



LUX & LOADED

EXPOSING NORTH KOREA'S STRATEGIC PROCUREMENT NETWORKS

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COVER IMAGE

Cover art by Max Prentis.

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EXECUTIVE SUMMARY

North Korea acquires high-end luxury goods through the same overseas smuggling networks as other contraband. As a result, their detection and seizure could be a means to drive action against the Kim regime's core procurement operations. High-end luxury goods share key features with dual-use goods for North Korea's weapons program: they are scarce, specialized products with high monetary value and great symbolic importance for the Kim regime. However, unlike dual-use goods, luxury products like armored Mercedes vehicles are easily identifiable on publicly available trade records and at port. While some previous reports have examined entities involved in diversion cases for both luxury and dual-use goods, most research has analyzed North Korean luxury goods acquisition in the context of regime enrichment. To our knowledge, no previous report has expressly investigated high-end luxury goods as an analytical proxy for mapping the Kim regime's active procurement routes, commercial facilitators, and capabilities.

This report extends proven C4ADS methodologies for tracking North Korea's illicit commercial operations to global luxury goods supply chains. We leverage publicly available information like corporate registry filings, trade records, vessel tracking data, customs records, and social media to inform two key findings:

First, between 2015 and 2017, as many as 90 countries served as luxury goods procurement sources for North Korea, a much broader scope than previously understood. United Nations Security Council Resolution 1718 (2006), which prohibits the export or transshipment of luxury goods to North Korea, delegates to Member States the responsibility to delineate which products constitute "luxury goods" that are subject to export control. But to date, the international community has publicized only 13 such export control regimes, ten of which do not include standardized product codes that could be generalized internationally. By matching the product descriptions of controlled items to Harmonized System (HS) codes, we demonstrate that current export control regimes developed by Member States in response to the luxury goods prohibitions in UNSCR 1718 (2006) have limited utility for multilateral enforcement. Most export control regimes do not correspond to the international commodity classification system that categorizes the majority of global trade.

Second, the Kim regime continues to maintain sophisticated procurement capabilities through U.S.-allied countries despite sanctions. Our report uses network and supply chain analysis to investigate previously unreported shipments to North Korea of more than 800 luxury vehicles, including two armored Mercedes-Maybach S600 Guard vehicles shipped in October 2018 valued at more than \$500,000 each. We show that the vehicles originated in Germany, the Netherlands, and Thailand before being transshipped through China, Japan, South Korea, and the Russian Far East. This report represents the first attempt to distinguish between general North Korean cross-border trade and the Kim regime's core procurement operations using multiple important contextual factors: the value of the product, assumptions about end users, the degree of risk undertaken given the shipment route, the broader commercial activities of implicated entities, and the complexity of the obfuscation techniques employed. We show that the commercial entities involved in shipments of high-end luxury products operate in multiple jurisdictions, have significant freight handling capabilities, and engage with North Korea in other prohibited commercial activities like ship-to-ship transfers, coal exports, overseas labor, and arms sales.

This report provides a roadmap for law enforcement and civil regulators to implement a more targeted and effective sanctions campaign against the Kim regime's core procurement networks. We demonstrate that relevant authorities can leverage publicly available information on trade in luxury goods to delineate the proximity of North Korea's commercial facilitators to core regime operations. Sanctions practitioners can use this information to better calibrate a more effective sanctions campaign that not only reduces the negative externalities on average North Koreans but also damages the regime's ability to maintain core operational procurement capabilities.

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INTRODUCTION

In October 2018, Supreme Leader of North Korea Kim Jong Un arrived to meet U.S. Secretary of State Mike Pompeo in a new Rolls Royce Phantom.¹ Just three months later, Kim Jong Un flaunted yet another new vehicle on Korean Central Television: an armored Mercedes-Maybach S600 Guard, which is marketed to heads of state and is valued at more than \$500,000.² While observers wondered how he could acquire premier luxury vehicles amidst international sanctions, Kim Jong Un paraded his fleet of luxury vehicles for international media—first in Hanoi, Vietnam with U.S. President Donald Trump, then in Vladivostok, Russia with Russian President Vladimir Putin, and most recently in Pyongyang, North Korea with Chinese President Xi Jinping.^{3 4}

The United Nations Security Council prohibited the export of luxury goods to North Korea in UNSCR 1718 (2006), its first ever resolution that was directed at the regime and binding on Member States. However, enforcement has been woefully inadequate because of unclear guidance on the definition for luxury goods, inconsistent implementation across jurisdictions, and the limited utility of current export control regimes to screen for luxury shipments. As a result, North Korean imports of luxury goods have been unaffected: in their book *Hard Target: Sanctions, Inducements, and the Case of North Korea* (2017), Stephan Haggard and Marcus Noland found that international sanctions programs did not affect luxury goods exports to North Korea between 2002 and 2014, findings which we extend in our own analysis.⁵

Chairman Kim is not the only North Korean driving luxury vehicles from Western suppliers, nor are luxury cars the only high-end products to which North Korean elite maintain access amidst a bruising international sanctions program. While sanctions have restricted the Kim regime's ability to import raw materials and equipment for its government and military programs, private merchants—alongside North Korean diplomats overseas—have continued to import consumer goods including name-brand clothes, designer cosmetics, and Apple iPhones for resale on domestic markets.⁶ These private merchants, the *donju*, comprise 1-2% of the population and can independently trade abroad.⁷ Their purchasing power should not be understated. In his book *Unveiling the North Korean Economy* (2017), South Korean economist Byung-Yeon Kim estimated that North Koreans earn 80 times more money in the informal market economy than in official jobs, and by some estimates, they control at as much as \$25 billion in capital.⁸

While market activities have flourished under Kim Jong Un, they are not new to North Korea.⁹ For two decades, merchants have brought goods into North Korea that the government itself could not. Following a devastating famine in the 1990s, farmers began to cultivate their own plots of land and trade goods on black markets.¹⁰ Over time, private entrepreneurs began to support mines, loan businesses, fishing fleets, and trading companies, through which they have formed a “symbiotic relationship”¹¹ with corrupt officials that serves multiple strategic interests of the Kim regime.¹² For one, markets constitute a substantial revenue stream for the political elite. One economist estimates that North Korean government officials earn the equivalent of 6-7% of GDP from bribes, the majority of which are believed to be paid to police officers and national security agents by those who conduct market activities.¹³ Second, market activities continue to sustain basic economic functions within North Korea, providing as much as 80% of North Korea’s population with income and 85% with its food.¹⁴ But perhaps most significantly, by allowing the *donju* to import and resell luxury products through expanding market activities, the Kim regime can placate the rising material expectations of the elite class, even as sanctions force closures at state-run factories that form the traditional backbone of North Korea’s formal economy.¹⁵

Private entrepreneurs, government officials, and their overseas commercial associates trafficking in the highest-end luxury goods are most likely to be aligned with the procurement priorities of the Kim family and its inner circle. Like certain dual-use goods for North Korea’s weapons program, items like foreign luxury vehicles—as opposed to tobacco, clothing, and perfumes that are in wider demand and circulation—are scarce, specialized products with limited producers, great symbolic

importance for the Kim regime, and a price tag that is prohibitively expensive for even some of the wealthiest North Koreans. Hugh Griffiths, who served as the coordinator of the UN Panel of Experts to monitor North Korean sanctions compliance, analogized luxury vehicle procurement to WMD procurement in a June 2019 interview with *USA Today*: “If you can smuggle luxury limos into North Korea, which is done by shipping container, that means you can smuggle in smaller components –dual-use items for ballistic and nuclear programs.”¹⁶ To bring both high-end luxury vehicles and essential components into North Korea, the Kim regime must turn to its most trusted and capable middlemen with the tools that sustain its core operational procurement capability: sufficient international liquidity, global market access, and significant freight handling capabilities.^{17 18}

This report demonstrates that publicly available information on trade in luxury goods can assist policymakers in identifying the commercial facilitators that have the trust and liquidity required to fulfill the primary procurement demands of the Kim regime beyond the more generic North Korean elite class. Law enforcement and civil regulators can use this information to calibrate a more effective sanctions campaign that not only reduces negative externalities on average North Koreans but also damages the regime’s ability to maintain core operational procurement capabilities.^{19 20}

WMD Dual-Use and Luxury Goods Procurement: The Case of Chong Rin Chae

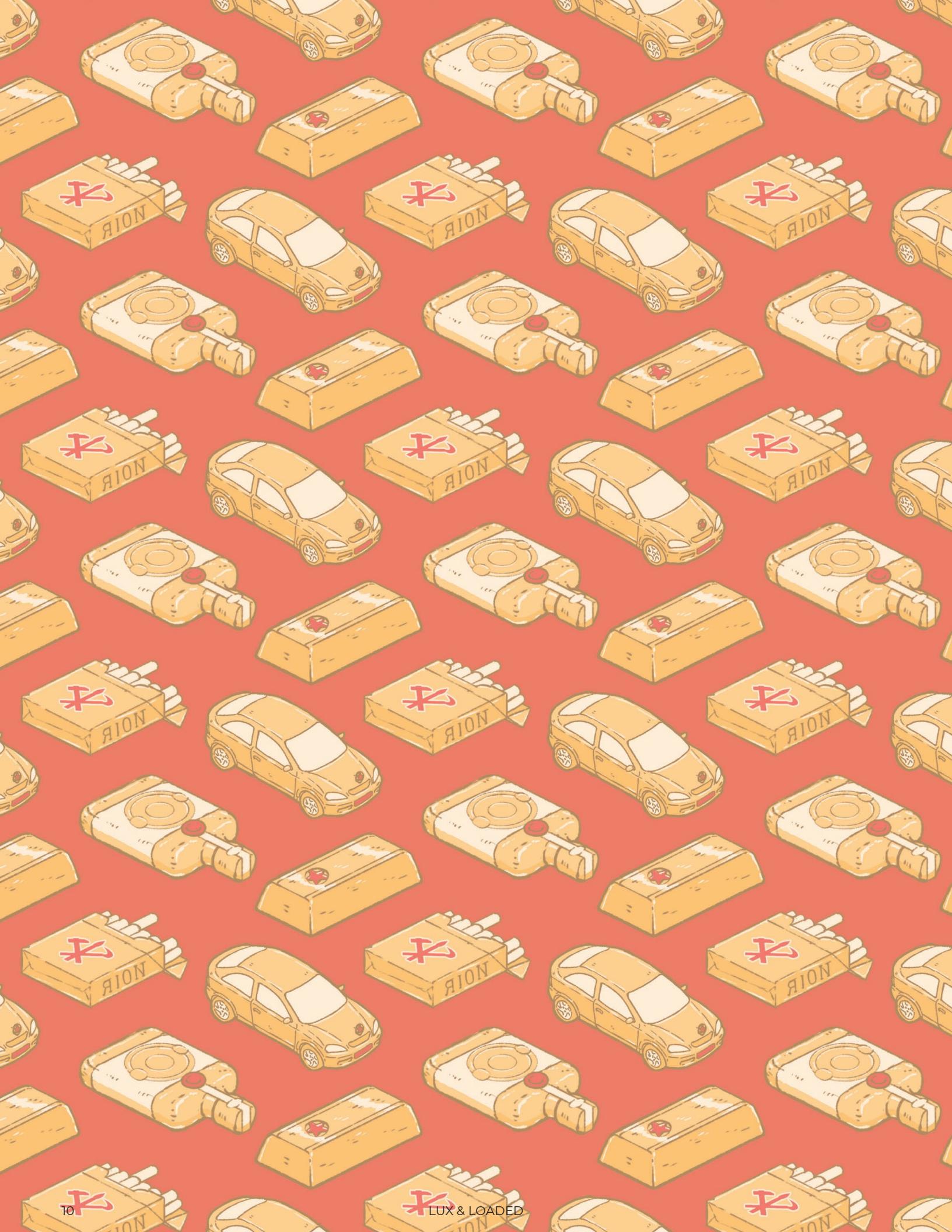
In May 2009, Japanese authorities arrested Chong Rin Chae (aka Tadao Morita, aka 盛田忠雄), a South Korean resident in Japan, for violating Japanese export control laws on weapons of mass destruction (WMD) and UN sanctions on luxury goods shipments to North Korea.²¹ Media reports claim Chong received an order for two used tanker trucks from Korea Paekho 7 Trading Company, which is allegedly subservient to the Korean People’s Army and part of the Kim regime’s procurement apparatus.²² Because the trucks could potentially be converted into missile transport vehicles, Japan’s Ministry of Economy, Trade, and Industry (METI) determined that the trucks were WMD dual-use goods whose export was subject to stringent licensing requirements.^{23 24 25} In January 2008, Chong attempted to circumvent Japanese export control laws by transshipping the trucks from Japan to North Korea via South Korea, but South Korean authorities seized the trucks while they were at port in Busan.^{26 27 28 29} Later that year, Chong illegally shipped four used Mercedes Benz vehicles and 34 pianos to North Korea via China in violation of United Nations Security Council Resolution 1718 (2006) and Japan’s ban on luxury goods exports to North Korea.^{30 31} Chong allegedly received the procurement orders from Korea Rungrado General Trading Corporation, a U.S.-designated entity allegedly controlled by the Workers’ Party of Korea and involved with regime finance and procurement.^{32 33 34}

The Chong Rin Chae case demonstrates how North Korea’s pathways for WMD dual-use and luxury goods procurement are not necessarily mutually exclusive. A network capable of smuggling high-value luxury goods through multiple jurisdictions—including countries like Japan and South Korea—is well-positioned to transport other illicit cargo. Tracking shipments of high-end luxury goods can serve as an analytical proxy to detect the Kim regime’s core procurement networks and operations.

ENDNOTES

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- 6 The *donju* are North Korea's emerging oligarchic class. *Donju* (돈주) in Korean means "money owner" or "money lender." Estimates for the size of the *donju* class vary. South Korea's National Intelligence Service estimates that 240,000 North Koreans control \$50,000 to \$100,000 of wealth, which would constitute approximately 1% of North Korea's population of 25 million people. The Institute for National Security Strategy in South Korea places the figure much higher, estimating that 500,000 people (2% of the population) control at least \$50,000 in North Korea. These estimates would suggest that private North Koreans have between \$12 and \$25 billion in assets, a significant portion of which could be used to trade on international markets and/or pay bribes to officials through domestic market participation. For more information on domestic capital markets in North Korea, see Market Reforms with North Korean Characteristics: Loosening the Grip on State-Owned Enterprises. 38 North. Retrieved from: <https://www.38north.org/2017/12/pward122117/>.
- 7 Research and reporting continue to evidence that North Korea's centrally planned economy has continued to allow independent market engagement by commercial entities. For example, Peter Ward, a sociology graduate of Seoul National University who focuses on the North Korean economy, determined from primary source research in North Korea during the summer of 2018 that North Korea had removed restrictions on "order contracts" and now allows state-run enterprises to set their own prices in consultation with customers as long as the purchase aligns with state objectives. For more information, see Ward, P. (2018, May 30). Art of the deal: commercial contracts in DPRK law. NK Pro. Retrieved from: <https://www.nknews.org/pro/art-of-the-deal-commercial-contracts-in-dprk-law/>. Archived at <https://perma.cc/Y4NG-4RW5>. For more information, also see Ward, P. (2018, September 25). Markets under Kim Jong Un: understanding the new scope of DPRK enterprise. NK Pro. Retrieved from: <https://www.nknews.org/pro/north-korean-markets-under-kim-jong-un-understanding-the-new-scope-of-dprk-enterprise/>. Archived at <https://perma.cc/C8XB-KURD>.
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- 9 In her book *The Great Successor* (2019), Anna Fifield cited work from Curtis Melvin to note that the number of government-approved markets have doubled since Kim Jong Un assumed power. For more information, see Fifield, A. (2019). *The Great Successor*. PublicAffairs. p.101.
- 10 The *jangmadang* started as an underground market in the 1990s during the famine as a way for farmers and workers to fill gaps in food rations that the government was failing to provide. Over time, the North Korean government has come to rely and cautiously accept markets, of which there are now more than 400. Curtis Melvin has done extensive work monitoring the emergence of markets in North Korea. For example, see www.nkeconwatch.org and [http://38nordigitalatlats.org/](http://38nordigitalatlats.org). Peter Ward has done extensive work to detail North Korea's gradual change in approach toward not only markets but also market ideas. For example, see endnote 7.
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- 13 Page 187 for the bribes paid to state, but don't have page number for the other bit. Also add that Unveiling the North Korean Economy (p 198) – bribes are 6-7% of GDP and primarily around informal market activities. The bribe rates and volume hasn't changed in years which means that it is probably at equilibrium between authorities and private folks. The bribery reinforces the informal economy and negatively impacts production.
- 14 *The Great Successor* (2019) by Anna Fifield pages 101-102, citing Curtis Melvin, a South Korean survey by South Korea's Development Institute, and a paper by Kim Byung-ro.
- 15 In April 2019, the Daily NK reported that the closure of state-run factories in Pyongyang and other major cities had led to dwindling numbers of merchants in cities with small markets because local populations have lost the ability to pay for goods. The impact on domestic perceptions of Kim Jong Un's political legitimacy is not currently known. For more information, see Mun, D. (2019, April 18). Drastic fall in market merchant numbers in some areas of North Korea. Daily NK. Retrieved from: <https://www.dailynk.com/english/drastic-fall-in-market-merchant-numbers-in-some-areas-of-north-korea/>. Archived at <https://perma.cc/ZAS5-EV2Q>. For more information, also see Jang S. (2019, April 25). Pyongyang's economy faces possible stagnation. Daily NK. Retrieved from: <https://www.dailynk.com/english/pyongyangs-economy-faces-possible-stagnation/>. Archived at <https://perma.cc/F4GM-WFB>.
- 16 Shesgreen, D. (2019, June 30). Limos, vodka and nukes: How a sanctions' sleuth traces North Korea's illicit transactions. USA Today. Retrieved from: https://www.usatoday.com/story/news/world/2019/06/30/north-korea-kim-jong-un-evade-un-sanctions-get-luxury-limo-despite-trump-maximum-pressure/1523974001/?utm_source=share&utm_medium=ios_app&utm_name=ios_share_flow_optimization&utm_term=control_2. Archived at <https://perma.cc/W6LY-GADV>.
- 17 In October 2018, the U.S. Department of Treasury's Office of Foreign Assets Control (OFAC) designated the Turkey-based SIA Falcon International Group for trade in weapons and luxury goods with North Korea in deals negotiated with a representative from North Korea's embassy in Mongolia. OFAC's press release indicates that SIA Falcon "purport[ed] to operate in various other sectors and geographies, including defense, transportation, logistics, and management and investment consulting." For more information, see <https://home.treasury.gov/index.php/news/press-releases/sm503>.
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- 20 Some have argued that the Kim regime has remained obstinate to sanctions because they have reinforced the state's position in the economy: since the ruler, military, and security apparatus dominate North Korea's political institutions, typical foreign policies like "[i]ncreased trade, investment, and even aid can pose risks—for example, by threatening existing rents, empowering competing factions and constituencies that would benefit from a more open political economy, and increasing the flow of independent information." See Haggard, S. & Noland, M. (2017). *Hard Target: Sanctions, Inducements, and the Case of North Korea*. Stanford University Press.
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- 25 Japanese Ministry of Economy, Trade and Industry. (2019). Retrieved from: <https://www.meti.go.jp/press/2019/04/20190426002/20190426002-1.pdf>. Archived at <https://perma.cc/V4RF-5HG7>.
- 26 Since 2004, Japan's Ministry of Economy, Trade, and Industry (METI) has included South Korea in a "white list" of countries that enjoy preferential treatment on trade and are exempt from certain export control regulations including WMD "catch-all" provisions. Chong Rin Chae allegedly attempted to bypass export licensing requirements for the tanker trucks by falsely declaring South Korea as the final destination for the shipment. For more information on Japan's white list, see 補完的輸出規制 (キヤツチオール規制). Japanese Ministry of Economy, Trade and Industry. Retrieved from: <https://www.meti.go.jp/policy/anpo/anpo03.html>. Archived at <https://perma.cc/33U6-4XDS>.
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- 34 In their report "Taking control: Stopping North Korean WMD-related procurement" (2010), Stephanie Lieggi, Robert Shaw, and Masako Toki cited the *Kyodo News Service* and *Sankei Shimbun* for their claim that Ru'ng Ra-to Trading Company (likely an alternative spelling of "Rungrado Trading Company", a known alias of Korea Rungrado General Trading Corporation) is "known to coordinate luxury goods transactions specifically for Kim Jong-il." Similarly, in his book "North Korean House of Cards: Leadership Dynamics Under Kim Jong-un" (2015), Ken Gause asserted that Office 39 controlled Rung Ra-to Trading Co. during Kim Jong Il's rule, which is also an article by *The Asahi Shimbun* also reported that Rungrado Trading Company is considered to be subordinate to Kim Jong Il's Office 39. According to the US Department of the Treasury's Office of Foreign Assets Control (OFAC), Office 39 of the Korean Workers' Party "provides critical support to North Korean leadership in part through engaging illicit economic activities and managing slush funds and generating revenues for the leadership." For more Lieggi, Shaw, and Toki's report, see footnote 1. For Ken Gause's book, see Gause, K. (2015). North Korean House of Cards: Leadership Dynamics under Kim Jong-un. Committee for Human Rights in North Korea. Retrieved from: https://www.hrnk.org/uploads/pdfs/HRNK_Gause_NKHOC_FINAL.pdf. Archived at <https://perma.cc/4WUQ-G6W9>. For OFAC's press release describing Office 39's function, see Treasury Designates Key Nodes of the Illicit Financing Network. (2010, November 18). U.S. Department of Treasury. Retrieved at: <https://www.treasury.gov/press-center/press-releases/Pages/tg962.aspx>. Archived at <https://perma.cc/M6E4-X8WQ>.



