LUX & LOADED
EXPOSING NORTH KOREA'S STRATEGIC PROCUREMENT NETWORKS
ABOUT C4ADS

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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.
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 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.” 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.

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.

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. 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. 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. 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. 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. 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.

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


6 O’Carroll, C., & Zwirko, C. (2019, February 21). In the Asian Economic Policy Conference 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 National 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 second-year 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/north-koreas-markets-under-kim-jong-un-understanding-the-new-scope-of-dprk-enterprise. Archived at https://perma.cc/CX6B-KURD.

8 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.

9 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 on the emergence of markets in North Korea. For more details, see Curtis Melvin’s With North Korea Inc. (2018) by Anna Fifield pages 101-102, citing Curtis Melvin, a South Korean survey by South Korea’s Development Institute, and a paper by Peter Ward.

10 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.nknews.org/pro/north-koreas-markets-under-kim-jong-un-understanding-the-new-scope-of-dprk-enterprise/.


12 Dr. John Park explored this idea of “precise procurements” in his report “North Korea Inc.” but only in the context of Chinese middlemen. Our findings demonstrate that North Korea has significantly increased its purchases from local markets.

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


15 The Great Successor (2019) by Anna Fifield pages 101-102, citing Curtis Melvin.

16 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 in North Korea in deals not involving 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 investment consulting” For more information, see https://home.treasury.gov/index.php/pages/press-releases/sm503.

17 John Park explored this idea of “precise procurements” in his report “North Korea Inc.” but only in the context of Chinese middlemen. Our findings demonstrate that North Korea has significantly increased its purchases from local markets.

18 Dr. John Park explored this idea of “precise procurements” in his report “North Korea Inc.” but only in the context of Chinese middlemen. Our findings demonstrate that North Korea has significantly increased its purchases from local markets.

19 For example, see <Inside N. Korea> Shaken by Sanctions – Regime Takes a Direct as Pyongyang’s Privileged Feel the Pressure. Asia Press. Retrieved from: http://www.asiapress.org/cro/jang200903/exreme-sanctions/. Also see N. Korea Tells Factory Workers to Fend for Themselves. The Chosunilbo.

20 Some have argued that the Kim regime has remained obstinate to change markets because they have reinforced the state’s position in the economy: since the ruler, military, and security apparatus dominate North Korea’s political institutions, traditional foreign policies like “[i]ncreased trade, investment, and even aid can pose risks—especially by destabilizing existing policies and constitutions 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.


23 新洋建輸出業の現状について<br />http://www.asiapress.org/cro/jang200903/exreme-sanctions/

24 日本商工院の調査結果について<br />http://www.asiapress.org/cro/jang200903/exreme-sanctions/

25 日本商工院の調査結果について<br />http://www.asiapress.org/cro/jang200903/exreme-sanctions/

26 日本商工院の調査結果について<br />http://www.asiapress.org/cro/jang200903/exreme-sanctions/

27 日本商工院の調査結果について<br />http://www.asiapress.org/cro/jang200903/exreme-sanctions/

28 日本商工院の調査結果について<br />http://www.asiapress.org/cro/jang200903/exreme-sanctions/

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32 日本商工院の調査結果について<br />http://www.asiapress.org/cro/jang200903/exreme-sanctions/

33 日本商工院の調査結果について<br />http://www.asiapress.org/cro/jang200903/exreme-sanctions/
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. 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. Of these 13 export control regimes, only the European Union, Russia, and Japan have defined luxury goods using standardized commodity codes. 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. 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.
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:

<table>
<thead>
<tr>
<th>Utility</th>
<th>Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Useful</td>
<td>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.</td>
</tr>
<tr>
<td>Ambiguous</td>
<td>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.</td>
</tr>
<tr>
<td>Not Useful</td>
<td>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.</td>
</tr>
</tbody>
</table>

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.”

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. 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/3ZVD-HS3S

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.


