About This Report

This report examines the historical background and reasons why the United Nations (UN) imposed sanctions on North Korea after each of the six nuclear weapons tests that it conducted between 2009 and 2016. The report elaborates the various export control and sanctions measures applied to constrain or alter North Korea’s proliferation activities. It also explains why sanctions enforcement is important and then proceeds to describe the entities and techniques involved in North Korean sanctions evasion activities. In doing so, the guide focuses on information published by the UN Panel of Experts established pursuant to UN Security Council Resolution 1718 (2006). The panel is composed of eight experts, including one each from the five permanent member states of the UN Security Council, and the data and judgments that the panel has published can be said to represent a consensus of the international community. In addition to the four principal categories of sanctions evasion techniques, the report focuses on Africa but is intended for customs, immigration, law enforcement, and intelligence officers in all countries affected by North Korean sanctions evasion activities and for the wide variety of practitioners who form touch points with the global North Korean sanctions evasion ecosystem. For more information, visit www.rand.org/nsrd/projects/north-korean-sanctions.

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# North Korean Sanctions

## Evasion Techniques

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INTRODUCTION

On June 25, 1950, unprovoked, North Korean forces crossed the 38th parallel and invaded South Korea. During the following three-year conflict, defending United Nations (UN) forces were almost driven into the sea. They retreated southward under continuing North Korean attack until they were bottled up in a small pocket of territory surrounding the South Korean port of Pusan. Then the UN landed 75,000 troops by sea at the northern port of Inchon, deep in the rear of North Korea’s forces. Together, the 21 countries of the UN command repulsed North Korea, ultimately capturing North Korean territory as well.¹

Under U.S. General Douglas McArthur’s leadership, UN troops advanced as far north as the Yalu River, which marks the border between Korea and China. However, McArthur ignored signals from China that it would intervene in the conflict if UN forces were to advance that far north. The Chinese Army attacked UN forces in North Korea on October 26, 1950. And the tide of battle turned once again.

UN forces were forced to retreat. McArthur was relieved of command. A military stalemate set in. And, after two years of negotiations, an armistice was signed on July 27, 1953. To this day, there is no peace treaty ending the Korean War, just a cease-fire. North Korea has remained unwilling to accept this inconclusive outcome. On the one hand, North Korea, the aggressor, claims to feel threatened by U.S. troops stationed in South Korea and by joint exercises that the United States and South Korea periodically conduct together. On the other hand, North Korea has continued to strive to reunite all of Korea under its control.

While South Korea started a remarkable spurt of economic growth in the 1960s under its autocratic President Park Chung-hee, over the following years and decades, North Korea launched a series of attacks against the United States and South Korea. For instance, North Korea
organized a series of assassinations and bombings of South Korean officials and a
commando assault on the South Korean presidential residence, the Blue House

hijacked, fired at, seized, sank, or shot down ten U.S. and South Korean vessels

made 15 attempts to infiltrate commandos across the Demilitarized Zone separating
North and South Korea by both land and sea

was responsible for more than 50 other violent cross-border incidents.

These actions earned North Korea a reputation as dangerous, aggressive, and reckless—
certainly not a country anyone wanted to see capable of expanding on this behavior while
armed with nuclear weapons. But despite protracted negotiations, North Korea did acquire
nuclear weapons, carrying out six tests of increasing power between 2009 and 2016 (for
a depiction of North Korean tactics in negotiations and reasons for the talks’ failure, see
Appendix B). Shortly after doing so, North Korea threatened to use nuclear weapons three
times: (1) against South Korea, (2) against Australia, and (3) against the United States.2

Over the years, North Korea developed a suite of missiles of differing payloads and ranges
derived from Soviet rocket designs.3 As a result, the international community now faces the
prospect of North Korea possessing nuclear weapons and the means to deliver them to
their targets. North Korea has shared these technologies with Iran and Syria. North Korea
built a secret nuclear reactor for Syria;4 it also (1) sent experts to Iran to help with nuclear
warhead design, (2) provided Iran with computer software to model nuclear explosions, and
(3) constructed hardened test and production bunkers for Iran.5 About half of Iran’s model
inventory of missiles is derived from North Korean missiles; some are assembled from kits
shipped from North Korea to assembly plants in Iran.6 Syria, Egypt, Libya, Yemen, and
Pakistan are among the other countries that have purchased missiles and missile parts from
North Korea.7

Other powers have not stood idly by. In Northeast Asia, South Korea has contemplated a
nuclear weapon program of its own more than once and is developing its own missiles.8
Japan has a stockpile of 54 tons of plutonium, sufficient to manufacture 6,000 nuclear
warheads that could be delivered to their targets by adaptations of existing Japanese missiles
with intercontinental range.9 Middle Eastern countries have also reacted. Saudi Arabia has
stated that it will acquire nuclear weapons if Iran does so and has purchased DF-21 missiles
from China with which such weapons might eventually be delivered to their targets.10 And
both Egypt and the United Arab Emirates have announced or accelerated national nuclear
energy programs.11
Why North Korean Proliferation Activities Matter

North Korea is exporting nuclear weapons and missile technology to one of the most volatile regions in the world: the Middle East. North Korea’s actions in the Middle East could launch regional nuclear weapon and missile arms races if they have not already done so. North Korea–supplied missiles launched from Iran and Yemen can hit targets in most of Africa.

However, the proliferation threat posed by North Korea is not limited to nuclear weapons and missiles. North Korea has also been involved in the proliferation of chemical and conventional weapons. Its chemical weapons inventory is said to include 13 chemical agents, including nerve agents. Using the nerve agent VX, North Korean agents assassinated Kim Jong-nam, the half-brother and potential rival for power of North Korean leader Kim Jong-un. This attack showed that North Korea also possesses the latest binary chemical weapons technology.

North Korea proliferates chemical weapons. The most notable case is Syria. North Korea built five chemical weapons plants in Syria, helped Syria with the production and resupply of precursor chemicals needed to manufacture chemical weapons, sold Syria parts for chemical weapons, helped fill munitions with chemical agents, and sold Syria the systems needed to deliver these weapons to their targets. And between 2011 and 2018, Syria used those weapons in 50–200 attacks that have killed more than 1,200 Syrian civilians. Just under one-third of the dead were women; one-fifth were children.

North Korea has also been a significant supplier of conventional weapons to Syria. Iran is a major purchaser of North Korean conventional weapons as well. Iran has funded purchases of North Korean weapons by its regional proxies: Hezbollah in Lebanon, the Houthis in Yemen, and Hamas in Palestine (both Hezbollah and Hamas are designated as Foreign Terrorist Organizations by the U.S. Department of State, and the Houthis’ designation was revoked in 2021). North Korea also supplied the weapons with which the Liberation Tigers of Tamil Eelam tried to overthrow the government of Sri Lanka.

As shown in Figure 1, North Korean sanctions evasion activities that involve hard currency acquisition, the acquisition of dual-use or restricted technology, covert transportation, and covert finance are global in reach. Between 2010 and 2021, the UNSC Panel of Experts (POE) established pursuant to UNSC Resolution 1874 (2009) identified 107 countries that were involved in North Korean sanctions evasion activities in some way.
Analysis of the 2010–2021 UNSC POE reports shows that the prime locus of North Korea’s sanctions evasion activities is the Asian continent, where the UNSC POE has identified more than 540 entities engaged in such undertakings in 31 of 48 countries (65 percent), with the number of activities in China exceeding those in other Asian countries by an order of magnitude. Europe plays a significant role as well, with more than 160 identified entities in 29 of 44 countries involved (66 percent), primarily located in Russia. North Korean activities in Africa, where 150 entities have been active in 38 of the continent’s 54 countries (70 percent), are also a particular concern and will be an area of focus of this report. (The other four areas of focus are the functional categories of sanctions evasion techniques that North Korea uses: currency generation, technology acquisition, smuggling, and money laundering.) North Korea is the only manufacturer of the top-loading SKS-style Type 73 machine gun. That model of gun and North Korea–supplied ammunition have been used in terrorist attacks by Somalia’s al-Shabaab and during cross-border attacks into neighboring Kenya. The Type 73 has also been used by fighters for the Islamic State in North Africa, contributing to instability throughout the Sahel in Mauritania, Mali, Niger, Nigeria, and Chad. The weapons used by the Mouvement du 23 Mars (March 23 Movement) rebels to destabilize eastern parts of the Democratic Republic of the Congo, right on the border Uganda, came from North Korea.
For North Korea, the need to earn hard currency through weapon sales overrides any concerns for African regional stability. The evidence for this lies in the fact that North Korea continues to supply small arms to African countries despite ongoing instability in large parts of the Sahel fueled by previously supplied North Korean weapons. North Korea is also active in Mozambique and the Democratic Republic of the Congo, where insurgencies are under way. Furthermore, North Korea continues to engage in proliferation-related activities in Madagascar, Namibia, Angola, Tanzania, Uganda, and Sudan, notwithstanding the ongoing conflicts in neighboring Somalia, Ethiopia, and the Democratic Republic of the Congo in which North Korean–supplied weapons serve as conflict accelerants. Rather than North Korea retrenching and staunching the supply of arms to these conflict areas in the hopes of encouraging political settlements between the conflict parties, North Korea’s need to earn hard currency has dictated continued weapon sales into Africa. And this has only served to provide additional fuel for ongoing conflicts. North Korea has sold, maintained, or refurbished weapons or engaged in other currency generation, technology acquisition, covert transport, or covert finance activities in 38 African countries (see Figure 2 and Table 2 in Appendix A).
In response to North Korea’s destabilizing arms sales, proliferation of missiles, weapons of mass destruction, nuclear weapon tests, and attacks on South Korea and the United States, the UN, the European Union (EU), Australia, China, Japan, Russia, South Korea, Taiwan, the United Kingdom, and the United States have all imposed sanctions on North Korea. However, those sanctions are not widely understood by the responsible officials of many UN member states or persons and entities that continue to do business with North Korea. The need for them is also not understood. Many countries are not enforcing sanctions strictly, for the reasons just mentioned. Countries that are willing to enforce sanctions sometimes lack the capacity to do so or the legal and institutional framework needed to enable enforcement. In Russia’s and China’s cases, there is some question whether the political will to enforce sanctions against North Korea really exists in the respective capitals.

North Korea–supplied weapons continue to empower violent extremists and insurgents that are destabilizing close to one-quarter of African countries (13 of 54 countries). The African countries destabilized by extremists with access to North Korean weapons are

1. Burkina Faso
2. Cameroon
3. Chad
4. Democratic Republic of the Congo
5. Ivory Coast
6. Kenya
7. Libya
8. Mali
9. Mauritania
10. Mozambique
11. Niger
12. Nigeria

Table 2 in Appendix A documents North Korean involvement in each individual country.

North Korea is also proliferating missile, nuclear, and chemical weapon technology to one-quarter of Africa (see Bechtol, 2018; Gordon, 2019). The African countries in which North Korea engages in proliferation activities are

1. Angola
2. Democratic Republic of the Congo
3. Egypt
4. Eritrea
5. Ethiopia
6. Libya
7. Madagascar
8. Mozambique
9. Namibia
10. Sudan
11. Tanzania
12. Uganda
North Korea is helping launch a regional Middle Eastern nuclear weapon and missile arms race, and its activities have exposed most of Africa to the threat of future missile attack. Through its actions, Pyongyang is also destabilizing security in the Western Pacific region and Northeast Asia. North Korea’s actions therefore pose a serious threat to African, Middle Eastern, and global security.

Road Map to the Report

This report is intended to serve as a guide to North Korean sanctions evasion techniques. It provides readers with a succinct and fairly exhaustive summary of all of the North Korean sanctions evasion techniques identified by the UN. It also identifies resources that are available to help UN member states put stricter sanctions enforcement in place in their countries. The information presented is derived from a content analysis of thousands of pages contained in one unpublished and 14 published reports produced between 2010 and 2021 by the UNSC POE that monitors UN sanctions imposed on North Korea. Summary data that are presented here have been derived from the preparation and analysis of a network map of the North Korean sanctions evasion network described in those reports. After enumerating the various types of entities and individuals involved in North Korean sanctions evasion, the guide uses case studies to illustrate North Korean sanctions evasion techniques in each of four focus areas: revenue generation, technology acquisition, covert transportation (smuggling), and covert finance (money laundering). Because of the high degree of North Korean activity in Africa, the case studies presented focus on North Korean activities in that continent. The conclusion points out resources that can be helpful to governments and officials seeking to put stricter sanctions enforcement in place.