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METHODOLOGY

This report leverages publicly available information to provide the first data-driven comparative assessment of global export control regimes for luxury goods. We then expand those findings by using network and supply chain analysis to investigate the people and companies that facilitate North Korean procurement of luxury goods.

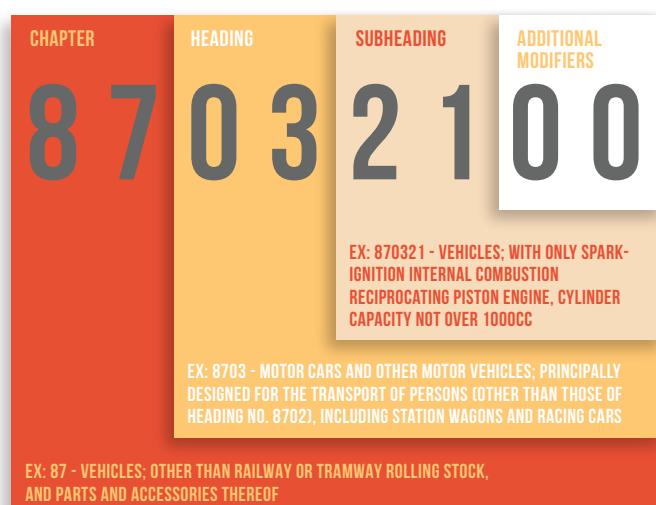
CREATING AN AGGREGATED GLOBAL SCREENING LIST

We first created an aggregated global screening list derived from the export control regimes of jurisdictions that have defined “luxury goods” in the context of North Korean sanctions enforcement. In order to identify export control regimes for luxury goods, we reviewed national implementation reports submitted by Member States to the United Nations Security Council, which certain UN Security Council Resolutions require Member States to submit with detailed plans for sanctions implementation.¹ Wherever possible, we then researched domestic export control policies for any country that indicated it had created its own list of definitions for luxury goods. As a last step, we conducted open source investigation for other luxury goods export control regimes that had not been reflected in national implementation reports. Ultimately, we identified luxury goods export control regimes in the following jurisdictions: the United Nations, the European Union, the United States, Canada, Australia, New Zealand, Switzerland, Israel, Japan, South Korea, Singapore, Hong Kong, and Russia.^{2 3} Of these 13 export control regimes, only the European Union, Russia, and Japan have defined luxury goods using standardized commodity codes.⁴ For each of the other 10 export control regimes, we matched product descriptions to specific codes from the Harmonized Commodity Description and Coding System (HS), an international commodity classification system.

What is an HS code?

The Harmonized Commodity Description and Coding System, often called the Harmonized System or “HS,” is a standardized international coding system used to classify products in shipments. The World Customs Organization first introduced the system in 1998 and now claims that HS codes are used by more than 200 countries to classify 98% of merchandise trade.⁵ HS codes range from two- to six-digits in length and are progressively more specific as they get longer. Some countries further append additional classifiers to the end of HS codes to classify products with even greater specificity. For example, for its list of controlled luxury goods, the European Union uses the Combined Nomenclature (CN) system to specify some codes that are eight digits in length.^{6 7}

WHAT IS AN HS CODE?



All HS codes can be subdivided into two-digit strings. The first two digits of a given HS code are called the “chapter,” the second the “heading,” and the third the “subheading.” Chapters are the broadest product category in the Harmonized System and are subdivided into headings, which themselves are subdivided into subheadings. HS codes defined to only the chapter (two digit) level are therefore more expansive in their coverage of a given product category than HS codes defined to the heading (four digit) level or the subheading (six digit) level. If a country were to control a good at the chapter (two digit) level, then any product with an HS code matching the first two digits would be controlled. However, if a country were to control a good at the heading level (four digit), then any product with an HS code matching the first four digits would be controlled.

For each HS code match, we assessed the strength of the match as “useful,” “ambiguous,” or “not useful” based on criteria described in the table below:

HOW USEFUL IS THE BEST HS CODE MATCH?

USEFUL



JAPAN

WORKS OF ART, COLLECTIBLES AND ANTIQUES

HS 97

“WORKS OF ART; COLLECTORS’ PIECES AND ANTIQUES”

AMBIGUOUS



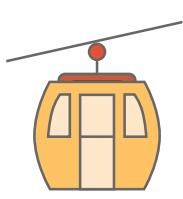
CANADA

SNOWMOBILES

HS 870310

VEHICLES; SPECIALLY DESIGNED FOR TRAVELLING ON SNOW, GOLF CARS, AND SIMILAR VEHICLES

NOT USEFUL



SWITZERLAND

INFRASTRUCTURE AND CAPITAL GOODS FOR LUXURY SPORTS FACILITIES, E.G. SKI RESORTS AND WATER SPORT FACILITIES

NO CORRESPONDING HS CODE.

| <i>Utility</i> | <i>Criteria</i> |
|-------------------|--|
| Useful | The commodity description in the export control regime exactly matches the commodity description of only one HS code OR the commodity description in the export control regime matches the general meaning of the commodity description of only one or more HS codes but uses different wording. |
| Ambiguous | The HS code description appears to capture key characteristics of the controlled product but also would capture products beyond the intended scope of the export control regime. |
| Not Useful | The commodity description in the export control regime does not match the commodity description of any HS code, or the most applicable HS code(s) captures too many products beyond the intended scope of the export control regime. |

For goods across all export control regimes, we recorded any instance in which the product description in the export control regime included features that would not be captured in commodity codes, namely a specific monetary value per unit or a subjective qualifier like “luxury,” “high value,” or “designer,” which we incorporated into our assessment of HS code utility. The findings from this analysis are detailed in the section “Defining Luxury.”

TRENDS

For all HS codes identified in association with controlled luxury goods, we queried the United Nations Commodity Trade Statistics Database (UN Comtrade). UN Comtrade is a record of import

and export statistics that nearly 200 countries report to the United Nations. According to the UN Comtrade website, the database is considered “the most comprehensive trade dataset available with more than 1 billion records.”⁸

We examined data reported by any country to the United Nations for exports to North Korea between 2015 and 2017. We excluded 2018 UN Comtrade data from our analysis because few countries had reported trade data to the United Nations at the time of research. After we acquired the data, we then used Python and R scripts to clean, prepare, and integrate it. Last, we analyzed trends in Palantir’s Gotham and Foundry platforms, which are social network analysis and big data analysis tools.

UN Comtrade data do have certain limitations.⁹ First, some countries fail to report some or all of their trade activity in a given year. Second, because national authorities self-report data to the United Nations, it is possible that countries could either misrepresent or misreport trade. Third, official customs records do not capture unreported trade or smuggled goods. Finally, UN Comtrade data do not contain entity-level information. Therefore, while the data are useful in understanding bilateral trade flows, we had to rely on other commercially available trade data sources to investigate specific entities.

CASE STUDIES

For deep-dive investigations on specific networks, we relied on official documentation like corporate registry filings and tax forms for which the source and credibility can be clearly established.

We targeted our data collection efforts according to trends observed in UN Comtrade data. Over the research period, we acquired more than 100 million rows of trade data from 57 jurisdictions, some of which contained consignor- and consignee-level information to help identify specific counterparties. We began our investigations by collecting and structuring publicly reported information on instances of North Korean luxury goods procurement from annual reports by the United Nations Panel of Experts established pursuant resolution 1874 (2009), press releases by the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) and the Department of Justice, and media articles. We then expanded our dataset by adding companies identified in Russian, Chinese, Japanese, Vietnamese, German, and Korean-language reporting.

For companies of particular interest, we accessed records from corporate, tax, property, maritime, customs, and trade databases to map corporate holdings and business activities. We used a leading maritime intelligence platform to monitor both North Korea- and foreign-flagged vessels that have reportedly engaged in North Korean sanctions evasion activities in order to determine key transshipment hubs and track individual shipments. We later prioritized leads for targeted investigation by assessing the strength of the evidence and its potential to elicit action upon discovery.

C4ADS uses official corporate records wherever available, along with commercial credit reports, to attempt to verify corporate holdings and commercial relationships. However, this information represents a snapshot of corporate activity at a given time: records may not be updated regularly, may not be consistent or wholly accurate, and may not have the same standards of reporting across jurisdictions, among other limitations. In addition, public records do not reveal all details of operations of a company or relationships between entities. Therefore, C4ADS limits its analytical conclusions to those supported directly by underlying documentation.

Unless explicitly stated, the mention of an individual, company, organization, or other entity in this report does not necessarily imply the violation of any law or international agreement and should not be construed to so imply.

ENDNOTES

- 1 In order to facilitate information sharing between Member States, the United Nations Security Council expressly indicates which national implementation reports contain information regarding luxury goods. However, this list is not exhaustive of countries that have produced definitions for "luxury goods." To review specific national implementation reports, see Implementation Reports. United Nations Security Council. Retrieved from: <https://www.un.org/securitycouncil/sanctions/1718/implementation-reports>. Archived at <https://perma.cc/3JYD-H93S>
- 2 Countries that do not create their own definitions for luxury goods are not necessarily out of compliance with UNSCRs. Several countries, like Sri Lanka, indicated that they had prohibited the export of UN-defined luxury goods items without either reproducing the list of goods into domestic policies or expanding them to include more. Additionally, while the United Nations encourages Member States to share information on policy and implementation, it does not require Member States to produce a public list of luxury goods definitions. Therefore, it is possible that other states have created export control lists for luxury goods but have not reported them publicly.
- 3 The Security Council indicates that the Maldives included a list of luxury goods definitions in its national implementation report pursuant to paragraph 11 of 1718 (2006). However, the report states only that the government of the Maldives issued a public directive in accordance with UNSCR 1718 (2006). Open source research did not locate the relevant Maldivian export control law, and it is therefore excluded from our analysis.
- 4 Russia requires that exporters "be guided by both the name of the product" and not only the suggested HS code, which leaves room for subjective interpretation. Japan prohibits all exports to North Korea. The United States Department of Commerce has a different system, known as Export Classification Control Numbers, that often do not correlate to HS codes. For more information on Department of Commerce export controls, see Export Administration Regulations Downloadable Files. U.S. Department of Commerce Bureau of Industry and Security. Retrieved from: <https://www.bis.doc.gov/index.php/regulations/export-administration-regulations-ear>. Archived at <https://perma.cc/D97B-M7X7>.
- 5 What is the Harmonized System (HS)? World Customs Organization. Retrieved from: <http://www.wcoomd.org/en/topics/nomenclature/overview/what-is-the-harmonized-system.aspx>.
- 6 Council Regulation (EU) 2017/2062 of 13 November 2017 amending Regulation (EU) 2017/1509 concerning restrictive measures against the Democratic People's Republic of Korea. EUR-Lex. Retrieved from: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2017.295.01.0004.01.ENG&toc=OJ:L:2017:295:TOC. Archived at <https://perma.cc/M7GU-HCRG>
- 7 For more on the European Union's product classification system, see EU product classification system. European Commission. Retrieved from: <http://trade.ec.europa.eu/tradehelp/eu-product-classification-system>. Archived at <https://perma.cc/LMZ7-XBXJ>.
- 8 Read Me First (Disclaimer). United Nations Commodity Trade Statistics Database. Retrieved from: <https://comtrade.un.org/db/help/uReadMeFirst.aspx>. Archived at <https://perma.cc/HCS7-FKR3>.
- 9 For a full discussion of UN Comtrade's limitations, see Read Me First (Disclaimer). United Nations Commodity Trade Statistics Database. Retrieved from: <https://comtrade.un.org/db/help/uReadMeFirst.aspx>. Archived at <https://perma.cc/HCS7-FKR3>.



DEFINING LUXURY

Bilateral Flows of Luxury Goods to North Korea

When the United Nations first banned the export and transshipment of luxury goods to North Korea in United Nations Security Council Resolution (UNSCR) 1718 (2006), it delegated to states the responsibility to define what does and does not constitute a controlled luxury good.¹ However, open source research suggests that to date, beyond the UN Security Council, only the European Union and 11 other jurisdictions have issued public export control regimes, which vary significantly in both form and scope.² Of jurisdictions that have defined luxury goods, only the European Union, Russia, and Japan have offered standardized commodity codes that can be applied across jurisdictions and screened against trade records.³ As a result, international enforcement authorities have limited ability to feasibly implement the majority of luxury goods export controls.

This section compares global export control regimes for luxury goods by matching product descriptions in the Harmonized Commodity Description and Coding System (HS) in order to accomplish three analytical goals.⁴ First, we identify points of consensus on luxury goods definitions across the international community. Second, we demonstrate the degree to which export control regimes have discrepancies, not only with each other but also with standardized international product classification systems. Third, we illustrate the scope of countries from which North Korea directly procures items that could plausibly be considered luxury goods. In doing so, we provide the first data-driven assessment of global export control regimes for luxury goods.⁵

Specific dollar figures contained within this section do not represent authoritative statements on the volume of North Korean trade in luxury goods. Instead, they should be understood as representations of the degree to which differing definitions of luxury goods can affect the scope of restricted trade. While our list was peer reviewed, we relied on subjective interpretation to match a given country's luxury goods descriptions to the product description of HS codes, a challenge for research that also poses a serious challenge for implementation.

PATCHWORK POLICIES: THE GLOBAL REGIME

The United Nations seeks to achieve luxury goods export control enforcement “in a coherent and harmonized manner” by encouraging states “to take into account … the practices of other Member States.”⁶ However, after matching export control product definitions to HS code descriptions, we found that approximately 74% of derived HS codes only correspond to a single jurisdiction’s export control regime. In fact, only one derived HS code matches product descriptions from all 13 export control regimes.⁷ Five other HS codes match product descriptions from 12 export control regimes: HS codes 7113, 8703, 8903, 701322, and 701333, which correspond to jewelry, transportation vehicles, yachts, and glassware.

Export control lists for luxury goods do, however, include products that fall under a limited number of general product categories. All 13 export control regimes include product definitions classified under HS chapters 87, 89, and 91, which correspond to vehicles, ships, and clocks or watches. The following table displays all HS chapters under which more than half of examined export control regimes reasonably classify luxury goods:⁸

| <i>HS Chapter</i> | <i>Good</i> | <i>No. of Export Control Regimes</i> |
|--------------------------|--|---|
| 87 | Vehicles | 13 |
| 89 | Ships, Boats, & Yachts | 13 |
| 91 | Clocks & Watches | 13 |
| 57 | Carpets & Textiles | 12 |
| 70 | Glass & Glassware | 12 |
| 71 | Pearls, Precious Stones, & Precious Metals | 12 |
| 22 | Beverages & Spirits | 11 |
| 33 | Perfumes & Cosmetics | 11 |
| 58 | Fabrics & Tapestries | 11 |
| 69 | Ceramic Products | 11 |
| 95 | Toys, Games, & Sports Equipment | 11 |
| 43 | Fur Skins & Fur | 10 |
| 64 | Footwear | 10 |
| 85 | Electronics | 10 |
| 24 | Tobacco & Substitutes | 9 |
| 42 | Leather Articles | 9 |
| 84 | Nuclear Reactors & Boilers | 9 |
| 96 | Miscellaneous Manufactured Articles | 9 |
| 97 | Works of Art & Antiques | 9 |
| 16 | Meat, Fish, or Crustaceans | 8 |
| 82 | Tools & Cutlery | 8 |
| 62 | Clothing & Apparel | 7 |
| 63 | Textiles | 7 |
| 92 | Musical Instruments | 7 |

UNIVERSAL DEFINITIONS: THE UNITED NATIONS

Only in UNSCRs 2094 (2013), 2270 (2016), and 2321 (2016) has the United Nations Security Council offered specific product definitions for luxury goods.⁹ However, the list is also exceedingly limited. In fact, UN-controlled luxury items do not include products like cosmetics, alcoholic beverages, or tobacco, which have nonetheless been the focus of investigations into luxury goods sanctions violations in multiple UN Panel of Experts reports.¹⁰

The table below summarizes the products that the United Nations has defined as luxury goods and proposes possible HS code matches for each product:¹¹

| UNSCR (Year) | UN Description | Additional UN Specifications | Possible HS Code Matches |
|-------------------------|--------------------------------------|---|--|
| 2094 (2013) | Jewelry | Jewelry with pearls; Gems; Precious and semi-precious stones (including diamonds, sapphires, rubies, and emeralds); and Jewelry of precious metal or of metal clad with precious metal. | 7101, 7102, 7103, 7104, 7105, 7113, 7116, 7117 |
| 2094 (2013) | Transportation items | Yachts; Luxury automobiles (and motor vehicles): automobiles and other motor vehicles to transport people (other than public transport), including station wagons; and Racing cars. | 8903, 8703, 8711 |
| 2270 (2016) | Luxury watches | Luxury watches: wrist, pocket, and other with a case of precious metal or of metal clad with precious metal. | 9101 |
| 2270 (2016) | Transportation items | Aquatic recreational vehicles (such as personal watercraft); snowmobiles (valued greater than \$2,000). | 8903, 870390 |
| 2270 (2016) | Items of lead crystal | n/a | 701322, 701333, 701341, 701391 |
| 2270 (2016) | Recreational sports equipment | n/a | 9506 |
| 2321 (2016) | Rugs and tapestries | Valued at greater than \$500. | 57, 5805 |
| 2321 (2016) | Tableware of porcelain or bone china | Valued at greater than \$100. | 6911 |

DIVERGENT DEFINITIONS: MEMBER STATES

Beyond UN guidance, the European Union, the United States, Canada, Australia, New Zealand, Switzerland, Israel, Japan, South Korea, Singapore, Hong Kong, and Russia have produced public lists of definitions for luxury goods.¹² In addition, Monaco, Norway, and San Marino have adopted the European Union's luxury goods export control list, which defines products with specific, standardized commodity codes in addition to written product descriptions.¹³

The European Union provides 347 unique commodity codes for luxury goods that fall under 38 different HS code chapters. Of those codes, 54 (16%) include Combined Nomenclature (CN) specifications that are unique to the European Union.¹⁴ The specificity of controlled product codes is summarized below:

| Scope of Controlled Commodity Code | Number of Unique Codes |
|---|-------------------------------|
| Chapter (two digits) | 1 |
| Heading (four digits) | 116 |
| Sub-heading (six digits) | 176 |
| CN (eight to ten digits) | 54 |
| Total | 347 |

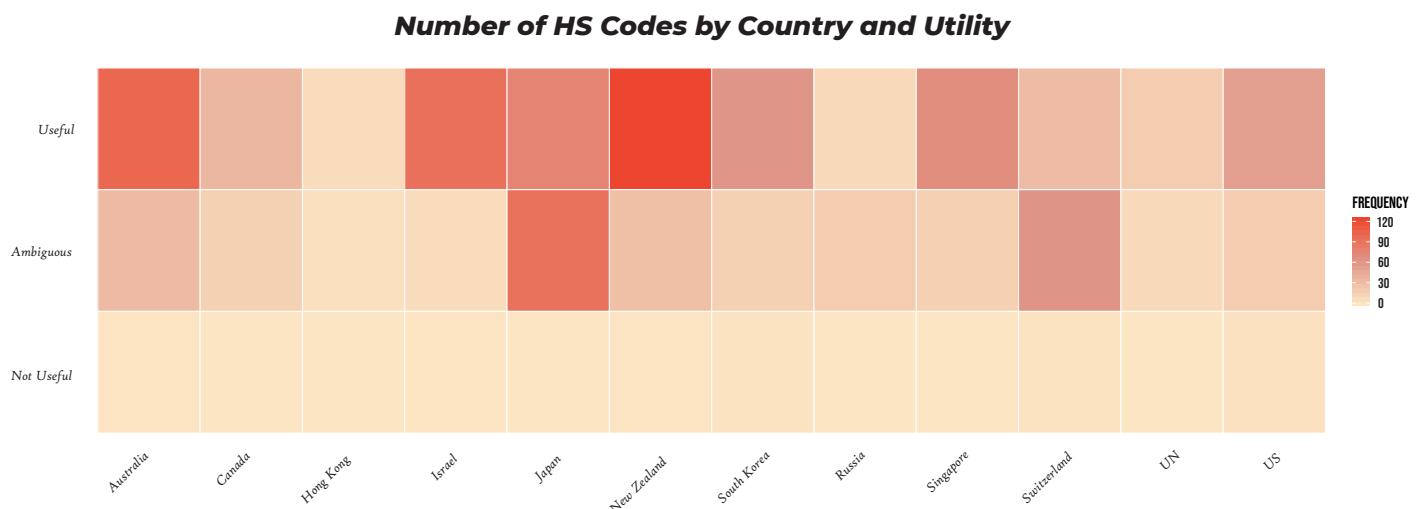
While Japan prohibits all trade with North Korea, the Japanese Ministry of Economy, Trade, and Industry (METI) has also produced a list of luxury goods defined with specific HS codes.¹⁵ The list includes 158 unique HS codes derived from 33 product specifications, nine of which include price or product exemptions that would not be captured in HS codes. The specificity of controlled product codes is summarized below:

| Scope of Controlled Commodity Code | Number of Unique Codes |
|---|-------------------------------|
| Chapter (two digits) | 4 |
| Heading (four digits) | 58 |
| Sub-heading (six digits) | 96 |
| Total | 158 |

Beyond the European Union and Japan, other jurisdictions cumulatively use 219 unique product descriptions to define luxury goods.¹⁶ Our analysis matched the 219 unique product descriptions to 285 unique HS codes.¹⁷ The specificity of controlled product codes is summarized below:

| Scope of Controlled Commodity Code | Number of Unique Codes |
|---|-------------------------------|
| Chapter (two digits) | 28 |
| Heading (four digits) | 109 |
| Sub-heading (six digits) | 148 |
| Total | 285 |

Approximately half of examined product descriptions could plausibly be affiliated with multiple HS codes. Of 219 product descriptions, 128 product descriptions (58%) matched descriptions for multiple HS codes. That more than one half of luxury good product descriptions could plausibly match multiple HS codes underscores how a subjective product description can be a barrier to coherent enforcement. The distribution of discrepancies between product descriptions and HS codes is visualized in the heat grid below:



THE RESULT: VARIED ESTIMATES FOR LUXURY EXPORTS TO NORTH KOREA

It is impossible to derive an accurate estimate for the aggregate value of luxury goods imports without consensus definitions for what does and does not constitute a luxury good. Value estimates for total luxury goods exports to North Korea depend significantly on which export control regime is applied. Nonetheless, when controlling for export control regime, UN Comtrade data indicate that international sanctions programs did not affect the aggregate value of luxury goods exports to North Korea from 2015 to 2017.¹⁸ The table below offers three estimates of luxury good export value from 2015 to 2017 using an increasingly inclusive list of definitions for export-controlled products, highlighting the degree to which inconsistent definitions affect assessments for North Korea's procurement volume:

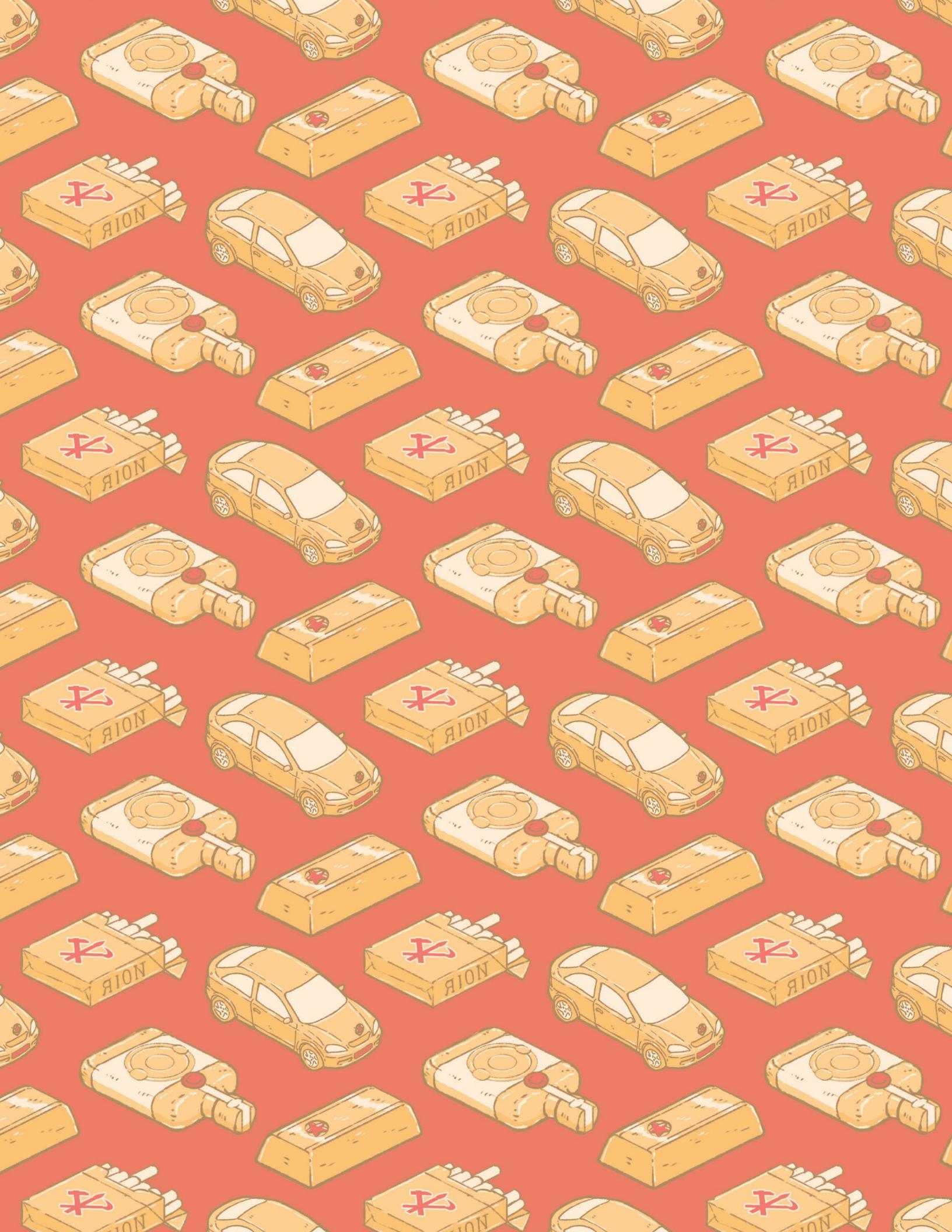
Estimated Value for North Korean Luxury Good Imports (2015-2017)

| | <i>United Nations Control List</i> | <i>Majority Control List (HS Codes that Appear on Seven or More Control Regimes)</i> | <i>Aggregated Global Control List</i> |
|---|--|--|---|
| <i>No. of Exporting Countries</i> | 32 | 50 | 90 |
| <i>Total Dollar Value Estimate</i> | \$191,012,040 | \$287,275,903 | \$5,169,388,703 |
| <i>Top Three Exporting Countries (By Value)</i> | China (95%) India (2%) Russia (1%) | China (95%) India (2%) Russia (1%) | China (93%) India (2%) Ukraine (1%) |

The number of countries that have exported luxury goods also varies significantly based on the export control regime that is applied. Under UN product definitions, only 32 countries reported exports of luxury goods to North Korea between 2015 and 2017. However, over the same time period, 90 countries reported exports to North Korea of goods classified under HS codes that would be controlled under at least one jurisdiction's luxury goods export control program.¹⁹

ENDNOTES

- 1 UNSCR 1718 (2006) Paragraph 8 (a) (iii). See S/RES/1718 (2006) United Nations Security Council. Retrieved from: <https://undocs.org/S/RES/1718>. (2006, October 14). Also see Implementation Assistance Notice No. 3 (2017). United Nations Security Council. Retrieved from: <https://www.un.org/securitycouncil/sanctions/1718/implementation-notices>.
- 2 To date, jurisdictions that have defined luxury goods are the European Union, United States, Australia, New Zealand, Japan, Switzerland, Canada, Republic of Korea, Singapore, Hong Kong, and Russia. Monaco, Norway, and San Marino have also adopted the European Union's luxury goods export control list.
- 3 The European Union prohibits trade in any product classified under a list of controlled commodity codes. While Russia includes HS codes in their export control lists for luxury goods, Russia requires that exporters "be guided by both the name of the product," which would allow for additional interpretation. The implications are explored later in this section.
- 4 The Harmonized Commodity Description and Coding System is used to classify products for 98% of global trade. For more information, see World Trade Statistical Review 2018. World Trade Organization. Retrieved from: https://www.wto.org/english/res_e/statistics_e/wts2018_e/wts2018_e.pdf. Archived at <https://perma.cc/VYY3-N48V>.
- 5 Important to note that other scholars have attempted similar methodologies—Haggard and Noland (2017) also took verbal descriptions for luxury goods from Australia and Japan and matched them to two- and three-digit SITC codes, but this was (a) ignoring a lot of jurisdictions that have also defined luxury goods and (b) using reported lists from long ago and (c) using relatively broad product categories without a treatment of their relative validity as per luxury good product description. As such, this report is the first to provide a comprehensive global treatment of all luxury goods control regimes, and also the most rigorous to date in its matching of verbal product descriptions to standardized product codes.
- 6 IAN No.3 paragraph A(vi). See Implementation Assistance Notice No. 3 (2017). United Nations Security Council. Retrieved from: <https://www.un.org/securitycouncil/sanctions/1718/implementation-notices>.
- 7 The four-digit HS code 9101 matched to definitions for all export control regimes. The code corresponds to "wrist-watches, pocket-watches, stop-watches and other watches; with case of precious metal or of metal clad with precious metal."
- 8 In Implementation Assistance Notice No. 3 (2017), the United Nations advised Member States to take care "not to restrict the supply of ordinary civilian use goods to the wider population of the DPRK nor have a negative humanitarian impact on the country." Open source reporting suggests that the North Korean government imports consumer electronics from to expand civilian access to North Korean television channels and the North Korea intranet. A full consideration of the ethics of restrictions on consumer electronics imports is beyond the scope of this paper. For example, see Williams, M. (2019, February 22). Manbang IPTV Service in Depth. 38 North. Retrieved from: <https://www.38north.org/2019/02/mwilliams022219/>. Archived at <https://perma.cc/4NXU-DJ9B>.
- 9 On January 20, 2017, the United Nations issued Implementation Assistance Notice No. 3 to provide guidelines to Member States on how to classify luxury goods. However, the document defined a set of key principles rather than specific goods. To read the notice, see Implementation Assistance Notice No. 3 (2017). United Nations Security Council. Retrieved from: <https://www.un.org/securitycouncil/sanctions/1718/implementation-notices>.
- 10 Paragraph 89 of the June 2012 UN POE report "Member States continue to tell the Panel that this lack of coordination troubles them and to seek clarification from the Panel on the scope of the sanction." See S/2012/422. (2012, June 14). United Nations Security Council. Retrieved from: <https://www.undocs.org/S/2012/422>.
- 11 We matched UN product descriptions to HS code descriptions in order to approximate bilateral exports of luxury goods to North Korea. The scores had a median confidence score of 132. (See Methodology section.) We then used those HS codes to analyze UN COMTRADE data between 2015 and 2017 for all countries that reported trade with the DPRK. We bound our analysis between 2015 and 2017 because as of this writing few countries have reported 2018 trade volume figures to the United Nations.
- 12 Our analysis is limited to export control regimes for luxury goods that have been publicly issued and that were located in the course of open source investigation.
- 13 The European Union states that "all goods declared under the given code are subject to the ban." In some cases, the EU guidance qualifies goods under specific HS codes with a specific value threshold under which exports would not be prohibited. However, because value is not captured in HS codes, we restrict our analysis only to the HS codes provided. The European Union is also unique in that it prohibits member states from importing luxury goods from North Korea. DPRK exports of luxury goods are beyond the scope of this report. For more information on the European Union's specific export controls, see Council Regulation (EU) 2017/2062 of 13 November 2017 amending Regulation (EU) 2017/1509 concerning restrictive measures against the Democratic People's Republic of Korea. EUR-Lex. Retrieved from: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_.2017.295.01.0004.01.ENG&toc=OJ:L:2017:295:TOC. Archived at <https://perma.cc/M7GU-HGRG>.
- 14 The 51 unique eight-digit commodity codes are categorized under only 27 HS codes because in several cases, multiple CN codes append to one six-digit HS code stem. For example, the HS code 220410 is the stem for six eight-digit codes that define the specific types of wine and spirits that controlled for export.
- 15 See Article 48, Paragraph 3 and Article 52 of the Foreign Exchange and Foreign Trade Act. METI's export control list for luxury goods is retrieved from: https://www.meti.go.jp/policy/external_economy/trade_control/01_seido/04_seisai/downloadNK/20170222_shashihinrist.pdf.
- 16 Of the non-European Union jurisdictions, only Russia and Japan have offered HS code suggestions alongside restricted product definitions. However, Russia requires that exporters "be guided by both the name of the product" and not only the suggested HS code. Because Russia's product controls are subject to additional interpretation, we expanded Russia's export control lists with additional HS codes that could reasonably correspond to their controlled product descriptions.
- 17 Note that when a given controlled product description (e.g. diamonds) could plausibly correspond to multiple HS codes, we kept all HS codes.
- 18 This analysis extends findings from *Hard Target* (2017), which found that luxury goods exports to North Korea were unaffected from 2002 to 2014. For more information, see Haggard, S. & Noland, M. (2017). *Hard Target: Sanctions, Inducements, and the Case of North Korea*. Stanford University Press.
- 19 UN Comtrade data may not be complete or may be misreported. For a full exploration of the limits of UN Comtrade data, see Read Me First (Disclaimer). United Nations Commodity Trade Statistics Database. Retrieved from: <https://comtrade.un.org/db/help/uReadMeFirst.aspx>. Archived at <https://perma.cc/HCS7-FKR3>.



REGIONAL TRADE

How Gaps in Export Control Regimes Induce Procurement Routes

The United Nations defined automobiles for private transport as a luxury good in UNSCR 2094 (2013).¹ In 2007, Russia stipulated in domestic law that automobiles valued at more than ₽3 million (approximately \$46,500) constitute luxury goods prohibited from export to North Korea.² Of the 12 examined export control regimes that prohibit the export of passenger vehicles to North Korea, only Russia has stipulated a price threshold after which passenger automobiles can be considered luxury goods.³

This section examines luxury car exports from Russia to North Korea in order to consider how gaps in export control regimes might induce pathways for procurement. For most transactions, Russian trade records contain entity-level information, which provides granular insights into the types of companies involved in the cross-border trade of luxury consumer products with North Korea.

Our investigation examined more than 65 million Russian trade records to identify shipments to North Korea categorized under HS chapter 87, which covers “vehicles ... parts and accessories thereof.” For focused investigation, we selected only shipments for which product descriptions explicitly mentioned a vehicle, including in many cases make, model, and vehicle identification number (VIN). In total, we identified 82 previously unreported shipments of 803 luxury vehicles⁴ to North Korea between February 18, 2016 and November 25, 2017. The data indicate that trade in luxury vehicles to North Korea via Russia appears to exhibit features of general regional trade, but that trade is concentrated to a limited number of entities with significant freight handling capabilities located in the Far East.

We selected Russia for focused investigation because of access to relevant data records, which allows for detailed study of the types of entities engaged in regional luxury goods trade with North Korea. However, UN Comtrade data indicate that China has reported significantly more chapter 87 shipments to North Korea between 2015 and 2017. China has produced no public definitions for luxury goods subject to export restrictions, and it remains North Korea’s most significant source of luxury products, including luxury vehicles.⁵

PRODUCTS: LUXURY VEHICLES FROM GLOBAL BRANDS

Commercially available trade data estimate that between 2015 and 2017, Russian companies made approximately 82 shipments of 803 new and used passenger vehicles in a possible violation of paragraph 8 (a) (iii) of UNSCR 1718 (2006) and paragraph 23 and annex IV of UNSCR 2094 (2013). Shipment data for vehicles by make and model are summarized in the table below:

| Make | Model | No. of Vehicles | No. of Shipments |
|---------------|---|-----------------|------------------|
| UAZ | Hunter, Patriot | 537 (67%) | 7 (9%) |
| Lexus | GS350, GX460, LS430, LX470, LX570, ES250 | 145 (18%) | 48 (59%) |
| Toyota | HiAce, Corolla, Rav4, Hilux, Land Cruiser 100/120/150/200/ Prado, Highlander, Alphard | 66 (8%) | 32 (39%) |
| Nissan | Almera, Atlas, Patrol, Terrano, X-Trail, Pathfinder (4.0LE) | 43 (5%) | 19 (23%) |
| Mercedes-Benz | G320, GL500 4Matic, S500, C200 4Matic | 10 (1%) | 4 (5%) |
| Mitsubishi | Lancer | 2 (<1%) | 1 (1%) |
| | Grand Total | 803 | 82 |

Of shipped cars, 145 vehicles (18%) were Lexus models, including the LX 570 model that the United Nations Panel of Experts reported had appeared at the September 20, 2018 inter-Korean summit in Pyongyang.⁶

Figure XXIII
Lexus LX 570 vehicles observed at the inter-Korean summit of 18 to 20 September 2018, Pyongyang



Source: YouTube.

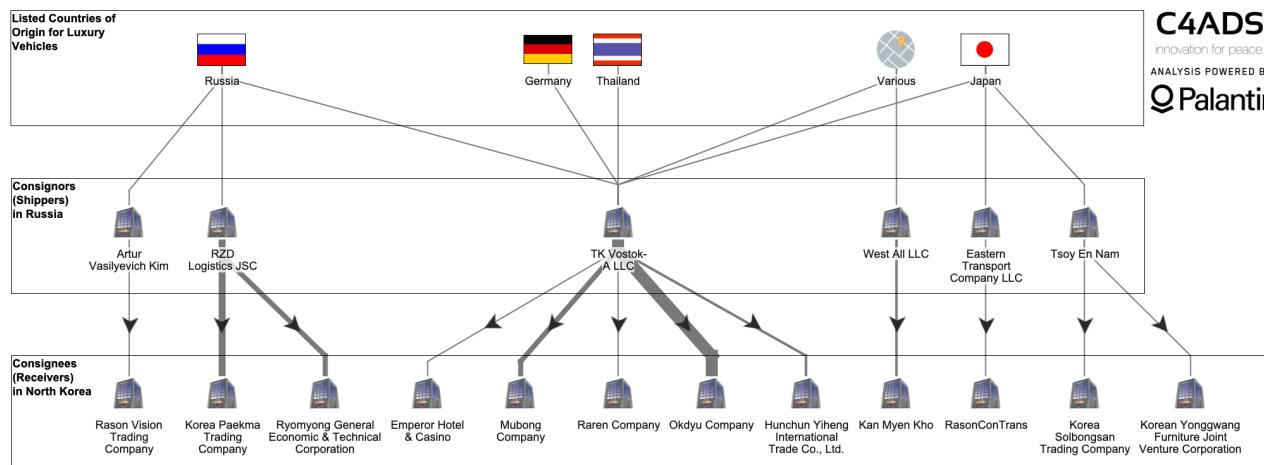
Excerpted from the final report of the UN Panel of Experts (2018) submitted March 2019

ROUTES: TRANSSHIPMENT VIA THE RUSSIAN FAR EAST

Commercially available trade records indicate that North Korean imports of luxury vehicles from Russia originated in at least four different countries across three continents.⁷ Seventy-seven (94% of total) shipments were delivered by rail to Tumangang Station in Rason, North Korea. Three shipments were sent by sea, at least two of which were delivered at Wonsan, North Korea.⁸ Information on the reported product origin is summarized in the table below:

| Reported Product Origin | No. of Shipments | No. of Cars |
|--------------------------------|-------------------------|--------------------|
| Russia | 17 | 556 |
| Japan | 47 | 153 |
| Various | 16 | 92 |
| Germany | 1 | 1 |
| Thailand | 1 | 1 |
| Grand Total | 82 | 803 |

Both Japanese and German export control regimes prohibit the shipment of luxury goods to North Korea.⁹ Thailand's Ministry of Commerce reportedly enforces luxury goods prohibitions using United Nations product definitions, which includes passenger vehicles.¹⁰



NETWORKS: FEW CONSIGNORS WITH FREIGHT HANDLING CAPACITY

Trade records show that only four companies and two individuals served as consignors for the shipment of all 803 vehicles to North Korea. Three of the four corporate consignors engage in broader commercial activities with North Korea, as detailed below. RZD Logistics JSC (АО «РЖД Логистика»), the affiliate of the state-owned Russian conglomerate Russian Railways, consigned for seven shipments of 537 vehicles (67%), more vehicles than any other consignor in the dataset.¹¹ The state-owned company accounted for all shipments of the Russian model UAZ vehicles, which originated in Russia.¹²

While RZD Logistics JSC accounted for the most vehicles shipped to North Korea, the Russian company TK Vostok-A LLC (ООО «ТК Восток-А») accounted for the most shipments. TK Vostok-A consigned for 69 shipments (84%) that contained 233 total vehicles, including Lexus, Nissan, and Mercedes cars that originated in Russia, Japan, Germany, Thailand, and “various” countries.¹³ TK Vostok-A shipped vehicles to five distinct consignees in North Korea, more than any other consignor in the dataset.

