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The Southern Stratagem

North Korean Proliferation Financing in Southern and Eastern Africa

Darya Dolzikova and Anagha Joshi



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Executive Summary

IN RECENT YEARS, preventing the financing of the proliferation of weapons of mass destruction (WMD) has become an important component of broader non-proliferation and counter-proliferation efforts. This is particularly true in the case of North Korea. Over the course of more than a decade, the UN Security Council (UNSC) has applied increasingly expansive sanctions on North Korea to constrain Pyongyang's proliferation activities and incentivise a shift in its behaviour. Many of these sanctions focus on limiting North Korean access to funds and financial services that enable its proliferation activities or that finance entities involved in proliferation activities, otherwise referred to as proliferation financing (PF).

Southern and eastern African countries have been among the jurisdictions targeted by North Korean PF efforts. This paper focuses on North Korean PF activities in countries that make up the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) – a Financial Action Task Force (FATF)-style regional body that comprises Angola, Botswana, Eswatini, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, South Africa, Seychelles, Tanzania, Uganda, Zambia and Zimbabwe. The paper's approach to the study of the region's exposure to North Korean PF risk is based on the methodology for conducting national PF risk assessments articulated in RUSI's 'Guide to Conducting a National Proliferation Financing Risk Assessment'.¹ The authors evaluate the interaction between PF threats and vulnerabilities in southern and eastern Africa, as well as the consequences of failing to address PF risk.

North Korean PF in the region has historically focused on efforts to generate revenue. Pyongyang has targeted southern and eastern African countries to carry out a variety of fundraising activities, including military cooperation,² the construction of statues and monuments,³ wildlife smuggling,⁴ and the deployment of North Korean workers⁵ to carry out construction and medical work in the region. At times, some of these activities appear to have been carried out

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1. Anagha Joshi, Emil Dall and Darya Dolzikhova, 'Guide to Conducting a National Proliferation Financing Risk Assessment', RUSI, May 2019.
 2. See, for example, Andrea Berger, *Target Markets: North Korea's Military Customers in the Sanctions Era*, RUSI Whitehall Paper 84 (London: Taylor and Francis, 2015).
 3. See, for example, Virginie Grzelczyk, *North Korea's New Diplomacy: Challenging Political Isolation in the 21st Century* (London: Springer, 2017), p. 176.
 4. See, for example, Julian Rademeyer, 'Diplomats and Deceit: North Korea's Criminal Activities in Africa', Global Initiative Against Transnational Organized Crime, September 2017, pp. 16–17.
 5. See, for example, US Department of the Treasury, US Department of State and US Department of Homeland Security, 'North Korea Sanctions & Enforcement Action Advisory: Risks for Businesses with Supply Chain Links to North Korea', 23 July 2018, <https://www.treasury.gov/resource-center/sanctions/Programs/Documents/dprk_supplychain_advisory_07232018.pdf>, accessed 25 March 2020.

in violation of UN sanctions. Emerging North Korean PF activities – namely, cybercrime and the abuse of cryptocurrencies – also pose a potential threat to the region, although reported cases of such North Korean activity in southern and eastern African countries have, to date, been few.

Besides revenue generation, North Korean PF in ESAAMLG countries has included the establishment of financial and corporate networks to assist Pyongyang in raising and moving funds. North Korean corporate networks operating in southern and eastern African countries use a variety of tactics – including reliance on third-country nationals or the use of front companies – to obfuscate their connection to sanctioned North Korean entities and engage in illicit activity. The diversity of the financial sector in the region has, in turn, allowed North Korea to move funds across and out of southern and eastern Africa, exploiting the vulnerabilities and opportunities that various financial institutions and services present.

While the authors have not identified any instances of North Korean efforts to procure – or finance the procurement of – technology, equipment or materials directly related to the development of WMD through ESAAMLG countries in existing open-source literature, there is some potential for Pyongyang to exploit the region to this end as well. ESAAMLG countries host some industries that may be of interest to proliferators due to their production or use of dual-use and proliferation-sensitive goods. The latent expertise that resulted from South Africa's now-dismantled nuclear weapons programme, as well as the expertise, technology and materials that support its current civilian nuclear programme, all create additional PF vulnerabilities for the country and the region. Proliferators may seek to procure dual-use or proliferation-sensitive goods from southern and eastern Africa, or may use ESAAMLG countries as trans-shipment points for such goods.

A number of other factors may facilitate North Korean PF activity in southern and eastern African countries. Porous borders, exacerbated by difficult-to-patrol terrain and ineffective or under-resourced border officials, may allow for the illegal movement of people and goods in support of North Korean PF efforts. Regional trade and transport hubs may contribute to this challenge, as they face greater flows of people and goods, making it more difficult to screen for illicit activity. These hubs also expose countries to the PF risks present in other regions through trade and travel connections. The region's wealth in mineral deposits poses additional PF vulnerabilities, as these resources may be exploited for revenue generation. As North Korea is itself home to significant mineral deposits, Pyongyang is more likely to be interested in opportunities to generate revenue through investments into mining operations in the region, or the provision of related services such as surveying and prospecting, than in the minerals themselves.

The longstanding social and political ties between North Korea and some ESAAMLG countries further exacerbate exposure to PF risk. Pyongyang's ties to the African continent date back to the Cold War, when the newly established socialist dictatorship sought political recognition and economic opportunities abroad. These relationships made North Korea a trusted partner for some countries in the region and created dependencies on certain North Korean products and services – namely in the context of military cooperation – that have made effective sanctions implementation more challenging. Despite the application of international sanctions on North

Korea, relations appear to persist between Pyongyang and certain African countries to varying degrees, as observed through ongoing trade activity and political engagement.

The presence of North Korean embassies in several southern and eastern African countries is another important PF vulnerability for the region. Under the cover of diplomatic accreditation, North Korean diplomats and embassies around the world carry out activities that go well beyond their diplomatic duties, including generating revenue through illicit trade, smuggling cash and valuable goods, and assisting North Korean corporate entities with their business and financial operations.⁶ These activities contribute to North Korean PF efforts, although some are also carried out by diplomats for personal profit and to support the operation of their embassies. While maintaining cultural and diplomatic ties with North Korea is perfectly legitimate, any engagement with North Korea increases a country's exposure to North Korean sanctions evasion activities. Abiding by UNSC obligations regarding North Korean diplomats and embassies is an important first step in reducing exposure to the PF risk they may pose.

Complying with international obligations and standards on countering proliferation financing (CPF) more broadly is important for addressing vulnerabilities that may expose a country to PF risk. UNSC sanctions form the foundation of these international CPF obligations and include both targeted financial sanctions (TFS) and activity-based sanctions. The former are aimed at individuals and entities that are believed to be contributing to the North Korean nuclear programme. The latter cover a range of licit and illicit activities that North Korea – or those acting on its behalf – are prohibited from engaging in, including revenue-generating activities. Due to the broad scope of UNSC activity-based sanctions, as well as North Korea's use of third-country nationals or non-designated entities to carry out otherwise sanctioned activities on Pyongyang's behalf, it is critical that countries have CPF regimes that go beyond simple TFS list-based screening. This is an important consideration for ESAAMLG countries, seeing as much of the PF risk to the region appears to come from North Korean revenue-generating activities, some of which may not be intrinsically illegal or may be carried out by non-sanctioned individuals.

The authors' review of FATF Mutual Evaluation Reports of ESAAMLG countries, information collected from implementation reports submitted to the Security Council Committee established pursuant to UNSCR 1718 and publicly available material, including countries' legislation, has indicated that many ESAAMLG countries lack the necessary legislation and regulation to implement international CPF obligations – both in the case of TFS and activity-based sanctions. Where legal or regulatory mechanisms are present, their effective implementation has often been hampered by a number of factors, including: limited financial resources; low awareness of PF risk exposure and typologies among relevant authorities; lack of enforcement authorities or a failure to exercise them; and weak or non-existent intra-governmental coordination mechanisms on financial crime issues and CPF specifically. Countries also often lack the necessary procedures to communicate UN TFS designations to the private sector, do not include CPF in their suspicious transaction reporting regimes, and face significant challenges in engaging effectively with financial institutions and other private sector stakeholders on CPF and other financial crime

6. Rademeyer, 'Diplomats and Deceit'.

issues. Disclosure of ultimate beneficial ownership information on corporate registrations is also weak, as corporate registries often lack the resources for obtaining this information, and for monitoring or enforcing compliance.

Efforts are being made in the region to strengthen bilateral and regional cooperation mechanisms on issues of financial and other crime – for instance, through memoranda of understanding and bilateral agreements on border security. ESAAMLG is, in itself, a useful forum for sharing typologies and best practices on mitigating PF risk in the region. Countries can take a number of other measures to address their PF vulnerabilities and the gaps in their CPF regimes. Recommendations to this end and examples of good practices among ESAAMLG countries are provided within this paper.

Soliciting buy-in from ESAAMLG governments on strengthening implementation of international sanctions and CPF obligations may be complicated by the fact that many governments in the region are having to prioritise limited resources in the face of a myriad security and economic challenges. Other factors – a lesser perception of the threat posed by the North Korean nuclear programme, a belief that international sanctions obligations do not take local realities into consideration, or historical ties with Pyongyang – may engender scepticism or ambivalence in some ESAAMLG countries towards committing valuable resources to CPF efforts. Furthermore, the precise value of North Korean PF activities in southern and eastern Africa, or indeed globally, is unclear, making it difficult to assess the impact that targeting these activities may have on curtailing the North Korean nuclear programme or on the North Korean economy more broadly.

The potential consequences of North Korean PF activity to the region and to individual ESAAMLG countries are numerous. Identifying region- and country-specific consequences is important to encourage African governments to commit the necessary resources and effort to strengthening the implementation of international sanctions and CPF obligations. Besides the potential for reputational damage and negative economic impacts facing the economies of countries that fail to address their PF risk exposure or comply with international sanctions, certain North Korean PF activities in a country may have other environmental and human security implications. For instance, North Korean wildlife trafficking in southern and eastern Africa may negatively impact biodiversity in the region or contribute to the spread of life-threatening viruses, while illicitly operated North Korean medical clinics with poor sanitation practices may place the lives of patients at risk. Furthermore, the presence of PF risk often indicates gaps not only in a country's CPF and sanctions-compliance regimes, but also in legal and regulatory mechanisms or government processes of relevance to combating other forms of crime. Many of the measures outlined in this paper to strengthen countries' CPF regimes may therefore also help in efforts to counter financial crime and other criminal activity more broadly.

Summary of Recommendations

Recommendation 1: Ensure sufficient resources (including for training) for border control and customs agencies, particularly where physical barriers cannot be instituted. (Page 48)

Recommendation 2: Raise awareness among border authorities and responsible agencies on broader CPF and sanctions evasion typologies and ensure that border controls rely on more than just list-based screening of sanctioned individuals. (Page 48)

Recommendation 3: Institute mechanisms for sharing best practices and information such as port-entry denials or instances of sanctions violations at the border with border control authorities across the country and region. (Page 48)

Recommendation 4: Identify ways in which border transit and customs data may be used to study North Korean activities and their implications for PF risk in the country and region. (Page 50)

Recommendation 5: Assess the PF risk exposure of jurisdictions that may be connected to one's country through trade and transport routes to ensure defences are strengthened where it may be necessary to compensate for PF vulnerabilities of connected countries. (Page 50)

Recommendation 6: Ensure transparency of governments' contracting processes for future exploration and extraction of mineral deposits; mandate thorough due diligence and beneficial ownership checks on all contractors and sub-contractors. (Page 51)

Recommendation 7: Engage government agencies responsible for mining activity in intra-agency and public–private sector discussions on CPF and make clear the potential PF and sanctions exposure of the industry. (Page 51)

Recommendation 8: Ensure effective export controls are in place to monitor trade in minerals – including precious minerals and rare earth minerals – to and from North Korea. (Page 51)

Recommendation 9: Raise awareness of cyber threats, including from North Korea, among financial institutions and provide best practices on cyber security. (Page 55)

Recommendation 10: Establish mechanisms for public–private engagement on issues of cyber security. (Page 55)

Recommendation 11: Review international and regional guidance and conventions on cyber security and the prevention of cybercrime, such as the African Union Convention on Cyber Security and Personal Data Protection, and adopt national measures to meet best practices and obligations. (Page 55)

Recommendation 12: Assess country-specific exposure to cybercrime and abuse of cryptocurrencies and develop appropriate legal and regulatory frameworks.⁷ (Page 55)

Recommendation 13: Ensure full compliance with international obligations on non-proliferation and export controls, including IAEA safeguards and the provisions of the Treaty of Pelindaba. (Page 59)

Recommendation 14: Ensure that, where relevant, intra-agency efforts on counter-proliferation and trade in sensitive goods engage financial regulators and, where appropriate, representatives of the financial sector. (Page 59)

Recommendation 15: Provide a forum for information exchange between all industries that produce dual-use, proliferation-sensitive or other high-tech goods or expertise and relevant government agencies. Include financial institutions and stakeholders working on CPF in this discussion. (Page 59)

Recommendation 16: Ensure that industries that produce dual-use, proliferation-sensitive and other high-tech goods and expertise, as well as their regulators, are aware of their exposure to PF risk and of PF typologies. (Page 59)

Recommendation 17: Raise awareness among academic and research institutions of their potential for exposure to proliferation and PF risk. (Page 60)

Recommendation 18: Comply with UNSC obligations relating to the activities of North Korean embassies and diplomats – for instance, by remaining aware of the activities of the North Korean diplomatic mission in the country and its diplomats and by expelling any embassy officials found to have been tied to sanctions evasion activity. (Page 63)

Recommendation 19: As recommended by the Panel of Experts:⁸

- **Recommendation 19.1:** Provide financial institutions with a list of North Korean diplomats accredited to the country and their family members.
- **Recommendation 19.2:** Advise financial institutions not to bank diplomats not accredited to the country.
- **Recommendation 19.3:** Designate a single financial institution to provide banking services to the North Korean diplomats; prohibit all other financial institutions from banking the North Korean embassy, its diplomats and their families. (Page 64)

7. For more guidance on addressing the risk of North Korean abuse of cryptocurrencies, see David Carlisle and Kayla Izenman, 'Closing the Crypto Gap: Guidance for Countering North Korean Cryptocurrency Activity in Southeast Asia', *RUSI Occasional Papers* (April 2019).

8. UN Security Council, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2019, S/2019/171, paras 161–63.

Recommendation 20: Provide financial institutions with the details of North Korean diplomats accredited to other countries in the region, if such information is available. (Page 64)

Recommendation 21: Provide the national corporate registry with a list of North Korean diplomats accredited to the country and to other countries in the region, as well as their family members. Review the corporate registry regularly for any activity by North Korean diplomatic staff or their families. (Page 64)

Recommendation 22: Ensure that TFS legal frameworks are extended to cover North Korea-related TFS. (Page 67)

Recommendation 23: Strengthen legal frameworks to implement the full range of CPF international obligations, beyond just TFS. (Page 67)

Recommendation 24: Ensure legal frameworks include dissuasive penalties for non-compliance. (Page 67)

Recommendation 25: Develop standard operating procedures for the implementation of TFS to improve effective implementation of legal frameworks. (Page 68)

Recommendation 26: Ensure corporate registries have sufficient resources to collect, maintain and disseminate UBO data and to make this data electronically available and otherwise easily accessible to financial institutions and law enforcement agencies. (Page 70)

Recommendation 27: Require references to 'Korea' or 'Korean' in corporate registries to be specific as to the Democratic People's Republic of Korea (North Korea) or the Republic of Korea (South Korea). (Page 70)

Recommendation 28: Require corporate registries to incorporate sanctions screening at the point of corporate registration and whenever a change of corporate details occurs. (Page 70)

Recommendation 29: Increase transparency around defence and other government procurement. (Page 70)

Recommendation 30: Ensure that supervisory authorities have the legal mandate and a range of criminal and non-criminal enforcement options to monitor and enforce compliance with CPF sanctions obligations. (Page 71)

Recommendation 31: Conduct PF risk assessments to build awareness of CPF issues among key government and industry stakeholders. (Page 73)

Recommendation 32: Build specialist financial investigation skills, for example, in forensic accounting. (Page 73)

Recommendation 33: Provide further training to law enforcement agencies on CPF and more generally on conducting financial investigations. (Page 73)

Recommendation 34: Identify all relevant government agencies and departments based on an assessment of the country's PF risk exposure and establish appropriate inter-agency coordination mechanisms to allow CPF issues to be considered in a holistic manner. (Page 74)

Recommendation 35: Extend the number of MOUs in the region that facilitate the gathering and sharing of information relevant to PF. (Page 76)

Recommendation 36: Continue engaging with regional bodies such as ESAAMLG to develop further regional financial crime typologies, identify regional challenges, share best practices and build capacity. (Page 76)

Recommendation 37: Ensure timely reporting and engagement with the UNSCR 1718 Sanctions Committee. (Page 76)

Recommendation 38: Invest in greater outreach and information sharing with the private sector on CPF issues, including through FISPs and by publishing and updating UN TFS lists in a timely and easily accessible manner. (Page 79)

Recommendation 39: Focus awareness-raising and capacity-building outreach on smaller local financial institutions which may lack sufficient in-house resources to understand and counter their PF risks. (Page 79)

Recommendation 40: Encourage larger financial institutions to extend push-down compliance to smaller institutions and assist in awareness-raising and capacity-building where relevant. (Page 79)

Introduction

FOR WELL OVER two decades, the international community has grappled with how to counter the threat of a nuclear-armed North Korea. That threat became reality with the detonation of the country's first nuclear device on 9 October 2006. The first round of international sanctions in response to the North Korean nuclear programme was passed by the UN Security Council (UNSC) on 14 October 2006 with the adoption of UN Security Council Resolution (UNSCR) 1718.¹ Since then, a total of 10 resolutions have been passed by the UNSC that have progressively expanded the list of sanctioned entities and prohibited activities thought to be supporting the North Korean nuclear programme.²

An important part of the efforts to counter North Korean weapons of mass destruction (WMD) proliferation has been the targeting of the financial networks and activities that enable it and the revenue generation that helps fund it, which together make up the regime's proliferation financing (PF) efforts. A series of UNSC provisions target the financing of North Korean proliferation; however, despite these measures, North Korea continues to generate and move money around the world, as the country's sanctions evasion tactics outpace efforts by governments and financial institutions to effectively implement international sanctions obligations.

One part of the world which has been exposed to North Korean PF activity is sub-Saharan Africa. The region's rich natural resources, its diverse economy and financial ecosystem, as well as historical relations between Pyongyang and a number of African countries, have created opportunities for North Korea to make and move money in the region. The legislative and regulatory frameworks in many African countries have not kept up with the challenges posed by PF and other illicit activity, creating space for actors such as North Korea to take advantage of the region to generate and clandestinely move profits.

This paper examines North Korean PF activities in southern and eastern Africa specifically, with the aim of assessing the region's risk exposure to PF and providing suggestions for countering it.

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1. UN Security Council Resolution (UNSCR) 1718, 14 October 2006, S/RES/1718.
 2. For a full list of UNSCRs relating to North Korea since UNSCR 1718, as well as information on the provisions contained therein, see UNSC 1718 Sanctions Committee, 'Resolutions', <<https://www.un.org/securitycouncil/sanctions/1718/resolutions>>, accessed 25 March 2020.

Methodology and Scope

Proliferation Financing in the North Korean Context

The development, testing, maintenance and deployment of WMD require significant financial resources. Efforts to counter PF (CPF) focus on disrupting this financing, including the economic and corporate networks and activities supporting it. The importance of cutting off access to financial resources and services as a counter-proliferation tool was first recognised in international law in 2004 through UNSCR 1540. The resolution called on member states to adopt and enforce legislation that would prohibit, among other activities, the financing of attempts by non-state actors to ‘manufacture, acquire, possess, develop, transport, transfer or use nuclear, chemical or biological weapons and their means of delivery, in particular for terrorist purposes’.³ In 2008, CPF was included in the mandate of the Financial Action Task Force (FATF),⁴ the international organisation that establishes standards and produces guidance on countering financial crime. In 2012, the FATF included CPF in its mutual evaluations process, requiring states to demonstrate the ability to effectively implement UN targeted financial sanctions (TFS) related to PF.⁵

In the North Korean context, proliferation refers to both the acquisition or development by North Korea of WMD and related materials and technology, as well as the export from North Korea of such materials and technology to other countries. This two-directional definition of proliferation is drawn from UNSCR 1718, which decided that states were to prevent both the supply to and export from North Korea of ‘items, materials, equipment, goods and technology ... which could contribute to [North Korea’s] nuclear-related, ballistic missile-related or other weapons of mass destruction-related programmes’.⁶ Consequently, North Korean PF also encompasses financing related to proliferation both into and out of North Korea, as UNSCR 1874 introduced a prohibition on financing of the activities outlined above.⁷

Since the adoption of UNSCR 1540, the understanding of what may constitute PF has expanded significantly. Today, PF is often considered to include not only financial activities that directly support the proliferation of WMD and relevant technology, but also the revenue-generating activities that may fund a proliferation programme as well as auxiliary financial networks and services. Accordingly, the scope of PF in the North Korean context goes well beyond the direct financing of North Korean proliferation efforts and includes activities that may help North Korea generate and move funds in support of its WMD programme. As such, even activities that would otherwise be perfectly legal – for instance, the sale of statues – are prohibited when carried out by or on behalf of North Korea. A list of items that the UN has prohibited member states from trading with North Korea is included in Box 1, and financial measures aimed at limiting North Korean proliferation activities are listed in

3. UNSCR 1540, 28 April 2004, S/RES/1540, para. 2.

4. Financial Action Task Force (FATF), ‘Proliferation Financing Report’, 18 June 2008.

5. FATF, ‘International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation: The FATF Recommendations’, February 2012, updated June 2019.

6. UNSCR 1718, 14 October 2006, S/RES/1718, para. 8.a.(ii).

7. UNSCR 1874, 12 June 2009, S/RES/1874, para. 9–10.

Table 1. A full and detailed list of all UN activity-based measures against North Korea is available on the webpage of the Security Council Committee established pursuant to UNSCR 1718 (UNSCR 1718 Sanctions Committee).⁸ The intention of these measures has been to constrain North Korea's proliferation activities as well as to incentivise a shift in Pyongyang's behaviour by limiting its access to funds and financial services that enable proliferation activities or that finance entities involved in proliferation activities.

Box 1: Summary of Items Under Import, Export or Sale Restrictions in Relation to North Korea

- Items relevant to nuclear, ballistic missiles and other WMD*
- Arms and related materiel
- Aviation fuel, rocket fuel
- Coal
- Condensates and natural gas liquids
- Earth, stone, wood
- Electrical equipment
- Food and agricultural products
- Helicopters
- Industrial machinery
- Luxury goods
- Other minerals (iron and iron ore, gold, titanium ore, vanadium ore, copper, nickel, silver, zinc and rare earth minerals, lead and lead ore)
- Refined petroleum, crude oil
- Seafood, fishing rights
- Statues
- Steel and other metals
- Textiles, fabrics
- Transport vehicles
- Vessels

* UNSCRs related to North Korea also include 'catch-all' provisions that prohibit trade with North Korea in any items, or the provision of specialised teaching and training, that a state considers may contribute to North Korean missile and WMD programmes.

Sources: UNSCR 1718, 14 October 2006, S/RES/1718; UNSCR 1874, 12 June 2009, S/RES/1874; UNSCR 2087, 22 January 2013, S/RES/2087; UNSCR 2094, 7 March 2013, S/RES/2094; UNSCR 2270, 2 March 2016, S/RES/2270; UNSCR 2321, 30 November 2016, S/RES/2321; UNSCR 2371, 5 August 2017, S/RES/2371; UNSCR 2375, 11 September 2017, S/RES/2375; UNSCR 2397, 22 December 2017, S/RES/2397. Box first published in Anagha Joshi, Emil Dall and Darya Dolzikova, 'Guide to Conducting a National Proliferation Financing Risk Assessment', RUSI, May 2019. Slight modifications have been made.

8. UNSC 1718 Sanctions Committee, 'Resolutions', <<https://www.un.org/securitycouncil/sanctions/1718/resolutions>>, accessed 20 December 2019.

Table 1: Financial Measures to Curb North Korea's Proliferation Activities

Controls on Financial Institutions	Controls on Diplomats and Diplomatic Missions	Controls Around Vessels and Aircraft
Prohibit financial institutions from maintaining relationships, including correspondent banking relationships, with North Korean financial institutions.	Limit number of bank accounts of diplomats/consular staff and missions.	Prohibit leasing or chartering vessels, aircraft or crew services to/from North Korea.
Prohibit North Korean financial institutions from opening branches or subsidiaries in one's jurisdiction.	Prohibit diplomatic agents from engaging in profit-making activities.	Prohibit owning, leasing, operating or insuring North Korean-flagged vessels.
Prohibit financial institutions from operating any representative offices, subsidiaries or bank accounts in North Korea.	Prohibit use of real property* for purposes that are not diplomatic.	Prohibit provision of insurance to vessels owned, controlled or operated by North Korea.
Prohibition on Financial Support for Trade with North Korea	Prohibition on Bulk Transfer of Gold and Cash to North Korea	Controls on Joint Ventures and Cooperative Entities
Prohibition on financial support for trade, including granting of export credits, guarantees or insurance.	Prohibition may be implemented through a combination of a cross-border cash and gold transportation regime and prohibition on physical transfer of these items to North Korean persons or entities.	Prohibition on joint ventures or cooperative entities with North Korean persons and entities, including designated persons and entities.

Sources: Table developed by the authors based on UNSCR 1718, 14 October 2006, S/RES/1718; UNSCR 1874, 12 June 2009, S/RES/1874; UNSCR 2087, 22 January 2013, S/RES/2087; UNSCR 2094, 7 March 2013, S/RES/2094; UNSCR 2270, 2 March 2016, S/RES/2270; UNSCR 2321, 30 November 2016, S/RES/2321; UNSCR 2371, 5 August 2017, S/RES/2371; UNSCR 2375, 11 September 2017, S/RES/2375; UNSCR 2397, 22 December 2017, S/RES/2397. Table first published in Anagha Joshi, Emil Dall and Darya Dolzikova, 'Guide to Conducting a National Proliferation Financing Risk Assessment'. Slight modifications have been made.

* Real property is commonly defined as 'land, and fixtures or structures upon the land'. For example, see Australian Government, 'Definition of Property', 31 July 2015, <<https://www.alrc.gov.au/publication/definitions-of-property/>>, accessed 26 March 2020.

There are two types of UNSC sanctions on North Korea: TFS and activity-based sanctions. TFS focus on specific individuals and entities who have been designated by the UN because they are believed to be engaged in or supporting North Korean WMD proliferation efforts, those owned or controlled by designated individuals and entities, and those acting on their behalf or at their direction. Activity-based UN sanctions, on the other hand, cover a broad range of activities that are believed to contribute to the North Korean WMD programme, including through the generation and movement of funds – for instance, trade in the commodities listed in Box 1.

