

US Government Issues North Korea Ballistic Missile Procurement Advisory

On 1 September 2020, the US Treasury's Office of Foreign Assets Control (OFAC) issued a [joint advisory](#) with the State Department's Bureau of International Security and Nonproliferation and the Commerce Department's Bureau of Industry and Security to inform US and foreign entities about North Korea's (DPRK) ballistic missile procurement activities. The advisory identifies techniques North Korean procurement entities and partners use to evade global sanctions and support continued ballistic missile production by the regime and includes an annex that flags materials and equipment key to the North Korean ballistic missile program.

- North Korea's ballistic missile procurement activities expose the electronics, chemical, metals, and materials industries, as well as the financial, transportation, and logistics sectors to the risk of violating UN and US sanctions, which could result in legal penalties, fines, or OFAC designations.
- Key North Korean entities involved in the country's procurement of ballistic missile-related items have been designated by both the United States and the UN, and firms must conduct robust due diligence research to ensure they are not in violation of sanctions or providing support or services to entities that are involved in facilitating North Korea's weapons programs.

A UN Panel of Experts (PoE) [report](#) in March 2020 assessed that North Korea relies on an extensive network of facilitators, including officials who operate from DPRK diplomatic missions or trade offices, third-country nationals, and foreign companies, to obtain key components for its weapons programs that it cannot produce domestically. In addition, North Korean officials accredited as diplomats to one country have also been detected attempting to acquire sensitive technology in neighboring countries, according to the PoE report, and North Korea collaborates with foreign-incorporated companies, including in Russia and China, to acquire foreign-sourced basic commercial components.

- The United States has sanctioned multiple North Korean nationals operating abroad on behalf of designated North Korean ballistic missile entities. Designated individuals include Kim Su Il, who acted on behalf of the DPRK Munitions Industry Department in Vietnam, and 10 Korea Ryonbong General Corporation representatives based mainly in China and Russia, including the vice consul of the North Korean consulate in Nakhodka, Russia.

The PoE also judged that North Korea violates international sanctions through illicit import and export practices. Illegal imports of petroleum using ship-to-ship transfers and direct deliveries by foreign-flagged vessels were methodologies flagged by the Treasury and State Departments in June in a [joint guidance](#) to address illicit shipping and sanctions evasion practices. DPRK vessels likewise conduct unlawful coal transfers to larger bulk carriers for illicit deliveries from North Korea, and the country has purchased older vessels that were intended to be used as scrap to deliver North Korean coal. North Korea also continues to import luxury items, and corporations that fall under the Munitions Industry Department continue to participate in trade fairs that allow them to build networks to facilitate procurement and other trade for the DPRK's ballistic missile program.

The advisory recommends that firms operating in vulnerable sectors be diligent in researching potential business partners to prevent any involvement in the transfer of sensitive technology or support to North Korean entities. In

addition, entities that deal in technologies and other goods identified in the PoE should adopt due diligence practices to ensure that North Korea is not the final destination for their products. US agencies provide tools and guidance to help firms navigate North Korea's sophisticated evasion methodologies, including the Commerce Department's [Consolidated Screening List](#), OFAC's [Framework for Compliance Commitments](#), and the [Treasury Department's National Proliferation Financing Risk Assessment](#).

If your organization believes that it is vulnerable to North Korean evasion methodologies, please [contact us](#) for assistance in analysis and possible remediation. FiveBy offers risk intelligence expertise to our clients to help them avoid violating OFAC sanctions.