The group of individuals for whom this information may be useful is not limited to just government officials but also includes global audiences of, for example,

- manufacturers of restricted and dual-use technology
- commodity trading companies
- large and small banks providing trade finance and retail banking services
- freight forwarders, vessel brokers, operators, management companies, insurers, reinsurers, and registered and beneficial owners
- corporate secretaries of the foregoing and corporate registration services companies
- staff of national registries of ships and corporations
- customs, immigration, and law enforcement officers and intelligence analysts.
EXPORT CONTROL AND SANCTIONS REGIMES

The international community uses two mechanisms to prevent or contain the destabilizing spread of nuclear, chemical, and biological weapons; missiles; and conventional weapons. The first mechanism is a series of multilateral, intergovernmental, export control, anti-money-laundering, counterproliferation finance, and capacity-building measures. The second is a series of special diplomatic, military, transport, trade, financial, and other sanctions that have been imposed on proliferators, such as North Korea.

Multilateral Export Control Regimes

There are several export control regimes. The Nuclear Suppliers Group controls material related to nuclear energy. The Zangger Committee interprets the Nuclear Non-Proliferation Treaty (officially, the Treaty on the Non-Proliferation of Nuclear Weapons, signed in 1968). The Australia Group seeks to limit chemical and biological weapons. Member governments of the Missile Technology Control Regime seek to prevent missile proliferation. Wassenaar Arrangement countries seek to limit the proliferation of conventional weapons. The Financial Action Task Force (FATF) and its regional affiliates combat money laundering, terrorist and proliferation financing, and other threats to the international financial system. The World Customs Organization and the UN Office of Drugs and Crime also play important roles.

Governments make use of these multilateral organizations to help limit the proliferation of dangerous technologies (strategic goods) and the financing of proliferation-related activities. The organizations continuously work on a global basis to identify the strategic goods needed to procure the weapons of mass destruction or conventional weapons on which each group focuses. On the basis of this work, they have drawn up and maintain lists
of “strategic goods” that must be subject to strategic trade controls to prevent proliferation. They share these lists with member governments’ strategic trade control authorities. The UN has collated lists of strategic goods compiled by these organizations and has integrated the lists into its sanctions resolutions as well. The FATF has adopted regulations and evaluation criteria based on UN Charter Chapter VII actions dealing with proliferation finance. The FATF tracks existing and emerging terrorist and proliferation finance techniques, tactics, and procedures. It keeps member states informed of these techniques, tactics, and procedures for the purpose of thwarting them. The FATF also helps countries perform self-assessments of the strength of their national anti-money-laundering controls, with the goal of helping them prevent abuse of their financial systems for financing international crime, terrorism, or proliferation. The FATF advances regional information sharing between governments as well. The World Customs Organization, for its part, helps countries improve the efficiency and expertise of customs services that stand on the front line in the international struggle to prevent crime, terrorism, and proliferation. Partnering with the World Customs Organization, the UN Office on Drugs and Crime’s container control program offers governments technical assistance in assessing risk and selecting containers for inspection. Among the 500 million containers passing through the global containerized shipping system each year, only 2 percent are inspected. North Korea actively abuses the global containerized shipping system to evade sanctions.

Sanctions

Sanctions are restrictive measures adopted by a governing organization against a country, entity, or person to protect or maintain peace and security. Their purpose is to constrain or limit the sanctioned entity’s ability to operate or sustain activities of concern and to force a shift in its behavior to comply with international law. The strategic objectives pursued in imposing sanctions consist of preventing or countering the proliferation of weapons of mass destruction, constraining or countering terrorism, deterring human rights abuses and corruption, and promoting accountable and democratic government. Persons or organizations targeted by sanctions by the UN, EU, or individual countries are termed designated entities.

Sanctions can be comprehensive, meaning that they cover an entire country or cover designated groups or categories of persons and entities. They can also be noncomprehensive or targeted, covering only specific industries or industry sectors or specific activities, practices, or individuals. North Korea is subject both to multilateral sanctions imposed by such bodies as the UN and the EU and to unilateral or autonomous sanctions imposed by individual countries, such as Australia, China, Japan, Russia, South Korea, the United Kingdom, and the United States.
UN SANCTIONS

The 193 UN member states are bound to carry out decisions of the UNSC under international law. Article 41 of Chapter VII of the UN charter grants the UNSC options for imposing sanctions on member states that are unlimited in scope:

The Security Council may decide what measures not involving the use of armed force are to be employed to give effect to its decisions, and it may call upon the Members of the United Nations to apply such measures. These may include complete or partial interruption of economic relations and of rail, sea, air, postal, telegraphic, radio, and other means of communication, and the severance of diplomatic relations.45

The UN has imposed the most important set of sanctions on North Korea by adopting a series of UNSC resolutions. Twenty-one resolutions relating to North Korea have been adopted since its establishment in 1948; nine of them enable the regime of UN sanctions against that country.46

As noted on the UN 1718 Committee website, UN sanctions targeting North Korea deploy a combination of prohibitions and restrictions across a spectrum of different sanction types:47

* **Diplomatic sanctions** call for censure or condemnation of North Korea, cancellation of government engagements, and withdrawal of consular personnel.

* **Military sanctions** prohibit foreign military assistance to North Korea or by North Korea, impose an arms embargo on the country, prohibit the sale or purchase of conventional arms (e.g., tanks, artillery, combat aircraft, small arms), and prohibit the development of weapons of mass destruction, including the sale or provision of know-how relating to nuclear weapons, ballistic missiles, parts, and any related material. Current UN sanctions prohibit the provision of military training or assistance, including the construction of military facilities and the maintenance or refurbishment of military equipment by North Korea. Direct or indirect involvement is a violation of UN sanctions and of international law.
**Economic sanctions** on North Korea prohibit financial transactions with it, limit trade with North Korea via import and export bans or restrictions (e.g., agricultural produce, machinery, vehicles and aircraft, statues and monuments, technology), and impose import and export quotas and restrictions on energy products (e.g., refined petroleum products, crude oil, coal).

**Other sanctions** on North Korea consist of a global travel ban and a prohibition on the import of luxury goods.

The UN maintains a central list of sanctioned entities. Implementation and enforcement of UNSC resolutions is delegated to relevant authorities within the UN member states.

**EU SANCTIONS**

EU sanctions comply with UN sanctions and designations. Autonomous EU sanctions were adopted to reinforce and augment the UNSC resolutions to meet key EU objectives: safeguarding the EU’s values and interests, preserving peace and security, supporting democracy, preventing conflicts, and strengthening international security. EU sanctions take two forms. The first is EU Council decisions that are implemented and enforced by EU member states; they may require that corresponding national legislation be adopted to implement them. The second is EU regulations issued by the European Commission that are binding upon persons and entities within the EU’s jurisdiction (EU member-state territories); they do not require member states to adopt legislation to comply with their terms.

EU sanctions apply (1) within the territory, airspace, and waters of the EU member states; (2) aboard any aircraft or vessel under EU member-state jurisdiction; (3) to any person inside or outside EU territory who is a national of an EU member state; (4) to any legal person, entity, or body inside or outside EU territory that is incorporated or constituted under law of an EU member state (this includes branches of companies) or operating business in whole or in part with the EU.
U.S. SANCTIONS

U.S. sanctions also comply with all UN sanctions and designations. U.S. sanctions consist of exhaustive autonomous listings of targeted individuals and entities and comprehensive sanctions designed to reinforce and augment the UNSC resolutions to meet the United States’ own security interests through multiple legal authorities: (1) executive orders issued by the President of the United States, (2) public laws (statutes) passed by the U.S. Congress, and (3) government declarations and proclamations. U.S. sanctions are further codified and published in the Code of Federal Regulations. Modifications of them are published in the Federal Register.

U.S. sanctions on North Korea apply to (1) any territory of the United States (including airspace and territorial waters), (2) any aircraft or naval vessel under U.S. jurisdiction, (3) any person inside or outside U.S. territory who is a U.S. citizen, (4) any company or branches of U.S. companies in third countries, (5) any U.S. legal person or entity or U.S. natural person working for foreign companies, and (6) anybody doing business in whole or in part with or on behalf of the United States.

The United States also imposes secondary sanctions designed to restrict the economic activity of governments, businesses, and nationals of third countries. For instance, the United States blocks financial activity or trade between non-U.S. parties and the sanctioned target. UNSC resolutions pertaining to North Korea are largely implemented through the U.S. Department of Treasury’s Office of Foreign Assets Control. U.S. sanctions are managed primarily by this office. Other U.S. government entities responsible for managing or having missions linked to sanctions implementation and enforcement consist of the U.S. Department of the Treasury’s Financial Crimes Enforcement Network, the U.S. Department of State, and the U.S. Department of Commerce (including its Bureau of Industry and Security).

In addition to the United States, the other countries that have imposed similar autonomous or bilateral sanctions on North Korea are Australia, China, Japan, South Korea, Russia, Taiwan, and—in the wake of Brexit—the United Kingdom.
Why Sanctions Enforcement Matters

There are six main reasons why enforcing sanctions imposed on North Korea is important:

1. **To avoid war.** Sanctions, imposed under the authority of article 41 of Chapter VII of the UN charter,⁵⁴ are the international community’s prime nonviolent tool by which to achieve change in nations’ behavior. Without the strict enforcement of sanctions, the only means left to the international community to alter the behavior of proliferators, such as North Korea, is the use of force under the authority of article 42 of the UN charter.

2. **To prevent potentially harmful consequences.** This encompasses implementing sanctions to
   a. avoid the arming of internal or external opponents
   b. avoid a deterioration in relations with neighboring countries affected by North Korean arms sales and proliferation activities
   c. prevent lax sanctions enforcement from deterring foreign investment and prompting capital flight
   d. avoid being defrauded by North Korea, which happens with some regularity.

3. **To advance a country’s economic development.** By enforcing sanctions, especially on strategic goods subject to trade controls, governments win international confidence in their ability to protect strategic technologies. This enables sensitive technologies to be imported and used by domestic industry to move up the international value chain. That advances national development, grows income, and creates a higher standard of living.
4. **To maintain international reputation.** A fourth reason is to maintain a country’s international credibility after having signed on to imposing sanctions on North Korea at the UN in the first place.

5. **To prevent disasters in international shipping.** North Korean shipments of weapons have at times included undeclared and improperly secured cargos of explosives, toxic chemicals, and radioactive materials, subjecting vessels and ports of origin, transit, and destination to high risk of contamination or destruction.

6. **To prevent the proliferation of weapons of mass destruction.** A sixth reason is to ensure national, regional, and global security by preventing the proliferation of both conventional weapons and weapons of mass destruction. Ultimately, the purpose of sanctions is to compel North Korea to return to the table of international negotiations and desist from its proliferation activities in return for a loosening of the international regime of sanctions that the UN has imposed on it.

With North Korea, vigilance is a constant obligation. There is no standard process for enforcing sanctions. And to do so the legal framework and regulations required for their successful enforcement must first be put in place. However, developing a familiarity with the multitude of sanctions evasion techniques that North Korea uses is a good starting point.
North Korea has become very adept at evading sanctions that the international community has imposed on it. Four types of entities are involved in North Korea’s sanctions evasion. And Pyongyang engages in four types of sanctions evasion:

1. activities that generate hard-currency income
2. activities using the hard currency acquired to then acquire essential raw materials and dual-use and restricted technologies
3. covert transportation of goods that obfuscates North Korean involvement (smuggling)
4. movements of hard currency, precious metals, and jewels internationally without North Korea’s beneficial ownership of those funds becoming known (money laundering).

After reviewing the types of entities and individuals involved, this section presents four case studies that illustrate the principal techniques that North Korea uses to evade sanctions in each of the four areas of activity.
Individuals and Entities Involved

DIPLOMATIC COVER

North Korean government officials accredited to North Korea’s embassies (including administrative and technical staff assigned to those embassies) play key sanctions evasion roles. They help North Korean companies by expanding their business networks to foreign countries and by building security cooperation with such countries. They negotiate contracts and oversee projects on behalf of North Korean companies. Some North Korean embassies have acted as bases for illicit activities and have served as receivers, dispensers, and transporters of North Korea’s illicit hard-currency earnings. Importantly, any North Korean embassy could be involved in such activities if it has been directed to do so by the North Korean government. North Korea has used individuals assigned to or employed by international organizations for similar purposes.

NONOFFICIAL COVER

North Korean overseas workers, who do not enjoy immunity from prosecution as the country’s diplomats do, play a key role in sanctions evasion. Sometimes these workers are imbedded in foreign companies. These workers have been medical professionals, IT workers, athletes, ship crews, factory workers, caterers, and manual laborers.

FRONT COMPANIES AND SHELL COMPANIES

A front company is a fully functioning company with the characteristics of a legitimate business, serving to disguise and obscure illicit activity. A shell company is a company with no independent operations, significant assets, ongoing business activities, or employees. North Korea uses both front and shell companies, sometimes involving multiple layers of such companies, to evade sanctions. A front company can be as little as two persons and a fax machine brokering missile sales. The Malaysia Korea Partners (MKP) case recounted below describes how North Korea uses multiple layers of front companies.

