Arts of Evasion: North Korea, Sanctions, and the World

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Abstract: As the United States and the international community search for more effective sanctions to force the DPRK to the negotiating table, the need for improved understanding of North Korea’s complex sanction evasion techniques becomes pressing. The purpose of this article is to explore the mechanisms that the DPRK has used, and continues to use, to evade sanctions. These include the manufacture and sale of small arms and munitions, the development and sale of ballistic missile technology, and extensive counterfeiting operations. One important and innovative sanction evasion mechanism used by the DPRK is the commission and sale of painting and other works of art through the North Korean art company, Masundae. Through these and other methods, North Korea has successfully overcome international pressure; any future sanctions regime, if it is to be effective in curbing North Korean nuclear ambitions, must take cognizance of them.

In September 2013, NBA basketball player Dennis Rodman returned from his second trip to North Korea (Democratic People’s Republic of Korea—DPRK). The trip was his then most recent attempt to undertake ‘basketball diplomacy’ between the United States and North Korea. At a press conference shortly after his return, the NBA Hall of Fame and multi-championship winning legend sat at a podium that prominently featured a life-size bronze bust of his head. The statue, a gift to Rodman, was a product of Mansudae Art Company, one of North Korea’s many non-military corporate conglomerates. Three years later, in December 2016, the United States Department of Treasury’s Office of Foreign Assets Control (OFAC) added Mansudae to a steadily expanding list of sanctioned North Korean enterprises in response to continuing North Korean nuclear and ballistic missile tests. Although none of Rodman’s five trips to date to North Korea have been officially endorsed by the United States government, Rodman has spoken with U.S. President Donald J. Trump about North Korea and recently endorsed the impending meeting between Trump and North Korean leader Kim Jong-Un, tweeting “Hoping for this after my two friends and leaders meet next month. #Peace #Love #NotWar #Diplomacy.” The ‘this’ Rodman refers to is a Photoshop photograph of Kim Jong-Un wearing a “Make America Great Again” ball cap.

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1 For the purposes of consistency and clarity, North Korea and DPRK will be used interchangeably rather than the official name of the country.
3 Dennis Rodman won five NBA championships with two separate teams, the Detroit Pistons and the Chicago Bulls, between 1989 and 1998. He was a 2011 inductee into the Hall of Fame.
Mark Twain’s oft quoted ‘truth is stranger than fiction’ rightfully seems a strange reference for an article on contemporary world affairs. What is perhaps stranger is that the complete quote, ‘truth is stranger than fiction, but it is because fiction is obliged to stick to the possibilities; truth isn’t,’ is actually more appropriate when it comes to emerging developments between the United States and North Korea.® Rarely in recent modern history has there been a diplomatic convergence of an American professional basketball player, a real estate developer/reality television show host become president, and a now sanctioned North Korean art company. That this convergence of circumstances involves nuclear weapons, ballistic missiles, and two nation-states still technically at war makes the truth even stranger and all the more significant. Yet, at some point in 2018, Donald Trump and Kim Jong Un will meet to discuss the denuclearization of the Korean Peninsula.© Although the outcome of this meeting is at present unknowable, the mere prospect of such a meeting is historic on several fronts, not the least of which being the first time any sitting American president has met with a North Korean leader.

While the meeting outcome indeed is yet to be decided, the purpose of this article is to explore the mechanisms that the DPRK has used, and continues to use, to evade sanctions that seemingly have been one factor in bringing North Korea back to the negotiating table. To be clear, sanctions alone undoubtedly did not bring about North Korea’s changed posture with regard to the United States and its demand for denuclearization of the Korean peninsula. As a former Director of the Central Intelligence Agency (CIA) and Deputy Director of National Intelligence, General Michael Hayden noted recently that a ‘multi-pronged’ approach including sanctions, diplomatic engagements beyond North Korea, and military posturing most likely accounts for the change.7 Such an approach recently prompted the Republican Senator from Tennessee, Bob Corker, to suggest that President Trump, if successful in the negotiations, might well deserve a Nobel Peace Prize.® However, other factors suggest that North Korea might also once again be offering great change in pursuit of immediate relief from sanctions that likely have been more effective, depriving North Korea of vital foreign income and other resources necessary to keep the regime afloat. The eventuality and durability of any proffered real change in North Korea’s nuclear capabilities or its ballistic missile development is both an absolute unknown and an outcome that, unfortunately, past performance does not indicate as likely. What is clear is that North Korea has a robust and well-developed capacity for circumventing economic sanctions, a capacity that has evolved not only in concert with its financial needs, but also in response to the sanctions imposed against the regime over the past decades.