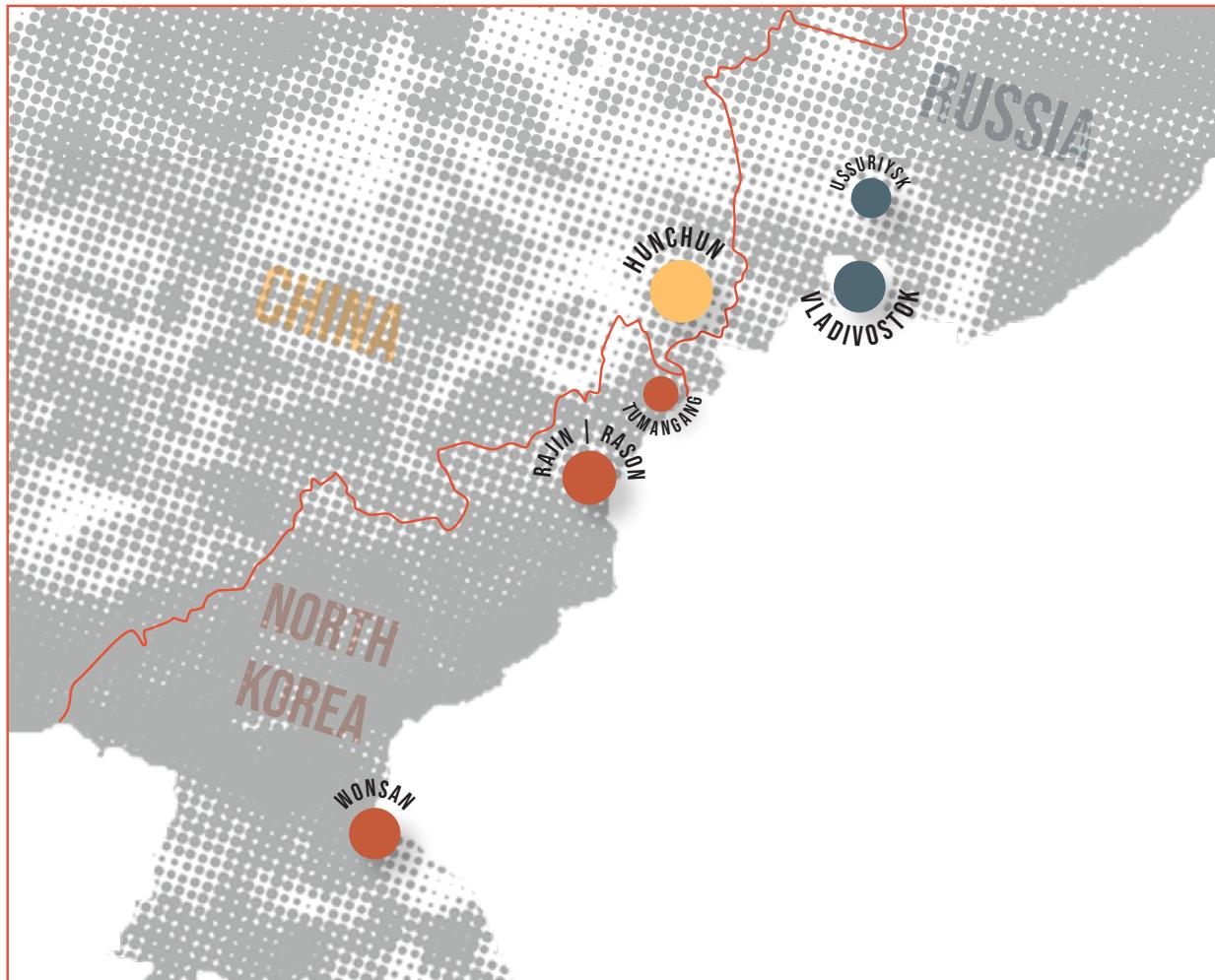
Two individuals also consigned for shipments of cars to North Korea: Artur Vasilyevich Kim (КИМ АРТУР ВАСИЛЬЕВИЧ), a Russian national, and Tsoy En Nam (ЦОЙ ЕН НАМ), whose nationality is unknown. The distribution of shipments by consignor are summarized in the table below:

| Consignor Tax ID | Consignor | No. of Shipments | No. of Vehicles | Models |
|-------------------------|-------------------------------|-------------------------|------------------------|---------------------------------|
| 2537046966 | TK Vostok-A LLC | 69 | 233 | Lexus, Nissan, Mercedes, Toyota |
| 7708730092 | RZD Logistics JSC | 7 | 537 | UAZ |
| 2540168058 | Eastern Transport Company LLC | 2 | 2 | Toyota |
| n/a | Tsoy En Nam | 2 | 5 | Mitsubishi, Toyota |
| 2538135305 | West All LLC | 1 | 25 | Lexus, Mercedes, Nissan, Toyota |
| 250900157940 | Artur Vasilyevich Kim | 1 | 1 | Toyota |
| Grand Total | | 82 | 803 | |

Open source investigation indicates that all four corporate consignors have significant freight handling capacity. According to its website, RZD Logistics is the logistics segment of the state-owned, vertically integrated company Russian Railways (ОАО «Российские железные дороги») with 33 branches, five subsidiaries, and joint ventures outside of Russia.¹⁴ The company is engaged in complex supply chain management services and reportedly provides logistics and customs services at a number of ports; expedites shipments across Russia; and runs container trains, ferry services, and freight forwarding services. The company also states on its website that it processes customs documents from offices across Eurasia, China, and the European Union.¹⁵ RZD Logistics is also listed as a partner of RasonConTrans (СП РАСОНКОНТРАНС), a Russia-North Korea joint venture based in Rason, North Korea to which the United Nations has provided sanctions exemptions for exports of Russian coal from ports in Rason, North Korea.¹⁶

RZD Logistics' parent company Russian Railways also has extensive commercial ties to North Korea. Russian Railways reportedly was slated to renovate North Korea's 2,100-mile railroad system, on a 20-year, \$25 billion project that was suspended in 2017.¹⁷ Russian Railways also owns the company TransTelekom JSC (АО «ТрансТелеКом»), which laid fiber optic cables across its railways in October 2017 to handle as much as 60% of North Korea's Internet traffic.^{18 19}

TK Vostok-A, the private company that accounted for the majority of identified shipments of luxury cars, also claims to have significant freight handling capabilities. On its website, TK Vostok-A writes that it “occupies a strong position in the market of freight forwarding services” and that it is “constantly expanding its activities” to include execution of shipping documents, storage of goods, securing cargo in containers, payment of tariffs, and container delivery.²⁰ ²¹ Additionally, on Russian business registry filings, Eastern Transport Company LLC (ООО “Vostochnaia Transportnaia Kompaniia”) indicates that it is involved in railroad transportation activities and freight handling.²² Similarly, West All LLC (ООО “Вест ол”), which consigned for one shipment of 25 vehicles, advertises on its website that it provides sea, railway, road, and air freight services and is capable of transporting oversized and dangerous goods.²³



At least one individual who consigned for two car shipments to North Korea has likely engaged in other commercial activities with North Korea. Tsoy En Nam reportedly serves as the director of the Russian construction company “Sakhalin-5.29” LLC (ООО «САХАЛИН-5.29»), a construction company that the Russian Ministry of Labor authorized to hire North Korean workers in November 2016 and December 2017.²⁴ Trade records indicate that both shipments for which Tsoy En Nam consigned were delivered by sea from Vladivostok, Russia to Wonsan, North Korea aboard the *Rung Ra Do*, which appears to correspond to a North Korea-flagged cargo ship.²⁵

NETWORKS: MANY CONSIGNEES WITH DIVERSE COMMERCIAL PORTFOLIOS

Trade records indicate that 12 companies appeared as consignees for vehicle shipments from Russia to North Korea. No company appeared as a consignee on shipments from more than one consignor, which suggests a greater degree of market centralization in Russia than in North Korea.

| Consignee | Location | No. of Shipments | No. of Vehicles | Models | Source Countries |
|--|------------------------|-------------------------|------------------------|---------------------------------|---------------------------------|
| Okdu Company (Компания “Окдю”) ²⁶ | Rajin, North Korea | 53 | 187 | Lexus, Mercedes, Nissan, Toyota | Japan, Various, Russia, Germany |
| Mubong Company | Rajin, North Korea | 10 | 37 | Lexus, Mercedes, Nissan, Toyota | Japan, Various, Russia |
| Hunchun Yiheng International Trade Co., Ltd. (珲春亿亨国际贸易有限公司) | Rajin, North Korea | 4 | 7 | Lexus, Nissan | Japan, Various |
| Korea Paekma Trading Company | Pyongyang, North Korea | 4 | 375 | UAZ | Russia |
| Ryomyong General Economic & Technical Corporation | Pyongyang, North Korea | 3 | 162 | UAZ | Russia |
| RasonConTrans (СП РАСОНКОНТРАНС) | Rason, North Korea | 2 | 2 | Toyota | Japan |
| Kan Myen Kho (KAH MEH XO) | Vladivostok, Russia | 1 | 25 | Lexus, Mercedes, Nissan, Toyota | Various |
| Korean Yonggwang Furniture Joint Venture Corporation | Pyongyang, North Korea | 1 | 4 | Mitsubishi, Toyota | Japan |
| Emperor Hotel & Casino | Rason, North Korea | 1 | 1 | Lexus | Japan |
| Korea Solbongsan Trading Company | Pyongyang, North Korea | 1 | 1 | Toyota | Japan |
| Raren Company (Компания “Рарен”) ²⁷ | Rajin, North Korea | 1 | 1 | Toyota | Thailand |
| Rason Vision Trading Company (Торговая Компания “Расон Висон”) ²⁸ | Rason, North Korea | 1 | 1 | Toyota | Russia |
| Grand total | | 82 | 803 | | |

Two consignees of luxury cars appear to be foreign companies with operations in North Korea, which, if still operational, could constitute a prohibited joint venture or cooperative entity.²⁹ The Chinese company Hunchun Yiheng International Trade Co., Ltd. (珲春亿亨国际贸易有限公司) appears on Russian trade records with an address in Rajin, North Korea as a consignee for four shipments of seven Lexus and Nissan cars from Russia to North Korea. Similarly, the Emperor Hotel & Casino, reportedly opened in 2001 as a subsidiary of the Hong Kong-registered Emperor Group (英皇集團有限公司), appears on Russian trade records with an address in Rason on one shipment for a used Lexus LX 470.^{30 31 32} Due to a lack of North Korean corporate registry filings, open source investigation could not determine the ownership structures of either Hunchun Yiheng International Trade's Rajin operation or the Emperor Hotel & Casino in Rason. However, if either company continues to operate under full or partial ownership by non-North Korean nationals, it could constitute a joint venture or cooperative entity prohibited under paragraph 18 of UNSCR 2375 (2017).³³

The United Nations Panel of Experts has identified several North Korean consignees in sanctions evasion cases unrelated to luxury goods trade. Korea Solbongsan Trading Company, which consigned for one Toyota shipment, appeared in the Panel's 2017 annual report as the consignor on shipments of limonite used to conceal arms shipments aboard the *Jie Shun*, a North Korean vessel that was seized by Egyptian authorities in 2016 for transporting 30,000 rocket propelled grenades and subcomponents from North Korea.³⁴ More recently, Korea Paekma Trading Company, which consigned for 375 UAZ Patriot and UAZ Hunter vehicles, appeared in the Panel's 2019 annual report as an owner of a cooperative entity in Russia in violation of paragraph 18 of UNSCR 2375 (2017).³⁵

Kan Myen Ho, the only individual that appears as a consignee for luxury cars shipped from Russia to North Korea, lists the address of the Vladivostok-based representative office for Korea General Foreign Trade Society "Rakwon" (КГВО "РАКВОН"), an active and accredited branch of the North Korean company Rakwon Trading Company.^{36 37} The representative office's authorization document indicates the individual Kan Myen Ho is the company's representative, and that the company employs 50 foreign workers.³⁸ The name Kan Myen Ho also appears as the representative of a second Vladivostok-based branch office of Rakwon Trading Company, which reportedly employs four foreign workers.³⁹

NETWORKS: FEW GUARANTORS WITH BROADER NORTH KOREAN COMMERCIAL RELATIONSHIPS

Russian trade records include information on each shipment's guarantor, which refers to the party who is obligated to pay for a shipment if the consignee cannot or does not.⁴⁰

| Guarantor Tax ID Number | Guarantor | No. of Shipments | No. of Vehicles | Vehicle Models |
|--------------------------------|--|-------------------------|------------------------|---------------------------------|
| 2511092929 | East Trading LLC (ООО "ВОСТОК ТРЕЙДИНГ") | 64 | 225 | Lexus, Mercedes, Nissan, Toyota |
| 2538151360 | Asiana Trading LLC (ООО "АЗИАНА ТРЕЙДИНГ") | 6 | 512 | UAZ |
| 2536206529 | Cargo LLC (ООО "КАРГО") | 5 | 8 | Lexus, Nissan |
| 2543002903 | Tokus LLC (ООО "ТОКУС") | 2 | 5 | Mitsubishi, Toyota |
| 9909292597 | RasonConTrans (СП РАСОНКОНТРАНС) | 2 | 2 | Toyota |
| 250900157940 | Artur Vasilyevich Kim (КИМ АРТУР ВАСИЛЬЕВИЧ) | 1 | 1 | Toyota |
| 2538135305 | West All LLC (ООО "ВЕСТ ОЛ") | 1 | 25 | Lexus, Mercedes, Nissan, Toyota |
| 2540179395 | Trade-M LLC (ООО "ТРЕЙД-М") | 1 | 25 | UAZ |
| Grand total | | 82 | 803 | |

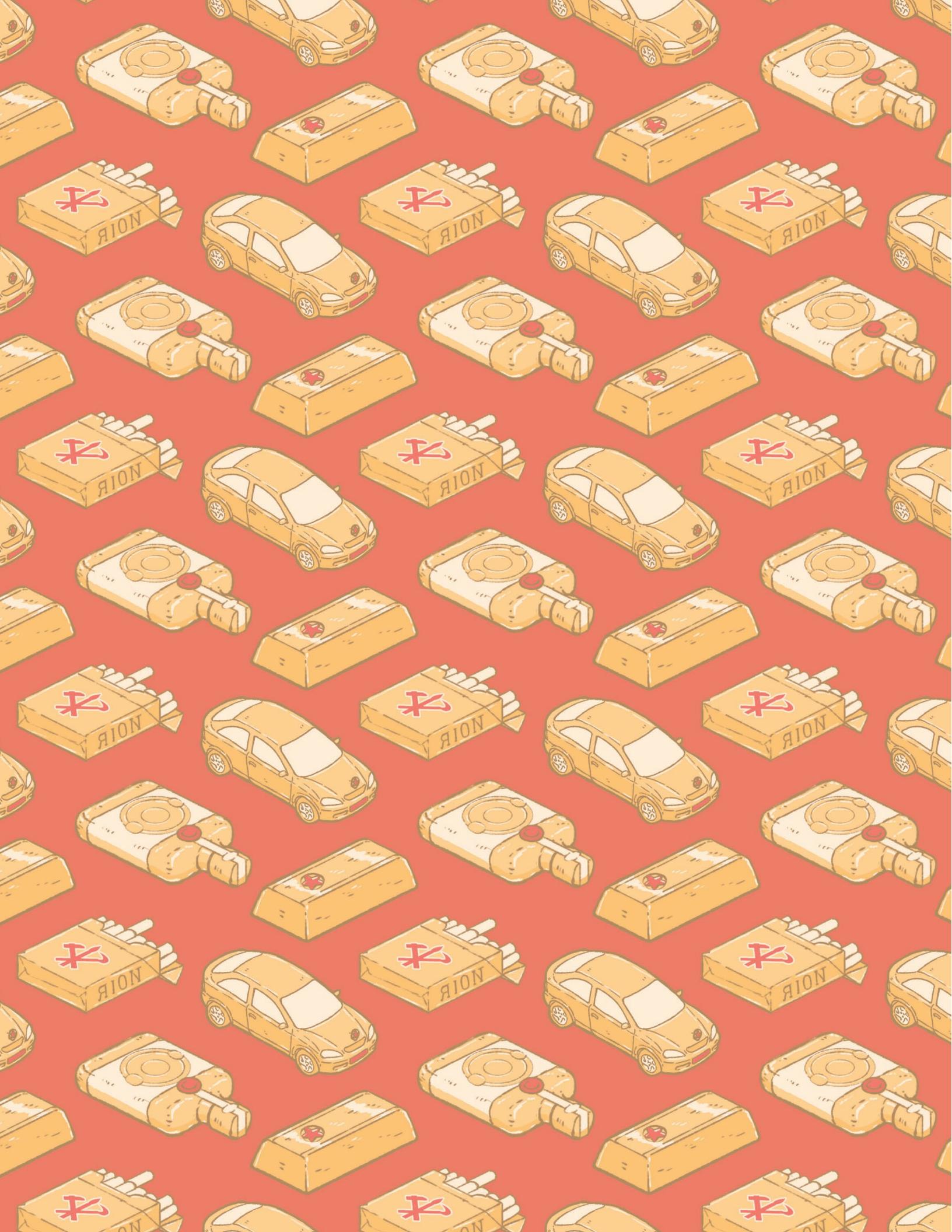
One Russian company guaranteed the majority of examined vehicle shipments to North Korea. Russian-registered East Trading LLC (ООО "ВОСТОК ТРЕЙДИНГ") acted as the guarantor for 64 shipments (78% of total) that contained 225 total vehicles, including Mercedes, Lexus, Nissan, and Toyota models from Germany, Thailand, Japan, Russia, and "various" countries. All 64 shipments for which East Trading LLC served as guarantor list TK Vostok-A as the consignor.⁴¹

Corporate registry filings indicate that East Trading's business activities are broader than car sales and include wholesale trading, timber operations, and restaurants. Official documents from the Russian Ministry of Labor further indicate that East Trading was authorized to hire seven North Korean workers in 2016 for the roles of chef, cook, and solo instrumentalist.⁴² Russian business registry filings indicate that Kim Ken Ryol (Ким Кен Рёль) is the sole shareholder of the company and does not appear as a director or shareholder of any other companies in Russia. Records from Russia's Uniform State Register for Enterprises and Organizations (Единый Государственный Реестр Предприятий и Организаций) indicate that Kim is a Chinese citizen.⁴³

ENDNOTES

- 1 Only four other HS code chapters are similarly captured by 11 of 12 luxury goods export control lists, but chapter 87 has the highest trade volume.
- 2 Указ Президента Российской Федерации от 27.05.2007 г. № 665 [Decree of the President of the Russian Federation dated 05.27.2007 No. 665]. President of Russia. Retrieved from: <http://kremlin.ru/acts/bank/25583>. Archived at <https://perma.cc/F27A-3TS4>.
- 3 Hong Kong's export control list for luxury goods includes snowmobiles but does not include passenger vehicles.
- 4 While the meaning of "luxury vehicle" may vary, the analysis that follows uses "luxury vehicle" to refer to personal passenger automobiles that would be subject to control as a luxury good under UNSCR 2094 (2013).
- 5 Paragraph 7 of United Nations Security Council Resolution 2397 (2017) further prohibited "supply, sale, or transfer" of all transportation vehicles (HS codes 86 through 89) to North Korea. The Security Council did not directly connect the provision to previous luxury goods sanctions measures. All shipments examined in this study occurred before the passage of UNSCR 2397 (2017, December 22). For more information, see S/RES/2397 (2017). United Nations Security Council. Retrieved from: [https://undocs.org/S/RES/2397\(2017\)](https://undocs.org/S/RES/2397(2017)).
- 6 In a response to inquiry from the United Nations Panel of Experts, Toyota indicated that the Lexus LX 570 observed at the Pyongyang summit was likely manufactured between January 2012 and July 2015. At least one recorded shipment is a 2015 model of the Lexus LX 570. For more information, see S/2019/171. (2019, March 5). United Nations Security Council. Retrieved from: <https://undocs.org/S/2019/171>.
- 7 One shipment of 25 vehicles does not specify the destination port. Includes the vessel name "TAE SUNG." Port records and AIS data suggest that the vessel corresponds to the North Korea-flagged cargo ship TAE SUNG 923 (IMO 6817948). Vladivostok port records show that the vessel TAE SUNG 923 called at port in Vladivostok at 2:20 p.m. VLAT on 6 October 2016. AIS data indicate that the vessel TAE SUNG 923 called at declared its position at port in Vladivostok at 1:45 p.m. VLAT on 6 October 2016 before sailing into the North Korean Exclusive Economic Zone (EEZ) and losing transmission for 16 days. Port records held by author.
- 8 The trade data for country of origin use the word "various."
- 9 For European Union, see Council Regulation (EU) 2017/2062 of 13 November 2017 amending Regulation (EU) 2017/1509 concerning restrictive measures against the Democratic People's Republic of Korea. EUR-Lex. Retrieved from: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.L_2017.295.01.0004.01.ENG&toc=OJ:L:2017:295:TOC. Archived at <https://perma.cc/M7GU-HCRG>
- For Japan, see 輸出貿易管理令[Export Trade Control Order]. Ministry of Internal Affairs. Retrieved from: https://elaws.e-gov.go.jp/search/elawsSearch/elaws_search/lsg0500/detail?lawId=324CO0000000378&openerCode=1#323. Archived at <https://perma.cc/68UM-WEK2>.
- 10 S/AC.49/2017/14. (2017, February 27). United Nations Security Council. Retrieved from: https://www.un.org/ga/search/view_doc.asp?symbol=S/AC.49/2017/14
- 11 Commercially available trade data. Records held by authors.
- 12 Commercially available trade data. Records held by authors.
- 13 The trade data for country of origin use the word "various." Commercially available trade data. Records held by authors.
- 14 О КОМПАНИИ [About the Company]. RZD Logistics. Retrieved from: <https://www.rzdlog.ru/about/>. Archived at <https://perma.cc/6MPL-EANW>.
- 15 RZD Logistics. Retrieved from: <http://www.rzdlog.com/>. Archived at <https://perma.cc/6MPL-EANW>.
- 16 S/AC.49/2019/OC.57. United Nations Security Council. Retrieved from: http://rasoncontrans.com/images/files/UN_note-eng.pdf.
- 17 Shim, E. (2017, August 29). Russia suspends joint projects with North Korea. Retrieved from: https://www.upi.com/Top_News/World-News/2017/08/29/Russia-suspends-joint-projects-with-North-Korea/3821504029773/. Archived at <https://perma.cc/5E4K-TFND>.
- 18 Williams, M. (2017, October 01). Russia Provides New Internet Connection to North Korea. 38 North. Retrieved from: <https://www.38north.org/2017/10/mwilliams100117/>. Archived at <https://perma.cc/7DWA-3D5X>.
- 19 Reuters reported in October 2017 that the TransTelekom connection would service as much as 60% of North Korea's Internet activity. However, an analysis of North Korean Internet data between December 2017 and March 2018 found that, during the research period, the TransTelekom connection provided approximately 33% of such services. For more information, see Russia firm provides new internet connection to North Korea. (2017, October 02). Reuters. Retrieved from: <https://www.reuters.com/article/us-nkorea-internet-russian-firm-provides-new-internet-connection-to-north-korea-idUSKCN170D2>. Archived at <https://perma.cc/GP3F-5KDM>. Also see Moriuchi, P. (2018, April 25). North Korea's Ruling Elite Adapt Internet Behavior to Foreign Scrutiny. Recorded Future. Retrieved from: <https://www.recordedfuture.com/north-korea-internet-behavior/>. Archived at <https://perma.cc/4W24-J955>.
- 20 The company also reportedly operates a railway cargo terminal in Ussuriysk. See О нас [About Us]. TV Vostok-A. Retrieved from: <http://tkvostok-a.ru/o-nas/>. Archived at <https://perma.cc/VQ4L-QWXM>.
- 21 Услуги [Services]. TV Vostok-A. Retrieved from: <http://tkvostok-a.ru/uslugi/>. Archived at <https://perma.cc/7VZW-6BU7>.
- 22 Russian corporate registry. Document held by author.
- 23 Услуги [Services]. West All. Retrieved from: <http://west-all.ru/services/>. Archived at <https://perma.cc/9VLF-ZTU3>.
- 24 Dispatched: Mapping Overseas Forced Labor in North Korea's Proliferation Finance System. C4ADS. 2018. Russian Ministry of Labor. Documents held by author.
- 25 Trade records indicate that both shipments left port on 28 July 2017 on a vessel called the *Rung Ra Do*. However, neither Vladivostok port records nor AIS data provide evidence that a vessel called the *Rung Ra Do* called at port in Vladivostok on that date. Vessel ownership records indicate that at least two vessels have used the name *Rung Ra Do*. Equasis vessel ownership records suggest that the identified vessel corresponds to the *Ryong Yon* (IMO 8989795), which was previously named *Rung Ra Do* until three months after the vehicle shipment to North Korea. One month prior to the vessel's name change, the United States Office of Foreign Assets Control (OFAC) designated the ship with its owner for involvement in North Korea's transportation industry. A second North Korea-flagged cargo vessel called the *Rung Ra Do* (IMO 8226040) also appears in Equasis vessel ownership records, but they indicate that the vessel was broken up in April 2012.
- 26 Internal translation.
- 27 Internal translation.
- 28 Internal translation.
- 29 S/RES/2375. (2017, September 11). United Nations Security Council. Retrieved from: <http://unscr.com/en/resolutions/doc/2375>.
- 30 Open source reporting also reported instances in which Chinese politicians have used the Emperor Hotel & Casino in North Korea to gamble public funds.
- 31 The Emperor Hotel & Casino is reportedly one of the largest luxury hotels and casinos in North Korea, and its parent company Emperor Group consists of six Hong Kong registered companies involved in real estate development; luxury watch and fine jewelry sales; hotel and gaming businesses in Macau; financial services; entertainment; and trade of high-value European furniture. The companies that comprise the Emperor Group are Emperor International Holdings Limited, Emperor Watch and Jewellery Limited [sic], Emperor Entertainment Hotel Limited, Emperor Capital Group Limited, Emperor Culture Group Limited, and Ulferts International Limited. For reporting of the casino's association, see, for example, Gambling as usual up North for Emperor Group casino. South China Morning Post. Retrieved from: <https://www.scmp.com/article/988297/gambling-usual-north-emperor-group-casino>. Archived at <https://perma.cc/R8EY-WVSU>.
- 32 Albert Yeung of the Emperor, has also founded luxury hotels and casinos in Macau and Hong Kong and has been directly compared in Chinese media to OFAC-designated Ma Xiaohong (马晓红) because of the depth of his business history with the DPRK. For one such example, see Zhou, Y. (2016, November 15). 金正日兄弟找杨受成开赌场：缘自龙永图组织的朝鲜行 [Kim Jong Il's brothers are looking for Yang Shoucheng to open a casino: the Korean tour organized by Long Yongtu]. Sohu. Retrieved from: <http://business.sohu.com/20161115/n47318513.shtml>. Archived at <https://perma.cc/3T59-4TVd>.
- 33 S/RES/2375. (2017, September 11). United Nations Security Council. Retrieved from: <http://unscr.com/en/resolutions/doc/2375>.
- 34 S/2017/150
- 35 S/2019/171 Page 62 footnote paragraph 152
- 36 Russian Federation Federal Tax Service State Registry of Accredited Branches, Representative Offices of Foreign Legal Entities (RAFP). Documents held by author.
- 37 The UN Panel of Experts has reported that overseas representative offices for North Korean companies serve key financial functions for North Korea, including but not limited to financing ship-to-ship transfers. See paragraph 124 of S/2019/171. (2019, March 05). United Nations Security Council. Retrieved from: <https://undocs.org/S/2019/171>. However, Russian authorities argue that, under Russian domestic law, representative offices do not constitute joint ventures or cooperative entities prohibited under paragraph 18 of UNSCR 2375 (2017) because representative offices "may not engage in commercial activity, earn no revenue and pay no taxes, except on operating expenses, including for real estate." For more information, see Annex 75 page 325 of S/2019/171 (2019, March 05). United Nations Security Council. Retrieved from: <https://undocs.org/S/2019/171>.
- 38 The representative office's registration document specifies that date on number of foreign workers is current as of February 1, 2018. Russian Federation Federal Tax Service State Registry of Accredited Branches, Representative Offices of Foreign Legal Entities (RAFP). Documents held by author.
- 39 The full name of the second branch company is ФИЛИАЛ ГЕНЕРАЛЬНОГО ВНЕШНЕТОРГОВОГО ОБЩЕСТВА "РАКВОН" КНДР (Г. ВЛАДИВОСТОК). The branch office's registration document specifies that date on number of foreign workers is current as of March 25, 2015. Russian Federation Federal Tax Service State Registry of Accredited