TRUSTED THIRD-COUNTRY INTERMEDIARIES

The UNSC POE has publicly identified more than 150 foreign nationals who have wittingly acted as intermediaries for North Korean sanctions evasion activities. They have been instrumental in hiding North Korea’s role in any of the four principal types of sanctions evasion activities. Trusted foreign nationals are especially important in countries that require its citizens to own a majority stake in enterprises. Until recently, such intermediaries have rarely been prosecuted, leaving an important gap in the containment of North Korea’s proliferation activities.
Generating Hard Currency

Although it does not publish trade statistics, North Korea is estimated to run an annual trade deficit of between $500 million and $1 billion. This is the amount of hard currency that North Korea needs to earn abroad each year. North Korea needs to generate this amount to fund the domestic political patronage networks that keep the existing regime in power. It also needs them to pay for North Korea’s nuclear weapons and missile programs that ensure regime survival and provide the regime with greater bargaining leverage versus other countries. Each year, North Korea generates an estimated $100 million of this amount in Africa.

The case of the Korea General Corporation for External Construction (KOGEN) reveals several techniques that North Korea uses to obfuscate its role when earning hard currency overseas. The trail starts with a UN investigation of banks created to support investment in or trade with North Korea. During this investigation, UN researchers ran across the North Korean–based International Consortium Bank. Strangely, a Malaysian company, MKP, claimed that this North Korean bank was one of its subsidiaries. The UN investigators initially focused on the fact that MKP was doing business with a company that was illegally importing North Korean coal to Malaysia. The plot thickened, however, when a North Korean, Pak In Su, also known as Daniel Pak, was discovered to be working for this company. He was selling North Korean coal, directing the proceeds of the sales to a Hong Kong front company for North Korea’s Korea Kwangson Banking Corporation, a company designated for sanctions by the UN. Pak had previously been detected working for another North Korean sanctions evasion front company that arranged the shipping of North Korean contraband. Further investigation exposed a multinational North Korean conglomerate of front companies that had been hiding in plain sight for 14 years. MKP claimed to be active in 18 of the 38 African countries involved with North Korea and in six Middle Eastern countries as well. UN investigators soon identified 32 MKP-affiliated companies operating in nine African and Asian countries.
MKP was founded in 1995 by the North Korean Reconnaissance General Bureau (RGB) intelligence operative Han Hun Il and his Malaysian accomplice, Yong Kok Yeap. It expanded rapidly into Africa and beyond. MKP used complicit foreign facilitators and dignitaries as directors of its affiliated companies to create plausible deniability of the fact that they were under North Korean control and to deter sanctions enforcement. According to the UN, in Angola, MKP partnered with the country’s former attorney general. In Zambia, MKP’s local Algerian facilitator, Mohamed Yazid Merzouk, partnered with the former Minister of Defence Timothy Kazembe and with the chair of the National Economic Advisory Council, Lloyd Chingambo. In Uganda, MKP dealt with the government directly.

However, these relationships were not always happy ones. The government of Uganda entered a joint venture with MKP to construct housing. It advanced MKP $5.2 million for that purpose only to watch MKP pocket the money and abandon the project. At the time of writing, Uganda had failed to recover the stolen funds. The Ugandan government’s new partner also proved unable to raise $200 million in financing for a mining joint venture that it had proposed. Uganda is not the only victim of North Korean fraud. When a South African business partner of MKP tried to confirm a $5 million bank guarantee from a major Malaysian bank provided to him by MKP for a project with a Rwandan client, he discovered that both the bank guarantee and the audited financial statements that MKP had provided him were counterfeit.

Using North Korean laborers who were paid a pittance, MKP earned hard currency through construction projects, mining, trade in contraband coal, and provision of security services. KOGEN, the North Korean entity for which MKP was acting as a front company, offered its services in Equatorial Guinea and Côte d’Ivoire—and Nigeria as well. Further investigation by the UN revealed that KOGEN’s activities were not limited to Africa. Evidence emerged of a joint venture in the United Arab Emirates and of significant activity in Russia where KOGEN had two representative offices in Vladivostok and Khasan and four additional offices in Krasnoyarsk, Krasnodar, Nakhodka, and Tyumen employing more than 300 North Korean overseas workers.
In Russia, KOGEN had less of a need to hide its North Korean origins, operating in its own name instead of in the name of the front companies that MKP was providing in Asia, Africa, and the Middle East. Russian branches of North Korean banks and a bevy of Russian banks stood ready to transfer the hard currency earned in Russia back to North Korea directly.85 Returning hard currency earned in Africa was more challenging. To do this, MKP attempted to infiltrate the international financial system on North Korea’s behalf by buying a 10–20 percent stake in a Zambian bank.86 North Korean diplomats in Zambia also opened Zambian bank accounts in MKP’s name.87 Because transfers through the international financial system can be detected and traced, North Korea retains some funds in accounts of front companies, shell companies, and trusted partners or returns hard currency earned to North Korea by hand-carrying cash, cash cards, gold bullion, and jewelry. These transfers do not always go smoothly. On more than one occasion, including one incident in Uganda, North Koreans have been arrested while smuggling undeclared bulk cash, gold, and jewelry across international borders.88 Once funds from MKP and KOGEN arrived back in North Korea, they were housed at the International Consortium Bank, whose appearance on MKP’s website first exposed this extensive North Korean sanctions evasion network.89

The MKP case highlights just some of the tactics that North Korea uses to evade sanctions and obfuscate its role when earning hard currency overseas. North Korea for years has sought to profit from illicit activities, including counterfeiting U.S. currency, manufacturing and marketing counterfeit cigarettes and tax stamps, selling fake and pseudo-pharmaceuticals, and trafficking in narcotics. More recently, cybertheft and the dissemination of ransomware have become important additional sources of illicit North Korean income.90 For a fuller listing of additional techniques that are used for the purpose of generating hard-currency earnings, see the “Sanctions Evasion Techniques North Korea Uses to Generate Hard Currency Earnings” box.
North Korea generates hard currency through the sale of military and civilian products and services, as well as criminal activities. Military products and services provided include:

- weapons of mass destruction–related materials
- ballistic missiles
- conventional weapons
- military communications equipment
- the designing and building of arms factories
- refurbishment of weapon systems
- provision of security services
- military training
- technical assistance
- military construction

Civilian products and services offered and criminal revenue generating activities consist of:

- sales of commodities
- steel products
- machine tools
- textiles
- fishing rights
- mining services (gold)
- property rental
- shipbuilding
- civilian construction
- construction of statues and monuments
- operation of hotels, performance halls, and restaurants
- art and stamp sales and exhibitions
- manufacturing and sale of narcotics and counterfeit pharmaceuticals
- currency forgery
- theft (cyber), ransomware, and fraud
- manufacture and smuggling of counterfeit cigarettes, alcohol, and tax stamps.
North Korea employs several tactics to obscure its role in acquiring hard currency; they involve using or abusing

- their diplomats’ diplomatic status under the 1961 Vienna Convention on Diplomatic Relations, including by smuggling goods via the diplomatic pouch
- overseas North Korean medical professionals, IT workers, athletes, ship crews, factory workers, caterers, and manual laborers
- a constantly changing layered web of single and multiuse-front and shell companies and aliases
- foreign national managers and VIP local front company directors
- peer-to-peer services and over-the-counter brokers converting crypto into fiat currency
- use of counterfeit certificates of origin
- use of counterfeit documents
- joint ventures with local companies or banks
- erasure of markings on products that indicate their North Korean origin
- omission of any mention of North Korean involvement
- abuse of (tourist) visas to engage in unlicensed professional activity in foreign countries.

Indicators that North Korean activity to acquire hard currency may be involved include

- transactions involving UN-sanctioned entities or individuals
- the sale or transportation of dual-use or restricted equipment
- generic or incomplete descriptions of goods or cargo on invoices or manifests
- transactions from an unregistered company or company that does not exist
- incomplete or false information about the transacting parties on the invoice
- false export license applications or violations of end-user certificates
- North Korean–controlled bank accounts
- Asian intermediaries based in various cities of China (particularly Hong Kong, Beijing, Dandong, Dalian, Shenyang, and Shanghai—in descending order of frequency), Singapore, Malaysia, Taiwan, or Vietnam
- European intermediaries based in cities of Russia (particularly those based in Moscow or Vladivostok), Poland, Switzerland, and Italy.
Acquiring Restricted or Dual-Use Technology

After North Korea test-fired a multistage Unha-3 missile, the discarded first stage fell into the Sea of Japan and was recovered by South Korean authorities. Inspection of its contents revealed that the relatively underdeveloped state of its economy had forced North Korea to acquire very basic missile components overseas: ball bearings, resistors, computer memory chips, amplifiers, and video decoders, for example. The United States topped the list of countries from which these dual-use components originated, closely followed by the United Kingdom, Russia, Japan, South Korea, and Switzerland.141

Some of the components sourced by North Korea’s covert technology procurement network were not so benign. North Korea has focused on buying overseas the precision machine tools that are unavailable domestically, favoring Taiwanese intermediaries for such purchases.142 An attempt to acquire inverters used to build nuclear weapons was thwarted by Japan. So was an attempt to buy cylindrical grinding machines with which to manufacture missile gyroscopes.143 A further attempt to obtain a multigas monitor used in chemical weapon production from Germany was also foiled.144

In acquiring these and other more mundane dual-use items, North Korea repeatedly made false export declarations or caused them to be made.145 It also violated end-usage agreements restricting how purchased products could be used. One example is the missile transporter, erector, launcher (TEL) vehicles that a Chinese company naively sold to North Korea expecting that they would be used for transporting lumber, as agreed. The next time the Chinese company’s credulous salesforce saw the vehicles was on television in a parade in central Pyongyang, where they were transporting not lumber but missiles.146 Smaller items obtained by this procurement network were hand carried without declaring them to customs through the Beijing airport and back to Pyongyang.147 Elaborate shipping arrangements that will be described were made for the larger items acquired.

The case of Pan Systems Pyongyang (PSP) demonstrates the variety of techniques that North Korea uses to acquire restricted or dual-use technology. This case shows, once again, how easy it is to get defrauded when doing business with Pyongyang. The story begins when a vessel was intercepted while traveling from North Korea to Eritrea. The cargo was inspected, found to contain no more than machine tools, and was released and allowed to proceed on its way. Suspicions of a covert North Korean–Eritrean arms supply relationship
receded. That changed when an Eritrean military officer defected. He informed the UN investigators that the apparently harmless machine tools had in fact been on their way to an Eritrean government facility that refurbished weapon systems. Suspicions of a covert relationship were revived. An airborne shipment from China to Eritrea was intercepted sometime thereafter. The aircraft contained 45 boxes of military communications equipment. Several boxes were labeled “Glocom” (for Global Communications Co.). Rucksacks for carrying military radios in the shipment were reinforced with used cigarette carton packaging bearing North Korean labeling.

Almost all the products contained in the shipment were advertised on the website of a purportedly Malaysian company, Glocom. The company’s website gave an address in Malaysia and claimed that the company was active in ten countries. However, Glocom’s website was hosted by an IP address assigned to a North Korean restaurant in Vietnam. Glocom had no physical presence at the advertised address in Malaysia and was not even registered as a company in Malaysia—it was a fake.

Glocom was and remains a front company for PSP, a North Korean military electronics producer. From Beijing, the PSP director of procurement, a North Korean national named Pyon Won Gun, managed a network of 20 component suppliers based in the Chinese mainland and Hong Kong. He used foreign agents, U.S. dollar and euro bank accounts in China, and front companies to source components for military electronics from this network. PSP opened accounts with Daedong Credit Bank (DCB). In Beijing, Ryugyong Commercial Bank handles DCB’s transactions there, providing DCB access to the international financial system. Most of the components procured were sent to either Beijing or Dandong, China, for onward shipment to North Korea.

PSP was also active in Singapore, where it started a business in 1996. Two years later, PSP incorporated a representative office as a local front company, Pan Systems Singapore. It was PSP’s director, a North Korean RGB intelligence operative, Ryang Su Nyo, who suggested its establishment. North Korea used Pan Systems Singapore to sell military radios to source electronic components from the international market and to gain access to hard-currency bank accounts and the international financial system.