The current focus of the most intense sanctions ever imposed on North Korea, beginning in 2013 after North Korea’s nuclear test, target all North Korean weapons programs with an announced aim of curtailing and eventually ending North Korea’s nuclear weapons ambitions and its arsenal. Under the leadership of U.S. President Donald Trump, the United States has taken unambiguous direct steps to convince Kim Jong Un to end his nuclear program. Direct negotiations between the governments of North Korea and the United States on nuclear and ballistic missile programs are not new, however. The actual process, albeit in fits and starts, is nearly thirty years old, beginning in the earliest days of the George H.W. Bush administration.

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6 At the time of this article, most open-source media strongly indicate that the meeting likely will occur in Singapore sometime in June.
8 Ibid.
and continuing through the next three presidential administrations (William J. Clinton, George W. Bush, Barack H. Obama) before entering the current round of negotiations. There is an element of irony in the current nuclear crisis on the Korean Peninsula. The prevailing media coverage of the United States’ insistence that North Korea denuclearize rarely mentions that it was the United States that first ‘nuclearized’ the Korean peninsula and introduced nuclear weapons capable missiles in the mid to late 1950s, an act that explicitly violated of the 1953 armistice agreement at the end of the Korean War. The target then was not North Korea but rather the Soviet Union and China, both allies of North Korea and America’s Cold War adversaries. Ironically, both Russia and China currently stand as North Korea’s most reliable major power partners in sanctions evasions. The United States steadily expanded its South Korean-based nuclear weapons and missile capabilities across the 1950s and 1960s; the count peaked in 1967 at almost one thousand warheads. Ultimately, the United States removed its nuclear weapons from the peninsula in 1991, amid the dissolution of the Soviet Union and the de facto end of the Cold War. Fifteen years later, in October 2006, North Korea tested its first nuclear weapon, reigniting a sanctions regime against it that had first been imposed in response to its ballistic missile tests in the 1990s. However, North Korea now has a clearly demonstrated capability to develop both ballistic missiles and nuclear weapons despite threats of war, economic sanctions, and myriad diplomatic efforts via third parties, namely China. North Korean abilities to circumvent sanctions via a complex, highly effectively network of mechanisms pose a continuing challenge to the international community in its efforts to pressure North Korea. The ongoing success of this network suggests two problematic realities for policymakers and the world community. First and most obviously, North Korea’s success in circumventing sanctions, albeit with increasing difficulty given the growing range of sanctions, also makes it possible for Kim Jong Un to limit the effects of sanctions, both on the North Korean people and the regime’s weapons development. Secondly, given North Korea’s history of non-compliance with agreements, there is a strong possibility that any ‘grand bargain’ brokered on the Korean peninsula in the coming months will not stand the test of time. The pessimism inherent in such an assessment is predicated upon several premises each resting on prior North Korean performance. The history of North Korea’s non-compliance with agreements lies beyond the scope of this article and is well covered by others. However, some basic history of prior and on-going North Korean sanctions evasion practices is necessary.

North Korean sanctions evasion operates on multiple fronts. Leaving aside North Korea’s nuclear ambitions and activities for the moment, the most notorious conduct (yet more vulnerable to sanctions) is North Korea’s profiteering from conventional weapons sales, including ballistic missile technologies. One key actor in this dynamic is the former Soviet Union. As an element of both the export of Marxist-Leninist revolution and as a form of de facto

