



## North Korean Forced Labor in International Supply Chains

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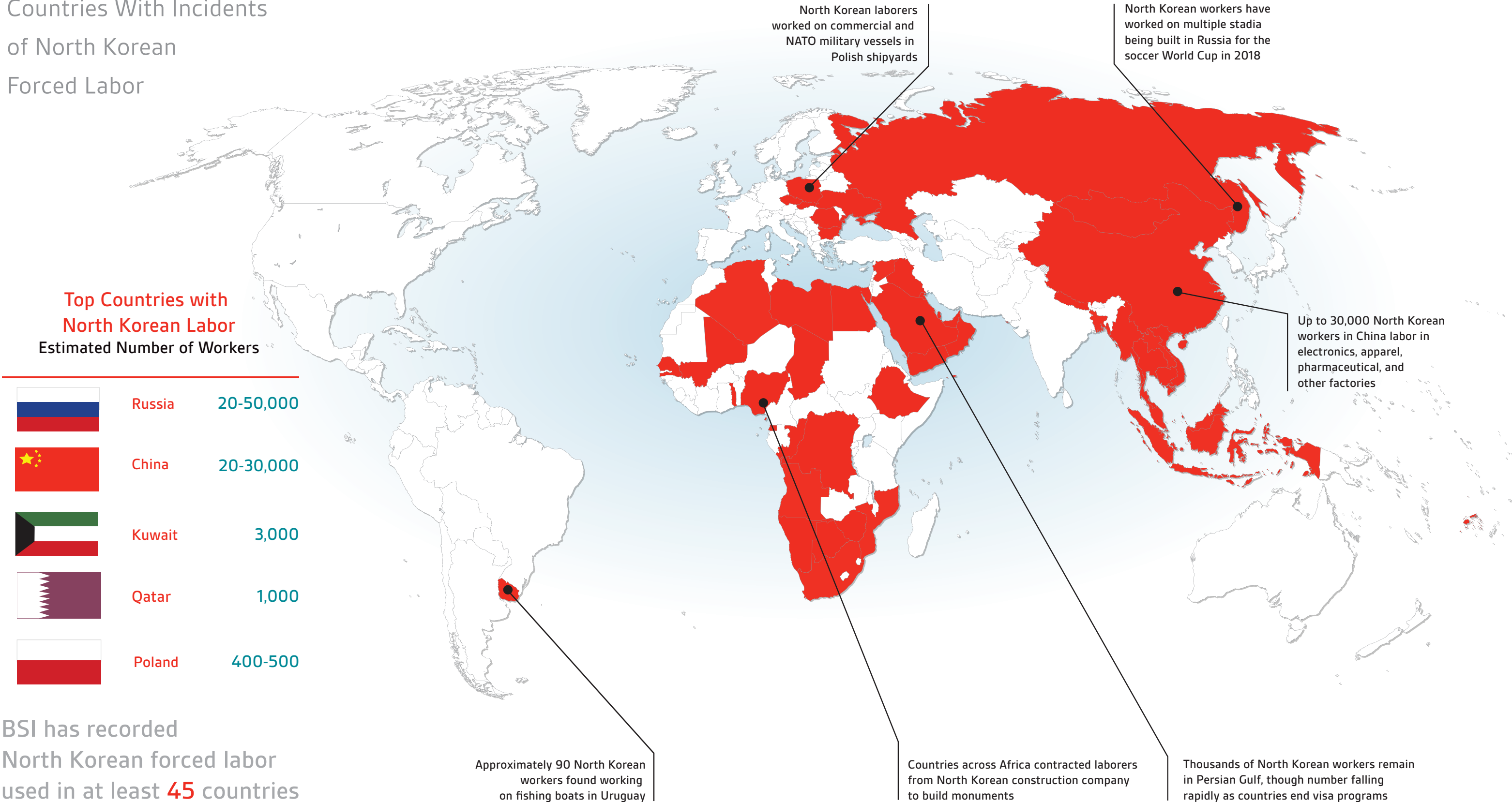
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Countries With Incidents of North Korean Forced Labor