PSP also used neighboring Malaysia as a base of operations for PSP’s key representative abroad, Kim Chang Hyok, who used the aliases James Jin and James Kim and was employed without the benefit of diplomatic immunity from prosecution as a business manager of one of PSP’s local suppliers. He used two Malaysian front companies to buy components for PSP’s factory in Pyongyang and to make payments to suppliers. Kim established multiple bank accounts in Malaysia and registered front companies in Glocom’s name to ply his trade.
For ten years, PSP acquired technology and made payments via Malaysia and Singapore before being detected by the UN. PSP continued to pursue business between its Chinese and North Korean representatives in Beijing and foreign facilitators in the rest of mainland China, Indonesia, and Malaysia. It also used nominal heads or front companies in Japan, Myanmar, and Taiwan to acquire electronic components covertly.155

Eritrea—a poor country—probably joined the growing list of countries that have either been defrauded or taken advantage of by North Korea. The components of the military radio equipment delivered to Eritrea cost PSP $15. The finished units were sold to Eritrea for $8,000 apiece. Because North Korean labor costs are negligible, PSP made close to a 5,000 percent profit on each sale. That profit margin probably explains why the military communications cargo was shipped to Eritrea by air. Ordinarily, North Korea, which has a small fleet of aircraft, ships items by air only if their military purpose is almost impossible to hide or if the profit margin and value of the transaction is extraordinarily high.156

The PSP case highlights just some of the techniques that North Korea uses to procure restricted or dual-use technology. For a fuller listing of additional techniques that are used, see the “Sanctions Evasion Techniques North Korea Uses to Acquire Technology” box.
North Korea uses technology procurement networks with both overt and covert components to:

- acquire ordinary items unavailable in North Korea due to its primitive economy
- purchase spare parts for its military equipment refurbishment business
- acquire dual-use technologies or restricted technologies (such as those required to manufacture weapons of mass destruction or missiles)

North Korea uses four technology acquisition techniques: overt acquisition, covert acquisition, exploitation of scientific exchanges, and reverse engineering:

- **Overt acquisition** of equipment directly from the suppliers sometimes involves North Korean agents masquerading as Chinese or South Korean nationals. They often use cash to avoid creating a paper trail, submit deliberately falsified export license applications, and acquire equipment fully intending to dishonor any limitations on end uses of the equipment imposed by the sellers.

- **Covert acquisition** involves front and shell companies and foreign agents. The companies sometimes do not exist or have been registered using false information, but they still purportedly “employ” North Koreans under nonofficial cover. Alternatively, agents are embedded as employees within overseas suppliers. They use multiple passports, aliases, and cash payments to avoid detection, register front companies, and open bank accounts to do business. Foreign facilitators help North Korean agents move goods through multiple countries to obscure their ultimate destination. Here again, false export license applications are used, and end-user license agreements are violated. Items that are small are hand carried undeclared to customs to Pyongyang. Covert shipment techniques are used for larger cargo.
• **Exploitation of scientific exchange** is another method used, whether it be by employing scientists affected by the collapse of the USSR, attending scientific conferences, placing scientists in foreign training programs, or attempting to bribe foreign scientists to reveal sensitive technologies.

• **Reverse engineering** (whereby equipment is disassembled to understand how it works and then replicated) is used when other acquisition techniques fail—e.g., as North Korea did to build both its nuclear weapons and its ballistic missiles.

There are several indicators that an individual, transaction, or cargo may involve an illicit North Korean attempt to acquire technology:

• companies that turn out not to exist or that list false addresses

• North Koreans employed by local companies who have
  - used aliases
  - transacted principally in cash
  - opened multiple bank accounts
  - registered multiple companies

• North Korean travelers carrying undeclared equipment or large undeclared amounts of cash, bullion, or jewels

• nonscheduled or chartered air cargo flights originating from the Pyongyang airport, or the limited number of airports served directly from Pyongyang.
Covert Transportation

North Korea has a low number of international road and rail connections. Air and sea are the predominant modes of transport to move goods in and out of the country. Maritime transport plays by far the dominant role, particularly for weapon shipments. Both India and Spain, for example, have intercepted North Korean cargo vessels that were carrying missiles concealed beneath regular civilian cargo. North Korea uses barges and tankers for clandestine at-sea ship-to-ship transfers of coal and oil in violation of UN sanctions on their export and import.

The case of the North Korean Ministry of Marine and Land Transport’s front company, Ocean Maritime Management (OMM), demonstrates the facility with which North Korea hides its shipments of contraband goods and the techniques that it uses to do so. This story began when watchful Panamanian customs officials stopped and inspected a North Korea–owned and flagged cargo vessel as it transited the Panama Canal on its journey back from Cuba. Concealed under 20,000 bags of sugar, officials found a veritable arsenal: 25 shipping containers containing two disassembled MiG-21 fighter jets, 15 MiG-21 jet engines, six surface-to-air-missile systems and their associated vehicles, military radar systems, ammunition, and ammunition manufacturing equipment.

The shipment was notable for the lengths to which North Korea had gone to hide the highly explosive cargo. Besides concealing it under 10,000 tons of sugar, the vessel’s sole declared cargo, North Korea used many additional techniques to evade detection. False stowage plans hid the existence of 25 containers of weapons. There were no shipping documents for the covert cargo. The fighter jets and surface-to-air-missile systems had had their military markings removed or painted over. The ship had switched off the mandatory International Maritime Organization Automatic Identification System (AIS) transponder by which it could be tracked while underway. The ship’s master had falsified the ship’s logs. He had omitted the ship’s last port of call in Cuba on the ship’s routing report. And he used code words when communicating with the vessel’s management company, OMM Russia in Vladivostok, to conceal the existence of a second contraband cargo.

Further investigation by the UN showed that North Korean diplomats in Havana, Cuba, had arranged for the arms shipment and provided the crew’s cash wages. And a company called OMM Brazil had used a local Brazilian shipping agent to pay for the ship’s transit
of the Panama Canal, further obscuring the connection to North Korea. What were OMM Russia and OMM Brazil? Although Chongchongang Shipping Company was listed as the vessel’s owner, an entity called OMM was the actual owner.193 OMM, it turned, out controlled more than 34 entities in more than 11 countries.194 That web of front companies provided a logistical support network for close to one-quarter of North Korea’s 155-vessel North Korea–flagged cargo fleet under the control of the North Korean Ministry of Marine and Land Transportation.195

No stranger to sanctions evasion, OMM had—like a chameleon—changed identities on five previous occasions using four different sets of names.196 Most name changes occurred immediately before or after major North Korean proliferation-related events, such as nuclear weapon or ballistic missile tests.197 OMM’s representatives were embedded as “diplomats” in North Korean embassies,198 and representatives were also inserted under nonofficial cover as staff in foreign companies.199 OMM’s key official, another RGB intelligence operative named Ri Phyong Gua, operated under the false identity of Steven Lee.200 OMM staff avoided using their full names to prevent identification.201 To further avoid detection, differing support services provided to OMM-managed vessels were provided by OMM offices in different countries. Often, those offices were completely unregistered with local authorities and were operating under false, unregistered company names.202 Payments for OMM’s vessels’ services were made by North Korean companies with different names or by different-named foreign companies controlled by trusted foreign nationals.203

Within months of OMM being identified as the force behind the vessel smuggling explosives through the Panama Canal and being designated as sanctioned by the UN, OMM had changed shape once again. To avoid the risk that all 35 OMM-managed vessels would be seized, OMM’s ships were reregistered under foreign flags in the name of single foreign-owned front companies and provided with North Korean crews.204 Sometimes, the companies registered as the vessels’ owner or operator did not even exist.205 More frequently, the International Maritime Organization (IMO) number by which the vessels could be tracked was omitted from the reregistration documents,206 and a blank IMO number was transmitted by the ship’s AIS transponder through which ships’ movements can be followed.207 The newly reregistered vessels were not completely untraceable; they remained under the management of two North Korean companies. However, like a snake shedding an old skin, the North Korean ministry’s network of OMM front companies disappeared from international maritime registries, almost without a trace.208
To further avoid detection, OMM deliberately separated the logistics of operating its ships from the finance of paying for those operations. 209 OMM used two companies to finance its shipping operations: a North Korean entity called Mirae Shipping and a Singaporean front company called Chongjin Shipping run by a trusted Singaporean national, Tan Chang Hoe. 210 Mirae failed to pay Chinese companies from which OMM had chartered vessels. So, the Chinese companies had Mirae and OMM ships in Chinese waters seized as liens against payment. In reaction, North Korea seized the Chinese companies’ ships in North Korean waters, alleging that they were engaged in tax evasion. The taking hostage of these ships allowed North Korea to coerce the Chinese companies into a ransom-like settlement. 211 Yet another form of fraud perpetrated by North Korea is insurance fraud, insuring its vessels in the name of defunct offshore insurance companies or filing false insurance claims. 212 When OMM chose to pay its bills, the Singapore-based front company Chinpo Shipping did so under the direction of and with funds provided by OMM’s Singapore office. Chinpo made more than 600 payments worth more than $40 million on OMM’s behalf over five years. 213 Those payments were for the purchase of ships, their operation, and crews’ wages. 214 When making these payments, Chinpo used false invoices, falsified the names of the involved ships on the invoices, 215 and stripped North Korean vessels’ names out of its payment instructions at the direction of OMM’s bankers at the Bank of China, Singapore branch. 216 The criminal activities of Tan of Chinpo eventually caught up with him. He was arrested, prosecuted, and convicted by a Singapore court. 217

One final aspect of the vessel Chongchongang’s cargo is worth noting: the use of barter transactions to avoid detection of sanctions evasion by eliminating financial transfers. The vessel whose inspection led to OMM’s detection, the Chongchongang, transported rolled steel plates and railway wheels worth $3.7 million to Cuba. 218 The sugar that it carried on its return to North Korea was worth $3.8 million. 219 The near equivalent value of these cargoes suggests that a barter transaction between the two governments might have been involved. 220 The OMM case highlights just a few of the tactics that North Korea uses to evade sanctions by means of covert shipments. For a fuller listing of additional techniques that are used, see the “Sanctions Evasion Techniques North Korea Uses to Covertly Ship Goods” box.
SANCTIONS EVASION TECHNIQUES NORTH KOREA USES TO COVERTLY SHIP GOODS

North Korea’s small fleet of cargo aircraft serves a limited number of destinations, delivering high-value cargo, such as gold or silver, or cargo whose military nature cannot easily be hidden. Regular and charter commercial cargo services are also used. Direct flights that are not subject to inspection are preferred. Charter flights by military type aircraft to countries with arms embargoes are a particular red flag. In addition to the abuse of sealed diplomatic pouches, three sanctions evasion methods are employed for seaborne cargo:

1. **Ship-to-ship transfers** are used for commodity (coal and petrol) transfers in coastal waters, mostly with China and Russia. Increasingly, smaller petrol tankers are used together with larger feeders or self-propelled ocean-going barges transporting coal. Vessels are disguised. Transfers are made at night, and false changes in vessel draft are reported to disguise vessel loading or unloading.

2. **North Korea-controlled vessels** tactics involve the vessel, its cargo, and its movements.
   - Foreign-flagged vessels managed by front companies have increasingly been used. The lag between a vessel’s detection and sanctioning is used to launder its identity via
     - changes in (defunct, unregistered, or nonextant) registered owners, managers, etc.
     - changes in vessel name or spelling, including identity fraud
     - reflagging of the vessel, using of multiple flags, false flags, false registration or deregistration, or use of stateless or inactive vessels intended to complicate attempts to trace the ultimate owners
     - physical disguise or virtual disguise by fraudulently obtaining a fresh IMO number
     - hijacking of bareboat chartered vessels.
   - False cargo is declared. North Korean markings are removed; cargo is physically concealed. Documents are not filed or are deliberately incomplete or falsified.
• Vessels omit reporting red-flag ports of call, declare false or decoy ports or call, make uneconomical detours, and loiter at sea spoofing port calls. Vessels switch off the AIS tracking transponder, omit or transmit a false or incomplete identifying IMO number over the AIS, falsify Maritime Mobility Service Identity numbers and call signs, use coded communications, falsify the ship’s log, and have repeatedly sought refuge in Chinese territorial waters to avoid surveillance by vessels monitoring them.

3. **Infiltrated containers** are when North Korea uses sealed shipping containers that cannot be opened once they have passed customs for covert transportation of goods (only 2 percent of 500 million shipped annually are stopped and inspected).

• Untraceable and anonymous shipper-owned containers are used.

• False cargo, consignees, and consignors are declared.

• Consignor data are changed by international shippers as a matter of course when containers transship at foreign hubs.

• Consequently, North Korea evades sanctions by infiltrating the container shipping system.