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

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

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

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. The specificity of controlled product codes is summarized below:

<table>
<thead>
<tr>
<th>Scope of Controlled Commodity Code</th>
<th>Number of Unique Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter (two digits)</td>
<td>1</td>
</tr>
<tr>
<td>Heading (four digits)</td>
<td>116</td>
</tr>
<tr>
<td>Sub-heading (six digits)</td>
<td>176</td>
</tr>
<tr>
<td>CN (eight to ten digits)</td>
<td>54</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>347</strong></td>
</tr>
</tbody>
</table>

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. 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:

<table>
<thead>
<tr>
<th>Scope of Controlled Commodity Code</th>
<th>Number of Unique Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter (two digits)</td>
<td>4</td>
</tr>
<tr>
<td>Heading (four digits)</td>
<td>58</td>
</tr>
<tr>
<td>Sub-heading (six digits)</td>
<td>96</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>158</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Scope of Controlled Commodity Code</th>
<th>Number of Unique Codes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter (two digits)</td>
<td>28</td>
</tr>
<tr>
<td>Heading (four digits)</td>
<td>109</td>
</tr>
<tr>
<td>Sub-heading (six digits)</td>
<td>148</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>285</strong></td>
</tr>
</tbody>
</table>

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. 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:


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

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.
This analysis extends findings from 17 Note that when a given controlled product description (e.g. diamonds) could plausibly correspond to multiple HS codes, we kept all HS codes. 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,” which would allow for additional interpretation. The implications are explored later in this section. 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. Archived at https://perma.cc/4NXU-DJ9B. 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. 13 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. 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. 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 analyzes 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. 10 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. 9 LUX & LOADED (2017), which found that luxury goods exports to North Korea were unaffected from 2002 to 2014. For more information, see Hard Target: Sanctions, Inducements, and the Case of North Korea. Stanford University Press. 8 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. 7 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. 6 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. 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. 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/lstatistic_e/wts2018_e/wts2018_e.pdf. Archived at https://perma.cc/YYV3-N48V. 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. 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. 1 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.
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). 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. 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:

<table>
<thead>
<tr>
<th>Make</th>
<th>Model</th>
<th>No. of Vehicles</th>
<th>No. of Shipments</th>
</tr>
</thead>
<tbody>
<tr>
<td>UAZ</td>
<td>Hunter, Patriot</td>
<td>537 (67%)</td>
<td>7 (9%)</td>
</tr>
<tr>
<td>Lexus</td>
<td>GS350, GX460, LS430, LX470, LX570, ES250</td>
<td>145 (18%)</td>
<td>48 (59%)</td>
</tr>
<tr>
<td>Toyota</td>
<td>HiAce, Corolla, Rav4, Hilux, LandCruiser100/120/150/200/Prado, Highlander, Alphard</td>
<td>66 (8%)</td>
<td>32 (39%)</td>
</tr>
<tr>
<td>Nissan</td>
<td>Almera, Atlas, Patrol, Terrano, X-Trail, Pathfinder (4.0LE)</td>
<td>43 (5%)</td>
<td>19 (23%)</td>
</tr>
<tr>
<td>Mercedes-Benz</td>
<td>G320, GL500 4Matic, S500, C200 4Matic</td>
<td>10 (1%)</td>
<td>4 (5%)</td>
</tr>
<tr>
<td>Mitsubishi</td>
<td>Lancer</td>
<td>2 (&lt;1%)</td>
<td>1 (1%)</td>
</tr>
</tbody>
</table>

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

![Image of Lexus LX 570 vehicles](image_url)

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:

<table>
<thead>
<tr>
<th>Reported Product Origin</th>
<th>No. of Shipments</th>
<th>No. of Cars</th>
</tr>
</thead>
<tbody>
<tr>
<td>Russia</td>
<td>17</td>
<td>556</td>
</tr>
<tr>
<td>Japan</td>
<td>47</td>
<td>153</td>
</tr>
<tr>
<td>Various</td>
<td>16</td>
<td>92</td>
</tr>
<tr>
<td>Germany</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Thailand</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>82</strong></td>
<td><strong>803</strong></td>
</tr>
</tbody>
</table>

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

![Diagram of trade routes](image_url)
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. The state-owned company accounted for all shipments of the Russian model UAZ vehicles, which originated in Russia.