Top Countries with North Korean Labor  
Estimated Number of Workers

	Russia	20-50,000
	China	20-30,000
	Kuwait	3,000
	Qatar	1,000
	Poland	400-500

BSI has recorded North Korean forced labor used in at least **45** countries

## Introduction

Recent reports on the extent of North Korean forced labor in international supply chains underscore the necessity for businesses to closely monitor their supply chains for illegal labor practices. The North Korean regime profits directly from the wages of at least 50,000 North Korean workers who labor in conditions often similar to slavery across dozens of countries. North Korean laborers have been found working in up to 45 countries around the world, although in recent years many countries have begun taking steps to prohibit the use of North Korean forced laborers. This forced labor program allows the North Korean government to circumvent punitive UN and US sanctions intended to constrain the country's access to the global economy and neutralize its ability to profit from trade.

In examining North Korean migrant labor worldwide, BSI has identified notable countries and industries of concern, as well as the recruitment methodologies and working conditions characteristic of North Korean forced labor. This report also examines specific notable cases of North Korean forced labor abroad, and how companies and governments addressed these cases. In addition, this report will highlight how recent government and company actions are contributing to changes in current trends in North Korean forced labor worldwide.

## Global Trends

BSI defines forced labor as cases of employment which take place under the threat of a penalty or which are otherwise performed involuntarily. It refers to situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as manipulated debt, retention of identity papers or threats of denunciation to immigration authorities. The conditions under which North Korean laborers work worldwide can be considered forced labor for a variety of reasons. Guest laborers sent abroad are chosen from a list of citizens perceived to be both loyal to the regime and at low risk of defection. Workers with families are preferred candidates to work abroad, as these workers are easier for North Korean authorities to control due to the threat of reprisal to families should workers defect from the regime. All migrant laborers are subject to strict supervision and are closely monitored for outside influence and behavior. North Korean workers abroad in most cases cannot leave housing or factory compounds without supervision, must give 50 to 70 percent of their wages to the North Korean government, and cannot take sick days or time off from work. Laborers work an average of 10 to 12 hour days, six to seven days a week, and work on three to five year contracts before they are allowed to visit home. While many North Korean citizens apply to become guest workers, the willingness of North Korean workers to labor in poor working conditions and under intensive surveillance for little pay abroad is more indicative of the extremely poor working conditions in North Korea than the beneficence of the guest worker program.

The principal industries of concern for the use of North Korean migrant labor worldwide include the textile and garment industry, the seafood industry, the construction industry, and food service industry. North Korean forced labor has also been detected in other manufacturing industries around the world, including the electronics and hardware sectors, as well as in agriculture, logging, and home repair. Companies affiliated with North Korea's ruling Workers' Party typically contract out migrant laborers to companies in destination countries seeking cheap labor. Other North Korean migrant laborers are sent to work in tourism facilities promoting North Korean culture worldwide, including themed restaurants, hotels, and gift stores, primarily in China and Russia.

# Correlations Between Forced Labor and Poor Working Conditions

An analysis of the supply chain risk environments present in countries known to host North Korean workers suggests that some factors beyond geopolitics may contribute to the likelihood of North Korean labor being found in a country. Notably, nearly all of the countries where BSI has recorded North Korean migrant labor received ratings of Elevated, the third highest level of risk, or higher for poor working conditions in BSI's SCREEN supply chain risk rating methodology. China and Russia, home to the vast majority of North Korean workers, are both rated as Severe, the highest level of risk, for poor working conditions. The same is true for BSI's threat ratings for forced labor and human rights, with nearly all countries hosting North Korean workers rated at least Elevated, and several rated at High or Severe.