• Large international shippers unwittingly transport extremely dangerous explosive, toxic, or radioactive cargo that has been inadequately secured.
Covert Financing

The possible sugar-for-steel transaction between North Korea and Cuba mentioned earlier highlighted North Korea’s use of barter systems involving no financial flows of any kind to avoid detection. Representatives from North Korean overseas financial institutions receive and disburse hard currency and circumvent sanctions by hand carrying cash, bullion, and gems back to Pyongyang. North Korea uses front companies, such as Chinpo, to remit cash from foreign clients back to North Korea and tries to minimize the risk that its financial transactions are detected by running ledger systems, similar to the Hawala system used in parts of South Asia.254

In this system, credit and debit balances of various North Korean–controlled overseas front companies that are not registered as financial entities in their host countries are offset against one another in a centrally maintained ledger. When a designated North Korean company wants to spend money to pay its foreign suppliers, it uses a front company, such as the 70:30 Chinese–North Korean joint venture DCB, to execute the transaction (see Figure 3).

1. If an insufficient balance is available in DCB’s central ledger, a cash deposit—of say $10 million—is made into a bank account at DCB’s headquarters in the North Korean capital Pyongyang, by, for example, the aforementioned RGB intelligence operative and director-general of Pan Systems Pyongyang, Ryang Su Nyo. This creates a credit entry and a surplus of $10 million in DCB’s ledger (see step 1 in Figure 3).

\[ \begin{array}{ccc}
1 & $0 & $10M \\
3 & $10M & $0 \\
7 & $0 & $1M \\
13 & $1M & $0 \\
\end{array} \]

NOTE: A T-account describes “a set of financial records that uses double-entry bookkeeping” and is named according to the “appearance of the bookkeeping entries” [Danny Liberto, “T-Account,” Investopedia, last updated November 19, 2020].
2. This deposit is then reconciled via the central DCB ledger, with accounts controlled by Kim Chol Sam, yet another RGB intelligence operative and the DCB representative at one of DCB’s three offices in China, in Dalian. Having checked the central DCB ledger for a credit to accounts that he controls on the same or the next day, Kim initiates a transfer for the same amount destined for the foreign supplier, say in Malaysia or Singapore.

3. To do so, actual funds net of transfer fees and a commission for intermediaries flow from an overseas account under Kim’s control to a North Korea–controlled front company, say in Hong Kong. This transfer creates a countervailing debit entry in the DCB ledger (see step 3 in Figure 3).

4. The credit in Pyongyang and the debit in Dalian cancel each other out. The ledger is square. The Hong Kong front company in turn remits the funds to the intended recipient.

5. As a result of these two flows of funds, the receiving financial institution in Malaysia or Singapore sees only an incoming payment from the Hong Kong front company, as opposed to one from a designated North Korean entity. The same is true of correspondent banks processing the transactions, including those in New York, which would have little insight into the origin or beneficiaries of the transaction. The funds’ North Korean origin has been obscured.255

When a North Korean company, such as PSP, wants to receive payment for services rendered the next steps are the following:

6. The customer deposits money—say $1 million—into the account of an overseas front company (e.g., Chinpo in Singapore) or an account held in a DCB overseas representative’s own name; those entities’ names never appeared in the original bill of sale, disassociating the financial transaction from the physical provision and receipt of goods or services.

7. This flow of funds creates a credit entry in DCB’s central ledger. The ledger now shows a $1 million surplus (see step 7 in Figure 3).

Revenues from North Korea’s overseas sales of goods, commodities and services thus replenish DCB-controlled accounts abroad, keeping DCB’s central ledger either square or in surplus. The only transfers of funds required are the relatively smaller and less frequent ones required to keep the ledger square (makeup deficits, such as by means of the cash deposit in Pyongyang) or withdrawing surplus cash from the system. Small and infrequent transfers minimize the risk of detection of financial sanctions evasion.
When the time comes to repatriate surpluses of cash to North Korea, the following steps are taken:

8. A cash courier departs from Pyongyang for a foreign city, such as Beijing or Dalian.

9. DCB’s foreign representatives makes cash withdrawals totaling $1 million from their own accounts or from a front company account that they control.

10. An alternative to step 9 is DCB’s foreign representative transferring the money from their own account or from a front company account that they control to an account controlled by a North Korean diplomat based at an embassy, consulate, or trade representation overseas—let us say in Dalian.

11. That diplomat then withdraws the transferred funds in cash.

12. In both steps 9 and 11, withdrawals are made so as not to trigger a suspicious activity report by the relevant bank for transactions of $10,000 or more.

13. A debit entry is created in DCB’s ledger that eliminates the surplus balance and makes the ledger once again square (see step 13 in Figure 3).

14. The ledger once again becomes square with a surplus and deficit of zero.

15. The withdrawn funds are then hand carried either in small tranches by cash mules or in a lump sum carried by a single individual as bulk cash, precious metals, or jewels undeclared to customs authorities across international boundaries and back to North Korea.

Sometimes such repatriations do not work out. Three North Korean nationals were, for example, arrested by local police on suspicion of attempting to smuggle $450,000 in cash out of Malaysia. One of the three nationals held was Ryang, the RGB intelligence operative who made the deposit in Pyongyang. She claimed that the funds belonged to the North Korean embassy in Kuala Lumpur. On another occasion, almost 30 kilos of gold bars and jewelry were seized from a North Korean cash courier based in Dhaka, Bangladesh, who had been making regular monthly runs from Dhaka to Singapore for close to a year and a half, probably in support of North Korea’s laundering of gold received in payment for proliferating items to Iran. There are several other examples of such arrest of North Korean diplomats and overseas workers while attempting to hand carry funds back to North Korea. The transfers appear to work often enough, however, that North Korea continues to use them to repatriate funds. This is likely because the ledger arrangements described above reduce the number of detectable wire transactions by two-thirds—from six wire transactions to two—thereby minimizing the risk that the financial transfers will be detected.
North Korean payment of a single invoice is often done through a series of installments from multiple front companies—another means of hiding the identity of the true parties, evading detection by authorities of illegal conduct, and reducing the downside risk if the accounts from which the sums were transferred are seized. When North Korea attempted to purchase two luxury yachts for the use of Kim Jong-un, money from 13 accounts was wired to a single account controlled by Austrian Josef Schwartz of Schwartz Motorboot Service GmbH. Similarly, eight accounts were used to put together, or integrate, the laundered funds needed to pay for the purchase of an aircraft for the North Korean national airline Air Koryo.258

North Korea has operated at least four ledger systems of the kind described to evade financial sanctions.259 Ledger systems are but one of many techniques that North Korea uses to obscure its beneficial ownership funds that are transferred internationally. For a fuller listing of additional techniques that are used, see the “Sanctions Evasion Techniques That North Korea Uses for Purposes of Covert Finance” box.
SANCTIONS EVASION TECHNIQUES THAT NORTH KOREA USES FOR PURPOSES OF COVERT FINANCE

North Korea tries to avoid using the international financial system to evade detection of its hard-currency generation, technology acquisition, and covert transportation activities. Ten methods are used to bypass, minimize exposure to, and gain indirect access to the international financial system:

1. barter, whereby goods and services are simply exchanged
2. physical bulk-cash transfers, using cash couriers or by providing agents with cash
3. physical transfers of bullion, gems, and precious and semiprecious stones
4. electronic transfers of cryptocurrency or blockchain
5. ledger systems in which several front companies keep one set of accounts
6. correspondent or payable-through accounts with foreign banks
7. joint ventures by North Korean companies or banks with foreign companies
8. representative offices of North Korean banks overseas
9. trading companies that open bank accounts that provide indirect correspondent account services
10. North Korean diplomatic missions that provide financial support to North Korean entities.

When North Korea does use the international financial system, it employs three classic money-laundering techniques:

1. **Placement**: Placement involves introducing illicitly gained funds into the formal international banking system. The simplest form of placement occurs when North Korean embassies or their employees open one or more bank accounts in their host countries and neighboring countries in their own name, the name of family members, the name of front companies, or the name of the North Korean embassy to deposit funds. An alternative approach is to exploit jurisdictions with less effective banking regulators and small- or medium-sized banks unable to afford effective compliance measures to detect and prevent transfers involving North Korea. North Korean agents open accounts in the names of foreign nationals or front companies for which
the North Korean or multiple individuals have signing authority. Another tactic is to purchase joint ownership in a foreign financial institution. Casinos in jurisdictions with weak anti-money-laundering laws have also been used to place illicitly earned hard-currency revenue.

2. **Layering**: Layering involves moving funds between multiple accounts at different banks in different jurisdictions to obscure their origins. Bank accounts held by Joint Ventures with foreign trading companies are one vehicle used to move funds to obscure their connection to North Korea. The Joint Ventures partner transfers funds from such an account through the international financial system, with funds clearing via banks in the United States that remain unaware of North Korean involvement. In several cases, information has been stripped from the international wire transfer message that might allow authorities to establish a link to North Korea. The wire's destination account may be in a legal jurisdiction that shields information about accounts’ legal owners, further helping to obscure the North Korean connection. Designated North Korean banks have officers embedded in North Korean embassies and have operated covert overseas front-company branches for the purpose of conducting such layering operations.

3. **Integration**: Integration is the process whereby placed and layered illicit funds are recombined to execute a transaction with “clean” laundered funds. When the time comes to spend laundered funds, North Korea uses false buyer names on invoices and false names that hide the name of a designated bank that is making a payment. On a few occasions, North Korea has reduced the risk of detection and seizure of funds by pooling funds from several sources to make a single large payment. As mentioned above, on another occasion, it assigned a contract to a third entity, which then paid the outstanding balance on the account.

Possible red flags include customers providing fraudulent personal or residential address information when opening accounts, opening multiple accounts at multiple banks in the same name, designating multiple signatories for a single account, making frequent cash withdrawals from an account, submitting payment instructions that lack documentation describing the underlying transaction; omitting of names of parties to the transaction or using of false names, stripping information about the parties to the transaction out of payment instructions, and making transfers that form part of a series of installments.
CONCLUSION

Sanctions evasion allows North Korea to feed its overriding need for hard currency to maintain the incumbent political regime in power and fund nuclear weapon and ballistic missile programs. Those programs threaten international security and have destabilized and supported insurrection in one-quarter of Africa. Those same activities are launching or have launched a nuclear weapon and ballistic missile arms race in the neighboring Middle East, exposing African nations to the threat of future missile attack. They have also led to the killing of civilians, including children, with chemical weapons.

Despite the large number of countries implicated, the challenge posed by North Korean sanctions evasion is not impossible to overcome. North Korea is active in 38 African countries. However, North Korean sanctions-evasion-related entities were concentrated in just four African countries (Zambia, Uganda, Tanzania, and Egypt). North Korean sanctions-evasion-related activities causing the greatest potential harm were concentrated in a further four countries (Democratic Republic of the Congo, Libya, Mali, and Mozambique). If the governments of those countries, neighboring countries, and the international community realize the dangers to their own and to African and international security that cooperation with North Korea creates, decide to cease cooperation, and enforce sanctions, then they can have a significant impact on reducing the security risks created by North Korea.

Resources are available for officials and governments willing to do so. They are listed in Table 1, together with online sources of information about them.
Both the United States and the EU offer partner nations bespoke programs of technical assistance. Those programs inform partner government officials about the nature of the North Korean security threat and familiarize them with North Korean sanctions evasion tactics, techniques, and procedures. The programs also help partner nations put in place the enabling legislation, regulations, control lists, and interministerial coordination mechanisms needed to implement first-class national and regional strategic trade controls with which to address these threats.²⁹⁰