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. 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:

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

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. 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. 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.

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. 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.
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. Additionally, on Russian business registry filings, Eastern Transport Company LLC (ООО “Восточная Транспортная Компания”) indicates that it is involved in railroad transportation activities and freight handling. 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.

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. 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.

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.
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. 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. 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).
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. 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).

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. 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. 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.

### 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.

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

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.
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. 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.
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.

A vessel called the TAE SUNG 923 also appears in Equasis vessel ownership records, but they indicate that the vessel was broken up in April 2012.
"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/ins117/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.

Commercially available trade data.

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.
In February 2019, South Korean authorities detained the DN5505 (IMO 8630708), 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. Open source investigation indicates that the same vessel had made a similar voyage in October 2018: after losing AIS signal 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. 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.

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. 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. In an effort to deter criminal actors from acquiring the vehicle, Mercedes reportedly runs a background check on potential buyers.

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. 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. Once the containers were loaded onboard the DN5505, the vessel departed Busan and set course for Nakhodka in the Russian Far East.
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. 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. 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.

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. 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. 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.

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. 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. 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.
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.

When asked for comment, the North Korean consulate in Vladivostok reportedly did not provide an explanation for the unscheduled flights on October 7. 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 21, 2018
   - Cargo: 22 MERCEDES 6600 LONG GUARD
   - Consignor (Shipper): Slavenburg & Hayzer B.V.
   - Consignee (Receiver): Zuisyo Co., Ltd. (瑞祥株式會社)

2. DALIAN, CHINA → OSAKA, JAPAN
   - Departure from Dalian: August 26, 2018
   - Arrival in Osaka: Recorded in Osaka port on September 8, 2018
   - Cargo: 22 MERCEDES 6600 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: 22 MERCEDES 6600 LONG GUARD
   - Consignor (Shipper): Mino Logistics (Japan Co., Ltd. [み野物流株式会社])
   - Consignee (Receiver): Mino Logistics Co., Ltd. (南韓)

4. BUSAN, SOUTH KOREA → NAKHODKA, RUSSIA
   - Departure from Busan: September 30, 2018
   - Arrival in Nakhodka: Recorded on October 5, 2018
   - Ship: Pajgor [flagged DN65005 (IMO 8997998)]
   - Cargo: 22 MERCEDES 6600 LONG GUARD
   - Consignor (Shipper): Zuisyo Co., Ltd. (瑞祥株式會社)
   - Consignee (Receiver): Do Young Shipping Co., Ltd.

5. VLADIVOSTOK, RUSSIA → PYONGYANG, NORTH KOREA
   - Departure from Vladivostok: Air Koryo IL-18 cargo jets arrived in Vladivostok on October 7, 2018, believed to have departed on the same day.
   - Arrival in Pyongyang: Exact date unknown
   - Cargo: (Possibly) 22 MERCEDES 6600 LONG GUARD
   - Consignor (Shipper): Unknown
   - Consignee (Receiver): Unknown