These activities do not necessarily have to be carried out by entities that are under TFS to be prohibited – in fact, the use of non-sanctioned individuals or front companies to carry out otherwise sanctioned activities on behalf of North Korean entities is an important North Korean sanctions evasion tactic. As such, while UNSCRs target particular individuals through TFS, the broader activity-based provisions, as well as the application of sanctions to individuals working on behalf of sanctioned entities, has resulted in an almost comprehensive ban on North Korean trade and financial engagement with the rest of the international community. Critical to the CPF context is the prohibition on the financing of these prohibited activities, as well as the provision of such financial services as insurance in support of these activities.

Unless otherwise indicated, discussion of North Korea-related CPF obligations or North Korean sanctions in this paper will refer to both TFS and activity-based UNSC sanctions. Where relevant, the paper will also discuss entities that have not been sanctioned by the UN, but which have been named in UN and media reports as being suspected of facilitating North Korean sanctions evasion activities. As mentioned earlier, UNSCR 1540 also contains provisions relevant to PF. Efforts made by African countries to meet their obligations under the resolution⁹ are likely to have some positive implications for countering North Korean PF activities in the region. However, as the focus of UNSCR 1540 is first and foremost on preventing proliferation to non-state actors, the authors deemed an assessment of Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) countries' implementation of the resolution to be outside the scope of this paper.

9. See Amelia Broodryk and Noël Stott, 'Making Progress: Implementing UNSCR 1540 in Africa', Institute for Security Studies, 15 May 2014, <<https://issafrica.org/iss-today/making-progress-implementing-uns-cr-1540-in-africa>>, accessed 16 April 2020.

Box 2: International and Unilateral Sanctions on North Korea

The global CPF regime, in the context of North Korea, includes both UN sanctions and sanctions measures adopted by states independently or as groups – for example, sanctions adopted by the US or the EU. UN sanctions form the foundation of the international CPF regime on North Korea and are the only ones with an internationally applicable mandate. While countries may choose to implement unilateral sanctions against North Korea or to comply with sanctions introduced by other jurisdictions, they are not obligated to do so under international law. The FATF’s assessment of countries’ CPF regimes, for instance, only considers UN-level sanctions obligations. Nevertheless, unilateral sanctions can have an important impact on how certain actors – especially within the private sector – perceive the limits of possible engagement with North Korea. For instance, US secondary sanctions can block non-US entities from accessing the US financial system if they have acted in contravention of US sanctions. As such, the unilateral sanctions regime is followed closely by financial institutions which do not want to lose their ability to transact with or through the US. This paper limits its scope to UN sanctions only and does not address US or other non-UN sanctions regimes on North Korea.

Box 3: Linking North Korean Activities Abroad to Pyongyang’s Proliferation Efforts

The activities that constitute PF in the North Korean context remain the subject of debate. This discussion is not semantic; the broad scope of UN sanctions on North Korea has been justified in part by the UNSC’s assessment that funds generated from these activities may be used for the North Korean nuclear programme. However, the authoritarian nature and opacity of the North Korean regime has led to some uncertainty as to how much of the funds generated and moved by North Korean nationals and government representatives, as well as those acting on their behalf, are actually invested into the North Korean WMD programme or even make it into the regime’s coffers at all. For instance, as will be discussed later in this paper, North Korean diplomats posted abroad may engage in fundraising activities both to benefit the regime in Pyongyang as well as for personal profit to supplement their low wages. Without a close investigation of individual cases, the direct connection between each case of fundraising or financial activity by a North Korean national and the North Korean regime or its nuclear programme is hard to trace.

In the interest of providing a comprehensive overview of North Korean activities and North Korean sanctions violations in southern and eastern Africa, this paper has relied on a broad definition of PF, assuming that – unless otherwise confirmed – any activity suspected to be carried out by North Korean nationals or North Korean-linked entities, and which is in contravention of UNSC resolutions addressing North Korean WMD activities, constitutes PF.

Sources: Sheena Chestnut Greitens, ‘Illicit: North Korea’s Evolving Operations to Earn Hard Currency’, Committee for Human Rights in North Korea, 2014, p. 31; Julian Rademeyer, ‘Diplomats and Deceit: North Korea’s Criminal Activities in Africa’, Global Initiative Against Transnational Organized Crime, September 2017, pp. 16–17.

Geographical Scope

This paper focuses on North Korean PF in countries that are members of the ESAAMLG – a FATF-style regional body (FSRB). The role of FSRBs such as ESAAMLG is to assess the implementation of FATF recommendations and standards on anti-money laundering (AML), counterterrorism financing (CTF) and – as of 2012 – CPF within their respective regions. This is done through mutual evaluations – a peer assessment process which produces reports on each country’s compliance with FATF standards. Some FSRBs also assist their member states in meeting these standards by organising technical training opportunities and sharing region-specific typologies and guidance. As of April 2020, the members of ESAAMLG are Angola, Botswana, Eswatini, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Rwanda, South Africa, Seychelles, Tanzania, Uganda, Zambia and Zimbabwe.¹⁰

ESAAMLG is the focus of this paper for several reasons. First, by focusing on the member states of a single FSRB, the paper can more readily provide actionable insight that can be integrated into ESAAMLG CPF guidance and capacity-building efforts. Second, the political, legislative and economic diversity of ESAAMLG countries allows a variety of PF threats and vulnerabilities to be examined that may be relevant to other countries across sub-Saharan Africa. Third, over the course of their work on CPF, the authors have had the chance to speak with individuals in the governments and financial sectors of several ESAAMLG states, allowing for additional insight into the dynamics relevant to CPF efforts in the region.

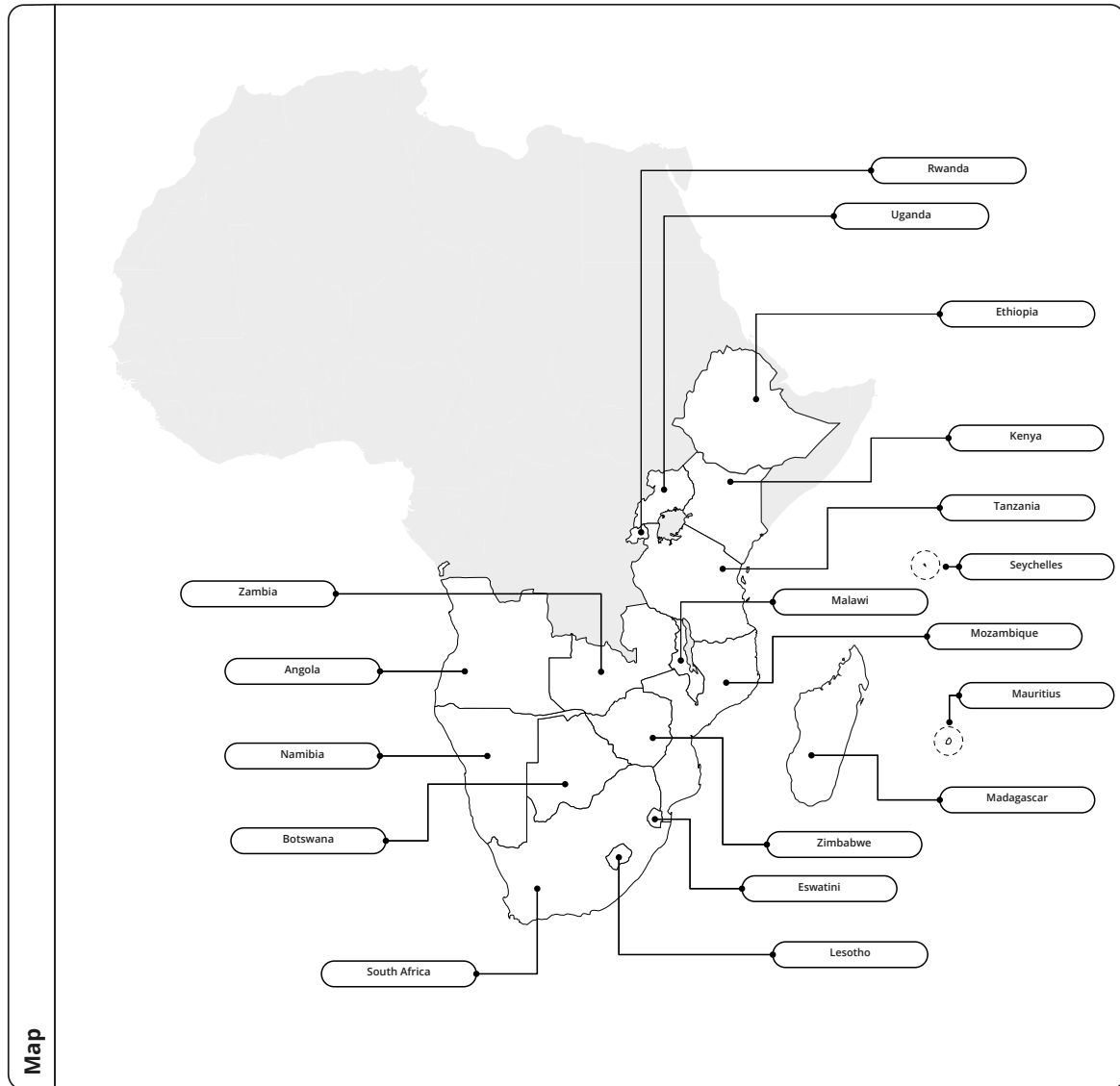
Assessing Proliferation Financing Risk

In assessing the region’s exposure to North Korean PF activities, the paper broadly follows the framework of RUSI’s published methodology for conducting a national PF risk assessment.¹¹ While the paper does not conduct a thorough regional PF risk assessment – as risk assessments should be conducted by relevant authorities with extensive input from multiple stakeholders – it does use key concepts from RUSI’s methodology to identify and address the key PF challenges facing the region. RUSI’s ‘Guide to Conducting a National Proliferation Financing Risk Assessment’ identifies three factors that, in combination, provide an indication of a country’s exposure to PF risk: threats, vulnerabilities and consequences. This paper addresses each of these factors in turn and considers the interaction between them. Chapter I briefly considers the consequences of PF activity in southern and eastern Africa and the importance of highlighting the value of CPF efforts in the region. Chapter II examines observed and potential PF threats and typologies in the region. Chapter III addresses PF vulnerabilities that have allowed or could allow North Korea to carry out PF activities in the region. In the discussion on vulnerabilities, recommendations are put forward on measures that can be taken to address these gaps in CPF efforts.

10. For more information on ESAAMLG and its work, see ESAAMLG, <<https://www.esaamlg.org/>>, accessed 20 December 2019.

11. Joshi, Dall and Dolzikova, ‘Guide to Conducting a National Proliferation Financing Risk Assessment’.

Figure 1: ESAAMLG Member States



Source: FATF, 'Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)'; <<https://www.fatf-gafi.org/pages/easternandsouthernafrianti-moneylaunderinggroupesaamlg.html>>, accessed 20 December 2019.

Sources

The paper relies heavily on secondary sources in its identification of past North Korean PF activity in southern and eastern Africa. Cases are drawn primarily from reports of the Panel of Experts (PoE) of the UNSCR 1718 Sanctions Committee, which investigates suspected violations of North Korean sanctions, as well as media reporting and other relevant literature on the subject. Assessments of countries' legislative, regulatory and operational gaps rely primarily on the authors' review of the FATF Mutual Evaluation Reports of ESAAMLG member countries, which has been supplemented with information collected from: Implementation Reports submitted to the UNSCR 1718 Sanctions Committee; publicly available material, including legislation, on government websites; and published media interviews with financial institutions.¹²

Because the activities that are the focus of this paper may constitute violations of UN sanctions if confirmed, the authors have refrained from referencing any activities that have not been reported in credible sources and, where possible, corroborated by multiple outlets. Cases that have been alleged or suspected, but not confirmed, are qualified as such – including cases where PoE investigations are ongoing. Instances of PF activity that have been investigated and confirmed by the PoE and those which have been confirmed by government officials of the country in question are presented in this paper as fact.

Reliance on secondary sources presents challenges in ensuring that the sources are credible, accurate and impartial, particularly on a subject as susceptible to politicisation as North Korean proliferation activity and sanctions evasion. Even the PoE reports face challenges to this effect. The Panel is constituted of eight experts of different nationalities who, while not representing the interests of their respective countries, may nevertheless be influenced in their assessments of cases. Furthermore, it generally tries to reach consensus on the contents of its reports,¹³ meaning that certain information may have to be omitted if it raises disagreements among the Panel members.¹⁴ Finally, the Panel's reliance on intelligence submitted by UN member states

12. The section on legislative frameworks considers CPF-specific laws and subordinate legal instruments relating to TFS and other UNSC CPF sanctions measures. It also considers procedural mechanisms to effectively implement those laws. The section on transparency of legal persons and legal arrangements considers laws, as well as their effective implementation, that regulate entities such as companies and trusts. These laws are not CPF specific but are a key component of CPF measures because entities such as companies and trusts may be used as vehicles to facilitate North Korea's PF activities. The remaining sections consider practical (rather than legal) gaps related to CPF where such information was publicly available. However, in light of very limited CPF-specific information, these sections consider financial crime capabilities more broadly than CPF. An assessment of broader financial crime capabilities provides a reasonable indicator of how effectively these might be deployed in a CPF context.

13. 38 North, '38 North Interview with Stephanie Kleine-Ahlbrandt on the UN Panel of Experts Latest Report to the Security Council Published Today', 5 September 2019, <<https://www.38north.org/2019/09/skleineahlbrandt090519/>>, accessed 25 March 2020.

14. Panel members may also enter 'dissenting footnotes' to the report. See *ibid.*

as the starting point for many of its investigations means that states with superior intelligence-gathering capabilities, or those who submit intelligence leads to the Panel most frequently, may therefore have an outsized influence on the kinds of cases that it investigates. Alternatively, member states may choose not to cooperate with Panel requests for information, thus inhibiting its ability to carry out certain investigations. Nevertheless, the PoE reports remain the most comprehensive and reliable publicly available source of information on North Korean PF activities around the world. However, readers should keep these considerations regarding the reliability of sources in mind when engaging with the paper.

The international politics surrounding the North Korean nuclear weapons programme and UN sanctions on North Korea have an important influence on the broader conversation around Pyongyang's sanctions evasion activities and CPF in the North Korean context. Questions around the objective of these sanctions, their effectiveness, the responsibilities of governments and private sector actors in identifying and stopping sanctions evasion, and the impact of sanctions on the North Korean civilian population all influence different countries' understandings and approaches to their and others' CPF obligations. These factors are important for understanding how international CPF obligations have developed and are being implemented, but an in-depth discussion of these issues is outside the scope of this paper.

I. Consequences of Proliferation Financing in Southern and Eastern Africa

BEFORE DISCUSSING PF threats and vulnerabilities in southern and eastern Africa, it is worth establishing why understanding and addressing PF risk is a worthwhile undertaking for ESAAMLG countries. RUSI's 'Guide to Conducting a National Proliferation Financing Risk Assessment' defines the consequences of PF as 'the impact or harm caused by the presence of PF activities on a national economy and society'.¹⁵ The most extreme consequence of PF is the development and use of WMD, resulting in serious harm to international security and stability, potentially catastrophic loss of human life, and major damage to infrastructure and the environment. Countries in southern and eastern Africa are unlikely to be the target of a North Korean WMD attack and may therefore not be directly affected by such consequences of PF activity.

North Korea's nuclear programme appears to be considered by some African audiences as less of a threat than it is in other parts of the world. This may be the result of historical ties with North Korea, insufficient awareness of North Korean destabilising activities and human rights violations, or because African countries are unlikely to be in the trajectory of a North Korean nuclear-armed missile. In conversations in several ESAAMLG countries, particularly with representatives of the private sector, the authors of this paper have received questions over the expansive international sanctions regime on North Korea, considering that several other countries possess nuclear weapons and are not the subject of international sanctions. Similar attitudes have been observed by other experts studying the implementation by African countries of sanctions against North Korea.¹⁶

The precise value of North Korean PF activities in ESAAMLG countries, or indeed globally, is unclear. This makes it difficult to assess just how important North Korean activities in any one country or region may be to Pyongyang's economy or to supporting its WMD programme.¹⁷

15. Joshi, Dall and Dolzikhova, 'Guide to Conducting a National Proliferation Financing Risk Assessment', p. 21.

16. Annie DuPre, Nicolas Kasprzyk and Noël Stott, 'Cooperation Between African States and the Democratic People's Republic of Korea', Institute for Security Studies, 2016, pp. 48–49.

17. The PoE has attempted to quantify the value of North Korean trade in sanctioned goods globally. However, the reported values are not comprehensive. Data is available for only a limited number of countries and only covers reported trade, with unreported North Korean illicit trade activity likely being much higher. Additionally, North Korean revenue-generating activities go well beyond trade and include the provision of various services as well as fundraising through criminal activity.

Quantifying the benefit to non-proliferation of CPF efforts in a particular country to incentivise compliance with UN sanctions is therefore challenging. The lengths to which North Korea continues to go to adapt its sanctions evasion tactics, so as to maintain its PF activities in the region and globally, suggests that these activities hold value for Pyongyang. Where estimates are available for North Korean activities outlined in this paper, they have been included. However, the paper has not attempted to estimate the impact that countering North Korean sanctions evasion in ESAAMLG countries might have on the North Korean economy and on the financing of its proliferation efforts.

Some governments and private sector actors in southern and eastern Africa also tend to perceive international CPF norms and sanctions as failing to consider regional realities, such as struggling or heavily cash-based economies. Governments in the region face a myriad challenges, including in the financial crime space, and operate with limited budgets, requiring a careful prioritisation of resources and effort. As a result, CPF may seem of comparatively low importance to ESAAMLG governments.

Scepticism regarding international proliferation and CPF norms is likely to create a sense of ambivalence or even resistance to abandoning or foregoing cooperation with Pyongyang and complying with international sanctions and other CPF obligations. The somewhat removed threat of North Korean WMD to the region, and difficulties in qualifying how Pyongyang's PF activities in Africa contribute to that threat, make it even more challenging to incentivise compliance. As such, it is important to identify and consider the direct consequences of PF activity to ESAAMLG countries when soliciting buy-in from local governments on strengthening national implementation of international sanctions and CPF obligations.

For most countries in the region, the most apparent consequences of PF are likely to be tied to the economic, social and environmental well-being of the country and region. First, engagement with North Korea in violation of international sanctions or a failure to address PF risk – as with any form of financial crime – may cause reputational damage to a country's economy and may result in some political ostracisation or isolation from the international community. This is particularly true for relations with the US and Western countries, which have condemned North Korea for its nuclear activities and violations of human rights. A failure to comply with international sanctions on Pyongyang may be perceived by certain parts of the international community as a demonstration of support for the regime's activities, or at the very least an attitude of indifference towards such behaviour and a disregard for international obligations.¹⁸

As mentioned earlier, differences in opinion on the objectives and effectiveness of international sanctions on North Korea across the international community mean that not all countries will disapprove of engagement with North Korea to the same degree. Nevertheless, individuals,

See UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 2 March 2020, S/2020/151, paras 96–97, Annex 19.

18. DuPre, Kasprzyk and Stott, 'Cooperation Between African States and the Democratic People's Republic of Korea', pp. 40–41.

businesses and financial institutions that are found to be assisting North Korean sanctions evasion may themselves become the subject of UN or unilateral sanctions. An important factor for motivating private sector attention to CPF globally has been the threat of US secondary sanctions – which can block access to the US financial system for entities which, although not designated themselves, have acted in contravention of US sanctions. Such an outcome can be damaging for a financial institution as it prevents the bank in question from transacting with or through the US financial system.

In the most extreme case, if combined with shortcomings in addressing other gaps in its financial crime regime, a country's failure to address its PF risk may result in it being placed on the FATF list of high-risk and monitored jurisdictions. The FATF's so-called 'grey list' includes states that have been identified as having strategic deficiencies in their CPF, AML or CTF regimes. Such a designation discourages businesses and financial institutions from engaging with these countries, so as not to expose themselves to these financial crime risks. This means that countries on this list may have a more difficult time attracting foreign investment, which can translate to negative economic consequences. Several ESAAMLG members are either currently, or have in the past, been included on the FATF 'grey list'.¹⁹ For instance, Namibia – having been on the list between 2011 and 2015 – has since worked hard to meet FATF CPF requirements.

As with other forms of financial crime, PF activities that are inherently illicit – such as the illicit wildlife trade, smuggling of cash and valuable goods, or cybercrime – may also divert funds from the formal economy. For instance, Zimbabwe reportedly loses \$2 billion a year to smuggling activity.²⁰ Furthermore, as will become clear throughout this paper, many of the vulnerabilities that enable PF risk also facilitate other forms of crime. As such, the presence of North Korean PF activity in a country or region may be an indicator of legal, institutional and operational gaps that have relevance beyond the CPF sphere. Many of these vulnerabilities have fairly simple solutions that, if addressed, can go a long way towards strengthening national efforts to counter financial crime more broadly.

Due to the diversity of activities that North Korea engages in in the region, the consequences of PF activity in southern and eastern Africa are likely to reach beyond economic considerations and may have far-reaching societal, environmental and political implications. For instance, North Korean wildlife smuggling has negative environmental and biodiversity implications, may exacerbate organised criminal activity or violence in a region,²¹ or may lead to the spread

19. FATF, 'High-Risk and Other Monitored Jurisdictions', 2019, <<http://www.fatf-gafi.org/countries/#other-monitored-jurisdictions>>, accessed 10 January 2020.

20. Defence IQ Press, 'What are African Countries Focusing on to Combat Border Security Threats?', 3 April 2018, <<https://www.defenceiq.com/air-land-and-sea-defence-services/whitepapers/what-are-african-countries-focusing-on-to-combat>>, accessed 25 March 2020. This figure is not specific to smuggling activity related to PF.

21. For example, see David H Barron, 'How the Illegal Wildlife Trade is Fueling Armed Conflict', *Georgetown Journal of International Affairs* (Vol. 16, No. 2, Summer/Fall 2015), pp. 217–27; J Peter Pham, 'Poaching Peace and Security', *Atlantic Council*, 28 October 2013,

of disease and life-threatening viruses.²² North Korean-built construction projects have been reported to be of poor quality,²³ meaning that these buildings and monuments may incur significant maintenance and repair costs,²⁴ or even cause harm to human life.²⁵ North Korean-run medical clinics on the African continent have reportedly operated with poor sanitary conditions,²⁶ potentially posing health risks to patients.

Understanding the potential consequences of certain North Korean activities to the economies and to the human and environmental security of individual African countries can help identify opportunities to address multiple challenges through the implementation of stronger CPF regimes.²⁷ Understanding the PF consequences of most relevance to their respective countries should also be a helpful guide for governments to prioritise PF risk mitigation strategies and direct resources to where PF risk exposure has the potential to produce the greatest impact. Finally, efforts to strengthen compliance with international CPF standards within African countries must take into account national and regional challenges which may exacerbate PF vulnerabilities and complicate implementation. Country-specific CPF responses must be tailored accordingly.

<https://www.atlanticcouncil.org/blogs/new-atlanticist/poaching-peace-and-security/>, accessed 14 April 2020.

22. Karin Brulliard, 'The Next Pandemic is Already Coming, Unless Humans Change How We Interact with Wildlife, Scientists Say', *Washington Post*, 3 April 2020.
23. For example, see Ryan Pickrell, 'North Korea Officials Are Afraid of New Pyongyang High-Rises', *National Interest*, 9 May 2017; Chad O'Carroll, 'Photos That Reveal North Korea's Shocking Construction Methods', *The Telegraph*, 30 May 2014.
24. Brigitte Weidlich, 'Windhoek's Heroes' Acre Running Up Unheroic Costs', *The Namibian*, 19 October 2006.
25. Narae Kim and Paul Tait, 'North Korea Says Apartment Building Collapses, Offers Rare Apology', *Reuters*, 18 May 2014.
26. Albert Hong, 'Exporting Fakes? North Korean Clinics Hawk Questionable Medical Care to Tanzania', *Radio Free Asia*, <https://www.rfa.org/english/news/special/nkinvestigation/tanzaniapart2.html>, accessed 14 April 2020.
27. The benefits of identifying points of synergy between international non-proliferation requirements and national priorities, particularly in developing countries, have been previously studied in the context of countries' implementation of UNSCR 1540 and UNSCR 1373. In a 2011 report, Johan Bergenas, Brian Finlay and Veronica Tessler note that foreign assistance provided for the implementation of UN non-proliferation and counterterrorism measures can also help support a variety of local government priorities on advancing human security and development. Although the authors' analysis focuses on the provision of foreign assistance in particular, the same principle can likely be applied to solicit greater buy-in from African governments on international CPF obligations broadly. See Johan Bergenas, Brian Finlay and Veronica Tessler, 'Beyond Boundaries in Eastern Africa: Bridging the Security/Development Divide with International Security Assistance', Stanley Center for Peace and Security and The Stimson Center, March 2011, pp. 23–27, <https://stanleycenter.org/publications/beyond-boundaries-in-eastern-africa-bridging-the-security-development-divide-with-international-security-assistance/>, accessed 14 April 2020.

II. Proliferation Financing Threats in Southern and Eastern Africa

THIS CHAPTER EXAMINES the most prevalent PF threats posed by North Korea to ESAAMLG countries. In the PF context, threats include people, entities, objects or activities that have the potential to cause PF risk in the region.²⁸ North Korean PF threats in the region will be discussed in three sections in accordance with the categories of PF activities articulated in RUSI's 'Guide to Conducting a National Proliferation Financing Risk Assessment': financial products and services related to trade in proliferation-sensitive goods; revenue-raising activities (licit and illicit); and financial and corporate network in support of the movement of finances and goods.²⁹ The distinctions between these groups of activities are not strict – a PF threat may be accurately placed into more than one category. However, these categories are a helpful tool for organising a PF threat analysis.

Many of the activities that will be discussed in this chapter are important drivers of national economies and do not in and of themselves present a PF risk. However, when combined with unaddressed PF vulnerabilities, these activities can be exploited by North Korea and produce PF typologies. As such, the distinction between PF threats and vulnerabilities is less important than the way in which they interact to produce PF risk. The two must be understood and addressed together.³⁰ This chapter examines the first half of this equation, and Chapter III addresses PF vulnerabilities in greater detail.

Trade in Proliferation-Sensitive Goods

The PF activities most closely related to the proliferation of WMD and their means of delivery are those that directly finance the development, procurement, transfer and use of these weapons, their delivery systems and related technology. The manifestation of this category of PF threats within a particular jurisdiction is generally preceded by the existence in that jurisdiction of technologies, expertise or materials that could be applied to WMD uses and that proliferators may attempt to procure. As such, countries that host important high-tech or dual-use sectors, military or civilian nuclear programmes, or research institutions that excel in related subjects such as physics, chemistry or engineering, are generally at the highest risk from this category

28. Joshi, Dall and Dolzikova, 'Guide to Conducting a National Proliferation Financing Risk Assessment', p. 18.

29. *Ibid.*, pp. 12–15.

