

Closing down the Loop Holes: How North Korea and Other Bad Actors Manipulate Global Trade in Their Favor

Authors : Leo Byrne, Neil Watts

Abstract : In the complex and evolving landscape of global trade, maritime sanctions emerge as a critical tool wielded by the international community to curb illegal activities and alter the behavior of non-compliant states and entities. These sanctions, designed to restrict or prohibit trade by sea with sanctioned jurisdictions, entities, or individuals, face continuous challenges due to the sophisticated evasion tactics employed by countries like North Korea. As the Democratic People's Republic of Korea (DPRK) diverts significant resources to circumvent these measures, understanding the nuances of their methodologies becomes imperative for maintaining the integrity of global trade systems. The DPRK, one of the most sanctioned nations globally, has developed an intricate network to facilitate its trade in illicit goods, ensuring the flow of revenue from designated activities continues unabated. Given its geographic and economic conditions, North Korea predominantly relies on maritime routes, utilizing foreign ports to route its illicit trade. This reliance on the sea is exploited through various sophisticated methods, including the use of front companies, falsification of documentation, commingling of bulk cargos, and physical alterations to vessels. These tactics enable the DPRK to navigate through the gaps in regulatory frameworks and lax oversight, effectively undermining international sanctions regimes. Maritime sanctions carry significant implications for global trade, imposing heightened risks in the maritime domain. The deceptive practices employed not only by the DPRK but also by other high-risk jurisdictions, necessitate a comprehensive understanding of UN targeted sanctions. For stakeholders in the maritime sector—including maritime authorities, vessel owners, shipping companies, flag registries, and financial institutions serving the shipping industry—awareness and compliance are paramount. Violations can lead to severe consequences, including reputational damage, sanctions, hefty fines, and even imprisonment. To mitigate risks associated with these deceptive practices, it is crucial for maritime sector stakeholders to employ rigorous due diligence and regulatory compliance screening measures. Effective sanctions compliance serves as a protective shield against legal, financial, and reputational risks, preventing exploitation by international bad actors. This requires not only a deep understanding of the sanctions landscape but also the capability to identify and manage risks through informed decision-making and proactive risk management practices. As the DPRK and other sanctioned entities continue to evolve their sanctions evasion tactics, the international community must enhance its collective efforts to demystify and counter these practices. By leveraging more stringent compliance measures, stakeholders can safeguard against the illicit use of the maritime domain, reinforcing the effectiveness of maritime sanctions as a tool for global security. This paper seeks to dissect North Korea's adaptive strategies in the face of maritime sanctions. By examining up-to-date, geographically, and temporally relevant case studies, it aims to shed light on the primary nodes through which Pyongyang evades sanctions and smuggles goods via third-party ports. The goal is to propose multi-level interaction strategies, ranging from governmental interventions to localized enforcement mechanisms, to counteract these evasion tactics.

Keywords : maritime, maritime sanctions, international sanctions, compliance, risk

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