6. NAKHODKA, RUSSIA → POHANG, SOUTH KOREA
   - Departure from Nakhodka: Exact date unknown
   - Arrival in Pohang: November 1, 2018
   - Ship: Zajrog [flagged DN65005 (IMO 8997998)]
   - Cargo: 3,100 metric tons of “ANTHRACITE COAL IN BULK”
   - Consignor (Shipper): Do Young Shipping Co., Ltd.
   - Consignee (Receiver): Ensoma Korea Co., Ltd. (에스독코리아(주))
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.\(^{31}\)\(^{32}\) The containers were transported via truck from an undisclosed location to the Euromax Terminal in Rotterdam Port.\(^{33}\) On June 20, the containers were transferred onboard a container vessel bound for Dalian, China.\(^{34}\) After 41 days at sea, the vessel arrived in Dalian Port on July 31, where it offloaded the containers.\(^{35}\) 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.\(^{36}\) 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
Slavenburg also appeared as the “responsible party” and “authorizer” on documents that recorded the containers’ weights that were submitted to the shipping company. 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.” Some of the logistics services featured on its website include liner services, chartering, and customs clearance.

The shipping company representative also confirmed that Zuisyo Co., Ltd., a Japan-registered trading company, was listed as the consignee of the Mercedes vehicles upon their arrival in Dalian, China. 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. 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. 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 49 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.\(^59\) \(^60\) 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. 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.

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. 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. The ship docked in a bonded area in Busan Port before delivering the coal to Pohang Port, South Korea on November 1. 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.

The bill of lading also lists the South Korea-registered Enermax Korea Co., Ltd. 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. The Indonesian government named Enermax Korea as the “final destination/recipient of the coal upon the [ship-to-ship] transfer of the coal.”

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. 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.


Above: Screenshot of Media Footage of the Press Conference Announcing the DN5505’s Detention. Source: Youtube.
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). 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.

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. The UN Security Council and OFAC sanctioned OMM for facilitating North Korea's arms trade. The Fertility 5's registered owner and ship manager is another Hong Kong company whose sole director is the Japanese national Hiroshi Kasatsugu. The UN Panel of Experts has investigated Kasatsugu for his role in operating multiple foreign-flagged ships on behalf of OMM.

Key
- Designated/detained by UN, US, and/or ROK for violating international sanctions on North Korea
- Identified (but unsanctioned) by UN, US, and/or ROK for violating international sanctions on North Korea or having illicit commercial ties with North Korean entities

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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. Additionally, Uni-World Shipping lists Chinese national Xu Yili (徐一莉) as its sole director and shareholder. 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).

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.

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). 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. 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).
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. Kazachuk appears to have owned and managed the Katrin for only 25 days before transferring it to Do Young Shipping. South Korean media outlets have reported that the Katrin’s owner is a Russian national with a surname that begins with “K”. 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. 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.

**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. The coal mining and marine transportation companies were dissolved in 2011 and 2017, respectively. As of writing, the auto service shop, Avto-Starka LLC (ООО “Авто-Старка”), is active. Online advertisements for Avto-Starka claim that the shop can service a range of car brands including Mercedes.

**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.” 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. 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

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. 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.
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 scheme.

According to the United States Department of the Treasury, the Automatic Identification System (AIS) is an internationally accepted maritime safety and navigation-related system that transmits, at a minimum, a vessel’s identification and select navigational and positional data via very high frequency radio waves. For more information on AIS, see Updated Guidance on Addressing North Korea’s Illegal Shipments of S-600 Guard Ships (2019, March 27). Department of North Korea’s Illicit Shipments of S-600 Guard Ships. Retrieved from: https://www.treasury.gov/resource-center/sanctions/Programs/Documents/dfmr_vessel_advisory_03212019.pdf.


South Korean bills of lading describe the cargo as "MERCEDES S600 LONG Guard" loaded in two containers. Based on the cargo description and obtained weight measurements, the vehicles are possibly the Mercedes-Maybach S600 Guard model.