30. For more on the interaction between threats and vulnerabilities to produce PF risk, see *Ibid.*, pp. 19–20.

of PF threats. Alternatively, countries that sit on major trans-shipment routes may also be particularly exposed to this category of PF threat. Proliferators may route sensitive goods through third countries to obfuscate their true destination and may make use of local financial networks and service providers to facilitate this trade activity.

Southern and eastern Africa may not be nearly as exposed to this type of PF threat as some other parts of the world, but the region is not immune. The presence in some southern and eastern African countries of dual-use and high-tech industries may enable this category of PF threats to materialise in the region. Additionally, South Africa had a nuclear weapons programme until the late 1980s and currently operates a civilian nuclear energy sector and a nuclear research reactor. The resulting presence of proliferation-relevant technology, expertise and materials in the country – latent and contemporary – has the potential to attract the attention of proliferators. Furthermore, the presence of important transport hubs in southern and eastern Africa may create the potential for the region to serve as a trans-shipment point for proliferation-sensitive goods.

Conversely, North Korea could theoretically serve as a supplier of such goods to countries in the region looking to develop WMD programmes or missile capabilities. However, no ESAAMLG countries – with the historical exception of South Africa – are known to have expressed an interest in developing military nuclear capabilities. Interest in the procurement of missile technology within the region would most likely focus on conventional capabilities. Assessed within the context of North Korean PF, such trade would be considered a revenue-raising activity. As such, North Korean exports of missile technology and related services to southern and eastern Africa have been captured in the later discussion on North Korean revenue-raising through military cooperation.

Should North Korea choose to exploit the region for WMD-related trade, regional financial and corporate networks and services will likely be used to support these procurement efforts as money would have to be moved into the region to pay for these goods and materials (with the exception of possible barter trade agreements). Furthermore, North Korean procurement efforts may be geographically divorced from the financial networks that enable them. As such, even though dual-use and other proliferation-sensitive industries may not be as developed on the African continent as they are elsewhere, the region may still be exposed to this category of PF threat if Pyongyang chooses to use African banks and other financial service providers to finance its procurement activities in other parts of the world.

The vulnerabilities that may allow these PF threats to materialise in ESAAMLG countries will be discussed in greater detail in Chapter III.

Revenue-Raising Activities

Of the three categories of PF threats, North Korean revenue generation appears to be the most prevalent in the ESAAMLG region, based on publicly available reporting of cases on North Korean PF in southern and eastern Africa. The breadth of opportunities that North Korean nationals and entities have been reported to – or could theoretically – engage in to generate funds means that the examples of North Korean revenue-raising activities discussed here cannot be comprehensive. Instead, several well-established or emerging patterns of North Korean fundraising activities in the ESAAMLG region are outlined below. A visual summary of North Korean revenue-generating activities in southern and eastern Africa is included in Figure 2.

Military Cooperation

One of the most closely studied North Korean fundraising activities in sub-Saharan Africa has been Pyongyang's provision of military assistance to countries in the region. Over time, North Korea has been suspected of or confirmed to be engaging in military cooperation with the governments or resistance movements of the following ESAAMLG countries: Angola, Ethiopia, Mozambique, Namibia, Rwanda, South Africa, Tanzania, Uganda, Zambia, Zimbabwe, and possibly Madagascar.³¹ In 2006, UNSCR 1718 introduced an arms embargo against North Korea, which prohibited the import into and export out of North Korea of certain arms and related materiel. The list did not include small arms and light weapons.³² In 2009, the arms embargo was expanded under UNSCR 1874 to include 'financial transactions, technical training, advice, services or assistance related to the provision, manufacture, maintenance or use' on the import of all arms and related materiel, including small arms.³³ Finally, in 2016, UNSCR 2270 instituted a full arms embargo on North Korea, including the export to North Korea of small arms and light weapons.³⁴ Despite these prohibitions, North Korean military cooperation with countries in southern and eastern Africa has allegedly continued until recently.

An accurate valuation of North Korean military cooperation in Africa and globally has been elusive. In its March 2014 report, the PoE noted that: 'Although the precise income [North Korea] earned from this trade [in military in arms and related materiel] is subject to debate, there is no question that it is one of the country's most profitable revenue sources'.³⁵ The difficulty in estimating North Korean revenue from its military cooperation activities is due to

31. For more on North Korea's conventional military proliferation during and since the Cold War, see Andrea Berger, *Target Markets: North Korea's Military Customers in the Sanctions Era*, RUSI Whitehall Paper 84 (London: Taylor and Francis, 2015); Bruce E Bechtol Jr, *North Korean Military Proliferation in the Middle East and Africa: Enabling Violence and Instability* (Lexington, KY: University Press of Kentucky, 2018).

32. UNSCR 1718, 14 October 2006, S/RES/1718, paras 8a–8b.

33. UNSCR 1874, 12 June 2009, S/RES/1874, paras 9–10.

34. UNSCR 2270, 2 March 2016, S/RES/2270, paras 6–9.

35. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 6 March 2014, S/2014/147, para. 64.

a lack of data (North Korea does not provide information on its conventional arms exports to the UN Register of Conventional Arms³⁶ or the UN Comtrade Database³⁷), a reliance on arms seizures to estimate North Korean arms exports,³⁸ and difficulties in establishing the price of North Korean weapons sold abroad and the value of the other forms of military assistance that North Korea provides – such as military training or the construction of arms factories.³⁹

In 2010, the PoE estimated that, at the time, North Korea was exporting \$100 million or more of arms and missiles. The report also estimated that North Korean exports of arms and related materiel between 2000 and 2009 – prior to the adoption of the first two UNSCRs relating to North Korean military trade – amounted to \$22.9 million,⁴⁰ suggesting that the value of North Korean military exports had grown despite sanctions. According to an unconfirmed 2016 estimate reported by the *Chosun Ilbo*, a South Korean newspaper, North Korea had made \$300 million from arms sales in 2015.⁴¹ However, these estimates are somewhat outdated and, particularly in the case of the latter figure, lack methodological transparency. It is also unclear whether these estimates account for other forms of military cooperation, including training and the construction of arms manufacturing facilities.

The connection between North Korean conventional arms sales and its nuclear programme has been well established in open-source reporting. The Munitions Industry Department (MID), which is subordinate to the Workers' Party of Korea (WPK), manages all of North Korea's weapons-related activities, primarily through the Second Economic Committee and the Academy of National Defence Sciences. MID's remit covers both conventional weapons and WMD development and production, and includes exports of North Korean conventional arms abroad.⁴² According to the PoE, the Second Economic Committee, through a subordinate organisation, operates a number of front companies abroad for both missile exports and

36. UN, 'United Nations Register of Conventional Arms', <<https://www.unroca.org/>>, accessed 25 March 2020.

37. UN, 'UN Comtrade Database', <<https://comtrade.un.org/data/>>, accessed 25 March 2020.

38. Paul Holtom and Irene Pavesi, 'Trade Update 2017: Out of the Shadows', Small Arms Survey, 2017, p. 69.

39. *Ibid.*

40. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 November 2010, S/2010/571, para. 65. The report notes that these statistics are based on very limited Comtrade data, as few countries were reporting on military trade with North Korea even before the UNSC arms embargo.

41. *Chosun Ilbo*, 'N. Korean Arms Dealers Run Out of Safe Havens', 29 April 2016, <http://english.chosun.com/site/data/html_dir/2016/04/29/2016042901075.html>, accessed 25 March 2020. According to UN Comtrade data, the combined value of reported global imports from North Korea in 2015 was \$3.1 billion. This estimate is based on available data; not all trade is reported to UN Comtrade. See UN, 'UN Comtrade Database'.

42. Joseph S Bermudez Jr, 'Overview of North Korea's NBC Infrastructure', North Korea Instability Project, US–Korea Institute at Johns Hopkins School of Advanced International Studies, 2017, pp. 8–9.

procurement of sensitive technology.⁴³ The activities of Korea Mining Development Trading Corporation (KOMID) – involved in many of North Korea’s military exports, including to southern and eastern Africa – are also managed by MID, according to the information listed as part of the latter’s UN designation.⁴⁴ As such, unlike some of Pyongyang’s other revenue-generating activities, where the connection to North Korea’s nuclear programme can at times be difficult to confirm, North Korean military cooperation abroad can be directly tied to organisations involved in its WMD proliferation activities.

North Korean military cooperation with African countries began during the Cold War, with Pyongyang’s support for a number of African governments and movements. The nature of this cooperation – both during the Cold War and since – has varied widely and has gone well beyond the sale of weapons systems to include support in military missions, training of military and police personnel, refurbishment and maintenance of weapons systems, and the construction of factories for the production of weapons systems and components. While all of these activities are currently prohibited by international law, this was not always the case. Military cooperation on conventional weapons systems that was carried out before the institution of the limited UN arms embargo on North Korea in 2006 was permissible, as was the purchase of small arms and light weapons from North Korea until 2009.

In light of these sanctions measures, as well as UN bans on the hiring of North Korean labour and the designation of certain entities linked to North Korean conventional weapons proliferation, many southern and eastern African countries have announced the termination of their contracts with North Korea – in the context of military cooperation as well as in other spheres.⁴⁵ However, military cooperation between Pyongyang and certain ESAAMLG countries appears to have continued until more recently (see Box 4).

43. UNSC, ‘Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)’, 30 August 2019, S/2019/691, para. 6.

44. UNSC, ‘Report of the Panel of Experts Established Pursuant to Resolution 1874 (2012)’, 14 June 2012, S/2012/422, Annex X, p. 65.

45. *The Patriot*, ‘Namibia Bows to International Pressure’, 1 July 2016; Choe Sang-Hun, ‘Uganda Halts Military Cooperation with North Korea’, *New York Times*, 30 May 2016.

Box 4: Recent Military Cooperation Between North Korea and Southern and Eastern African Countries

Below is a non-exhaustive list of some recently reported, alleged and confirmed instances of sanctions-era North Korean military cooperation in southern and eastern Africa. The conclusiveness of the reporting on each instance has been indicated with the use of qualifying language, where appropriate.

- Shipment to Angola of patrol boats until at least 2012 and training of Angola’s presidential guard until at least 2016.
- A likely link between a North Korean entity and an ammunition producer in Ethiopia, as well as a reported shipment of tank parts and munitions components from North Korea to Ethiopia in 2007 and delivery of chemicals for the production of ammunition in 2008.
- Construction of military and government facilities – including a military academy, the headquarters of the Ministry of Defence and munitions factories in Namibia. Some construction activities – potentially linked to government and military sites – by North Korea in Namibia may have continued until at least January 2017.
- Reported, although unconfirmed, provision of arms and arms-related materiel, including refurbishment of weapons systems, to a Mozambique-based company in 2013 worth \$6 million.
- Alleged refurbishment of Tanzanian air missile and air defence radar systems by North Korean technicians as of February 2017.
- Provision by a North Korean-linked company of border monitoring and security services in Zambia.
- Contracts for the training by North Korea of military pilots and technicians in Uganda that, according to the Ugandan government, were not due to expire until 2018. An August 2019 UN Panel of Experts report noted that North Korean training of Ugandan special forces may have been ongoing at the time.
- Reports, as of August 2019, of possible North Korean training of special forces in Rwanda.

*Sources: UNSC, ‘Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)’, 27 February 2017, S/2017/150, paras 175, 120, 110–114, 101–102, 121; UNSC, ‘Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)’, 6 March 2014, S/2014/147, para. 100; Andrea Berger, *Target Markets*, pp. 15–16, 17; UNSC, ‘Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)’, 24 February 2016, S/2016/157, paras 101–106; John Grobler, ‘Not Going Anywhere: North Koreans Still Working in Namibia’, *NK News*, 17 January 2017; UNSC, ‘Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)’, 5 March 2018, S/2018/171, paras 143, 200; UNSC, ‘Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)’, 30 August 2019, S/2019/691, paras 37, 39; Itai Mushekwe, ‘Zimbabwe in “Arms for Uranium” Pact with North Korea’, *Nehanda Radio*, 19 September 2013, <<https://nehandaradio.com/2013/09/19/zimbabwe-in-arms-for-uranium-pact-with-north-korea/>>, accessed 26 March 2020; Benjamin R Young, ‘Zimbabwe and North Korea: Uranium, Elephants, and a Massacre’, *NK News*, 30 October 2013.*

Note: Many of the instances of North Korean military cooperation listed here are based on reporting by UN member states to the Panel of Experts on suspected North Korean military cooperation activity, or on media and academic reporting that, while judged by the authors to be reliable, has not been independently confirmed. Where relevant, this paper has qualified reports of North Korean military cooperation and this list should not be regarded as a conclusive list of North Korean military cooperation with southern and eastern African countries.

As Andrea Berger has pointed out in *Target Markets: North Korea's Military Customers in the Sanctions Era*,⁴⁶ there are multiple reasons for the resilience in the market for North Korean military goods and services. A dependence on outdated systems procured from North Korea or the Soviet Union in the past means that countries have no choice but to rely on North Korean technicians and parts to service these antiquated systems, as they may be the only ones still familiar with the technology.⁴⁷ This appears to have been the case for Ethiopia⁴⁸ and potentially also Tanzania.⁴⁹ A desire to preserve historical or personal ties with North Korea and its leadership, or to demonstrate an independence in foreign policy and a refusal to be bound by international expectations, may be another driver of continued military cooperation with North Korea. This may be one of the reasons for reported persistent Ugandan engagement with Pyongyang.⁵⁰ Cost considerations may also drive demand for North Korean military equipment and services, as there is some evidence to suggest that Pyongyang's prices are lower than those of other military suppliers.⁵¹ Ethiopia, for instance, has reportedly cited pricing as the reason for its procurement of North Korean systems, despite international sanctions.⁵²

Finally, as the PoE has pointed out that: 'Lack of awareness and understanding of the [UNSC] resolutions by Member States has allowed [North Korea] to exploit long-standing past relationships with African countries for arms-related services and training'.⁵³ North Korean sanctions evasion techniques – for instance, the use by North Korean companies of aliases and third-party nationals to manage their operations – have made it more challenging to verify whether military contracts involve North Korean entities, both for the international community and individual governments. Furthermore, lack of cooperation and information sharing between relevant government departments and agencies within ESAAMLG countries may create opportunities for North Korea to exploit blind spots in a country's sanctions compliance regime, in the context of military sales as well as more broadly.

Construction of Statues and Monuments

Perhaps the most visible marker of North Korean historical ties with countries in southern and eastern Africa is the series of large-scale monuments, museums and government buildings that Pyongyang has built across the region. These constructions, produced in a distinctive style reminiscent of other North Korean and socialist art and architecture, often depict national heroes and commemorate anti-colonial struggles.

46. Berger, *Target Markets*.

47. *Ibid.*, p. 62.

48. *Ibid.*, pp. 115–16, 118.

49. *Ibid.*, p. 134.

50. *Ibid.*, p. 84.

51. *Ibid.*, pp. 51–57.

52. *Ibid.*, pp. 116–17.

53. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 23 February 2015, S/2015/131, para. 71.

Mansudae Overseas Projects (MOP), a subsidiary of North Korean company Mansudae Art Studios, specialises in the production of various art objects, including sculptures, paintings, posters and jewellery, and has been responsible for the construction of North Korean statues and monuments abroad.⁵⁴ Africa has historically been a major market for MOP's exports. According to Virginie Grzelczyk, 'outside [North Korea], the African continent host[s] the most Mansudae creations'.⁵⁵ Based on Grzelczyk's estimates of the costs of Mansudae work around the world, southern and eastern Africa have accounted for over \$185.73 million in known revenue – over 65% of the company's total portfolio of overseas construction projects of more than \$284.34 million.⁵⁶

Table 2 includes a list of statues, monuments and other construction projects completed by Mansudae in southern and eastern Africa, reproduced from Grzelczyk's estimates.

54. UNSC, 'The List Established and Maintained Pursuant to Security Council Res. 1718 (2006)', generated on 10 January 2020, <<https://scsanctions.un.org/en/?keywords=dprk>>, accessed 10 January 2020.

55. Virginie Grzelczyk, *North Korea's New Diplomacy: Challenging Political Isolation in the 21st Century* (London: Springer, 2017), p. 176.

56. Both the estimates for ESAAMLG countries and total overseas revenue rely only on known values of projects; a number of cost figures for Mansudae projects in Grzelczyk's dataset are unknown. Calculations have been conducted by the authors based on Grzelczyk's dataset. See *Ibid.*, p. 177.

Table 2: North Korean Mansudae Overseas Construction

Country	Monument Name	Completion Year	Cost (USD)
Angola	Statue of Agostinho Neto	2012	Unknown
	Peace Monument	2009	1.5 million
	Antonio Agostinho Neto Cultural Centre	2009	40 million
	Cabinda Park	2008	13 million
Botswana	Monument to the Three Dikgosi	2005	1.7 million
Ethiopia	Tiglachin Memorial	1984	Unknown
Mozambique	Samora Machel Statue	2011	0.7 million
Namibia	Presidential Palace	2008	49 million
	National Heroes' Acre	2002	5.23 million
	Military Museum	2004	1.8 million
	Independence Memorial Museum	2014	10 million
Zimbabwe	National Heroes' Acre	1981	60 million
	Joshua Nkomo Statue	2010	Unknown
	Two statues of President Mugabe	2014	5 million
	Zimbabwe African National Union Patriotic Front Building	Unknown	Unknown

Source: Virginie Grzelczyk, *North Korea's New Diplomacy: Challenging Political Isolation in the 21st Century* (London: Springer, 2017). This table has been amended to include only data for ESAAMLG members. Grzelczyk's table was compiled using public domain, governmental and news sources, and the author indicates that the information is meant to be considered as indicative only.

In November 2016, the UNSC banned UN member states from procuring statues from North Korea,⁵⁷ and in August 2017 it included MOP on its list of sanctioned entities for raising revenue for the North Korean government and the WPK.⁵⁸ Since then, several ESAAMLG countries have announced the termination of their contracts with MOP.⁵⁹

The highly visible nature of these Pyongyang exports means that their procurement is difficult to hide. However, as in the case of military cooperation, North Korean sanctions evasion tactics may complicate efforts by countries to ensure, and demonstrate to the international community, that they are not engaging with North Korean-linked companies or designated entities on future construction of statues and monuments. Furthermore, Mansudae Art Studios is not the only North Korean art studio; according to a report by Reuters, ‘about every ministry and almost all the local authorities in North Korea have an art studio’.⁶⁰ These studios may look to fill any gap in the market left behind by the exit of MOP from southern and eastern Africa. The regime may also diversify its sales of art to the continent, shifting focus to the export of paintings or jewellery instead of the more visible statues and memorials. A company called Mansudae Boka Design – a jewellery design and manufacturing facility focusing on gold and other precious metals – had reportedly been registered in Zimbabwe until June 2018.⁶¹ While there has been no indication thus far of such a takeover or shift in activity, the possibility stresses the importance of focusing CPF efforts on typologies, rather than lists of designated entities.

Box 5: North Korean Construction Activities in Southern and Eastern Africa

Besides statues, monuments and military facilities, North Korean companies have provided construction services in southern and eastern Africa more broadly, taking on contracts for the construction of everything from government ministry buildings to housing units.

Mansudae – of which MOP is a subsidiary – had undertaken 56 construction contracts in Angola until February 2015 and has been reported as having constructed the government buildings in Madagascar and the State House in Namibia. The Zambian and Ugandan branches of Malaysia Korea Partners (MKP) – a company that has been linked by the Panel of Experts to the Reconnaissance General Bureau (North Korea’s intelligence agency) and other North Korean entities – have also reportedly undertaken a number of construction projects in the two countries (among other business activities), many of which have been linked to government financing. In Uganda, MKP had entered into a joint venture with the country’s National Housing and Construction Company and in 2011 was contracted to build

57. UNSCR 2321, 30 November 2016, S/RES/2321, para. 29.

58. UNSC, ‘The List Established and Maintained Pursuant to Security Council Res. 1718 (2006)’.

59. *Ibid.*

60. Sue-Lin Wong, Giselda Vagnoni and Fanny Potkin, ‘White Tiger, Dark Horse: North Korean Art Market Heats Up’, *Reuters*, 4 October 2017.

61. UNSC, ‘Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)’, 8 March 2018, S/2018/171, para. 144; UNSC, ‘Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)’, 5 March 2019, S/2019/171, para. 98.

a series of housing units. The company reportedly collected \$5.2 million for the contract but failed to complete the project. In 2018, the MKP webpage claimed to host branches in Angola, Ethiopia, Kenya, Mozambique, Tanzania, Uganda, Zambia and Zimbabwe. The exact nature of the company's work in these countries is not clear and may not be related to construction, as the company engages in a wide variety of business activities. A brief profile of MKP's many operations in Africa and elsewhere is provided later in this paper.

*Sources: UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 27 February 2017, S/2017/150, para. 115, Table 4; The Patriot, 'Namibia's North Korea Connection', 10 March 2017; UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 September 2017, S/2017/742, para. 57; UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 8 March 2018, S/2018/171, paras 198, 199, Annex 69; Edris Kiggundu, 'Police Clears Migereko Over Naalya Project', *The Observer*, 27 October 2014.*

Wildlife Smuggling

Another PF threat to ESAAMLG countries has been North Korean illicit trade in wildlife products. Southern and eastern Africa's rich biodiversity means that the region is home to such animals as elephants, white and black rhinoceros, pangolins and lions. The region also hosts some of Africa's largest game reserves. Certain animal parts – for instance, elephant tusks, rhino horns, pangolin scales and lion bones – are in high demand on Asian markets. Consumers purchase them for their perceived, although broadly discredited, medicinal properties,⁶² as well as for carvings, jewellery or other decorative purposes.⁶³ Globally, the illicit wildlife trade is estimated to generate \$7 to \$23 billion in annual profits.⁶⁴ While North Korea likely accounts for a small fraction of this activity, the trade's profitability highlights the importance of its potential as a PF threat. North Korean wildlife trafficking in southern and eastern Africa is an example of the adaptability of North Korean nationals in identifying and exploiting potential fundraising opportunities that may exist in the various regions in which they operate.

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62. Jani Actman, 'Traditional Chinese Medicine and Wildlife', *National Geographic*, 27 February 2019, <<https://www.nationalgeographic.com/animals/reference/traditional-chinese-medicine/>>, accessed 8 April 2020; Vanda Felbab-Brown, 'Endangering Animals is Hazardous to Your Health', *Foreign Affairs*, 9 October 2018; Helen P Laburn and Duncan Mitchell, 'Extracts of Rhinoceros Horn Are Not Antipyretic in Rabbits', *Journal of Basic and Clinical Physiology and Pharmacology* (Vol. 8, No. 1–2, June 1997), pp. 1–12, cited in Curtis Abraham's interview with Lixing Huang, 'Rhino Horn Isn't a Hangover Cure or a Cancer Treatment', *NewScientist*, 23 April 2014.
63. Julian Rademeyer, 'Tipping Point: Transnational Organised Crime and the "War" on Poaching', Global Initiative Against Transnational Organized Crime, 2016, p. 4.
64. Christian Nellemann et al. (eds), *The Environmental Crime Crisis: Threats to Sustainable Development from Illegal Exploitation and Trade in Wildlife and Forest Resources – A UNEP Rapid Response Assessment* (Nairobi and Arendal: United Nations Environment Programme and GRID-Arendal, 2014), p. 19, cited in Cathy Haenlein and Tom Keatinge, 'Follow the Money: Using Financial Investigation to Combat Wildlife Crime', *RUSI Occasional Papers* (September 2017), p. 1.

Often, wildlife trafficking appears to be carried out by North Korean diplomats for personal profit to subsidise low wages, albeit a significant amount of these profits are ceded to the regime in Pyongyang in the form of loyalty payments.⁶⁵ Items may be carried across borders by North Korean diplomats in personal luggage or diplomatic bags.⁶⁶ In his September 2017 report detailing illicit North Korean activities in Africa, Julian Rademeyer relayed the comments of one former North Korean diplomat who had been posted in China and who detailed the rhino horn and ivory he received from North Korean diplomats travelling to Asia from postings in Angola, South Africa and Mozambique.⁶⁷ According to him, staff from each embassy would make two to three trips per year, carrying rhino horn and ivory in various forms in their hand luggage. The diplomats could make a profit of \$10,000 for a 7–10 kg suitcase of ivory on the Chinese market.⁶⁸ Rademeyer also notes instances of North Korean diplomats engaging in the illicit wildlife trade in Ethiopia,⁶⁹ Zimbabwe⁷⁰ and Zambia.⁷¹

Besides the abuse of diplomatic privileges by North Korean diplomats such as the use of diplomatic bags, other examples of vulnerabilities that make this PF threat challenging to address for southern and eastern African countries include porous borders, corrupt or ineffective border and other government officials,⁷² and difficulties in policing large game reserves. Some of these challenges will be explored in more detail in Chapter III.

Overseas Labour

Another important source of revenue for the North Korean regime has historically been the deployment of North Korean workers abroad. Based on a 2018 estimate, the overwhelming majority of North Korean overseas workers were based in China (an estimated 20,000 to 80,000

65. Julian Rademeyer, 'Diplomats and Deceit: North Korea's Criminal Activities in Africa', Global Initiative Against Transnational Organized Crime, September 2017, pp. 16–17.

66. While personal luggage and baggage is considered to be 'cargo' that can be inspected in cases of suspected sanctions evasion under UNSCR provisions, under the Vienna Conventions on Diplomatic and Consular Relations, diplomatic bags cannot be opened or detained. This diplomatic privilege presents challenges to detecting and tracking such smuggling activity. See UNSCR 2321, 30 November 2016, S/RES/2321, para. 13; UNSCR 2270, 2 March 2016, S/RES/2270, para. 18; Vienna Conventions on Diplomatic and Consular Relations, 18 April 1961, article 27, para. 3.

67. Rademeyer, 'Diplomats and Deceit', pp. 16–17.

68. *Ibid.*

69. *Ibid.*, p. 16.

70. UPI, 'North Korean Diplomats Caught Smuggling Rhino Horn', 8 January 1992; Environmental Investigation Agency, 'A System of Extinction: The African Elephant Disaster', 1989, p. 22, cited in Rademeyer, 'Diplomats and Deceit', p. 3.