Effective strategic trade management and sanctions enforcement are in African nations’ and all nations’ national interest. First and foremost, these measures reduce the risk of instability and violence—including in Africa and its neighboring regions: the Middle East, South Asia, and Southeast Asia. The measures contribute to national development and an improved standard of living. They help prevent conflict, capital flight, and fraud. They also protect against the threat posed by the proliferation of weapons of mass destruction. In short, they make the world safer for families, children, and generations yet to come.
<table>
<thead>
<tr>
<th>RESOURCE</th>
<th>SOURCE</th>
</tr>
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<tbody>
<tr>
<td>Sanctions imposed by the UNSC</td>
<td>UNSC, “Security Council Committee Established Pursuant to Resolution 1718 (2006),” webpage, undated-c. As of August 11, 2021:</td>
</tr>
<tr>
<td></td>
<td><a href="https://www.un.org/securitycouncil/sanctions/1718">https://www.un.org/securitycouncil/sanctions/1718</a></td>
</tr>
<tr>
<td>Implementation of UN sanctions imposed on North Korea</td>
<td>UNSC, “Work and Mandate,” webpage, undated-d. As of August 27, 2021:</td>
</tr>
<tr>
<td></td>
<td><a href="https://www.un.org/securitycouncil/sanctions/1718/panel_experts/work_mandate">https://www.un.org/securitycouncil/sanctions/1718/panel_experts/work_mandate</a></td>
</tr>
<tr>
<td>Guide to sanctions requirements and effective sanctions enforcement practices in government and the private sector</td>
<td>Sarah Heintz, Michael Shurkin, and King Mallory, DPRK Sanctions: Countering DPRK Proliferation Activities, Santa Monica, Calif.: RAND Corporation, TL-332-DOS, 2019. As of August 17, 2021:</td>
</tr>
<tr>
<td></td>
<td><a href="https://www.rand.org/pubs/tools/TL332.html">https://www.rand.org/pubs/tools/TL332.html</a></td>
</tr>
<tr>
<td>Controls on nuclear weapons: the Nuclear Suppliers Group</td>
<td>Nuclear Suppliers Group, homepage, undated. As of August 17, 2021:</td>
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<tr>
<td></td>
<td><a href="https://www.nuclearsuppliersgroup.org/en/">https://www.nuclearsuppliersgroup.org/en/</a></td>
</tr>
<tr>
<td>Implementation of the Treaty on the Non-Proliferation of Nuclear Weapons: the Zangger Committee</td>
<td>Zangger Committee, homepage, undated. As of August 17, 2021:</td>
</tr>
<tr>
<td></td>
<td><a href="http://zanggercommittee.org">http://zanggercommittee.org</a></td>
</tr>
<tr>
<td>Controls on the proliferation of chemical and biological weapons: Australia Group</td>
<td>Australia Group, homepage, undated. As of July 17, 2021:</td>
</tr>
<tr>
<td>Export controls for conventional arms and dual-use goods and technologies: the Wassenaar Arrangement</td>
<td>Wassenaar Arrangement, homepage, undated. As of August 17, 2021:</td>
</tr>
<tr>
<td></td>
<td><a href="https://www.wassenaar.org">https://www.wassenaar.org</a></td>
</tr>
<tr>
<td>Prevention of the proliferation of unmanned delivery systems capable of delivering weapons of mass destruction: Missile Technology Control Regime</td>
<td>Missile Technology Control Regime, homepage, undated. As of August 17, 2021:</td>
</tr>
<tr>
<td></td>
<td><a href="https://mtrc.info">https://mtrc.info</a></td>
</tr>
<tr>
<td>Prevention of money laundering, terrorism, and proliferation financing: FATF</td>
<td>Financial Action Task Force, homepage, undated. As of August 17, 2021:</td>
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<td></td>
<td><a href="https://www.fatf-gafi.org">https://www.fatf-gafi.org</a></td>
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<tr>
<td><strong>Enhancement of the effectiveness and efficiency of customs administrations:</strong> World Customs Organization</td>
<td></td>
</tr>
</tbody>
</table>
## Appendix A. African Involvement in Sanctions Evasion

### TABLE 2. AFRICAN COUNTRIES IN WHICH NORTH KOREA HAS BEEN ACTIVE

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>DESCRIPTION OF ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Algeria</td>
<td>Presence of the MKP front company MKP Builders (Algeria) reported (UNSC, 2018, p. 240).</td>
</tr>
<tr>
<td>Angola</td>
<td>Angola reported to the UN that, until 2012, the North Korean sanctioned entity Green Pine Associated Company had delivered military patrol boats to the country; dual-use products (including boat engines, motors, and radar systems) were exported by Beijing-based intermediaries. A North Korean diplomat represented Green Pine in the refurbishment of the patrol boats (UNSC, 2017b). Angola confirmed that another sanctioned North Korean organization, Mansudae Overseas Project Group, had undertaken 56 construction projects until February 2015, including Memorial Tower, Peace Park, and Praia Park statues (UNSC, 2017b, p. 44). In September 2016, Mansudae continued to manage and repair the mausoleum complex (UNSC, 2017, p. 45). North Korea has trained the presidential guard since 1990; as of September 2016, 12 North Korean nationals provided parade ground and martial arts training (UNSC, 2017b, p. 45; UNSC, 2018).</td>
</tr>
<tr>
<td>Benin</td>
<td>North Korea constructed a statue of King Béhanzin (UNSC, 2017b, p. 44).</td>
</tr>
<tr>
<td>Botswana</td>
<td>North Korea constructed the Three Dikgosi Monument (UNSC, 2017b, p. 44).</td>
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<tr>
<td>Country</td>
<td>Text</td>
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<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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<tr>
<td><strong>Burundi</strong></td>
<td>Machine guns from North Korea were delivered by a Seychelles-registered firm in October 2009 ([UNSC, 2012, p. 30; UNSC, “Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009),” New York, 11-32818, unpublished manuscript, 2011, p. 31]).</td>
</tr>
<tr>
<td><strong>Chad</strong></td>
<td>Islamic State presence reported (Foucher, 2020; Parkinson, Phillips, and Strobel, 2020).</td>
</tr>
<tr>
<td><strong>Central African Republic</strong></td>
<td>Special units of the Democratic Republic of the Congo national police—armed with automatic weapons and other small arms from North Korea—were deployed in the UN Multidimensional Integrated Stabilization Mission in the Central African Republic (MINUSCA) ([UNSC, 2017b, p. 40; UNSC, 2017a, p. 14]).</td>
</tr>
<tr>
<td><strong>Congo, Democratic Republic of the</strong></td>
<td>The weapons used by the Mouvement du 23 Mars (March 23 Movement) rebels to destabilize eastern parts of the Democratic Republic of the Congo, right on the border of Uganda, came from North Korea ([UNSC, 2015, p. 39]). North Korea constructed statues of Patrice Lumumba and Laurent-Désiré Kabila. In January 2009, the vessel Bi Ro Bong delivered weapons ([UNSC, 2010, p. 24]). In 2014, the country received a shipment of North Korean automatic pistols and other small arms, issued to the presidential guard and special police units, some of which deployed to the Central African Republic as part of a UN mission; this was part of a larger series of transfers of arms and related material, including assault rifles and antitank and antipersonnel mines—arms used by North Korean trainers at a presidential guard–controlled training base ([UNSC, 2017b, p. 40; UNSC, 2019a]).</td>
</tr>
</tbody>
</table>
T-54 and T-55 tanks were being refurbished (UNSC, 2010, p. 26; UNSC, 2012, p. 30). In June 2008, Ethiopian Airlines was contracted by Beijing-based Air Koryo front company Seajet Company to carry a shipment of five tons of engines for main battle tanks and armored vehicles that had been trans-shipped from the Pyongyang airport from the Beijing airport to Congo using a regular passenger flight, with the packages labeled “machine tool spare parts” (UNSC, 2013, p. 39). Also, in June 2008, North Korea shipped T-55 main battle tank parts labeled as “bulldozer spare parts” from North Korea to the Republic of the Congo by sea. The shipper was Guangzhou Surfline Shipping Service Company Limited. The shipment was taken over in Huangpu, China (UNSC, 2013, p. 39). In July 2008, a sea shipment of T-55 parts from North Korea was arranged by Complant International Transportation; it likely originated in Nampo, North Korea and was transshipped from Dalian. In 2008, at least two other arms shipments were sent by sea, and one was sent by air from North Korea; the shipments originated or were transshipped via China (UNSC, 2012, p. 30). In February 2010, a shipment of T-55/T-54 parts was arrested in Durban, South Africa. It was shipped from North Korea to Dalian, China, where it was transshipped onto a UK-flagged vessel; then it was transshipped again onto a Liberian-flagged vessel in Port Klang, Malaysia. Shipping documents listed cargo as “spare parts of bulldozer” (UNSC, 2010, p. 26). The shipment was intended to be used for North Korean refurbishment and the upgrading of military vehicles and other military equipment (UNSC, 2012, p. 30). A North Korean diplomat and a Korean People’s Army senior colonel, Kim Kwang Nam, traveling under diplomatic status were involved in the refurbishment of armored vehicles and other military equipment in the Congo and used bank accounts opened by North Korean diplomats to transfer funds. Forty North Korean nationals were involved in the refurbishment. Attempted payment by Congo to an account of a North Korean cultural attaché in Beijing, China was blocked by Banque de France; the funds were subsequently deposited into a local North Korean embassy bank account (UNSC, 2013, pp. 25, 39).
Egypt

In February 2013, a consignment on its way from Beijing to Cairo was interdicted. The shipper was Ryongsong Trading Co Ltd., the seller was Rungrado General Trading Corporation, and the consignee was MODA Authority International Optronic [UNSC, 2015, pp. 53, 62, 212, 219]. No company under that name exists; however, the address and fax numbers were the same as the Arab International Optronics majority shareholder National Service Organization under the Ministry of Defense and Military Production of Egypt. The cargo was labeled “machine spare parts” and listed for use in refrigerating fishing vessels but was actually spare parts used in Scud-B missile systems. There were North Korea markings. The goods were transported by Air Koryo from Pyongyang. The address of Ryongsong was the same as the North Korean embassy in Beijing [UNSC, Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009), New York, S/2016/157, 2016, pp. 31–32]. A North Korean national used a Chinese national to engage a Beijing freight forwarding company, which engaged the unwitting carrier's agent [UNSC, 2017b, pp. 37–38]. In December 2013, Soeng Pil Trading Corporation, a front for Green Pine, had an active representative in Cairo, serving as a North Korean diplomat [UNSC, 2017b, p. 62]. In August 2016, Egypt intercepted the Jie Shun vessel with a cargo of 79 wooden crates containing 30,000 RPG-7s and related subcomponents concealed under 2,300 tons of limonite (iron ore) whose export is prohibited. The crates were labeled as “assembly parts of the underwater pump.” The address of the shipper was false, and there were no North Korean markings. The vessel was sailing under a Cambodian flag. Three Chinese third-party facilitators were involved. Front companies were involved as the vessel operator. The insurer had a fax number associated with the North Korean government proprietary organization Ocean Maritime Management. Use of the vessels was managed by third-country nationals. The AIS was turned off for the majority of the voyage, except in busy sea lanes [UNSC, 2017b, pp. 28–32]. In 2017, imports iron and steel came from North Korea [UNSC, 2017a, p. 30].

Eritrea

In May 2011, a vessel originating in North Korea with the destination of Eritrea and containing 15 tons of rockets and $15 million in explosives was intercepted in the Indian Ocean. The cargo was shipped via Singapore [UNSC, 2012, p. 29]. This was part of an ongoing arms-related cooperation between North Korea and Eritrea. In August 2012, a suspect shipment of “numerical control” machine tools was intercepted en route to Eritrea from North Korea aboard the Kota Karim. A defector identified the machine tools as destined for an Eritrean weapons facility. The consignee Public Technical Services Centre was an alias for the Department of Governmental Garages, which was responsible for weapons refurbishment and received military and technical support from the designated Green Pine Associated Corporation until at least 2010 [UNSC, 2014, p. 34]. In July 2016, an air shipment containing North Korea–manufactured cargo of military communications radios in boxes labeled “Glocom” and destined for the Eritrean company Eritech Computer Assembly and Communications Technology PLC was intercepted. The air waybills listed a Beijing front company as the shipper [UNSC, 2017b, pp. 32–33].