According to an October 2015 press release, Daimler stated that the "Mercedes-Maybach ride height is lower than that of the "LONG" designation. In the full loading condition, the ride height of the "LONG" designation may indicate an extended wheelbase that is characteristic of the Mercedes-Maybach model. Prior to the containers’ departure from Rotterdam Port in the Netherlands, an international shipping carrier received verified gross mass reports that recorded each container’s cumulative weight as 8,540 kilograms and 8,520 kilograms. The weight of an empty container was recorded as 4,400 and 4,520 kilograms. Therefore, each container’s cargo—which would include the dunnage and bracing used to secure the vehicles—weighed approximately 4,540 kilograms.
In the three months leading up to the shipment of the Mercedes from South Korea to the Russian Far East, we observed multiple changes in the corporate networks of Do Real Estate Archive. Lifull Home's. Retrieved from: https://www.homes.co.jp/archive/b-41173763/. Archived at https://perma.cc/6SA7-B4LW.

Zuisyo changed its address to the one in Amagasaki used by both Song Yang and Jo Seiken, the director of Mino Logistics Japan. According to RIA Novosti, a Russian state-owned media outlet, the IL-76 planes reportedly dropped off unspecified cargo in Vladivostok, which were then sent to Moscow. No details were provided on what cargo the IL-76 planes may have loaded in Vladivostok, if any. For more information, see Источники рассказали о грузе, который три Ил-76 привезли из Пхеньяна [Sources told about the cargo from three IL-76 brought from Pyongyang]. (2018, October 08). RIA Novosti. Retrieved from: https://ria.ru/20181008/1530193344.html. Archived at https://perma.cc/GZYN-AH64.


Cargo tracking information from South Korea-headquartered shipping company. Document held by authors.

South Korean bill of lading for the shipment from Osaka, Japan to Busan, South Korea. Document held by authors.

Leading maritime intelligence platform.

Cargo tracking information from South Korea-headquartered shipping company. Document held by authors.


Equasis records indicate that Do Young Shipping assumed ownership and ship management of the DNSS05 on July 27, 2018. Hong Kong-registered Hisea An Da Ship Technical Service (HK) Co., Ltd. (海鼠安達海事服務(香港)有限公司) also assumed its role as the DNSS05's ISM manager on the same day. Do Young Shipping assumed ownership and management of the DNSS05 just one week after the appointment of Song Yang as the CEO of Zuisyo and three days after Zuisyo changed its address to the one in Amagasaki used by both Song Yang and Jo Seiken, the director of Mino Logistics Japan.

South Korean bill of loading for shipment from Nakhodka, Russia to Pohang, South Korea. Document held by authors.

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South Korean bill of loading for the shipment from Busan, South Korea to Nakhodka, Russia. Document held by authors.

South Korean bill of loading for the shipment from Busan, South Korea to Nakhodka, Russia. Document held by authors.

South Korean bill of loading for the shipment from Osaka, Japan to Busan, South Korea. Document held by authors.


In the three months leading up to the shipment of the Mercedes from South Korea to the Russian Far East, we observed multiple changes in the corporate networks of Do Young Shipping, Mino Logistics Japan, and Zuisyo. Equasis records indicate that Do Young Shipping assumed ownership and ship management of the DNSS05 on July 27, 2018. Hong Kong-registered Hisea An Da Ship Technical Service (HK) Co., Ltd. (海鼠安達海事服務(香港)有限公司) also assumed its role as the DNSS05's ISM manager on the same day. Do Young Shipping assumed ownership and management of the DNSS05 just one week after the appointment of Song Yang as the CEO of Zuisyo and three days after Zuisyo changed its address to the one in Amagasaki used by both Song Yang and Jo Seiken, the director of Mino Logistics Japan.

South Korean bill of loading for shipment from Nakhodka, Russia to Pohang, South Korea. Document held by authors.

South Korean bill of loading for shipment from Nakhodka, Russia to Pohang, South Korea. Document held by authors.

South Korean bill of loading for shipment from Nakhodka, Russia to Pohang, South Korea. Document held by authors.

South Korean bill of loading for shipment from Osaka, Japan to Busan, South Korea. Document held by authors.


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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.

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. “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.

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.

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. 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. 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. 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...
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.


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.


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/.