Several factors could explain this correlation. One major risk factor that BSI has identified as contributing to poor working conditions or significant forced labor risk is the inadequacy of national labor regulatory frameworks or the inefficacy of labor authorities. Countries with overstretched or ineffective labor inspectorates are unlikely to have the resources or the political will to monitor the utilization of North Korean workers within their borders. The presence of endemic corruption in many of these countries further erodes the ability or inclination of labor authorities to actively protect North Korean workers from exploitation.

Several of the countries known to utilize North Korean labor also had ratings of Elevated or higher for counterfeiting. China and Russia are both rated by BSI as demonstrating a Severe risk of counterfeit production or exportation. Counterfeiting risk in these countries is driven in part by the presence of numerous workshops, including informal or unregistered facilities, that produce imitation versions of high-volume, low-value goods. The large number of these unregistered counterfeit production facilities, coupled with weak efforts at anti-counterfeiting enforcement by national authorities, drives the volume of counterfeit goods produced and exported in these countries. These factors could potentially also contribute to the risk of North Korean laborers being utilized within a country. High demand for unskilled labor in factories that produce high-volume, low-value goods with little official scrutiny or monitoring could result in manufacturers choosing to employ North Korean workers without facing significant risks of government sanction.

## Contexts for the Extent of North Korea's Forced Labor Program

The North Korean regime has aggressively pursued nuclear weapons development as a means to expand its military power against the perceived threat of the United States, South Korea, and other countries it views as hostile. North Korea's continued nuclear weapons development, threats of missile bombardment against its enemies, and severe human rights violations have prompted international outcry and increasingly stringent international sanctions. As a result of both these sanctions and poor economic planning, North Korea has had limited economic resources to fund its nuclear development program or other government initiatives. To address this fiscal need, North Korea began engaging in a number of illicit economic practices, including the exportation of workers into forced labor situations, in order to generate revenue. As sanctions against the nation intensified, North Korea's reliance on its forced labor workers also grew, pushing the country to export its labor worldwide across dozens of countries with tens of thousands of workers in China, Russia, the European Union, and beyond.

# Countries of Concern

## China

China is among the most prominent destinations for North Korean migrant laborers. One of the driving factors for the widespread use of North Korean labor throughout China is the country's close proximity to North Korea, as it allows companies to import workers into the country with relative ease. Another contributing factor is the close economic relations between these two countries, as China is one of North Korea's largest trading partners.

It is estimated that between 20,000 to 30,000 North Koreans currently work in China. These laborers are employed in a variety of industries, with most working in the manufacturing sector. Laborers primarily work at factories that produce apparel and electronic products, but have also been found at pharmaceutical, hardware, and seafood processing factories. Other sectors that utilize North Korean labor in China include mining, construction, and agriculture. Another major sector for North Korean labor in China is the food service industry.

The North Korean state owns over 100 restaurant chains throughout Asia, many of which are located in China. North Korean laborers in China are most commonly found in provinces along the North Korean border, with a large portion of workers concentrated in Jilin province, particularly in Hunchun city, which employs nearly 3,000 North Korean laborers, and Liaoning province, especially in the city of Dandong. BSI identifies these locations as areas of concern for the use of North Korean labor due to the large volume of manufacturing companies and overall industrial environment present in these areas. North Korean laborers are often viewed as more reliable than Chinese factory workers by Chinese manufacturers, due to the restrictions on North

Korean workers' freedom of movement and the long hours they are required to work, as well as the lack of sick leave or paid time off afforded to them. Companies also utilize North Korean laborers due to their cheaper wages, as workers are often paid much less than Chinese workers. Additionally, North Korean laborers are viewed at times as more valuable than Chinese employees, as they are not as free to leave their employment.