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12 See Michael Rubin’s, Dancing with the Devil cited previously.
13 For the purposes of this article I employ a definition of conventional weaponry that excludes all non-nuclear, non-chemical, and non-biological from the conventional category.
economic support, the Soviet Union shared weapons technology and allowed the manufacture of many of their small arms and munitions abroad, most notably the now famous AK-47 assault rifle and RPG shoulder-fired antitank/antipersonnel rocket launcher. Like many Eastern European nations, notably the former Czechoslovakia and East Germany, North Korea was a major beneficiary of this lower-level weapons technology transfer and subsequently continues to manufacture these and other Soviet origin weapons for use at home and for sale abroad. Given the widespread adoption of Soviet weaponry by nations around the world during the Cold War, the collapse of the Soviet Union in 1991 created new openings for former Soviet allies capable of manufacturing such weapons. Moreover, given the relative simplicity and ruggedness of Soviet-era weapons and the wide network of former Soviet clients, North Korea was not short of customers. A further unfortunate wrinkle in a seemingly paradoxical puzzle is that given the expense and complexity of American and other western weapons, even nominally staunch American allies were often in the market for North Korean produced, former Soviet-designed arms. The recent scandal involving the sale and transport of North Korean small arms weapons and munitions to Egypt is an excellent specific case in point. This unfortunate yet significant episode illustrates not only a potential divergence in interests between the United States and Egypt when it comes to a matter of major global importance but also highlights a clear case of Egypt’s more local, regional concerns prevailing over more globally oriented American interests. This incident prompted a United States’ rebuke of Egypt for the endeavor, but it nonetheless illustrates the opportunistic environment within which North Korea circumvents sanctions. In this instance, Egypt’s purchase of North Korean weapons suggests that Egyptian concerns over an ISIS-led insurrection in northern Egypt (the Sinai) and support for an Egypt-backed partner in Libya’s continuing civil war required weapons the United States itself was unable or unwilling to provide despite a very robust long-standing arms trade between the United States and Egypt. Such ‘zones of interest divergence’ is but one example of the fertile terrain in which North Korea continues to operate despite increasingly stringent sanctions.

The case of Egypt also raises the specter of more strategically important weaponry, specifically the transfer of ballistic missile technology and assistance with nuclear weapons development. North Korea’s military relationship with Egypt is nearly fifty years old, with North Korean military advisors replacing many of the Soviet advisors that Egyptian President Anwar Sadat expelled in the year prior to the 1973 Arab-Israeli War. The Egyptians were responsible for the introduction of Russian-designed ballistic missile technology into North Korea in the 1980s, a byproduct of Egyptian efforts to reverse engineer Soviet supplied SCUD missiles. The effort succeeded. Both countries now possess ballistic missiles based on the original Soviet missiles supplied to Egypt in the early 1970s. However, North Korea’s more


advanced engineering capabilities and more developed ballistic missile program eventually led to North Korean experts assisting Egypt in its current efforts to upgrade its ballistic missile capabilities. This transfer of ‘personnel expertise’ also occurred with Sudan, Libya, Syria, and possibly Iran. North Korea’s export of both missile components and technical expertise has led many strategic analysts to label North Korea, “Missiles R Us.” More ominously, North Korea’s assistance to Syria in building its al-Kubar nuclear reactor ultimately provoked an Israeli attack that destroyed the facility in 2007, an attack that Israel only recently acknowledged.

Furthermore, as in both cases of small arms weaponry and larger strategic weaponry, the actual sale of weaponry is only one element of North Korea’s subsequent revenue stream generated by weapons sales. The export of military personnel, the training of local forces in the region by North Koreans, and the assistance of higher level, more technical, Korean weapons development and deployment personnel generates either direct cash payments, transferred by any number of still available financial payment mechanisms for the North Koreans or in various in-kind non-cash payments that, while less fungible, nonetheless provide support for the government in Pyongyang. In the case of Egypt, and also Syria, not only are they direct beneficiaries of North Korean weaponry and military expertise, but they also allow North Korean embassies in their respective countries to market North Korean military hardware and expertise regionally. Egypt’s geographic proximity and historical political connectivity with African states provides an ideal regional sales office for North Korea.

North Korea’s African sanctions evasion pathways remain among the most difficult to preempt given the governments and local circumstances in many African states. North Korean arms sales to Sudan, Tanzania, Namibia, and several other nations in the surrounding region are in direct violation of prevailing sanctions against North Korea. The sales and other North Korean economic activities continue to bedevil efforts by the wider international community to disrupt Pyongyang’s economic lifelines, while at the same time furnishing North Korea with still significant sources of income. Indeed, as sanctions expert George Lopez of Notre Dame University has noted, “It’s good to go after the big fish, but even our best efforts can be undermined by lots of small fish” While the United Nations, the United States, and much of the western world has been successful in steadily reducing and even shutting down many of the ‘big fish’ North Korean customers in a global arms ocean, there remain sufficient numbers of small fish to float North Korea’s international financial activities.