- 40 "Guarantor" refers to the role specified in Russian customs records as "Лицо, ответственное за финансовое урегулирование." According to Russian regulations, the guarantor is an entity responsible for the financial settlement of a transaction. An "Entity responsible for the financial settlement of a transaction" can include the following: (1) a Russian entity that concluded an international purchase sale agreement, or any other agreement that includes a foreign trade transaction, according to which goods are imported into the customs territory of the Russian Federation or are issued for free circulation in the Russian federation; (2) a foreign entity that has the authority to dispose of goods in the customs territory of the Russian Federation not in the framework of a foreign trade transaction, where one of the parties to the transaction is a Russian entity; (3) an entity that owns the declared goods at the moment of declaration submission, if the declared goods are brought in to the customs territory of Russia in the framework of a single party foreign trade transaction (without an accompanying contract or agreement); (4) an entity that acquired ownership rights on the declared goods, including on goods placed under a different customs regime in the Russian Federation, having received permission on the use of the goods in accordance with the conditions of that regime; or (5) an entity that is importing cash currency to the customs territory of the Russian Federation. For more information, see: (a) Структуры и форматы электронных документов, предназначенных для передачи таможенными органами уполномоченным банкам в электронном виде информации о зарегистрированных таможенными органами декларациях на товары [Structures and formats of electronic documents intended for transmission by customs authorities to authorized banks in electronic form of information on goods declarations registered by customs authorities]. (2013, January 23). Garant. Retrieved from: <http://www.garant.ru/products/ipo/prime/doc/70196090/#400>. Archived at <https://perma.cc/73RW-NWL6>. (b) Графа 9, "Лицо, ответственное за финансовое урегулирование" [Count 9. "The person responsible for the financial settlement"]. Orioncom. Retrieved from: http://www.orioncom.ru/demo_bkb/valuta/ins17/doc/gr9.htm. Archived at <https://perma.cc/ZAA2-VF42>. (c) Вопрос по графе № 9 ДТ [Question on column No. 9 DT]. (2014, November 17). TKS. Retrieved from: <http://w1.tks.ru/forum/showthread.php?t=451076>. Archived at <https://perma.cc/P8U3-67LE>.
- 41 Commercially available trade data.
- 42 Russian Ministry of Labor. Documents held by author.
- 43 Filings in the Uniform State Register for Enterprises and Organizations (Единый Государственный Реестр Предприятий и Организаций) sometimes include a nationality for the owners of Russian companies. Companies that do not explicitly list North Korean companies on their business registry filings may also be owned or operated by North Korean nationals or local subsidiaries of North Korean companies.



STRATEGIC PROCUREMENTS

Luxury Goods Acquisition for Kim Jong Un

In February 2019, South Korean authorities detained the *DN5505* (IMO 8630708)¹, a Togo-flagged cargo ship, for transporting North Korea-origin anthracite coal from the Russian Far East to South Korea after an extended dark voyage.² Open source investigation indicates that the same vessel had made a similar voyage in October 2018: after losing AIS signal^{3 4} for 18 days while sailing towards the Russian Far East, it returned to South Korea laden with 2,588 metric tons of anthracite coal. But coal was not its only cargo. South Korean customs records show that before its October dark voyage, the *DN5505* left South Korea with two armored Mercedes Benz vehicles, possibly the Mercedes-Maybach S600 Guard model.⁵ Three months later, a customized Mercedes-Maybach S600 Guard was spotted for the first time in Pyongyang carrying North Korean leader Kim Jong Un to the Workers' Party of Korea Central Committee building.⁶



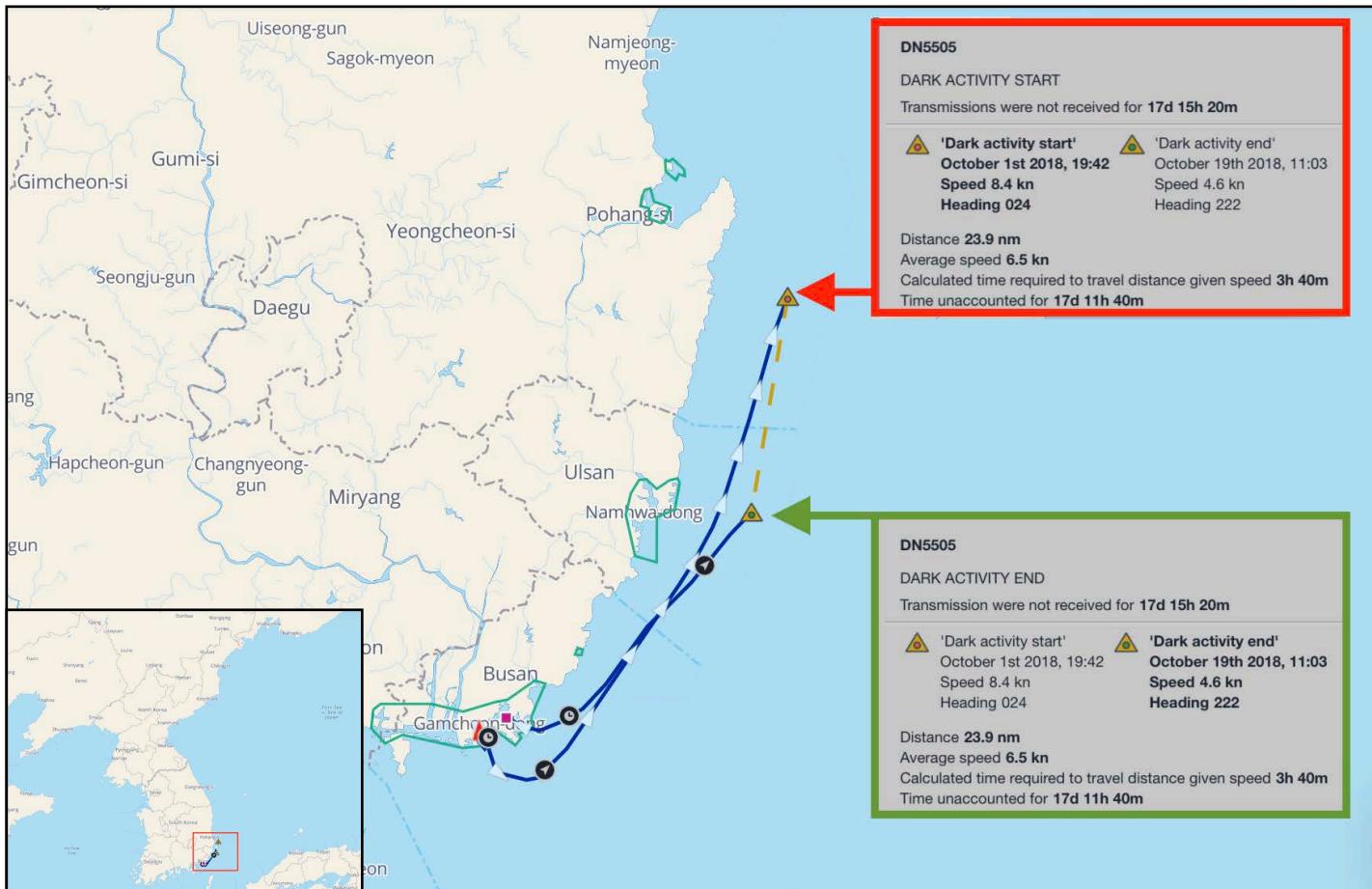
Above: A Mercedes-Maybach S600 Guard Spotted in Pyongyang in January 2019. Source: NK News⁷

Kim Jong Un's procurement of a Mercedes-Maybach S600 Guard is not surprising. Personal preferences aside, the vehicle's numerous defensive features are designed to meet the needs of "heads of state and business leaders" who are also likely to have the financial resources to acquire the vehicle valued at over \$500,000.⁸ The Guard model includes heavy armoring that is capable of withstanding "hardened steel core bullets fire from an assault rifle" and an undisclosed amount of explosives.^{9 10} In an effort to deter criminal actors from acquiring the vehicle, Mercedes reportedly runs a background check on potential buyers.^{11 12}

This section leverages publicly available information and extensive network and supply chain analysis to consider how the Kim regime may procure high-value, sensitive cargo from around the world. In four sections, we follow the shipment of two Mercedes-Maybach S600 Guard vehicles from Rotterdam to the Russian Far East, where it was likely diverted to North Korea. We examined the commercial facilitators at each segment of the voyage including the ship operators, consignors, and consignees. We demonstrate that North Korean sanctions evasion networks with the capacity to operate across jurisdictions and industries are well-positioned to transport sensitive goods on behalf of the Kim regime.

PART I: THE SHIPMENTS

Cargo tracking information indicates that two containers, each loaded with a Mercedes, were trucked into the Euromax terminal at Rotterdam Port in the Netherlands in June 2018.¹³ Customs data show that the containers were then transshipped through Dalian, China and Osaka, Japan before arriving in Busan, South Korea, and that at no point after leaving Rotterdam were the containers opened for a possible change in cargo.¹⁴ Once the containers were loaded onboard the *DN5505*, the vessel departed Busan and set course for Nakhodka in the Russian Far East.^{15 16}



Above: DN5505's Voyage Path Before and After Dark Voyage. Source: Leading Maritime Domain Awareness Platform

AIS data indicate that as the *DN5505* sailed north toward the Russian Far East on October 1, 2018, the vessel's AIS signal disappeared while still in South Korean waters. The vessel did not resume transmission until October 19—an 18-day period during which the vessel's location and activities are not recorded.¹⁷ Prior to the vessel's disappearance, it had reported via AIS an intended destination of Nakhodka, Russia with an estimated date of arrival on October 5.¹⁸ However, no local harbormaster records from six ports in the Russian Far East—Nakhodka, Vladivostok, Posiet, Zarubino, Vostochny, and Olga—recorded an arrival or departure of the *DN5505* at any time between October 1 and 19. Russia's Information System for State Port Control also has no record of the *DN5505* calling at a Russian port during this period.^{19 20}

When the *DN5505* resumed transmitting AIS signal in South Korean waters on October 19, the vessel was located approximately 24 miles south of the location of its last transmission, heading back to Busan Port.^{21 22} The *DN5505* remained in one of the port's bonded areas for approximately 12 days before it sailed north for Pohang Port on the eastern coast of South Korea.²³ On November 2, the *DN5505* submitted a bill of lading to South Korean customs authorities that showed that the vessel imported 2,588 metric tons of “anthracite coal in bulk” allegedly from Nakhodka, where no record exists of its arrival.²⁴

On October 7, during the *DN5505*'s period of lost AIS transmission, three Ilyushin-76 (IL-76) heavy lift cargo jets operated by Air Koryo, North Korea's state-run airline, reportedly traveled from Pyongyang, North Korea to Vladivostok, Russia.^{25 26} Air Koryo's IL-76 cargo jets are known to transport the armored vehicles used by Kim Jong Un, high-level North Korean government officials, and their support crew during foreign visits.²⁷ However, they rarely appear in Vladivostok. The last and only publicly reported instance was on July 30, 2018, when three Air Koryo IL-76 cargo jets accompanied two other passenger planes to Vladivostok for unknown reasons.²⁸



Above: Video Allegedly Taken of Two Air Koryo IL-76 Jets (Tail Numbers: P-913 and P-912) at Vladivostok International Airport on October 7, 2018. Source: Youtube.²⁹

When asked for comment, the North Korean consulate in Vladivostok reportedly did not provide an explanation for the unscheduled flights on October 7.³⁰ We have not uncovered direct evidence that the overlapping visits of the cargo jets and the DN5505 to the Russian Far East are related. However, given the heavy lift cargo capacity of the planes and their role in transporting Kim Jong Un's armored limousines, it is possible that the cargo jets could have loaded the Mercedes.

PROCUREMENT PATHWAY

1 ROTTERDAM, NETHERLANDS → DALIAN, CHINA

Departure from Rotterdam: June 14, 2018

Arrival in Dalian: July 31, 2018

Cargo: x2 MERCEDES S600 LONG GUARD

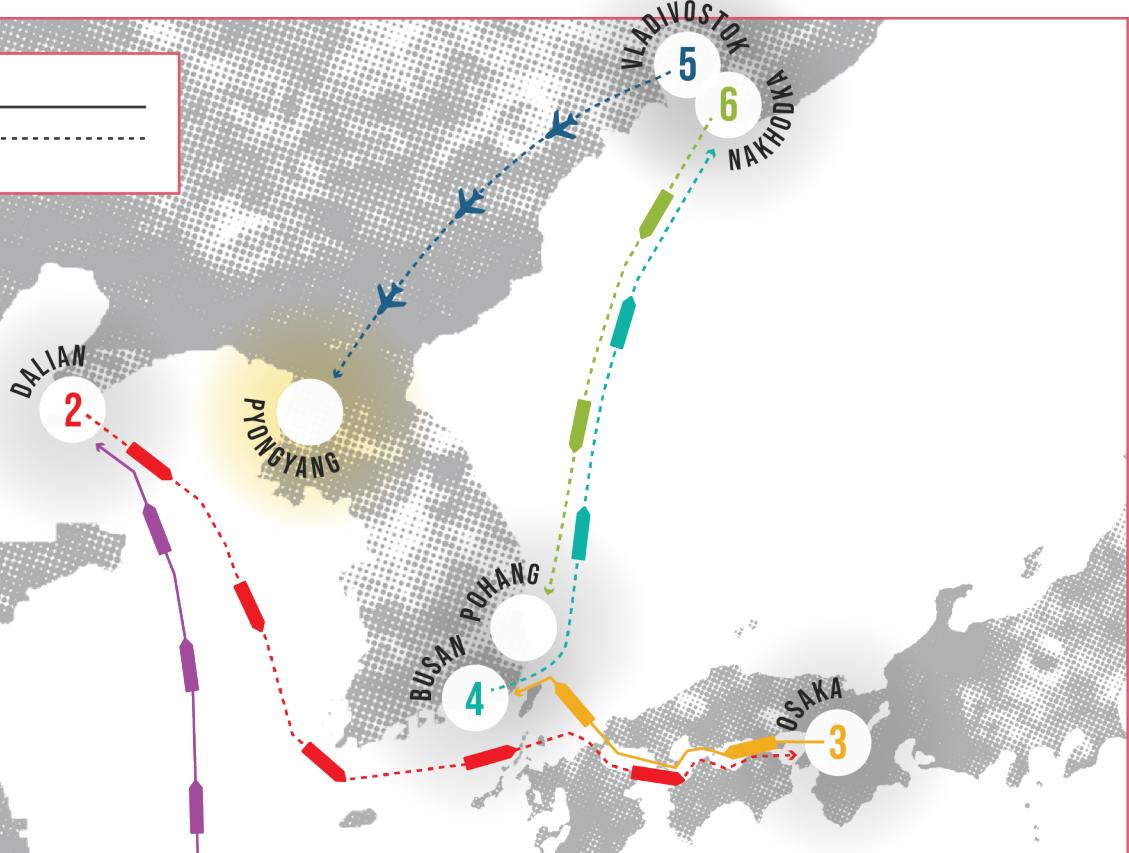
Consignor (Shipper): Slavenburg & Huyser B.V.

Consignee (Receiver): Zuisyo Co., Ltd. (瑞祥株式會社)



KEY

KNOWN PATH —————
SUSPECTED PATH - - - - -



2 DALIAN, CHINA → OSAKA, JAPAN

Departure from Dalian: August 26, 2018
Arrival in Osaka: Recorded in Osaka port on September 18, 2018

Cargo: x2 MERCEDES S600 LONG GUARD
Consignor (Shipper): Unverified
Consignee (Receiver): Unverified

3 OSAKA, JAPAN → BUSAN, SOUTH KOREA

Departure from Osaka: September 27, 2018
Arrival in Busan: September, 30 2018
Cargo: x2 MERCEDES S600 LONG GUARD
Consignor (Shipper): Mino Logistics Japan Co., Ltd. (美濃物流株式會社)
Consignee (Receiver): Mino Logistics Co., Ltd. (South Korea) ((주)미노로지스틱스)

4 BUSAN, SOUTH KOREA → NAKHODKA, RUSSIA

Departure from Busan: September 30, 2018
Arrival in Nakhodka: Reported estimated arrival of October 5, 2018
Ship: Togo-flagged DN5505 (IMO 8630708)
Cargo: x2 MERCEDES S600 LONG GUARD
Consignor (Shipper): Zuisyo Co., Ltd. (瑞祥株式會社)
Consignee (Receiver): Do Young Shipping Co., Ltd.