The majority of these workers are brought to China from North Korea by labor brokers, many of whom demand bribes from North Koreans to provide them with jobs overseas. The conditions for North Korean workers in China are poor, and personal freedoms for most laborers are highly restricted. North Korean workers in China are often forced to operate under much more stringent, almost prison-like surveillance than North Korean laborers in Russia and the Middle East. North Koreans that are sent to work in China are closely vetted for political loyalty, as China remains one of the top destinations for North Korean defectors. Contractors often restrict freedom of movement for North Korean laborers and require workers to travel in groups of ten or more when traveling outside of living accommodations or work places in order to monitor workers while abroad and prevent potential defections. Additionally, North Korean laborers are not allowed to mingle with Chinese workers or use technology that would allow the individuals to communicate outside of work and housing premises.

Although China has imported North Korean labor for several decades, the country discontinued issuing new visas for North Korean workers in August 2017, and subsequently discontinued work visa renewals in September 2017. These new policies were primarily driven by recent United Nations sanctions cracking down on the use of North Korean labor abroad. However, both the presence of significant supply chain corruption in China and the number of unregistered or informal businesses utilizing North Korean labor in the country suggest that Chinese authorities are likely to encounter difficulties in preventing the infiltration of North Korean workers into supply chains in the country. Although BSI has not yet recorded any instances of North Korean workers or officials bribing Chinese manufacturers or authorities in order to allow laborers to remain in China, the widespread nature of corruption in China underscores the potential for such exploitation to occur in the future.

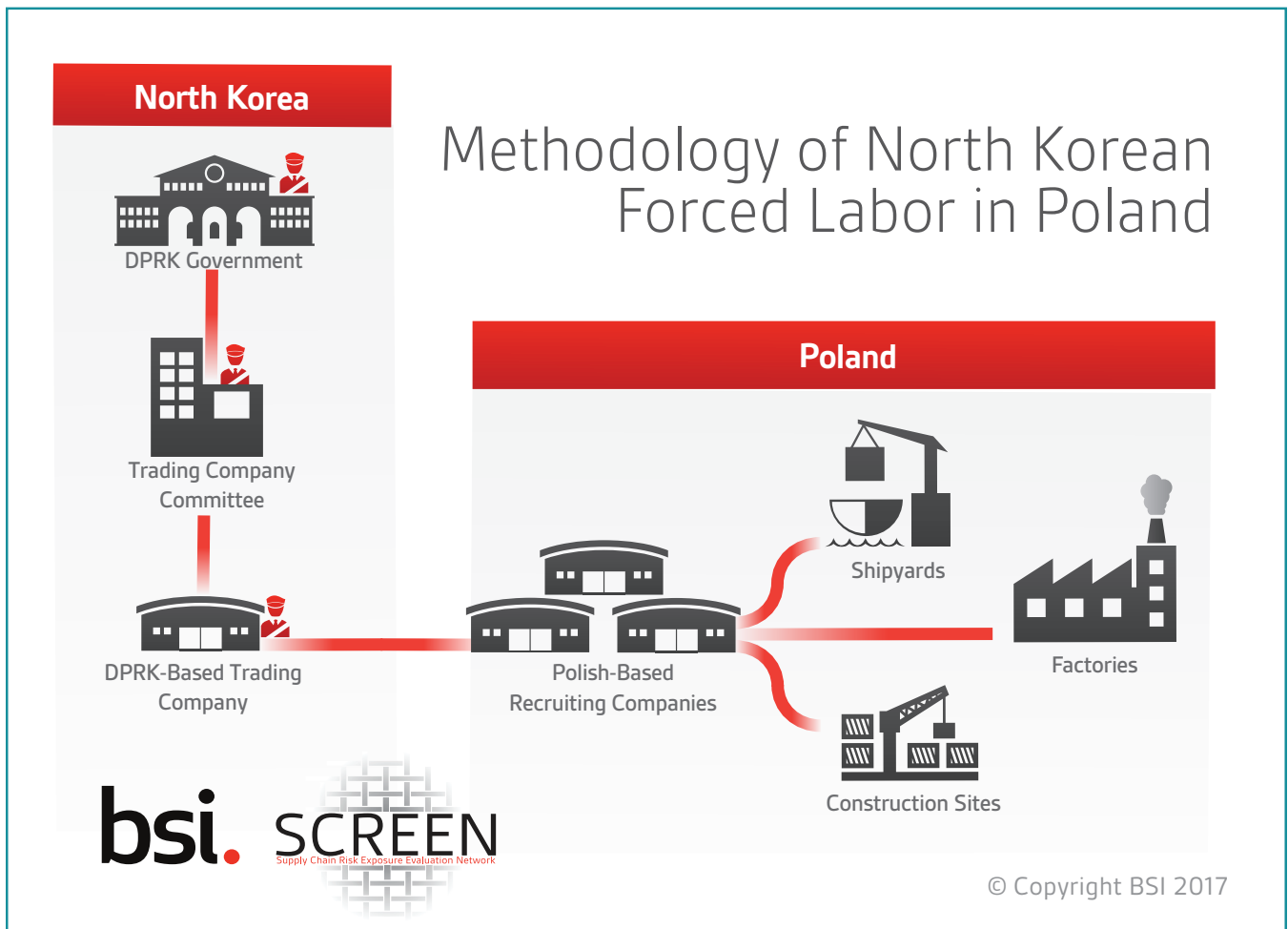
### Case Study: North Korean Workers in Seafood Supply Chains