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Weapons sales and the export of North Korean technical expertise understandably capture most of the world’s attention in terms of North Korean economic activities abroad. However, arms sales and the provision of military technical expertise abroad constitute only one of the many facets of North Korea’s ability to evade sanctions against it. For decades, North Korea has engaged in extensive counterfeiting operations, everything from the production of fake American and Chinese cigarettes to counterfeit U.S. currency, specifically $100 bills, the latter instance ultimately resulting in a redesign of the U.S. currency.\(^{21}\) Such activities are neither unique nor exclusively practiced by North Korea. However, North Korean sanctions evasion goes beyond the routine and mundane and often approaches the sublime bordering on the bizarre. North Korean workers filled vacant jobs in Eastern Europe as the fall of the Berlin Wall freed Poles, Czechs, Hungarians, and other Eastern European workers, who fled west in search of more lucrative employment in the European Union.\(^{22}\) North Korea has been implicated in rhino poaching in Africa, seeking an entrée into the Chinese and other Asian traditional medicines trade.\(^{23}\) North Korea operated a youth hostel as an ancillary enterprise on the grounds of its embassy in Berlin, Germany.\(^{24}\) North Korean expatriate skilled and unskilled laborers helped build sports stadiums in Qatar as that nation prepares to host the 2022 World Cup Football Championship.\(^{25}\) And, in a true east helps west moment, North Korea’s state-run Mansudae Art Company won a contract from Germany to refurbish a fountain in Frankfurt as a part of the “Fairy Tale Trail,” a theme park depicting the stories of the Brothers Grimm.\(^{26}\)

Given these and other North Korea efforts to generate revenue despite escalating sanctions in late August, 2017, the United States Treasury Department’s Office of Foreign Asset Control (OFAC) announced further sanctions targeting several North Korean state enterprises including Mansudae Overseas Projects Architectural and Technical Services, legally and hereafter (MOP).\(^{27}\) Mansudae began as a domestic North Korean art company, initially heavily influenced by Soviet ‘Socialist Realist’ art produced during the Stalinist years. However, for over thirty years, Mansudae’s overseas activities gradually grew into a separate state entity and invaluable generator of hard currency.\(^{28}\) OFAC had previously sanctioned MOP much earlier (December 2016) for its use of North Korean laborers abroad to generate revenue that subsequently was used by other previously sanctioned North Korean companies engaged directly in the production both of conventional munitions and in support of North Korea’s ballistic


missile program. The latter activity was the target of United Nations (U.N.) sanctions via a U.N. Security Council Resolution (UNSCR 2371) addressing several U.N. member states’ concerns over North Korea’s ballistic missile development and testing.

MOP has a long-lived and global reputation as a major purveyor and contractor of North Korean art, undertaking projects in more than a dozen countries including Egypt, Syria, Namibia, Cambodia, Germany, and several others. The actual history and products of MOP lies beyond the scope of this article; however, two central elements of MOP’s decades-long endeavors that ultimately provoked the sanctions against it require comment. First, as a state-sponsored art company, Mansudae builds monuments and museums, renovates extant museums, and provides additional arts services. For example, North Korea built panoramas in Cairo depicting Egypt’s crossing of the Suez Canal and Damascus celebrating Syria’s attack into the Golan Heights in the 1973 Arab-Israeli War, monuments celebrating African leaders in the Democratic Republic of the Congo and Mozambique, and victories against various enemies in Ethiopia and Cambodia. According to some estimates, Mansudae has generated millions of dollars annually for North Korea in direct cash payments. Often lost in the analysis of North Korea’s general pattern of overseas revenue generation, and specific to MOP, the collapse of the Soviet Union in 1991 resulted in North Korea’s loss of its largest and most vital source of foreign currency and economic assistance. MOP’s activities increased significantly in the late 1980s, as Soviet aid began to dwindle and again in the aftermath of the Soviet Union’s collapse.