6 NAKHODKA, RUSSIA → POHANG, SOUTH KOREA

Departure from Nakhodka: Exact date unknown
Arrival in Pohang: November 1, 2018
Ship: Togo-flagged DN5505 (IMO 8630708)
Cargo: 2,588 metric tons of "ANTHRACITE COAL IN BULK"
Consignor (Shipper): Do Young Shipping Co., Ltd.
Consignee (Receiver): Enermax Korea Co., Ltd. (에너맥스코리아(주))

5 VLADIVOSTOK, RUSSIA → PYONGYANG, NORTH KOREA

Departure from Vladivostok: Air Koryo IL-76 cargo jets arrived in Vladivostok on October 7, 2018 and believed to have departed on the same day
Arrival in Pyongyang: Exact date unknown
Cargo: (Possibly) x2 MERCEDES S600 LONG GUARD
Consignor (Shipper): Unknown
Consignee (Receiver): Unknown

PART II: THE CONSIGNORS AND CONSIGNEES

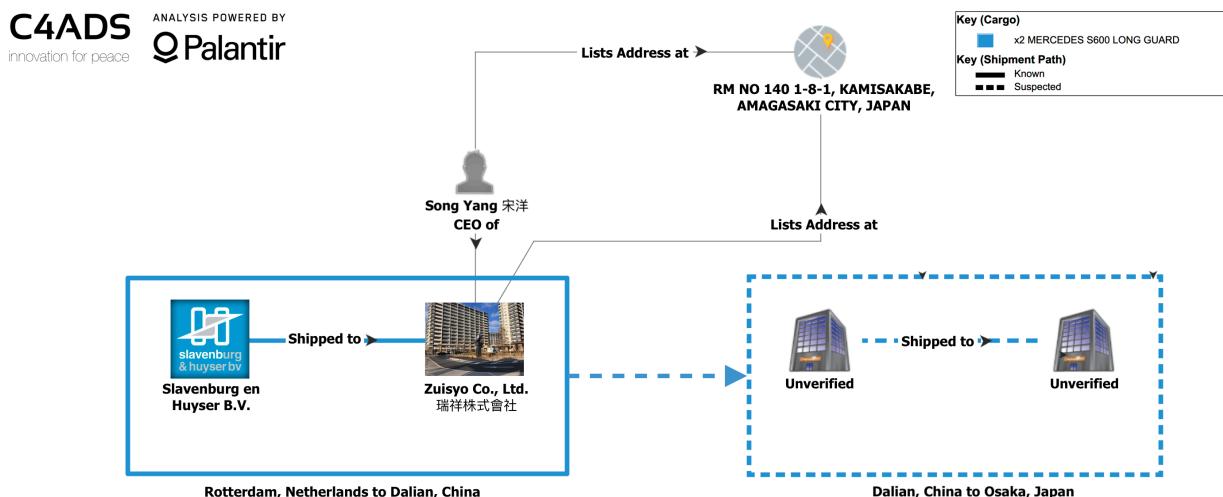
Using customs records and container tracking information, we identified the consignors and consignees for each segment of the voyage from the Netherlands to the Russian Far East except between China and Japan.

Open source investigation uncovered overlapping corporate networks between shipment parties and the involvement of multiple alleged North Korean sanctions evaders. At multiple points along the chain of custody from Europe to the Russian Far East, the same companies, the same people, and the same relationships persisted, demonstrating strong evidence of coordinated shipment and connections to other cases of North Korean strategic procurement.

Segment: Rotterdam, Netherlands to Dalian, China



On June 14, 2018, the two shipper-owned containers loaded with the Mercedes vehicles entered into the custody of a major China-headquartered shipping company while in Rotterdam, Netherlands.³¹ The containers were transported via truck from an undisclosed location to the Euromax Terminal in Rotterdam Port.³² On June 20, the containers were transferred onboard a container vessel bound for Dalian, China.³³ After 41 days at sea, the vessel arrived in Dalian Port on July 31, where it offloaded the containers.³⁴ The containers reportedly remained in Dalian Port until August 26 when they were loaded onto a truck and subsequently released from the custody of the China-headquartered shipping company.³⁵ C4ADS is unable to determine conclusively who assumed custody of the containers during their shipment from China to Japan—the next known transshipment point.



According to a representative of the China-headquartered shipping company, Slavenburg & Huyser B.V., a Netherlands-registered freight forwarding company, was listed as the consignor of the

shipment.³⁷ Slavenburg also appeared as the “responsible party” and “authorizer” on documents that recorded the containers’ weights that were submitted to the shipping company.³⁸ Slavenburg’s website claims that the company was established in 1949 and is “able to provide hands on services in remote locations through an extensive network of agents and selected partners which has been meticulously built and cultivated during our many years of doing business.”³⁹ Some of the logistics services featured on its website include liner services, chartering, and customs clearance.⁴⁰

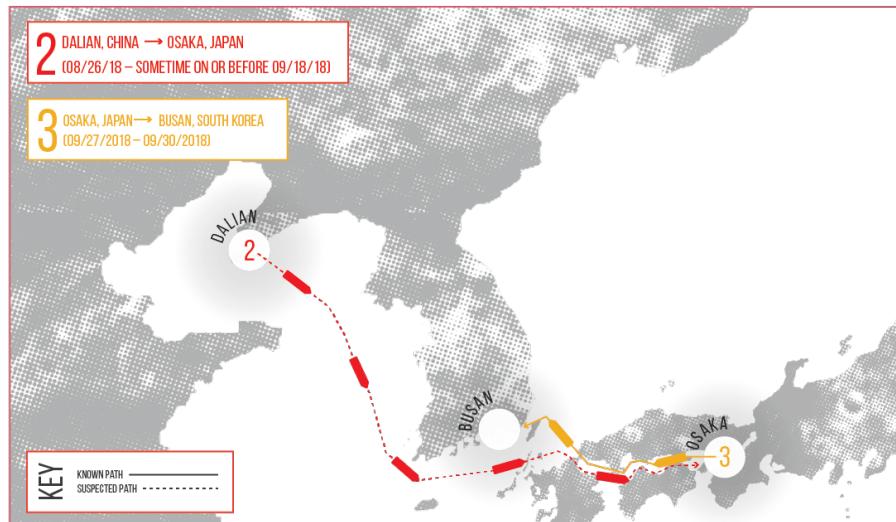


Above: Home Page of Slavenburg & Huyser’s Company Website. Source: <https://www.slavenburg-en-huyser.com>⁴¹

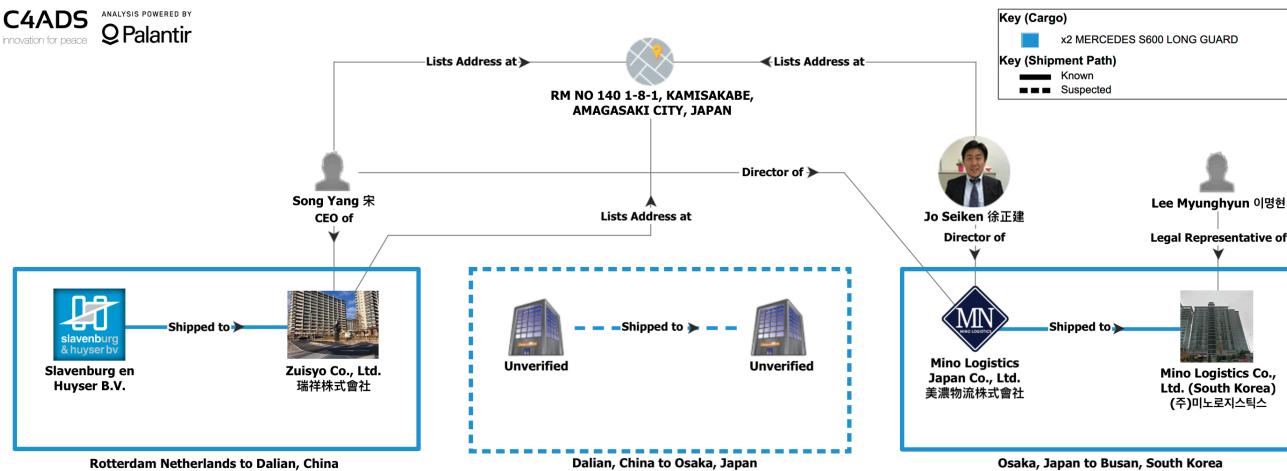
The shipping company representative also confirmed that Zuisyo Co., Ltd. (瑞祥株式會社), a Japan-registered trading company, was listed as the consignee of the Mercedes vehicles upon their arrival in Dalian, China.⁴² Zuisyo is reportedly a small Japanese company based in Amagasaki, a town near Osaka, Japan, that is allegedly engaged in commercial activities including trade, antique sales, Internet sales, software development for computers and smartphones, restaurant management, and real estate, among other lines of business.⁴³ Zuisyo’s registered address appears to be an apartment located in a residential community. On its official corporate registry filing, there is no mention of the company’s involvement with marine transportation or logistics services.⁴⁴ The company does not maintain a website, and little information about the company exists in the open source.

Zuisyo’s role in the Mercedes shipment extends from Europe into Asia, where customs documents show Zuisyo and its officers facilitating the containers’ transshipment through Japan and South Korea before their delivery in the Russian Far East. These shipments are analyzed in the following sections.

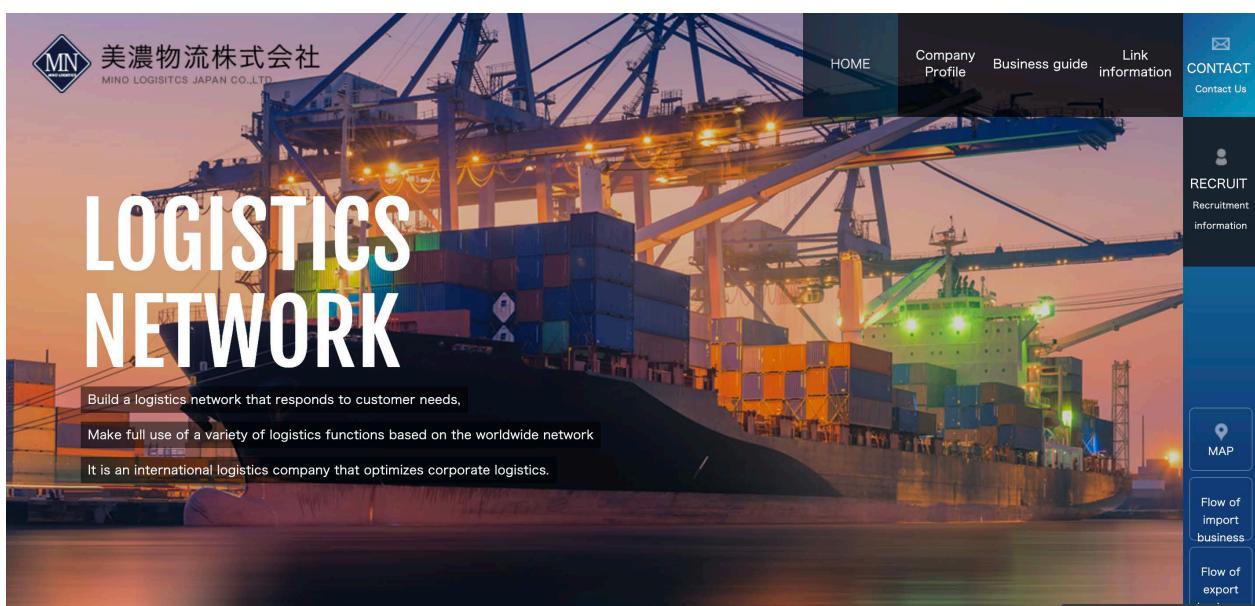
Segment: Dalian, China to Osaka, Japan to Busan, South Korea



Open source investigation did not uncover details about the containers' movements after they were released from the custody of the China-headquartered shipping company on August 26. However, cargo tracking information from a major South Korea-headquartered shipping company recorded the containers in Osaka Port, Japan on September 18.⁴⁵ The containers were loaded onto a container vessel on September 27, which departed for Busan, South Korea on the same day. The vessel arrived in Busan on September 30, where it unloaded the containers.⁴⁶



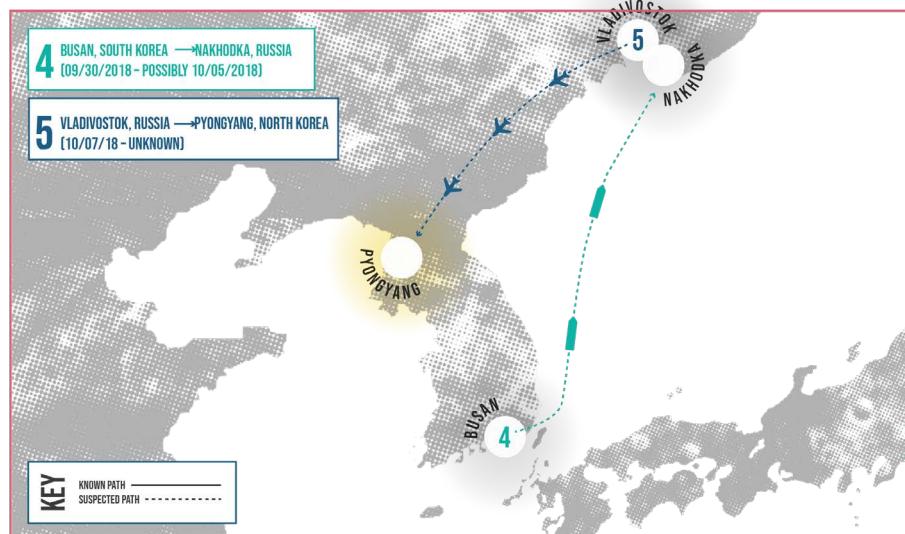
South Korean bills of lading indicate that Japanese and South Korean companies of nearly identical names served as the consignor and consignee of the Mercedes shipments from Osaka to Busan.⁴⁷ Both companies also appear to operate in the freight forwarding industry. Mino Logistics Japan Co., Ltd. (美濃物流株式會社), the shipper from Osaka, claims on its website to offer a variety of transportation and customs services and counts major Japanese conglomerates as its customers.⁴⁸ The South Korean company Mino Logistics Co., Ltd. ((주)미노로지스틱스), the shipment's consignee, describes its business activities as "cargo brokerage, agency, and related services."⁵⁰ Although both entities share nearly identical names and are involved in the logistics industry, it is unclear based on publicly available information whether they are part of the same corporate network.⁵¹ ⁵² The Japanese language version of Mino Logistics Japan's website claims that it has "established stable business alliances with local agents in Hong Kong, Taiwan, and Korea," but there is no mention of a physical branch office in South Korea.⁵³



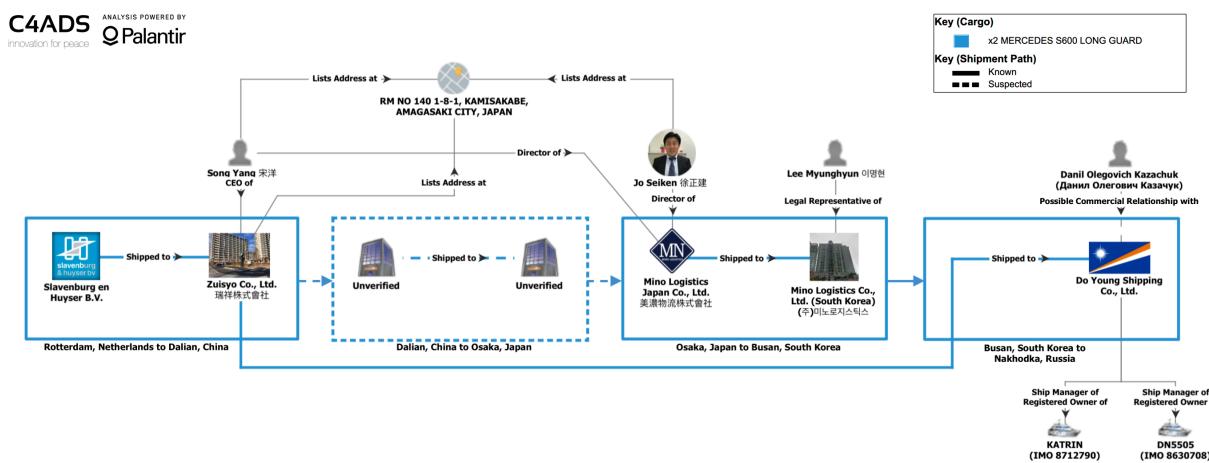
Above: Home Page of Mino Logistics Japan's Company Website. Source: www.minologix.jp⁵⁴

However, while the Japanese and South Korean “Mino Logistics” companies do not appear to have a direct corporate connection, residential addresses of corporate officers for Mino Logistics Japan match the registered address of Zuisyo Co., Ltd. in Amagasaki, Japan.⁵⁵ ⁵⁶ Zuisyo first appeared as the consignee for the shipment from Rotterdam, Netherlands to Dalian, China.⁵⁷ Zuisyo is also listed as the consignor from South Korea in the final segment of the voyage from Busan to the Russian Far East.⁵⁸

Segment: Busan, South Korea to Nakhodka, Russia



Within one day of their September 30 arrival in Busan, South Korea, the Mercedes were transferred onto the *DN5505*, a Togo-flagged general cargo ship.⁵⁹ Shortly after the *DN5505* left Busan with the Mercedes, its AIS signal disappeared in South Korean waters while sailing towards its reported destination of Nakhodka in the Russian Far East.⁶⁰ ⁶¹ According to the bill of lading for this shipment, the consignor was Zuisyo Co., Ltd., and the consignee was the Marshall Islands-registered Do Young Shipping Co., Ltd., which is also the owner and ship manager of the *DN5505*.⁶²



Mino Logistics Japan appears to have shipped the Mercedes to South Korea, only to have them subsequently shipped by what appears to be its sister company, Zuisyo, to the Russian Far East. As shown in the chart above, Zuisyo's corporate structure overlaps with that of Mino Logistics Japan, the consignor of the Mercedes for the shipment from Osaka, Japan to Busan, South Korea. First, both Mino Logistics Japan and Zuisyo list a corporate officer with the name Song Yang (宋洋). A person with the name Song Yang appears as a director for Mino Logistics Japan with no additional personally identifiable information; a person named Song Yang also appears as the sole director and CEO for Zuisyo.⁶³ ⁶⁴ Second, the CEO of Mino Logistics Japan, Jo Seiken (徐正建), and the CEO of

Zuisyo, Song Yang, list the same residential address located at an apartment building in Amagasaki, a town neighboring Osaka. Zuisyo also uses the same residential address on its corporate registry filing.^{65 66 67} It is unclear why Zuisyo served as the consignee for the Mercedes shipment from the Netherlands to China and as the consignor from South Korea to the Russian Far East.



Above: Photo of the apartment building where Jo Seiken, Song Yang, and Zuisyo are registered.
Source: www.homes.co.jp⁶⁸

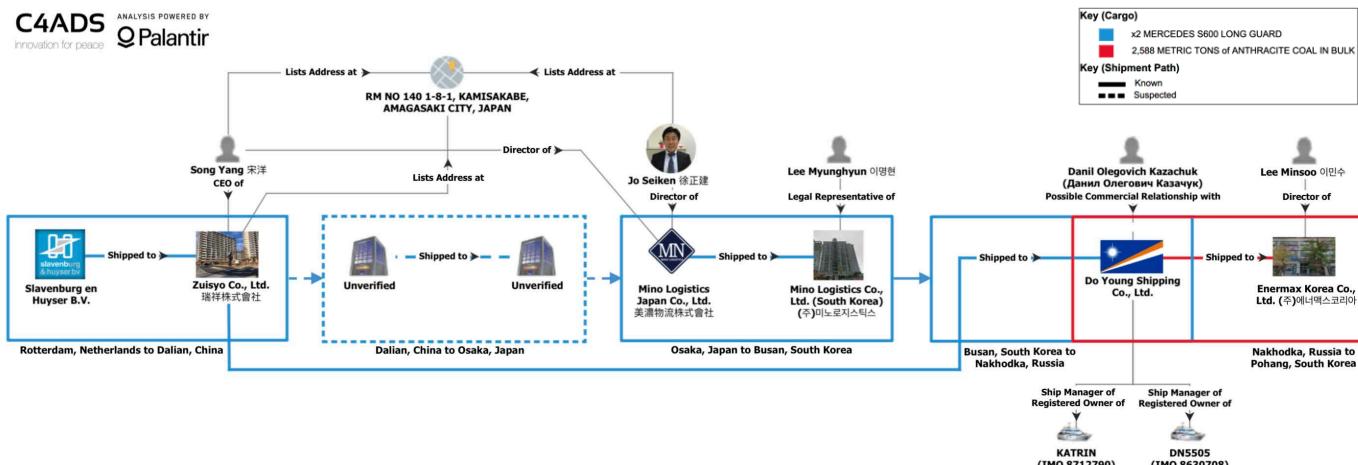
The last known consignee of the two Mercedes prior to their supposed delivery in Nakhodka, Russia is the Marshall Islands-registered Do Young Shipping Co., Ltd.⁶⁹ Open source investigation reveals a record of alleged North Korean sanctions violations associated with Do Young Shipping, which are detailed in subsequent sections.