In October 2017, an investigative report revealed that a number of seafood processing factories in Hunchun, China utilized North Korean forced labor in their manufacturing and production lines, and that a number of companies in the US and Europe utilized these manufacturers as business partners in their supply chains. The report revealed that nearly 3,000 North Korean workers were outsourced as contract laborers to factories in Hunchun due to an agreement established years ago between China and North Korea in an effort to boost Hunchun's economy. According to authorities, dozens of seafood factories and processing companies in Hunchun have employed North Korean workers since this agreement. Last year, companies in the US and Canada imported at least 100 cargo containers of seafood processed in Hunchun, with some of that seafood suspected of being processed by North Korean forced labor.

This investigation sparked concerns among U.S. importers, and coincided with a U.S. Customs and Border Protection initiative to target and detain imported goods suspected of being made with North Korean forced labor. The current initiative stipulates criminal and financial penalties to which US importers are subject if North Korean workers are found within their supply chains, demonstrating the necessity for due diligence programs within importers' supply chains to ensure imported goods are not made using North Korean labor.

## Poland

Poland has historically provided the highest number of work permits to North Korean workers relative to any other country in the European Union. Although Poland stopped issuing new work permits to North Korea after January 2016 in the wake of UN sanctions enacted after a North Korean nuclear test, it previously issued up to 500 work permits a year. Currently, fewer than 500 North Korean workers are estimated to remain in Poland, as these workers conclude their contractual obligations. Since 2010, the Polish National Labor Inspectorate has found at least 377 North Korean employees working in the country, and reported that 77 of those employees were working in Poland illegally. Reports indicate that these laborers were employed by a Polish recruiting company that leased workers to an employer without valid permits. This Polish recruiting company was one of two owned by a Polish businesswoman who had an ongoing business partnership with North Korea. According to reports, North Korea provided workers for two recruiting companies opened in a joint venture with this Polish businesswoman. A North Korean intermediary company in Pyongyang trained and provided workers to these Polish recruiting companies, which in turn leased those workers to shipyards or other Polish companies in need of cheap laborers. Reports indicate that these Polish intermediaries mostly operated in the shipbuilding and construction industries, though North Korean laborers have also been found in the agricultural sector in Poland.





### Case Study: North Korean Forced Labor at Polish Shipyards

In one incident involving a major Polish shipbuilder, North Korean workers were falsely certified as possessing the necessary skills for shipbuilding by a Norwegian company and sent to Polish shipyards in order to construct ships for military and civilian companies. Although the certification itself met standards set by the European Committee for Standardization, the Norwegian provider was frequently lenient on testing for welding certification and knowledge of necessary safety precautions. As a result, North Korean workers always received certification, regardless of their knowledge or performance on the tests. This leniency, along with inadequate safety gear and poor management, likely contributed to a fatal accident at a Polish shipyard in 2014, in which a North Korean laborer burned to death while welding pipelines inside a tank.