Secondly, as mentioned briefly previously, each art/architecture project abroad employed North Korean artists, laborers, and administrators with each worker generating income for Pyongyang while being paid a subsistence wage while employed abroad.\(^\text{29}\) North Korean state contract laborers were at work seemingly everywhere in the Persian Gulf, the wider Middle East, and in Eastern Europe throughout the 1990s and continuing until quite recently. North Korean laborers often filled labor shortages created by Polish, Hungarian, Romanian, and other Eastern Europeans who sought higher wages and a better life further west in the European Union. In the Persian Gulf, North Korean laborers filled positions that were too hazardous and less desired, particularly as South Asian nations, most notably India, began to demand better treatment for their expatriate workers in the region. In short, then-celebrated European integration and the collapse of the Soviet Union opened yet another niche for North Korean opportunistic economic behavior in support of Pyongyang’s revenue requirements and its increasing need to evade sanctions. Export of North Korean labor was one of the stated rationales for the U.S. Department of Treasury’s eventual imposition of sanctions against MOP in late 2016.

According to Robert Litwak, a Wilson Center expert on nuclear policy, Kim Jong Un’s North Korea faces a dilemma. Its military capacities, including its nuclear arsenal, stand in sharp contrast to its very much constrained domestic economy and alleged rising expectations of the North Korean people, particularly as the latter become more aware of the lives and livelihoods of their Chinese neighbors. Litwak suggests that this

\[\text{juxtaposition of strength and weakness that you have in North Korea – where, according}
\[\text{to projections, it could have nuclear arsenal half the size of Great Britain’s by 2020 in}
\[\text{terms of number of warheads… and an economy of $1,800 per capita. [That’s] is 43}
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This theme of weakness and vulnerability, given North Korea’s history on one side of the equation and the need to show strength in the face of potential aggressors regardless of the required sacrifices to do so on the other hand, can be found throughout the political culture and society of North Korea. Kim Jong Un’s dilemma is certainly one plausible reason for his new openness to negotiations with the United States on nuclear issues. It also constitutes a plausible explanation for the North Korean leaders’ now well-established record of building waterparks, amusement theme parks, and other affordable leisure venues for the North Korean people, an undertaking that also has the optical effect of countering foreign claims that his people are starving, oppressed, and without hope. Not surprisingly, North Korean workers recently completed a water park in Russia as a “symbolic [gesture] of goodwill” between North Korea and Russia. The price of the Russian water park has not been disclosed. Water parks and amusement theme parks aside, Mansudae and its overseas unit, MOP, remain one of the more prominent, non-lethal enterprises that North Korea currently employs in its efforts to evade sanctions.

While this article only touches the surface of North Korea’s sanctions evasion mechanisms, it does suggest the complexity of those mechanisms and subsequent challenges in identifying and restricting them. As General Hayden has suggested, North Korea’s recent openness to negotiations on its nuclear program likely is the product of more factors than the effectiveness of increasingly stringent sanctions. However hopeful and perhaps fruitful the impending negotiations may be, there is another factor that, over time, will likely present more opportunities for North Korea to continue funding its various programs, both military and civilian, via international commerce, both legal and illegal (sanctioned).

Geopolitical circumstances, that initially greatly facilitated the development of North Korea’s sanctions evasion mechanisms in the late 1980s and throughout the 1990s, have changed, in North Korea’s favor. In these final decades of the American Century (roughly 1945 to the dawn of the 21st century), both China and Russia, for differing reasons, were more amendable to and less inclined to disrupt an American-dominated international legal and commercial framework. That framework emerged in the immediate post-World War Two era, endured throughout the Cold War, and initially survived that conflict. But, costly American interventions in the post-9/11 world, financial volatility in global markets, and other disruptive moments in the early 2000s (Arab Spring, the Brexit movement, the emergence of democratically generated anti-democratic movements in Europe and beyond) challenged, weakened, and now threaten this environment. The Russian and Chinese governments, initially cautious and seeking greater cooperation with the United States in the 1990s, have reemerged as major rivals and competitors, openly challenging and disrupting established American-led