Segment: Nakhodka, Russia to Pohang, South Korea

When the *DN5505* returned from its dark voyage to the Russian Far East on October 19, it reportedly carried 2,588 metric tons of anthracite coal from Nakhodka, Russia to Busan, South Korea.⁷⁰ The ship docked in a bonded area in Busan Port before delivering the coal to Pohang Port, South Korea on November 1.⁷¹ The bill of lading shows Do Young Shipping, the owner and ship manager of the *DN5505* that also served as the consignee for the Mercedes shipment, as the consignor of the coal.^{72 73}

The bill of lading also lists the South Korea-registered Enermax Korea Co., Ltd. (에너맥스코리아(주)) as the consignee for the coal. Enermax Korea had previously appeared in the UN Panel of Experts'

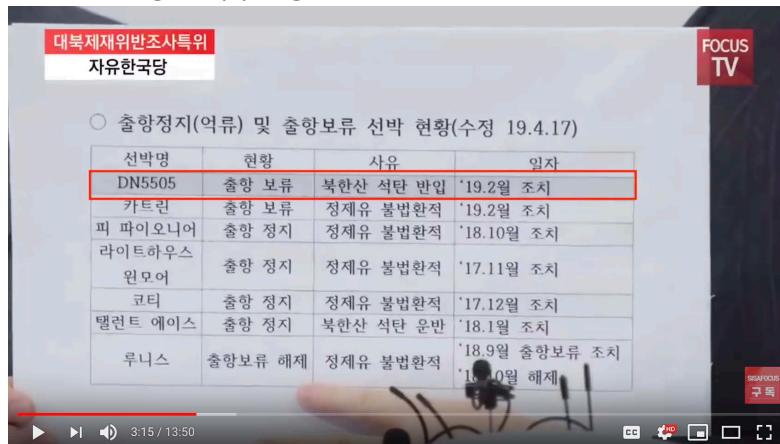


investigation into the attempted ship-to-ship transfer of North Korean coal between the *Wise Honest* (IMO 8905490), a North Korea-flagged cargo ship, and an unknown “Russian cargo ship” in Indonesian waters around April 2018.⁷⁴ The Indonesian government named Enermax Korea as the “final destination/recipient of the coal upon the [ship-to-ship] transfer of the coal.”^{75 76}



Above Left: Satellite image of the North Korea-flagged *Wise Honest* Loading Coal at Nampo, North Korea. Source: UN Panel of Experts Report S/2019/171.⁷⁷ **Above Right:** Photo of the *Wise Honest* Detained in Indonesia. Source: Tribun Kaltim.⁷⁸

On April 18, 2019, a South Korean parliamentary committee announced that the government seized the *DN5505* for allegedly importing North Korean coal from Nakhodka into South Korea two months prior.⁷⁹ While the parliamentary committee also referenced the *DN5505*'s coal import in November 2018, it did not mention either Enermax Korea's role as the consignee or the outgoing Mercedes shipment to Do Young Shipping.⁸⁰



Above: Screenshot of Media Footage of the Press Conference Announcing the *DN5505*'s Detention. Source: Youtube.⁸¹

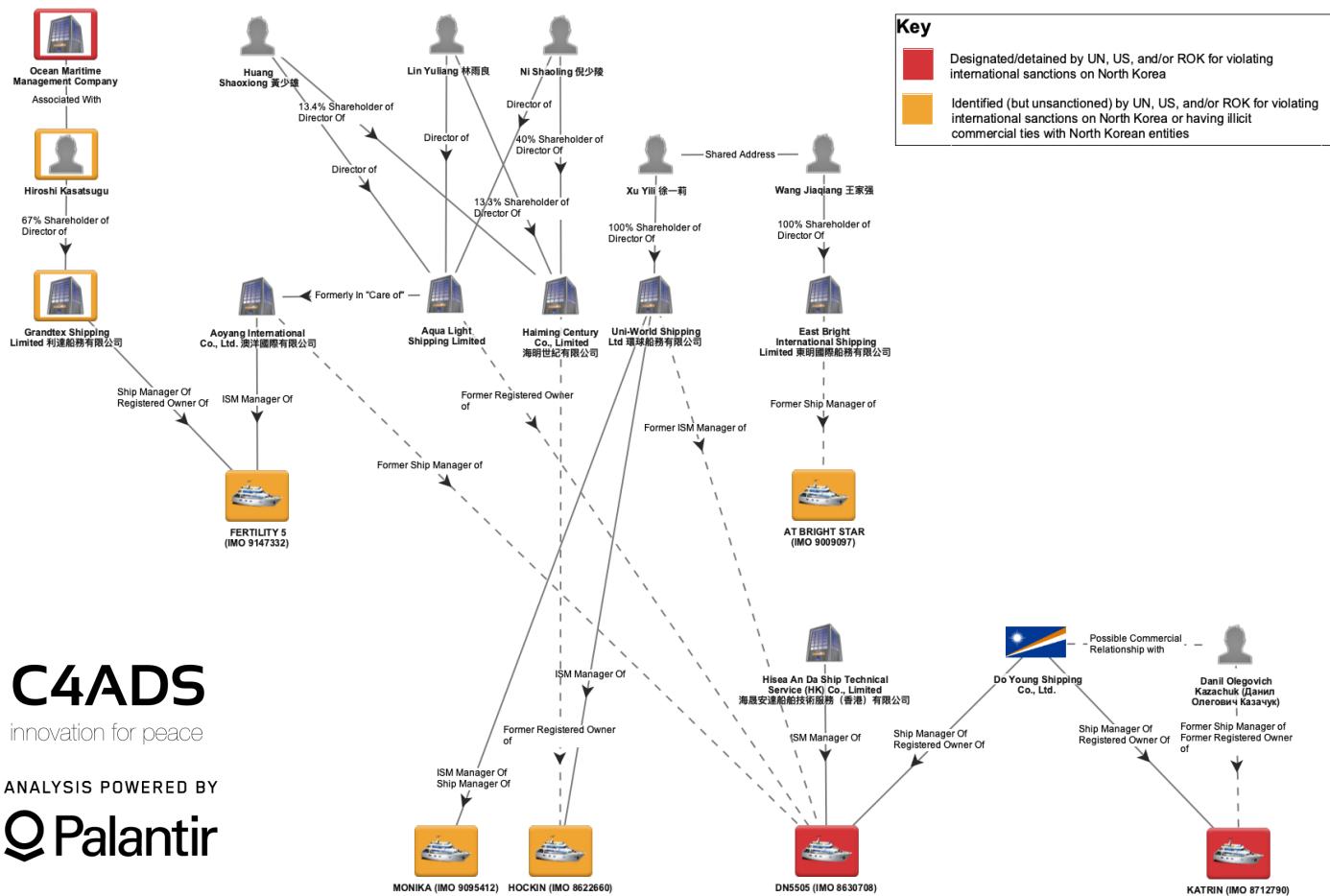
PART III: FROM ONE SANCTIONS EVASION NETWORK TO ANOTHER

The *DN5505*'s previous owners and operators have extensive connections to North Korea's maritime sanctions evasion operations. Two months prior to the Mercedes shipment, the Marshall Islands-registered Do Young Shipping, the consignee for the Mercedes, acquired the *DN5505* from the Hong Kong-registered company Aqua Light Shipping Limited. Before the ownership transfer, two other Hong Kong-registered companies served as the ship and ISM managers: Aoyang International Company Limited (澳洋國際有限公司) and Uni-World Shipping Limited (環球船務有限公司).^{82 83 84 85} Both Aoyang International and Uni-World Shipping have operated vessels that were widely reported to have been directly involved with North Korean illicit maritime activities.^{86 87 88 89}

Aoyang International, the *DN5505*'s former ship manager, is the current ISM manager of the *Fertility 5* (IMO 9147332), a cargo ship the UN Panel of Experts identified as one of at least 13 foreign-flagged vessels that were operated by the North Korean company Ocean Maritime Management (OMM) and used OMM-supplied North Korean crews.^{90 91} The UN Security Council and OFAC sanctioned OMM for facilitating North Korea's arms trade.^{92 93} The *Fertility 5*'s registered owner and ship manager is another Hong Kong company whose sole director is the Japanese national Hiroshi Kasatsugu.⁹⁴ The UN Panel of Experts has investigated Kasatsugu for his role in operating multiple foreign-flagged ships on behalf of OMM.⁹⁵



Above: Photo of the DN5505 (formerly known as the Xiang Jin). Source: V. Tonic.



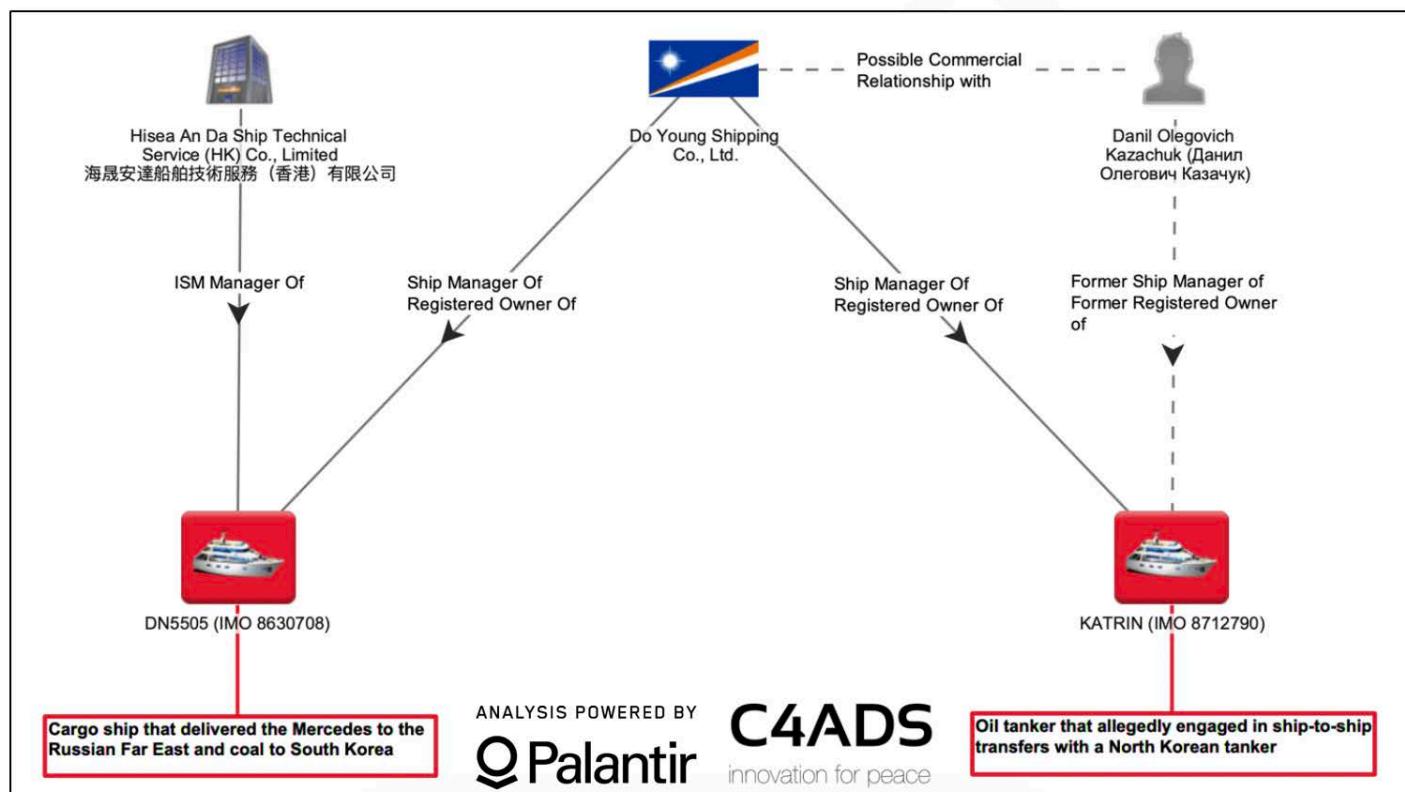
Uni-World Shipping, the former ISM manager of the *DN5505*, is the current ship and ISM manager of the Togo-flagged *Monika* (IMO 9095412), which was identified by the Panel as a foreign-flagged vessel flying a flag-of-convenience to facilitate North Korea's international trade in 2014.⁹⁶ Additionally, Uni-World Shipping lists Chinese national Xu Yili (徐一莉) as its sole director and shareholder.⁹⁷ Hong Kong corporate registry documents show that Xu Yili shares a residential address in Dalian with the director of East Bright International Shipping Co., Ltd. (東明國際船務有限公司), which was identified by the Panel as the ship and ISM-manager of a Palau-flagged cargo ship that delivered coal from North Korea to Vietnam in violation of UNSCR 2371 (2017).^{98 99 100 101 102}

On July 27, 2018, all three entities—Aoyang International, Uni-World Shipping, and Aqua Light Shipping—transferred ownership and management of the *DN5505* to the Marshall Islands-registered Do Young Shipping.¹⁰³

PART IV: THE VLADIVOSTOK CONNECTION

The Marshall Islands-registered Do Young Shipping, which consigned for the Mercedes shipment and owns the *DN5505*, appears to have a commercial relationship with entities in Vladivostok, Russia engaged in automotive maintenance, coal mining, and maritime transportation.

Do Young Shipping owns and manages only one other ship: the Panama-flagged oil tanker *Katrin* (IMO 8712790).¹⁰⁴ South Korean authorities reportedly detained the *Katrin* in February 2019 for allegedly engaging in at least three ship-to-ship transfers of fuel with North Korean vessels in 2018.¹⁰⁵ In March 2019, OFAC included the *Katrin* in a list of vessels suspected to have participated in ship-to-ship transfers with North Korean tankers in potential violation of UNSCR 2375 (2017) and UNSCR 2397 (2017).^{106 107 108}



Above: Do Young Shipping Current and Historical Network Connections. Source: Equasis

Vessel ownership records show Do Young Shipping acquired the *Katrin* on March 27, 2018 from a Vladivostok-based individual Danil Olegovich Kazachuk (Данил Олегович Казачук), who appears to have a commercial relationship with Do Young Shipping.¹⁰⁹ Kazachuk appears to have owned and managed the *Katrin* for only 25 days before transferring it to Do Young Shipping.¹¹⁰ South Korean media outlets have reported that the *Katrin*'s owner is a Russian national with a surname that begins with "K".¹¹¹ ¹¹² Due to the lack of transparency in company records from the Marshall Islands, a secrecy jurisdiction, C4ADS is unable to definitively determine the nature of the relationship between Kazachuk and Do Young Shipping.¹¹³ However, Kazachuk's relationship to the *Katrin* and commercial presence in Vladivostok, to which the Air Koryo IL-76s traveled during the *DN5505*'s dark voyage with the Mercedes onboard, warranted additional investigation into his possible role as a facilitator of the vehicles' transshipment to North Korea.

| Company | Role | Date of effect | Source(s) |
|--------------------------|---------------------------------|------------------|--------------|
| DO YOUNG SHIPPING CO LTD | Ship manager/Commercial manager | since 27/03/2018 | IHS Maritime |
| DO YOUNG SHIPPING CO LTD | Registered owner | since 27/03/2018 | IHS Maritime |
| DANIL K | Ship manager/Commercial manager | since 02/03/2018 | IHS Maritime |
| DANIL K | Registered owner | since 02/03/2018 | IHS Maritime |

Above: Transfer of Ownership and Management of the *Katrin* from Danil Olegovich Kazachuk to Do Young Shipping Co., Ltd. Source: Equasis.

According to a Russian corporate registry aggregator, Kazachuk has served as an officer or shareholder of three companies in Vladivostok engaged in automobile maintenance, coal mining, and marine transportation services.¹¹⁴ ¹¹⁵ ¹¹⁶ The coal mining and marine transportation companies were dissolved in 2011 and 2017, respectively.¹¹⁷ As of writing, the auto service shop, Avto-Starka LLC (ООО "Авто-Старка"), is active.¹¹⁸ Online advertisements for Avto-Starka claim that the shop can service a range of car brands including Mercedes.¹¹⁹



Above: Avto-Starka LLC. Source: Google Maps

Kazachuk's involvement with Avto-Starka may have provided a critical technical capacity for the procurement of the Mercedes-Maybach S600 Guard vehicles. According to the manufacturer, the vehicles spotted in Pyongyang in January 2019 had customized wheels, indicating that they "were not directly sold by [the manufacturer] but have been modified by a third party."¹²⁰ Container tracking information and bills of lading indicate that the containers carrying the Mercedes likely remained sealed during their voyage from Rotterdam, Netherlands to Busan, South Korea.¹²¹ Any vehicle modifications likely would have been made prior to their departure from the Netherlands or after their plausible arrival in the Russian Far East.

While we cannot determine conclusively whether the two Mercedes-Maybach S600 Guard vehicles carried onboard the *DN5505* were ultimately transshipped to North Korea, the data show conclusively that North Korea's commercial facilitators for multiple strategic sanctions evasion

operations including coal exports and ship-to-ship transfers actively procured high-end luxury vehicles that have appeared in Pyongyang and were used by Kim Jong Un. Therefore, this case underscores that key facilitator networks in North Korea's sanctions evasion operations have the capacity to procure premier luxury products and smuggle them through jurisdictions with stringent export control restrictions. By exposing and targeting these networks for action, law enforcement and civil regulators can have a disproportionate impact on the Kim regime's core procurement capabilities.

Don't Disconnect the Batteries

Figure 27
Mercedes-Benz S-600 limousine conversions observed during military parades in Pyongyang on 15 April 2012 (right) and 10 October 2015 (left)



Source: Oleg Kiryanov (left) and KCNA (right).

In February 2016, the UN Panel of Experts published the findings of its investigation into three shipments of armored Mercedes S600 limousines that were allegedly diverted to North Korea in 2010 and 2011. The vehicles were armored and customized in the US prior to their transshipment to North Korea via China. The Panel obtained email correspondence between George Ma, the Chinese national who organized and financed the shipment of the Mercedes from the US, and the US-based freight forwarder in which they decided not to disconnect the vehicles' batteries in violation of the shipping carrier's safety regulations. The freight forwarder warned Ma that if the batteries were disconnected, the consignee may have difficulty reprogramming the advanced vehicles without assistance from a Mercedes dealership.¹²² If all safety regulations were followed at the port of origin in the Netherlands, it is plausible that the Do Young Shipping network encountered a similar challenge of reprogramming the Mercedes-Maybach S600 Guard vehicles upon their arrival in the Russian Far East.

morning George,
I already place the order to purchase the used 40'GP.
Regarding the survey of the car, do you mean by inspection of the equipment & features? Every dealership will have PDI (Pre-Delivery Inspection) done prior to release the car to customer. Transloading warehouse can do the standard (general) equipment & features instruction upon receiving the cars but you need to send me a checklist. Inspection fee: usd 150 per auto.
Dear [REDACTED] can you send all of us a check list of it in order the inspection can be executed?
If you mean to have certified surveyor, they only inspect body of the auto upon arrival at loading location, during loading & lashing and check carrier's regulation (empty fuel tank & The battery must be disconnected). They never perform equipment & feature inspection.
Then there is no need of it.
Our auto rate with carrier is based on non-haz which means auto must ship with empty fuel tank & the battery must be disconnected. Since these 2 x S600 are very high tech vehicles, cnee may have problem to operate the auto after battery is disconnected.
We can 1) declare with carrier that batteries are disconnected but actually are not and Seajet is liable for all claims and penalties if and when carrier finds out the miscalculation.
How much will be the penalties and what the carrier may claim?
" We won't know until [REDACTED] find out OR there is damage or accident occurs.
2) declare with carrier that batteries are disconnected and it is disconnected but cnee may have problem to start the vehicle.
What the cnee should do to restart the vehicles? Is there any operation manual to restart the vehicles after battery disconnect due to transport? ** cnee will need to contact with their local Mercedes Benz dealership for how to restart or reprogram the vehicles.
these are the two options and it is up to you to decide. Please advise.

Annex 85 : George Ma instructs U.S freight forwarder to make false declaration in documents for Carrier

From: George Ma [mailto:george.ma@seajet.com.cn]
Sent: Monday, April 12, 2010 9:02 PM
To: [REDACTED]
Cc: [REDACTED]
Subject: 答复: 2 x S600

Dear [REDACTED]
Pls don't disconnect the batter and confirm by return. Tks.
B/r/gds
George

发件人： [REDACTED]
发送时间： 2010年4月13日 10:10
收件人： 'George Ma' ;
抄送：
主题： RE: 2 x S600

morning George,
see below in GREEN.