Ethiopia

An official company profile for Ethiopia’s Homicho Ammunition Engineering Industry listed an entity named Korea Mineral Trading General Corporation as one of its major suppliers [UNSC, 2014, p. 35]. North Korea built the Tigrachin Monument [UNSC, 2015, p. 44].
<table>
<thead>
<tr>
<th>Country</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana</td>
<td>In 2013, there were two reported gold bullion shipments from Ghana to North Korea (UNSC, 2016, p. 46). In 2017, there were imports of iron and steel from North Korea (UNSC, 2018, p. 16).</td>
</tr>
<tr>
<td>Guinea, Equatorial</td>
<td>North Korea built a stadium and conference hall (UNSC, 2018, p. 189).</td>
</tr>
<tr>
<td>Ivory Coast</td>
<td>KOGEN was present (UNSC, 2019a, p. 56). Islamic State presence reported (Parkinson, Phillips, and Strobel, 2020).</td>
</tr>
<tr>
<td>Kenya</td>
<td>Al-Shabaab presence reported (Foucher, 2020).</td>
</tr>
<tr>
<td>Libya</td>
<td>In 1999, North Korean Kuwolsan transported ballistic-missile-related items to Libya (UNSC, 2011, p. 36). In 2001, two tons of uranium hexafluoride (UF6) were exported to Libya (UNSC, 2012, p. 13). In 2002, there was another UF6 export of two tons (UNSC, 2012, p. 13). In 2013, crates of North Korean ammunition were found in stores in the African Union Mission in Somalia (AMISOM) in Mogadishu and were determined to have been part of a shipment of 600 crates to Libya by North Korea in 1977 (UNSC, 2014, p. 40). Islamic State presence reported (Foucher, 2020).</td>
</tr>
<tr>
<td>Madagascar</td>
<td>The Mansudae Overseas Projects Group constructed government buildings (UNSC, 2017b, p. 44).</td>
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<tr>
<td>Country</td>
<td>Details</td>
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<tr>
<td>Mozambique</td>
<td>North Korea constructed a statue of Samora Machel (UNSC, 2017b, p. 44). In November 2013, North Korea supplied arms-related material to a Mozambique government-controlled company, Monte Binga: man-portable air-defense system (MANPADS) and P-18 early warning radar components. This was done under a $6 million contract signed by a North Korean embassy third secretary representing Haegeumgang Trading Corporation (UNSC, 2017b, p. 40). In 2017, imports of iron and steel arrived from North Korea (UNSC, 2018, p. 16). The last-recorded visit to remote civil-military airfields with nearby military bases by six North Korean nationals was in 2017. In January 2018, Mozambique provided evidence that the North Korea–Mozambique joint fishing venture EMKIP had been dissolved. On April 11, 2018, Mozambique informed the UNSC POE that “on 25th March 2018, 22 members of the North Korea’s crew of the vessels operating under the flag of that country departed definitively from Mozambique to their country of origin” (UNSC, 2019a, p. 37). Islamic State presence reported (Foucher, 2020).</td>
</tr>
<tr>
<td>Namibia</td>
<td>North Korea constructed Hero’s Acre, Independence Hall, a statue of Sam Nujoo, and the State House (UNSC, 2017b, p. 44). In 2015, KOMID began construction of the Oamites munitions factory at Leopard Valley in the Windhoek area in cooperation with or using the alias of Mansudae Overseas Project Group. Training and technical assistance relating to arms were also received. There were several construction projects, including a military academy, the Ministry of Defense headquarters. North Korean construction was also ongoing in Suider Hof (UNSC, 2017b, p. 43). Satellite imagery shows that construction continued until at least 2014; it started in 2010 and was discontinued in April 2015 (UNSC, 2017b, p. 43). In 2015, Namibia informed the UN of Mansudae’s involvement in the construction of monuments and government buildings. Construction included the UBM construction technology center at Leopard Valley Base, a new central office at Tsumeb Base, the Lafrenze building, and the renovation of a guest house; the guest house contract stipulated that construction would last until February 2017. Mansudae withdrew $280,000 from a Namibian bank to distribute to 14 employees in $20,000 increments to hand carry back to North Korea (UNSC, 2017b, pp. 43–44). In 2017, Mansudae constructed a new headquarters for the National Central Intelligence Service (UNSC, 2017a, p. 14). Namibia notified the UN of repatriation of 242 North Korean nationals and the cancelation of outstanding projects in 2018 (UNSC, 2018, p. 44).</td>
</tr>
<tr>
<td>Niger</td>
<td>Islamic State presence reported (Foucher, 2020).</td>
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<tr>
<td>Country</td>
<td>Details</td>
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<tr>
<td>Nigeria</td>
<td>Islamic State (Boko Haram) presence reported (Foucher, 2020).</td>
</tr>
<tr>
<td>Rwanda</td>
<td>A South African representative of the Malaysian front company Glocom seeking to do business with a partner in Rwanda was provided with a counterfeit letter of credit and audited financial statements by Glocom (UNSC, 2018, p. 189 and Annex 69).</td>
</tr>
<tr>
<td>Senegal</td>
<td>North Korea constructed the African Renaissance Monument (UNSC, 2017b, p. 44).</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>Sierra Leone provided a flag of convenience for North Korea’s Global Nampo and New Hunchan (UNSC, 2014, p. 46). In 2018, Taiwan was the base of a network behind vessels involved in ship-to-ship transfers of petroleum products. Affiliated companies were also located in the Marshall Islands and the British Virgin Islands, with ships flagged in Dominica, Hong Kong, China, Panama, and Sierra Leone (UNSC, 2018, p. 16).</td>
</tr>
<tr>
<td>Somalia</td>
<td>Al-Shabaab presence reported (Foucher, 2020).</td>
</tr>
<tr>
<td>South Africa</td>
<td>A ship, the Westerhaver, was stopped in the port of Durban while transporting weapons to the Republic of the Congo (UNSC, 2010, p. 25). A South African representative of Glocom was provided with a counterfeit letter of credit and audited financial statements by Glocom (UNSC, 2018, p. 189 and Annex 69).</td>
</tr>
<tr>
<td>Sudan</td>
<td>In August 2013, North Korea supplied 5M euros worth of 122 mm precision-guided rocket control sections and 80 air attack satellite-guided missiles to the Sudan Master Technology Engineering Company via KOMID and the Chosun Keuncheon Technology Trade Company (UNSC, 2017b, p. 41).</td>
</tr>
<tr>
<td>Tanzania</td>
<td>In August 2013, a media report alleged that around 18 military technicians from North Korea were involved in refurbishing Tanzanian F-7 fighter jets and other military aircraft based at Mwanza Air Force Base. The “Tanzanian People’s Defence Force Air Wing has around 10 F-7 fighter jet aircraft based at Mwanza Air Force Base,” and “new facilities to store these aircraft had recently been constructed” (UNSC, 2014, p. 34). In 2016, despite official deregistration (per Resolution 2270 [2016], 2016), many of the vessels continued to sail under the flag of Tanzania (UNSC, 2017b, p. 32).</td>
</tr>
<tr>
<td><strong>Country</strong></td>
<td>Description</td>
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<tr>
<td><strong>Togo</strong></td>
<td>Togo was the country of registration of a vessel transporting coal from North Korea to Russia in 2017 (UNSC, 2018, p. 28).</td>
</tr>
<tr>
<td><strong>Tunisia</strong></td>
<td>The representative of the designated North Korean Foreign Trade Bank operating under diplomatic cover in neighboring Tripoli, Libya, opened bank accounts supporting North Korean proliferation activities at two banks in Tunisia: the Arab Tunisian Bank and International Arab Bank of Tunisia (UNSC, 2018, pp. 61, 175).</td>
</tr>
<tr>
<td><strong>Uganda</strong></td>
<td>In July 2013, North Korea provided training and medical expertise to Ugandan police under a 2008 intergovernmental agreement (UNSC, 2014, pp. 35–36). In December 2015, 45 North Korean nationals, including 19 security instructors, provided training for the paramilitary police; 400 police officers trained at Oliver Tambo Leadership Institute and at the Ugandan Junior Command and Staff College. North Korean advisers and trainers dressed in Ugandan uniform (UNSC, 2016, pp. 42–43). In June 2016, two police training contracts involving 45 personnel from North Korea expired (UNSC, 2017b, p. 46). In March 2018, North Korea trained air force pilots and technicians as part of a contract that expired in March 2018 (UNSC, 2017b, p. 46). Nineteen officers ranging in rank from brigadier to major executed the air force contract and three colonels and a major led the military training team and then left the country (UNSC, 2018, pp. 54, 74, 189, and Annexes 88, 89). In September 2017, Uganda had informed the UNSC POE that all remaining military cooperation projects with North Korea that are prohibited under UNSC Resolution 1874 (2009) had expired or been terminated.</td>
</tr>
<tr>
<td><strong>Zambia</strong></td>
<td>MKP has 16 affiliate firms in Zambia run by an Algerian national, Mohammed Yazid Merzouk; the firms have Zambian nationals as directors. In 2011, MKP bought a stake in a Zambian bank, Commercial Capital Corporation (UNSC, 2018, pp. 74, 189, and Annex 72).</td>
</tr>
<tr>
<td><strong>Zimbabwe</strong></td>
<td>North Korea constructed Hero’s Acre and a statue of Joshua Nkomo (UNSC, 2017b, p. 44).</td>
</tr>
</tbody>
</table>
Appendix B. North Korean Negotiating Tactics

FIGURE 4. NORTH KOREAN NEGOTIATING TACTICS

STRATEGY

Constantly rotate the focus of negotiating efforts between the great powers to successfully maneuver between them.

PHASES

1. Getting to the table
2. Concluding the agreement
3. Reinterpreting the agreement
4. Disavowing the agreement
5. Blaming the other side

SOFTEN POSTURE, RAISE HOPES

WHO MOVES FIRST (CHOICE OF FORMAT)?

LIMIT OR BROADEN THE SCOPE; CHERRY-PICK PACKAGE DEAL

DISPUTE OR REINTERPRET AGREEMENT

AGREE IN PRINCIPLE

INITIATE TALKS

DEFEND TERMS TO AVOID REINTERPRETATION

SYNOPSIS:

1. Getting to the table
2. Concluding the agreement
3. Reinterpreting the agreement
4. Disavowing the agreement
5. Blaming the other side

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>AIS</td>
<td>Automatic Identification System</td>
</tr>
<tr>
<td>DCB</td>
<td>Daedong Credit Bank</td>
</tr>
<tr>
<td>DPRK</td>
<td>Democratic People’s Republic of Korea (North Korea)</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>FATF</td>
<td>Financial Action Task Force</td>
</tr>
<tr>
<td>Glocom</td>
<td>Global Communications Co.</td>
</tr>
<tr>
<td>IMO</td>
<td>International Maritime Organization</td>
</tr>
<tr>
<td>KOGEN</td>
<td>Korea General Corporation for External Construction</td>
</tr>
<tr>
<td>KOMID</td>
<td>Korea Mining Development Trading Corporation</td>
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<tr>
<td>MKP</td>
<td>Malaysia Korea Partners</td>
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<td>OMM</td>
<td>Ocean Maritime Management</td>
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<tr>
<td>POE</td>
<td>Panel of Experts</td>
</tr>
<tr>
<td>PSP</td>
<td>Pan Systems Pyongyang</td>
</tr>
<tr>
<td>RGB</td>
<td>North Korean Reconnaissance General Bureau</td>
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NOTES


9 Japan now has 45.5 tons of separated plutonium—8.9 tons at home and 36.6 tons in Britain and France, where spent fuel from Japanese nuclear plants has been reprocessed and stored because Japan lacks a plant to produce mixed oxide (MOX) fuel containing plutonium. The amount is enough to make about 6,000 atomic bombs. See Thomas C. Reed and Danny B. Stillman, *The Nuclear Express: A Political History of the Bomb and Its Proliferation*, Minneapolis, Minn.: Zenith Press, 2009; Mari Yamaguchi, “Japan Sticks to Nuke Fuel Cycle Despite Plutonium Stockpile,” AP News, October 21, 2020.

10 BBC, “Saudi Arabia Pledges to Create a Nuclear Bomb If Iran Does,” March 15, 2018; Ethan Meick,


14 Binary chemical weapons consist of two nontoxic precursor chemical agents that are mixed during the delivery system’s flight to form a lethal toxic agent.


19 Sanctions are restrictive measures adopted by a governing organization against a country, entity, or person to protect or maintain peace and security.


21 According to the 2010–2021 UNSC POE reports (see UNSC, undated-a), the principal countries on the Asian continent that are implicated are China, with more than 300 identified entities involved; Singapore and Malaysia, with close to 30; Japan, Taiwan, and Syria, with close to 20; and Vietnam, South Korea, and Iran, with close to ten. Note that entity consists of companies, front companies, shell companies, joint ventures, and North Korean government-controlled espionage cells located in foreign countries.
According to the 2010–2021 UNSC POE reports (see UNSC, undated-a), the principal European countries implicated are Russia, with close to 70 identified entities involved; Poland, with close to 20; and Switzerland and Italy, with close to ten each.

23 The UNSC POE has expressed concern about the scale of North Korean operations in Africa (UNSC, 2017b, pp. 4, 27). The primary African countries of concern are Zambia, with 22 identified entities involved; Uganda, with 17; Tanzania, with 12; Egypt, with nine; Namibia, with seven; and Angola and Mozambique, with six.

24 UNSC, 2014, p. 37. Members of the al-Shabaab were also reported to have fired North Korea–supplied 60 mm mortar rounds; UNSC, Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009), New York, S/2021/211, 2021, p. 42.

25 Bechtol, 2018, p. 95.


28 UNSC, 2021, p. 41.


31 According to analysis of the UNSC POE’s 2010–2021 reports (see UNSC, undated-a), despite repeated avowals from the Chinese government since the inception of UN sanctions that it strictly enforces UN sanctions on North Korea, China has permitted more than 300 entities in 50 Chinese cities to willingly abet North Korean sanctions evasion. According to the same UNSC POE reports, Russia has permitted 69 entities in 21 of its cities to do the same.


33 Nuclear Suppliers Group, homepage, undated.

34 Zangger Committee, homepage, undated.

35 Australia Group, homepage, undated.

36 Missile Technology Control Regime, homepage, undated.

37 Wassenaar Arrangement, homepage, undated.


39 World Customs Organization, homepage, undated; UN Office on Drugs and Crime, homepage, undated.


41 UNSC, 2012, p. 38.


43 Sarah Heintz, Michael Shurkin, and King Mallory, DPRK Sanctions: Countering DPRK Proliferation Activities, Santa Monica, Calif.: RAND Corporation, TL-332-DOS, 2019, p. 3.

