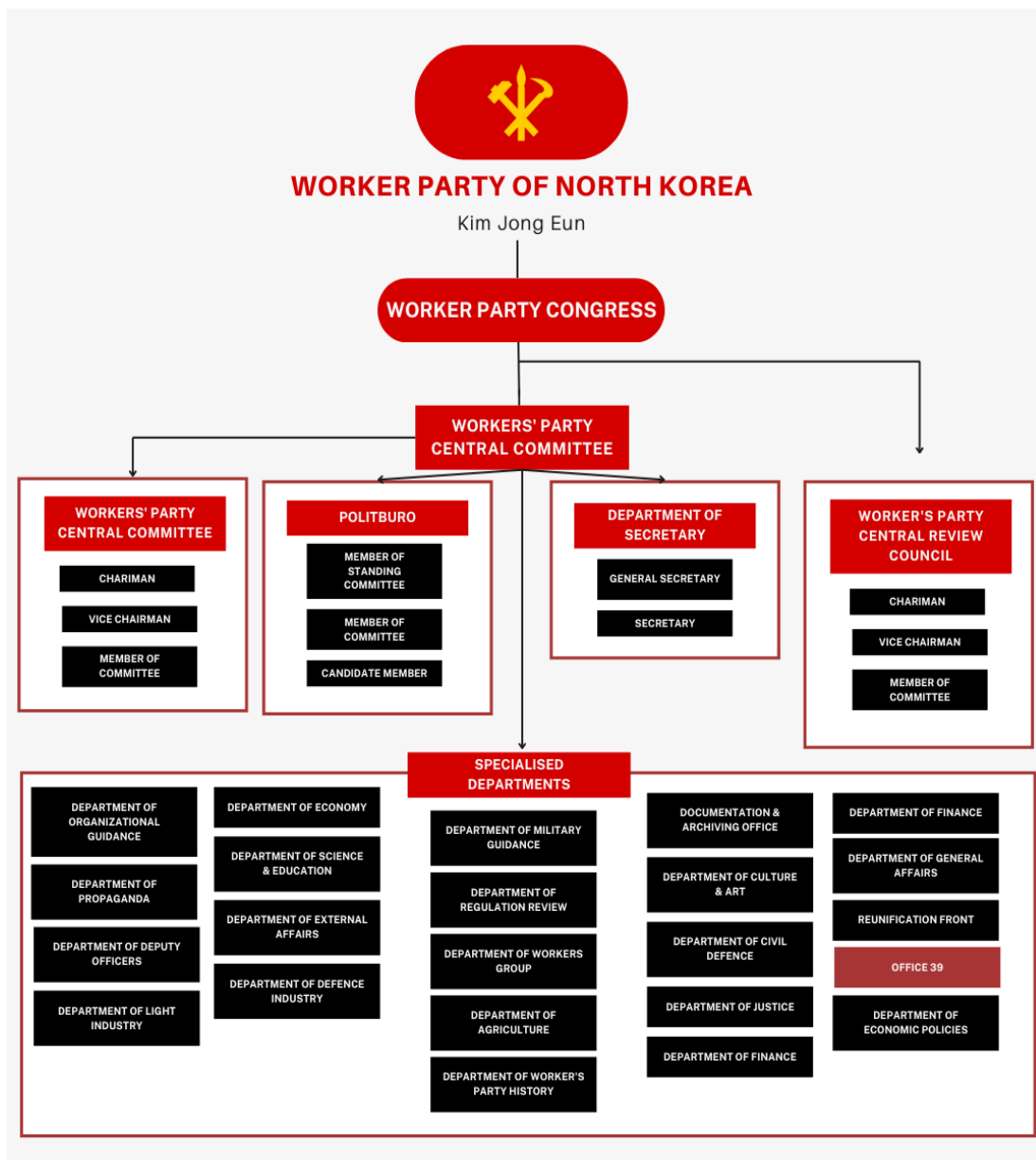


Figure 1. The structure of the Workers' Party of North Korea. Source : <https://keia.org/the-peninsula/north-korean-workers-party-leadership-chart/>

## Various Dark Industries involved by Room 39

### Money Laundering Through Room 39

This money laundering is obtained through various illegal means. Usually, these organizations will take advantage of their illicit activities and launder them through China. The trick is to buy goods and resources which are then sold in other markets.