Best Regards

[REDACTED]
C-TPAT Member of C-TPAT

ENDNOTES

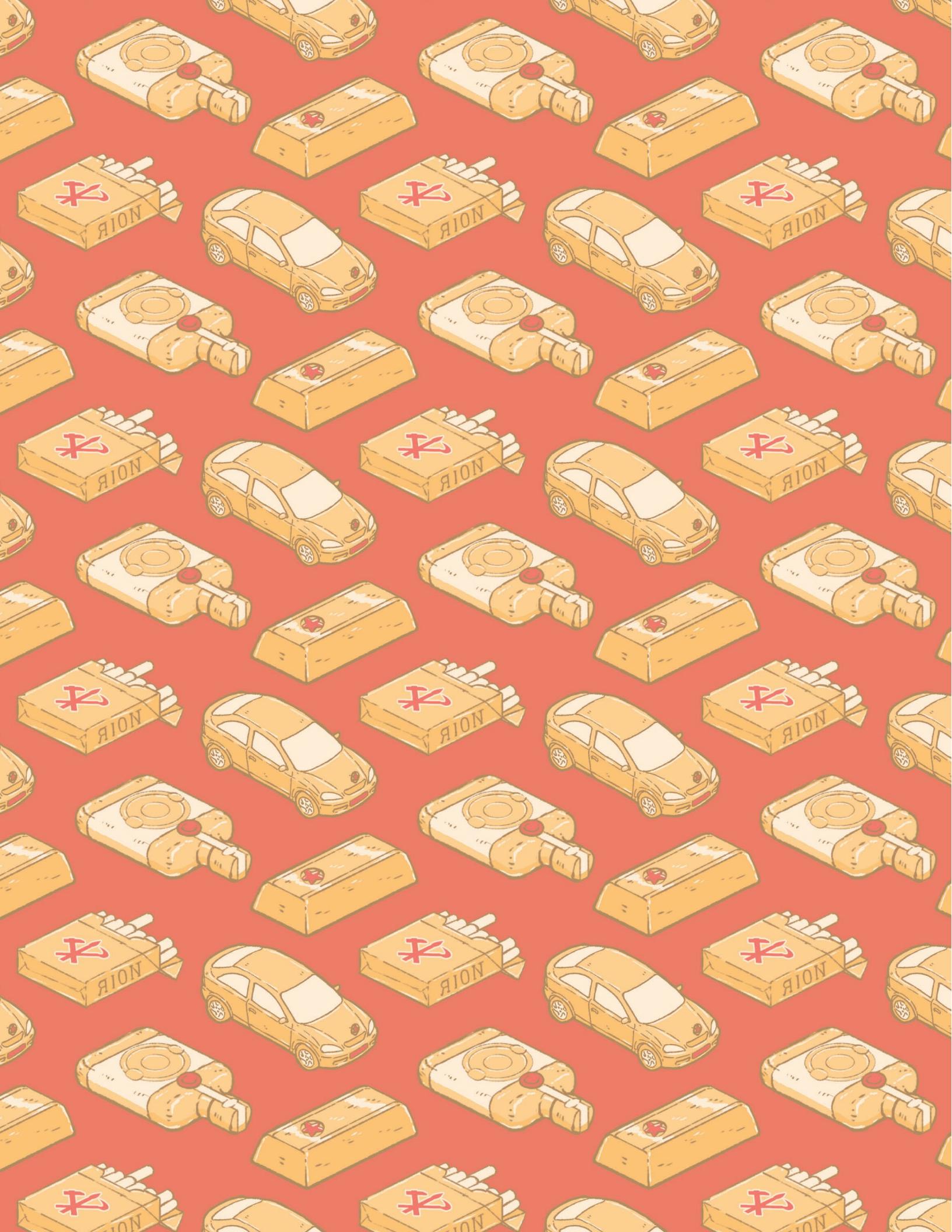
- 1 According to the International Maritime Organization (IMO), the IMO number is a unique and permanent identification number assigned to "propelled, sea-going merchant ships of 100 [gross tons] and above upon keel laying" with a few exceptions. For more information on the IMO ship identification number scheme, see IMO identification number schemes. International Maritime Organization. Retrieved from: <http://www.imo.org/en/OurWork/MSAS/Pages/IMO-identification-number-scheme.aspx>. Archived at <https://perma.cc/XNM7-TV3W>.
- 2 시사포커스TV. (2019, April 18). [풀발언] 04.18 '유기준' 대북제재위반조사특위 회의 발언 [[Full Cut] 04.18 'Yoo Ki Joon' comments during the meeting of the special committee on the investigation of sanctions against North Korea]. YouTube. Retrieved from: <https://www.youtube.com/watch?v=e7ldPPMeIN4>. Archived at <https://perma.cc/CN4C-2L6S>.
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 - (a) For Daimler's October 2015 press release, see 2016 Mercedes-Benz S-Class Adds New Maybach and Plug-in Hybrid Models. (2015, October 21). Mercedes-Benz USA. Retrieved from: <https://www.media.mbusa.com/releases/release-c0adb10949a74a77a5b6b6f57b2b2d71-2016-mercedes-benz-s-class-adds-new-maybach-and-plug-in-hybrid-models?query=s600>. Archived at <https://perma.cc/WR4M-SNYT>.
 - (b) For weight estimates of the Mercedes-Maybach S600 Guard, see Kiser, G. (2016, March 16). Get Under The Skin Of The Mercedes-Maybach S600 Guard. CarBuzz. Retrieved from: <https://carbuzz.com/news/get-under-the-skin-of-the-mercedes-maybach-s600-guard>. Archived at <https://perma.cc/7SRQ-EE66> and India, O. (2016, March 08). Mercedes-Maybach S600 Guard launched at INR 10.5 crore. India. Retrieved from: <https://www.india.com/car-and-bike/latest-news/news-cars/mercedes-mayback-s600-guard-launched-at-inr-10-5-crore-3298906/>. Archived at <https://perma.cc/2CNV-ZV35>.
 - (c) For sample definitions of curb weight, see Part 86 – Control of Emissions From New and In-Use Highway Vehicles and Engines. Electronic Code of Federal Regulations. Retrieved from: https://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=df84dd549bf59152f93764548ed8e24d6&ty=HTML&h=L&mc=true&n=pt40.21.86&r=PART#se40.21.86_1000_62. Archived at <https://perma.cc/D9MA-X9LT> and Directive 97/27/EC of the European Parliament and of the Council of 22 July 1997 relating to the masses and dimensions of certain categories of motor vehicles and their trailers and amending Directive 70/156/EEC. EUR-Lex. Retrieved from: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A31997L0027>. Archived at <https://perma.cc/HET7-8BKN>.
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- 13 Container tracking information from an international shipping company. Documents held by authors.
- 14 According to container tracking information from two international shipping carriers and two South Korean bills of lading, the containers' seal numbers as recorded in Rotterdam, Netherlands were identical to those recorded in Busan, South Korea prior to their departure, suggesting that the containers likely were not opened during their voyage. A container's seal number is a unique number inscribed or generated by the physical seal used to lock the container's doors. In order to ensure cargo integrity and security, the seal number on the container is cross-referenced with that recorded in accompanying shipping documents such as a bill of lading before the container is opened. If the seal numbers are different from each other, the containers were possibly opened or tampered with mid-voyage. Documents held by authors.
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- 19 Documents held by authors.
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- 32 Based on the containers' Bureau International des Containers (BIC) code and information from a representative of the China-headquartered shipping company, the containers were likely acquired from a company based in the Netherlands. For more information about BIC codes, see BIC Codes. Bureau International des Containers. Retrieved from: <https://www.bic-code.org/bic-codes/#>. Archived at <https://perma.cc/GKAS-L6K8>.
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- 84 Incorporation form for Uni-World Shipping Limited [環球船務有限公司]. Hong Kong Integrated Companies Registry Information System.
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- 86 Aoyang International is the current ISM manager of the *Fertility 5* (IMO 9147332), which was listed as a foreign-flagged vessel connected to the North Korean entity Ocean Maritime Management (OMM) and used OMM-supplied North Korean crew. For more information, see S/2016/157. (2016, February 24). United Nations Security Council. Retrieved from: <https://undocs.org/S/2016/157>.
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- 96 The UN Panel of Experts included the formerly Cambodia-flagged *Dong Fang Qi Yun* (IMO 9095412) (currently Togo-flagged *Monika*) as one of 15 foreign-flagged vessels suspected of enabling North Korea's ability to access international markets. For more information, see S/2015/131. (2015, February 23). United Nations Security Council. Retrieved from: http://www.un.org/ga/search/view_doc.asp?symbol=S/2015/131.
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- 100 East Bright International Shipping Limited was the previous ship and ISM manager of the formerly Palau-flagged *Toyo Maru* (IMO 9009097) (currently Palau-flagged *At Bright Star*) which was identified in the March 2018 UN Panel of Experts report as having exported coal from North Korea to Vietnam in violation of UNSCR 2371 (2017). For more information, see <https://undocs.org/S/2018/171>
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- 106 OFAC included the *Katrin* in Annex IV titled "Vessels That Are Believed To Have Engaged In Ship-To-Ship Transfers with North Korean Tankers" of the North Korea Sanctions Advisory issued on March 21, 2019. The advisory notes that "[the] annex is not a sanctions list or a comprehensive list of vessels in which block persons may have an interest. While some vessels on this list may be property in which a block person has an interest, the inclusion of a vessel in this annex does not constitute a determination by OFAC that the vessel has been identified as property in which a blocked person has an interest." For more information, see Updated Guidance on Addressing North Korea's Illicit Shipping Practices. (2019, March 21). Department of the Treasury, Department of State, United States Coast Guard. Retrieved from: https://www.treasury.gov/resource-center/sanctions/Programs/Documents/dprk_vessel_advisory_03212019.pdf. Archived at <https://perma.cc/3ZY3-ZW2N>.
- 107 Paragraph 11 of UNSCR 2375 (2017) states, "All Member States shall prohibit their nationals, persons subject to their jurisdiction, entities incorporated in their territory or subject to their jurisdiction, and vessels flying their flag, from facilitating or engaging in ship-to-ship transfers to or from DPRK-flagged vessels of any goods or items that are being supplied, sold, or transferred to or from the DPRK." For more information, see S/RES/2375. (2017, September 11). United Nations Security Council. Retrieved from: <http://unscr.com/en/resolutions/doc/2375>.
- 108 Paragraph 5 of UNSCR 2397 (2017) states, "All Member States shall prohibit the direct or indirect supply, sale or transfer to the DPRK, through their territories or by their nationals, or using their flag vessels, aircraft, pipelines, rail lines, or vehicles, and whether or not originating in their territories, of all refined petroleum products." For more information, see S/RES/2397 (2017). United Nations Security Council. Retrieved from: [https://undocs.org/S/RES/2397\(2017\)](https://undocs.org/S/RES/2397(2017)).
- 109 Danil Olegovich Kazachuk's name is recorded differently across maritime ownership and management databases. Equasis lists "Danil K" while IHS Markit, a commercial maritime data provider, lists "Kazachuk Danil". Both Equasis and IHS Markit record Danil Kazachuk's address as "ul Svetlanskaya 37-54, Vladivostok, Primorskiy kray, 690091, Russia". According to Russian phone directories, the address is associated with an individual named Danil Olegovich Kazachuk (Данил Олегович Казачук). For more information, see NomerEkaterinburga. Retrieved from: http://nomerkekaterinburga.com/phone/vladivostok/12_449.html. Archived at <https://perma.cc/LB6Q-WV75> and Телефонный справочник города Владивостока [Telephone directory of the city of Vladivostok]. Tspravochnik. Retrieved from: <https://tspravochnik.com/vladivostok%D0%A%D0%9A%D0%B0/?page3=14>. Archived at <https://perma.cc/LHE9-4GJJ>.
- 110 Equasis.
- 111 Panamanian ship held in Busan for alleged ship-to-ship transfers of oil to N.K. (2019, May 04). Yonhap News Agency. Retrieved from: <https://en.yna.co.kr/view/AEN20190503008100325>. Archived at <https://perma.cc/G2D3-CAJR>.
- 112 유엔 대북제재 결의 위반 제3국 선박 부산항에 석달째 얹류 [A Third Country Ship Detained at Busan Port for Violation of UN Sanctions Against North Korea for Three Months]. MK. Retrieved from: <https://www.mk.co.kr/news/world/view/2019/05/291098>. Archived at <https://perma.cc/KV32-W5T8>.
- 113 Financial Secrecy Index 2018 Report on Marshall Islands. Tax Justice Network. Retrieved from: <http://www.financialsecrecyindex.com/PDF/MarshallIslands.pdf>. Archived at <https://perma.cc/SZR3-WGS>.
- 114 Profile of Avto-Starka LLC. Kartoteka. Retrieved from: <https://www.kartoteka.ru/card/d6935c33041911d705bd5b741lea5677>. Archived at <https://perma.cc/D2WX-ZV8B>.
- 115 Profile of RK-Mayak LLC. Kartoteka. Retrieved from: <https://www.kartoteka.ru/card/38c3d8cc1b35dd456cc369895c274220>. Archived at <https://perma.cc/G7WN-ETHH>.
- 116 Profile of Spektr LLC. Kartoteka. Retrieved from: <https://www.kartoteka.ru/card/746c42a3270c2d31fa05319f33a99d9f>. Archived at <https://perma.cc/8MRY-B8JF>.
- 117 According to a Russian corporate registry aggregator, RK-Mayak LLC (ООО "ПК-Маяк"), the coal mining company, listed Danil Olegovich Kazachuk as a director and shareholder alongside two individuals with likely Korean names: Kwak Myung-gu (Квак Мен гу) and Kim Van Su (Ким Ван Су). Information from the Russian Uniform State Register for Enterprises and Organizations (ЕГРПО) indicates that Danil Olegovich Kazachuk and Kwak Myung-gu are Russian citizens whereas Kim Van Su's nationality is unknown. The company was dissolved on April 22, 2011. See Profile of RK-Mayak LLC. Kartoteka. Retrieved from: <https://www.kartoteka.ru/card/38c3d8cc1b35dd456cc369895c274220>. Archived at <https://perma.cc/G7WN-ETHH>.
- 118 Russian corporate registry aggregator.
- 119 Станция замены масла. Retrieved from: <https://www.vl.ru/stanciya-zameny-masla-1>. Archived at <https://perma.cc/KR7D-VA9K>.
- 120 O'Carroll, C. (2019, February 19). Kim Jong Un's Mercedes Maybach S 600 "modified by third party": Daimler. NK Pro. Retrieved from: <https://www.nknews.org/pro/kim-jong-un-mercedes-maybach-s-600-modified-by-third-party-daimler/>. Archived at <https://perma.cc/EQ36-V4W5>.
- 121 According to container tracking information from two international shipping carriers and two South Korean bills of lading, the containers' seal numbers as recorded in Rotterdam, Netherlands were identical to those recorded in Busan, South Korea prior to their departure, suggesting that the containers likely were not opened during their voyage. A container's seal number is a unique number inscribed or generated by the physical seal used to lock the container's doors. In order to ensure cargo integrity and

security, the seal number on the container is cross-referenced with that recorded in accompanying shipping documents such as a bill of lading before the container is opened. If the seal numbers are different from each other, the containers were possibly opened or tampered with mid-voyage. Documents held by authors.

122 S/2016/157. (2016, February 24). United Nations Security Council. Retrieved from: <https://undocs.org/S/2016/157>.



CONCLUSION & RECOMMENDATIONS

North Korea acquires luxury goods through the same overseas smuggling networks as other contraband. The more luxurious the good, the more complicated its procurement, and thereby the more capable its designated procurement agent. As a result, the detection of these goods can provide an important signal to identify and drive action against the Kim regime's core commercial procurement operations in a way that has systemic impact in degrading the quality of its strategic procurement capability.

As currently implemented, the global export control regime for luxury goods does not prevent North Korea from acquiring luxury goods from as many as 90 countries.¹ "Luxury" is an inherently relative term that requires subjective judgment to define, a task that the UN Security Council has delegated to Member States. Even when government bodies have attempted to define luxury products, they have rarely done so using standardized commodity classification systems like HS codes that multilateral law enforcement bodies and civil regulators could use to screen trade records in a consistent manner, at scale, and in different languages. Our research finds that, in the absence of clear guidance from the UN Security Council, as many as 74% of HS codes derived from export control product definitions only fit one export control regime's product list, reflecting the extent to which subjective interpretations of the definition of "luxury" can lead to patchwork enforcement. Nonetheless, United States domestic law creates broad unilateral authorities—including *mandatory* sanctions—that could pose significant compliance and reputational risk for companies around the world.²

Facilitators in the transportation and logistics industries—especially freight forwarders—are critical to North Korea's ability to procure luxury goods from around the world. Highly specialized products require capable intermediaries who can securely transport sensitive freight from limited suppliers across multiple jurisdictions. Our research suggests that, for these "precise procurements," freight forwarders with special cargo handling capabilities and access to key rail and sea delivery routes directly consign for shipments before diverting the cargo to a North Korean end-user.³

Like North Korean diplomats, representatives of overseas branches of North Korean companies continue to engage in prohibited commercial activities. While current UN Security Council Resolutions do not necessarily prohibit overseas branch offices of North Korean companies, the UN Panel of Experts has documented several cases in which branch offices support a number of critical economic functions for the Kim regime, including the financing and coordination of ship-to-ship transfers.^{4 5} This report expands previous findings to suggest that North Korean companies may also continue to procure luxury goods through representatives and branch offices abroad.

Both the North Korean government and private financiers bring luxury goods to market in North Korea. This report distinguishes between luxury goods acquired through general regional trade for broader consumer markets and the directed procurement of highly specialized goods for very limited customers using multiple important contextual factors: the value of the product, assumptions about end users, the degree of risk undertaken given the shipment route, the broader commercial activities of implicated entities, and the complexity of the obfuscation techniques employed. Sanctions practitioners should consider the ways in which recent changes to North Korea's domestic economic policy have changed how firms make purchases domestically and abroad. Quasi-private entities with liquidity and international market access have become an increasingly important pathway for delivering a wide array of consumer products to North Korea.⁶ The full extent and implications of North Korean market reforms are beyond the scope of this paper. Nonetheless, when selecting targets for luxury goods sanctions enforcement, policymakers should consider the potential for collateral damage to average North Koreans, who have an estimated average annual income of \$1,500 and rely on private entrepreneurs to bring in basic commodities such as food and fuel.^{7 8} By focusing on those facilitators who service demand for high-end luxury goods, it may be possible to calibrate targeting against networks that are specialized in strategic

goods supply for the regime.⁹ ¹⁰

This report's findings inform the following recommendations to law enforcement and civil regulators:

1. Financial institutions should scrutinize transactions for shipments of high-end luxury products involving freight forwarders in high-risk jurisdictions, particularly states like Russia and China that are contiguous with North Korea.
2. Insurance and reinsurance companies for at-risk vessels operating in Northeast Asia should include contractual language requiring consistent AIS transmission in order to acquire and maintain protection and indemnity insurance and reinsurance.¹¹
3. Sanctions practitioners should prioritize action against networks involved in the purchase and transfer of especially high-value luxury products to reduce unintended harm to average North Koreans.
4. The UN Panel of Experts should request and publish identifying information for all accredited overseas branches of North Korean companies and verify their compliance with UN Security Council Resolutions, including the repatriation of North Korean employees by December 22, 2019 in accordance with paragraph 8 of UNSCR 2397 (2017).¹²
5. The UN Security Council should delineate specific commodity codes for export-controlled luxury goods and require Member States to include export control lists for luxury goods in their national implementation reports. In order to facilitate information sharing among Member States, the UN Panel of Experts should resume the practice of consolidating export control lists from Member States and reproducing those lists in an appendix to each annual report. Member States should promulgate the aggregated export control list to relevant local authorities for harmonization with domestic export control systems, like the U.S. Department of Commerce Export Control Classification Number system.¹³
6. The intelligence and defense communities should consider the utility of publicly available information (PAI) for both the real-time identification of North Korean sanctions evasion and the production of analytical products that can be rapidly shared with partner agencies or governments, including participants in the Proliferation Security Initiative. Relevant stakeholders should identify opportunities to scale and accelerate collection and integration of PAI with traditional intelligence sources.

Ultimately, luxury goods sanctions provide a powerful legal instrument for law enforcement and civil regulators to disrupt the core operational networks that the Kim regime requires to maintain its strategic procurement capability. Our report demonstrates how to use publicly available information to trace luxury goods supply chains, and in the process expose and monitor the Kim regime's active commercial facilitators, procurement routes, and capabilities.

ENDNOTES

- 1 Policymakers should acknowledge and address the same deficiencies in luxury goods sanctions programs directed at other regimes like that of Bashar al-Assad in Syria.
- 2 See the North Korea Sanctions and Policy Enhancement Act (NKSPEA) Section 104(a)(3) <https://www.congress.gov/bill/114th-congress/house-bill/757/text/enr?q=%7B%22searc%h%22%3A%5B%22%5C%22hr757%5C%22%22%5D%7D#toc-HE1089D848B49437D9112EDC0284F237B>.
- 3 John Park and Jim Walsh first used the term "precise procurement" in 2016. See Park, J. & Walsh, J. (2016). Stopping North Korea, Inc.: Sanctions Effectiveness and Unintended Consequences. The Belfer Center for Science and International Affairs. Retrieved from: <https://www.belfercenter.org/sites/default/files/legacy/files/Stopping%20North%20Korea%20Inc%20Park%20and%20Walsh%20.pdf>. Archived at <https://perma.cc/VL4Q-2MMT>.
- 4 When the UN Panel of Experts inquired about the operations of North Korean branch companies in Russia, Russian authorities argued that, under Russian domestic law, representative offices do not constitute joint ventures or cooperative entities prohibited under paragraph 18 of UNSCR 2375 (2017) because representative offices "may not engage in commercial activity, earn no revenue and pay no taxes, except on operating expenses, including for real estate." For more information, see Annex 75 page 325 S/2019/171 (2019, March 05). United Nations Security Council. Retrieved from: <https://undocs.org/S/2019/171>.
- 5 See paragraph 124 of S/2019/171 (2019, March 05). United Nations Security Council. Retrieved from: <https://undocs.org/S/2019/171>.
- 6 A full discussion of changes in domestic North Korean economic policy is beyond the scope of this report. For more information regarding recent changes in North Korean policy regarding market activities, see Ward, P. (2018, September 25). Markets under Kim Jong Un: understanding the new scope of DPRK enterprise. NK Pro. Retrieved from: <https://www.nknews.org/pro/north-korean-markets-under-kim-jong-un-understanding-the-new-scope-of-dprk-enterprise/>. Archived at <https://perma.cc/C8XB-KURD>.
- 7 For more information regarding recent changes in North Korean policy regarding market activities, see Ward, P. (2018, September 25). Markets under Kim Jong Un: understanding the new scope of DPRK enterprise. NK Pro. Retrieved from: <https://www.nknews.org/pro/north-korean-markets-under-kim-jong-un-understanding-the-new-scope-of-dprk-enterprise/>. Archived at <https://perma.cc/C8XB-KURD>.
- 8 2017 estimate. See N. Korea's per capital income slightly up in 2016: data. (2017, December 15). Yonhap News Agency. Retrieved from: <https://en.yna.co.kr/view/AEN20171215003000320>. Archived at <https://perma.cc/A9SZ-4CF6>.
- 9 For more information regarding recent changes in North Korean policy regarding market activities, see <https://www.nknews.org/pro/north-korean-markets-under-kim-jong-un-understanding-the-new-scope-of-dprk-enterprise/>.
- 10 2017 estimate. See N. Korea's per capital income slightly up in 2016: data. (2017, December 15). Yonhap News Agency. Retrieved from: <https://en.yna.co.kr/view/AEN20171215003000320>. Archived at <https://perma.cc/A9SZ-4CF6>.
- 11 The UN Panel of Experts also made this recommendation in its 2019 report, stating that "Members States should consider introducing a regulatory requirement for protection and indemnity insurance and reinsurance companies to include AIS screening and an 'AIS switch-off' clause in their contracts for at-risk vessels operating in the relevant regions." See S/2019/171 (2019, March 05). United Nations Security Council. Retrieved from: <https://undocs.org/S/2019/171>.
- 12 S/RES/2397 (2017). United Nations Security Council. Retrieved from: [https://undocs.org/S/RES/2397\(2017\)](https://undocs.org/S/RES/2397(2017)).
- 13 Export Control Classification Number (ECCN). U.S. Department of Commerce Bureau of Industry and Security. Retrieved from: <https://www.bis.doc.gov/index.php/licensing/commerce-control-list-classification/export-control-classification-number-eccn>. Archived at <https://perma.cc/W3LY-NBQZ>.



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