71. Environmental Investigation Agency, 'A System of Extinction', p. 22.

72. For more on the role of corruption in facilitating illicit wildlife trade in southern and eastern Africa, see OECD, *Strengthening Governance and Reducing Corruption Risks to Tackle Illegal Wildlife Trade: Lessons from East and Southern Africa* (Paris: OECD Publishing, 2018).

workers) and Russia (an estimated 30,000 to 40,000 workers).⁷³ However, according to a North Korea Sanctions and Enforcement Actions Advisory issued by the US government, in 2017–2018, North Korean labourers were also present in the following ESAAMLG countries: Angola, Ethiopia, Mozambique, Namibia, Rwanda, Tanzania, Uganda, Zambia and Zimbabwe.⁷⁴

As of 22 December 2019, the presence of North Korean labourers abroad violates international sanctions. UNSCR 2371, adopted in August 2017, instituted a cap on the issuing of work authorisations to North Korean nationals beyond the number of authorisations the country had already granted at the time of the resolution's passing.⁷⁵ UNSCR 2375, passed in September 2017, instituted a ban on the hiring of any new North Korean workers.⁷⁶ Two months later, in December 2017, UNSCR 2397 called on member states to repatriate all North Korean labourers by 22 December 2019.⁷⁷ At the time of writing, it is unclear how many North Korean labourers remain abroad following the repatriation deadline, although it appears that at least some may be continuing to earn revenue overseas.⁷⁸

Usually from well-placed North Korean families who have demonstrated their loyalty to the regime,⁷⁹ workers travel from North Korea to countries around the world to undertake what has been described by some as amounting to forced labour.⁸⁰ North Korean overseas labourers may remain abroad for several years at a time, working long days – of 12–20 hours, according to

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73. North Korea in the World, 'North Korean Overseas Workers', <<https://www.northkoreaintheworld.org/economic/north-korean-overseas-workers>>, accessed 29 December 2019. These estimates were based on a variety of media reports and US government advisories collected by North Korea in the World – a joint project between the East-West Center and The National Committee on North Korea – between 2014 and 2018. The webpage has been updated since the deadline for the repatriation of North Korean workers at the end of 2019 to indicate that both Russia and China claim to have repatriated the North Korean workers that had been in the country, but that North Korean workers may remain in the countries illegally.
74. US Department of the Treasury, US Department of State and US Department of Homeland Security, 'North Korea Sanctions & Enforcement Action Advisory: Risks for Businesses with Supply Chain Links to North Korea', 23 July 2018, <https://www.treasury.gov/resource-center/sanctions/Programs/Documents/dprk_supplychain_advisory_07232018.pdf>, accessed 25 March 2020.
75. UNSCR 2371, 5 August 2017, S/RES/2371, para. 11.
76. UNSCR 2375, 11 September 2017, S/RES/2375, para. 17.
77. UNSCR 2397, 22 December 2017, S/RES/2397, para. 8.
78. See UNSC, 'Report of the Panel of Experts Pursuant to Resolution 1874 (2009)', 2 March 2020, S/2020/151, paras 129–48.
79. Jason Aldag, 'How North Korea Takes a Cut from Its Workers Abroad', *Washington Post*, 1 November 2017; Jason Arterburn, 'Dispatched: Mapping Overseas Forced Labour in North Korea's Proliferation Finance System', C4ADS, 2018, p. 7.
80. UN General Assembly (UNGA), 'Situation of Human Rights in the Democratic People's Republic of Korea', 8 September 2018, A/70/362, para. 24, <https://www.un.org/ga/search/view_doc.asp?symbol=A/70/362>, accessed 26 March 2020; US Department of the Treasury, US Department of State and US Department of Homeland Security, 'North Korea Sanctions & Enforcement Action

various sources – in harsh conditions, with little food and few rest days.⁸¹ A reported 70–90% of their earnings is believed to be confiscated by ‘minders’ on behalf of the Pyongyang regime.⁸² By one 2012 estimate, overseas labourers earn \$1.2–\$2.3 billion annually for the North Korean regime.⁸³ North Korean labourers have been employed in a variety of sectors, including in North Korean restaurants, textile and food processing, construction, logging, fishing, medical services and the information technology sector. Based on publicly reported cases, the most prevalent sectors to have hosted North Korean overseas workers in southern and eastern Africa appear to be the medical services industry and the construction industry. The latter has been briefly addressed earlier in this paper.

In the medical field, North Koreans have worked as doctors in local clinics and have operated their own medical centres in Africa. In 2016, the *Wall Street Journal* reported a South Korean intelligence estimate that around 1,250 North Korean doctors were working abroad, mostly in Africa.⁸⁴ Uganda reportedly hosted North Korean medical professionals as recently as 2018.⁸⁵ At least one media report also claimed the presence of North Korean medical personnel in Ethiopia in 2015.⁸⁶ While it is difficult to ascertain from these reports whether any of these cases violated UN sanctions provisions, even though they took place prior to the December 2019 deadline for the repatriation of North Korean workers, the existence of a number of such historical cases indicates the potential for this PF threat in the region.

A number of more recent cases suggest that this pattern of North Korean activity in ESAAMLG countries may have continued more recently. The PoE report published in April 2020 noted that the Panel was investigating allegations of North Korean nationals employed at a network of

Advisory’; US Department of State, ‘Trafficking in Persons Report’, 2017, p. 235.

81. US Department of State, ‘Trafficking in Persons Report’, p. 235; UNGA, ‘Situation of Human Rights in the Democratic People’s Republic of Korea’, para. 27.
82. US Department of the Treasury, US Department of State and US Department of Homeland Security, ‘North Korea Sanctions & Enforcement Action Advisory’.
83. UNGA, ‘Situation of Human Rights in the Democratic People’s Republic of Korea’, para. 25, cited in Arterburn, ‘Dispatched’, p. 7. As Arterburn points out, some have suggested that these figures may be highly exaggerated. See Marcus Noland, ‘Organized Exports of Labor: Welcome to the Echo Chamber’, Peterson Institute for International Economics, 1 June 2015, <<https://www.piie.com/blogs/north-korea-witness-transformation/organized-exports-labor-welcome-echo-chamber>>, accessed 26 March 2020.
84. Alastair Gale, ‘North Korea’s Lucrative Labour Exports Come Under Pressure’, *Wall Street Journal*, 7 July 2016.
85. Joe Parkinson, ‘Never Take Their Photos: Tracking the Commandos, North Korea’s Secret Export’, *Wall Street Journal*, 9 December 2018.
86. Poppy McPherson, ‘The Curious Case of North Korea’s Overseas Doctors’, *The Diplomat*, 10 April 2015, <<https://thediplomat.com/2015/04/the-curious-case-of-north-koreas-overseas-doctors/>>, accessed 27 March 2020.

hospitals in Tanzania.⁸⁷ The report also stated that, in 2019, the Tanzanian government appeared to have issued or renewed 40 work permits for North Korean workers employed by this hospital network.⁸⁸ It also made mention of an unconfirmed bilateral arrangement on medical cooperation between Angola and North Korea and the possible presence of about 20 North Korean medical staff in the African country as a result.⁸⁹ Furthermore, the PoE also cited media reports of North Korean doctors having been prosecuted in Mozambique for operating an illegal clinic there.⁹⁰ Similar reports of illicit North Korean clinics in Tanzania were made by a media outlet in 2016.⁹¹ North Korean MKP also appeared to be operating a medical centre in Zambia as of February 2020, according to the company's webpage.⁹²

North Korean doctors deployed abroad have been reported to earn about \$1,000 a month, \$800 of which is sent back to Pyongyang.⁹³ According to one media report, in Tanzania alone, 13 North Korean medical centres had been earning about \$1 million a year for Pyongyang, with 90% of the earnings being sent to North Korea,⁹⁴ before two of them were closed down by authorities in 2016 for operating without a business licence, hosting uncertified doctors without work permits, and performing unproven and harmful treatments.⁹⁵ For context, according to UN Comtrade data, the value of reported global imports from North Korea was \$2.9 billion in 2016, with ESAAMLG countries having reported \$26.6 million in North Korean imports that year.⁹⁶ If these figures are accurate, they would suggest that North Korean overseas labour in southern and eastern Africa – including in the medical field – has been an important part of the Pyongyang regime's revenue-raising efforts in the region.

The UNSC requirement to repatriate all North Korean overseas workers by the end of 2019 will likely limit North Korea's ability to use its labourers for fundraising purposes abroad going

87. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 2 March 2020, S/2020/151, para. 137.

88. *Ibid.*

89. *Ibid.*, para. 133.

90. *Ibid.*, para. 134.

91. Albert Hong, 'Exporting Fakes?', *Radio Free Asia*, <<https://www.rfa.org/english/news/special/nkinvestigation/tanzania.html>>, accessed 27 March 2020.

92. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2018, S/2018/171, Annexes 74–76; MKP Group of Companies, <<http://www.mkpholdings.com.my/>>, accessed February 2020.

93. McPherson, 'The Curious Case of North Korea's Overseas Doctors'. This figure is not specific to North Korean doctors working in Africa.

94. Hong, 'Exporting Fakes?'.

95. Albert Hong, 'Tanzania Shuttles Two North Korean Medical Clinics', *Radio Free Asia*, 19 April 2016, <<https://www.rfa.org/english/news/korea/tanzania-shuttles-two-04192016143509.html/>>, accessed 27 March 2020.

96. UN, 'UN Comtrade Database'. These estimates are based on available data; not all trade is reported to UN Comtrade. Illicit revenue-generating activity would almost certainly be excluded in these figures.

forward. However, as the alleged cases outlined above suggest, it is unlikely to resolve this PF threat altogether. North Korea may adopt more of the tactics it has already used to obfuscate the presence of its labourers abroad. Countries who deliberately seek to skirt the ban on North Korean workers may grant entry to labourers through student, tourism or cultural exchange visas – a tactic which may have been employed in the case of North Korean workers in Russia⁹⁷ and China.⁹⁸ Some North Korean workers may have also simply moved to a third country, instead of returning to North Korea.⁹⁹

Alternatively, once in-country, North Korean companies and labourers may present themselves as Chinese or simply ‘Korean’ instead of North Korean, thus obfuscating their connection to North Korea. This is a tactic that MOP appears to have used in Namibia, with North Korean workers reportedly claiming to be Chinese to allow the company to complete work in the country after the Namibian government announced the termination of its contracts with MOP and KOMID.¹⁰⁰ The combination of these factors may make countering this particular PF threat more challenging.

Cybercrime and Abuse of Cryptocurrencies

A relatively new addition to North Korean fundraising patterns has been the exploitation by Pyongyang of cybercrime and cryptocurrencies. North Korea has adapted its operations to take advantage of the now-ubiquitous use of computer-based systems and telecommunications technology by financial institutions, as well as the expanding popularity of cryptocurrencies, to evade sanctions and generate revenue for the regime.¹⁰¹

Detailed information on North Korean cyber or crypto operations is not widely available, as cyber attacks can be hard to trace and attribute. However, the August 2019 PoE report estimated that, to date, North Korea had illegally acquired \$2 billion through cyber means.¹⁰² Some of the best-known cyber operations which are widely suspected to have been carried out by North Korean actors include the 2016 Bank of Bangladesh heist (which attempted to steal nearly \$1 billion from the bank’s account at the Federal Reserve Bank of New York)¹⁰³ and the

97. Jacob Fromer, ‘As UN Workers Ban Looms, Russian Tourism and Student Visas for North Koreans Soar’, *NK News*, 12 December 2019; UNSC, ‘Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)’, 2 March 2020, S/2020/151, para. 146.

98. Wong, Vagnoni and Potkin, ‘White Tiger, Dark Horse’; UNSC, ‘Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)’, 2 March 2020, S/2020/151, para. 145.

99. UNSC, ‘Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)’, 2 March 2020, S/2020/151, para. 148.

100. Grobler, ‘Not Going Anywhere’.

101. For a more detailed study of North Korean use of cryptocurrencies in particular, see Carlisle and Izenman, ‘Closing the Crypto Gap’.

102. UNSC, ‘Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)’, 30 August 2019, S/2019/691, para. 57.

103. Joshua Hammer, ‘The Billion-Dollar Bank Job’, *New York Times*, 3 May 2018.

2017 WannaCry ransomware attacks (which demanded payment in bitcoin from victims worldwide whose data was encrypted by the malware).¹⁰⁴ North Korea has also repeatedly hacked cryptocurrency exchanges (predominantly in South Korea), hijacked servers to mine cryptocurrency, and recently hacked Chile's ATM network through a complex social engineering scheme which convinced a network employee to download malware onto their PC as part of a fake job interview process.¹⁰⁵

Sub-Saharan Africa, and southern and eastern Africa in particular, has not reported many major incidents of North Korean cyber operations or exploitation of cryptocurrencies thus far. However, the region has not been entirely immune. In its August 2019 report, the PoE identified instances of North Korean cyber attacks in Africa involving Liberia, Nigeria and The Gambia.¹⁰⁶ North Korean hackers had also reportedly stolen \$18 million from South African Standard Bank through cash withdrawals from convenience store ATMs in Tokyo. The attack appears to have been carried out with the help of organised crime group members in Japan and used forged cards with stolen Standard Bank customer information to withdraw the cash.¹⁰⁷ The South African foreign ministry also appears to have been among the targets of more recent malicious cyber activity suspected to be tied to North Korea.¹⁰⁸ Targets in several ESAAMLG countries had also reportedly fallen victim to North Korea's 2017 WannaCry attack – namely, Angola, Kenya, Mozambique, South Africa and Tanzania.¹⁰⁹

It is worth noting that cybercrime can be, and usually is, carried out remotely. North Korean actors do not need to be physically present in a country in order to hack into its financial institutions or cryptocurrency exchanges. Therefore, the threat of cybercrime is one that could affect any country, although there are factors which make some countries more vulnerable than others. Chapter III will examine some of these vulnerabilities in the context of southern and eastern Africa in more detail.

104. Josh Fruhlinger, 'What is WannaCry Ransomware, How Does It Infect, and Who Was Responsible?', *CSO UK*, 30 August 2018, <<https://www.csoonline.com/article/3227906/what-is-wannacry-ransomware-how-does-it-infect-and-who-was-responsible.html>>, accessed 25 March 2020.

105. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 30 August 2019, S/2019/691, Annex 21.

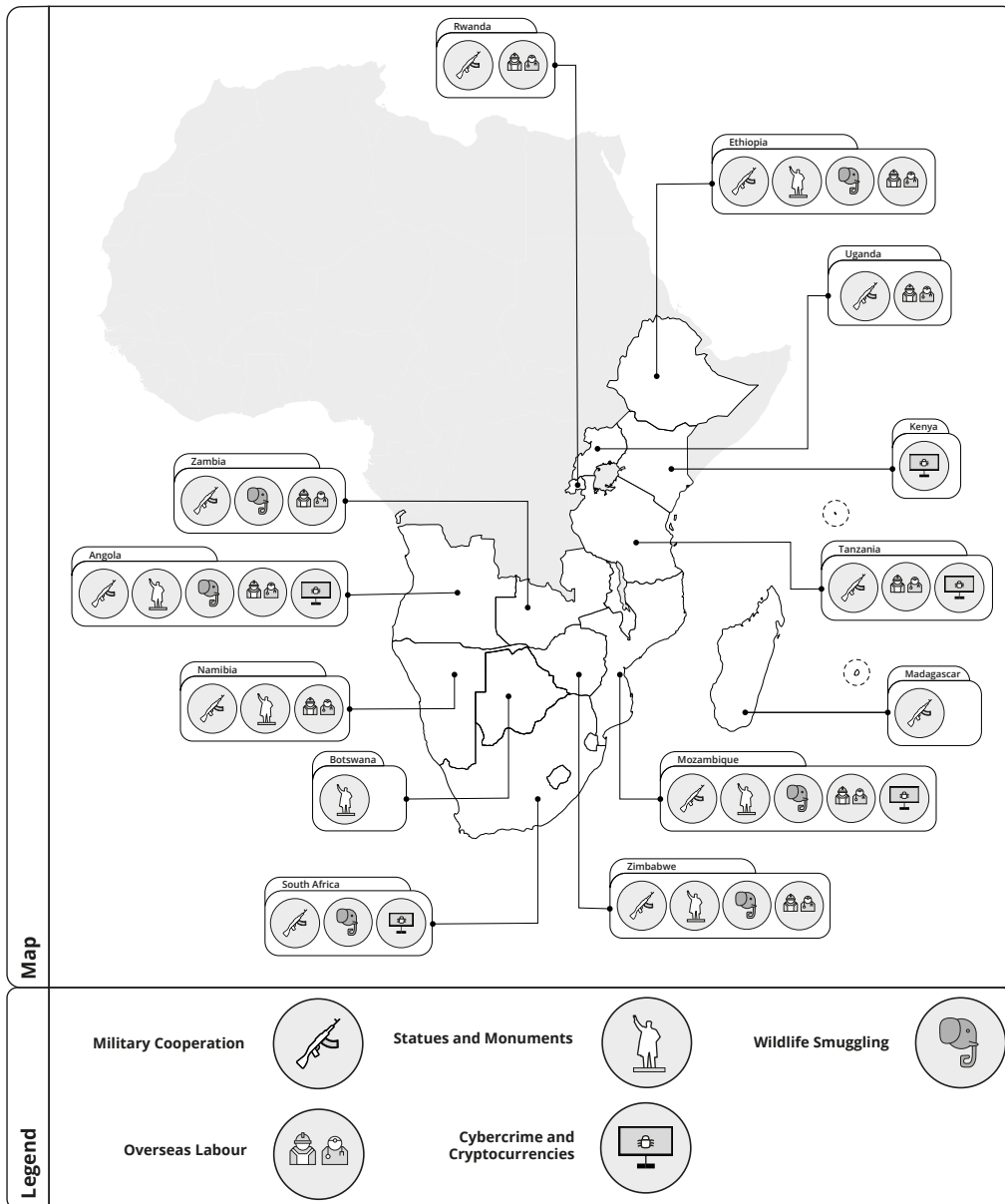
106. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)'.

107. *Ibid.*

108. National Cybersecurity Agency of France, 'Credentials Gathering Campaign: Large Clusters of Malicious Infrastructure Targeting Government Bodies and Other Strategic Entities', 2 September 2019, <<https://www.cert.ssi.gouv.fr/uploads/CERTFR-2019-CTI-002-EN.pdf>>, accessed 20 April 2020, via UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 2 March 2020, S/2020/151, para. 115.

109. Serianu Africa Cyber Immersion Centre, 'Africa Cyber Security Report 2017: Demystifying Africa's Cyber Security Poverty Line', 2017, <<https://www.serianu.com/downloads/AfricaCyberSecurityReport2017.pdf>>, p. 15, accessed 25 March 2020.

Figure 2: Historical and Recent Instances of North Korean Revenue-Raising Activities in ESAAMLG Member States



Source: Generated by authors. The data used to compile this graphic has been collected from reports of North Korean activity noted in UNSCR 1718 Sanctions Committee Panel of Experts reports, media sources and literature on North Korean activities abroad. Since some of the activities included in this graphic took place before the adoption of relevant UNSC sanctions, or indicate alleged or suspected North Korean activity, not all of the activities included in this map indicate instances of sanctions violations.

Figure 2 is intended as an indication of historical and more recent North Korean revenue-generating activities in ESAAMLG countries. Since some of the activities included in this graphic took place before the adoption of relevant UNSC sanctions, not all of the activities displayed on this map indicate instances of sanctions violations. Activities that do not constitute sanctions violations have been included in the figure as they are a useful indication of where relationships with North Korea have existed previously and where Pyongyang has identified fundraising opportunities in the past. Furthermore, some activities included in Figure 2 constitute alleged, but not confirmed, North Korean activity. More information on individual instances of North Korean activity depicted here, including sourcing, can be found within this paper.

Financial and Corporate Networks

Underpinning the first two categories of PF threats discussed thus far are the financial and corporate networks that North Korea has established around the world to support the full range of its PF activities. Many of the known networks have been set up in Asian and European financial centres, with concentrations of North Korean bank accounts and companies registered in mainland China and Hong Kong. The threat to the African continent appears to not be as great in this category of PF activity as to some other regions, but it should not be dismissed altogether. The presence of several financial centres and transport hubs, as well as a diverse financial ecosystem, have allowed the region to provide financial and corporate services to North Korean PF activities in the past. This section will examine some of these patterns.

Financial Access Points and Networks

Southern and eastern African countries feature a diverse array of financial institutions and services.¹¹⁰ The banking sector specifically includes a mix of local, regional and global institutions. The region is also home to a number of regional financial hubs. This breadth and diversity of financial institutions and services presents a range of opportunities for North Korea to exploit for PF purposes.

Depending on the size of a financial institution and the types of services it offers, the way proliferators use these institutions and the PF threats and vulnerabilities each institution faces are likely to differ. Due to their regional and international reach – through foreign branches, subsidiaries and correspondent banking relationships – larger financial institutions are able to easily facilitate international transfers of funds. As such, larger banks may be used by North Korea to move money across countries, as well as into and out of the region due to the ease with which their international relationships allow such movement of funds. Smaller local banks, on the other hand, may be leveraged to gain initial entry into the formal financial system in Africa and to support North Korean PF activities locally.

110. For a country-by-country breakdown of financial service providers, see ESAAMLG, 'ESAAMLG at 20: Looking Back and Looking Ahead', 2019, <<https://esaamlg.org/reports/ESAAMLG%2020%20YEAR%20REPORT.pdf>>, accessed 24 April 2020.

Larger banks may also be targeted by proliferators – or other malicious actors – due to the large volume of transactions they process, as this may make it easier to hide malicious activity. However, for a number of reasons, which will be discussed in more detail in Chapter III, larger financial institutions also tend to be more aware of their PF risk exposure than smaller ones and generally have greater resources at their disposal to address their vulnerabilities. This makes them harder targets for illicit actors, thus reducing their PF risks and possibly driving illicit business towards smaller local institutions instead. These smaller institutions may therefore be targeted by proliferators due to their limited ability to conduct thorough due diligence on customers and transactions and to recognise and prevent cases of PF.

North Korean PF patterns are likely to differ throughout the region based on the types of financial institutions operating in each jurisdiction and the concentration of financial services in a country. Financial hubs, such as Johannesburg in South Africa and Nairobi in Kenya, are likely to be particularly exposed as they process large volumes of financial transactions and host important regional and global financial institutions. These institutions may be used to create financial access points in multiple countries through branches or correspondent banking relationships across the region and the world.

Although financial hubs are more likely to be exposed to PF threats in this category due to the reasons cited above, countries that do not host such concentrations of financial services may also have some PF exposure in this area. The PoE reports have referenced bank accounts held by North Korean nationals or entities at one point or another in Namibia,¹¹¹ Zambia,¹¹² Zimbabwe,¹¹³ and possibly South Africa.¹¹⁴ North Korean company MKP also appears to be operating a bank in Zambia.¹¹⁵ It is safe to assume that North Korean-linked bank accounts likely exist in any country that hosts North Korean businesses, allowing them to access the formal financial system.

Besides its use of the formal financial system, North Korea has also been known to use bulk cash transfers to move funds into, out of and across southern and eastern Africa. As with many of North Korea's other PF activities in the region, North Korean embassies can also be enablers for this kind of activity. Based on information received by the PoE, the wives of two North Korean diplomats formerly accredited to Uganda and possibly employed by a North

111. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 27 February 2017, S/2017/150, para. 114.

112. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2019, S/2019/171, para. 130.

113. *Ibid.*, para. 98; the PoE has also reported that MKP may have purchased a minority stake in a Zambian bank, which the Panel claims appeared to be operational as of March 2018. See UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 August 2018, S/2018/171, para. 193.

114. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 August 2018, S/2018/171, para. 83.

115. MKP, 'MKP Service Division', <<http://www.mkpholdings.com.my/services.php>>, accessed March 2020.

Korean-linked company may have attempted to transport cash tied to the company's operations out of the country.¹¹⁶ Potential abuse of diplomatic bags by North Korean diplomats may also facilitate such illicit transfers of bulk cash across the region. In at least one instance, North Korea has also attempted to use its overseas labourers to move money from Africa back to Pyongyang.¹¹⁷

North Korean barter trade raises additional challenges within the PF context. Such arrangements allow Pyongyang to bypass the formal financial system and to transfer value without any actual movement of funds, making it harder to track both North Korean revenue flows and procurement activities. In the African context, limited budgets may make such barter deals particularly attractive to governments which might struggle to pay for North Korean military or other imports in cash but may be willing to exchange North Korean products and services for goods that may be of interest to Pyongyang.

Corporate Networks

Another key piece of infrastructure that supports North Korean sanctions evasion activities in southern and eastern Africa is the series of corporate networks that North Korea operates across the region. These networks allow Pyongyang to make and move money despite international sanctions by obfuscating the connection between its sanctions evasion activities and the North Korean regime and sanctioned entities benefiting from these activities.¹¹⁸

North Korea uses these corporate networks in support of its sanctions evasion tactics in various ways. Entities within these networks may establish joint ventures with otherwise legitimate local businesses or use foreign nationals in their operations in an attempt to hide their connection to North Korea. They often use variations of the same corporate name and have been known to transliterate into different scripts, all of which helps disguise their connection to sanctioned North Korean entities.¹¹⁹ Such obfuscation techniques allow North Korea to bypass the due diligence measures of unwitting actors – especially those who rely merely on

116. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2019, S/2019/171, para. 94.

117. In January 2015, MOP asked a Namibian branch of a South African bank to dispense a total of \$280,000 in transport funds for 14 North Korean construction workers returning to North Korea from Pyongyang. See UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 27 February 2017, S/2017/150, para. 114.

118. For more on North Korean corporate networks, see John Park and Jim Walsh, 'Stopping North Korea, Inc.'.

119. For instance, see the example of GENCO/KOGEN in UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2019, S/2019/171, paras 129–35. In at least the case of MKP, the PoE has suggested that the company's subsidiaries may demonstrate a certain dependency on the MKP brand, with the South African branch choosing to use the MKP brand even after breaking its affiliation with MKP. See UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 8 March 2018, S/2018/171, para. 192.

off-the-shelf sanctions screening software – and to provide plausible deniability to private sector and government actors who may knowingly support North Korean sanctions evasion.

The activities of the various corporate entities within these networks may vary greatly, with different subsidiaries and branches identifying and taking advantage of available PF opportunities, independent of any direction from Pyongyang, if necessary.¹²⁰ Such diverse networks also allow for the easy movement of funds from one component of North Korea's PF operations to another. This means, for instance, that revenue generated by a North Korean construction business in one country can be moved to the accounts of a technology procurement operation within the same corporate network in a different part of the world.

The network surrounding North Korean corporate entity MKP is especially prolific in the diversity of its business operations. According to the webpage of Malaysia-based MKP Group of Companies,¹²¹ an MKP-affiliated entity with historical links to the Reconnaissance General Bureau,¹²² the company offers: motorcycle and scooter assembly in Zambia and is 'targeting to 13 countries all over African Region [sic]'; export services for agriculture products, building materials and furniture to 'Korea, Africa, South East Asia and Middle-East countries'; ship- and port-building services in Southeast Asia and Africa; IT hardware, software and security services; eco-tourism planning and development services; agriculture development expertise; and a variety of corporate and private banking services in Zambia. MKP Holdings also claims to be engaged in copper mining in Zambia and 'large scale granite mining projects' in Angola, and reportedly also offers medical services. Another entity associated with MKP may have held contracts for the provision of Zambia's border security,¹²³ putting into question the integrity of the country's border controls and exacerbating the PF vulnerabilities presented by the region's already porous borders.

In 2018, the MKP webpage claimed to be operating in 18 African countries, with additional business activities in other countries around the world.¹²⁴ It is unclear how many MKP-affiliated corporate entities or projects currently are – or ever were – actually active.

120. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 8 March 2018, S/2018/171, para. 192.

121. MKP Group of Companies.

122. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 September 2017, S/2017/742, Annex 27.

123. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2018, S/2018/171, para. 190.