According to the brokerage agreement between North Korea and Polish employers, North Korea was liable for the health and safety of its North Korean laborers as well as any accidents on site, including personal injury and property damage. Polish employers were therefore free of any liability and could file insurance claims to North Korea, which would be charged according to North Korean law. Employers were also able to exchange workers upon request, or withdraw from the contract altogether at any time.

## Russia

Along with China, Russia is one of the primary destinations for North Korean laborers working abroad. North Korean workers have traveled to Russia, willingly or under coercion, since the mid-1940s, and close relations between Pyongyang and Moscow facilitated the growth of this labor flow even after the end of the Cold War. Estimates for the number of North Korean workers in Russia range from 20,000 up to 50,000, with the U.S. State Department approximating the number of North Korean laborers in the country at 30,000. Many of these North Korean laborers work on major construction projects in metropolitan areas like Moscow and St. Petersburg, while thousands more work in logging camps in the Russian Far East. Vladivostok, near Russia's border with North Korea, is another area of concern for the use of North Korean labor. Reports have also suggested the presence of smaller numbers of North Korean workers in other economic sectors in Russia, including manufacturing, agriculture, brickmaking, textiles, retail, and the maritime sector.

Conditions for North Korean workers in Russia are poor, with laborers afforded little in the way of living conditions or personal freedoms. Interviews with North Korean workers in Russia indicate that laborers are expected to work seven days a week for up to 14 hours a day, with labor contracts running five years. North Korean workers earn less than other migrant workers employed in Russia, and a large portion of their earnings are taken by the North Korean government. North Korean construction workers in Russia report living in converted shipping containers without proper hygienic facilities. The North Korean government also engages in heavy surveillance of its workers in Russia, with officers of the country's security services stationed at facilities employing North Korean laborers in order to monitor them for potential subversive behavior or attempts to defect. North Korean workers in Russia must regularly attend and participate in lectures about the North Korean state in order to demonstrate their loyalty to the regime.

### Case Study: Construction for the 2018 Soccer World Cup

Media investigations have found evidence that North Korean laborers are participating in the construction of stadia for the soccer World Cup in 2018, which will be hosted by Russia. A report from a Norwegian outlet claimed that at least 110 North Korean workers were involved in the construction of a stadium for the World Cup in St. Petersburg, with at least one North Korean worker dying during the building of the facility. In that report, a Russian project manager working on the stadium alleged that a North Korean middleman offered to provide him 100 North Korean workers for a price of six million rubles (\$101,000), of which four million (\$68,000) would be sent to the North Korean government. Other media investigations have found that multiple Russian construction companies involved in building soccer stadia utilized hundreds of North Korean laborers provided by a North Korean state company. Russian activists allege that Russian authorities do not actively investigate violations of Russian labor laws by companies employing North Korean workers, despite being aware of the problem. Although Russia signed on to recent United Nations sanctions that prohibit the issuing of new contracts to North Korean workers, the extent to which the Russian government intends to enforce this prohibition remains unclear.

# Recommendations for Establishing Sound Due Diligence Practices

Organizations that have not established supply chain risk management practices face an increasing sense of urgency to do so, as expectations and regulatory requirements continue to increase. Even companies with mature responsible sourcing programs find themselves struggling with how to address the increased scrutiny by CBP and other actors related to these issues. BSI's Supply Chain Advisory team engages our clients in innovative ways to design, assess and improve their responsible sourcing programs. These projects typically incorporate well-respected frameworks such as the ISO 20400 Sustainable Procurement Standard, the UN Guiding Principles on Business and Human Rights, and the OECD Guidance for Responsible Supply Chains. Our team advocates that companies consider how the management system elements outlined in these guidance tools can be tailored to account for the unique risks posed by forced labor and the potential for exploitation of North Korean nationals in the supply chain. Here are a few areas to consider:

- Any policy or supplier Code of Conduct should be endorsed by company leadership. The process of making these types of changes is a great opportunity to raise awareness among senior leadership of the potential to unwittingly be supporting this form of exploitation. Along with strengthening requirements related to recruitment and contracting through labor brokers, which are a frequent nexus of exploitation of migrants, Codes of Conduct should explicitly state expectations related to the need for supplier practices that prohibit the recruitment and employment of workers subject to forced labor, including debt bondage and exploitation via labor recruiters. In addition, it is crucial to communicate to suppliers the direct role that the trafficking of North Korean citizens play in funding that corrupt regime.
- Approaches designed to identify a company's potential risk, influence or impact should be tailored to account for the likelihood of recruitment, employment or exploitation of North Korean nationals. These types of risk factors may account for industries of concern or the risk associated with countries or provinces cited in this whitepaper. These types of risk assessment tools may also identify key upstream materials upon which an importer may be highly reliant, where an increased risk resides.
- As with any policy or procedural change, companies should take great care to identify impacted stakeholders and tailor communication approaches to best serve their needs. This may be in the form of tabletop exercises with leadership, awareness training for buyers, or updated supplier manuals that clearly communicate expectations and ways suppliers can establish effective practices.
- Companies should identify necessary skills and develop the path to enable practitioners and suppliers to strengthen them. For practitioners managing these programs, this may mean learning how to respond when the risk is identified, and how to support suppliers in improving their hiring practices. For suppliers, this may focus on establishing systems to qualify labor recruiters, onboard new workers, and how to best understand and support the needs of their workforce, particularly minority populations, such as migrants, who may be more susceptible to exploitation. BSI's Advisory team has developed and delivered workshops for both types of audiences, with a focus on improving critical thinking and problem solving skills, and using the training as a springboard into designing and launching improvement programs at supplier worksites.

- Companies gathering information from suppliers via online surveys should incorporate questions about the composition, origin and language of the workforce. BSI recommends questions that avoid an obvious Yes/No response, but instead require suppliers to identify their practices within a range of options, particularly when describing hiring and contracting practices.
- Supplier audits require an additional level of questions when encountering minority populations. A skilled auditor must first be sensitive to identifying these minority populations, and when uncovered, must employ a deeper level of investigation to understand the path these workers traversed to arrive at the worksite, and all of the associated expectations, promises, contractual agreements, fees, debts, and relationships.
- Companies and their suppliers need to determine how they will respond when the presence of these risks are identified. Both organizations should be willing to collaborate with one another to identify how exploited workers can be given access to appropriate redress. In many cases, this may include engaging local civil-society organizations or local government agencies that may be best equipped to support migrant worker needs. In addition, the importer and supplier should focus on root causes of where breakdowns occur, and on the establishment or strengthening of management systems, as opposed to stop-gap, ad hoc fixes to deeply rooted, complex issues.

## Conclusion

While the number of North Korean laborers abroad is falling in the aftermath of recent targeted UN sanctions and international backlash against North Korea's September 2017 nuclear test, analyses of North Korea's forced labor programs in China, Russia, and Poland highlight significant continuing gaps in enforcement by both government inspectorates and companies in combating forced labor in international supply chains. As particularly illustrated by these cases, understaffed, unaware, or indifferent government authorities and businesses can undermine initiatives intended to mitigate the risk of forced labor by allowing subcontractors or contracting companies to employ North Korean laborers operating in poor working conditions.

North Korea's government has also turned to other means of utilizing forced labor in order to create revenue in the face of the international crackdown on North Korean migrant labor, indicating that the country's forced labor program can adapt to current international sanctions. For example, South Korean intelligence officials recently released a report indicating that the Kaesong Industrial Complex, a collaborative South Korean and North Korean special administrative industrial region that became inactive in early 2016, was recently illicitly reopened by North Korea in order to fulfill Chinese factory orders, after UN sanctions affected the country's textile industry. The resumption of activity at these 19 textile factories indicates that goods produced with North Korean labor are still capable of entering international supply chains, as companies operating in countries such as Russia and China are willing to utilize North Korean labor due to its low cost by directly sourcing from North Korean facilities.