44 Heintz, Shurkin, and Mallory, 2019.

45 UN, undated.

70


47 The 1718 Committee maintains a consolidated list of all sanctions imposed on countries by the UN. UNSC, “Security Council Committee Established Pursuant to Resolution 1718 (2006),” webpage, undated-c.


49 UNSC, undated-c.

50 For further details on EU sanctions and references to the relevant official documents and guidance, see Heintz, Shurkin, and Mallory, 2019, pp. 16–23.

51 The relevant bodies within the Department of State are the Directorate of Defense Trade Controls, the Office of Export Control Cooperation, and the Export Control and Related Border Security Program.

52 For further detail on U.S. sanctions and the relevant official documents and guidance, see Heintz, Shurkin, and Mallory, 2019, pp. 24–38.


54 UN, undated.


56 The activities that are incompatible with their diplomatic status but are carried out by North Korean diplomats and administrative and technical staff assigned to North Korean embassies in support of the evasion of UN sanctions have been quite significant both in scope and in scale. To cite Asian embassies of North Korea as but one example, diplomats and associated administrative and technical staff at the North Korean mission in China supported attempts to acquire dual-use or restricted technology or commodities by Namhun Trading and Namchongang Trading Corporation; currency-generation activity by General Precious Metal Complex, Korea Mining Development Trading Corporation (KOMID), and Malaysia Korea Partners; covert financing activity by New Times
International Transport Service Co. Ltd. and Pan Systems Pyongyang; and activities undertaken by Korea Heungjin Trading Company’s Dandong office and Korea Unsong Trading Corporation. Most of the support came from the Beijing chancellery. However, staff at the North Korean Consulate General in Shenyang and at the trade delegation in Dalian also played significant roles. Diplomats and associated administrative and technical staff at the North Korean embassy in Kuala Lumpur, Malaysia, provided support for Pongwha General Corporation’s revenue-generating activity, covert financing activity by IGS, and technology procurement activity by Sinkwang Economic and Trading Group. North Korean diplomats and associated administrative and technical staff based at the embassy in Singapore supported Chinpo Shipping Company Pte., Ltd.’s covert finance activity, the activities of Korea Tonghae Shipping Company, and the activities of Great Best Trading Pte Ltd. Diplomats and associated administrative and technical staff at the North Korean embassy in Jakarta, Indonesia, supported covert finance activity by Jinmyong Joint Bank and the activity of Jinmyong Trading Group while using the establishment of a Java cultural center as cover.

Similar narratives can be built from materials in the 15 UNSC POE reports on North Korean diplomatic missions in Europe, Africa, and South America (available at UNSC, undated-a).


58 UNSC, 2016, p. 4.

59 UNSC, 2020a, pp. 5, 54.

60 UNSC, 2014, pp. 35–36; UNSC, 2019b, p. 4; UNSC, 2020a, p. 5.

61 UNSC, 2020a, pp. 5, 54.

62 UNSC, 2016, p. 4.

63 UNSC, 2020b, p. 5.

64 For entering countries on student or tourist visas, see UNSC, 2015, p. 35; UNSC, 2016, p. 4; UNSC, 2017b, pp. 40, 79; UNSC, 2021, p. 50.


66 This includes a number of ethnic Korean residents of Japan (zainichi). See UNSC, 2012, p. 35; UNSC, 2016, pp. 4, 30, 62; UNSC, 2017b, p. 4; UNSC, 2019b, pp. 4, 22; 72; UNSC, 2020a, p. 48.


68 Bechtol, 2018, p. 137.

69 UNSC, 2013, p. 131; UNSC, 2017b, p. 73.

70 That company was Malaysian Coal and Minerals Corporation Sdn Bhd; see UNSC, 2015, p. 60.

71 His passport photo is available at UNSC, 2017a, p. 106.

72 The front company was Good Field Trading Limited, Hong Kong, which forwarded the funds to Korea Kwangson Banking’s Dandong, China, branch office; see UNSC, 2018, p. 178.


74 UNSC, 2017a, p. 93.

75 UNSC, 2018, pp. 73, 74; UNSC, 2020b, p. 127.

76 UNSC, 2018, p. 73.

77 UNSC, 2018, pp. 72, 73.


79 UNSC, 2019a, p. 236; see also UNSC, 2019a, p. 330.

80 UNSC, 2018, p. 74.

81 UNSC, 2018, p. 74.
In Zambia, only 15 percent of the total amount for each project was paid to the laborers (by MKP); see UNSC, 2019a, p. 236.


The specific sanction that MKP was evading was on the export of North Korean coal.

See, for example, UNSC, 2019a, pp. 308-311.
These technologies were maraging steel; frequency changers, converters, and inverters; high-strength aluminum alloy; fibrous or filamentary materials and prepregs; filament winding machines and related equipment; ring magnets; and semihard magnetic alloys in thin-strip form (UNSC, 2012, p. 36; UNSC, 2013, p. 33).
The UNSC POE has identified more than 150 such foreign agents; see UNSC, 2010, p. 26; UNSC, 2011, p. 45; UNSC, 2014; UNSC, 2018, p. 44.

UNSC, 2016, p. 34; UNSC, 2017b, pp. 32–37.


UNSC, 2018, p. 38; UNSC, 2019a, p. 38.


Mazarr, 1997, p. 25.


UNSC, 2015, p. 17; UNSC, 2018, p. 19.

UNSC, 2013, p. 25.

UNSC, 2016, p. 17.


UNSC, 2019b, p. 25.


UNSC, 2016, p. 63.

The UNSC lists Beijing, Shenyang, Vladivostok, Bangkok, and Kuala Lumpur; see UNSC, 2013, p. 48. In the past, Air Koryo has had scheduled service to Chongjin, Macau, Samjiyon, Seoul, Yangyang, and Busan.

In 1999, Indian customs (acting on a tip) searched the North Korea–flagged vessel Kuwolsan, owned and operated by Korea Buhung Shipping Co., carrying a cargo of sugar. After overcoming crew resistance, officials found crates of Scud missile components labeled “water refinement equipment” en route to Pakistan or possibly Libya (the manifest had been falsified) from North Korea (UNSC, 2014, p. 44). In 2002, Spain intercepted the So San carrying a covert cargo of Scud missiles. See Giles Tremlett and John Gittings, “US and Spain at Sea over Korean Missiles: Inquest Begins into Operation Against Cargo Ship,” The Guardian, December 11, 2002.


The countries include North Korea, Brazil, China, Egypt, Greece, Japan, Malaysia, Peru, Russia, Singapore, and Thailand; see UNSC, 2015, pp. 31, 56, 53, 61, 63, 83, 138, 143, 160, 206, 212, 219.

The old names were Tonghae Sonbak Co Ltd, Taedonggang Sonbak Co Ltd, Sohae Sonbak Co Ltd, Ocean and Maritime Management, and the current names are Haejin Ship Management Co Ltd. and Yongjin Ship Management Co Ltd. See UNSC, 2015, pp. 50, 53, 54, 60, 122.

UNSC, 2015, p. 54.

UNSC, 2015, pp. 53, 61.

UNSC, 2015, pp. 54–57.

UNSC, 2015, p. 138.

UNSC, 2015, p. 54.

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UNSC, 2015, pp. 52, 66, 160.

UNSC, 2015, pp. 44, 46, 438, 56, 64.

UNSC, 2017a, p. 56.

UNSC, 2017a, p. 56.

UNSC, 2015, p. 51.

UNSC, 2015, pp. 4, 53.

UNSC, 2015, p. 53. For another example of the separation of logistics from finance, see UNSC, 2020a, p. 186.


UNSC, 2016, p. 51.

UNSC, 2017b, p. 52.


UNSC, 2016, p. 50.

UNSC, 2016, p. 47.

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UNSC, 2016, p. 66.


UNSC, 2011, p. 45.

The destinations are Beijing, Shenyang, Vladivostok, Bangkok, and Kuala Lumpur; see UNSC, 2013, p. 48.


There is a nonstop flight between North Korea and Iran; see UNSC, 2010, p. 26; UNSC, 2011, pp. 31, 45; UNSC, 2013, p. 32.

For other indicators of potential sanctions evasion by air, see UNSC, 2013, p. 50.

UNSC, 2018, p. 51.


UNSC, 2018, p. 31; UNSC, 2019a, p. 5; UNSC, 2019b, p. 10; UNSC, 2020a, pp. 21, 114; UNSC, 2020b, p. 16.


UNSC, 2019a, p. 22; UNSC, 2020a, p. 36; UNSC, 2021, p. 28.


For examples of a bareboat charter, see UNSC, 2019b, p. 51; UNSC, 2017b, p. 31; UNSC, 2021, p. 193. For examples of hijackings of bareboat chartered vessels, see UNSC, 2019a, p. 26; UNSC, 2019b, p. 11; UNSC, 2020a, p. 116.


UNSC, 2017b, pp. 28–32.


UNSC, 2020b, p. 127.

UNSC, 2018, pp. 23, 110; UNSC, 2020a, p. 27.


UNSC, 2013, pp. 31–32.

UNSC, 2016, p. 64.

UNSC, 2016, p. 62; UNSC, 2017b, p. 78; UNSC, 2017a, p. 21; UNSC, 2019a, pp. 4, 57n134; UNSC, 2020b, p. 43.

UNSC, 2017b, p. 78.

UNSC, 2017b, p. 79.


In addition to the DCB ledger, examples include the following:

Korean International Exhibition Corporation operated a three-way ledger with Royal Team Corporation and a third, unnamed company [UNSC, 2016, p. 63].

Korea Kwanson Banking Corporation operated a ledger with Dandong Hongxiang Industrial Development Co. Ltd. [UNSC, 2017b, p. 63].


North Korea sold gold on credit, with terms directing the buyers to
remit the purchase price to third parties as payments for services provided to North Korea [UNSC, 2014, pp. 59–60].


261 UNSC, 2017b, pp. 72, 78, 79; UNSC, 2020a, p. 62.

262 For immediate cash courier turnaround from Tehran, the United Arab Emirates, and back to Tehran, see UNSC, 2017b, pp. 43–44, 77–79; UNSC, 2019a, p. 34.

263 For North Korean vessel captains carrying undeclared bulk cash, see UNSC, 2019a, p. 20.

264 UNSC, 2016, pp. 43, 46; UNSC, 2017b, pp. 72, 79; UNSC, 2020a, p. 62.

265 UNSC, 2016, p. 46; UNSC, 2017b, p. 79.

266 UNSC, 2019a, pp. 21, 51; UNSC, 2019b, pp. 4, 26, 28–29; UNSC, 2020a, pp. 4, 5, 62; UNSC, 2020b, p. 43.


272 UNSC, 2017a, p. 22; UNSC, 2018, pp. 59, 63; UNSC, 2019a, pp. 5, 49, 52, 55; UNSC, 2020a, p. 63; UNSC, 2020b, p. 27.


275 UNSC, 2018, p. 69.

276 UNSC, 2019a, p. 50n112.

277 UNSC, 2015, p. 69.

278 UNSC, 2016, p. 66.


280 UNSC, 2016, p. 4.

281 UNSC, 2015, p. 70.

282 Payments for three shipments were made by four entities per UNSC, 2014, and then by eight entities per UNSC, 2019a, p. 304.


284 UNSC, 2018, p. 70.

285 UNSC, 2017a, p. 22.

286 UNSC, 2018, p. 61.

287 UNSC, 2017a, p. 22; UNSC, 2018, pp. 59, 63.

288 UNSC, 2015, p. 70; UNSC, 2018, p. 17.

289 UNSC, 2015, pp. 196, 284, 303; UNSC, 2016, p. 66.

290 For further information on implementing strategic trade controls, please see the accompanying handbook, King Mallory, Michael Shurkin, Karishma Patel, and Michael Gaines, DPRK Sanctions Workshop: Countering DPRK Proliferation Activities, Santa Monica, Calif.: RAND Corporation, forthcoming.
The United Nations imposed increasingly restrictive sanctions on North Korea after each of the six nuclear weapons tests that it conducted between 2009 and 2016. However, enforcement of those sanctions has been mixed.

In this report, the author describes the origins of North Korea’s hostility toward the West in the Korean War, the behaviors that led that country to continue to be regarded as hostile and aggressive, and the multilateral arms control mechanisms available and sanctions regimes imposed on North Korea to contain its proliferation activities and bring that country back into compliance with international law. The author then details the various entities involved in North Korean sanctions evasion activities and proceeds to use case studies to illustrate North Korea’s principal sanctions evasion techniques in four general areas of sanctions evasion activity: hard-currency generation, restricted and dual-use technology acquisition, covert transport, and covert finance. The report is intended as a reference and learning tool for the wide variety of practitioners who form touch points with the global North Korean sanctions evasion ecosystem.