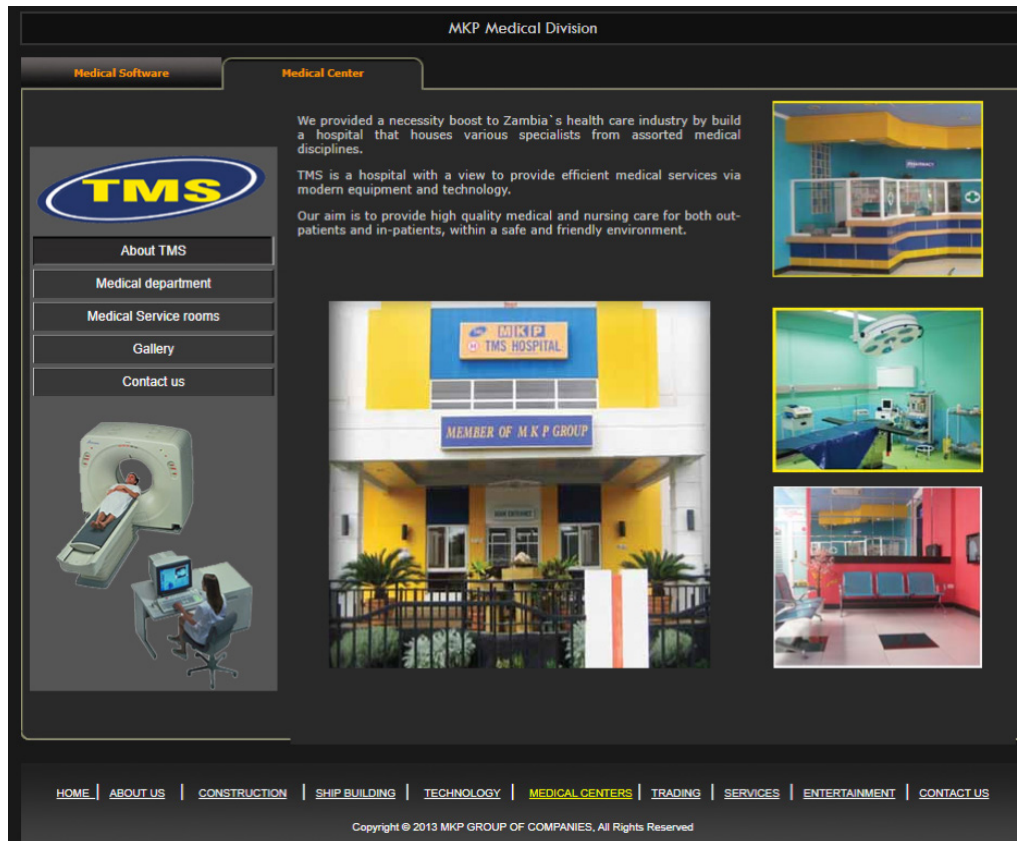
124. *Ibid.*, Annex 69.

Figure 3: Screenshot of MKP Web Page ('About MKP Group of Companies')



Source: MKP, 'About MKP Group of Companies', <<http://www.mkpholdings.com.my/aboutus.php>>, accessed February 2020.

Figure 4: Screenshot of MKP Web Page ('MKP Medical Division')



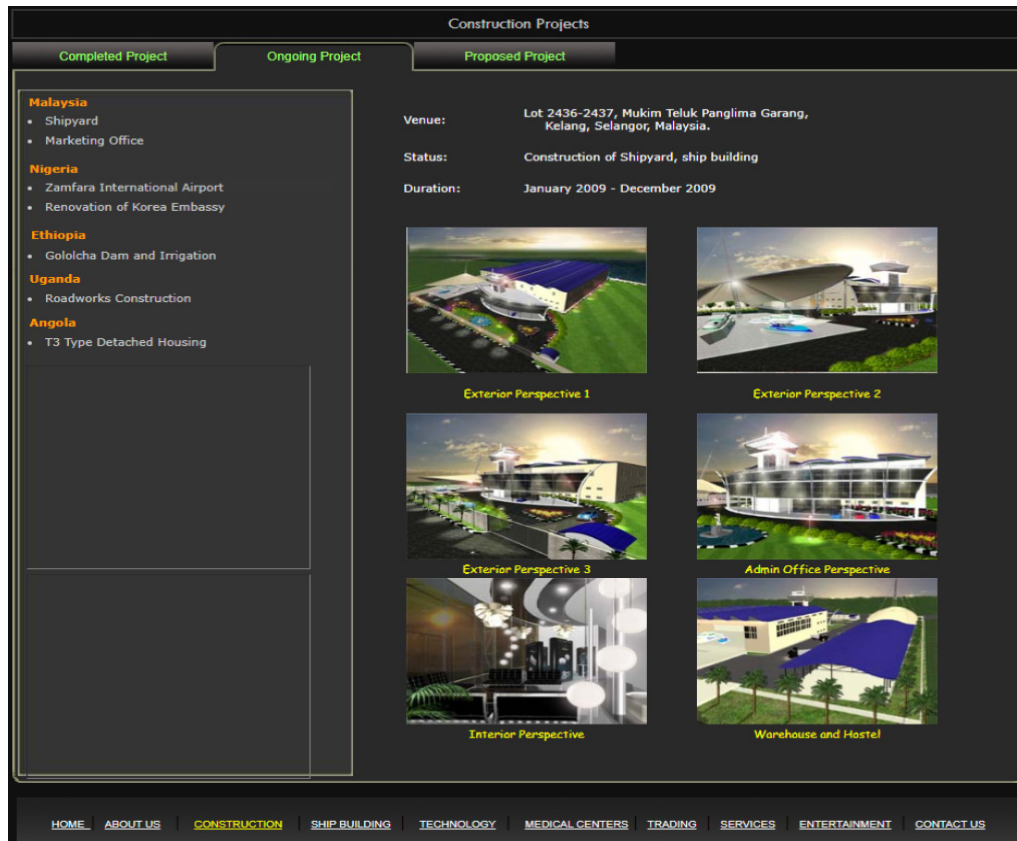
Source: MKP, 'MKP Medical Division', <http://www.mkpholdings.com.my/medical_center.php>, accessed February 2020.

Figure 5: Screenshot of MKP Web Page ('MKP Service Division')



Source: MKP, 'MKP Service Division', <<http://www.mkpholdings.com.my/services.php>>, accessed February 2020.

Figure 6: Screenshot of MKP Web Page ('Construction Projects')



Source: MKP, 'Construction Projects', <<http://www.mkpholdings.com.my/construction.php>>, accessed February 2020.

Other North Korean corporate entities that are known to have operated in southern and eastern Africa include KOMID, MOP, Green Pine Associated Corporation (Green Pine) and the Korea General Corporation for External Construction (GENCO/KOGEN).¹²⁵ It is worth stressing that North Korean 'companies' are first and foremost vehicles for the North Korean state to raise, move and reinvest funds abroad on behalf of Pyongyang and not 'companies' in the sense that the term is usually understood – that is, independent profit-driven corporate entities operating freely within a market. Ultimately, the majority serve the purpose of facilitating North Korean business activity abroad in defiance of international sanctions. The distinctions between these organisations are therefore not always clear, as they might sub-contract from each other or operate jointly on projects if that is the best way to generate and move money within the wider North Korean PF network. One company may also take over the work of another, potentially to

125. GENCO/KOGEN appears to be an MKP-affiliated entity, but with an extensive portfolio of business operations. See UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2019, S/2019/171, para. 129.

avoid increased scrutiny or sanctions. This may have been the role that Green Pine played when it took over some of KOMID's operations.¹²⁶

Connections between entities within a single corporate network may be observed through shared addresses, contact details, management structures, bank accounts, or similar names and branding. While information like company addresses or names of businesses should be fairly easy to procure, other details – such as management structures – may not be immediately obvious. As such, financial institutions and government agencies looking to identify and prevent North Korean sanctions evasion activities must undertake additional due diligence measures and network analysis to gather this information. Such analysis often relies on the ability to access corporate information and on the presence of certain legal, regulatory and institutional infrastructure which is not always adequate in southern and eastern African countries. In cases where a North Korean company has used local nationals or joint ventures with local businesses to obfuscate its connection to North Korea, such crossover in company information with other entities in North Korean corporate networks may be particularly difficult to establish. In such instances, detailed corporate information is particularly important to facilitate the level of network analysis necessary to identify links to North Korea that may not be immediately apparent. Chapter III examines in greater detail the kinds of gaps and vulnerabilities that exacerbate the PF threat posed by North Korean exploitation of complex corporate networks.

Use of Embassies and Diplomats

A key North Korean PF typology in Africa and around the world has been the use of embassies, diplomats and diplomatic assets to generate and move revenue for the regime, including through the creation and support of corporate networks. Under the cover of diplomatic accreditation, North Korean diplomats and embassies carry out activities that go well beyond their diplomatic duties: acting as representatives of North Korean corporations; facilitating introductions between North Korean businesses and potential customers or investors;¹²⁷ hosting North Korean business operations out of embassies; assisting in the opening of bank accounts for North Korean-linked corporate entities;¹²⁸ and carrying contraband or bulk cash across borders in personal luggage or diplomatic bags.

126. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 November 2010, S/2010/571, para. 56; UNSC, 'Green Pine Associated Corporation', <<https://www.un.org/securitycouncil/sanctions/1718/materials/summaries/entity/green-pine-associated-corporation>>, accessed 25 March 2020. For more on the affiliated entities and activities of these North Korean corporate entities, see Compliance and Capacity Skills International, 'Implementation Handbook for UN Sanctions on North Korea: The Challenges Faced by African States', 2018, pp. 26–33.

127. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2018, S/2018/171, para. 196.

128. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 September 2017, S/2017/742, para. 50.

For instance, in Uganda, KOMID may have operated through the North Korean embassy in Kampala¹²⁹ with diplomatic staff and spouses allegedly attempting to move cash from KOMID operations out of the country.¹³⁰ The third secretary at the North Korean embassy in Pretoria had signed a contract in 2013 on behalf of a North Korean company for the sale of arms and arms-related materiel to a company in Mozambique.¹³¹ In another case, an Angola-based North Korean diplomat was also working on behalf of Green Pine.¹³² Due to the close connection between North Korean corporate entities and the North Korean government, and the fact that the former generally operate to raise revenue for the latter, the involvement of North Korean diplomatic staff in business activities is not surprising in the case of North Korea.

As mentioned earlier, in certain instances, the extra-diplomatic activities of North Korean diplomats may be carried out to fund the running of their embassies and to subsidise their low wages. According to comments by Pyongyang's former deputy ambassador to the UK, Thae Yong-ho, who defected to South Korea in 2016 and was elected to the South Korean parliament in April 2020, North Korean ambassadors are paid \$900 to \$1,100 a month and are therefore 'desperate' for opportunities to earn additional revenue.¹³³ North Korean diplomats have thus been known to engage in a variety of criminal activities around the world, including the smuggling of narcotics, pharmaceuticals, cigarettes and cigars, luxury goods, cash and minerals.¹³⁴

The UNSC has expressed concern 'that [North Korea] is abusing the privileges and immunities accorded under the Vienna Conventions on Diplomatic and Consular Relations'.¹³⁵ As a result, the UN has imposed a number of restrictions on activities by North Korean diplomats so as to limit their ability to engage in sanctions evasion activities.¹³⁶ Hosting a North Korean

129. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2018, S/2018/171, para. 142.

130. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2019, S/2019/171, para. 94.

131. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 27 February 2017, S/2017/150, paras 101–02.

132. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2019, S/2019/171, para. 62.

133. Choe Sang-Hun, 'North Korea's Nuclear Hopes Have Surged, Defector Says', *New York Times*, 27 December 2016; Rademeyer, 'Diplomats and Deceit', p. 13.

134. For a detailed overview of the role of diplomats in North Korea's illicit activities, especially on the African continent, see Rademeyer, 'Diplomats and Deceit'.

135. UNSCR 2321, 30 November 2016, S/RES/2321, p. 1.

136. UNSCR 2321. Adopted in November 2016, this resolution reminds member states that the Vienna Convention prohibits diplomats from practising 'for personal profit any professional or commercial activity' and emphasises that this applies to North Korean agents (para. 17). The resolution also calls on member states to limit the number of staff at North Korean diplomatic missions (para. 14), and to limit the number of bank accounts granted to North Korean embassies to one per diplomatic mission and one per diplomat (para. 16). Member states are also required to

embassy or maintaining diplomatic relations with North Korea is not in and of itself a sanctions violation. However, the presence of North Korean diplomats in a country increases the likelihood that the country may be exposed to North Korean PF activity. Abiding by UNSC obligations regarding North Korean diplomats and embassies is an important first step in reducing exposure to the PF threat posed by North Korean diplomats. The next chapter examines the PF vulnerabilities caused by the presence of North Korean embassies in the region in more detail and addresses other factors that may exacerbate southern and eastern Africa's exposure to PF risk.

prohibit the use by North Korea of real property on their territory for non-diplomatic activities (para. 18). Any North Korean officials engaging in or supporting sanctions evasion activities should be restricted from entering or transiting through a member state's territory (para. 15). As such, even revenue-raising activities carried out by diplomats for personal profit are in violation of international law and UNSC sanctions on North Korea.

III. Proliferation Financing Vulnerabilities in Southern and Eastern Africa

AS OUTLINED IN RUSI'S 'Guide to Conducting a National Proliferation Financing Risk Assessment', vulnerabilities in the PF context refer to any factors that may be used by a proliferator to facilitate their exploitation of a threat for PF purposes. These may include: legal and regulatory gaps; geographic and environmental factors; economic and technological considerations; social and political dynamics; transparency of legal persons and legal arrangements; and sectoral vulnerabilities.¹³⁷ This chapter evaluates some of these PF vulnerabilities in the context of North Korean activities in southern and eastern Africa.¹³⁸

Where relevant, discussions of particular vulnerabilities are followed by recommendations on measures that governments in southern and eastern Africa can take to address each of these challenges. Some of these recommendations are relevant beyond the PF context and may be helpful in addressing other types of criminal activities, both within and outside the financial crime sphere.

Geographic and Environmental

When evaluating a jurisdiction's exposure to PF risk, one critical vulnerability is geographic proximity to a proliferator – in this case, North Korea. Unlike in Asia, where countries find themselves sharing a neighbourhood with North Korea, countries in southern and eastern Africa are geographically far removed from Pyongyang. However, a number of other geographic and environmental factors may facilitate North Korean PF activities in the region. One example which has already been mentioned is the region's biodiversity, which has attracted poachers and wildlife traffickers, including those looking to raise funds on behalf of the North Korean regime. Three more will be discussed here: porous borders, trade and transport hubs, and the presence of important mineral deposits in the region.

137. Joshi, Dall and Dolzikova, 'Guide to Conducting a National Proliferation Financing Risk Assessment', pp. 20–21.

138. As the paper is a high-level overview of regional PF risk and not a comprehensive regional risk assessment, it will forego an in-depth assessment of vulnerabilities within specific high-risk sectors, as suggested within the methodology outlined in RUSI's 'Guide to Conducting a National Proliferation Financing Risk Assessment'.

Porous Borders

A potential facilitator for North Korean generation and movement of funds in southern and eastern Africa is the porosity of borders between the countries in the region and challenges in effectively controlling goods and people transiting from one country to another. Many of Africa's borders run through remote stretches of land and challenging terrain, including deserts and national parks; others cut across wildlife migration routes, precluding the installation of physical barriers. Furthermore, many of Africa's borders are not demarcated.¹³⁹ Where borders are demarcated and patrolled, they appear to suffer from a lack of resources and technology to manage them.¹⁴⁰

Another obstacle to stemming illicit cross-border flows seems to be weak government institutions at borders as well as ineffective, poorly trained or corrupt border patrol and other relevant officials that may at best do little to stop illicit activity and at worst actively facilitate it.¹⁴¹ In the case of illicit wildlife trafficking, for instance, South African soldiers deployed to monitor the porous border between South Africa and Mozambique that runs through Kruger National Park – a popular destination for poachers – have been reported to host parties and become intoxicated along the border fence.¹⁴² South African soldiers have also reportedly engaged in poaching and assisted crime syndicates in their poaching activities.¹⁴³ Failures of communication and cooperation among various government agencies within a country and

139. African Union Peace and Security, 'African Union Border Programme (AUBP) – Uniting and Integrating Africa Through Peaceful, Open and Prosperous Borders', 9 November 2018, <<https://www.peaceau.org/en/page/27-au-border-programme-aubp>>, accessed 23 March 2020; L T, 'Why Africa's Borders Are a Mess', *The Economist*, 17 November 2016.

140. Mmusi Maimane, 'Tough Laws and Effective Enforcement Needed to Secure Borders', *News24*, 9 July 2018, <<https://www.news24.com/Columnists/GuestColumn/tough-laws-and-effective-enforcement-needed-to-secure-borders-20180709>>, accessed 23 March 2020.

141. See, for example, Marie Chêne, 'Literature Review on Corruption at Ports and Border Points in Southern Africa', Transparency International, 15 July 2013, <<https://www.u4.no/publications/literature-review-on-corruption-at-ports-and-border-points-in-southern-africa>>, accessed 23 March 2020; Wafula Okumi, 'Border Management and Security in Africa', Borders Institute, June 2011, <https://www.academia.edu/37083216/Border_Management_and_Security_in_Africa>, pp. 10–11, accessed 23 March 2020.

142. Rademeyer, 'Tipping Point', pp. 10–11. In the case of wildlife trafficking, a 2018 report by the OECD found that in southern and eastern Africa – namely, in Tanzania, Kenya, Uganda and Zambia – customs and border officers were responsible for only 6% of the reported cases of corruption facilitating illicit wildlife trafficking, with a much greater number of cases involving police officers, administrative government officials, the military and park rangers. This may also be the case in other criminal activities in the region, pointing to broader corruption trends which may be creating PF vulnerabilities. See OECD, *Strengthening Governance and Reducing Corruption Risks to Tackle Illegal Wildlife Trade*, p. 34.

143. Rademeyer, 'Tipping Point', pp. 10–11.

across neighbouring countries further exacerbate challenges to effective border patrol.¹⁴⁴ For instance, in South Africa, as of July 2019, seven different government bodies were reportedly responsible for border management at the time, operating under 58 laws and with different command structures and governance regimes.¹⁴⁵

Poorly regulated borders may enable the illicit cross-border movement of cash, wildlife goods, precious metals and other contraband that contribute to North Korean generation and movement of funds. North Korean nationals may also exploit poorly controlled borders or corrupt border officials to enter or transit through countries illicitly for the purpose of carrying out sanctioned activities. For instance, a former representative of a Namibian MOP subsidiary – a North Korean national who was designated by the UNSC in December 2017 – appears to have travelled to Namibia on several occasions in 2018 and 2019, entering the country twice on a tourist visa. He is believed to have made these trips in an attempt to sell off MOP assets remaining in Namibia following the termination of the company's contracts by the Namibian government.¹⁴⁶

Simply screening against names of designated individuals is insufficient to identify possible instances of sanctions violations at the border. As with access to the financial system and the establishment of corporate networks, North Korea may use third-country nationals or individuals not on sanctions lists to carry out otherwise sanctioned activities. North Korean activities may also fall just short of the threshold that would make them illicit or overly suspicious in an attempt to avoid detection. North Korean labourers or businesspeople may enter countries on tourist visas for short contracts or may leave and re-enter a country on consecutive short-term visas. According to the Henley & Partners Passport Index, Ethiopia, Madagascar, Malawi, Mozambique, Rwanda, Seychelles, Tanzania and Uganda allow North Korean passport-holders to enter their countries with visas granted on arrival. Such visas generally involve little, if any, due diligence on the applicant, as they are granted at the port of entry.¹⁴⁷ It is unclear how closely ESAAMLG countries monitor the activities of North Korean nationals once

144. See, for example, Okumi, 'Border Management and Security in Africa'.

145. Aaron Motsoaledi, Minister of Home Affairs of South Africa, 'Minister of Home Affairs Budget Speech & Response by ANC, IFP, DA & ACDP', 10 July 2019, <<https://pmg.org.za/briefing/28561/>>, accessed 8 April 2020, cited in Tove Van Lennep, 'Migration IV: The State of South Africa's Borders', Helen Suzman Foundation, 18 September 2019, <<https://hsf.org.za/publications/hsf-briefs/the-state-of-south-africa2019s-borders>>, accessed 23 March 2020. On 3 March 2020, the South African parliament passed the Border Management Authority Bill, which aims to improve intra-governmental coordination on border management. As of 20 April 2020, the bill was awaiting assent by the South African president. See Parliamentary Monitoring Group, 'Border Management Authority Bill', <<https://pmg.org.za/bill/645/>>, accessed 21 April 2020.

146. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 30 August 2019, S/2019/691, para. 34.

147. A total of 39 countries allow North Korean nationals to enter their countries with visas on arrival or no visas at all. See Henley & Partners Passport Index, <<https://www.henleypassportindex.com/passport>>, accessed 22 April 2020. The Passport Index relies on data from the International Air Transport Association.

they have entered the country or track visa overstays. Sanctions compliance and CPF efforts must go beyond travel ban scans and require increasing awareness of the broader sanctions landscape and sanctions evasion typologies by border authorities.

Economic pressures and a desire to promote trade activity may also discourage countries from implementing strong trade controls or may lead border authorities to turn a blind eye to the illicit movement of goods and people. However, where the desire exists to find an appropriate balance, facilitating legitimate trade and preventing illicit trade activity can function through similar channels that encourage cooperation and information sharing between the relevant authorities of several countries. For instance, at an October 2018 meeting organised by the International Organization for Migration – attended by Djibouti, Ethiopia, Kenya, Somalia, Sudan, South Sudan, Uganda and Tanzania – countries reportedly agreed to share best practices and implement measures to improve cooperation between border control authorities in the region through such efforts as inter-agency cross-border technical working groups.¹⁴⁸ Such initiatives can help to facilitate legitimate trade while also laying the groundwork for the intra- and inter-governmental relationships and information-sharing channels that can play a role in preventing trans-border crime.

Recommendation 1: *Ensure sufficient resources (including for training) for border control and customs agencies, particularly where physical barriers cannot be instituted.*

Recommendation 2: *Raise awareness among border authorities and responsible agencies on broader CPF and sanctions evasion typologies and ensure that border controls rely on more than just list-based screening of sanctioned individuals.*

Recommendation 3: *Institute mechanisms for sharing best practices and information such as port-entry denials or instances of sanctions violations at the border with border control authorities across the country and region.*

Trade and Transport Hubs

Many of the challenges in effectively monitoring the flow of goods and people in border regions can also be applied to ports of transit within a country's territory – for instance, shipping ports or airports.

Southern and eastern Africa hosts several trading and transport hubs – including the South African ports of Richards Bay, Saldanha Bay and Durban, as well as the port of Mombasa in Kenya and Walvis Bay in Namibia. North Korea has been known to take advantage of regional trading hubs for its sanctions evasion activity in the past – for example, a North Korean military

148. EU Emergency Trust Fund for Africa, 'East and Horn of Africa Border Agencies Boost Cooperation: Joint Patrols, More Border Crossing Points and Exchange of Best Practices', 5 November 2018, <https://ec.europa.eu/trustfundforafrica/all-news-and-stories/east-and-horn-africa-border-agencies-boost-cooperation-joint-patrols-more_en>, accessed 25 March 2020.

shipment on its way to the Republic of the Congo was seized as it was passing through the port of Durban in South Africa.¹⁴⁹ In addition to shipping ports, southern and eastern Africa is home to several major air transport hubs, including Johannesburg in South Africa, Addis Ababa in Ethiopia and Nairobi in Kenya. Such hubs have the potential to create additional exposure to PF risk for the countries that host them.

Regions that host major trade and transport hubs are exposed to a greater amount and variety of trade and other cross-border activity – some of which may be illicit – and may therefore also be more vulnerable to PF risk exposure. Criminal actors, including proliferators, may simply use these hubs for the same reasons that they are used by others – convenience of geographic location or availability of infrastructure to support large flows of trade and transport activity. However, the large quantity of activity makes identifying and preventing illicit trans-border movement of goods and people especially difficult. This might make major trade and transport hubs particularly attractive from that perspective. Since customs and border control authorities at these ports of trade and transit have larger quantities of data to sift through to identify illicit activity, identifying a single illicit shipment or transit becomes the equivalent of looking for the proverbial needle in a haystack, particularly when intelligence leads are not generated or shared with the necessary authorities. On the other hand, the amount of data generated in these hubs can provide a great opportunity to identify and analyse the presence and travel of North Korean nationals in the country and region. If countries are willing to analyse this information, it can be leveraged to inform assessments of PF threats in a country related to certain travel patterns or in-country presence of North Korean workers, businesspeople and diplomats.

Trade and transport hubs may also exacerbate a country's PF risk by connecting it to jurisdictions whose PF risk exposure is particularly high and those that fail to address this risk. For instance, while there are no direct flights from Pyongyang to Africa, Bole International Airport in Addis Ababa has direct flights to and from Beijing Capital International Airport, which appears to host direct commercial flights to and from Pyongyang Sunan International Airport.¹⁵⁰ Although Ethiopia's risk exposure in this context is not direct, it is higher than that of countries which may be three or more flights removed from Pyongyang. As of February 2020, direct flights were also available between Pyongyang and Vladivostok in Russia, as well as Shenyang in China. Considerations on the quality of border controls and other CPF measures in connecting jurisdictions should be included in countries' assessments of their PF risk exposure.¹⁵¹

149. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 November 2010, S/2010/571, para. 63.

150. Flightradar24, 'Pyongyang Sunan International Airport', <<https://www.flightradar24.com/data/airports/fnj/routes>>, accessed 24 April 2020.

151. For more information on North Korean use of air transport in sanctions evasion, as well as flight patterns and risk indicators for North Korean chartered and commercial flights, see UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 11 June 2013, S/2013/337, pp. 46–50.

Recommendation 4: *Identify ways in which border transit and customs data may be used to study North Korean activities and their implications for PF risk in the country and region.*

Recommendation 5: *Assess the PF risk exposure of jurisdictions that may be connected to one's country through trade and transport routes to ensure defences are strengthened where it may be necessary to compensate for PF vulnerabilities of connected countries.*

Mineral Deposits

The African continent is rich in a number of valuable mineral deposits – such as gold, diamonds, manganese and cobalt¹⁵² – which may attract North Korean attention as potential sources of revenue generation. Southern and eastern African countries are reported to also have significant stores of rare earth minerals, which are used in communications equipment, electronics and computer industries, and military applications.¹⁵³

Pyongyang may be interested in opportunities to generate revenue through investments in mining operations in the region or the provision of related services such as surveying and prospecting. North Korea appears to have already explored this space. As of February 2020, the website of MKP Group of Companies listed copper and granite mining as one of its business activities in Africa.¹⁵⁴ The company had also been contracted for a marble mining project in Uganda, for which Kampala was seeking an investment of \$200 million in September 2017. A North Korean company had reportedly done the prospecting work for the project in the 1990s.¹⁵⁵ UN-designated North Korean entity Green Pine has also been linked to a gold-mining operation in the Democratic Republic of the Congo.¹⁵⁶

North Korea is itself rich in a variety of mineral resources, with some estimates suggesting that North Korea's mineral stores could be worth \$6 to \$10 trillion.¹⁵⁷ Thus far, North Korean global trade in minerals appears to have primarily consisted of mineral exports, including to southern and eastern Africa. According to the 2018 PoE Report, North Korea had sold iron ore and steel

152. US Geological Survey, '2015 Minerals Yearbook: Africa Summary [Advance Release]', US Department of the Interior, August 2019, pp. 1.9, 1.11, <<https://www.usgs.gov/centers/nmic/africa-and-middle-east>>, accessed 23 March 2020.