In 2005, the United States imposed sanctions on Banco Delta Asia (BDA) bank in Macau after designating the bank as a suspect

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"The main problem of money laundering".

The sanctions prohibit all U.S. citizens and companies from transacting with the bank. This comes after allegations that the bank cooperated with North Korean officials (DPRK). The allegations also mention that bank officials received counterfeit U.S. currency and planned to put the counterfeit currency into circulation.

Banco Delta Asia is also accused of helping finance a North Korean puppet company. The company is suspected of being involved in the distribution of counterfeit tobacco products, drug trafficking, and the distribution of counterfeit currency.

In addition, the report also mentions that "Room 38 appears to have been restored because there is a feeling that Room 39 alone is not enough to meet the needs"; [3] ; [1]

### **Production of Counterfeit Money**

Room 39 is also allegedly involved in the production of so-called 'supernotes'. This is a \$100 bill that is very difficult to detect whether it is fake or not. This is because the money has a very high level of detail and uses many of the same security features as the original \$100 banknote.

In 2004, a Panamanian-flagged ship sailing from China docked in Newark Harbor. When the crane unloaded the ship's container, a container was separated. The container was then placed on a truck and taken to a warehouse a few miles from the port.

Upon arrival at the warehouse, FBI and U.S. Secret Service agents, acting under an undercover operation, opened the container. Under the cardboard boxes filled with toys, they found counterfeit 'supernotes' worth \$300,000.

These counterfeit money are almost perfect and have several features such as:

- The same discolored ink used on the original U.S. dollar banknotes
- Paper with the same fiber composition as the original US dollar banknote
- An engraved photograph allegedly finer than that produced by the U.S. Bureau of Engraving and Printing

The only way these money can be confirmed as imitations is when they undergo in-depth forensic analysis. [4]

### **Narcotics Factory**

Room 39 is believed to be involved in the production and synthesis of various prohibited substances, such as:

- Methamphetamine
- Morphine
- Morphine to heroin conversion
- Fake Viagra

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In the 1990s, Room 39 began to push the production of crystal methamphetamine to sell abroad as an additional way to generate funds. In addition, methamphetamine produced by businesses associated with Room 39 has become very popular among North Koreans, both from the upper and lower classes.

It is also reported that methamphetamine is used as a substitute for medicines in North Korea. This is due to the fact that many people who cannot afford official medicines end up turning to methamphetamine to get temporary pain relief. [5] ; [6]

### **Insurance Fraud Scheme**

Room 39 is involved in various fraudulent schemes, including in the insurance sector. This scheme involves taking fake insurance policies on behalf of people who have not actually died or never even existed.

According to Syung Je Park, a director at the Asia Strategy Institute in 2009, North Korea's state-owned life insurance company managed to raise about \$100 million from European insurers. These funds are obtained through the payment of life insurance claims on behalf of people who allegedly died in train, ferry, and helicopter accidents that had nothing to do with the incident. The scheme shows how Room 39 uses illegal methods to finance the activities of the North Korean state and elite. [7]

### **Connected Companies with Room 39**

There are more than 120 companies under the control of Room 39, which are involved in the production or fundraising for the North Korean elite. Some of these companies include [8] ; [9] ; [10] ; [2] ; [11]



*Figure 2. Several Connected Companies Room 39.*

## Location of Room 39

Room 39 is believed to be located in the red circle in the picture inside the ruling Workers' Party building in North Korea's capital, Pyongyang, not far from one of the North Korean president's residences.

It is alleged that Room 39 is on the third floor, adjacent to the Office or Room 35 and Office 38, which are responsible for intelligence activities and legal financial activities, respectively. [12] ; [13] ; [14]



*Figure 3. Location Room 39.*

## **Relations with China**

Room 39 and the illegal drug trade it facilitates are closely linked to China. Although China has been pressuring North Korea to stop producing and exporting methamphetamine to their country, Chinese smugglers are still willing to provide ephedrin, one of the precursor chemicals used in the production of methamphetamine.

In addition, there is also a relationship between China and Room 39 in terms of natural resource trade. In this field, Room 39 ships textiles, coal and minerals such as gold across the border to China to be sold on the international market under false labels.

A report from Chatham House in 2009 stated that Chinese company Sonangol was working with a Chinese state-owned group to conduct seismic tests at two oil prospecting sites in North Korea. In fact, a Chinese-owned Sonangol jet was spotted in Pyongyang in 2013. [5]

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