Although the cessation of visa issuances to North Korean workers by many countries around the world is a positive step towards eliminating forced labor in global supply chains, North Korea's disregard for international sanctions and its persistent efforts to infiltrate its workers into foreign economies in order to generate revenue ensure that companies must remain vigilant and continue to monitor their supply chains for potential North Korean migrant labor. Companies must carefully audit and inspect contracted and subcontracted businesses within their supply chains for proper employment procedures, contract vetting, and workplace safety practices, and continue to be actively involved in enforcing appropriate corporate social responsibility practices to clear supply chains of illicit forced labor.

### North Korean Work Visa Status In Select Countries

Country	Date New Visas/Renewals Were Banned
<b>Czech Republic</b>	<b>June 2007</b>
<b>Poland</b>	<b>January 2016</b>
<b>Malta</b>	<b>July 2016</b>
<b>Oman</b>	<b>December 2016</b>
<b>Romania</b>	<b>May 2017</b>
<b>Bulgaria</b>	<b>May 2017</b>
<b>Malaysia</b>	<b>June 2017</b>
<b>China</b>	<b>August 2017*</b>
<b>Russia</b>	<b>September 2017</b>

**\*China ceased issuing new work visas in August, and stopped accepting work visa renewals in September**

# BSI Supply Chain Services and Solutions

BSI Supply Chain Services and Solutions is the leading global provider of supply chain intelligence, auditing services, audit compliance and risk management software solutions, and advisory services. Our mission is to help corporations, governments and associations identify, manage and mitigate global supply chain risks and maintain world class governance risk and compliance programs. Our holistic supply chain risk management suite is designed to predict and visualize risk, and develop robust risk mitigation and compliance management programs to protect your supply chain, brand and reputation. Our intelligence-infused supply chain solutions and global network empower our clients to understand global supply chain risk with unequaled precision.



**Supply Chain Risk Exposure Evaluation Network (SCREEN)**, allows organizations to actively identify and monitor supply chain security, corporate social responsibility, business continuity, and food safety and fraud threats and trends at a country level. SCREEN's robust modules provide insight into geographic risk for over 20 proprietary risk indicators in more than 200 countries.



**Supplier Compliance Manager (SCM)**, is an automated self-assessment and audit analysis solution that quantifies and tracks supplier risk and compliance through various assessment methods to ensure your supply chain, brand and reputation are protected. SCM provides corporations with complete insight into their global operations, and streamlines their risk and compliance management efforts by utilizing a single, comprehensive solution.



**BSI Supply Chain Verification Auditing Services, VerifEye**, enables organizations to gain complete visibility into their suppliers' practices and procedures worldwide. Our audits are customizable, allowing each client to structure the audit and audit report as they like. Our audits provide your organization cost-effective assurance that your suppliers are not exposing your brand to potential security, safety, social responsibility or business continuity risks.

## Advisory Services

**BSI's Advisory Services** are driven by experienced supply chain professionals that leverage proven risk-based methods to provide timely insights into potential problems within a supply chain to ensure an organization can effectively identify, manage and mitigate risk. BSI's advisors will assist you in developing or enhancing a risk management program, preparing and applying for a government program certification and analyzing your supply chain on a country or lane-to-lane basis to gain a better understanding of potential global risks.

## Training

**BSI's Training Programs** help build awareness and develop a deeper understanding of supply chain security, corporate social responsibility and business continuity risks and how to manage them. Our customizable training programs will provide your operations with the information they need to proactively identify, and mitigate global threats. Training can be provided through an e-learning course or presented on-site by one of BSI's experts.



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