153. J P Casey, 'Into Africa: The US' Drive for African Rare Earth Minerals', *Mining Technology*, 18 September 2019, <<https://www.mining-technology.com/features/into-africa-the-us-drive-for-african-rare-earth-minerals/>>, accessed 25 March 2020; *Financial Times*, 'Africa Holds Promise of Rare Earth Riches', 6 March 2017.

154. MKP Group of Companies.

155. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2018, S/2018/171, para. 198.

156. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2019, S/2019/171, para. 67.

157. Steve Mollman, 'North Korea is Sitting on Trillions of Dollars of Untapped Wealth, and its Neighbours Want in', *Quartz*, 16 June 2017.

products to Mozambique as recently as 2017.¹⁵⁸ Violators of the UN ban on North Korean coal exports had also reportedly used a front company based in the Seychelles.¹⁵⁹ It is possible that Pyongyang may try to sell minerals into or through southern and eastern African countries in the future to generate revenue.

The presence in southern and eastern Africa of significant natural reserves of uranium ore is worth noting. Through a series of processes, naturally occurring deposits of uranium can be converted into nuclear fuel for use in civilian nuclear energy reactors or, if enriched to higher concentrations of the isotope uranium-235, in nuclear weapons. Namibia, Niger, Malawi and South Africa are the leading sources of mined uranium in Africa, although uranium deposits exist across the continent and uranium mining in Africa made up 18% of world uranium production in 2012.¹⁶⁰ There have been limited and unconfirmed reports of North Korean arms-for-uranium exchanges with the Democratic Republic of the Congo¹⁶¹ and Zimbabwe.¹⁶² However, the tenuous evidence surrounding these reports, and the fact that North Korea itself possesses significant uranium deposits, suggests that procurement of uranium by North Korea – and the financing thereof – is likely not a major threat to African countries.

The presence of mineral deposits is not in itself a sufficient indicator of the likelihood that they will be exploited by proliferators for generating revenue or for use in a military or nuclear programme. When assessing the PF vulnerability that mineral deposits pose to a country, the presence and effectiveness of export controls and due diligence processes for government contracting on mining projects should also be considered.

Recommendation 6: *Ensure transparency of governments' contracting processes for future exploration and extraction of mineral deposits; mandate thorough due diligence and beneficial ownership checks on all contractors and sub-contractors.*

Recommendation 7: *Engage government agencies responsible for mining activity in intra-agency and public–private sector discussions on CPF and make clear the potential PF and sanctions exposure of the industry.*

Recommendation 8: *Ensure effective export controls are in place to monitor trade in minerals – including precious minerals and rare earth minerals – to and from North Korea.*

158. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2018, S/2018/171, Table 3.

159. *Ibid.*, para. 47.

160. Nicolas Dasnois, 'Uranium Mining in Africa: A Continent at the Centre of a Global Nuclear Renaissance', South African Institute of International Affairs, Occasional Paper No. 122, 2012, p. 5.

161. Berger, *Target Markets*, p. 87.

162. Itai Mushekwe, 'Zimbabwe in "Arms for Uranium" Pact With North Korea', *Nehanda Radio*, 19 September 2013, <<https://nehandaradio.com/2013/09/19/zimbabwe-in-arms-for-uranium-pact-with-north-korea/>>, accessed 26 March 2020.

Economic

As a region that is made up of developing economies, southern and eastern Africa is unsurprisingly eager to take advantage of any available investment opportunities to stimulate economic growth and generate employment. While strategies to encourage greater foreign investment in countries in the region should be supported, the drive to maximise economic opportunities may lead some governments in the region to turn a blind eye to, or deliberately engage in, sanctions evasion activities by North Korea that generate investment and jobs. Authorities may be more reticent to develop or enforce regulatory barriers to trade and investment – for instance, the termination of job-creating contracts that are in violation of international sanctions, or a commitment to thorough trade controls to avoid the export and import of proliferation-sensitive or otherwise illicit goods. Similarly, financial institutions that are struggling to generate business may avoid imposing stricter due diligence and know-your-customer procedures than their competitors, so as not to drive away potential customers.

The constrained economies of many of the countries in the region may also create PF vulnerabilities insofar as they may drive governments to purchase less expensive North Korean goods and services despite international sanctions. For instance, limited government budgets, combined with continued population growth and urbanisation, may contribute to sustained demand for inexpensive and efficient North Korean labour for the provision of medical services or the construction of government buildings, housing units and other infrastructure. This is likely to be particularly true of defence procurement. As Berger has pointed out in *Target Markets*, some limited reporting has suggested that North Korea sells its military goods and services at a heavily discounted rate compared to other suppliers. This appears to have historically made these goods and services an attractive option for governments with limited defence budgets¹⁶³ and may generate similar demand in the future.

Part of the draw towards inexpensive North Korean equipment and military support may be countries' unawareness of alternative suppliers that meet their needs and budgets. This seems to have been the case in the 2008 purchase by Ethiopia from North Korea of fuel and oxidisers for its air-defence missiles, as the Ethiopian government expressed an interest in learning of alternative suppliers when it was démarched by the US government on the issue.¹⁶⁴

Technological

Sub-Saharan Africa has not traditionally been considered a global leader in technological innovation, lagging behind powerhouses like Asia, Western Europe and the US in the development and export of high-tech industries and goods. Nevertheless, the region, including southern and eastern Africa, hosts limited but developing high-tech industries.¹⁶⁵ These industries can

163. Berger, *Target Markets*, pp. 51–57.

164. *Ibid.*, p. 117.

165. According to the World Intellectual Property Organization's *Global Innovation Index 2019*, 'Africa shines in terms of innovation relative to level of development'. Six of the 18 countries that the

play an important part in contributing to the economic development of a country and region. However, technological innovation may also create additional PF vulnerabilities, as proliferators – including North Korea – may seek to exploit or procure some of these technologies if access to them is not carefully managed. Besides high-tech goods, proliferators may also attempt to procure dual-use items from the region or to use southern and eastern African countries as trans-shipment points for such goods. This section will explore these and other considerations, loosely grouped under the ‘technological’ category of factors that could create vulnerabilities to PF risk.

Cyber Security and Cryptocurrencies

While southern and eastern Africa has not been extensively targeted by North Korean cyber attacks or abuse of cryptocurrencies to date, a number of relevant factors may allow Pyongyang to exploit this threat in the region in the future.

Cyber security appears to be an area of weakness for African countries. A 2017 report by African-based cyber security firm Serianu found that 90% of organisations in Africa operate below the cyber security poverty line – that is, these organisations cannot effectively protect themselves against cyber attacks.¹⁶⁶ The report also found that 59% of the banking and financial sector respondents to their 2017 survey evaluating cyber security trends in Africa had been victims of cyber criminal activity in the previous five years.¹⁶⁷ According to multinational cyber security firm Kaspersky Lab, South Africa – which hosts a sophisticated financial sector – experiences 13,842 cyber attacks each day (more than 570 attacks an hour),¹⁶⁸ and a report by the South African Banking Risk Information Centre found that, in 2017, the South African banking sector lost more than R250 million (about \$20.3 million) through incidents across banking apps, online banking and mobile banking.¹⁶⁹

Across southern and eastern Africa, and particularly outside South Africa, the financial sector is dominated by relatively small local financial institutions, which operate with limited resources and may be unable to invest in sophisticated cyber security defences, potentially exposing

Index had identified as having outperformed on innovation in relation to GDP in 2019 are from sub-Saharan Africa, more than from any other region. Kenya had earned this status for nine years in a row, and Rwanda and Mozambique for seven. See Soumitra Dutta, Bruno Lanvin and Sacha Wunsch-Vincent, *Global Innovation Index 2019: Creating Healthy Lives—The Future of Medical Innovation* (Geneva: World Intellectual Property Organization, Cornell University and INSEAD, 2019), pp. xx, 18.

166. Serianu Africa Cyber Immersion Centre, ‘Africa Cyber Security Report 2017’, p. 11.

167. *Ibid.*, p. 51.

168. Carin Smith, ‘Major Spike in SA Cyber Attacks, Over 10 000 Attempts a Day – Security Company’, *Fin24*, 29 April 2019.

169. South African Banking Risk Information Centre, ‘Digital Banking Crime Statistics’, 2020, <<https://sabric.co.za/media-and-news/press-releases/digital-banking-crime-statistics/>>, accessed 25 March 2020.

themselves and the broader regional financial system to exploitation by malicious cyber actors. Although some regional efforts have been made to address the threat from cybercrime through the adoption of the African Union Convention on Cyber Security and Personal Data Protection,¹⁷⁰ as of January 2020, only 14 of the 55 African Union member states had signed the convention and only five had ratified it – among them Namibia and Mauritius.¹⁷¹ A lack of political will to legislate against criminal cyber activity and to provide the private sector with best practices on cyber security may exacerbate this vulnerability.¹⁷²

Cryptocurrencies have had a slow start on the continent but are gaining in popularity, with South Africa leading the trend in virtual currency use. According to a survey completed for the 2019 Global Digital Yearbook, South Africa ranked first globally for cryptocurrency ownership among internet users.¹⁷³ Volatility or lack of confidence in national currencies in the region may be a factor in increasing the popularity of cryptocurrencies in the future, as cryptocurrencies are sold on global markets and their prices are not dependent on national economic performance.¹⁷⁴ As the use of cryptocurrencies and reliance on fintech in southern and eastern African countries is likely to grow, so may the threat of these services being hacked and otherwise misused for financial gain by malicious actors, including North Korea. Appropriate measures should be taken to strengthen defences against abuse of these technologies.

170. African Union (AU), 'African Union Convention on Cyber Security and Personal Data Protection', Chapter III, adopted 27 June 2014, <https://au.int/sites/default/files/treaties/29560-treaty-0048_-_african_union_convention_on_cyber_security_and_personal_data_protection_e.pdf>, accessed 25 March 2020.

171. AU, 'List of Countries Which Have Signed, Ratified/Acceded to the African Union Convention on Cyber Security and Personal Data Protection', updated 28 June 2019, <<https://au.int/sites/default/files/treaties/29560-sl-AFRICAN%20UNION%20CONVENTION%20ON%20CYBER%20SECURITY%20AND%20PERSONAL%20DATA%20PROTECTION.pdf>>, accessed 25 March 2020.

172. Karen Allen, 'Is Africa Cybercrime-Savvy?', Institute for Security Studies, 26 June 2019, <<https://issafrica.org/iss-today/is-africa-cybercrime-savvy>>, accessed 25 March 2020.

173. Simon Kemp, 'Digital 2019: Essential Insights Into How People Around the World Use the Internet, Mobile Devices, Social Media, and E-Commerce', Hootsuite, 2019, p. 205, <<https://www.juancmejia.com/wp-content/uploads/2019/03/Digital-2019-WeAreSocial-y-HootSuite.pdf>>, accessed 25 March 2020.

174. Pavithra Rao, 'Africa Could Be the Next Frontier for Cryptocurrency', *Africa Renewal* (UN), April–July 2018, <<https://www.un.org/africarenewal/magazine/april-2018-july-2018/africa-could-be-next-frontier-cryptocurrency>>, accessed 25 March 2020; Rohit Kukreja, 'Bitcoin Popularity Rapidly Gaining In Countries With Failing National Fiat Currencies', *Kryptomoney*, 7 September 2018, <<https://kryptomoney.com/bitcoin-popularity-rapidly-gaining-in-countries-with-failing-currencies/>>, accessed 25 March 2020; George Lwanda, 'Cryptocurrency Could Help Zimbabwe Overcome Its Economic Crisis', World Economic Forum, 24 June 2019, <<https://www.weforum.org/agenda/2019/06/zimbabwe-needs-its-own-cryptocurrency/>>, accessed 25 March 2020.

Recommendation 9: *Raise awareness of cyber threats, including from North Korea, among financial institutions and provide best practices on cyber security.*

Recommendation 10: *Establish mechanisms for public–private engagement on issues of cyber security.*

Recommendation 11: *Review international and regional guidance and conventions on cyber security and the prevention of cybercrime, such as the African Union Convention on Cyber Security and Personal Data Protection, and adopt national measures to meet best practices and obligations.*

Recommendation 12: *Assess country-specific exposure to cybercrime and abuse of cryptocurrencies and develop appropriate legal and regulatory frameworks.*¹⁷⁵

Dual-Use and Proliferation-Sensitive Industries

One factor which may attract Pyongyang to southern and eastern Africa, exacerbating threats in the third category of PF activities, is the existence in ESAAMLG countries of industries and research centres that produce dual-use and proliferation-sensitive goods and expertise, as well as the presence of latent knowledge on the weaponisation of nuclear technology and production of relevant materials.

Evaluating the importance of production and trade in dual-use goods in ESAAMLG countries – or indeed globally – is challenging, as this category includes items that have both commercial and military applications and often have very particular specifications in terms of the types of materials used or the dimensions of the items. Analysis of trade in dual-use and proliferation-sensitive goods is further complicated by the fact that an internationally accepted list to match Harmonised System codes – the internationally recognised classification system for traded goods – with lists of dual-use or proliferation-sensitive goods has not been developed. Furthermore, proliferators – including North Korea – are likely to attempt avoiding detection by procuring items that fall just under the threshold that would qualify them as dual-use or proliferation-sensitive goods, but which can be modified for application in a WMD programme.

The presence, albeit limited and concentrated, of certain industries in ESAAMLG countries that produce or make use of dual-use goods may attract the attention of proliferators seeking to procure such items. For instance, Angola is a leading global petroleum exporter, ranking 16th globally in 2017 for crude oil production.¹⁷⁶ South Africa hosts an aerospace manufacturing sector,

175. For more guidance on addressing the risk of North Korean abuse of cryptocurrencies, see Carlisle and Izenman, 'Closing the Crypto Gap'.

176. International Energy Agency, 'IEA Atlas of Energy', <<http://energyatlas.iea.org/#!/tellmap/-1920537974>>, accessed 25 March 2020.

valued at \$1.8 billion in 2017 and ranking 33rd globally.¹⁷⁷ Countries in the region also export products like gas turbines,¹⁷⁸ valves¹⁷⁹ and engine parts.¹⁸⁰ However, for the most part, this is in very limited quantities and most exports originate from South Africa. The latter also conducted \$1.7 billion in centrifuge-related trade in 2017,¹⁸¹ and in 2018, exported \$2.2 billion in high-tech goods,¹⁸² out of a total of \$2.6 billion in high-tech exports across all ESAAMLG countries.¹⁸³ All these products and industries produce or use dual-use or proliferation-sensitive goods.

Universities and other institutions conducting research in the fields of engineering, biomedicine, agricultural sciences, earth sciences, physics and chemistry may also be of interest to North Korean proliferation efforts. South Africa, in particular, hosts some universities with departments focusing on such subjects. The research and graduates that such institutions produce, and the materials they handle, could potentially be leveraged for the development of WMD. North Korean students or researchers may be sent abroad to acquire proliferation-relevant expertise, equipment or materials. The payment of tuition fees for these students or the financing of the transfers of any proliferation-sensitive goods acquired from these institutions would constitute PF. This highlights the importance of scrutiny in processing student visas.

The presence of latent nuclear weapons expertise in South Africa may also create vulnerabilities from a PF perspective, although the proliferation and PF risks in this context are likely to be limited.

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177. AeroDynamic Advisory and Teal Group Corporation, 'The Global Aerospace Industry: Size and Country Rankings', 16 July 2018, <http://gallery.mailchimp.com/349bcb36927b83ba537910354/files/0b847ec4-76e7-4184-8627-3486b81d71f0/AeroDynamic_Teal_Global_Aerospace_Industry_16July2018.pdf>, accessed 24 March 2020, cited in Airbus, 'The Great Enabler: Aerospace in Africa', 30 October 2018, p. 24, <<https://www.airbus.com/company/worldwide-presence/africa-middle-east.html>>, accessed 24 March 2020.
178. Alexander Simoes, 'Which Countries Export Gas Turbines? (2017)', Observatory of Economic Complexity, <https://oec.world/en/visualize/tree_map/hs92/export/show/all/8411/2017/>, accessed 24 March 2020.
179. Alexander Simoes, 'Which Countries Export Valves? (2017)', Observatory of Economic Complexity, <https://oec.world/en/visualize/tree_map/hs92/export/show/all/8481/2017/>, accessed 24 March 2020.
180. Alexander Simoes, 'Which Countries Export Engine Parts? (2017)', Observatory of Economic Complexity, <https://oec.world/en/visualize/tree_map/hs92/export/show/all/8409/2017/>, accessed 24 March 2020.
181. Alexander Simoes, 'Where Does South Africa Export Centrifuges To? (2017)', Observatory of Economic Complexity, <https://oec.world/en/visualize/tree_map/hs92/export/zaf/show/8421/2017/> accessed 24 March 2020.
182. World Bank, 'High-Technology Exports (Current US\$)', <https://data.worldbank.org/indicator/TX.VAL.TECH.CD?most_recent_value_desc=true&type=points&view=map>, accessed 29 December 2020.
183. *Ibid.* Authors' calculations. Information for 2018 was not available for Angola, Rwanda, Eswatini, Malawi, Lesotho, Madagascar or Ethiopia. The 2017 figure, which only excludes Angola, Ethiopia and Rwanda, was \$2.4 billion.

Under the apartheid government, South Africa successfully produced several rudimentary gun-type nuclear devices and conducted research into other types of nuclear weapons, as well as ballistic missiles.¹⁸⁴ The programme was voluntarily dismantled in the early 1990s.¹⁸⁵ Today, South Africa's use of nuclear technology is limited to peaceful applications and the country is a party to major non-proliferation agreements such as the Nuclear Non-Proliferation Treaty and the Comprehensive Test Ban Treaty. The country also passed the 1993 Non-Proliferation of Weapons of Mass Destruction Act, which provides for control over WMD and establishes a council 'to control and manage matters relating to the proliferation of such weapons' in South Africa.¹⁸⁶ To fulfil its mandate, the South African Council for the Non-Proliferation of Nuclear Weapons of Mass Destruction brings together a number of relevant government agencies and private sector industry representatives. However, at the time of writing, the Council did not include representatives of the financial sector or the South African Financial Intelligence Centre,¹⁸⁷ which may have implications for its ability to address PF risk specifically.

The nuclear weapons technology that South Africa had produced appears to have been well below current North Korean capabilities. As such, South Africa's expertise may be of little interest to Pyongyang. However, knowledge on the production of certain equipment or proliferation-sensitive goods may attract the attention of proliferators seeking to procure such items. South Africa has been a target for illicit procurement in the past. In the early 2000s, South African individuals and a South African engineering company – previously connected to the South African nuclear programme – had been recruited into the illicit proliferation network of Abdul Qadeer (A Q) Khan, which is believed to have supplied sensitive technology and expertise to the nuclear programmes of Pakistan, Iran, Libya and North Korea.¹⁸⁸ In a case that does not appear to be directly related to A Q Khan, but may have used similar networks,¹⁸⁹ an Israeli citizen residing in South Africa was implicated in efforts to procure sensitive equipment for the Pakistani nuclear programme between 2002 and 2003 by trans-shipping triggered spark gaps – which can be used to detonate nuclear weapons – through South Africa to Pakistan.¹⁹⁰

184. David Albright, 'South Africa's Nuclear Weapons Program', Massachusetts Institute of Technology, 14 March 2001, <http://web.mit.edu/SSP/seminars/wed_archives01spring/albright.htm>, accessed 23 March 2020.

185. Waldo Stumpf, 'Birth and Death of the South African Nuclear Weapons Programme', Federation of American Scientists, October 1995, <<https://fas.org/nuke/guide/ras/nuke/stumpf.htm#05>>, accessed 19 March 2020.

186. 'Non Proliferation of Weapons of Mass Destruction Act 87 of 1993', assented to 23 June 1993, <<https://www.thedti.gov.za/nonproliferation/pdf/20050520NPAct.pdf>>, accessed 25 March 2020.

187. South African Council for the Non-Proliferation of Weapons of Mass Destruction, <<http://www.thedti.gov.za/nonproliferation/#3>>, accessed 25 March 2020.

188. Douglas Frantz and Catherine Collins, *The Nuclear Jihadist* (New York, NY: Hachette, 2007), pp. 238–41.

189. David S Cloud, 'U.S. Says Banned Nuclear Technology Went to Pakistan and India', *New York Times*, 9 April 2005.

190. Jacob Blackford, 'Asher Karni Case Shows Weakness in Nuclear Export Controls', Institute for Science and International Security, 8 September 2004, <<https://www.isis-online.org/publications/>>

More recently, the presence of highly enriched uranium in the country has raised concerns in Washington over the potential for the material to fall into the hands of terrorist actors.¹⁹¹

Several other southern and eastern African countries have expressed an interest in developing civilian nuclear energy programmes – including Angola, Ethiopia and Namibia.¹⁹² As of January 2020, the African continent as a whole was also home to seven operational nuclear research reactors, with several more on temporary or extended shutdown and an additional one being planned in Nigeria.¹⁹³ Among ESAAMLG countries, South Africa is the only one to host a research reactor. Expertise or materials from research reactors or civilian nuclear energy programmes in other African countries may also be of limited relevance to North Korea's advanced nuclear weapons programme. Rather, the proliferation – and by extension PF – risk is more likely to come from opportunities to procure proliferation-sensitive materials or components manufactured in South Africa and other ESAAMLG countries or to ship such goods through the region.

In this context, the more likely proliferation and PF risk may come from the opportunity to use ESAAMLG countries as trans-shipment points for dual-use goods and proliferation-sensitive materials to North Korea. Sensitive items may be procured from a third country with relatively strong export controls and shipped through an ESAAMLG country that North Korea judges may be less likely to identify or apprehend an illicit shipment. The ESAAMLG country in question may be listed as the end destination for the dual-use or proliferation-sensitive goods on falsified trade documents, and the fact that the country hosts industries or research facilities that may have a use for such products lends credibility to the falsified trade transaction. In order to understand the full extent of this particular vulnerability, the presence of industries that may produce or rely on dual-use or proliferation-sensitive goods should be evaluated in combination with a study of the country's trade controls to assess how well the country is able to monitor which items are passing into and out of its borders, their source and destination, and whether trade activity that could suggest proliferation intent can be identified and, where necessary, stopped.

It is worth noting that the exposure of ESAAMLG countries to this category of PF threats is relatively limited when compared to that of regions like Asia, North America and Europe. Southern and eastern African exports across industries that may use or produce dual-use or proliferation-sensitive goods appear to be much smaller than elsewhere and tend to be concentrated in South Africa. The region also does not have the same history of nuclear technology proliferation

southafrica/asherkarni.html>, accessed 25 March 2020; Mark Schapiro, 'The Middle Man', *Frontline/World*, 30 March 2005, <<https://www.pbs.org/frontlineworld/stories/nuclear/part1.html>>, accessed 25 March 2020.

191. Douglas Birch and R Jeffrey Smith, 'US Unease About Nuclear-Weapons Fuel Takes Aim at a South African Vault', *Washington Post*, 14 March 2015.

192. Névine Schepers, 'Russian Incentives for Nuclear Hopefuls in Africa', International Institute for Strategic Studies, 30 April 2018, <<https://www.iiss.org/blogs/analysis/2018/04/russia-nuclear-africa>>, accessed 25 March 2020.

193. International Atomic Energy Agency, 'Research Reactor Database', <<https://nucleus.iaea.org/RRDB/RR/ReactorSearch.aspx>>, accessed 11 January 2020.

as other parts of the world. Nevertheless, combined with other PF vulnerabilities – including porous borders and the presence of trade and transport hubs in the region – the presence of certain industries and activities may expose ESAAMLG countries to this category of PF risk from North Korea. Awareness of this potential risk exposure among governments and the private sector is important for taking the necessary measures to mitigate it.

Box 6: Treaty of Pelindaba

The Treaty of Pelindaba, which entered into force in July 2009 and established a nuclear-weapons-free zone in Africa, may serve to temper this particular PF vulnerability, although to a limited degree. Among its other provisions, the Treaty requires member states to conclude a comprehensive safeguards agreement (CSA) with the International Atomic Energy Agency (IAEA) to allow for the verification of the peaceful nature of a country's nuclear programme and the application of strict non-proliferation measures. It also prohibits member states from conducting research on, developing or otherwise acquiring nuclear explosive devices as well as seeking, receiving or providing assistance for the development or acquisition of a nuclear explosive device. As of March 2020, the Treaty has been ratified by all ESAAMLG states except for Uganda. All ESAAMLG countries have also concluded a CSA with the IAEA. However, the Treaty does not provide for additional verification measures beyond the ones stemming from the CSA for the monitoring and inspection of declared nuclear-related facilities and materials, nor does it make any specific reference to the financing of proliferation activities or address export controls for dual-use goods. These factors limit the Treaty's impact within the North Korean PF context, which is more likely to involve the financing and procurement of dual-use goods than the acquisition of nuclear technology or expertise from Treaty member states.

Sources: 'African Nuclear Weapons Free Zone Treaty (Treaty of Pelindaba)', Articles 3 and 9.

Recommendation 13: *Ensure full compliance with international obligations on non-proliferation and export controls, including IAEA safeguards and the provisions of the Treaty of Pelindaba.*

Recommendation 14: *Ensure that, where relevant, intra-agency efforts on counter-proliferation and trade in sensitive goods engage financial regulators and, where appropriate, representatives of the financial sector.*

Recommendation 15: *Provide a forum for information exchange between all industries that produce dual-use, proliferation-sensitive or other high-tech goods or expertise and relevant government agencies. Include financial institutions and stakeholders working on CPF in this discussion.*

Recommendation 16: *Ensure that industries that produce dual-use, proliferation-sensitive and other high-tech goods and expertise, as well as their regulators, are aware of their exposure to PF risk and of PF typologies.*

Recommendation 17: *Raise awareness among academic and research institutions of their potential for exposure to proliferation and PF risk.*

Social and Political

An important enabler for North Korean activities on the African continent has been the diplomatic, military, cultural and political ties that Pyongyang has built up in the region over decades. These relationships have made North Korea a reliable partner for some southern and eastern African governments and created dependencies on certain North Korean products and services – particularly in the sphere of military cooperation. Such dependencies and relationships have, at times, posed a challenge to the implementation of international sanctions against North Korea in the region. This section will explore a number of these social and political vulnerabilities and the ways in which they have allowed North Korea to exploit southern and eastern Africa in support of its PF activities.