30 Robert S. Litwak, “Is North Korea Ready for Peace or Playing for Time?,” Ground Truth Briefing, Wilson Center, Washington, D.C., May 3, 2018. https://www.wilsoncenter.org/event/north-korea-ready-for-peace-or-playing-for-time?mkt_tok=eyJpIjoiWHxNek9UTmlZek00WkRobCl5lnQiO1wGwFlGdySFQ5Z05oYWt0aUxjU2VnQzRWZU M0NYp4QUF0N3VwYzVMSa0dUd3eFrWXXY5dHHE3bk1YNE5EdWoyZI2TfBSHNFME45dEpycnBhQit1eV Z1Z3hyM3hQR3BleXU2ajNHblZ4ZVpES2xUvIh6QUfcL1N5U0dXc9EOVp0In0%3D Accessed, May 4, 2018.


international systems. China has moved beyond Tiananmen Square era upheaval and Russia has shaken off its post-collapse of the Soviet Union malaise. These developments unfortunately coincided with the continued rise of anti-democratic, authoritarian, nationalist movements throughout Asia and Europe. Pakistan, Iran, Turkey, and an increasingly fractured and fractious Europe constitute a much more challenging reality for 21st century American policy. Prevailing indicators suggest that the 21st century global political environment likely will be less friendly and possibly more openly hostile to American interests.

Unfortunately, and paradoxically, this emerging reality is a nearly perfect medium for North Korean sanctions evasion. Both China and Russia continue to allow North Korean workers and companies to generate income in their respective countries. While technically supportive of the sanctions and more stringent in their enforcement of sanctions, both China and Russia view North Korea as a valuable strategic lever in their relations with the United States. A politically neutered North Korea, much less North Korea’s collapse, either politically or via any reunion of the Korean peninsula, is not in China’s or Russia’s interest. Consequently, Vladivostok shipping companies and Siberian forests and mines continue to provide reliable incomes for North Korean workers and subsequently the regime in Pyongyang. Similarly, Chinese border cities of Dandong and Hunchun continue to serve as major gateways for North Korean–Chinese cross-border trade, providing a robust conduit for North Korean commercial endeavors beyond China. While China has begun more strict enforcement of sanctions in these cities, significant trade continues. And, in the middle of this conduit, much closer to North Korea, Mansudae is pursuing an emerging Chinese middle class that, according to a 2015 Credit-Suisse report, now outnumbers America’s middle class, offering its paintings and other art products to Chinese consumers eager to collect and to decorate households earning incomes that were, to so many Chinese, unimaginable in the 1980s. In fact, Mansudae has an office in Beijing to facilitate access to the Chinese art market, yet another mechanism that offers another ‘escape route’ from sanctions.

China’s ambitious domestic and foreign policy agenda provides multiple opportunities for North Korea. The ‘One Belt, One Road’ policy, and China’s vision of a maritime Silk Road, broadening China’s economic and political reach across the Asian and European land mass and


expanding its seaborne trade network across both the Pacific and the Atlantic ocean basins can rightly be seen as a security challenge for the United States and its allies. But China’s strategic agenda also offers additional networked pathways for further North Korean sanctions evasion, or, absent sanctions, continued North Korean commerce along its long-demonstrated weapons, labor, and art/architecture pathways. Indeed, Panama’s recent decision to rescind its diplomatic recognition of Taiwan reinforced this reality, a change that greatly pleased China and only reinforced Chinese control of major port facilities on either side of the Panama Canal, providing another possible future option for North Korea in terms of goods transiting in search of potential Caribbean partners in trade.

In July 2013, Panama seized a North Korean cargo ship headed east, filled with Cuban brown sugar covering Soviet-era weaponry presumably bound for repair and return in North Korea. Regardless of any probable outcome of the talks between President Trump and Kim Jong Un, North Korea’s efforts to generate revenue, either illegally or legally (absent sanctions), likely are almost certain to travel along well-established avenues within a truly sophisticated network of front companies, diplomatic actors, weapons-related enterprises, and one now very prominent North Korean art company. Whether it is a bust of Dennis Rodman, or North Korean kitsch art hanging in Chinese middle-class households, or giant statues of aging dictators in Africa, Masundae Art Company is a name that is unlikely to fade away.

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