As with diplomatic relations, maintaining cultural ties with North Korea is legitimate, and not in itself a violation of sanctions. However, as has been noted throughout this paper and as will be further explored in this section, North Korean nationals sent abroad by Pyongyang are generally expected to raise revenue or identify new business opportunities for the regime. As such, any engagement with North Korea increases a country's exposure to North Korean sanctions evasion activities. This risk must be diligently weighed to evaluate whether engagement with Pyongyang is necessary and whether appropriate measures can be put in place to mitigate these vulnerabilities.

Historical Legacies

As discussed earlier in the context of North Korean military cooperation with southern and eastern African countries, Pyongyang's ties to the continent date back to the Cold War, as the newly established socialist dictatorship sought political recognition and economic opportunities abroad. Besides the military assistance on offer, several governments and resistance movements in the region sympathised with the underlying premises of the North Korean *Juche* ideology – focused on political and economic self-reliance – and engaged in cultural and educational exchanges with North Korea.¹⁹⁴ Several *Juche* study groups were reportedly active as of 2018, including in Angola, Ethiopia, Tanzania and Uganda.¹⁹⁵ North Korea also provided other forms of economic and development support to the continent – for instance, the development of agricultural projects and the local fishing industry in Ethiopia in the 1970s.¹⁹⁶

194. For more on the proliferation of North Korean cultural and educational ties in Africa, see Rademeyer, 'Diplomats and Deceit', pp. 19–28; Compliance and Capacity Skills International, 'Implementation Handbook for UN Sanctions on North Korea', pp. 9–10.

195. Compliance and Capacity Skills International, 'Implementation Handbook for UN Sanctions on North Korea', p. 10.

196. Rademeyer, 'Diplomats and Deceit', p. 23.

Personal ties also developed between the North Korean leadership and the leaders of a number of southern and eastern African countries during the Cold War, some of which appear to have maintained at least a certain relevance to this day. For instance, following a visit to North Korea in 1980, the late Zimbabwean president Robert Mugabe claimed that he ‘came back almost a different man’,¹⁹⁷ and in 2009 he thanked Kim Il-sung ‘today as we did yesterday’ for having provided Zimbabwean revolutionary guerrillas with training facilities.¹⁹⁸ Namibia, which had received training and support from North Korea for the armed wing of its South West Africa People’s Organisation during the Namibian War of Independence in the 1980s, also saw its first president – Sam Nujoma – awarded the Order of the National Flag by North Korea in 1992.¹⁹⁹ A photo of Nujoma with Kim Il-sung still hangs in the Namibian Independence Museum in Windhoek.²⁰⁰ Maputo – Mozambique’s capital city – has a street named after Kim Il-sung, the founder of the North Korean state.²⁰¹ More recently, North Korea’s then minister of foreign affairs visited Namibia in June 2015,²⁰² while Namibia’s deputy prime minister met with senior members of the North Korean government in June 2016.²⁰³ These are just some examples of the personal and inter-governmental relationships that have existed between Pyongyang and southern and eastern African countries. Relations between Africa and Pyongyang appear to have cooled somewhat in recent years, but persist in certain parts of the continent to varying degrees. In some instances, countries maintain diplomatic ties with North Korea, but they are careful to differentiate these diplomatic overtures from any intentions to violate international sanctions.

These historical ties and continued diplomatic relations create vulnerabilities for the region when it comes to PF risk exposure. This is particularly true in the context of military cooperation, as countries which had acquired weapons systems from Pyongyang or the Soviet Union during the Cold War may be forced to rely on North Korean spare parts and technicians to maintain these antiquated weapons.²⁰⁴ However, such relationships may also encourage cooperation in other matters, such as the construction of monuments or the deployment of North Korean labourers abroad.

197. Benjamin R Young, ‘Zimbabwe and North Korea: Uranium, Elephants, and a Massacre’, 30 October 2013, cited in DuPre, Kasprzyk and Stott, ‘Cooperation between African States and the Democratic People’s Republic of Korea’, p. 10.

198. *Africa Research Bulletin: Political, Social and Cultural Series*, ‘Zimbabwe–North Korea: A Controversial Visit’ (Vol. 46, No. 5, 2009), pp. 17985B–86C, cited in Berger, *Target Markets*, p. 47.

199. Victor L Tonchi, William A Lindeke and John J Grotperter, *Historical Dictionary of Namibia* (Lanham, MD: Scarecrow Press, 2012), p. 306.

200. Authors’ observation.

201. David McKenzie, Ingrid Formanek and Estacio Valoi, ‘North Korea is Dodging Sanctions with Fish and Front Firms in Mozambique’, *CNN*, updated 3 February 2018.

202. Joseph Nekaya, ‘North Korean Foreign Affairs Minister Visits Namibia’, *Namibia Press Agency*, 27 June 2015.

203. Chad O’Carroll, ‘Namibian Delegation Visits N. Korea Despite Sanctions Questions’, *NK News*, 26 June 2016.

204. Berger, *Target Markets*, pp. 51–57.

Presence of Embassies and Diplomats

Closely linked to North Korean historical ties across sub-Saharan Africa is the presence of North Korean embassies and diplomats in the region. These play a critical role in North Korean PF efforts, raising and moving funds for the regime, as discussed earlier in this paper.

Of the 10 North Korean diplomatic missions in sub-Saharan Africa, half are located in southern and eastern African countries; Angola, Ethiopia, South Africa, Tanzania and Uganda all host North Korean embassies, while Zimbabwe hosts a North Korean trade office. Countries that host North Korean embassies are particularly at risk, but jurisdictions which do not host a North Korean mission are nevertheless vulnerable to exploitation, as North Korean diplomats have been known to operate in countries to which they are not accredited,²⁰⁵ engaging in illicit revenue-generating activities, facilitating the establishment of financial and corporate networks and moving funds. Diplomats based at the North Korean embassy in Pretoria, for instance, have been reported to operate or facilitate business activities not only in South Africa but also in Namibia²⁰⁶ and Mozambique.²⁰⁷ Some sources have suggested that North Korean diplomats to South Africa may also be cross-accredited to Namibia,²⁰⁸ but the authors were unable to confirm this in open sources. The North Korean mission to Uganda has also reportedly offered to provide North Korean military assistance to South Sudan.²⁰⁹

As outlined earlier, the UNSC has passed a series of measures in an attempt to limit sanctions evasion activities by North Korean diplomats. For states who wish to maintain a level of diplomatic engagement with North Korea, complying with these provisions can help limit their exposure to PF risk, short of closing North Korean embassies and expelling North Korean diplomats. However, complying with these measures may be challenging in itself. North Korea may apply obfuscation tactics to its diplomatic activities, making it difficult to confirm the identities, accreditation or activities of its diplomats, as may be the case with possible cross-accreditation of North Korean diplomats based in South Africa to Namibia and potentially other countries in the region.

205. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2019, S/2019/171, para. 108.

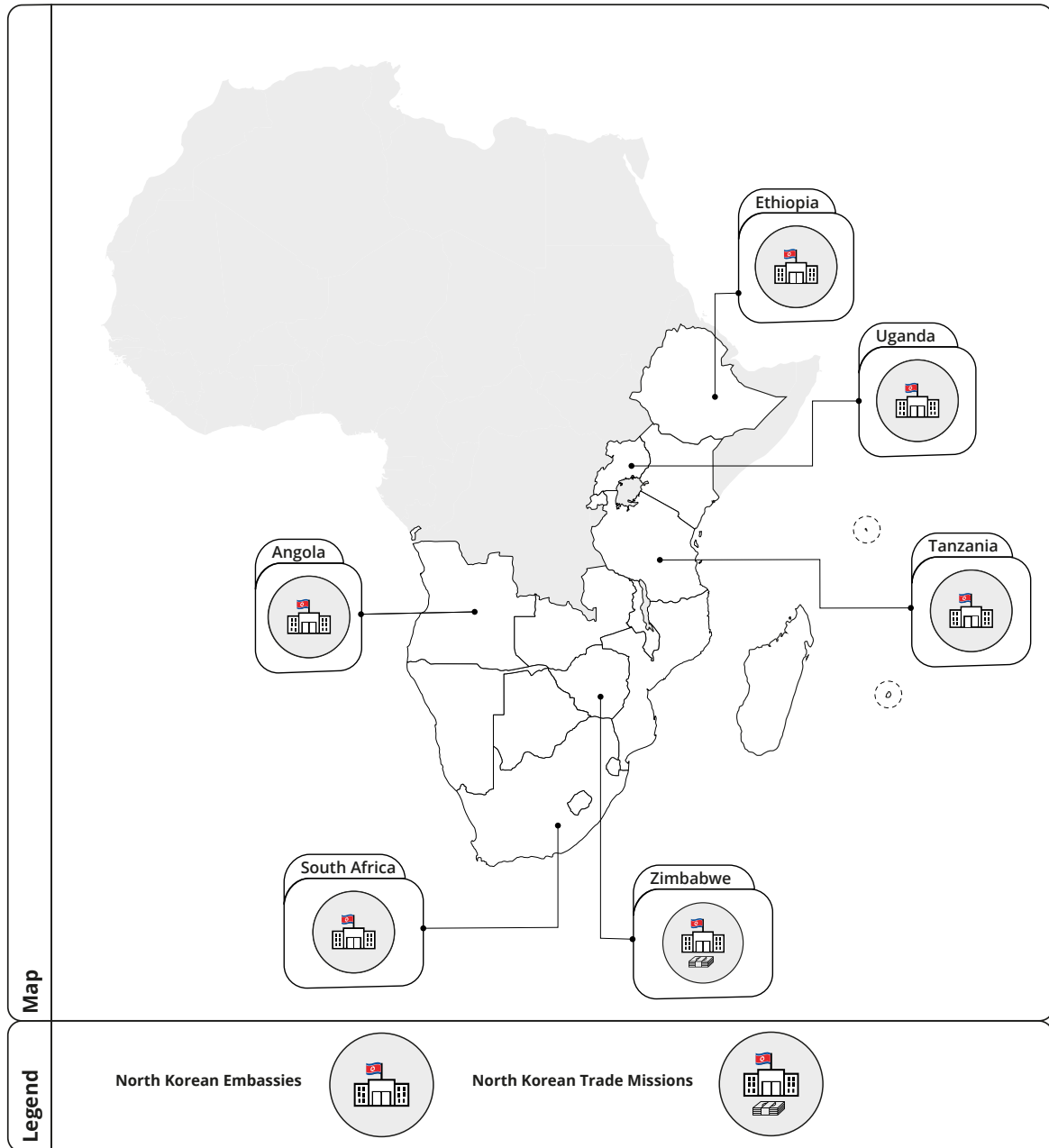
206. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 24 February 2016, S/2016/157, para. 173.

207. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 27 February 2017, S/2017/150, para. 102.

208. *APAnews*, 'Namibia Ignores US Calls to Cut All Ties With North Korea', 15 February 2018, <<http://apanews.net/en/pays/namibie/news/namibia-ignores-us-calls-to-cut-all-ties-with-north-korea>>, accessed 24 March 2020.

209. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 27 February 2017, S/2017/150, para. 122.

Figure 7: North Korean Embassies and Missions in ESAAMLG Member States



Source: Author generated.

Recommendation 18: Comply with UNSC obligations relating to the activities of North Korean embassies and diplomats – for instance, by remaining aware of the activities of the North Korean diplomatic mission in the country and its diplomats and by expelling any embassy officials found to have been tied to sanctions evasion activity.

Recommendation 19: *As recommended by the Panel of Experts:*²¹⁰

- **Recommendation 19.1:** *Provide financial institutions with a list of North Korean diplomats accredited to the country and their family members.*
- **Recommendation 19.2:** *Advise financial institutions not to bank diplomats not accredited to the country.*
- **Recommendation 19.3:** *Designate a single financial institution to provide banking services to the North Korean diplomats; prohibit all other financial institutions from banking the North Korean embassy, its diplomats and their families.*

Recommendation 20: *Provide financial institutions with the details of North Korean diplomats accredited to other countries in the region, if such information is available.*

Recommendation 21: *Provide the national corporate registry with a list of North Korean diplomats accredited to the country and to other countries in the region, as well as their family members. Review the corporate registry regularly for any activity by North Korean diplomatic staff or their families.*

Legal, Institutional and Operational

An important aspect of understanding the PF vulnerabilities in southern and eastern Africa is an assessment of the region's legal, institutional and operational structures and practices that exist to address the PF threat from North Korea and how they measure up against internationally established CPF obligations and standards.²¹¹ This section assesses gaps in ESAAMLG countries pertaining to CPF-specific legislative frameworks, transparency of legal persons and arrangements, regulatory capabilities, operational capabilities, institutional coordination, international cooperation, private sector capabilities and public–private sector partnerships.²¹² Apart from the analysis of legal frameworks, the other areas of analysis in this section are not necessarily specific to CPF. Building capacity in these other areas would have benefits for fighting not only PF activity, but a broader range of financial and organised crime. Many of the recommendations in this section have value

210. UNSC, 'Report of the Panel of Experts Established Pursuant to Resolution 1874 (2009)', 5 March 2019, S/2019/171, paras 161–63.

211. As mentioned in the discussion on 'Sources', assessments of countries' legislative, regulatory and operational gaps rely primarily on the authors' review of the FATF Mutual Evaluation Reports of ESAAMLG member countries, which has been supplemented with information collected from: implementation reports submitted to the UNSCR 1718 Sanctions Committee; publicly available material, including legislation, on government websites; and published media interviews with financial institutions.

212. The methodology outlined in RUSI's 'Guide to Conducting a National PF Risk Assessment' suggests evaluating PF vulnerabilities pertaining to the transparency of legal persons and legal arrangements independently from the assessment of legal, institutional and operational vulnerabilities. As this paper is a simplified version of the methodology, the discussion on the transparency of legal persons and legal arrangements has been included in this section.

across a range of financial and organised crime efforts, including in areas such as corruption and trafficking. As with the rest of this paper, this section does not conduct a country-by-country assessment. Instead, it provides an overview of regional trends and challenges. However, in an attempt to provide guidance to countries in the region on potential fixes for the legal, institutional and operational vulnerabilities they face in the CPF context, good practices from across the region have been identified and highlighted with reference to specific countries.

Legislative Frameworks

TFS laws are a cornerstone of CPF measures and are the central focus of FATF efforts on CPF. However, most ESAAMLG countries that have been assessed on CPF measures by the FATF were found to be lacking in their adoption and implementation of CPF-relevant TFS into national legal and institutional frameworks.

Of the 40 recommendations and 11 ‘immediate outcomes’ (IOs) against which the FATF assess countries in their mutual evaluation processes, Recommendation 7 and IO 11 are of most direct relevance to CPF.²¹³ The first calls on countries to implement all TFS passed by the UNSC related to WMD proliferation, including those related to North Korea, while the second evaluates the effectiveness of countries’ implementation of these TFS. CPF-specific considerations were included for the first time in the fourth round of FATF mutual evaluations, starting in 2012. Of the ESAAMLG countries that had been evaluated under the fourth round,²¹⁴ only Mauritius achieved a rating of ‘compliant’ on Recommendation 7, meaning that it met the FATF’s standards for integrating CPF-relevant TFS into national legal and institutional frameworks. No country was found to be ‘largely compliant’. Botswana, Malawi and Zimbabwe were deemed ‘partially compliant’, while the remaining four assessed countries – Ethiopia, Seychelles, Uganda and Zambia – received ratings of ‘non-compliant’, meaning that major shortcomings existed in their frameworks for implementing

213. As part of its mutual evaluation process, the FATF assesses countries against two sets of criteria: 40 recommendations, which evaluate whether a country has in place the necessary legal and institutional frameworks, as well as the necessary powers and procedures for competent authorities to combat financial crime; and 11 ‘immediate outcomes’ (IOs), which measure how effectively the recommendations are being implemented. Grades awarded to countries on recommendations include ‘non-compliant’, ‘partially compliant’, ‘largely compliant’ and ‘compliant’; IOs earn assessments of ‘low’, ‘moderate’, ‘substantial’ and ‘high levels of effectiveness’. See FATF, ‘FATF Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems 2013’, amended October 2019.

214. As of 11 November 2019, only eight ESAAMLG countries have been evaluated under the fourth round of the FATF mutual evaluation process. Therefore, the ratings do not reflect the current state of laws and operations in all ESAAMLG countries. For example, during the writing of this paper, South Africa was undergoing its fourth-round mutual evaluation and had recently made significant updates to its laws and operations with respect to FATF Recommendation 7 and IO 11 on PF since its last mutual evaluation in 2009. Those countries assessed by 18 November 2019 were Botswana, Ethiopia, Malawi, Mauritius, Seychelles, Uganda, Zambia and Zimbabwe.

CPF-relevant TFS.²¹⁵ Of the ESAAMLG countries that have not yet been evaluated under the fourth round, only South Africa and Namibia had TFS laws that covered CPF.²¹⁶ Furthermore, all ESAAMLG countries assessed under the fourth round had demonstrated a ‘low level of effectiveness’ on IO 11, meaning that, even where legal frameworks existed to integrate CPF-relevant TFS into national legislation, these were not being effectively implemented.

Based on the authors’ review of the findings of FATF mutual evaluation of ESAAMLG countries and publicly available laws and procedures,²¹⁷ most ESAAMLG countries, with the exception of South Africa, Mauritius and Namibia, had no clear procedures in place for communicating designation information to the private sector, creating avenues for assistance or appeal, or providing access to assets for basic living expenses by designated individuals, as is required by the FATF standards. The combination of a lack of, or serious deficiencies in, legal frameworks and the practical mechanisms necessary for implementing those legal frameworks means that many ESAAMLG countries struggled to demonstrate in their FATF mutual evaluations how UN sanctions are implemented domestically.

Beyond TFS, the majority of ESAAMLG countries do not have legal frameworks that cover the full spectrum of UNSC CPF obligations against North Korea, which – as outlined throughout this paper – include both TFS and a wide spectrum of financial restrictions related to activity-based sanctions. The exceptions are Namibia and Mauritius, which have North Korean-specific CPF measures, as well as South Africa and Malawi, which have CPF criminal offences that are not specific to North Korea but could potentially be utilised against North Korean PF activity.²¹⁸ This means that PF activities – such as facilitating financial transactions related to the sale of statues by North Korea or the operation of joint ventures with North Korean companies – carried out by entities that have not been specifically designated may not be covered under CPF legislation in the majority of ESAAMLG countries.

215. FATF, ‘Consolidated Table of Assessment Ratings’, 18 November 2019, <[https://www.fatf-gafi.org/publications/mutualevaluations/?hf=10&b=0&s=desc\(fatf_releasedate\)](https://www.fatf-gafi.org/publications/mutualevaluations/?hf=10&b=0&s=desc(fatf_releasedate))>, accessed 19 November 2019.

216. For ESAAMLG countries that have yet to be evaluated under the fourth round, the authors have relied on publicly available laws on government websites. See ‘Prevention and Combating of Terrorism and Proliferation Activities Act 2014 (Namibia)’, <<https://laws.parliament.na/annotated-laws-regulations/law-regulation.php?id=501>>, accessed 9 April 2020; ‘Financial Intelligence Centre Act 2001 (South Africa)’ and ‘Protection of Constitutional Democracy Against Terrorist and Related Activities Act 2004 (South Africa)’, both available at <<https://www.fic.gov.za/Resources/Pages/FICA.aspx>>, both accessed 9 April 2020.

217. See for example, ESAAMLG, ‘2nd Enhanced Follow-Up Report & Technical Compliance Re-Rating of Mauritius’, 2019; ESAAMLG, ‘Anti-Money Laundering and Counter-Terrorist Financing Measures: Seychelles Mutual Evaluation Report’; ESAAMLG, ‘Anti-Money Laundering and Counter-Terrorist Financing Measures: Zimbabwe Mutual Evaluation Report’.

218. ‘UN (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019 (Mauritius)’; ‘Prevention and Combating of Terrorism and Proliferation Activities Act 2014 (Namibia)’; ‘Protection of Constitutional Democracy Against Terrorist and Related Activities Act 2004 (South Africa)’; Financial Crimes Act 2017 (Malawi)’.

Finally, most ESAAMLG countries have not included CPF violations in their suspicious transaction reporting (STR) regimes. STRs are a key element of national AML/CTF efforts, as they obligate reporting entities to identify and report transactions that they suspect may involve the proceeds of crime or may be related to the financing of terrorism. This kind of information sharing is critical for understanding typologies of financial crime, assessing and raising awareness of institutional and national risk exposure, and identifying, investigating and prosecuting cases of financial crime. Failing to mandate STRs on suspected cases of PF denies this important piece of intelligence to national CPF efforts and thus represents an important PF vulnerability.

Box 7: Examples of Good Practices – Legislative Frameworks

Good practice: Mauritius’s ‘UN (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019’ takes a holistic approach to sanctions broadly, including North Korea-related activity-based CPF obligations, rather than focusing only on TFS. For effective implementation, the Act creates a Secretariat, which is responsible for establishing the practical procedures necessary to implement the law. In terms of TFS implementation, the Secretariat monitors the UN’s consolidated list of TFS designations on a daily basis and the Act obligates the automatic freezing of TFS-related assets immediately upon the dissemination of the list. The TFS freezing process is therefore distinguished from freezing processes in the context of asset confiscation proceedings, as it does not require a connection to be demonstrated between assets and criminal activity to freeze the former.

Good practice: Namibia has the broadest range of North Korea-related CPF legal prohibitions among ESAAMLG countries. The ‘Prevention and Combating of Terrorism and Proliferation Activities Act 2014’ creates prohibitions and criminalises a range of activities that are in violation of UNSCR sanctions on North Korea. Although Namibia’s CPF legislation uses what was originally a counterterrorism law, Namibia has adapted the law to deploy a range of CPF tactics. Ancillary conduct, such as aiding or facilitating PF activities, is also criminalised. Because the legal framework has a counterterrorism law at its foundation, the North Korea-related CPF obligations outlined in UNSCRs are not directly mirrored in the Act. However, many of the CPF provisions that have been added may assist in achieving the same CPF aims regardless. The Act also imposes significant criminal penalties of 30 years’ imprisonment and/or N\$100 million in fines for violation of CPF measures.

Sources: ‘United Nations (Financial Prohibitions, Arms Embargo and Travel Ban) Sanctions Act 2019 (Mauritius)’; ‘Prevention and Combating of Terrorism and Proliferation Activities Act 2014 (Namibia)’.

Recommendation 22: *Ensure that TFS legal frameworks are extended to cover North Korea-related TFS.*

Recommendation 23: *Strengthen legal frameworks to implement the full range of CPF international obligations, beyond just TFS.*

Recommendation 24: *Ensure legal frameworks include dissuasive penalties for non-compliance.*

Recommendation 25: *Develop standard operating procedures for the implementation of TFS to improve effective implementation of legal frameworks.*

Transparency of Legal Persons and Arrangements

This paper has demonstrated how North Korea develops complex corporate structures in order to move goods and funds without revealing the true proliferation actor behind the activity. For this reason, legal measures to improve the transparency of legal persons (such as companies) and legal arrangements (such as trusts) are an important CPF tool. Transparency of legal persons and legal arrangements in many ESAAMLG countries, including the disclosure of information on the ultimate beneficial owners (UBOs) of legal persons and arrangements, remains weak. Approximately half of ESAAMLG countries have moved to introduce requirements for disclosure of UBO information for company registrations.²¹⁹ However, even where legal obligations around transparency do exist, enforcement remains an issue with laws containing minimal penalties for non-compliance with the obligations.

Corporate registries also often lack the resources for obtaining UBO information, and for monitoring or enforcing compliance. Examples of these issues were seen in Zimbabwe, Zambia and Malawi. Information on legal persons and arrangements is also often not made easily available; few countries maintain databases containing UBO information. Mauritius has recently taken steps to improve its ability to gather and share information on UBOs with foreign jurisdictions.²²⁰ This demonstrates a heightened awareness of the value of UBO information to investigation efforts. It also highlights the vital role of international cooperation on sharing UBO information. As corporate structures are formed with global connections, law enforcement authorities need to be able to piece together a global picture of those corporate structures. This is difficult to do without international information exchange of UBO details.

This difficulty in accessing information on legal persons and arrangements makes it challenging and time-intensive for law enforcement agencies to identify the beneficiaries of legal entities, assets and transactions suspected to be related to PF activity. Additionally, resource and awareness limitations faced by many of the financial institutions in the region often result in an over-reliance on off-the-shelf sanctions screening software and lists, resulting in significant gaps in information. These challenges preclude financial institutions and other private sector entities from conducting thorough network analysis as part of their due diligence and know-your-customer procedures. The complex task of uncovering layers of corporate structures is challenging enough for large banks, but often beyond the capabilities of small and medium financial institutions. As financial institutions are the front line in detection of financial crime, their lack of access to UBO information creates a significant gap in a country's, and indeed the region's, financial crime armour.

219. Authors' review of the findings of ESAAMLG/FATF mutual evaluation reports of ESAAMLG member countries.

220. ESAAMLG, '2nd Enhanced Follow-Up Report & Technical Compliance Re-Rating of Mauritius', 2019, p. 27.

Identifying UBOs is particularly important in the case of North Korean PF, as many of the activities prohibited by UNSCRs in this context are legal unless they are being carried out for the benefit of the North Korean government or other designated entities. As such, investigators and financial institutions may have little reason to suspect that the financial activities of a construction company, for instance, constitute PF unless they are able to identify that the company's ultimate beneficiary is linked to a North Korean individual or entity. North Korean proliferators are aware of this vulnerability and exploit it to create complex corporate structures, involving individuals and assets from third countries, to facilitate their sanctions evasion activities.

Determining potential relationships to North Korean entities through these corporate networks is further complicated by the fact that many of North Korea's operations in the region are related to government contracts, such as the construction of monuments and public infrastructure or defence procurement. These government projects often operate under additional layers of secrecy, citing national security concerns, thus making it more difficult to evaluate their connections to North Korean entities and networks. The large size of these contracts and their reliance on often complex contractor and sub-contractor arrangements also adds to the complexity of identifying UBOs.

One practical measure for improving the transparency of legal persons and legal arrangements, specifically in the CPF context, is for corporate registries to require references to 'Korea' or 'Korean' to be specific as to the Democratic People's Republic of Korea (North Korea) or the Republic of Korea (South Korea). As a minimum, ESAAMLG countries should ensure that corporate registries incorporate sanctions screening at the point of corporate registration and whenever a change of corporate details occurs. Sanctions screening should ensure that screening against North Korean sanctions lists includes further scrutiny of references to 'Korea'.

Box 8: Examples of Good Practices: Transparency of Legal Persons and Arrangements

Good practice: The FATF Mutual Evaluation Report of Mauritius notes that law enforcement has good access to UBO information through a range of legal powers. The attorney-general's office has also created a spreadsheet that tracks mutual legal assistance requests received from foreign countries, including requests for locating information on UBOs based abroad. Foreign requests related to UBOs are distinctly classified as such and can therefore be independently tracked. Both of these mechanisms show a heightened awareness of the value of UBO information to investigations and allow a country to build a better picture of corporate networks. Mauritius' Financial Services Commission also signed a number of MOUs with foreign counterparts, including for the exchange of UBO information, allowing for easier access to UBO information held by these other countries.

Source: ESAAMLG, '2nd Enhanced Follow-Up Report & Technical Compliance Re-Rating of Mauritius', 2019, p. 27.

Recommendation 26: *Ensure corporate registries have sufficient resources to collect, maintain and disseminate UBO data and to make this data electronically available and otherwise easily accessible to financial institutions and law enforcement agencies.*

Recommendation 27: *Require references to 'Korea' or 'Korean' in corporate registries to be specific as to the Democratic People's Republic of Korea (North Korea) or the Republic of Korea (South Korea).*

Recommendation 28: *Require corporate registries to incorporate sanctions screening at the point of corporate registration and whenever a change of corporate details occurs.*

Recommendation 29: *Increase transparency around defence and other government procurement.*

Regulatory Authorities for Monitoring and Enforcement

As important as it is to CPF efforts to ensure that mechanisms are in place to integrate international North Korean sanctions obligations into national legislation or regulations, national regulatory authorities must also have the power to monitor and enforce compliance by financial institutions, designated non-financial businesses and professions (DNFBPs) and other high-risk sectors. Regulatory authorities²²¹ should be able to conduct monitoring activities, such as reviews of entity files and on-premises examinations of entities, for compliance with legal obligations. They should also be able to impose a range of penalties for non-compliance, ranging from warning notices and fines to charges for criminal offences. In general, while regulatory authorities for key industry sectors exist, in many ESAAMLG countries, these authorities have not been given the power to monitor and enforce compliance with TFS and broader North Korean sanctions obligations. This means that even where CPF laws exist and impose legal obligations, there are no legal authorities for monitoring compliance or imposing penalties for non-compliance with those legal obligations. Powers for regulatory authorities to monitor and enforce compliance with TFS and other CPF sanctions measures were not evident in Angola, Botswana, Ethiopia, Eswatini, Kenya, Lesotho, Madagascar, Mozambique, Rwanda, Seychelles, Tanzania, Uganda, Zambia or Zimbabwe.

Some ESAAMLG countries, such as South Africa and Malawi, have nominated their respective AML/CTF supervisory authorities to also cover sanctions supervision. This is a helpful first step, but it is far from sufficient for effective sanctions enforcement. AML/CTF supervisors are mandated to supervise only reporting entities – that is, financial institutions and DNFBPs. This means that countries that rely on their AML/CTF supervisors for sanctions enforcement have no designated agency responsible for monitoring other sectors which face high PF risks or for conducting broader public outreach.

Apart from South Africa, Mauritius and Namibia, there was no evidence from publicly available information that CPF regulatory monitoring and enforcement activities actually occur, even

221. Regulatory authorities are those government agencies with regulatory oversight of industry sectors.

where legal powers are available. The Mutual Evaluation Report of Malawi, for instance, highlighted this issue.

Box 9: Examples of Good Practices – Regulatory Authorities for Monitoring and Enforcement

Good practice: Mauritius has specifically assigned sanctions supervisory responsibility across several regulatory authorities such as the financial intelligence unit and the banking regulator. These authorities rely on existing regulatory laws to monitor sanctions compliance and apply enforcement measures in instances of non-compliance. Authorities have a range of non-criminal enforcement measures available, including warnings, directions, public censure, administrative penalties, professional bans and license revocation.

Good practice: Namibia's 'Prevention and Combating of Terrorism and Proliferation Activities Act 2014' includes procedural details which demonstrate an ability to effectively implement TFS legal obligations. For example, there are provisions to ensure expeditious communication of designations to reporting entities and supervisory bodies as well as to other government agencies, industry sectors and the public more broadly. The Act also includes communication procedures with UNSC committees, as well as measures for international cooperation on sanctions. The subordinate 'Regulations Relating to Implementation of Security Council Decisions: Prevention and Combating of Terrorist and Proliferation Activities Act 2014' provides useful forms – including template forms for reporting asset freezes and applications for requesting access to assets – and is a source of publicly available procedural information around various application and appeal processes to authorities.

Sources: ESAAMLG, '2nd Enhanced Follow-up Report & Technical Compliance Re-Rating of Mauritius', pp. 18–19; 'Prevention and Combating of Terrorism and Proliferation Activities Act 2014 (Namibia)'; 'Regulations Relating on Implementation of Security Council Decisions: Prevention and Combating of Terrorist and Proliferation Activities Act, 2014 (Namibia)'.

Recommendation 30: *Ensure that supervisory authorities have the legal mandate and a range of criminal and non-criminal enforcement options to monitor and enforce compliance with CPF sanctions obligations.*

Operational Capabilities

Operational capabilities refer to the intelligence analysis and criminal investigation abilities of intelligence and law enforcement agencies. These agencies should include an understanding of the financial crime risk – in this case, North Korean PF – as well as specialist knowledge and appropriate skills for conducting financial analysis and investigations. Among ESAAMLG countries, important gaps seem to exist in this context, meaning that relevant authorities do not have the necessary risk awareness and investigative capacity to identify and understand their country's exposure to North Korean PF.

One operational vulnerability among ESAAMLG countries is the lack of CPF risk assessments. A risk assessment of a particular crime type is a key intelligence tool since it promotes an

understanding of the methods, trends and ultimately the risks associated with that crime type. PF has generally not been included in national risk assessments in ESAAMLG countries, meaning that little data has been collected and assessed on CPF risks, methods and trends.²²² One exception is Namibia, which appears to have included PF in its national risk assessment but has not made the assessment public.²²³ This lack of national PF risk assessments is not unique to ESAAMLG members. Unlike for money laundering and TF, the FATF does not require governments to carry out national PF risk assessments and only a small handful of countries globally have done so. This greatly impacts the ability of countries to understand and address their PF risk exposure.

Another operational vulnerability in many ESAAMLG countries is the inability of countries to conduct financial investigations, which is a specialist investigative skill set among police and generally requires support from qualified forensic accountants. FATF mutual evaluation reports give general information on the financial crime investigative capability of ESAAMLG countries which can be extrapolated to a CPF context. For example, the mutual evaluation reports of Zimbabwe, Seychelles and Botswana found that criminal investigation units were ill-equipped both in terms of expertise and resources to conduct financial investigations, while the mutual evaluation report of the Seychelles mentions that there is limited police capacity to act on financial intelligence disseminations. This means that although intelligence leads were generated, they were not further investigated.²²⁴ Zimbabwe's mutual evaluation report identified similar challenges, noting that the police force's criminal investigations department did not have the expertise or resources to undertake financial investigations.²²⁵ This paper has also noted the challenges with law enforcement agencies obtaining UBO information from corporate registries, which may provide valuable investigative leads.

Box 10: Examples of Good Practices – Operational Capabilities

Good practice: Madagascar has placed emphasis on strengthening financial investigative capabilities and creating a focus on financial crime, which helps to build financial investigative capabilities that could also be deployed in a CPF context. Madagascar has a specific division (the Economic Criminal and Anti-Corruption Criminal Chain) which has been created to deal with financial crime and

222. Based on the authors' review of ESAAMLG member countries' ESAAMLG/FATF mutual evaluation reports and financial crime national risk assessments on government websites, particularly the websites of financial intelligence units.

223. Financial Intelligence Centre – Republic of Namibia, 'FIC Annual Report 2018/19', <<https://www.fic.na/uploads/Publications/AnnualReports/FIC%20Annual%20Report%20%202019.pdf>>, accessed 26 March 2020.

224. ESAAMLG, 'Anti-Money Laundering and Counter-Terrorist Financing Measures: Seychelles Mutual Evaluation Report', 2018.

225. ESAAMLG, 'Anti-Money Laundering and Counter-Terrorist Financing Measures: Zimbabwe Mutual Evaluation Report', 2016.

corruption cases, enabling the government to build investigative and judicial expertise on financial crime. Prosecuting magistrates generally have broad discretion on whether to undertake referred cases, but referrals from SAMIFIN (Madagascar's financial intelligence unit) cannot lawfully be refused and cases need to be acted upon expeditiously. Prosecuting magistrates may refuse to proceed with cases only where insufficient evidence is available and no charges can be laid. These practices should be extended to the CPF context (at present, CPF is not included under the scope of financial crime).

Source: ESAAMLG, 'Anti-Money Laundering and Counter-Terrorist Financing Measures: Madagascar Mutual Evaluation Report', 2018.

Recommendation 31: *Conduct PF risk assessments to build awareness of CPF issues among key government and industry stakeholders.*

Recommendation 32: *Build specialist financial investigation skills, for example, in forensic accounting.*

Recommendation 33: *Provide further training to law enforcement agencies on CPF and, more generally, on conducting financial investigations.*

Institutional Coordination

Due to the wide range of activities that fall under the definition of PF, particularly in the context of North Korea, effective CPF efforts require coordination between a greater number of private and public sector stakeholders than other types of financial crime. Agencies that deal with issues such as immigration or environmental protection, while not key actors in efforts to counter financial crime generally, should play an important role in CPF. Mutual evaluation reports of ESAAMLG countries show that national strategies for coordination among various agencies and institutions are weak across the region in the context of AML/CTF, and largely non-existent in the context of CPF, with the exception of countries such as Namibia and Seychelles.²²⁶ Furthermore, several mutual evaluation reports noted that, outside financial intelligence units, knowledge of North Korean sanctions obligations among government agencies is limited.²²⁷

Due to the tendency by many countries in the ESAAMLG region and elsewhere to approach CPF efforts alongside counterterrorism or AML/CTF matters,²²⁸ there is little evidence that CPF efforts have considered issues related to trade, export, border control or broader sanctions issues, which

226. ESAAMLG, 'Anti-Money Laundering and Counter-Terrorist Financing Measures: Seychelles Mutual Evaluation Report', 2018; ESAAMLG, 'Anti-Money Laundering and Counter-Terrorist Financing Measures: Namibia Mutual Evaluation Report', 2017.

227. Based on the authors' review of ESAAMLG member countries' ESAAMLG/FATF mutual evaluation reports.

228. For example, ESAAMLG, 'Anti-Money Laundering and Counter-Terrorist Financing Measures: Malawi Mutual Evaluation Report', 2019, p. 84.

are not generally addressed in counterterrorism or AML/CTF efforts. As a result, agencies outside those traditionally engaged on issues of financial crime are rarely engaged in CPF.

The exclusion of a more diverse group of government stakeholders – such as those responsible for the procurement of government construction projects or the issuing of work visas, for instance – may disadvantage efforts to address the full spectrum of CPF threats, which are much more diverse than the threats posed by other forms of financial crime. Examples of countries that required improvements to inter-agency coordination, as noted in the mutual evaluation reports, include Zambia, Kenya and Botswana. Botswana and Zambia’s reports specifically noted that there was little to no consideration of CPF issues and a lack of engagement with a broader range of CPF-related stakeholders.

Box 11: Examples of Good Practices – Institutional Coordination

Good practice: Madagascar’s High Council of National Defence, established by Act No. 2016-059, has a broad national security mandate, which includes components of CPF. The High Council assists the president on issues of defence and national security by preparing high-level decisions and monitoring their implementation. Part of its function is to implement UNSCRs. Madagascar also has a Regional Maritime Information Fusion Centre that coordinates with the High Council and provides crucial input on maritime issues. CPF issues are therefore considered in a more holistic manner and connections with other relevant subject areas are made. Nevertheless, implementation of the financial elements of CPF-related UNSCRs relies on AML/CTF laws. Without more specific CPF laws, there remain limits to enforcement capabilities.

Source: UNSC, ‘Note Verbale Dated 21 October 2019 from the Permanent Mission of Madagascar to the United Nations Addressed to the Chair of the Committee’, S/AC.44/2019/14, 25 October 2019, p. 4.

Recommendation 34: *Identify all relevant government agencies and departments based on an assessment of the country’s PF risk exposure and establish appropriate inter-agency coordination mechanisms to allow CPF issues to be considered in a holistic manner.*

International Cooperation

Considering the transnational nature of the CPF threat, cooperation between countries on understanding and countering PF risk is critical. As discussed in this paper, many North Korean PF typologies include cross-border transfers of goods and funds, rely on transnational corporate networks, or are carried out by North Korean diplomats that operate across multiple countries. For this reason, relevant stakeholders need to be engaged not just within a national government, but also transnationally.

At the highest level, the submission of implementation reports by countries to the UNSCR 1718 Sanctions Committee is a form of international cooperation. It allows the UNSC to engage with countries on effective implementation of CPF measures against North Korea. Countries are

required to submit periodic implementation reports on concrete measures they have taken to implement the provisions of relevant UNSCRs to the Committee.²²⁹ As of March 2020, only nine ESAAMLG members had submitted implementation reports, with most countries submitting reports in 2016, 2017 or 2018.²³⁰

At a regional level, one forum for international cooperation on CPF and other financial crime issues is ESAAMLG itself. The organisation provides capacity-building resources for its member countries and has produced several reports on regional patterns in financial and other crimes.²³¹ These can be useful for individual countries in the region looking to understand their own risk exposure to these activities.

Another forum that is central to international cooperation on financial crime is the Egmont Group of Financial Intelligence Units (Egmont Group). The Egmont Group is a body of 164 financial intelligence units that provides a platform for the secure exchange of expertise and financial intelligence to combat money laundering and terrorist financing and can also be used in support of CPF efforts. The forum assists members in giving effect to UNSCRs as well as statements of the G20 Finance Ministers and the FATF.²³² Of the 18 ESAAMLG members, 10 countries are Egmont Group members: Angola, Ethiopia, Malawi, Mauritius, Namibia, Seychelles, South Africa, Tanzania, Uganda and Zambia.²³³

Outside the Egmont Group, efforts are being made in the region to strengthen bilateral cooperation mechanisms on issues of financial and other crime through MOUs. Positive examples from Mozambique and South Africa are provided in Box 11. Some ESAAMLG countries have also instituted broad powers for gathering and sharing information across governments for identifying UBOs. For example, Botswana has significant international cooperation capabilities in relation to information sharing on trusts.²³⁴ As mentioned earlier in this paper, some

229. UNSC, 'Implementation Assistance Notice No. 2: Guidelines on the Preparation and Submission of National Implementation Reports, Security Council Committee Established Pursuant to Resolution 1718 (2006)', 21 January 2011, last updated on 24 April 2018, <https://www.un.org/securitycouncil/sites/www.un.org.securitycouncil/files/ian_2_updated_24_apr_2018.pdf>, accessed 7 January 2020.

230. UNSC, '1718 Sanctions Committee (DPRK), Implementation Reports', <<https://www.un.org/securitycouncil/sanctions/1718/implementation-reports>>, accessed 9 April 2020. ESAAMLG members that have submitted reports are Angola, Botswana, Ethiopia, Madagascar, Mauritius, Namibia, Rwanda, South Africa and Uganda.

231. ESAAMLG, 'Trends and Methods', <https://www.esaamlg.org/index.php/methods_trends>, accessed 20 November 2019.

232. Egmont Group, 'About', <<https://egmontgroup.org/en/content/about>>, accessed 20 November 2019.

233. Egmont Group, 'East and Southern Africa Region', <<https://egmontgroup.org/en/content/east-and-southern-africa-region>>, accessed 20 November 2019.

234. ESAAMLG, '1st Enhanced Follow-up Report & Technical Compliance Re-Rating of Botswana', 2019, p. 28.

countries in southern and eastern Africa have also sought to improve engagement on border security through integrated border management committees, joint cross-border patrols and the sharing of best practices.²³⁵ However, given the significant regional gaps in CPF-relevant legal frameworks, there are few examples of regional cooperation on CPF issues specifically, with Mozambique and South Africa being the two notable exceptions.

Box 12: Examples of Good Practices – International Cooperation

Good practice: Mozambique and South Africa have dedicated significant efforts to building financial intelligence cooperation and information sharing mechanisms through signing MOUs. Mozambique's financial intelligence unit has strengthened regional cooperation by signing MOUs with 12 countries. South Africa has an impressive 91 MOUs with countries across the region and the globe.

Sources: ESAAMLG, 'First Round Mutual Evaluations – Post Evaluation Progress Report of Mozambique', 2018, p. 2; South Africa Financial Intelligence Centre, <<https://www.fic.gov.za/Pages/Home.aspx>>, accessed 19 November 2019.

Recommendation 35: *Extend the number of MOUs in the region that facilitate the gathering and sharing of information relevant to PF.*

Recommendation 36: *Continue engaging with regional bodies such as ESAAMLG to develop further regional financial crime typologies, identify regional challenges, share best practices and build capacity.*

Recommendation 37: *Ensure timely reporting and engagement with the UNSCR 1718 Sanctions Committee.*

Private Sector Capabilities and Public–Private Partnerships

The importance to CPF efforts of raising awareness and capabilities within the private sector has been discussed throughout this paper. ESAAMLG countries appear to be facing significant challenges in engaging effectively with financial institutions and other private sector stakeholders on CPF and other financial crime issues. Information sharing tends to be one-directional, with financial intelligence units providing little feedback on STRs submitted by financial institutions and little sharing of typologies and risk analysis occurring between governments and the private sector.

The need for improved public–private collaboration has been identified by key industry representatives. In a media interview, Nic Swingler, head of Financial Crime Compliance for

235. EU Emergency Trust Fund for Africa, 'East and Horn of Africa Border Agencies Boost Cooperation: Joint Patrols, More Border Crossing Points and Exchange of Best Practices', 5 November 2018, <https://ec.europa.eu/trustfundforafrica/all-news-and-stories/east-and-horn-africa-border-agencies-boost-cooperation-joint-patrols-more_en>, accessed 25 March 2020.

South African bank Absa – an important regional bank with operations in a number of countries in southern and eastern Africa – identified key challenges to tackling financial crime across the region.²³⁶ Among these challenges, he mentioned the lack of public–private collaboration in order to effectively combat financial crime. He noted that information sharing between governments and the private sector was occurring only on a bilateral or ad hoc basis and that there is a clear need for financial information-sharing partnerships (FISPs) to be established in more countries across the region.²³⁷

FISPs can be important facilitators for public–private engagement on CPF and other issues of financial crime. They can allow for the sharing of high-level typologies and patterns as well as best practices or, if appropriate legal provisions are in place, can facilitate the exchange of actor- and transaction-specific information.²³⁸ Three ESAAMLG countries are reported to be developing FISPs that bring law enforcement and other public agencies together with major financial institutions to tackle financial crime risks more effectively. These countries are South Africa, Botswana and Kenya.²³⁹ Namibia has also been examining the role that public–private partnerships can play in tackling financial crime in the country, including CPF.²⁴⁰

Mutual evaluation reports also show limited private sector knowledge of PF risks or legal obligations.²⁴¹ Legislative gaps combined with low government priority on CPF likely drives the lack of private sector attention to the issue. Some large banks maintain screening of transactions for violations of UN sanctions, including proliferation-related sanctions. In Madagascar, several banks have reportedly blocked transactions due to PF-related sanctions concerns.²⁴² However, awareness of PF risk exposure among reporting entities other than large banks was assessed as being very low.²⁴³ Limited examples of outreach by governments to the private sector on CPF obligations, in ESAAMLG countries and elsewhere, is the likely root cause of low private sector awareness beyond the banking sector. This may be a follow-on effect of limited attention to CPF within governments themselves. Some countries such as Mauritius, Malawi, South Africa and

236. John Cusack, 'Interview with Absa's Nic Swingler', *Financial Crime News*, 25 July 2019, <<https://thefinancialcrimenews.com/interview-with-absas-nick-swingler/>>, accessed 22 November 2019. Absa Group Limited is one of Africa's largest diversified financial services groups with a presence in 12 countries across the continent. They own majority stakes in banks in Botswana, Ghana, Kenya, Mauritius, Mozambique, Seychelles, South Africa, Tanzania, Uganda and Zambia.

237. Cusack, 'Interview with Absa's Nic Swingler'.

238. For more on the role of FISPs in combatting financial crime, see Nick J Maxwell and David Artingstall, 'The Role of Financial Information-Sharing Partnerships in the Disruption of Crime', *RUSI Occasional Papers* (October 2017).

239. See Maxwell and Artingstall, 'The Role of Financial Information-Sharing Partnerships in the Disruption of Crime', p. ix; Cusack, 'Interview with Absa's Nic Swingler'.

240. Republic of Namibia Financial Intelligence Centre, 'FIC Annual Report 2017/18', p. 18.

241. Authors' review of ESAAMLG members countries' ESAAMLG/FATF mutual evaluation reports.

242. ESAAMLG, 'Anti-Money Laundering and Counter-Terrorist Financing Measures: Madagascar Mutual Evaluation Report', 2018, p. 64.

243. *Ibid.*

Namibia maintain links to UN lists of TFS designated persons and entities, and have provided information of TFS compliance obligations to the private sector.²⁴⁴ However, beyond these countries, no evidence could be found of publicly available information for the private sector on CPF legal obligations in order to promote industry awareness and compliance, either in broader guidance on sanctions or in financial crime guidance.

The CPF capabilities of financial institutions vary greatly across southern and eastern Africa, as they do in other regions. Despite the fact that even the largest financial institutions globally have struggled to fully understand their exposure to PF risk and adapt their due diligence processes accordingly,²⁴⁵ based on the authors' conversations with a number of banking professionals in multiple regions in 2018 and 2019 – including in southern and eastern Africa – regional and international financial institutions tend to have a greater understanding of their exposure to PF risk, as well as obligations and strategies for countering it, than smaller local banks do. A 2019 survey of sanctions professionals at financial institutions around the world conducted by RUSI and the Association of Certified Anti-Money Laundering Specialists (ACAMS) confirmed this; 32% of sanctions professionals working in national banks – that is, with operations in only one country – responded that they were familiar with PF finance risk, compared to 34% of respondents at regional banks and 57% of respondents at international banks.²⁴⁶ This is likely because larger institutions have more resources at their disposal to detect and prevent instances of PF and other financial crime. If they have considered the PF threat at all, most smaller financial institutions will limit their CPF efforts to list-based sanctions screening, using either commercially available screening tools or free resources provided by the UN or national governments. The survey found that 66% of respondents at national banks agreed that 'due diligence and screening software vendors offer good solutions to assist with identifying proliferation finance risk' as opposed to 46% of respondents at regional banks and 47% of respondents at international banks.²⁴⁷ Awareness of North Korean PF typologies and networks, as well as in-depth analysis to understand PF risk exposure, are often well beyond the resources of these smaller financial institutions.

This difference in PF awareness and counter-strategies among differently sized banks may, in part, be due to larger financial crime compliance budgets and departments of larger banks. It may also be the result of differences in regulatory obligations and pressures that local, regional and international banks are exposed to. Financial institutions which operate within a single jurisdiction,

244. Authors' review of the government websites of ESAAMLG member countries for links to UN sanctions lists and availability of private sector guidance.

245. For more on financial institutions and their approaches to CPF, see Emil Dall and Justine Walker, 'RUSI-ACAMS Proliferation Finance Survey', RUSI, 6 February 2020, <<https://rusi.org/PFSurvey2020>>, accessed 26 March 2020; Emil Dall, Andrea Berger and Tom Keatinge, 'Out of Sight, Out of Mind? A Review of Efforts to Counter Proliferation Finance', *Whitehall Report*, 3-16 (June 2016).

246. Dall and Walker, 'RUSI-ACAMS Proliferation Finance Survey', p. 14. This data is not particular to sanctions professionals based at financial institutions in ESAAMLG but reflects the responses of sanctions professionals globally.

247. *Ibid.*

or only transact through southern and eastern Africa, may not feel themselves subjected to the same kind of CPF compliance standards as large global institutions – particularly those that operate or regularly transact through the US. US secondary sanctions have been important to incentivising banks that do business with the US to make sure that they have strong CPF and sanctions compliance practices in place. Banks that do not engage in regular transactions with the US or related entities may not face the same incentives to implement robust CPF regimes.

Box 13: Examples of Good Practices – Private Sector Capabilities and Public–Private Partnerships

Good practice: South Africa’s Financial Intelligence Centre has made private sector guidance on TFS compliance available on its website. The Financial Intelligence Centre has also been conducting Compliance and Awareness Roadshows, which include presentations to the private sector that contain brief information on TFS obligations. The centre also maintains their own consolidated lists of TFS designations and offers a subscription service and an online search function to the public.

Source: South Africa Financial Intelligence Centre, ‘Targeted Financial Sanctions’, <<https://www.fic.gov.za/International/sanctions/SitePages/Home.aspx>>, accessed 19 November 2019.

Recommendation 38: *Invest in greater outreach and information sharing with the private sector on CPF issues, including through FISPs and by publishing and updating UN TFS lists in a timely and easily accessible manner.*

Recommendation 39: *Focus awareness-raising and capacity-building outreach on smaller local financial institutions which may lack sufficient in-house resources to understand and counter their PF risks.*

Recommendation 40: *Encourage larger financial institutions to extend push-down compliance to smaller institutions and assist in awareness-raising and capacity-building where relevant.*

Conclusion

ALTHOUGH NOT GEOGRAPHICALLY proximate to North Korea, southern and eastern Africa has been a target for Pyongyang's efforts to raise and move funds, some of which may have been invested in the advancement of the North Korean WMD programme. As demonstrated in this paper, ESAAMLG countries are exposed to a variety of North Korean PF activities and face a range of vulnerabilities that make countering the threat of North Korean PF in the region more challenging.

The diversity of PF threats and vulnerabilities that ESAAMLG countries face from North Korea highlights the importance of developing CPF strategies that are based on an understanding of North Korean PF patterns in the region. An over-reliance on TFS lists leaves countries vulnerable to a wide range of activities which are not always carried out by designated entities or may not be illegal normally, but which may still be in violation of international sanctions. Additionally, when deciding how to define PF in the development of national CPF strategies, countries in the region may wish to adopt the broadest definition of PF, so as to include not just the direct financing of WMD procurement, but also revenue-raising efforts that support such procurement. Such a comprehensive definition would reflect the reality of the kinds of PF risks that the region faces.

Protecting against all possibilities of North Korean PF activity is nearly impossible. Instead, efforts should be concentrated on areas of particular PF risk exposure in each country. These should be identified through a national PF risk assessment that engages all relevant public and private sector stakeholders and considers all the threats, vulnerabilities and consequences of PF activity in the country. Risk mitigation strategies should then be developed accordingly. Engagement from a wide range of stakeholders and the development of information-sharing mechanisms to allow for the identification and dissemination of PF trends, CPF best practices and any PF-relevant data and intelligence at the domestic, regional and international levels is critical.

As countries in southern and eastern Africa continue to grow economically and to expand their scientific innovation, natural resource exploitation and trade relationships, an awareness of PF risk will become particularly important to ensure that otherwise legitimate and economically productive activities are not taken advantage of for illicit ends. Furthermore, a robust CPF regime is a critical component of broader efforts to counter financial crime and should be viewed within this holistic context. For these reasons, resources and efforts that ESAAMLG governments and private sector actors dedicate to CPF will not be spent in vain.

About the Authors

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